THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt about this circular or as to the action to be taken, you should consult your licensed securities dealer or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Bar Pacific Group Holdings Limited** (the "**Company**"), you should at once hand this circular with the enclosed forms of proxy to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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)

(Stock Code: 8432)

MAJOR TRANSACTION
ACQUISITION OF SMART EXPRESS DEVELOPMENT LIMITED

Capitalised terms used in this cover page shall have the same meanings as those defined in this circular unless otherwise stated.

A letter from the Board is set out on pages 4 to 11 of this circular.

The Company has obtained written Shareholders' approval for the Acquisition pursuant to Rule 19.44 of the GEM Listing Rules from Moment to Moment, being the controlling Shareholder holding more than 50% of the voting rights at a general meeting to approve the Acquisition. Accordingly, no general meeting will be held to approve the Acquisition pursuant to Rule 19.44 of the GEM Listing Rules. This circular is being despatched to the Shareholders for information only.

27 September 2019

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

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

CONTENTS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

"Acquisition"	the acquisition of 100% legal and equity interests of the Target by HTS pursuant to the Agreement
"Agreement"	the formal sale and purchase agreement dated 23 July 2019 and entered into between HTS and the Vendors regarding the sale and purchase of the Sale Shares and the Shareholder's Loan
"associate(s)"	has the meaning ascribed to it in the GEM Listing Rules
"Board"	the board of Directors
"Company"	Bar Pacific Group Holdings Limited (太平洋酒吧集團控股有限公司), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on GEM (stock code: 8432)
"Completion"	completion of the Acquisition
"Completion Date"	the date on which Completion takes place
"Condition"	the conditions precedent to which Completion is subject to as set out in the paragraphs headed "Conditions precedent to Completion" under the section headed "The Agreement" in the letter from the Board of this circular
"Consideration"	HK$50,000,000, being the consideration for the Acquisition
"Director(s)"	the director(s) of the Company
"Enlarged Group"	the Group and the Target
"GEM"	GEM of the Stock Exchange
"GEM Listing Rules"	the Rules Governing the Listing of Securities on GEM
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China

"HTS"	HTS Development Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company
"Independent Third Party(ies)"	third party(ies) independent of and not connected with the Company and its connected persons or any of their respective associates
"Latest Practicable Date"	24 September 2019, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
"Moment to Moment"	Moment to Moment Company Limited, being a controlling Shareholder holding 431,543,700 Shares (representing approximately 50.18% of the issued share capital of the Company as at the Latest Practicable Date)
"Placing"	the conditional placing of 215,000,000 Shares, details of which are set out in the Prospectus
"Property"	all the shops on the Ground Floor Yau Shing Building Nos. 501/503 & 507/511 Castle Peak Road Kwai Chung New Territories
"Prospectus"	the prospectus of the Company dated 30 December 2016 in relation to the Placing
"Sale Shares"	the entire issued share capital in the Target held by Vendors as at the date of the Agreement and Completion
"SFO"	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Shareholder(s)"	holder(s) of the Shares
"Shareholder's Loan"	all such sum of money advanced by way of loan by the Vendors to the Target and due and owing by the Target to the Vendors as at Completion Date
"Shares"	ordinary share(s) of HK$0.01 each in the share capital of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

"Target"	Smart Express Development Limited (駿添發展有限公司), a company incorporated in Hong Kong with limited liability and the sole and beneficial owner of the Property
"Vendors"	shareholders of the Target as at the date of the Agreement
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"%"	per cent.

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)
(Stock Code: 8432)

Executive Directors:
Ms. Tse Ying Sin Eva *(Chairlady)*
Ms. Chan Tsz Tung

Independent Non-Executive Directors:
Mr. Tang Wing Lam David
Mr. Chin Chun Wing
Mr. Yung Wai Kei

Registered Office:
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

Head Office and Principal Place of Business in Hong Kong:
Room D2, 11/F, Phase 2
Hang Fung Industrial Building
2G Hok Yuen Street
Hung Hom
Kowloon
Hong Kong

27 September 2019

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION
ACQUISITION OF SMART EXPRESS DEVELOPMENT LIMITED

INTRODUCTION

Reference is made to the announcement and supplemental announcement of the Company dated 23 July 2019 and 29 August 2019 respectively in relation to the Acquisition.

On 23 July 2019, HTS, as purchaser, entered into the Agreement with the Vendors, as vendors, pursuant to which the Vendors have agreed to sell the Sale Shares and the Shareholder's Loan, and HTS has agreed to acquire the same for a Consideration of HK$50,000,000 on and subject to the terms and conditions contained in the Agreement.

The purpose of this circular is to provide you with, among others, (i) details of the Acquisition; and (ii) further information as required under the GEM Listing Rules.

THE AGREEMENT

Key terms of the Agreement are summarized below:

Date	:	23 July 2019
Parties	:	(i) the Vendors as the vendors; and
		(ii) HTS as the purchaser

The Vendors are Mr. Chan Ping Che ("**Mr. Chan**"), Mr. Lo Chu Hung ("**Mr. Lo**") and Mr. Tsoi Chi Chung ("**Mr. Tsoi**"), being all the shareholders of the Target. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of Mr. Chan, Mr. Lo and Mr. Tsoi and their respective associates are Independent Third Parties.

Subject matter

HTS has agreed to acquire the Sale Shares and the Shareholder's Loan from the Vendors pursuant to the terms of the Agreement.

The Sale Shares represent the entire issued share capital of the Target and are legally and beneficially held by the Vendors. The Shareholder's Loan represents all such sum of money advanced by way of loan by the Vendors to the Target and due and owing by the Target to the Vendors as at Completion Date. As confirmed by the Vendors, the Shareholder's Loan is non-interest-bearing. As at the Latest Practicable Date, the Shareholder's Loan amounted to approximately HK$42,314,000. Part of the Consideration received by the Vendors will be used to discharge the mortgage (the "**Mortgage**") which the Property is currently subject to.

Consideration

The Consideration was determined after arm's length negotiations between HTS and the Vendors on normal commercial terms with reference to (i) the market value of similar properties in similar locations; (ii) the valuation of the Property of HK$48,400,000 as at 30 June 2019 under the comparison approach (or market approach) as performed by Moore Stephens Transaction Services Limited, an independent professional valuer; and (iii) the prospects of the Property as set out in the section headed "Information of Property". The Directors (including the independent non-executive Directors) believe that the Consideration is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Consideration of the Acquisition shall be in the total aggregate sum of HONG KONG DOLLARS FIFTY MILLION ONLY (HK$50,000,000), and the consideration for the Shareholder's Loan shall be an amount equal to the Shareholder's Loan, and the consideration for the Sale Shares shall be an amount equal to the Consideration less the consideration for the Shareholder's Loan. As at the Latest Practicable Date, the cash and bank balances of the Group amount to approximately HK$64,729,000. It is expected that the Consideration will be financed as to HK$39.5 million by the interal resource of the Group and as to HK$10.5 million by external financing, which a bank in Hong Kong has agreed in principle to provide such loan to HTS. The Board confirms that the net proceeds from the Placing will not be applied towards satisfaction of the Consideration, and the financing arrangement of the Acquisition is consistent with the use of net proceeds from the Placing as stated in the Prospectus.

The Consideration shall be payable in the following manner:

(a) HK$5,000,000 was paid by HTS as the initial deposit upon signing of the Agreement.

(b) The remaining balance of HK$45,000,000 shall be fully paid upon Completion.

Based on the information provided by the Vendors, the amount of the Shareholder's Loan is expected to remain at HK$42,314,000 as at the Completion Date, and accordingly, the amount of the consideration for the Shareholder's Loan is expected to be HK$42,314,000 and the amount of the consideration for the Sale Shares is expected to be HK$7,686,000. In such circumstances, while the expected amount of the consideration for the Sale Shares of HK$7,686,000 would represent a premium of HK$1,861,000 over the unaudited net asset value of the Target as at 31 December 2018 after adjustment for the value of the Property of HK$48,400,000 as at 30 June 2019 based on the valuation of the Property, and, having considered the factors set out in the section headed "Information about the Group and reasons for the Acquisition", is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Condition precedent to Completion

Completion of the Acquisition is subject to the following conditions precedent:

(a) HTS having completed the due diligence investigation on the business, financial and legal aspects of the Target and satisfied that the Target has no liabilities other than the Shareholder's Loan; all tax liabilities, deferred tax liabilities (including any contingent tax liability arising as a result of rental income) (if any); rental deposit received, prepayment received (including but not limited to rental received in advance) and accrued accounts payable and accounts payable in the ordinary course of business (if any), and it has complied with the applicable laws in all material aspects;

(b) the Vendors, shall at the Vendors' own cost, procure Target to prove and show a good title to the Property in accordance with Sections 13 and 13A of the Conveyancing and Property Ordinance (Cap. 219 of the Laws of Hong Kong) and has at the Vendors' own expenses furnished to HTS such certified copies of any deeds or documents of title, wills and matters of public records as may be necessary to prove such good title;

(c) the Target is and remains to be the sole legal and beneficial owner of the Property which is free from encumbrances as at Completion;

(d) the Vendors as legal and beneficial owners shall sell and HTS shall purchase or procure the acquisition of the Sale Shares free from all right of pre-emption, option, liens, claims, equities, charges, encumbrances or third-party rights of any nature;

(e) one of the Vendors who owns 50% of the entire issued shares of the Target as legal and beneficial owner shall assign and HTS shall take up the assignment of the Shareholder's Loan free from all right of pre-emption, option, liens, claims, equities, charges, encumbrances or third-party rights of any nature;

(f) the Acquisition shall be duly approved by the Shareholders in accordance with the applicable laws and the GEM Listing Rules;

(g) all the representations, undertakings and warranties given by the Company under the Agreement are and shall remain true, accurate, correct and complete and not misleading in all material respects up to the Completion; and

(h) the Vendors are required to discharge the existing Mortgage over the Property.

If any of the foregoing conditions is not fulfilled (or waived by HTS) on or before the Completion Date, HTS shall be entitled by sending a written notice to the Vendors on or before the Completion Date to cancel the transactions contemplated under the Agreement whereupon the Vendors shall return all the deposits received to HTS forthwith without interest and neither party shall be entitled to claim against the other party for any relief thereafter.

As at the Latest Practicable Date, none of the conditions precedent above had been fulfilled.

Completion

Completion is expected to take place at or before 12:00 noon on 31 October 2019.

Upon Completion, the entire issued shares of the Target will be indirectly owned by the Company.

INFORMATION ABOUT THE TARGET

The Target is a company incorporated in Hong Kong on 20 March 2015 with limited liability. The principal business activity of the Target is investment property. The Property is the main asset of the Target and the current use of the Property is investment purpose by leasing out for rental income.

As at 31 December 2018, the unaudited net asset value of the Target was approximately HK$3,226,000. After adjustment for the value of the Property of HK$48,400,000 as at 30 June 2019 based on the valuation of the Property, the unaudited net asset value of the Target was approximately HK$5,825,000.

As at the Latest Practicable Date and as advised by the Vendors, the Target is not engaged in any material litigation or claims, and so far as the Vendors are aware, no material litigation or claim is pending or threatened by or against the Target.

INFORMATION OF PROPERTY

The Property is shops unit located at the all those shops on the Ground Floor Yau Shing Building Nos. 501/503 & 507/511 Castle Peak Road Kwai Chung New Territories. The Property represents all those 12 equal undivided 42^{nd} parts or shares of and in the piece or parcel of Yau Shing Building and the land on which Yau Shing Building is erected thereon (the "**Land**"). The Land is located at the junction of Castle Peak Road - Kwai Chung and Kwai Chung Road. There is a pedestrian footbridge system connecting Castle Peak Road - Kwai Chung, Kwai Chung Road, Cheung Wing Road and Lei Muk Road. The Property is right next to one of the footbridge landings of such pedestrian footbridge system. Kwai Hing MTR station is also located at the southwest of the Property with walking distance of approximately 12 minutes.

Originally, the area (the "**Area**") where Yau Shing Building located was mainly an industrial area. Based on the public documents and information available, in recent years, in the Area, especially those north of Castle Peak Road – Kwai Chung and east of Kwai Chung Road, there are (i) certain new grants of lands with commercial and/or industrial use; (ii) a comprehensive development of flat, eating place, shop and services and offices approved by the Town Planning Board; and (iii) a waiver regarding the change of land use of a building from industrial use to office, shop and services use was granted. Based on the above, it is expected that a number of commercial, industrial and residential projects in the Area will be completed in the next few years.

The Board expects that, upon completion of such commercial, industrial and residential projects, the anticipated increase in both residential and working populations could mean additional patronage with higher spending power in the Area, which in turn, may result in more redevelopment projects to come on stream in the Area. Given the location and accessibility of the Property, namely, situating right next to one of the footbridge landings of the pedestrian footbridge system in the Area, which is along one of the paths connecting such commercial, industrial and residential projects and Kwai Hing MTR station, it is expected that the redevelopment of the Area would increase the value of the Property while at the same time attract interest from potential investors for redevelopment.

The Property is currently leased to tenants, while three tenants are Independent Third Parties and one is leased to a wholly-owned subsidiary of the Company. Based on the information provided by the Vendors, (i) the period of tenancies ranges from 1 to 6 years and the monthly rental income under the current tenancy arrangement in aggregate is approximately HK$135,000; and (ii) as at the Latest Practicable Date, there was outstanding rent in the amount of HK$575,000 due from one of the tenants whose tenancy would be ending on 31 December 2020 with monthly rent of HK$40,000. As advised by the Vendors, the Target was still negotiating with such tenant for the recovery of the outstanding rent as at the Latest Practicable Date. In the event that such tenant fails to pay rent after Completion, the Group will take action(s) for the recovery of the outstanding rent and/or the possession of the property. Given that (i) pursuant to the terms of the Agreement, all rental profits pertaining to the Property up to and inclusive of the Completion Date shall be received by the Vendors; and (ii) if, after Completion, such tenant fails to pay rent and the Purchaser is required to take legal actions, it is expected that the Purchaser will need to spend approximately three months and incur legal costs of approximately HK$300,000 for the recovery of the outstanding rent and/or possession of the property, the Board considers that the benefits of the Acquisition as set out in the section headed "Information about the Group and reasons for the Acquisition" outweigh the potential risk exposure.

Subject to further investigation and based on the quotations obtained by the Group, it is preliminary expected that advertising board may be installed in the indoor area of the Property facing Castle Peak Road at the construction costs of approximately HK$100,000 and monthly revenue of approximately HK$20,000 may be generated from such advertising space.

Based on the valuation of the Property under the comparison approach performed by Moore Stephens Transaction Services Limited, an independent professional valuer, the appraised market value of the Property was HK$48,400,000 as at 30 June 2019. Full text of the valuation report of the Property performed by Moore Stephens Transaction Services Limited is set out in appendix V to this circular.

INFORMATION ABOUT THE GROUP AND REASONS FOR THE ACQUISITION

The Group is principally engaged in the operation of a chain of bars in Hong Kong under two own brand names, namely "Bar Pacific" and "Pacific". The Target is the landlord of a wholly-owned subsidiary of the Group. Currently part of the Property is leased to a wholly-owned subsidiary of the Company and will remain to be used for the same purpose after Completion, and other parts of the Property would be used for investment purpose. Upon the expiry of the existing tenancy agreement, the Group shall evaluate the benefit of continuing leasing of the Property against the benefit of using the Property as one of the Group's shops.

It is anticipated that the rental income generated from the Property will provide another steady income stream to the Company. Further, revenue may also be generated from the advertising space in the event that the plan to install an advertising board in the Property materialised. In addition, the Directors consider that the Acquisition will reduce the Group's exposure to future rental expenditure increment and ensures the continuity of its operation.

Given the recent development of the Area and the location and accessibility of the Property as set out in the section headed "Information of Property", and the fact that the Property represents more than 20% of the undivided shares in the Land, upon Completion, the Group would also become a critical minority owner of the Land for the purpose of any compulsory sale pursuant to Land (Compulsory Sale for Redevelopment) Ordinance (Cap. 545 of the laws of Hong Kong), the Board is confident on the future prospects of the Property, whether for rental or resale purpose.

Further, as the subject matter of the Acquisition is the issued shares of a property holding company instead of the property itself, the stamp duty payable by the Group would be approximately HK$100,000 (representing 0.2% of the net assets value of the Target) instead of approximately HK$4,250,000 (representing 8.5% of the consideration for the Property) and the Group would, in effect, have saving on the transaction cost of approximately HK$4,150,000.

For the reasons aforesaid, the Board (including the independent non-executive Directors) is of the view that the entering into of the Agreement is on normal commercial terms and the terms of the Agreement are fair and reasonable and in interests of the Shareholders and the Company as a whole. The Directors consider that the Acquisition represents a good investment opportunity for the Company.

None of the Directors has any interests in the Acquisitions and therefore, none of them has abstained from voting on the Board resolutions which approved the Acquisitions.

FINANCIAL EFFECT OF THE ACQUISITION

The Property will be held as right-of-use assets (i.e. land costs for the property, plant and equipment and investment properties), buildings under property, plant and equipment (i.e. for those portion of the Property which is currently leasing to the Group) and investment properties (i.e. for the remaining portion of the Property which is currently leasing to three Independent Third Parties) in the Group after Completion. With reference to the valuation prepared by the Company's valuer, Moore Stephens Transaction Services Limited, the right-of-use assets, property, plant and equipment and investment properties of the Group are expected to increase by approximately HK$47,093,000, HK$1,254,000 and HK$1,725,000 respectively, the total assets and net asset value of the Group is expected to remain at a similar level as the increase in property, plant and equipment is offset by the decrease in bank balance. The Group expects the Acquisition will increase the annual depreciation charges by approximately HK$1,669,000. However, the above estimated depreciation charge is expected to be offset by annual savings of approximately HK$816,000 in rental expenses and annual rental income of approximately HK$864,000.

The aforesaid estimation is for illustrative purpose only and does not purport to represent how the financial position of the Group will be after Completion.

IMPLICATIONS UNDER THE GEM LISTING RULES

As the highest applicable percentage ratios (as defined under Chapter 19 of the GEM Listing Rules) in respect of the Acquisition exceeds 25% but less than 100%, the Acquisition constitutes a major transaction under Chapter 19 of the GEM Listing Rules and is therefore subject to the reporting, announcement, circular and Shareholders' approval requirements under the GEM Listing Rules.

To the best of the Director' knowledge, information and belief, having made all reasonable enquiries, no Shareholder is required to abstain from voting if the Company were to convene a general meeting for such approval. Moment to Moment, being the controlling Shareholders holding 431,543,700 Shares (representing approximately 50.18% of the issued share capital of the Company as at the date of the Agreement and the Latest Practicable Date), has given its written approval for the Agreement and the transactions contemplated thereunder, and such written approval is accepted in lieu of holding a general meeting pursuant to Rules 19.44 of the GEM Listing Rules. As a result, no extraordinary general meeting will be convened for the purpose of approving the Acquisition pursuant to Rule 19.44 of the GEM Listing Rules.

RECOMMENDATION

The Directors (including the independent non-executive Directors) consider that the terms of the Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

ADDITIONAL INFORMATION

Your attention is also drawn to the information set out in the appendices to this circular.

Yours faithfully,
By Order of the Board
Bar Pacific Group Holdings Limited
Tse Ying Sin Eva
Chairlady

1. FINANCIAL INFORMATION OF THE GROUP

The published audited consolidated financial statements of the Group for the three years ended 31 March 2017, 2018 and 2019 are disclosed in the annual reports of the Company for the three years ended 31 March 2017, 2018 and 2019. They can be accessed on the websites of the Company (http://www.barpacific.com.hk) and the Stock Exchange (http://www.hkexnews.hk):

(i) annual report of the Company for the year ended 31 March 2017 published on 20 June 2017, which can be accessed via the link at

http://docs.wixstatic.com/ugd/fce6a5_de9248b3a4d14086b311615fdeddb256.pdf; or
https://www1.hkexnews.hk/listedco/listconews/gem/2017/0620/gln20170620015.pdf;

(ii) annual report of the Company for the year ended 31 March 2018 published on 29 June 2018, which can be accessed via the link at

http://docs.wixstatic.com/ugd/fce6a5_07f5b9ba0a8a479a95b5535c405945ba.pdf; or
https://www1.hkexnews.hk/listedco/listconews/gem/2018/0629/gln20180629199.pdf;

(iii) annual report of the Company for the year ended 31 March 2019 published on 27 June 2019, which can be accessed via the link at

https://static.wixstatic.com/ugd/fce6a5_aba220aab8a74476b47c6b6d5667b8de.pdf; or
https://www1.hkexnews.hk/listedco/listconews/gem/2019/0627/gln20190627223.pdf.

2. WORKING CAPITAL

The Directors, after due and careful consideration, are of the opinion that, in the absence of unforeseeable circumstances, taking into account the financial resources available to the Enlarged Group and the effect of the Acquisition, the Enlarged Group will have sufficient working capital for its present requirements for at least the next twelve months following the date of this circular.

3. INDEBTEDNESS

Borrowings

As at the close of business of 31 July 2019, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Enlarged Group had total indebtedness of approximately HK$104,671,000, comprising bank borrowing of approximately HK$8,894,000, lease liabilities of approximately HK$50,646,000 and amount due to director of approximately HK$42,314,000.

Contingent liabilities

As at the close of business of 31 July 2019, the Enlarged Group had no material contingent liabilities.

Pledge of assets

The Enlarged Group's above outstanding lease liability of approximately HK$663,000 were secured by the Enlarged Group's property, plant and equipment with net book value of approximately HK$693,000.

Besides, the Enlarged Group has pledged certain of its right-of-use and investment properties with carrying amounts of HK$37,671,000 and HK$3,002,000 respectively for a general banking facility granted to a related company of the Target Company.

Save as disclosed above and apart from intra-group liabilities and normal accounts payable in the ordinary course of business of the Enlarged Group, the Enlarged Group did not have any outstanding indebtedness in respect of any mortgages, charges or debentures, loan capital, bank loans and overdrafts, loans, debt securities or other similar indebtedness, liabilities under acceptance (other than normal trade bills) or acceptance credits or hire purchase commitments, guarantees or other material contingent liabilities as at the close of business on 31 July 2019.

Save as aforesaid and apart from intra-group liabilities, at the close of business on 31 July 2019, the Enlarged Group did not have any outstanding mortgages, charges, debentures or other loan capital or bank overdrafts, loans debt securities or other similar indebtedness, liabilities under acceptance or acceptances credits or hire purchase commitments, or any guarantees or any contingent liabilities.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group as at 31 March 2019, the date to which the latest published audited financial statements of the Group were made up.

5. FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

As at the Latest Practicable Date, the Company is an investment holding company and the principal activities of its subsidiaries is the operation of a chained bar group offering beverages and light refreshments in Hong Kong under brands "Bar Pacific" and "Pacific".

During the year ended 31 March 2019, a new shop under the name of "Bar Pacific" and two shops under the name of "Pacific" were opened. Overall sales performance increased approximately by 12% during the year ended 31 March 2019. As at the Latest Practicable Date, the Group operated a total of 38 shops throughout Hong Kong. Revenue of the Group is generated from beverages (including beer, other alcoholic drinks and other non-alcoholic beverages), light refreshments and others, including electronic dart machines. Sales incentives like bonuses and rewards are applied to all frontline and management staff, while strategic shifting of regional management is in place to constantly boost the Group's revenue.

During the year ended 31 March 2019, the Group carried out internal measures to enhance its products and services. Innovative beverages were introduced to individual shops in consideration of the customers' feedbacks, and the Group has widen beverages variety to match its customer needs in the ever changing trend. On top of this, shops are being renovated to modernize the Group's brand image and increase its visibility.

During the period from the listing date to 31 March 2019, the Group completed the refurbishment of 16 of its shops. The Group paid efforts in proactively marketing the "Bar Pacific" and "Pacific" brand during the year ended 31 March 2019 with the objective of maintaining its positive brand image and attracting new customers. A myriad of promotion and marketing events were initiated by the Group, in addition to activities co-organized with major suppliers or other parties. The Group has devoted increasing efforts in event participation, collaboration and sponsoring to enhance connection with customers and attract more new customers.

The Group puts great emphasis on staff management, in particular, the frontline staff as they play a vital role in providing quality services to our customers. The Group has provided professional training to the frontline staff regularly. Standard operating procedures pertaining to service and safety policy are in place for all staff members, while job training is provided to the management to ensure continuous improvement of business operation.

Looking ahead, the Group will ride on its elevated profile upon its listing in January 2017 and maintain its core business of bar operation and its existing branding strategy, targeting the mass market, to increase market share in Hong Kong. With the existing client base garnered over the years, the Group has the advantage of leveraging its extensive network in Hong Kong. Opening of four new shops is envisioned in the current financial year ending 31 March 2020.

Regarding the Target, based on the information provided by the Vendors, (i) the period of tenancies in relation to the Property ranges from 1 to 6 years and the monthly rental income under the current tenancy arrangement in aggregate is approximately HK$135,000; and (ii) as at the Latest Practicable Date, there was outstanding rent in the amount of HK$575,000 due from one of the tenants whose tenancy would be ending on 31 December 2020 with monthly rent of HK$40,000. The rental income of the Target is relatively stable. It is expected that the Acquisition will increase the annual depreciation charges of the Enlarged Group by approximately HK$1,669,000. However, the above estimated depreciation charge is expected to be offset by annual savings of approximately HK$816,000 in rental expenses and annual rental income of approximately HK$864,000.

The following is the text of a report received from the Company's reporting accountants, Fuson CPA Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF BAR PACIFIC GROUP HOLDINGS LIMITED

Introduction

We report on the historical financial information of Smart Express Development Limited (the "Target Company") set out on pages II-4 to II-28, which comprises the statements of financial position of the Target Company as at 31 December 2016, 2017, 2018 and 31 March 2019, and the statements of profit or loss and other comprehensive income, the statements of changes in equity and statements of cash flows of the Target Company for the years ended 31 December 2016, 2017 and 2018 and the three months ended 31 March 2019 (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages II-4 to II-28 forms an integral part of this report, which has been prepared for inclusion in the circular of Bar Pacific Group Holdings Limited (the "Company") dated 27 September 2019 (the "Circular") in connection with the proposed acquisition of the entire issued share capital of the Target Company and the right to all debts owing by the Target Company to its shareholders (the "Proposed Acquisition").

The directors' responsibility for the Historical Financial Information

The directors of the Target Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors of the Target Company determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

The financial statements of the Target Company for the Track Record Period (the "Underlying Financial Statements"), on which the Historical Financial Information is based, were prepared by the directors of the Target Company based on the previously issued financial statements of the Target Company for the Track Record Period. The directors of the Target Company are responsible for the preparation of the Underlying Financial Statements of the Target Company that gives a true and fair view in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the HKICPA. This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the sole director of the Target Company, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Target Company's financial position as at 31 December 2016, 2017 and 2018 and 31 March 2019 and of its financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

Review of stub-period comparative financial information

We have reviewed the stub-period comparative financial information of the Target Company, which comprises the statements of profit or loss and comprehensive income, the changes in equity and cash flows for the three months ended 31 March 2019 and other explanatory information (the "Stub-Period Comparative Financial Information").

The directors of the Target Company are responsible for the preparation and presentation of the Stub-Period Comparative Financial Information in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub-Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review

Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing ("HKSAs") and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub-Period Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on GEM of the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements of the Target Company have been made.

Dividends

We refer to note 9 to the Historical Financial Information which states that no dividend has been paid by the Target Company in respect of the Track Record Period.

Fuson CPA Limited
Certified Public Accountants
Lee Yan Fai
Practising Certificate Number: P06078
Hong Kong

HISTORICAL FINANCIAL INFORMATION OF THE TARGET COMPANY

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The Underlying Financial Statements, on which the Historical Financial Information is based, were audited by us in accordance with HKSAs issued by the HKICPA.

The Historical Financial Information is presented in Hong Kong dollars ("HK$"), which is also the functional currency of the Target Company, and all values are rounded to the nearest thousand (HK$'000) except when otherwise indicated.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December			Three months ended 31 March	
	Notes	**2016**	**2017**	**2018**	**2018**	**2019**
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Revenue	5	895	1,483	1,491	373	392
Administrative expenses		(1,828)	(1,466)	(1,785)	(390)	(506)
Profit/(loss) before taxation	6	(933)	17	(294)	(17)	(114)
Income tax expense	8	(106)	(195)	(93)	(24)	(24)
(Loss)/profit and total comprehensive expense/income for the year/period		(1,039)	(178)	(387)	(41)	(138)

STATEMENTS OF FINANCIAL POSITION

		As at 31 December			As at 31 March
	Notes	**2016**	**2017**	**2018**	**2019**
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets					
Investment properties	11	3,275	3,170	3,065	3,038
Right-of-use assets	12	–	–	–	38,112
Prepaid lease payments	13	39,769	38,443	37,117	–
		43,044	41,613	40,182	41,150
Current assets					
Prepaid lease payments	13	1,326	1,326	1,326	–
Other receivables	14	206	290	222	177
Tax recoverable		–	–	82	58
Bank balances and cash	15	1,086	408	1,109	1,461
		2,618	2,024	2,739	1,696
Current liabilities					
Other payables	16	438	390	397	460
Amount due to a director	17	45,808	43,814	43,814	43,814
Taxation payable		141	336	–	–
		46,387	44,540	44,211	44,274
Net current liabilities		(43,769)	(42,516)	(41,472)	(42,578)
		(725)	(903)	(1,290)	(1,428)
Capital and reserves					
Share Capital	18	1	1	1	1
Accumulated losses		(726)	(904)	(1,291)	(1,429)
		(725)	(903)	(1,290)	(1,428)

STATEMENTS OF CHANGES IN EQUITY

	Share Capital	Retained earnings/ (accumulated losses)	Total
	HK$'000	*HK$'000*	*HK$'000*
As at 1 January 2016	1	313	314
Loss and total comprehensive expense for the year	–	(1,039)	(1,039)
As at 31 December 2016 and 1 January 2017	1	(726)	(725)
Loss and total comprehensive expense for the year	–	(178)	(178)
As at 31 December 2017 and 1 January 2018	1	(904)	(903)
Loss and total comprehensive expense for the year	–	(387)	(387)
As at 31 December 2018 and 1 January 2019	1	(1,291)	(1,290)
Loss and total comprehensive expense for the period	–	(138)	(138)
As at 31 March 2019	1	(1,429)	(1,428)
As at 1 January 2018 (audited)	1	(904)	(903)
Loss and total comprehensive expense for the period (unaudited)	–	(41)	(41)
As at 31 March 2018 (unaudited)	1	(945)	(944)

STATEMENTS OF CASH FLOWS

	Year ended 31 December			Three months ended 31 March	
	2016	2017	2018	2018	2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Profit/(loss) before taxation	(933)	17	(294)	(17)	(114)
Adjustments for:					
Amortisation of prepaid lease payment/right-of-use assets	1,326	1,326	1,326	331	331
Depreciation of investment properties	105	105	105	27	27
Operating cash flows before working capital changes	498	1,448	1,137	341	244
Changes in working capital:					
Decrease/(increase) in other receivables	396	(84)	68	(79)	45
Increase/(decrease) in amount due to a director	6	(1,994)	–	–	–
Decrease in other payables	186	(48)	7	–	63
Cash generated from/(used in) operations	1,086	(678)	1,212	262	352
Income tax paid	–	–	(511)	–	–
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES	1,086	(678)	701	262	352
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	1,086	(678)	701	262	352
CASH AND CASH EQUIVALENT AT BEGINNING OF THE YEAR/PERIOD	–	1,086	408	408	1,109
CASH AND CASH EQUIVALENT AT END OF THE YEAR/PERIOD, Represented by bank balances and cash	1,086	408	1,109	670	1,461
	1,086	408	1,109	670	1,461

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION

The Target Company was incorporated in Hong Kong on 20 March 2015 with limited liability under the Hong Kong Companies Ordinance (Cap. 622). The address of its registered office is Room 412, Wayson Commercial Building, 28 Connaught Road West, Hong Kong. The Target Company is ultimately owned and controlled by its directors, Chan Ping Che, Lo Chu Hung and Tsoi Chi Chung.

The Target Company is mainly engaged in properties investment in Hong Kong.

The Historical Financial Information has been prepared for inclusion in the circular of the Company in connection with the acquisition of the entire issued share capital of the Target Company and the sale debts owing by the Target Company to its shareholders.

The Historical Financial Information and Stub-Period Comparative Historical Financial Information are presented in HK$, which is also the functional currency of the Target Company.

2. BASIS OF PREPRATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

The significant accounting policies applied in the preparation of this Historical Financial Information is set out in note 3 below. These policies have been consistently applied to all the periods/year presented, unless otherwise stated.

The Historical Financial Information of the Target Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by HKICPA.

The preparation of Historical Financial Information in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Target Company accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in note 4.

New and amendments to HKFRSs in issue but not yet effective

The following are standards and amendments to existing standards that have been published and are relevant and mandatory for the Target Company's accounting periods beginning on 1 January 2020, but have not been early adopted by the Target Company.

HKFRS 17	Insurance Contracts[2]
Amendments to HKFRS 3	Definition of Business[3]
Amendments to HKFRS 10 and HKAS 28	Sales or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to HKAS 1 and HKAS 8	Definition of Material[4]
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting[3]

1 Effective for annual periods beginning on or after a date to be determined
2 Effective for annual periods beginning on or after 1 January 2021
3 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020
4 Effective for annual periods beginning on or after 1 January 2020

The management of the Target Company anticipates that the application of these new accounting standards and interpretations would not be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Changes in accounting policies

The HKICPA has issued a number of new and revised HKFRSs. For the purpose of preparing this Historical Financial Information, the Target Company has adopted all applicable new and revised HKFRSs for the Track Record Period except for any new standards or interpretation that are not yet effective for the accounting period beginning 1 January 2020. Details of the changes in accounting policies are discussed below.

(i) HKFRS 9 Financial Instruments

The adoption of HKFRS 9 from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the Historical Financial Information as described below. In accordance with the transitional provisions in HKFRS 9, HKFRS 9 was generally adopted without restating comparative information. The reclassifications and the adjustments arising from the new impairment rules are therefore not reflected in the restated statement of financial position as at 31 December 2017, but are recognised in the opening statement of financial position as at 1 January 2018.

Classification and measurement of financial instruments

On 1 January 2018 (the date of initial application of HKFRS 9), the Target Company's management has assessed which business models apply to the financial assets held by Target Company and has classified cash and cash equivalents into amortised cost measurement category,

There is no impact on the Target Company's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss ("FVPL") and Target Company does not have any such liabilities.

Impairment of financial assets

Only cash and cash equivalents are subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

(ii) HKFRS 15 Revenue from Contracts with Customers

The HKICPA has issued HKFRS 15 as the new standard for the recognition of revenue, which has become effective for financial years commencing on or after 1 January 2018. This replaces HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

The Target Company has adopted HKFRS 15 with the modified retrospective approach as permitted by the transition provision under the standard. The adoption of HKFRS 15 did not have any material impact on the Historical Financial Information.

(iii) HKFRS 16 Leases

HKFRS 16 replaces HKAS 17 Leases, HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease, HK(SIC)-Int 15 Operating Leases – Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Under HKAS 17, the Target Company has already recognised prepaid lease payments for leasehold lands where Target Company is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Target Company presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned. Therefore, HKFRS 16 did not have any financial impact on leases where the Target Company is the lessor.

The Target Company has adopted HKFRS 16 Leases retrospectively from 1 January 2019, but has not restated comparatives for the 2017 and 2018 reporting periods, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening statement of financial position on 1 January 2019.

Summary of effects arising from initial application of HKFRS 16

On transition, the Group has made the following adjustments upon application of HKFRS 16:

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

	Right-of-use assets *HK$'000*
Prepaid lease payments (Note below)	38,443

The following adjustments were made to the amounts recognised in the Historical Financial Information of financial position at 1 January 2019.

Impacts on assets as at 1 January 2019

	Carrying amounts previously reported at 31 December 2018 *HK$'000*	**Impacts of adopting HKFRS 16** *HK$'000*	**Carrying amounts under HKFRS 16 at 1 January 2019** *HK$'000*
Right-of-use assets	–	38,443	38,443
Prepaid lease payments – non-current	37,117	(37,117)	–
Prepaid lease payments – current	1,326	(1,326)	–

Note: Upfront payments for leasehold lands were classified as prepaid lease payments as at 31 December 2018. Upon application of HKFRS 16, the non-current and current portions of prepaid lease payments amounting to HK$37,117,000 and HK$1,326,000, respectively were reclassified to right-of-use assets.

The carrying amounts of the Group's right-of-use assets and lease liabilities, and the movements during the Period are as follows:

	Right-of-use assets *HK$'000*
As at 1 January 2019	38,443
Amortisation for the period	(331)
At 31 March 2019	38,112

Adoption of going concern basis

In preparing the Historical Financial Information, the directors of the Target Company have given consideration to the future liquidity of the Target Company in light of the fact that the current liabilities exceeds the current assets by HK$43,769,000, HK$42,516,000, HK$41,472,000 and HK$42,578,000 as at 31 December 2016, 2017, 2018 and 31 March 2019, respectively.

Included in current liabilities as at 31 December 2016, 2017, 2018 and 31 March 2019 are amount due to a director of HK$45,808,000, HK$43,814,000, HK$43,814,000 and HK$43,814,000 respectively. Before the completion of the Proposed Acquisition, the directors of the Target Company have agreed to provide adequate funds to enable the Target Company to meet in full its financial obligations as and when they fall due in the foreseeable future and further, the director of the Target Company has agreed not to demand the Target Company to repay the amount due to him (as explained in note 17) until the Target Company has the financial ability to do so at least for the next twelve months from the date of this report. Upon completion of the Proposed Acquisition, the Company will provide financial support to the Target Company to meet in full its financial obligations as they fall due in the foreseeable future. Based on the factors described above, the directors of the Target Company are of the opinion that it is appropriate to prepare the Historical Financial Information on the going concern basis.

3. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information has been prepared in accordance with the accounting policies which conform with HKFRSs issued by the HKICPA. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on GEM of the Stock Exchange and by the Hong Kong Companies Ordinance.

The Historical Financial Information has been prepared on the historical cost basis as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange of goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Target Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these Historical Financial Information is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 Share-based Payment, leasing transactions that are within the scope of HKAS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 Inventories or value in use in HKAS 36 Impairment of Assets.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Revenue recognition

Rental income under operating leases is recognised on a straight-line basis over the term of the relevant lease.

Leases

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 Target Company as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset.

Rental income which are derived from the Target Company's ordinary course of business are presented as revenue.

Leasehold land and building

When the Target Company makes payments for a property interest which includes both leasehold land and building elements, the Target Company assesses the classification of each element separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Target Company, unless it is clear that both elements are operating leases in which case the entire property is accounted as an operating lease. Specifically, the entire consideration (including any lump-sum upfront payments) are allocated between the leasehold land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the statement of financial position and is amortised over the lease term on a straight-line basis. When the payments cannot be allocated reliably between the leasehold land and building elements, the entire property is generally classified as if the leasehold land is under finance lease.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

Subsequent expenditure is capitalised in the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the costs of the item can be measured reliably; otherwise, the expenditures are recognised in profit or loss in the year in which they are incurred.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its carrying amount at the date of reclassification becomes its cost for accounting purposes. If an item of property, plant and equipment becomes an investment property because its use has changed, the transfer does not change the carrying amount of the property transferred, nor does it change the cost of that property for measurement or disclosure purposes.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

Impairment on tangible assets

At the end of each reporting period, the Target Company 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 relevant asset is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount of tangible assets are estimated individually. When it is not possible to estimate the recoverable amount of an asset individually, the Target Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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 (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating) unit is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) 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 (or the cash-generating unit) 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 (or a cash-generating unit) in prior years.

A reversal of an impairment loss is recognised immediately in profit or loss.

Financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when a group entity becomes a party to the contractual provisions of the instruments. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for other receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 since 1 April 2018. 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.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and 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 asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in note 2)

Financial assets that meet the following conditions are subsequently measured at amortised cost:

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

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

Impairment of financial assets (upon application of HKFRS 9 with transitions in accordance with note 2)

The Target Company recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade and other receivables and bank balances). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12m ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Target Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Target Company always recognises lifetime ECL for other receivables. The ECL on these assets are assessed individually and/or collectively using a provision matrix with appropriate grouping.

For all other instruments, the Target Company measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Target Company recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Target Company compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Target Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Target Company presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Target Company has reasonable and supportable information that demonstrates otherwise.

The Target Company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

Irrespective of the above, the Target Company considers that default has occurred when a financial asset is more than 90 days past due unless the Target Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrowers financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Target Company writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Target Company's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is the difference between all contractual cash flows that are due to the Target Company in accordance with the contract and the cash flows that the Target Company expects to receive, discounted at the effective interest rate determined at initial recognition.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the basis:

- Nature of financial instruments;
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Target Company recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of other receivables, where the corresponding adjustment is recognised through a loss allowance account.

Classification and subsequent measurement of financial assets (before application of HKFRS 9 on 1 April 2018)

The Target Company's financial assets are classified as 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.

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 (including trade and other receivables and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment.

Impairment of financial assets (before application of HKFRS 9 on 1 April 2018)

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.

Objective evidence of impairment for a portfolio of receivables could include the Target Company'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 other 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.

Derecognition of financial assets

The Target Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

On derecognition of a financial asset, the difference between the asset's carrying amount and the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a group entity 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.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of a group entity 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 at amortised cost

Financial liabilities including trade and other payables are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

The Target Company derecognises financial liabilities when, and only when, the Target Company'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.

Cash and cash equivalent

In the statements of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks and bank deposits with original maturities of three months or less.

Provisions

Provisions are recognised when the Target Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Foreign currencies

In preparing the financial statements of the Target Company, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the period. Taxable profit differs from "profit before taxation" as reported in the statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Target Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases 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 profit will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Target Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax is recognised in profit or loss.

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.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries and annual leave and sick leave) after deducting any amount already paid.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In the application of the Target Company's accounting policies, which are described in note 3, the directors of the Target Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Useful lives and depreciation of investment properties

The Target Company's management determines the estimated useful lives, and related depreciation charges for its investment properties. The estimates are based on the historical experience of the actual useful lives of investment properties of similar nature and functions.

Management will increase the depreciation and amortisation charges where useful lives are less than previously estimated lives. It will write off or write-down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in depreciable and amortisable lives and therefore affect the depreciation and amortisation charges in future periods.

5. REVENUE AND SEGMENT INFORMATION

Revenue represents the aggregate rental income earned by the Target Company during the Track Record Period.

For management purposes, the Target Company has only one reportable operating segment which is property investment. Since this is the only reportable operating segment of the Target Company and the Target Company revenue are all derived from Hong Kong based on the location of service rendered and all of the Target Company's non-current assets are located in Hong Kong by physical location of assets, accordingly, no further operating segment analysis thereof is presented.

The revenue generated from the following customers accounted for over 10% of the Target Company's total revenue:

	Year ended 31 December			Three months ended 31 March	
	2016	**2017**	**2018**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
The Company	519	725	725	181	181
Customer A	56	226	226	57	57
Customer B	250	420	420	105	120
Customer C	70	112	120	30	34
Total	895	1,483	1,491	373	392

6. PROFIT/(LOSS) BEFORE TAXATION

Profit/(loss) before taxation for the Track Record Period has been arrived at after charging.

	Year ended 31 December			Three months ended 31 March	
	2016	**2017**	**2018**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Auditor's remuneration	6	6	6	–	–
Amortisation of prepaid lease payments/right-of-use assets	1,326	1,326	1,326	331	331
Depreciation of investment properties	105	105	105	27	27
Directors' emoluments	–	–	–	–	–
Other staff's salaries and other benefits	–	–	–	–	–
Other staff's retirement benefits scheme contributions	–	–	–	–	–

7. DIRECTORS' REMUNERATION

None of the directors receive or will receive any fees or remuneration in respect of their services to the Target Company during the Track Record Period.

No transactions, arrangements or contracts of significance in related to the Target Company's business to which the Target Company was a party and in which a director of the Target Company had a material interest whether directly or indirectly, were entered into or subsisted during the financial year.

8. INCOME TAX EXPENSE

	Year ended 31 December			Three months ended 31 March	
	2016	2017	2018	2018	2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
The taxation charge comprises:					
Current tax – Hong Kong profits tax	106	195	93	24	24

The provision for Hong Kong Profits Tax is calculated at 16.5% for the year ended 31 December 2016 and 2017.

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Accordingly, starting from the year ended 31 December 2018, the Hong Kong Profits Tax is calculated at 8.25% on the first HK$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 million.

The tax charge for the Track Record Period can be reconciled to the profit/(loss) before taxation per the statement of profit or loss and other comprehensive income as follows:

	Year ended 31 December			Three months ended 31 March	
	2016	2017	2018	2018	2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Profit/(loss) before taxation	(933)	17	(294)	(17)	(114)
Tax on accounting profit at standard income tax rate	(154)	2	(24)	(1)	(9)
Tax effect of income not taxation for tax purpose	–	(11)	–	–	–
Tax effect of expenses not deductible for tax purpose	282	236	138	30	38
Effect of tax exemption granted	(20)	(30)	(20)	(5)	(5)
Others	(2)	(2)	(1)	–	–
Tax expense for the year/period	106	195	93	24	24

No deferred taxation has been recognised in the Historical Financial Information as the amount involved is insignificant.

9. DIVIDEND

No dividend was paid or proposed by the Target Company during the Track Record Period.

10. EARNINGS PER SHARE

No earnings per share is presented as its inclusion, for the purpose of this report, is not considered meaningful.

11. INVESTMENT PROPERTIES

	HK$'000
Cost	
As at 1 January 2016, 31 December 2016, 31 December 2017, 31 December 2018 and 31 March 2019	3,380
Depreciation and impairment	
As at 1 January 2016	–
Provided for the year	105
As at 31 December 2016	105
Provided for the year	105
As at 31 December 2017	210
Provided for the year	105
As at 31 December 2018	315
Provided for the period	27
As at 31 March 2019	342
Carrying values	
As at 31 March 2019	3,038
As at 31 December 2018	3,065
As at 31 December 2017	3,170
As at 31 December 2016	3,275

The fair value of the Target Company's investment properties at 31 March 2019, 31 December 2018, 2017 and 2016 were estimated to be approximately HK$47,900,000, HK$55,050,000, HK$52,520,000 and HK$51,082,000, respectively.

The fair value has been arrived at based on a valuation carried out by Moore Stephens Transaction Services Limited, independent valuers not connected with the Target Company. The Target Company's management appointed the external valuer in consideration of their market knowledge, reputation, independence and relevant professional standards. The Target Company's management has discussions with the valuer on the valuation assumptions and valuation results when the valuation is performed at each reporting date during the Track Record Period.

The fair value was determined with reference to recent market prices of similar properties as observable inputs. The valuation is carried out on direct comparison method at a market value basis. Market value is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeable, prudently and without compulsion".

The valuation methodology is based on the market basis by the comparison approach assuming sale in its existing state with the benefit of vacant possession and by making reference to comparable sales evidence as available in the relevant market. Appropriate adjustments have been made to account for the differences between the property and the comparable in terms of time, size and other relevant factors.

The fair value measurement hierarchy of the investment property requires certain significant unobservable inputs (Level 3).

There has been no change from the valuation technique used during the Track Record Period.

The Target Company's investment properties are depreciated on a straight-line basis over the terms of the leases.

All of the investment properties have been pledged to secure banking facilities granted to Fidelity Insurance Company Limited which Mr. Chan Ping Che is the common director.

12. RIGHT-OF-USE ASSETS

	HK$'000
Cost	
As at 1 January 2019 and 31 March 2019	42,421
Accumulated amortization	
As at 1 January 2019	3,978
Amortisation for the period	331
As at 31 March 2019	4,309
Carrying values	
As at 31 March 2019	38,112
As at 1 January 2019	38,443

All of the right-of-use assets have been pledged to secure banking facilities granted to Fidelity Insurance Company Limited which Mr. Chan Ping Che is the common director.

13. PREPAID LEASE PAYMENTS

The Target Company's interests in prepaid land lease payments represent prepaid operating lease payments and their net book values are analysed as follow:

	As at 31 December			As at 31 March
	2016	**2017**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At beginning of year/period	42,421	41,095	39,769	–
Amortisation for the year/period	1,326	1,326	1,326	–
At end of year/period	41,095	39,769	38,443	–
Current portion	1,326	1,326	1,326	–
Non-current portion	39,769	38,443	37,117	–

The Target Company's prepaid lease payments are depreciated on a straight-line basis over the terms of the leases.

All of the prepaid lease payments have been pledged to secure banking facilities granted to Fidelity Insurance Company Limited which Mr. Chan Ping Che is the common director.

14. OTHER RECEIVABLES

	As at 31 December			As at 31 March
	2016	**2017**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Rental receivables	485	501	682	742
Less: Allowances	(279)	(211)	(460)	(565)
	206	290	222	177

All the balances are due within one year.

The movements in the loss allowance for impairment of rental receivables are as follows:

	As at 31 December			As at 31 March
	2016	**2017**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At the beginning of the year/period	–	279	211	460
Increase/(decrease) during the year/period	279	(68)	249	105
At the end of the year/period	279	211	460	565

Impairment under IFRS 9 for the year ended 31 December 2018 and 31 March 2019

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by customer type and rating). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, rental receivables are written off if past due for more than one year and are not subject to enforcement activity.

As at 31 December 2018 and 31 March 2019, the Target Company applies the simplified approach to provide for expected losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision. As at 31 December 2018 and 31 March 2019, the loss allowance provision for the remaining balances was determined as follows. The expected credit losses below also incorporated forward looking information.

	1 to 90 days	**91 to 180 days**	**Over 180 days**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2018				
Expected loss rate	30%	60%	100%	
Gross carrying amount	240	135	307	682
Loss allowance provision	72	81	307	460
At 31 March 2019				
Expected loss rate	30%	60%	100%	
Gross carrying amount	176	135	432	743
Loss allowance provision	52	81	432	565

The expected credit loss rate for each individual financial year during the year ended 31 December 2018 and the six months ended 30 June 2019 is different for the rental receivables, which applies the simplified approach to provide for expected losses prescribed by HKFRS 9. In the opinion of the directors of the Target Company, no material difference of the provision of loss allowance between the use of the different expected credit loss rate and the same expected credit loss rate disclosed as above. Therefore, same expected credit loss rate adopted during the Track Record Period.

15. BANK BALANCES AND CASH

Bank balances an cash mainly represent cash at bank. Cash at bank carried interest at average market rates based on daily bank deposit rates. The cash at bank is deposited with a credit worthy banks with no recent history of default.

16. OTHER PAYABLES

	As at 31 December			As at 31 March
	2016	**2017**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Accruals	22	11	18	11
Deposit received	361	379	379	385
Rental received in advance	55	–	–	64
	438	390	397	460

All of the other payables are expected to be settled or recognised as income within one year or are repayable on demand.

17. AMOUNT DUE TO A DIRECTOR

The amount due to a director, Mr. Chan Ping Che is unsecured, interest-free and repayable on demand.

The director of the Target Company has agreed not to demand the Target Company to repay the amount due to him until the Target Company has the financial ability to do so at least for the next twelve months from the date of this report.

18. SHARE CAPITAL

	Number of ordinary share	**Amount**
		HK$
Issued and fully paid		
As at 31 December 2016, 31 December 2017, 31 December 2018 and 31 March 2019	1	1

The were no movements of the Target Company's share capital during the Track Record Period.

19. RELATED PARTY TRANSACTIONS AND BALANCES

(a) Balances with related parties

Saved as disclosed elsewhere in the Historical Financial Information of the Target Company, the Target Company did not have any balances with any related parties.

(b) Transactions with related parties

Saved as disclosed elsewhere in the Historical Financial Information of the Target Company, the Target Company did not have any material transactions with any related parties.

20. CAPITAL RISK MANAGEMENT

The Target Company manages its capital to ensure that the Target Company will be able to continue as a going concern while optimisation the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Target Company consists of debts, which includes amount due to a director disclosed in note 17, and equity attributable to owner of the Company.

The directors of the Target Company review the capital structure on a regular basis. As part of this review, the directors of the Target Company consider the cost of capital and the risks associated with the capital. In the opinion of the directors of the Target Company, the Target Company will balance its overall capital structure through new share issues as well as raising of debts.

21. FINANCIAL RISK MANAGEMENT

The Target's major financial instruments include rental receivables, bank balances and cash, accruals, deposit received and amount due to a director. The risks associated with these financial instruments include interest rate risk, currency risk, credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The directors of the Target Company manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(a) Interest rate risk

As the Target Company has no significant interest-bearing assets and liabilities, the Target Company's income and operating cash flows are substantially independent of changes in market interest rate.

(b) Credit risk

The Target Company is exposed to credit risk in relation to its rental receivables and bank balances and cash. The carrying rental receivables and bank balances and cash represent the Target Company's maximum exposure to credit risk in relation to financial assets.

The credit risks on bank balances are limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The Target Company has concentration of credit risk as 100% of the total rental was received from several tenants as set out in Note 5.

The Target Company considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Target Company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- Internal credit rating;
- External credit rating;
- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations;

- Actual or expected significant changes in the operating results of individual property owner or the borrower;
- Significant increases in credit risk on the other financial instruments of the individual property owner or the same borrower; or
- Significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the Group and changes in the operating results of the borrower.

(c) Liquidity risk

As mentioned in note 2, before the completion of the Proposed Acquisition, the directors of the Target Company have agreed to provide adequate funds to enable the Target Company to meet in full its financial obligations as and when they fall due in the foreseeable future and further, the director of the Company has agreed not to demand the Target Company to repay the amount due to him (as explained in note 17) until the Target Company has the financial ability to do so. Upon completion of the Proposed Acquisition, the Company will provide financial support to the Target Company to meet in full its financial obligations as they fall due in the foreseeable future. The financial liability is interest-free and repayable on demand.

The financial liability is interest-free and repayable on demand.

	As at 31 December			As at 31 March
	2016	**2017**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Carrying amounts due within one year or on demand				
Other payables	438	390	397	460
Amount due to a director	45,808	43,814	43,814	43,814
	46,246	44,204	44,211	44,274
Total contractual undiscounted cash flows				
Other payables	438	390	397	460
Amount due to a director	45,808	43,814	43,814	43,814
	46,246	44,204	44,211	44,274

(d) Currency risk

The Target Company mainly operated in the Hong Kong with most of the transactions settled in HK$ and did not have significant exposure to risk resulting from changes in foreign currency exchange rates.

(e) Fair value

Financial instruments not measured at fair value include rental receivables, bank balances and cash, other payables and amount due to a director. The directors of the Target Company consider that the carrying amounts of these financial instruments recorded at amortised cost in the financial statements approximate to its fair value.

22. NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

There is no material subsequent event undertaken by the Target Company after 31 March 2019.

23. SUBSEQUENT FINANCIAL STATEMENTS AND DIVIDENDS

No audited financial statements of the Target Company have been prepared in respect of any period subsequent to 31 March 2019. Save as disclosed in this report, no dividend has been declared or made by the Target Company in respect of any period subsequent to 31 March 2019.

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is an illustrative unaudited pro forma consolidated statement of assets and liabilities of Bar Pacific Group Holdings Limited (the "**Company**") and its subsidiaries (collectively hereinafter referred to as the "**Group**") and Smart Express Development Limited (the "**Target Company**") (collectively hereinafter referred to as the "**Enlarged Group**") as at 31 March 2019 (the "**Unaudited Pro Forma Financial Information**"), which has been prepared on the basis of the notes set forth below for the purpose of illustrating the effects of the proposed acquisition of the entire issued shares in and shareholder's debts due by the Target Company (the "**Proposed Acquisition**"), as if the Proposed Acquisition had taken place on 31 March 2019.

This Unaudited Pro Forma Financial Information has been prepared by the directors of the Company (the "**Directors**") for illustrative purposes only, based on their judgments, estimations and assumptions, and because of its hypothetical nature, it may not give a true picture of the consolidated financial position of the Enlarged Group had the Proposed Acquisition been completed on 31 March 2019 or any future dates.

The Unaudited Pro Forma Financial Information has been prepared based on the audited consolidated statement of financial position of the Group as at 31 March 2019 included in the published annual report of the Company for the year ended 31 March 2019 and the audited statement of financial position of the Target Company as at 31 March 2019 as set out in the Accountant's Report in Appendix II to the circular of the Company dated 27 September 2019 (the "**Circular**") after giving effect to the unaudited pro forma adjustments as described in the accompanying notes.

The Unaudited Pro Forma Financial Information has been prepared using the accounting policies materially consistent with those of the Group as set out in the published annual report of the Company for the year ended 31 March 2019.

The Unaudited Pro Forma Financial Information should be read in conjunction with other financial information included elsewhere in this Circular.

Unaudited Pro Forma Consolidated Statement of Assets and Liabilities of the Enlarged Group

			Pro forma adjustments			
	The Group as at 31 March 2019	The Target Company as at 31 March 2019	Consideration and transaction costs for the Proposed Acquisition	Impairment loss recognised	Reclassification of prepaid lease payments/ right-of-use assets	The Enlarged Group as at 31 March 2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(note 1)	*(note 2)*	*(note 3)*	*(note 4)*	*(note 5)*	
Non-current assets						
Property, plant and equipment	19,828	–	1,254	(54)		21,028
Investment properties	–	3,038	(1,313)	(75)		1,650
Prepaid lease payments	–	–			43,548	43,548
Right-of-use assets	–	38,112	8,981	(2,043)	(45,050)	–
Rental deposits	5,584	–				5,584
	25,412	41,150				71,810
Current assets						
Inventories	1,941	–				1,941
Prepaid lease payments	–	–			1,502	1,502
Trade and other receivables	6,433	177				6,610
Tax recoverable	187	58				245
Bank balances and cash	50,277	1,461	(51,308)			430
	58,838	1,696				10,728
Current liabilities						
Trade and other payables	8,218	460				8,678
Amount due to a director	–	43,814	(43,814)			–
Obligations under finance leases – amount due within one year	306	–				306
	8,524	44,274				8,984

			Pro forma adjustments			
	The Group as at 31 March 2019	**The Target Company as at 31 March 2019**	**Consideration and transaction costs for the Proposed Acquisition**	**Impairment loss recognised**	**Reclassification of prepaid lease payments/ right-of-use assets**	**The Enlarged Group as at 31 March 2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(note 1)	*(note 2)*	*(note 3)*	*(note 4)*	*(note 5)*	
Net current assets (liabilities)	50,314	(42,578)				1,744
Total assets less current liabilities	75,726	(1,428)				73,554
Non-current liability						
Obligations under finance leases – amount due over one year	477	–				477
Net assets (liabilities)	75,249	(1,428)				73,077

Notes to the Unaudited Pro Forma Financial Information

1. The figures are extracted from the audited consolidated statement of financial position of the Group as at 31 March 2019 as set out in the published annual report of the Company for the year ended 31 March 2019.

2. The figures are extracted from the audited statement of financial position of the Target Company as at 31 March 2019 as set out in Appendix II to this Circular, which have been prepared under HKFRSs.

3. The adjustment represents the acquisition of the entire issued share capital of the Target Company and the sale debts owing by the Target Company to its shareholders. Pursuant to the sale and purchase agreement dated 23 July 2019 between HTS Development Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company, and the shareholders of the Target Company (the "**Agreement**"), the Company has conditionally agreed to acquire the entire issued shares in and shareholder's debts due by the Target Company to its shareholders for a total consideration amounted to HK$50,000,000.

   The consideration shall be payable in the following manner:

   (a) HK$5,000,000 was paid by the Company as the initial deposit upon signing of the Agreement; and

   (b) The remaining balance of HK$45,000,000 shall be fully paid upon completion of the Proposed Acquisition

   Pursuant to the Hong Kong Financial Reporting Standard 3 (Revised) "Business Combination" ("**HKFRS 3**"), business consists of inputs and processes applied to those inputs that have the ability to create outputs. As the Target Company did not have any inputs and process to its business, the Proposed Acquisition of the Target Company is accounted for as acquisition of asset. In such case, the Company shall identify and recognise the individual identifiable assets acquired and liabilities assumed. The investment cost shall be allocated to the individual identifiable assets and liabilities on the basis of their relative fair values at the date of Proposed Acquisition of the Target Company. Such a transaction does not give rise to goodwill.

   As at 31 March 2019, the amount of the shareholder's debts due by the Target Company is approximately HK$43,814,000 and accordingly, the amount of the remaining consideration for the entire issued shares of the Target Company is HK$6,186,000. For the purpose of this Unaudited Pro Forma Financial Information, in the opinion of the directors of the Company, in accordance with the accounting policy of the Group, the consideration for the entire issued shares of the Target Company and the net liabilities assumed by the Company are HK$6,186,000 and HK$1,428,000, respectively i.e. a total of HK$7,614,000 which is allocated to the property, plant and equipment, investment properties and right-of-use assets (collectively hereinafter referred to as the "**Property**") on the basis that the fair values of other identifiable assets and liabilities of the Target Company equal to their respectively carrying amounts.

   In addition, the directors of the Company estimated that the estimated legal and professional fees and other direct expenses in relation to the Proposed Acquisition of approximately HK$1,308,000. These estimated transaction costs will have no continuing effect on the Enlarged Group in the subsequent years.

The assets and liabilities arising from the Proposed Acquisition are as follows:

	Target Company's carrying amount	Fair value
	HK$'000	*HK$'000*
Property, plant and equipment	–	1,254
Investment properties	4,115	1,725
Right-of-use assets	37,035	47,093
Trade and other receivables	177	177
Tax recoverable	58	58
Bank balances and cash	1,461	1,461
Trade and other payables	(460)	(460)
	42,386	51,308

4. HKFRS 3 states that when an entity acquires a group of assets or net assets that is not a business, the acquirer allocates the cost of the group between the individual identifiable assets and liabilities in the group based on their relative fair values at the date of acquisition. Such a transaction or event does not give rise to goodwill under HKFRS 3.2(b). As a result, the adjustment represents the impairment loss on the Property based on the valuation report prepared by Moore Stephens Transaction Services Limited stated that the fair value of the Property was HK$47,900,000 as of 31 March 2019. The aggregate carrying amounts of the Property is higher than its fair value and accordingly, an impairment loss of HK$2,172,000 has been made in this Unaudited Pro Forma Financial Information.

   In the opinion of the directors of the Company, the directors assumed the deemed fair value of the Property as at 30 June 2019 was HK$48,400,000, which was made reference to the valuation report prepared by Moore Stephens Transaction Services Limited (details of which are set out in Appendix V to this Circular) and accordingly, an impairment loss of HK$1,672,000 would been made to the Unaudited Pro Forma Financial Information.

   In accordance with HKFRS 3, the fair value of the Target Company's Property should be measured at its fair value on the completion date of the Proposed Acquisition. As such, the fair value of the Target Company's Property is subject to change and shall be measured at the fair value of the Target Company's Property on the completion date of the Proposed Acquisition and accordingly, the impairment so calculated may be materially different from that used in the impairment test above and potential impairment adjustment may be required when the carrying amount of the Target Company's Property exceeds its fair value.

5. The Target Company has the financial year end 31 December. As described in note 2 to the Historical Financial Information of the Target Company as set out in Appendix II to this Circular, the Target Company has adopted HKFRS 16 Leases retrospectively from 1 January 2019. Upfront payments for leasehold lands were classified as prepaid lease payments as at 31 December 2018. Upon application of HKFRS 16 Lease, starting from 1 January 2019. The non-current and current portions of prepaid lease payments were reclassified to right-of-use assets. However, the Company has the financial year end 31 March and the Company will only adopt HKFRS 16 Lease retrospectively from 1 April 2019. For the purpose of the preparation of the Unaudited Pro Forma Financial Information, the amount of the Target Company's right-of-use assets were reclassified to the non-current and current portions of prepaid lease payments so as to present the Historical Financial Information of the Target Company in accordance with the accounting policies of the Company that are set out in the published annual report of the Company for the year ended 31 March 2019. Other than this, the Historical Financial Information of the Target Company has been prepared in accordance with the accounting policies materially consistent with those of the Company.

6. Other than the above adjustments, no other adjustment had been made to the Unaudited Pro Forma Financial Information to reflect any trading results or other transactions that the Enlarged Group and the Target Group entered into subsequent to 31 March 2019.

B. ASSURANCE REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of the independent reporting accountants' assurance report received from Fuson CPA Limited, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, in respect of the Group's unaudited pro forma financial information prepared for the purpose of incorporation in this circular.

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Bar Pacific Group Holdings Limited (the "Company") and its subsidiaries (collectively hereinafter referred to as the "Group") and Smart Express Development Limited (the "Target Company") (collectively hereinafter referred to as the "Enlarged Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of assets and liabilities of the Enlarged Group as at 31 March 2019 and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages III-1 to III-5 of the circular issued by the Company dated 27 September (the "Circular"), in connection with the proposed acquisition of the entire issued shares in and shareholders' debts due by the Target Company (the "Proposed Acquisition"). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described on pages III-1 to III-5 of the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the Proposed Acquisition on the Group's financial position as at 31 March 2019 as if the Proposed Acquisition had taken place at 31 March 2019. As part of this process, information about the Group's financial position has been extracted by the Directors from the Company's audited consolidated statement of financial position of the Group as at 31 March 2019 as set out in the published annual report of the Company for the year ended 31 March 2019 and information about the audited statement of financial position of the Target Company has been extracted by the Directors from the audited statement of financial position of the Target Company included the accountants' report of the Target Company as set out in Appendix II to the Circular.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited (the "GEM Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the "Code of Ethics for Professional Accountants" issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 7.31(7) of the GEM Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 7.31 of the GEM Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of Unaudited Pro Forma Financial Information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 March 2019 would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 7.31(1) of the GEM Rules.

Fuson CPA Limited
Certified Public Accountants
Hong Kong

27 September 2019

Set out below is the management discussion and analysis of the Target for the three years ended 31 December 2016, 31 December 2017 and December 2018 and the three months ended 31 March 2019 (the "**Relevant Periods**") provided by the Vendors.

1. FINANCIAL MANAGEMENT

Set out below is the financial performance of the Target for the Relevant Periods:

	Year ended 31 December			Three months ended 31 March
	2016	**2017**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	895	1,483	1,491	392
Administrative expenses	(1,828)	(1,466)	(1,785)	(506)
(LOSS)/PROFIT BRFORE TAX	(933)	17	(294)	(114)
Income tax expense	(106)	(195)	(93)	(24)
LOSS FOR THE YEAR	(1,039)	(178)	(387)	(138)

Revenue

The principal activities of the Target are property investment. The Target's revenue is generated primarily from leasing out the Property for rental income. Revenues of the Target for the three years ended 31 December 2018, 2017 and 2016 were HK$1,491,000, HK$1,483,000 and HK$895,000 respectively and the three months ended 31 March 2019 was HK$392,000. The increase in revenue was primarily attributable to increase rent upon tenancy agreement renewal.

Administrative expenses

The administrative expenses of the Target for the three years ended 31 December 2018, 2017, 2016 were HK$1,785,000, HK$1,466,000 and HK$1,828,000 respectively and the three months ended 31 March 2019 was HK$506,000. Those changes primarily attributable to the credit loss/(loss recovered) were HK$280,000, HK$(69,000), HK$249,000 and HK$106,000 on rental receivables.

Income tax expenses

Income tax expenses for the year ended 31 December 2018, 2017, 2016 were HK$93,000, HK$195,000 and HK$106,000 respectively and the three months ended 31 March 2019 was HK$24,000. The increase in income tax expenses in 2017 was mainly due to the credit loss for the trade receivables. The decrease in income tax expense due to starting from the year ended 31 December 2018, the Hong Kong Profits Tax is calculated at 8.25% on the first HK$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 million.

2. CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

Set out below is the current asset and liabilities of the Target for the Relevant Periods:

	Year ended 31 December			As at 31 March
	2016	2017	2018	2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets				
Investment properties	3,275	3,170	3,065	3,038
Right-of-use assets	–	–	–	38,112
Prepaid lease payments	39,769	38,443	37,117	–
	43,044	41,613	40,182	41,150
Current assets				
Prepaid lease payments	1,326	1,326	1,326	–
Other receivables	206	290	222	177
Tax recoverable	–	–	82	58
Bank balances and cash	1,086	408	1,109	1,461
	2,618	3,024	2,739	1,696
Current liabilities				
Other payables	438	390	397	460
Amount due to a director	45,808	43,814	43,814	43,814
Taxation payable	141	336	–	–
	46,387	44,540	44,211	44,274
Net current liabilities	(43,769)	(42,516)	(41,472)	(42,578)
	(725)	(903)	(1,290)	(1,428)
Capital and reserves				
Share Capital	1	1	1	1
Accumulated losses	(726)	(904)	(1,291)	(1,429)
	(725)	(903)	(1,290)	(1,428)

Capital structure

The capital structure of the Target consists of debts, which includes amount due to a director disclosed in note 17 in Appendix II to this circular, and equity attributable to owner of the Target. For the three years ended 31 December 2018, 2017 and 2016, the Target's total current assets were HK$2,739,000 HK$3,024,000 and HK$2,618,000 respectively and 31 March 2019 was HK$1,696,000, total current liabilities were HK$44,211,000, HK$44,540,000 and HK$46,387,000 respectively, and 31 March 2019 was HK$44,274,000, and the current ratio were 0.06, 0.07 and 0.06 respectively and as at 31 March 2019 was 0.04. The current liabilities were primarily attributable of amount due to a director. The director of the Target has agreed not to demand the Target to repay the amount until the Target has the financial ability to repay.

Financial position, liquidity

The Target manages its capital to ensure that the Target will be able to continue as a going concern while optimisation the return to stakeholders through the optimisation of the debt and equity balance. The Target mainly financed its operation by obtaining funding from interest-free borrowings.

The net assets of the Target amounted to approximately HK$1,290,000, HK$903,000, HK$725,000 and HK$1,428,000 for the year ended 31 December 2018, 2017, 2016 and 31 March 2019. The net cash flow from operating activities generated were HK$701,000, HK$1,086,000 and HK$352,000 for the year ended 31 December 2018, 2016 and 31 March 2019 and net used in operating activities was HK$678,000 for the year ended 31 December 2017.

The Target had outstanding borrowing with the principal amount as at 31 December 2016, 2017, 2018 and 31 March 2019 are amount due to a director of HK$45,808,000, HK$43,814,000, HK$43,814,000 and HK$43,814,000 respectively.

3. LIQUIDITY RISKS

Before the completion of the Acquisition, the directors of the Target have agreed to provide adequate funds to enable the Target to meet in full its financial obligations as and when they fall due in the foreseeable future and further, the director of the Target has agreed not to demand the Target to repay the amount due to him (as explained in note 17 in Appendix II to this circular) until the Target has the financial ability to do so. Upon completion of the Acquisition, the Company will provide financial support to the Target to meet in full its financial obligations as they fall due in the foreseeable future. The financial liability is interest-free and repayable on demand.

4. INTEREST RATE RISKS

As the Target has no significant interest-bearing assets and liabilities, the Target's income and operating cash flows are substantially independent of changes in market interest rate.

5. CREDIT RISKS

The Target is exposed to credit risk in relation to its rental receivables and bank balances and cash. The carrying rental receivables and bank balances and cash represent the Target's maximum exposure to credit risk in relation to financial assets.

The credit risks on bank balances are limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies. The Target has concentration of credit risk as 100% of the total rental was received from several tenants as set out in Note 5 in Appendix II to this circular.

6. FOREIGN CURRENCY RISKS

All of the Target's turnover and substantially all of the Target's expenses are denominated in HK$. Accordingly, the foreign currency risks are not significant.

7. CONTINGENT LIABILITIES

For the three years ended 31 December 2018, 2017, 2016 and the three months ended 31 March 2019, the Target had no significant contingent liabilities.

8. MATERIAL INVESTMENTS, ACQUISITIONS OR DISPOSALS

The Target did not have any material acquisition or disposal during the three years ended 31 December 2018, 2017 and 2016 and the three months ended 31 March 2019.

9. FUTURE PLANS

As at 31 March 2019, the Target did not have any plans for material investments and capital assets.

10. LITIGATION

As at the Latest Practicable Date, there was no litigation or claim of material importance known to the Directors to be pending or threatened against any member of the Target.

11. CHARGES OF THE ASSETS

As at 31 March 2019, none of Target's assets was subject to any charge.

The following is the text of a letter, summary of valuation and valuation certificate, prepared for the purpose of incorporation in this circular received from Moore Stephens Transaction Services Limited, an independent professional valuer, in connection with its valuation as at 30 June 2019 of the property interests acquired by the Group.

MOORE STEPHENS

Moore Stephens Transaction Services Limited
812 Silvercord, Tower 1
30 Canton Road, Tsimshatsui
Kowloon, Hong Kong

27 September 2019

The Directors
Bar Pacific Group Holdings Limited

Room D2, 11/F
Phase 2 Hang Fung Industrial Building
2G Hok Yuen Street
Hung Hom, Kowloon
Hong Kong

Dear Sirs,

INSTRUCTIONS

We refer to the instructions from Bar Pacific Group Holdings Limited (the "**Company**") for us to value the property located in Hong Kong. We confirm that we have conducted an inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the property as at 30 June 2019 (the "**valuation date**").

BASIS OF VALUATION

Our valuation of the property represents the Market Value which we would define as intended to mean "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

VALUATION METHODOLOGY

We have valued the property on market basis by the Comparison Approach assuming sale in its existing state with the benefit of vacant possession and by making reference to comparable sales evidence as available in the relevant market. Appropriate adjustments have been made to account for the differences between the property and the comparables in terms of time, size and other relevant factors. Where appropriate, we have adopted the Investment Approach by taking into account the current passing rents of the property being held under existing tenancies and the reversionary potential of the property.

TITLE INVESTIGATION

We have caused land searches to be made at the Land Registry and have been provided with extracts of title documents. We have been advised by the Company that no further relevant documents have been produced. However, we have neither examined the original documents to verify ownership nor to ascertain the existence of any amendments, which do not appear on the extracts handed to us. All documents have been used for reference only.

VALUATION ASSUMPTIONS

Our valuation has been made on the assumption that the property is sold in the market in its existing state without the benefit of deferred terms contract, leaseback, joint venture, management agreement or any other similar arrangement which would serve to affect the value of the property.

In addition, no account has been taken of any option or right of pre-emption concerning or affecting the sale of the property and no forced sale situation in any manner is assumed in our valuation.

VALUATION CONSIDERATIONS

The property was inspected by Mr. Andrew Du in August 2019 who holds a Master Degree in Finance. We have inspected the exterior and, where possible, the interior of the property. However, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not, however, able to report whether the property is free of rot, infestation or any other structural defects. No tests were carried out on any of the services.

In the course of our valuation, we have relied to a considerable extent on the information given by the Company and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenures, particulars of occupancy, floor areas, identification of the property and other relevant information.

Dimensions, measurements and areas included in the valuation certificate are based on information contained in the documents provided to us by the Company and are therefore only approximations.

We have not carried out detailed on-site measurements to verify the correctness of the floor areas in respect of the property but have assumed that the floor areas shown on the documents handed to us are correct.

We have no reason to doubt the truth and accuracy of the information provided to us by the Company and we have relied on your confirmation that no material facts have been omitted from the information provided. We consider that we have been provided with sufficient information for us to reach an informed view.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property or for any expenses or taxation, which may be incurred in effecting a sale.

Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions and outgoings of an onerous nature, which could affect its value.

Our valuation has been prepared in accordance with the RICS Valuation, Global Standards 2017 (the "**Red Book**") published by the Royal Institution of Chartered Surveyors and the International Valuation Standards published by the International Valuation Standards Council.

Our valuation has been prepared under the generally accepted valuation procedures and is in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

REMARKS

Unless otherwise stated, all money amounts stated herein are in Hong Kong Dollars (HK$) and no allowances have been made for any exchange transfers.

We hereby certify that we neither have any present nor any prospective interest in the Company or the appraised property or the value reported.

Our summary of value and the valuation certificate are attached herewith.

Yours faithfully,
For and on behalf of
Moore Stephens Transaction Services Limited
Kenneth Ma
Director
MRICS CFA CAIA

Note: Mr. Kenneth Ma is a Registered Valuer member of the Royal Institute of Chartered Surveyors who has over 5 years' experience in valuations of properties and over 10 years' experience in business valuations in Hong Kong and the PRC.

SUMMARY OF VALUE

Property held under investment in Hong Kong

Property	**Market Value in existing state as at 30 June 2019** *HK$*
All the shops on the Ground Floor, Yau Shing Building, Nos. 501/503 & 507/511 Castle Peak Road, Kwai Chung, New Territories, Hong Kong	48,400,000
Total:	**48,400,000**

VALUATION CERTIFICATE

Property held under investment in Hong Kong

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 June 2019 *HK$*
All the shops on the Ground Floor, Yau Shing Building, Nos. 501/503 & 507/511 Castle Peak Road, Kwai Chung, New Territories, Hong Kong 12/42th equal and undivided shares of and in Lot No. 938 in D.D. 450	The property comprises all the shops on the ground floor of a medium-rise composite building completed in about 1968. As advised by the Company, the total gross floor area of the property is approximately 5,000 sq.ft. The property is held under New Grant No. 4141 for a term of 99 years commencing on 1 July 1898 at a Government Rent of HK$40 per annum. The said term has been statutorily extended to 30 June 2047.	The property is occupied for shop purpose.	48,400,000

Notes:

1. The property is located at the composite residential/industrial area in Kwai Chung, Hong Kong.

2. The registered owner of the property is Smart Express Development Limited vide Memorial No. 15091001720020 dated 18 August 2015.

3. The property is subject to a Deed of Mutual Covenant vide Memorial No. TW81448 dated 17 January 1968.

4. The property is subject to a Mortgage in favour of The Hongkong and Shanghai Banking Corporation Limited vide Memorial No. 16061601830070 dated 19 May 2016.

5. The property is subject to a Rental Assignment in favour of The Hongkong and Shanghai Banking Corporation Limited vide Memorial No. 16061601830087 dated 19 May 2016.

6. The property is subject to an Order No. "C/FS/002206/17/NT" by the Building Authority under S. 24(1) of the Buildings Ordinance with plan (Re: Common Part(s)) vide Memorial No. 17090701680010 dated 10 August 2017. In the course of valuation, we have assumed that the works as stipulated in the Order have been complied with the satisfaction of the Building Authority.

7. The property is subject to an Order No. "D00033/NT/18/TD" by the Building Authority under S. 26 of the Buildings Ordinance with a letter issued by the Building Authority dated 9 April 2018 for common part(s) only vide Memorial No. 18042701200043 dated 13 February 2018. In the course of valuation, we have assumed that the works as stipulated in the Order have been complied with the satisfaction of the Building Authority.

8. As advised by the Company, the property is subject to the following tenancies:

No.	Shop	Lease Term	Monthly Rent
1.	Shop A on the Ground Floor	1 February 2017 to 31 January 2021	HK$20,000 for the first two years, inclusive of management fee and rates
2.	Shops B and B1 on the Ground Floor	1 January 2017 to 31 December 2022	HK$35,000 for the two years, HK$40,000 from 1 January 2019 to 31 December 2020 and HK$45,000 for the last two years, inclusive of management fee, government rent and rates
3.	Shops C, D and E on the Ground Floor	1 November 2016 to 30 October 2019	HK$68,000 inclusive of rates and exclusive of management fee
4.	Shop F on the Ground Floor	1 February 2019 to 31 January 2020	HK$12,000 inclusive of management fee, government rent and rates

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particular given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and is not misleading or deceptive and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Director's and chief executive's interests and short positions in Shares and underlying Shares

As at the Latest Practicable Date, the interests and short positions of the Directors or chief executives of the Company and their associates 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 (i) would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required to be entered in the register referred to therein pursuant to section 352 of the SFO; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to Rule 5.46 to Rule 5.67 of the GEM Listing Rules, were as follows:

Name of Director	**Capacity in which Shares are held**	**Number of Shares held**	**Approximate percentage of aggregate interest to total number of Shares in issue** *(Note)*
Ms. Tse Ying Sin Eva ("**Ms. Tse**")	Beneficiary of a trust	431,543,700	50.18%
	Beneficial owner	12,094	0.00%
Ms. Chan Tsz Tung ("**Ms. Gloria Chan**")	Beneficiary of a trust	431,543,700	50.18%

Note: Moment to Moment holds 431,543,700 Shares, representing approximately 50.18% of the issued share capital in the Company. The sole shareholder of Moment to Moment is Harneys Trustees Limited ("**Harneys**"), the trustee of the Bar Pacific Trust, of which Ms. Tse and her daughter, namely Ms. Gloria Chan and others are beneficiaries. Ms. Tse and Ms. Gloria Chan are deemed to be interested in the Shares held by Moment to Moment under the SFO.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to Rule 5.46 to Rule 5.67 of the GEM Listing Rules.

(b) Substantial shareholders' interests and short positions in Shares and underlying Shares

As at the Latest Practicable Date, so far as any Directors are aware, the interest or short positions owned by the following parties (other than the Directors or chief executives of the Company) in the Shares, underlying shares or debentures of the Company which are required to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of the Company required to be kept under section 336 of the SFO, or who were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital or relevant securities of the Company or any member of the Group were as follows:

Name of Shareholder	**Capacity in which Shares are held**	**Number of Shares held**	**Approximate percentage of aggregate interest to total number of Shares in issue**
Moment to Moment *(Note 1)*	Beneficiary of a trust	431,543,700	50.18%
Harneys *(Note 1)*	Trustee (other than a bare trustee)	431,543,700	50.18%
Ms. Chan Tsz Kiu Teresa ("**Ms. T Chan**") *(Note 1)*	Beneficiary of a trust	431,543,700	50.18%
Mr. Chan Wai ("**Mr. Chan**") *(Note 2)*	Beneficiary of a trust	431,543,700	50.18%
	Beneficial owner	14,655,038	1.70%
Ms. Chan Ching Mandy ("**Ms. M Chan**") *(Note 1)*	Beneficiary of a trust	431,543,700	50.18%

Notes:

1. Moment to Moment holds 431,543,700 Shares, representing approximately 50.18% of the issued share capital of the Company. The sole shareholder of Moment to Moment is Harneys, the trustee of the Bar Pacific Trust, of which Ms. Tse and one of her daughters, namely Ms. T Chan, are the first batch of beneficiaries (Please refer to note 2 below). Pursuant to a deed of settlement dated 25 March 2014 in respect of the Bar Pacific Trust, Ms. M Chan is the protector of the Bar Pacific Trust, and Harneys 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. M Chan) and the settlor (i.e. Ms. Tse) of the Bar Pacific Trust. Each of Harneys, Ms. Tse, Ms. T Chan and Ms. M Chan is deemed to be interested in the Shares held by Moment to Moment under the SFO.

2. On 7 June 2018, Mr. Chan and Ms. Gloria Chan became the beneficiaries of Bar Pacific Trust. Hence, both Mr. Chan and Ms. Gloria Chan are also deemed to be interested in the 431,543,700 Shares held by Moment to Moment under the SFO.

Saved as disclosed above, as at the Latest Practicable Date, the Directors are not aware of any interests or short positions owned by any persons (other than the Directors or chief executives of the Company) in the Shares or underlying shares of the Company which were required to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of the Company required to be kept under Section 336 of the SFO, or who were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital or relevant securities of the Company or any member of the Group.

3. COMPETING INTEREST

As at the Latest Practicable Date, none of the Directors, Moment to Moment, and his/her/its respective close associates was considered to have an interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group, other than those businesses to which the Directors and his associates were appointed to represent the interests of the Company and/or the Group.

4. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the directors has any existing or proposed service contracts with any member of the Enlarged Group which is not determinable by the Enlarged Group within one year without payment of compensation (other than statutory compensation).

5. DIRECTORS' INTERESTS IN CONTRACT, ASSETS AND ARRANGEMENT OF SIGNIFICANCE

As at the Latest Practicable Date, there was no contract or arrangement subsisting in which any Director was materially interested and which was significant in relation to any business of the Enlarged Group.

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been since 31 March 2019 (being the date to which the latest published audited consolidated financial statements of the Group were made up) acquired or disposed of by or leased to any member of the Enlarged Group, or were proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

6. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

7. MATERIAL CONTRACT

The following contract (not being contracts in the ordinary course of business) has been entered into by members of the Enlarged Group within the two years immediately preceding the Latest Practicable Date which is or may be material:

(a) the Agreement.

8. EXPERTS AND CONSENTS

Set out below are the qualification of the experts who have given opinions or advices contained in this circular:

Name	Qualification
Fuson CPA Limited	Certified Public Accountants
Moore Stephens Transaction Services Limited	Independent Professional Valuer

As at the Latest Practicable Date, none of the above experts had any direct or indirect interests in any assets which had been, since 31 March 2019 (being the date to which the latest published audited consolidated financial statements of the Group were made up), acquired or disposed of by or leased to or were proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, none of the above experts was interested in any securities in any members of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its respective letter and/or report and/or reference to its name in the form and context in which they respectively appear.

9. MISCELLANEOUS

(a) The registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

(b) The headquarter and principal place of business of the Company in Hong Kong is Room D2, 11/F, Phase 2 Hang Fung Industrial Building, 2G Hok Yuen Street, Hung Hom, Kowloon, Hong Kong.

(c) The compliance officer of the Company is Ms. Chan Tsz Tung.

(d) The joint company secretaries of the Company is Mr. Leung Ping Hing and Sir Kwok Siu Man KR. Mr. Leung Ping Hing is a member of the Hong Kong Institute of Certified Public Accountants. Sir Kwok Siu Man KR is a Chartered Governance Professional of The Institute of Chartered Secretaries and Administrators in England ("**ICSA**") and The Hong Kong Institute of Chartered Secretaries (the "**HKICS**"), a fellow member of each of ICSA, HKICS, The Institute of Financial Accountants in England, the Institute of Public Accountants in Australia, The Association of Hong Kong Accountants and The Hong Kong Institute of Directors and a member of the Hong Kong Securities and Investment Institute.

(e) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(f) This circular has been prepared in both English and Chinese. In the case of any discrepancy, the English text shall prevail.

10. AUDIT COMMITTEE

As at the Latest Practicable Date, the audit committee comprises three members, Mr. Yung Wai Kei, Mr. Chin Chun Wing and Mr. Tang Wing Lam David, being all the independent non-executive Directors. The primary duties of the audit committee are to review and supervise the financial reporting process, audit plan and relationship with external auditors, the internal control systems of the Group and to provide advices and recommendations to the Board for review and follow-up.

Mr. Yung Wai Kei (容偉基) ("**Mr. Yung**"), aged 37, was appointed as an independent non-executive Director on 17 December 2016. He is the chairman of the Audit Committee and a member of each of the Remuneration Committee and the Nomination Committee. Mr. Yung obtained a bachelor's degree of business administration from Hong Kong Baptist University in November 2004, majoring in Applied Economics. Mr. Yung is currently a full member of the Association of Chartered Certified Accountants in the UK. 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. Mr. Yung worked in 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, Mr. Yung has been working for Alpha Partners, CPA as audit manager. Mr. Yung has over 10 years of external audit experience in Hong Kong.

Mr. Chin Chun Wing (錢雋永) ("**Mr. Chin**"), aged 40, was appointed as an independent non-executive Director on 17 December 2016 and is the chairman of the Remuneration Committee and a member of each of the Audit Committee and the Nomination Committee. Mr. Chin completed secondary education in Hong Kong in 1995. From September 1997 to July 2005, Mr. Chin worked in Tom Lee Music Co., Ltd. as a salesman. From August 2006 to August 2009, Mr. Chin worked in Grand Bar & Lounge as a director. Since March 2007, Mr. Chin has been the director of Hong Kong Cocktail School. Since November 2008, Mr. Chin is the vice chairman of Hong Kong Bar & Club Association. Mr. Chin has about 10 years of experience in the beverage industry in Hong Kong.

Mr. Tang Wing Lam David (鄧榮林) ("**Mr. Tang**"), aged 62, was appointed as an independent non-executive Director on 17 December 2016 and is a member of the Audit Committee. Mr. Tang obtained a diploma in Sociology from Hong Kong Baptist College in June 1983. Mr. Tang obtained a master's degree of Arts in Management Systems from the University of Hull in the UK in December 1988. Mr. Tang subsequently obtained a bachelor's degree of laws from the University of Wolverhampton in the UK in October 1994 and a Postgraduate Certificate in Laws from the City University of Hong Kong in August 1996. Mr. Tang obtained a doctor of Philosophy in Business Administration from Tarlac State University in the Philippines in January 2019. Mr. Tang is currently a practising solicitor in Hong Kong. Mr. Tang joined Fung, Wong & Ha as a trainee solicitor from 1996 to 1998. From April 1999 to March 2016, Mr. Tang worked in Fung, Wong, Ng & Lam, Solicitors & Notaries as consultant. Since April 2016, 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 20 years of legal experience in Hong Kong.

11. DOCUMENTS FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours at the head office and principal place of business of the Company in Hong Kong at Room D2, 11/F, Phase 2 Hang Fung Industrial Building, 2G Hok Yuen Street, Hung Hom, Kowloon, Hong Kong, from the date of this circular up to 14 days thereafter:

(a) the memorandum of association and articles of association of the Company;

(b) the annual reports of the Company for the two financial years ended 31 March 2018 and 2019;

(c) the accountants' report on the Target issued by Fuson CPA Limited as set out in Appendix II to this circular;

(d) the letter from Fuson CPA Limited in respect of the unaudited pro forma financial information of the Enlarged Group as set out in Appendix III to this circular;

(e) the letter and valuation certificate prepared by Moore Stephens Transaction Services Limited, the text of which is set out in Appendix V to this circular;

(f) the letters of consent referred to in the paragraph headed "Experts and Consents" in this appendix;

(g) the material contract referred to in the paragraph headed "Material Contract" in this appendix; and

(h) this circular.