

# 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

# PLACING

Sponsor



Bookrunner and Lead Manager



## IMPORTANT

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

# BAR PACIFIC GROUP HOLDINGS LIMITED

## 太平洋酒吧集團控股有限公司

*(Incorporated in the Cayman Islands with limited liability)*

### LISTING ON THE GROWTH ENTERPRISE MARKET OF THE STOCK EXCHANGE OF HONG KONG LIMITED BY WAY OF PLACING

**Number of Placing Shares : 215,000,000 Placing Shares**

**Placing Price : Not more than HK\$0.29 per Placing Share  
and expected to be not less than  
HK\$0.27 per Placing Share, plus  
brokerage of 1%, SFC transaction levy  
of 0.0027% and Stock Exchange trading  
fee of 0.005% (payable in full on  
application in Hong Kong dollars and  
subject to refund)**

**Nominal value : HK\$0.01 per Share**

**Stock code : 8432**

#### Sponsor



LY CAPITAL LIMITED  
絡繹資本有限公司

#### Bookrunner and Lead Manager



英皇證券(香港)有限公司  
Emperor Securities Limited

**Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.**

A copy of this prospectus, having attached thereto the documents specified in the paragraph headed "Documents Delivered to the Registrar of Companies in Hong Kong" in Appendix V to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). Neither the Securities and Futures Commission nor the Registrar of Companies in Hong Kong takes any responsibility as to the contents of this prospectus or any of the other documents referred to above.

Prospective investors should consider carefully all the information set out in this prospectus and, in particular, should consider and evaluate the matters discussed under the section headed "Risk Factors" in this prospectus before making any investment decision in relation to our Company.

The Placing Price will not be more than HK\$0.29 per Placing Share and is expected to be not less than HK\$0.27 per Placing Share unless otherwise announced. The Lead Manager (for itself and on behalf of the Underwriter) may, with the consent of our Company, reduce the indicative Placing Price range below that stated in this prospectus at any time prior to the Price Determination Date, which is expected to be on or about Saturday, 31 December 2016, or such other date as may be agreed between our Company and the Lead Manager (for itself and on behalf of the Underwriter). In such case, our Company will, as soon as practicable following the decision to make such reduction, publish the notice of such change on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the website of our Company at [www.barpacific.com.hk](http://www.barpacific.com.hk).

The final Placing Price is expected to be determined by the Price Determination Agreement to be entered into between our Company and the Lead Manager (for itself and on behalf of the Underwriter) on the Price Determination Date. If, for any reason, our Company and the Lead Manager (for itself and on behalf of the Underwriter) are unable to reach any agreement on the Placing Price by the Price Determination Date, the Placing will not become unconditional and will lapse immediately.

Prior to making an investment decision, prospective investors should carefully consider all the information set out in the prospectus, including the risk factors set out in the section headed "Risk Factors" of this prospectus.

Prospective investors of the Placing Shares should note that the Lead Manager (for itself and on behalf of the Underwriter) has the right, in its sole and absolute discretion, to terminate the obligations of the Underwriter under the Underwriting Agreement upon the occurrence of any of the events set out under the paragraph headed "Underwriting — Underwriting Arrangements And Expenses — Grounds for termination of the Underwriting Agreement" in this prospectus, at any time at or before 8:00 a.m. (Hong Kong time) on the Listing Date. Should the Lead Manager (for itself and on behalf of the Underwriter) terminate the obligations of the Underwriter under the Underwriting Agreement in accordance with its terms, the Placing will not become unconditional and will lapse immediately.

## CHARACTERISTICS OF GEM

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

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

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

## EXPECTED TIMETABLE

*(Notes 1 and 2)*

Price Determination Date <sup>(Note 3)</sup> to be on or around . . . . . Saturday, 31 December 2016

Announcement of the final Placing Price and the level of indication of interest in the Placing to be published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the website of our Company at [www.barpacific.com.hk](http://www.barpacific.com.hk) on or before . . . . . Tuesday, 10 January 2017

Allotment of the Placing Shares to placees (or their designated person(s)) on or before . . . . . Tuesday, 10 January 2017

Deposit of share certificates for the Placing Shares into CCASS on or before <sup>(Notes 4 and 5)</sup> . . . . . Tuesday, 10 January 2017

Dealings in the Shares on GEM to commence at 9:00 a.m. on . . . . . Wednesday, 11 January 2017

*Notes:*

1. All times and dates refer to Hong Kong times and dates.
2. If there is any change to the above expected timetable, our Company will make appropriate announcement on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the website of our Company at [www.barpacific.com.hk](http://www.barpacific.com.hk).
3. The Price Determination Date is expected to be on or around Saturday, 31 December 2016 or such other date as may be agreed between our Company and the Lead Manager (for itself and on behalf of the Underwriter). If, for any reason, our Company and the Lead Manager (for itself and on behalf of the Underwriter) are unable to reach any agreement on the Placing Price by the Price Determination Date, the Placing will not become unconditional and will lapse immediately.
4. The share certificates for the Placing Shares are expected to be issued in the name of HKSCC Nominees Limited. Share certificates for the Placing Shares to be distributed via CCASS will be deposited into CCASS on or about Tuesday, 10 January 2017 for credit to the respective CCASS Participant's stock accounts designated by the Lead Manager, the Underwriter, the placees or their respective agents, as the case may be. Our Company will not issue any temporary documents of title.
5. All share certificates will only become valid certificates of title of the Shares which they relate when the Placing has become unconditional in all respects and the Underwriting Agreement has not been terminated in accordance with its terms prior to 8:00 a.m. (Hong Kong time) on the Listing Date.

The above expected timetable is a summary only. Details of the structure of the Placing, including the conditions thereto, are set out in the section headed "Structure of the Placing" in this prospectus.

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

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

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## SUMMARY

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

### OUR BUSINESS

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

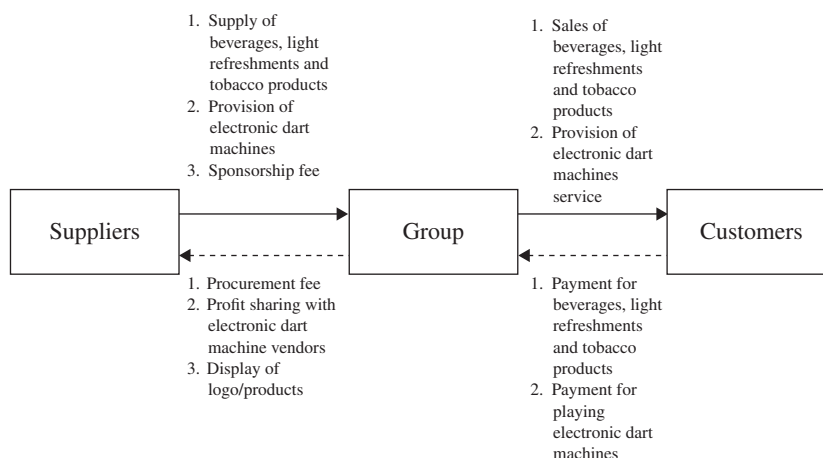
Our Group adopts centralised purchasing system for procurement of beverages and other supplies (except light refreshments). We have standardised menu with unified price for all items in all our shops. We will from time to time assess the reasonableness of our pricing based on cost plus basis taking into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

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

## SUMMARY

### OUR BUSINESS AND REVENUE MODEL

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



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

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

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

|                                       | Year ended 31 March |               | Year ended 31 March |               | Three months ended 30 June |               |
|---------------------------------------|---------------------|---------------|---------------------|---------------|----------------------------|---------------|
|                                       | 2015                | % of          | 2016                | % of          | 2016                       | % of          |
|                                       | Revenue             | revenue       | Revenue             | revenue       | Revenue                    | revenue       |
|                                       | HK\$'000            |               | HK\$'000            |               | HK\$'000                   |               |
| <b>Beverages</b>                      |                     |               |                     |               |                            |               |
| ● Beer <sup>(1)</sup>                 | 67,317              | 59.9%         | 81,413              | 64.5%         | 21,377                     | 68.0%         |
| ● Other alcohol drinks <sup>(2)</sup> | 35,193              | 31.3%         | 34,522              | 27.4%         | 7,082                      | 22.5%         |
| ● Other beverages <sup>(3)</sup>      | 250                 | 0.3%          | 398                 | 0.3%          | 148                        | 0.5%          |
| <b>Light refreshments</b>             | 6,550               | 5.8%          | 6,562               | 5.2%          | 1,765                      | 5.6%          |
| <b>Others<sup>(4)</sup></b>           | 3,063               | 2.7%          | 3,250               | 2.6%          | 1,060                      | 3.4%          |
| <b>Total</b>                          | <b>112,373</b>      | <b>100.0%</b> | <b>126,145</b>      | <b>100.0%</b> | <b>31,432</b>              | <b>100.0%</b> |



## SUMMARY

*Notes:*

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

### Settlement

All of the payments made by our customers are through cash, credit cards, coupons, EPS or others. The table below sets out the breakdown of our revenue by settlement methods during the Track Record Period:

|                        | Year ended 31 March |             |                |             | Three months ended 30 June |             |
|------------------------|---------------------|-------------|----------------|-------------|----------------------------|-------------|
|                        | 2015                | 2016        | 2015           | 2016        | 2016                       | 2016        |
|                        | Revenue             | % of        | Revenue        | % of        | Revenue                    | % of        |
|                        | HK\$'000            | revenue     | HK\$'000       | revenue     | HK\$'000                   | revenue     |
| Cash                   | 86,141              | 76.7%       | 93,642         | 74.2%       | 22,548                     | 71.8%       |
| Credit card            | 26,283              | 23.4%       | 31,992         | 25.4%       | 8,676                      | 27.6%       |
| Coupons                | 154                 | 0.1%        | 126            | 0.1%        | 70                         | 0.2%        |
| EPS                    | —                   | —           | 73             | 0.1%        | 190                        | 0.6%        |
| Others ( <i>Note</i> ) | (205)               | -0.2%       | 312            | 0.2%        | (52)                       | -0.2%       |
| <b>Total</b>           | <b>112,373</b>      | <b>100%</b> | <b>126,145</b> | <b>100%</b> | <b>31,432</b>              | <b>100%</b> |

*Note:* Our customer can prepay for their beverages (the “**Prepayment**”) and consume within three months after the Prepayment date (the “**Redemption**”) and prepayment for this kind of sales will only be recognised as revenue at Redemption or recognised as other income at expiry of the Redemption period (i.e. when the customers have not consumed the beverages within three months after the Prepayment date, such Redemption will be deemed as expired) (the “**Expiry of Redemption**”). The figures shown in “Others” is the difference between the Prepayment amount and Redemption (including Expiry of Redemption) amount for the relevant period.

We have implemented a cash management system to all our shops. For further details, please refer to the section headed “Business — Customers — Settlement” in this prospectus.

### OUR CUSTOMERS

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

## SUMMARY

### OUR SUPPLIERS

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

For the year ended 31 March 2015 and 2016 and the three months ended 30 June 2016, our purchases from our five largest suppliers in aggregate amounted to approximately HK\$25.4 million, HK\$23.2 million and HK\$7.0 million respectively, which in aggregate accounted for approximately 90.7%, 82.0% and 87.2% of our total purchases respectively. Our purchases from our largest supplier amounted to approximately HK\$9.8 million, HK\$10.3 million and HK\$2.9 million respectively, which accounted for approximately 35.1%, 36.5% and 36.5% of our total purchases, respectively, for the years ended 31 March 2015 and 2016 and the three months ended 30 June 2016.

### OUR COMPETITIVE STRENGTHS

Our Directors believe that we have the following competitive strengths:

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

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

### OUR BUSINESS STRATEGIES

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

- Expand our “Bar Pacific” brand to different locations;
- Continue our promotion and marketing efforts;
- Continue to upgrade our shops’ facilities; and
- Diversified product mix offered.

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

## SUMMARY

### SHAREHOLDING INFORMATION

Immediately following completion of the Capitalisation Issue and the Placing (without taking into account any Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme), BVI Holdco will directly hold approximately 50.18% of the issued share capital of our Company. The entire issued share capital of BVI Holdco is held by Harneys Trustees Limited, which is the trustee of the Bar Pacific Trust. Ms. Tse is the settlor of the Bar Pacific Trust while she and her daughter, namely Ms. Chan Tsz Kiu, Teresa are the beneficiaries. Ms. Chan Ching Mandy, who is the sister of Chan Wai, is the protector of the Bar Pacific Trust, and Harneys Trustees Limited is required to exercise the voting rights in any company the fund of the Bar Pacific Trust is invested in accordance with the joint written instruction from the protector (i.e. Ms. Chan Ching Mandy) and the settlor (i.e. Ms. Tse) of the Bar Pacific Trust. For the purpose of the GEM Listing Rules, BVI Holdco, Ms. Tse and Ms. Chan Ching Mandy are the Controlling Shareholders of our Company. As at the Latest Practicable Date, none of our Controlling Shareholders or their respective close associates controlled any business which competes, or is likely to compete, either directly or indirectly, with our business. For further details, please refer to the section headed “Relationship with Controlling Shareholders” in this prospectus.

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

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

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

# SUMMARY

## SUMMARY OF FINANCIAL PERFORMANCE

The following table sets out a summary of the audited consolidated financial information of our Group for the year ended 31 March 2015 and 2016 and the three months ended 30 June 2016. Please refer to the Accountants' Report set out in Appendix I in this prospectus for further details.

### Summary of combined statements of profit or loss and other comprehensive income

|   | <b>Year ended 31 March</b> |                 | <b>Three months</b>  |
|---|----------------------------|-----------------|----------------------|
|   | <b>2015</b>                | <b>2016</b>     | <b>ended 30 June</b> |
|   | <i>HK\$'000</i>            | <i>HK\$'000</i> | <b>2016</b>          |
|   |                            |                 | <i>HK\$'000</i>      |
| Revenue   | 112,373                    | 126,145         | 31,432               |
| Cost of inventories sold  | (27,761)                   | (28,427)        | (7,599)              |
| Profit (loss) and total comprehensive income<br>(expense) for the year/period | 11,829                     | 15,355          | (1,573)              |
| Profit (loss) for the year/period attributable to owners<br>of our Company    | 7,273                      | 9,450           | (1,786)              |

### Summary of combined statements of financial position

|                     | <b>As at 31 March</b> |                 | <b>Three months</b>  |
|---------------------|-----------------------|-----------------|----------------------|
|                     | <b>2015</b>           | <b>2016</b>     | <b>ended 30 June</b> |
|                     | <i>HK\$'000</i>       | <i>HK\$'000</i> | <b>2016</b>          |
|                     |                       |                 | <i>HK\$'000</i>      |
| Non-current assets  | 10,141                | 9,335           | 9,288                |
| Current assets      | 18,398                | 21,378          | 25,670               |
| Current liabilities | 16,819                | 11,936          | 17,842               |
| Net current assets  | 1,579                 | 9,442           | 7,828                |
| Net assets          | 11,430                | 18,341          | 16,728               |

## SUMMARY

### Summary of combined statements of cash flows

|  | Year ended 31 March |                 | Three months<br>ended 30 June |
|--|---------------------|-----------------|-------------------------------|
|  | 2015                | 2016            | 2016                          |
|  | <i>HK\$'000</i>     | <i>HK\$'000</i> | <i>HK\$'000</i>               |
| Operating cash flows before movements in working capital | 20,832              | 22,125          | (76)                          |
| Net cash from (used in) operating activities             | 18,176              | 20,387          | (3,212)                       |
| Net cash used in investing activities                    | (2,035)             | (5,165)         | (10,523)                      |
| Net cash (used in) from financing activities             | (8,792)             | (10,859)        | 4,853                         |

We recorded a negative operating cash flow of approximately HK\$76,000 for the three months ended 30 June 2016. This is mainly due to (i) the listing expenses of approximately HK\$4.1 million; and (ii) increased amount of other operating expenses to promote our brand awareness and for our network expansion incurred during the same period.

### Key financial ratios

The following table sets out a summary of key financial ratios of our Group for the year ended 31 March 2015 and 2016 and the three months ended 30 June 2016. For more detailed information on the calculation basis of these key financial ratios, please refer to the section headed “Financial Information — Key Financial Ratios” in this prospectus.

|                                 | As at/for the year<br>ended 31 March |         | As at/for the<br>three months<br>ended 30 June |
|---------------------------------|--------------------------------------|---------|--|
|                                 | 2015                                 | 2016    | 2016   |
|                                 | Gearing ratio ( <i>Note</i> )        | 52.3%   | 20.3%  |
| Net profit margin               | 10.5%                                | 12.2%   | -5.0%  |
| Return on equity                | 103.5%                               | 83.7%   | -37.7%   |
| Return on total assets          | 41.4%                                | 50.0%   | -18.0%   |
| Current ratio                   | 1.1                                  | 1.8     | 1.4  |
| Quick ratio                     | 1.0                                  | 1.7     | 1.4  |
| Inventories turnover days       | 12.2                                 | 12.6    | 13.5   |
| Trade receivables turnover days | 0.9                                  | 1.1     | 0.7  |
| Trade payables turnover days    | 50.2                                 | 40.5    | 38.7   |
| Interest coverage ratio         | 635.8                                | 1,063.0 | N/A  |

*Note:* Gearing ratio is calculated by dividing total debt by total equity. Total debt is defined to include all payables incurred not in the ordinary course of business, which included bank borrowing, amount due to a director and amounts due to non-controlling shareholders of subsidiaries.

## SUMMARY

The following is an analysis of material fluctuations in financial information during the Track Record Period. For details of the analysis, please refer to the section headed “Financial information — Key financial ratios” in this prospectus.

### *Net profit margin*

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

Our net profit margin decreased from 12.2% for the year ended 31 March 2016 to -5.0% for the three months ended 30 June 2016 mainly as a result of the combined effect of the increase in listing expenses for the Listing and the increased amount of other operating expenses to promote our brand awareness and for our network expansion incurred during the period.

### *Return on equity*

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

Our return on equity decreased from 83.7% for the year ended 31 March 2016 to -37.7% for the three months ended 30 June 2016 primarily due to the decrease in net profit generated during the period.

The low equity balance of HK\$11.4 million as at 31 March 2015 was mainly due to the negative equity balance of HK\$0.2 million brought forward from the previous financial year. The equity balance as at 31 March 2015 was strengthened by the HK\$11.8 million profit recorded for the year ended 31 March 2015. Our negative equity balance as at 1 April 2014 was primarily attributable to the HK\$1.5 million accumulated losses brought forward due to: (i) prior to 1 April 2014, it was our practice to distribute substantial portion of our profit generated during the year to our then shareholders; and (ii) during the two years ended 31 March 2014, we opened six new shops which generally generated lower profit margin due to lower sales and higher startup operating cost in the initial stage, and the six new shops recorded accumulated losses as at 1 April 2014.

### *Return on total assets*

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

## SUMMARY

Our return on total assets decreased from 50.0% for the year ended 31 March 2016 to -18.0% for the three months ended 30 June 2016 mainly due to the decrease in net profit generated during the period and the higher asset base as at 30 June 2016.

### SUMMARY OF OPERATIONAL INFORMATION

#### Summary of operating performance of our existing network

During the Track Record Period, we had 32 shops throughout Hong Kong. The gross floor area of our shops ranges from 56.0 sq. m. to 319.6 sq. m, with estimated seating from 34 seats to 120 seats. Our revenue is mainly generated from beverage sales at our shops. During the Track Record Period, our revenue increased from HK\$112.4 million for the year ended 31 March 2015 to HK\$126.1 million for the year ended 31 March 2016, representing an increase of approximately 12.3%; and our revenue increased from approximately HK\$31.0 million for the three months ended 30 June 2015 to approximately HK\$31.4 million for the three months ended 30 June 2016, representing an increase of approximately 1.3%. The estimated average spending per customer of our shops increased from approximately HK\$150.8 for the year ended 31 March 2015 to approximately HK\$166.4 for the year ended 31 March 2016, representing an increase of approximately 10.3%. The estimated average spending per customer of our shops increased from approximately HK\$162.2 for the three months ended 30 June 2015 to approximately HK\$168.1 for the three months ended 30 June 2016, representing an increase of approximately 3.6%. The average daily revenue of our shops increased from approximately HK\$10,280.2 for the year ended 31 March 2015 to HK\$10,977.7 for the year ended 31 March 2016, representing an increase of approximately 6.8%. The average daily revenue of our shops decreased from approximately HK\$11,066.5 for the three months ended 30 June 2015 to approximately HK\$10,794.1 for the three months ended 30 June 2016, representing a decrease of approximately 2.5%. The estimated average daily seat turnover rate of our shops remain stable at approximately 0.96 times, 0.92 times and 0.89 times for the two years ended 31 March 2016 and the three months ended 30 June 2016, respectively. During the Track Record Period, four of our shops, namely Shop I, Shop LX, Shop LXVIII and Shop LXIX, recorded a loss for the two years ended 31 March 2016 and the three months ended 30 June 2016. We will closely monitor their performance. As at the Latest Practicable Date, our Directors are of the view that we can improve the performance of these shops. However, if our Directors are of the view that any of these shops is unlikely to improve performance in the future, we will consider closing the relevant shop. For further details of the operating performance of our existing network during the Track Record Period, please refer to the section headed “Business — Business and revenue model — Operating performance of our existing network” in this prospectus.

## SUMMARY

### Major cost components

The following table sets forth our major cost components during the Track Record Period, extracted from the Accountants' Report as set out in Appendix I to this prospectus:

|                                       | Year ended 31 March    |                         | Three months<br>ended 30 June |                        |
|---------------------------------------|------------------------|-------------------------|-------------------------------|------------------------|
|                                       | 2015                   | 2016                    | 2015                          | 2016                   |
|                                       | <i>HK\$'000</i>        | <i>HK\$'000</i>         | <i>HK\$'000</i>               | <i>HK\$'000</i>        |
|                                       | (unaudited)            |                         |                               |                        |
| Cost of inventories sold              | (27,761)               | (28,427)                | (7,380)                       | (7,599)                |
| Staff costs                           | (28,862)               | (36,353)                | (7,214)                       | (8,800)                |
| Depreciation                          | (6,178)                | (3,938)                 | (859)                         | (895)                  |
| Property rentals and related expenses | (18,786)               | (21,311)                | (5,277)                       | (5,561)                |
| Other operating expenses              | (18,139)               | (19,109)                | (4,241)                       | (5,660)                |
| Finance costs                         | (23)                   | (17)                    | (5)                           | (3)                    |
| Listing expenses                      | —                      | (300)                   | —                             | (4,115)                |
| <b>Total</b>                          | <b><u>(99,749)</u></b> | <b><u>(109,455)</u></b> | <b><u>(24,976)</u></b>        | <b><u>(32,633)</u></b> |

During the Track Record Period, staff costs, cost of inventories sold, property rentals and related expenses, and other operating expenses accounted for the majority of our major cost components. Staff costs accounted for approximately 25.7% to 28.8% of our revenue, cost of inventories sold accounted for approximately 22.5% to 24.7% of our revenue. Property rentals and related expenses accounted for approximately 16.7% to 17.7% of our revenue and other operating expenses accounted for approximately 15.1% to 18.0% of our revenue. For detailed analysis of our major cost components, please refer to the section headed “Financial Information — Results of operation of our Group” in this prospectus.



## SUMMARY

### Comparable shop sales

Comparable shop sales for a given fiscal year refers to the revenue of shops which have been operating throughout the periods under comparison. The table below sets forth our comparable shop sales, the estimated seat turnover rate and average spending per customer of our comparable shops during the Track Record Period:

|  | Year ended 31 March |         | Three months<br>ended 30 June |        |
|--|---------------------|---------|-------------------------------|--------|
|  | 2015                | 2016    | 2015                          | 2016   |
|  |                     |         | (Unaudited)                   |        |
| Number of comparable shops   | 30                  | 30      | 30                            | 30     |
| Comparable shop sales ( <i>HK\$'000</i> )  | 112,373             | 121,463 | 30,394                        | 29,887 |
| Estimated seat turnover rate of comparable shops (times) <sup>(1)</sup>                    | 0.96                | 0.94    | 0.97                          | 0.92   |
| Estimated average spending per customer of comparable shops ( <i>HK\$</i> ) <sup>(2)</sup> | 150.8               | 166.4   | 162.7                         | 167.8  |

*Notes:*

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

Our comparable shop sales increased from approximately HK\$112.4 million for the year ended 31 March 2015 to approximately HK\$121.5 million for the year ended 31 March 2016, representing an increase of approximately 8.1%. Such increase was mainly due to an increase in average spending per customer from HK\$150.8 for the year ended 31 March 2015 to HK\$166.4 for the year ended 31 March 2016, representing an increase of approximately 10.3%. Our comparable shop sales remained relatively stable of approximately HK\$30.4 million and approximately HK\$29.9 million for the three months ended 30 June 2015 and 2016, respectively. For detailed analysis of our comparable shop sales, please refer to the section headed "Financial Information — Factors affecting our results of operations and financial condition — Comparable shop sales" in this prospectus.

## SUMMARY

### PROPERTIES

The following table shows the summary of lease terms of our shop. For details of the lease terms of our shops, please refer to the section headed “Business — Properties” in this prospectus.

| Shop Number  | Number of Shops   | Lease to be expired              |
|--|-------------------|----------------------------------|
| VII, XXI, XXXII  | 3 ( <i>Note</i> ) | on or before<br>31 December 2016 |
| VIII, XXIII, XXVII, XXX, XXXIII, XXXVII,<br>XXXIX, LXVIII  | 8                 | on or before<br>31 December 2017 |
| I, II, III, VI, IX, XII, XVI, XVII, XVIII, XIX, XX,<br>XXII, XXVIII, XXIX, XXXI, XXXVIII, LX,<br>LXI, LXII, LXIII, LXIX, LXX | 22                | on or after<br>1 January 2018    |

*Note:* The lease for Shop XXI will be expired on 31 December 2016 and we may have to close this shop if the landlord cannot renew the lease with us. The lease for Shop VII had expired in September 2013 but the lease has been continued and we have paid the rental to the landlord to rent the premises for more than 3 years and, based on our understanding with the landlord, we have not been aware of any circumstances that could result in the termination of the lease and we have also been liaising with the landlord to enter into a formal lease agreement with us. Our Directors believe, the Sponsor concurs, that the risk that we have to relocate this shop is low. As for Shop XXXII whose lease term expired in September 2016, we are in the course of negotiating the renewal with the landlord and expect the lease to be renewed on similar terms as the existing lease.

### HISTORICAL NON-COMPLIANCE INCIDENTS

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

### LISTING EXPENSES

The total expenses for the Listing (including the underwriting commission) are estimated to be HK\$17.2 million based on the Placing Price of HK\$0.28 (being the mid-point of the indicated Placing Price range stated in this prospectus), of which HK\$5.2 million is directly attributable to the issue of Placing Shares under the Placing and is expected to be accounted for as a deduction from equity. Of the remaining listing expenses of HK\$12.0 million, HK\$0.3 million and HK\$4.1 million were charged to the combined statement of comprehensive income of our Group for the year ended 31 March 2016 and the three months ended 30 June 2016, and HK\$7.6 million will be charged to the combined statement of comprehensive income of our Group for the nine months ending 31 March 2017. The total estimated listing expenses of HK\$17.2 million is a current estimation for reference only and the final amount is

## SUMMARY

subject to adjustments based on the actual amount incurred or to be incurred. Prospective investors should note that the financial performance of our Group for the year ending 31 March 2017 would be materially and adversely affected by the Listing expenses mentioned above.

### **RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE**

According to our unaudited consolidated financial information for the five months ended 30 November 2016, our revenue and cost of inventories sold as a percentage of revenue remained stable. After the Track Record Period and up to the date of this prospectus, save as Shop LXX which was opened in October 2016 and Shop XXIII which ceased operation in December 2016, no other new shop was opened and no other existing shops ceased business operation.

Having taken into account (i) the cessation of operation of Shop XXIII in December 2016; (ii) we may have to close Shop XXI after the expiry of the lease on 31 December 2016 if the landlord cannot lease the same shop after the expiry of the lease or another shop in the same shopping centre to us; and (iii) due to lower sales and higher startup operating cost of our new shops in the initial stage, we expect that the profit for the year ending 31 March 2017 will decrease.

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

### **REASON FOR THE PLACING AND USE OF PROCEEDS**

Our objective is to maintain our competitiveness in the bar industry in Hong Kong and strengthen our positions by capturing a larger market share in Hong Kong. We believe that the estimated net proceed from the Placing of HK\$42.8 million (after deducting the related underwriting fees and expenses payable in relation to the Listing) will enable us to achieve this and implement business strategies and implementation plans as set out below.

Our Directors believe that apart from obtaining the necessary funding for expansion, the listing of the Shares on GEM will also enhance our corporate profile and brand awareness. Our Directors believe that having a listing status will increase our credibility to all our stakeholders. For details, please refer to the section headed “Future plans and use of proceeds — Reasons for the Placing” in this prospectus.

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

In light of the above, although listing expenses of approximately HK\$17.2 million, representing approximately 28.7% of the gross proceeds from the Placing, will be incurred, for our long term growth and benefits, our Directors believe that a GEM listing is beneficial to our Group and our Shareholders as a whole.

## SUMMARY

Assuming the Placing Price of HK\$0.28 per Share (being the mid-point of the Placing Price range), we estimate that the net proceed, after deducting related expenses, from Placing is approximately HK\$42.8 million. We intend to use the net proceeds from the Placing for the purposes set out below:

|  | From the Latest  |              | For the six months ending |              |              |              |              | Total        | Approximate<br>percentage<br>% |
|--|------------------|--------------|---------------------------|--------------|--------------|--------------|--------------|--------------|--------------------------------|
|  | Practicable Date |              | 31 March                  |              | 30 September |              | 31 March     |              |                                |
|  | to 31 March      | 30 September | 31 March                  | 30 September | 31 March     | 30 September | 31 March     |              |                                |
|  | 2017             | 2017         | 2018                      | 2018         | 2019         | 2019         | 2020         |              |                                |
|  | HK\$ million     | HK\$ million | HK\$ million              | HK\$ million | HK\$ million | HK\$ million | HK\$ million |              |                                |
| Expand our “Bar Pacific”<br>brand to different locations | 2.80             | 5.60         | 5.60                      | 5.60         | 5.60         | 5.60         | 2.80         | 33.60        | 78.5                           |
| Continue to upgrade our shops’<br>facilities             | 0.40             | 0.50         | 0.55                      | 0.85         | 0.50         | 0.40         | —            | 3.20         | 7.5                            |
| Continue our promotion and<br>marketing efforts          | 0.60             | 0.60         | 0.60                      | 0.60         | 0.90         | —            | —            | 3.30         | 7.7                            |
| <b>TOTAL</b>   | <b>3.80</b>      | <b>6.70</b>  | <b>6.75</b>               | <b>7.05</b>  | <b>7.00</b>  | <b>6.00</b>  | <b>2.80</b>  | <b>40.10</b> | <b>93.7 (Note)</b>             |

*Note:* The remaining net proceed of HK\$2.7 million, representing approximately 6.3% of the total net proceed will be used for additional working capital and other general corporate purposes.

For further information, please refer to the section headed “Future plans and use of proceeds” in this prospectus.

### DIVIDEND

During the Track Record Period, certain subsidiaries of our Group declared and paid dividends of HK\$0.1 million for the year ended 31 March 2015 and HK\$1.3 million for the year ended 31 March 2016 to their then non-controlling shareholders. During the year ended 31 March 2016, Bar Pacific Group Limited declared and paid an interim dividend of HK\$9.1 million to its then shareholder. During the three months ended 30 June 2016, no dividend was declared and paid.

As at the Latest Practicable Date, we have not adopted any dividend policy and we had no fixed dividend pay-out ratio. The declaration of dividends is subject to the absolute discretion of our Directors, and if necessary, the approval of our Shareholders and will depend on, among others, our earnings, financial condition, cash requirement and availability, and other factors as our Directors may deem relevant. Any declaration and payment as well as the amount of dividends will also be subject to our Articles of Association and the Companies Law. Our past dividend payment history is not, and should not be taken as, an indication of our potential future practice on dividend payments. There is no assurance that dividends of such amount or any amount will be declared or distributed each year or in any year.

## SUMMARY

### RISK FACTORS

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

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

You should read the entire section headed “Risk Factors” in this prospectus carefully before you decided to invest in the Placing Shares.

### PLACING STATISTICS

|   | <b>Base on the<br/>minimum<br/>indicative Placing<br/>Price of HK\$0.27<br/>per Share</b> | <b>Base on the<br/>maximum<br/>indicative Placing<br/>Price of HK\$0.29<br/>per Share</b> |
|---|---|---|
| Market capitalisation <sup>(1)</sup>  | HK\$232,200,000   | HK\$249,400,000   |
| Unaudited pro forma adjusted combined net tangible assets of our Group attributable to owners of our Company per Share <sup>(2)</sup> | HK\$0.064   | HK\$0.069   |

(1) The calculation of market capitalisation upon completion of the Placing is based on the assumption that 860,000,000 Shares will be in issue and outstanding immediately following the Placing.

(2) Please refer to the section headed “(A) Unaudited Pro Forma Adjusted Combined Net Tangible Assets” in Appendix II to this prospectus for details regarding the assumptions and the calculation method used.

## DEFINITIONS AND GLOSSARIES

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

|  |  |
|--|--|
| “Accountants’ Report”                            | the Accountants’ Report prepared by Deloitte Touche Tohmatsu, Certified Public Accountants, set forth in Appendix I to this prospectus   |
| “affiliate(s)”                                   | any other person(s), directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person  |
| “Amusement Game Centre Licence” or “AGC Licence” | licence required under the Amusement Game Centres Ordinance (Cap 435 of the Laws of Hong Kong) to operate an amusement game centre   |
| “Articles” or “Articles of Association”          | the amended and restated articles of association of our Company conditionally adopted on 17 December 2016 which shall become effective upon commencement of trading of the Shares on GEM, as amended from time to time, a summary of which is set out in Appendix III to this prospectus |
| “associate(s)”                                   | has the meaning ascribed to it under the GEM Listing Rules   |
| “Bar Pacific BVI” or “Bar Pacific Group Limited” | Bar Pacific Group Limited, being a company incorporated in BVI on 24 February 2014. It is wholly owned by the Company  |
| “Bar Pacific Trust”                              | a trust known as Bar Pacific Trust, which was established by Ms. Tse as settlor on 25 March 2014 for the benefit of herself and her daughter, namely Ms. Chan Tsz Kiu, Teresa, and the trustee of which is Harneys Trustees Limited, an Independent Third Party                          |
| “Bar Pacific Entertainment Limited”              | Bar Pacific Entertainment Limited, being a company incorporated in Hong Kong on 4 March 2014. It is wholly owned by the Company  |
| “Board”  | the board of Directors   |
| “BP Sharing”                                     | BP Sharing Limited, being a company incorporated in BVI on 1 September 2015  |
| “business day”                                   | a day (other than a Saturday, Sunday or public holiday) on which licensed banks in Hong Kong are generally open for normal banking business  |
| “BVI”  | the British Virgin Islands   |
| “BVI Holdco”                                     | Moment to Moment Company Limited, a company incorporated in BVI with limited liability on 22 September 2016, the entire issued share capital of which is owned by Harneys Trustees Limited, the trustee of the Bar Pacific Trust   |

## DEFINITIONS AND GLOSSARIES

|   |   |
|---|---|
| “CAGR”  | compounded annual growth rate   |
| “Capitalisation Issue”  | the issue of 644,950,000 Shares to be made upon capitalisation of the amount of HK\$6,449,500 standing to the credit of the share premium account of our Company as referred to in the paragraph headed “A. Further information about the Company — 3. Written shareholders’ resolutions of the Company passed on 17 December 2016” in Appendix IV to this prospectus |
| “CCASS”   | the Central Clearing and Settlement System established and operated by HKSCC  |
| “CCASS Clearing Participant(s)”                                 | person(s) admitted to participate in CCASS as direct clearing participant(s) or general clearing participant(s)   |
| “CCASS Custodian Participant(s)”                                | person(s) admitted to participate in CCASS as custodian participant(s)  |
| “CCASS Investor Participant(s)”                                 | person(s) admitted to participate in CCASS as investor participant(s) who may be individual(s) or joint individuals or corporation(s)   |
| “CCASS Participant(s)”  | CCASS Clearing Participant(s), CCASS Custodian Participant(s) or CCASS Investor Participant(s)  |
| “CEO”   | chief executive officer   |
| “close associate(s)”  | has the meaning ascribed to it under the GEM Listing Rules  |
| “Companies Law”   | the Companies Law (as revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time  |
| “Companies Ordinance”   | the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time  |
| “Companies (Winding Up and Miscellaneous Provisions) Ordinance” | the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time   |
| “Company”, “our Company”, “us” or “we”                          | Bar Pacific Group Holdings Limited (太平洋酒吧集團控股有限公司), an exempted company incorporated in the Cayman Islands under the Companies Law with limited liability on 2 June 2016  |
| “connected person(s)”   | has the meaning ascribed to it under the GEM Listing Rules  |

## DEFINITIONS AND GLOSSARIES

|                              |   |
|------------------------------|---|
| “Controlling Shareholder(s)” | has the meaning ascribed to it under the GEM Listing Rules and, in the context of our Company, refers to BVI Holdco, Ms. Tse and Ms. Chan Ching Mandy or, where the context so requires, any one of them.   |
| “core connected person(s)”   | has the meaning ascribed to it under the GEM Listing Rules  |
| “DCO”                        | Dutiable Commodities Ordinance (Chapter 109 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time   |
| “DCR”                        | Dutiable Commodities (Liquor) Regulations (Chapter 109B of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time   |
| “Deed of Indemnity”          | the deed of indemnity dated 17 December 2016 executed by our Controlling Shareholders in favour of our Company (for ourselves and as trustee for our subsidiaries) regarding certain indemnities as more particularly set out in the paragraph headed “E. Other information — 1. Tax and other indemnities” in Appendix IV to this prospectus                       |
| “Deed of Non-competition”    | the deed of non-competition dated 17 December 2016 executed by our Controlling Shareholders in favour of our Company (for ourselves and as trustee for our subsidiaries), regarding the non-competition undertakings as more particularly set out in the paragraph headed “Relationship with Controlling Shareholders — Deed of Non-competition” in this prospectus |
| “Director(s)”                | director(s) of our Company  |
| “District Officer”           | officer from District Office of Home Affairs Department   |
| “EBITDA”                     | earnings before interest, taxes, depreciation and amortisation  |
| “EPD”                        | Environmental Protection Department of the Government   |
| “Euromonitor”                | Euromonitor International Limited, an independent market research institution   |
| “Euromonitor Report”         | an independent market report commissioned by our Company on the bar/pub industry prepared by Euromonitor in December 2016   |
| “FBR”                        | Food Business Regulation (Chapter 132X of the Laws of Hong Kong)  |
| “FEHD”                       | Food and Environmental Hygiene Department of the Government   |
| “GDP”                        | Gross Domestic Product  |



## DEFINITIONS AND GLOSSARIES

|   |   |
|---|---|
| “GEM”   | the Growth Enterprise Market of the Stock Exchange  |
| “GEM Listing Rules”                                 | the Rules Governing the Listing of Securities on GEM, as amended, supplemented or otherwise modified from time to time  |
| “Government”  | the government of Hong Kong   |
| “Group”, “we”, “our” or “us” or “Bar Pacific Group” | our Company and our subsidiaries or, where the context so requires in respect of the period before our Company became the holding company of our existing subsidiaries, our existing subsidiaries |
| “Hacienda International Corporation Limited”        | Hacienda International Corporation Limited, being a company incorporated in Hong Kong on 17 May 1999. It is wholly owned by the Company   |
| “HK\$” or “HKD”                                     | Hong Kong dollars, the lawful currency of Hong Kong   |
| “HKASs”   | Hong Kong Accounting Standards  |
| “HKFRSs”  | Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants   |
| “HKICPA”  | Hong Kong Institute of Certified Public Accountants   |
| “HKSCC”   | Hong Kong Securities Clearing Company Limited   |
| “HKSCC Nominees”                                    | HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC  |
| “Hong Kong”   | the Hong Kong Special Administrative Region of the PRC  |
| “Hong Kong Legal Counsel”                           | Mr. Chan Chung, barrister-at-law of Hong Kong   |
| “Hong Kong Police”                                  | the Hong Kong police force  |
| “Hong Kong Share Registrar”                         | Tricor Investor Services Limited, the branch share registrar and transfer office of our Company in Hong Kong  |
| “IPO”   | Initial Public Offering   |
| “Independent Third Party(ies)”                      | individual(s) or company(ies) who is/are not connected person(s) of our Company   |
| “Latest Practicable Date”                           | 21 December 2016, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information in this prospectus prior to its publication      |

## DEFINITIONS AND GLOSSARIES

|                     |  |
|---------------------|--|
| “Lead Manager”      | Emperor Securities Limited, being the lead manager to the Listing and a corporation licensed under the SFO to carry on type 1 (dealing in securities) and type 4 (advising on securities) regulated activities as defined in the SFO |
| “Listing”           | the listing of the Shares on GEM   |
| “Listing Date”      | the date, expected to be on or about Wednesday, 11 January 2017, on which dealings in the Shares first commence on GEM   |
| “LLB”               | Liquor Licensing Board of the Government   |
| “Memorandum”        | the amended and restated memorandum of association of our Company adopted on 17 December 2016, as amended from time to time, a summary of which is set out in Appendix III to this prospectus  |
| “Mr. Fung”          | Mr. Fung Sik Lun, one of the shareholders of Fortune Worth Investment Holdings Limited, the Pre-IPO Investor   |
| “Mr. Wong”          | Mr. Wong Kin Chung, one of the shareholders of Fortune Worth Investment Holdings Limited, the Pre-IPO Investor   |
| “Ms. Tse”           | Ms. Tse Ying Sin Eva, an executive Director, Chairlady and CEO   |
| “Occupation Permit” | an occupation permit is a statutory document issued by the Buildings Department certifying the satisfactory completion of a new building, part of a new building, or a temporary building  |
| “Passport”          | Passport is a global market research database owned by Euromonitor. It provides insight on industries, economies and consumers worldwide   |
| “Pre-IPO Investor”  | Fortune Worth Investment Holdings Limited, being a company incorporated in BVI on 18 September 2015 and is owned as to 50% and 50% by Mr. Fung and Mr. Wong, respectively  |
| “Placing”           | the conditional placing of 215,000,000 Shares by the Underwriter on behalf of our Company for cash at the Placing Price, as further described in the section headed “Structure of the Placing” in this prospectus                    |

## DEFINITIONS AND GLOSSARIES

|                                 |   |
|---------------------------------|---|
| “Placing Price”                 | the final price per Placing Share (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) of not more than HK\$0.29 and not less than HK\$0.27 at which the Placing Shares are to be subscribed for and issued pursuant to the Placing, such price to be determined by the Price Determination Agreement to be entered into between our Company and the Lead Manager (for itself and on behalf of the Underwriter) on the Price Determination Date |
| “Placing Shares”                | the 215,000,000 Shares to be offered for subscription at the Placing Price under the Placing  |
| “POS”                           | point-of-sales  |
| “PRC”                           | the People’s Republic of China which, for the purpose of this prospectus and for geographical reference only, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan   |
| “Price Determination Agreement” | the agreement to be entered into between our Company and the Lead Manager (for itself and on behalf of the Underwriter) and our Company on or around the Price Determination Date to determine and record the Placing Price   |
| “Price Determination Date”      | the date, expected to be on or around Saturday, 31 December 2016, or such other date as may be agreed between our Company and the Lead Manager (for itself and on behalf of the Underwriter), on which the Placing Price is determined by entering into the Price Determination Agreement   |
| “Reorganisation”                | the corporate reorganisation of our Group in preparation for the Listing, details of which are set out in the paragraph headed “History, Development and Reorganisation — Reorganisation” in this prospectus  |
| “RMB”                           | Renminbi, the lawful currency of the PRC  |
| “SFC”                           | the Securities and Futures Commission of Hong Kong  |
| “SFO”                           | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time   |
| “Share(s)”                      | ordinary share(s) with nominal value of HK\$0.01 each in the share capital of our Company   |

## DEFINITIONS AND GLOSSARIES

|                                      |  |
|--------------------------------------|--|
| “Share Option Scheme”                | the share option scheme conditionally adopted by our Company on 17 December 2016, the principal terms of which are set out in the paragraph headed “D. Share Option Scheme” in Appendix IV to this prospectus  |
| “Shareholder(s)”                     | holder(s) of the Share(s)  |
| “Sponsor” or “LY Capital”            | LY Capital Limited, a licensed corporation registered under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) of regulated activities as defined in the SFO, being the sole sponsor to the Listing  |
| “sq.m.”                              | square metre   |
| “Stock Exchange”                     | The Stock Exchange of Hong Kong Limited  |
| “subsidiary(ies)”                    | has the meaning ascribed to it under the GEM Listing Rules   |
| “Substantial Shareholder(s)”         | has the meaning ascribed to it under the GEM Listing Rules and, in the context of our Company, refers to the entities disclosed in the section headed “Substantial Shareholders” in this prospectus or, where the context so requires, any one of them   |
| “Takeovers Code”                     | the Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time   |
| “Tank Success International Limited” | Tank Success International Limited, being a company incorporated in Hong Kong on 18 March 2003. It is wholly owned by the Company  |
| “Track Record Period”                | the two years ended 31 March 2016 and the three months ended 30 June 2016  |
| “Underwriter”                        | the underwriter of the Placing whose name is set out in the paragraph headed “Underwriting — Underwriter” in this prospectus   |
| “Underwriting Agreement”             | the conditional underwriting agreement dated 29 December 2016 and entered into among our Company, the executive Directors, the Controlling Shareholders, BP Sharing Limited, the Pre-IPO Investor, the Sponsor, the Lead Manager and the Underwriter in relation to the underwriting of the Placing Shares, further details of which are set out in the section headed “Underwriting” in this prospectus |
| “US\$”                               | United States dollars, the lawful currency of the United States  |
| “%”                                  | per cent   |

## FORWARD-LOOKING STATEMENTS

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

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

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

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

## RISK FACTORS

*Prospective investors should consider carefully all the information set out in this prospectus and, in particular, should consider and evaluate the following risks associated with an investment in our Company before making any investment decision in relation to our Company. Our business, financial condition and results of operations could be adversely affected by the materialisation of any of the following risks. Trading prices of the Shares could decline due to any of the following risks, and you may lose part or all of your investment.*

### RISKS RELATING TO OUR BUSINESS

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

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

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

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

## RISK FACTORS

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

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

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

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

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

Our Directors believe that having a commercially favourable location is one of the key factors to our success. As at the Latest Practicable Date, we operated 32 shops, all of which are located on leased properties and on the street level. Save for Shop VII, all the leases of our shops will expire between 2016 and 2022. For further details of the leases of our shops, please refer to the section headed “Business — Properties” in this prospectus. There is no assurance that our Group can secure commercially favourable locations with reasonable terms either for existing or new shops. If any lease is not renewed, we may not be able to have alternative premises with comparable terms on a timely manner. In case where we need to close down a shop upon expiry of a lease, the business of the shop will be disrupted and we may have to incur extra costs to relocate. In the event that our Group could not enter into any leases for suitable locations, our plan for relocation or expansion shall be held up, and our operational and financial conditions could be adversely affected.

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

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

Our Directors believe that one of the key factors to the success of our business is our ability to source stable and adequate supply of beverages at a competitive price. For the two years ended 31 March 2016 and the three months ended 30 June 2016, the purchases from our top five suppliers accounted for approximately 90.7%, 82.0% and 87.2% respectively, and in particular, that of our largest supplier accounted for approximately 35.1%, 36.5% and 36.5%, of our total purchases for the respective periods. There is no guarantee that we will be able to maintain business relationships with our key suppliers.

## RISK FACTORS

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

### **Future growth relies on our ability to open new shops and our new shops may not operate as successfully as our Group has anticipated and/or there may be delay in our expansion plan to open new shops**

The bar industry in Hong Kong is highly competitive. During the Track Record Period, we opened two new shops. We plan to open a total of twelve shops in the four years ending 31 March 2020 after the Placing. Our Directors believe that our future growth relies on our ability to open and operate new shops. However, the success of the new shops depends on various factors including, among others, market condition, the location, renovation and timely obtaining relevant licences. There is no assurance that any new shops will be able to attract enough customers to breakeven. If we fail to operate our new shops profitably, our financial performances will be adversely affected. Further, if we cannot find commercially suitable locations or there is substantial downturn in Hong Kong economy, or any other factors that we consider not commercially suitable to open new shops, our expansion plan to open new shops may be delayed. In such circumstances, our financial performances will be adversely affected.

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

Our key income source comes from the sales of liquors. Costs of inventories sold accounted for approximately 24.7%, 22.5% and 24.2% of our revenue for each of the two years ended 31 March 2016 and the three months ended 30 June 2016 respectively. The increase in distribution costs or sales prices may cause our purchase cost to increase. Our agreements with most of the liquor suppliers for the supplies of liquors are for a term of up to one year. If we are unable to anticipate and react to the increase in purchase cost; or if we are unwilling to pass these cost increase to our customers, our operating margins may decrease and this will affect our business materially and adversely.

Our Group attracts, motivates and retain qualified employees by offering competitive wages and other benefits to them. As the labour costs in Hong Kong continue to increase in recent years, the salary level of employees in the bar industry has generally increased as well. The staff costs accounted for 25.7%, 28.8% and 28.0% of our revenue for each of the two years ended 31 March 2016 and the three months ended 30 June 2016, respectively. Our operation and financial performances may be adversely affected if there is any significant increase in staff costs.

### **Any damages or infringement to our brand may impact our operation**

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



## **RISK FACTORS**

Although we have strict guidelines and controls against any illegal activities or misconducts including, among others, theft, fraud, fights and drug abuse in our shops, we may not be able to detect, deter and prevent all these misconducts by our customer or even our staff. Also, any customers with excess alcohol may disturb other customers or conflict with our staff. Our Group is not legally liable for any illegal activities conducted by customers which are not permitted in our shops. Nevertheless, our reputation and operation may be adversely affected if such misconducts occur frequently in our shops.

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

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

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

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

### **We may not have adequate insurance coverage**

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

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

Our Group relies on our POS system across our operations to monitor the daily operations of our shops and to collect accurate up-to-date financial and operating data for business analysis. However, we may experience interruptions in our POS system due to events beyond our control such as interruptions caused by computer viruses, hardware and software failure, power outages and other similar events in the future. Any interruption or failure to our POS system could have material adverse impact on our

## RISK FACTORS

business and results of operations. During the Track Record Period and up to the Latest Practicable Date, we have not encountered any POS system failure that could have material adverse effect on our business and operational result.

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

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

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

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

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

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

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

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

Our operating results have been, and in the future may continue to be, significantly influenced by the timing of the opening of new shops, which is often affected by factors beyond our control, such as, initially lower sales and higher operating costs, as well as changes in our geographic distribution due to the opening of new shops and also closing of existing shops. New shops also incur expenses before opening such as rental expenses, renovation expenses and staff costs. Based on our past experience, the time required to open a shop from the time we take possession of the premise to the official opening of a shop is approximately six months. However, there have been delays in opening some of the shops during the Track Record Period due to unexpected longer period to obtain the requisite licences such as liquor licence, light refreshment restaurant licence and water pollution control licence. All of our current

## RISK FACTORS

expansion plan for new shops are prepared based on the assumption that the shops could be opened within a six-month period. Any delay in opening of new shops and/or closing of existing shops will affect the number of shops and the number of operation days we have in operation during the financial year, which will affect our results of operations. Accordingly, the number and timing of new shop openings has had, and may continue to have, a meaningful impact on our profitability. As a result, our results of operations may fluctuate significantly from period to period and comparison of different periods may not be meaningful.

### **We may be unable to detect, deter and prevent all instances of cash misappropriation or embezzlement committed by our staff**

Most of our customers settle their payment in cash and our staff have to receive and handle large amounts of cash as part of our daily operations. As such, there will be a risk of cash misappropriation or embezzlement. In the event that we are unable to prevent, detect or deter all such instances of cash misappropriation or embezzlement, our business, operations and financial condition may be adversely affected.

### **RISKS RELATING TO OUR INDUSTRY**

#### **Bar industry is a competitive industry**

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

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

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

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

## **RISK FACTORS**

### **Our operating results may fluctuate due to seasonal factor**

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

### **OTHER RELEVANT RISKS**

#### **There has been no prior public market for our Shares, thus an active or liquid trading market for our Shares may not develop and the trading price of our Shares may be volatile**

Our Shares have not been listed or quoted on any stock exchange or open market before completion of the Placing. There is no assurance that there will be an active trading market for the Shares on the Stock Exchange upon the Listing. In addition, the market price of our Shares to be traded on the Stock Exchange may differ from the Placing Price and prospective investors should not treat the Placing Price as an indicator of the market price of our Shares to be traded on the Stock Exchange.

Upon the Listing, the trading volume and the market price of the Shares may be affected or influenced by a number of factors from time to time, including but not limited to, our revenue, profit and cash flow, our investment, changes in our management and general economic condition. There is no assurance that such factors will not occur and it is difficult to quantify their impact on the trading volume and the market price of the Shares.

#### **Our investors' interest as Shareholders may be diluted if we raise funds by issuing more Shares**

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

#### **Issue of new Shares under the Share Option Scheme may decrease our Shareholders' value of investment**

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

## **RISK FACTORS**

### **Sales or perceived sales of substantial amounts of the Shares in the public market by our Controlling Shareholders after the Listing could adversely affect the prevailing market price of the Shares**

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

### **We may not be entitled to any Hong Kong profits tax reduction in the future**

Our operations are subject to Hong Kong profits tax of 16.5% on estimated assessable profits arising in Hong Kong and we have no tax obligation arising from other jurisdictions during the Track Record Period. The Government approved a number of tax measures, including, among others, profits tax reduction by 75%, for the years of assessment 2014/15 and 2015/16, subject to a ceiling of HK\$20,000 per case and we were entitled to such profits tax reduction for each of our subsidiaries during the two years ended 31 March 2016. We cannot assure that the Government will grant same or similar tax reduction in the future. In such cases, our financial performances may be adversely affected.

### **Our dividend distribution after the Placing will be made at the discretion of our Directors**

Following completion of the Placing, our Shareholders will be entitled to receive dividends only when declared by our Board. The payment and the amount of any future dividend will be at the discretion of our Board and will depend on, among others, our earnings, financial condition, cash requirement and availability, and other factors as our Directors may deem relevant. As such factors and the payment of dividends are at the discretion of our Board which reserves the right to change its plan on the payment of dividends, there can be no assurance that any particular dividend amount, or any certain subsidiaries paid dividends at all, will be declared and paid in the future. During the Track Record Period, certain subsidiaries of our Group declared and paid dividends of HK\$0.1 million for the year ended 31 March 2015 and HK\$1.3 million for the year ended 31 March 2016 to their then non-controlling shareholders. During the year ended 31 March 2016, Bar Pacific Group Limited declared and paid an interim dividend of HK\$9.1 million to its then shareholder. No dividend was declared and paid for the three months ended 30 June 2016. We cannot assure you that we will declare or pay dividends in the future, and potential investors should be aware that the amount of dividends that were declared and paid in the past should not be used as a reference or basis upon which future dividends will be determined. However, the amount of dividends that our Company has declared and made in the past do not indicate the dividends that our Company may pay in the future.

### **Investors may face difficulties in protecting their interests under the Cayman Islands law**

The rights of our Shareholders to take actions against our Directors and the rights of our minority Shareholders to take actions against us and the duties of our Directors towards us and our Shareholders are governed by the common law of the Cayman Islands and our Articles of Association. In general, our corporate affairs are governed by, amongst others, the laws of the Cayman Islands, our Articles of

## RISK FACTORS

Association and the Companies Law. The laws of the Cayman Islands to the protection of the interests of minority shareholders may differ from the legal position for minority shareholders of companies incorporated in Hong Kong and other jurisdictions. For further details, please refer to the section headed “3. Cayman Islands Company Law” in Appendix III to this prospectus.

**Prospective investors should read the entire prospectus carefully, and are strongly cautioned not to place any reliance on information contained in the media or the press which are not consistent with the information in this prospectus**

There may have been press and media coverage regarding us and the Placing prior to the publication of this prospectus. We may not have any control over the information that is released in press and media reports, and may not have authorised such reports. We therefore make no representation as to the accuracy, completeness or reliability of the information in any such press or media coverage. To the extent that the information in such press or media coverage conflicts with the information we have provided in this prospectus, we disclaim such information. In deciding whether or not to subscribe for our Shares, investors should rely only on the information included in this prospectus.

## **INFORMATION ABOUT THIS PROSPECTUS AND THE PLACING**

### **DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS**

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (subsidiary legislation V of Chapter 571 of the Laws of Hong Kong) and GEM Listing Rules for the purpose of giving information with regard to our Group. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

Printed copies of this prospectus are available, for information purpose only, during normal office hours from 9:00 a.m. to 5:00 p.m. (Hong Kong time) during the business days from Friday, 30 December 2016 to Tuesday, 10 January 2017, at the office of LY Capital Limited at Rooms 1901-02, China Insurance Group Building, 141 Des Voeux Road Central, Hong Kong and the office of Emperor Securities Limited at 23-24/F, Emperor Group Centre, 288 Hennessy Road, Wanchai, Hong Kong.

### **THE PLACING SHARES ARE FULLY UNDERWRITTEN**

This prospectus is published in connection with the Placing which comprises the offer of 215,000,000 Shares by our Company for subscription at the Placing Price.

The Placing is sponsored by the Sponsor and managed by the Lead Manager. Details of the structure and conditions of the Placing are set out in the section headed "Structure of the Placing" in this prospectus.

The Placing Shares are fully underwritten by the Underwriter subject to the terms and conditions of the Underwriting Agreement. Please refer to the section headed "Underwriting" in this prospectus for further details of the underwriting arrangements.

### **RESTRICTIONS ON OFFER AND SALE OF THE PLACING SHARES**

No action has been taken to permit any offer of the Placing Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation, nor is it calculated to invite or solicit offers in any jurisdiction or in any circumstance in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offer of the Placing Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the securities laws, rules and regulations of such jurisdiction pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

The Placing Shares are offered for subscription solely on the basis of the information contained and the representations made in this prospectus. As far as the Placing is concerned, no person is authorised in connection with the Placing to give any information or to make any representation not contained in this prospectus, and any information or representation not contained herein shall not be relied upon as having been authorised by our Company, the Sponsor, the Lead Manager, the Underwriter, any of our/their respective directors or any other parties involved in the Placing.

## **INFORMATION ABOUT THIS PROSPECTUS AND THE PLACING**

Each person acquiring the Placing Shares will be required to, or be deemed by his/her/its acquisition of the Placing Shares, to confirm that he/she/it is aware of the restrictions on the offer and sale of the Placing Shares described in this prospectus and that he/she/it is not acquiring, and has not been offered any Placing Share, in circumstances which contravene any such restrictions.

Prospective investors should consult their professional advisers and take advice, as appropriate, to inform themselves of, and to observe, all applicable laws, rules and regulations of any relevant jurisdiction. Prospective investors should inform themselves as to the relevant regulatory requirements of investing in the Placing Shares and any applicable exchange control regulations in the jurisdictions of their respective citizenship, residence or domicile.

### **APPLICATION FOR LISTING ON GEM**

Application has been made to the Listing Division of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be allotted and issued as mentioned in this prospectus.

None of our Company or any of our subsidiaries is presently listed on any stock exchange on which any part of the equity or debt securities of our Company or any of our subsidiaries is listed or dealt in or on which listing or permission to deal is being or is proposed to be sought.

### **THE SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS**

Subject to the approval of the listing of, and permission to deal in, the Shares in issue and to be allotted and issued on GEM and the compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or, under contingent situation, any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day (as defined in the GEM Listing Rules) after any trading day. All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Prospective investors should seek the advice of their stockbrokers or other professional advisers for details of those settlement arrangements and how such arrangements will affect their rights and interests.

### **PROFESSIONAL TAX ADVICE RECOMMENDED**

Prospective investors of the Placing Shares are recommended to consult their professional advisers if they are in doubt as to the taxation implications of the subscription for, holding, purchase, disposal of or dealing in, the Shares or exercising their rights thereunder. It is emphasised that none of our Company, our Directors, the Sponsor, the Lead Manager, the Underwriter, our/their respective directors, agents or advisers or any other persons involved in the Placing accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription for, holding, purchase, disposal of or dealing in, the Shares or exercising their rights thereunder.



## **INFORMATION ABOUT THIS PROSPECTUS AND THE PLACING**

### **SHARE REGISTRARS AND STAMP DUTY**

All Shares to be allotted, issued and transferred pursuant to the Placing will be registered on the register of members of our Company in Hong Kong maintained by the Hong Kong Share Registrar. The principal register of members of our Company in the Cayman Islands is maintained by Codan Trust Company (Cayman) Limited. Only Shares registered on the register of members of our Company in Hong Kong may be traded on GEM.

Dealings in the Shares registered on the register of members of our Company in Hong Kong will be subject to Hong Kong stamp duty.

### **LANGUAGE**

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this English prospectus shall prevail.

### **ROUNDING**

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as total in certain tables may not be an arithmetic aggregation of the figures preceding them.

|   |
|---|
| <b>DIRECTORS, SENIOR MANAGEMENT AND PARTIES INVOLVED IN THE PLACING</b> |
|---|

**DIRECTORS**

| <b>Name</b>                                       | <b>Residential address</b>  | <b>Nationality</b> |
|---|---|--------------------|
| <i>Executive Directors</i>                        |   |                    |
| Ms. Tse Ying Sin Eva (謝熒倩)<br>(Chairlady and CEO) | Flat B, 5/F, Block 1<br>Balwin Court, 154–164 Argyle Street<br>Kowloon City<br>Kowloon<br>Hong Kong           | Chinese            |
| Mr. Chan Darren Chun-Yeung<br>(陳振洋)               | Flat 39A, Block 5<br>Dynasty Court, 23 Old Peak Road<br>Mid-level<br>Hong Kong                                | Chinese            |
| <i>Independent non-executive Directors</i>        |   |                    |
| Mr. Tang Wing Lam David<br>(鄧榮林)                  | Flat G, 11th Floor, Block 2<br>Lido Garden, 41–63 Castle Peak Road<br>Tsuen Wan, New Territories<br>Hong Kong | Chinese            |
| Mr. Chin Chun Wing (錢雋永)                          | Flat B, 9/F, Block 8<br>Whampoa Garden, Site 9<br>Hungghom, Kowloon<br>Hong Kong                              | Chinese            |
| Mr. Yung Wai Kei (容偉基)                            | Flat D1, 3/F, Block D<br>Paterson Building<br>37–47 Paterson Street<br>Causeway Bay<br>Hong Kong              | Chinese            |

|   |
|---|
| <b>DIRECTORS, SENIOR MANAGEMENT AND PARTIES INVOLVED IN THE PLACING</b> |
|---|

**SENIOR MANAGEMENT**

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

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

|   |
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| <b>DIRECTORS, SENIOR MANAGEMENT AND PARTIES INVOLVED IN THE PLACING</b> |
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**PARTIES INVOLVED IN THE PLACING**

|                                      |  |
|--------------------------------------|--|
| <b>Sponsor</b>                       | <b>LY Capital Limited</b><br>Rooms 1901–02<br>China Insurance Group Building<br>141 Des Voeux Road Central<br>Hong Kong<br><i>(A corporation licensed under the SFO to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities as defined in the SFO)</i>  |
| <b>Lead Manager</b>                  | <b>Emperor Securities Limited</b><br>23–24/F, Emperor Group Centre<br>288 Hennessy Road, Wanchai<br>Hong Kong<br><i>(A corporation licensed under the SFO to carry on type 1 (dealing in securities) and type 4 (advising on securities) regulated activities as defined in the SFO)</i>   |
| <b>Underwriter</b>                   | <b>Emperor Securities Limited</b><br>23–24/F, Emperor Group Centre<br>288 Hennessy Road, Wanchai<br>Hong Kong  |
| <b>Legal advisers to our Company</b> | <i>As to Hong Kong law</i><br><br><b>CFN Lawyers</b><br><b>In association with Broad &amp; Bright</b><br>27th Floor, Neich Tower<br>128 Gloucester Road<br>Wan Chai, Hong Kong<br><i>(Solicitors of Hong Kong)</i><br><br><i>As to Cayman Islands law</i><br><br><b>Conyers Dill &amp; Pearman</b><br>Cricket Square<br>Hutchins Drive<br>PO Box 2681<br>Grand Cayman KY1-1111<br>Cayman Islands<br><i>(Cayman Islands attorneys-at-law)</i> |

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|---|
| <b>DIRECTORS, SENIOR MANAGEMENT AND PARTIES INVOLVED IN THE PLACING</b> |
|---|

**Legal advisers to the Sponsor and  
the Underwriter**

*As to Hong Kong law*

**King & Wood Mallesons**

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

**Auditors and reporting accountants**

**Deloitte Touche Tohmatsu**

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

**Compliance advisers**

**LY Capital Limited**

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

## CORPORATE INFORMATION

|   |  |
|---|--|
| <b>Registered office</b>  | Cricket Square<br>Hutchins Drive<br>PO Box 2681<br>Grand Cayman KY1-1111<br>Cayman Islands   |
| <b>Headquarters in Hong Kong and principal place of business in Hong Kong registered under Part 16 of the Companies Ordinance</b> | Room D2, 11/F, Phase 2<br>Hang Fung Industrial Building<br>2G Hok Yuen Street<br>Hunghom<br>Kowloon<br>Hong Kong   |
| <b>Company's website</b>  | <a href="http://www.barpacific.com.hk">www.barpacific.com.hk</a><br><i>(Note: the information contained in this website does not form part of this prospectus)</i> |
| <b>Company secretary</b>  | Mr. Chan Darren Chun-Yeung <i>HKICPA</i>   |
| <b>Authorised representatives (for the purpose of the GEM Listing Rules)</b>  | Ms. Tse Ying Sin Eva<br>Mr. Chan Darren Chun-Yeung   |
| <b>Compliance officer</b>   | Mr. Chan Darren Chun-Yeung   |
| <b>Audit committee</b>  | Mr. Yung Wai Kei ( <i>Chairman</i> )<br>Mr. Chin Chun Wing<br>Mr. Tang Wing Lam David  |
| <b>Remuneration committee</b>   | Mr. Chin Chun Wing ( <i>Chairman</i> )<br>Ms. Tse Ying Sin Eva<br>Mr. Yung Wai Kei   |
| <b>Nomination committee</b>   | Ms. Tse Ying Sin Eva ( <i>Chairman</i> )<br>Mr. Chin Chun Wing<br>Mr. Yung Wai Kei   |
| <b>Principal share registrar</b>  | Codan Trust Company (Cayman) Limited<br>Cricket Square<br>Hutchins Drive<br>PO Box 2681<br>Grand Cayman KY1-1111<br>Cayman Islands                                 |
| <b>Hong Kong branch share registrar</b>   | Tricor Investor Services Limited<br>Level 22, Hopewell Centre<br>183 Queen's Road East<br>Hong Kong  |

## CORPORATE INFORMATION

### Principal bankers

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

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

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

## INDUSTRY OVERVIEW

*The information that appears under this section has been prepared by Euromonitor and reflects estimates of market conditions based on publicly available sources and trade opinion surveys, and is prepared primarily as a market research tool. References to Euromonitor should not be considered as the opinion of Euromonitor as to the value of any security or the advisability of investing in our Company. Our Directors believe that the sources of information contained in this section are appropriate sources for such information and have taken reasonable care in reproducing such information. Our Directors have no reason to believe that such information is false or misleading or that any material fact has been omitted which would render such information false or misleading. The information prepared by Euromonitor and set out in this section has not been independently verified by our Company, the Sponsor, the Lead Manager, the Underwriter, any of our/their respective directors, officers, employees, agents or representatives, or any other person or party involved in the Placing and none of them gives any representations as to its accuracy and the information should not be relied upon in making, or refraining from making, any investment decision.*

### SOURCE OF INFORMATION

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

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

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

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



# INDUSTRY OVERVIEW

## MACROECONOMIC ENVIRONMENT

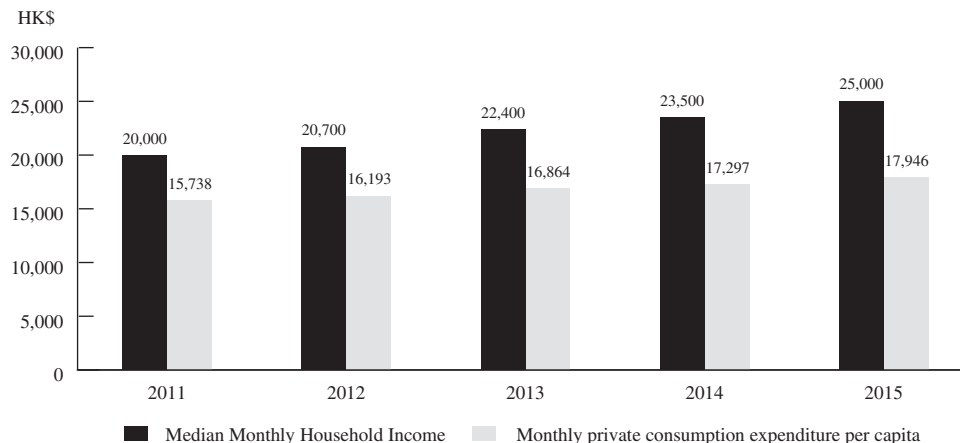
### Hong Kong's Economic Performance

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

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

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

### Median monthly household income and monthly private consumption expenditure per capita



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

## MARKET OVERVIEW

### Overview of the customer expenditure on alcoholic drinks in Hong Kong

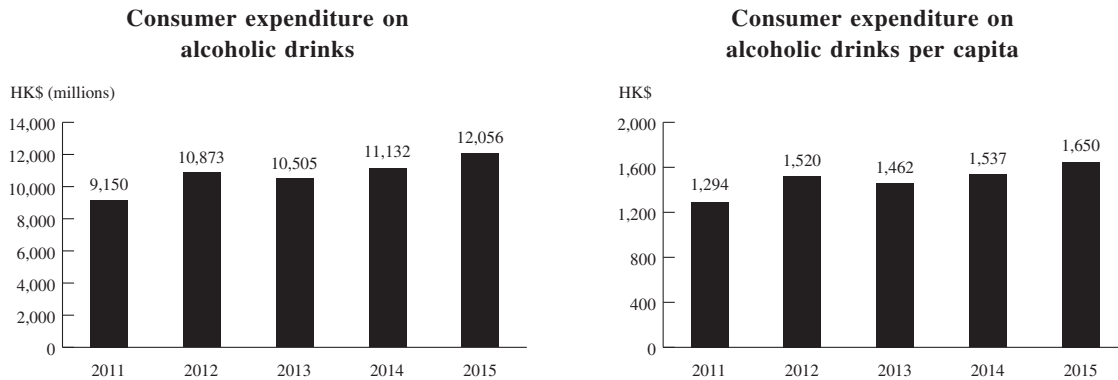
#### Consumer Expenditure on Alcoholic Drinks in Hong Kong

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

## INDUSTRY OVERVIEW

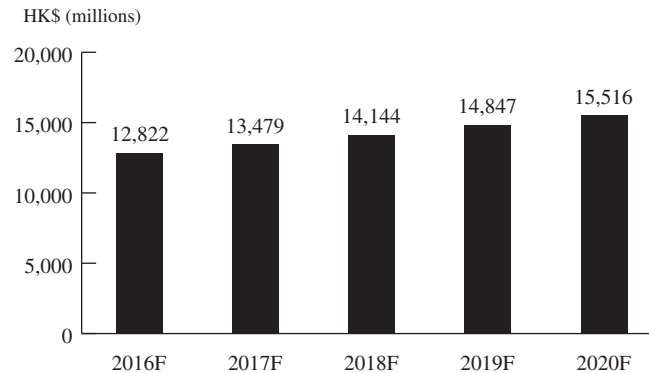
Lifestyle trends have supported growth in per capita spending on alcoholic drinks, which recorded 6.3% CAGR during the period of 2011–2015 to reach an average of HK\$1,650 in 2015. Consumption patterns for drinking venues look healthy, which will in turn spur a growing number of drinking venues to keep up with innovative developments in beverages. On the back of its robust historic growth, consumer expenditure on alcoholic drinks is expected to continue rising with a CAGR of 4.9% over the forecast period.

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



Source: Passport Data, Euromonitor Report.

### Forecasted consumer expenditure on alcoholic drinks from 2016 to 2020



Source: Passport Data, Euromonitor Report.

### Overview of the bar/pub industry in Hong Kong

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

## INDUSTRY OVERVIEW

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

### Number of Bar/Pub outlets in Hong Kong

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

*Source: Passport Data, Euromonitor Report*

Hong Kong has a well-established bar/pub industry that fulfils demands of its consumers. More innovations to the bars/pubs operations could be expected than the organic increase in outlets as growth in the bar/pub industry's foodservice value is estimated at 0.6% CAGR over the forecast period of 2016–2020 compared to 0.3% CAGR for outlets number. This is further supported by an increasing per capita expenditure trend on alcoholic drinks consumption of 6.3% CAGR over the historic period of 2011 to 2015. In addition, according to trade sources, many bars/pubs have undertaken a growing trend towards transforming their outlets into more entertaining environments by staging events in their efforts to attract more customers.

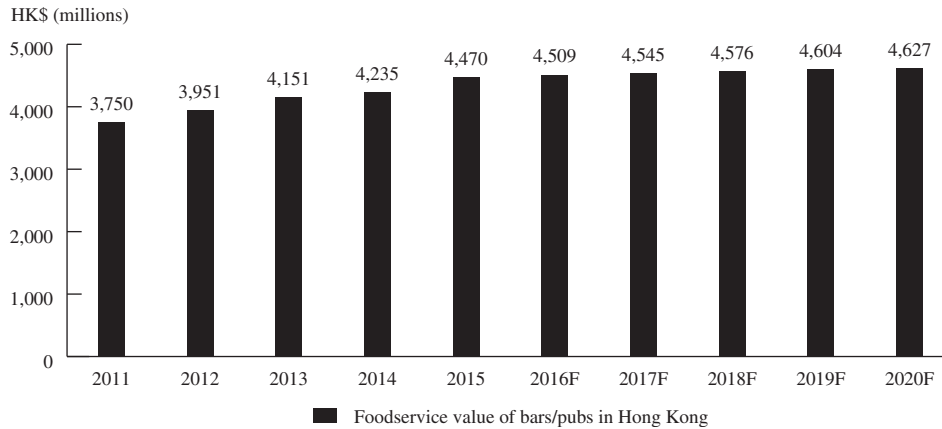
Traditionally, bar/pub operators host events such as drinking competitions and game competitions at their outlets to drive sales. Bar/pub operators could co-organise drinking events with beverage suppliers who would promote their brands of alcoholic drinks during the events through sponsorship. Games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

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

In the more recent years, bars/pubs that serve craft beers, wine and fine cocktails have been popular. Venues that offer games, big screen TV, live music and bar food are considered trendy among consumers in Hong Kong. According to trade sources, this concept will continue to dominate the market for the near future as bar operators innovate to create a fun and lively environment for its patrons. This trend is largely driven by consumers' demand for quality alcoholic drinks and services as they are increasing appreciative of quality lifestyle and products. Nevertheless, as the bars/pubs industry in Hong Kong exists in a highly mature market setting, the forecast growth from 2016 to 2020 of the overall industry and the foodservice value of bars/pubs in Hong Kong is expected to remain robust albeit organic in performance (i.e. marginal incremental growth).

## INDUSTRY OVERVIEW

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



Source: Passport Data, Euromonitor Report

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

#### *Beverage cost*

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

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

The cost price of beer is generally expected to remain stable in the near future with no expectation for price shock in sight with CAGR growth ranging from 0.6% to 3.0% across the alcoholic drink categories between the forecast period of 2016–2020.

## INDUSTRY OVERVIEW

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

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

Source: Passport Data, Euromonitor Report.

### Forecasted alcoholic drink (Manufacturer's Selling Price per litre in HK\$) from 2016 to 2020

|                             | 2016F  | 2017F  | 2018F  | 2019F  | 2020F  | CAGR |
|-----------------------------|--------|--------|--------|--------|--------|------|
| <b>Beer</b>                 |        |        |        |        |        |      |
| Imported Premium Lager      | 28.20  | 28.28  | 28.42  | 28.62  | 28.88  | 0.6% |
| Domestic Mid-Priced Lager   | 18.40  | 18.60  | 18.78  | 18.95  | 19.10  | 0.9% |
| Imported Mid-Priced Lager   | 22.43  | 22.98  | 23.54  | 24.12  | 24.71  | 2.5% |
| <b>Spirits</b>              |        |        |        |        |        |      |
| Canadian Whisky             | 214.65 | 220.38 | 226.71 | 233.91 | 241.80 | 3.0% |
| Irish Whiskey               | 201.16 | 205.14 | 209.20 | 213.14 | 217.16 | 1.9% |
| Other Blended Scotch Whisky | 267.46 | 272.53 | 275.90 | 277.21 | 277.74 | 0.9% |
| Single Malt Scotch Whisky   | 438.80 | 447.97 | 456.50 | 463.91 | 470.11 | 1.7% |
| English Gin                 | 128.35 | 129.86 | 131.13 | 132.03 | 132.55 | 0.8% |
| Vodka                       | 166.46 | 169.20 | 171.66 | 173.66 | 175.19 | 1.3% |
| <b>Wine</b>                 |        |        |        |        |        |      |
| Still Red Wine              | 146.83 | 150.45 | 154.30 | 158.12 | 162.03 | 2.5% |
| Still White Wine            | 140.60 | 143.93 | 146.94 | 149.74 | 152.16 | 2.0% |

Source: Passport Data "Alcoholic Drinks" 2016 Edition

### Rental price

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

## INDUSTRY OVERVIEW

### Private retail average rent from 2011 to 2015

|      | Hong Kong Island  |          | Kowloon           |          | New Territories   |          |
|------|-------------------|----------|-------------------|----------|-------------------|----------|
|      | HK\$<br>per sq.m. | % Change | HK\$<br>per sq.m. | % Change | HK\$<br>per sq.m. | % Change |
| 2011 | 1,296             | 4.6%     | 1,243             | 6.1%     | 1,038             | 10.2%    |
| 2012 | 1,465             | 13.0%    | 1,443             | 16.1%    | 1,161             | 11.8%    |
| 2013 | 1,549             | 5.7%     | 1,482             | 2.7%     | 1,176             | 1.3%     |
| 2014 | 1,628             | 5.1%     | 1,534             | 3.5%     | 1,250             | 6.3%     |
| 2015 | 1,612             | -0.8%    | 1,519             | -1.0%    | 1,284             | 2.7%     |

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

### Forecasted private retail average rent from 2016 to 2020

|       | Hong Kong Island  |          | Kowloon           |          | New Territories   |          |
|-------|-------------------|----------|-------------------|----------|-------------------|----------|
|       | HK\$<br>per sq.m. | % Change | HK\$<br>per sq.m. | % Change | HK\$<br>per sq.m. | % Change |
| 2016F | 1,512             | -6.2%    | 1,324             | -12.9%   | 1,311             | 2.1%     |
| 2017F | 1,466             | -3.0%    | 1,241             | -6.3%    | 1,325             | 1.0%     |
| 2018F | 1,445             | -1.5%    | 1,203             | -3.1%    | 1,331             | 0.5%     |
| 2019F | 1,434             | -0.7%    | 1,185             | -1.5%    | 1,334             | 0.2%     |
| 2020F | 1,429             | -0.4%    | 1,176             | -0.7%    | 1,336             | 0.1%     |

*Source: Rating and Valuation Department of Hong Kong and Euromonitor Estimates*

### Key market drivers of bar/pub market in Hong Kong

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

#### *Concept or theme bars/pubs drive revenue receipts*

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

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

#### *Demand for casual drinking and dining continues*

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

## INDUSTRY OVERVIEW

### *Local bars/pubs set up establishments near residential districts*

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

### **Key market constraints of bar/pub industry in Hong Kong**

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

#### *Industry growth inhibited by weak growth in inbound tourism*

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

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

#### *Rising labour costs continue to squeeze operator profits*

In 2015, the Hong Kong government revised the minimum wage upwards from HK\$30.0 per hour to HK\$32.5 per hour after adjusting from HK\$28.0 to HK\$30.0 in 2013. The adjustment had an immediate impact on the foodservice industry. With this regulatory revision, foodservice operators had to absorb the wage hike, which added to their operating costs. Based on the wages of the relevant occupations, as reported by the Census and Statistics Department of Hong Kong, bars/pubs are compelled to squeeze margins even as labour cost continues to climb. Average wage for waiter/waitress and dishwasher has all grown significantly, of which wages of dish washers grown the most at a CAGR of 10.0% over the period from 2011–2015. The forecasted average monthly wage for waiter/waitress and dishwasher from 2016 to 2020 is expected to grow at a CAGR of approximately 5.0%.

### **Average monthly wages of selected relevant occupations from 2011 to 2015**

| Monthly Wages (HKD) | 2011  | 2012        | 2013        | 2014        | 2015        | CAGR<br>2011–2015 |
|---------------------|-------|-------------|-------------|-------------|-------------|-------------------|
| Waiter/waitress     | 9,269 | 10,363      | 10,812      | 11,232      | 11,774      | 6.1%              |
| Dish Washer         | 7,803 | 8,948       | 9,672       | 10,689      | 11,441      | 10.0%             |
| <b>% Growth</b>     |       | <b>2012</b> | <b>2013</b> | <b>2014</b> | <b>2015</b> |                   |
| Waiter/waitress     | —     | 11.8%       | 4.3%        | 3.9%        | 4.8%        | —                 |
| Dish Washer         | —     | 14.7%       | 8.1%        | 10.5%       | 7.0%        | —                 |

## INDUSTRY OVERVIEW

### Forecasted average monthly wages of selected relevant occupations from 2016 to 2020

| Monthly Wages (HKD) |        |        |        |        |        | CAGR      |
|---------------------|--------|--------|--------|--------|--------|-----------|
|                     | 2016F  | 2017F  | 2018F  | 2019F  | 2020F  | 2016–2020 |
| Waiter/waitress     | 12,384 | 13,022 | 13,673 | 14,256 | 14,897 | 4.7%      |
| Dish Washer         | 12,078 | 12,730 | 13,392 | 14,075 | 14,718 | 5.1%      |
| % Growth            |        |        |        |        |        |           |
|                     | 2017F  | 2018F  | 2019F  | 2020F  |        |           |
| Waiter/waitress     | 5.2%   | 5.2%   | 5.0%   | 4.3%   | 4.5%   | —         |
| Dish Washer         | 5.6%   | 5.4%   | 5.2%   | 5.1%   | 4.6%   | —         |

*Source: Census and Statistic Department of Hong Kong SAR and Euromonitor Estimates.*

#### *Economic conditions may dampen overall consumer spending*

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

#### **Key market entry barriers**

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

##### *Barriers to entry are low but so is the survival rate*

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

##### *New players crowded out by large operators*

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



## INDUSTRY OVERVIEW

### Future Outlook

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

#### *Rising consumer sophistication for novel drinking venues drives innovation*

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

#### *Labour shortage continues to hinder staffing operations of bars/pubs*

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

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

#### *Casual drinking by local consumers sustains demand in Hong Kong*

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

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

### COMPETITIVE LANDSCAPE

#### Competitive and fragmented industry

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

## INDUSTRY OVERVIEW

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

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

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

Sources: Desk Research, Euromonitor Report.

### Staying ahead of competitions through partnerships

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

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

### Chained bar/pub operators generally have stronger financial abilities

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

### DIRECTORS' CONFIRMATION

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

## **HONG KONG REGULATORY OVERVIEW**

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

### **(A) Licences Necessary For Business Operation**

#### *Liquor licence*

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

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

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

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

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

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

## LAWS AND REGULATIONS OF THE INDUSTRY

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

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

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

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

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

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

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

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

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

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

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

### *Light Refreshment Restaurant Licence*

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

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

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

## LAWS AND REGULATIONS OF THE INDUSTRY

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

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

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

### **(B) Environmental Protection**

#### ***Water Pollution Control***

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

## LAWS AND REGULATIONS OF THE INDUSTRY

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

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

### *Noise control*

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

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

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

## **(C) Intellectual Property**

### *Copyright Ordinance*

#### *Civil liability*

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

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

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

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

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

### *Criminal liability*

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

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



**(D) Others**

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

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

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

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

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

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

**(E) Compliance with applicable laws and regulations**

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

## HISTORY, DEVELOPMENT AND REORGANISATION

### ESTABLISHMENT OF OUR GROUP

In 1999, Hacienda International Corporation Limited, the first member of our Group, opened the first “Bar Pacific” branded bar in Hunghom. At that time, Hacienda International Corporation Limited was owned by Ms. Tse and Mr. Chan Chai Sat in equal shares. This first bar, which has a floor area of approximately 67.7 sq. m. and is located at the street level, has been open for business since then. After a few years, in 2002, we opened the second and third “Bar Pacific” branded bars in Hunghom and Tokwawan, respectively.

Our Group has accumulated experience and knowledge on the market of bar business in Hong Kong since 1999 and opened new bars in different districts in Hong Kong gradually. From 2002 to 2008, we opened one to four new bars every year. By the end of 2008, we operated 18 “Bar Pacific” branded bars in Hong Kong.

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

The opening and closure of our shops since the establishment of our first shop in 1999 and up to the Latest Practicable Date are as follows:

| <b>For the year ended<br/>31 December</b>   | <b>Opening (Note 1)</b>                             | <b>Closure/<br/>Cessation of<br/>operation</b> | <b>Total number<br/>of shops at the<br/>end of the year</b> |
|---|---|--|---|
| 1999  | Shop I  | —  | 1   |
| 2002  | Shop II, Shop III                                   | —  | 3   |
| 2003  | Shop VI, Shop VII, Shop VIII                        | —  | 6   |
| 2004  | Shop IX, Shop XI                                    | —  | 8   |
| 2005  | Shop XII, Shop XVI                                  | —  | 10  |
| 2006  | Shop XVII, Shop XVIII,<br>Shop XIX, Shop XX         | —  | 14  |
| 2007  | Shop XXI, Shop XXII                                 | —  | 16  |
| 2008  | Shop XXIII, Shop XXVII                              | —  | 18  |
| 2009  | Shop XXVI, Shop XXVIII                              | —  | 20  |
| 2010  | Shop XXIX, Shop XXX,<br>Shop XXXI                   | Shop XXVI<br>(Note 2)                          | 22  |
| 2011  | Shop XXXII, Shop XXXIII,<br>Shop XXXVI, Shop XXXVII | —  | 26  |
| 2012  | Shop XXXVIII, Shop XXXIX,<br>Shop LX                | —  | 29  |
| 2013  | Shop LXI, Shop LXII                                 | Shop XXXVI<br>(Note 3),<br>Shop XI (Note 4)    | 29  |
| 2014  | Shop LXIII  | —  | 30  |
| 2015  | Shop LXVIII, Shop LXIX                              | —  | 32  |
| 2016 (up to the Latest<br>Practicable Date) | Shop LXX  | Shop XXIII<br>(Note 5)                         | 32  |

# HISTORY, DEVELOPMENT AND REORGANISATION

## Notes:

1. Due to our then shareholders' preference that certain numbers IV (4), V (5), X (10), XIII (13) to XV (15), XXIV (24), XXV (25), XXXIV (34), XXXV (35), XL (40) to LIX (59), LXIV (64) to LXVII (67) were not preferred to be used for our shops. The shop numbers of our existing 32 shops, ranging from I (1) to LXX (70), are therefore not in sequential order.
2. Shop XXVI was opened in Shenzhen in March 2009 and was our first and only one shop in the PRC. Since we decided to focus our business in Hong Kong, our directors therefore terminated the operation of Shop XXVI in December 2010. For the year ended 31 December 2010, Shop XXVI recorded an unaudited net loss of approximately RMB0.1 million.
3. Shop XXXVI was opened in Kennedy Town in December 2011 and was closed in August 2013. For the period from the date of incorporation to 31 March 2013, Shop XXXVI recorded a net loss of approximately HK\$1 million. In light of (i) the significant fluctuations in revenue since its commencement of operation in December 2011; (ii) the performance of Shop XXXVI was not satisfactory; and (iii) the management expected that the revenue fluctuation would persist, the then directors therefore terminated the operation of Shop XXXVI in August 2013.
4. Shop XI was opened in a shopping mall located in Tseung Kwan O in December 2004. Due to the renovation of the shopping mall, Shop XI was closed in March 2013. For the year ended 31 March 2013, Shop XI recorded a net profit of approximately HK\$0.7 million.
5. Shop XXIII ceased operation in December 2016.

## MILESTONES

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

| <b>Year</b> | <b>Event</b>  |
|-------------|---|
| 1999        | Opened the first shop in Hunghom  |
| 2002        | Opened two new shops in Hunghom and Tokwawan, respectively  |
| 2003        | Operating six shops   |
| 2008        | Operating 18 shops  |
| 2012        | <ul style="list-style-type: none"><li>● obtained Gold Award of the Consumer's Most Favourable Hong Kong Brands from China Enterprise Reputation &amp; Credibility Association (Overseas) Limited from 2012 to 2014</li><li>● obtained Caring Company Awards from Hong Kong Council of Social Service from 2012 to 2015</li><li>● obtained Quality Bar Label from Hong Kong Bar and Club Association from 2012 to 2016</li></ul> |
| 2013        | Operating 29 shops  |
| 2016        | <ul style="list-style-type: none"><li>● operating 32 shops as at the Latest Practicable Date</li><li>● obtained Best SME Award from Hong Kong General Chamber of Small and Medium Business</li></ul>  |

## CORPORATE DEVELOPMENT

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

## HISTORY, DEVELOPMENT AND REORGANISATION

### (1) The Company

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

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

### (2) Bar Pacific Group Limited

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

As part of the Reorganisation, on 11 December 2015, 36,577 shares were allotted to Harneys Trustees Limited at US\$1 and 13,422 shares were issued to BP Sharing at US\$1. Upon completion of this share allotment, Bar Pacific Group Limited was held as to 73.156% and 26.844% by Harneys Trustees Limited and BP Sharing, respectively. Please also refer to the sub-paragraph headed “Reorganisation — 9. Acquisition of minority interests in the operating subsidiaries by Bar Pacific Group Limited by way of share swap”.

On 29 January 2016, 3,125 shares were transferred from Harneys Trustees Limited to the Pre-IPO Investor for a total consideration of HK\$2.4 million. Upon completion of this share transfer, Bar Pacific Group Limited was held as to 66.91%, 26.84% and 6.25% by Harneys Trustees Limited, BP Sharing and the Pre-IPO Investor, respectively. Details of the Pre-IPO Investor and the acquisition of its interest in our Group are set out in the paragraph headed “Pre-IPO Investment” below in this section.

On 15 December 2016, a total of 50,000 share of Bar Pacific Group Limited were transferred by the then shareholders to the Company for consideration of the issue and allotment of 49,999 Shares to them. Since 15 December 2016, Bar Pacific Group Limited has been wholly and directly owned by the Company.

Bar Pacific Group Limited serves as an investment holding company.

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

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

## HISTORY, DEVELOPMENT AND REORGANISATION

998 new shares were allotted to Chan Wai at HK\$998. On 15 April 2011, Chan Chai Sat sold his 1 share at HK\$1.0 each to Chan Wai. Since then, Hacienda was owned by Chan Wai as to 99.9% and Ms. Tse as to 0.1%, respectively.

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

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

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

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

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

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

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

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

Bar Pacific Entertainment holds the trademark of our Group.

#### *Our operating subsidiaries*

We have set up companies in Hong Kong each operating one bar. This allows us to be more flexible in the relevant licensing, compliance and leasing arrangements when we open and close bar in our ordinary course of business.

The following summarise the shareholding changes in each of our operating subsidiaries immediately before and after Reorganisation. For details of the Reorganisation, please refer to the paragraph headed “Reorganisation” in this section.

## HISTORY, DEVELOPMENT AND REORGANISATION

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

Bar Pacific I operates one of our bars in Hung Hom.

Bar Pacific I was incorporated in Hong Kong on 17 September 2005 as a limited liability company with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1.0 each. Upon incorporation, Bar Pacific I was wholly-owned by Chan Wai. After a series of shareholding changes, Bar Pacific I was held as to 75% by Chan Wai and 25% by two minority shareholders immediately before the Reorganisation. Pursuant to the Reorganisation, Bar Pacific I became a wholly owned subsidiary of Bar Pacific Group Limited on 1 September 2016.

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

Bar Pacific II operates one of our bars in Hung Hom.

Bar Pacific II was incorporated in Hong Kong on 17 September 2005. Upon incorporation, Bar Pacific II was wholly-owned by Chan Wai. After a series of shareholding changes, Bar Pacific II was held as to 80% by Chan Wai, 10% by Ms. Tse and 10% by one minority shareholder immediately before the Reorganisation. Pursuant to the Reorganisation, Bar Pacific II became a wholly owned subsidiary of Bar Pacific Group Limited on 1 September 2016.

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

Bar Pacific III operates one of our bars in Tokwawan.

Bar Pacific III was incorporated in Hong Kong on 17 September 2005. Upon incorporation, Bar Pacific III was wholly-owned by Chan Wai. After a series of shareholding changes, Bar Pacific III was held as to 75% by Chan Wai and 25% by five minority shareholders immediately before the Reorganisation. Pursuant to the Reorganisation, Bar Pacific III became a 92.5% owned subsidiary of Bar Pacific Group Limited on 1 September 2016.

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

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

Bar Pacific VI was incorporated in Hong Kong on 17 September 2005. Upon incorporation, Bar Pacific VI was wholly-owned by Chan Wai. After a series of shareholding changes, Bar Pacific VI was held as to 70% by Chan Wai, 5% by Ms. Tse and 25% by three minority shareholders immediately before the Reorganisation. Pursuant to the Reorganisation, Bar Pacific VI became a 90% owned subsidiary of Bar Pacific Group Limited on 1 September 2016.

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

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

## HISTORY, DEVELOPMENT AND REORGANISATION

Bar Pacific VII was incorporated in Hong Kong on 17 September 2005. Upon incorporation, Bar Pacific VII was wholly-owned by Chan Wai. After a series of shareholding changes, Bar Pacific VII was held as to 60% by Chan Wai and 40% by six minority shareholders immediately before the Reorganisation. Pursuant to the Reorganisation, Bar Pacific VII became a wholly owned subsidiary of Bar Pacific Group Limited on 1 September 2016.

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

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

Bar Pacific VIII was incorporated in Hong Kong on 17 September 2005. Upon incorporation, Bar Pacific VIII was wholly-owned by Chan Wai. After a series of shareholding changes, Bar Pacific VIII was held as to 65% by Chan Wai and 35% by six minority shareholders immediately before the Reorganisation. Pursuant to the Reorganisation, Bar Pacific VIII became a wholly owned subsidiary of Bar Pacific Group Limited on 1 September 2016.

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

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

Bar Pacific IX was incorporated in Hong Kong on 17 September 2005. Upon incorporation, Bar Pacific IX was wholly-owned by Chan Wai. After a series of shareholding changes, Bar Pacific IX was held as to 64% by Chan Wai, 1% by Ms. Tse and 35% by four minority shareholders immediately before the Reorganisation. Pursuant to the Reorganisation, Bar Pacific IX became a 95% owned subsidiary of Bar Pacific Group Limited on 1 September 2016.

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

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

Bar Pacific XII was incorporated in Hong Kong on 17 September 2005. Upon incorporation, Bar Pacific XII was wholly-owned by Chan Wai. After a series of shareholding changes, Bar Pacific XII was held as to 59% by Chan Wai, 1% by Ms. Tse and 40% by six minority shareholders immediately before the Reorganisation. Pursuant to the Reorganisation, Bar Pacific XII became a wholly owned subsidiary of Bar Pacific Group Limited on 1 September 2016.

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

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

Bar Pacific XVI was incorporated in Hong Kong on 17 September 2005. Upon incorporation, Bar Pacific XVI was wholly-owned by Chan Wai. After a series of shareholding changes, Bar Pacific XVI was held as to 51% by Chan Wai, 1% by Ms. Tse and 48% by eight minority shareholders immediately before the Reorganisation. Pursuant to the Reorganisation, Bar Pacific XVI became a 95% owned subsidiary of Bar Pacific Group Limited on 1 September 2016.

## HISTORY, DEVELOPMENT AND REORGANISATION

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

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

Bar Pacific XVII was incorporated in Hong Kong on 17 September 2005. Upon incorporation, Bar Pacific XVII was wholly-owned by Chan Wai. After a series of shareholding changes, Bar Pacific XVII was held as to 60% by Chan Wai and 40% by seven minority shareholders immediately before the Reorganisation. Pursuant to the Reorganisation, Bar Pacific XVII became a 85% owned subsidiary of Bar Pacific Group Limited on 1 September 2016.

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

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

Bar Pacific XVIII was incorporated in Hong Kong on 13 October 2005. Upon incorporation, Bar Pacific XVIII was wholly-owned by Chan Wai. After a series of shareholding changes, Bar Pacific XVIII was held as to 60% by Chan Wai and 40% by seven minority shareholders immediately before the Reorganisation. Pursuant to the Reorganisation, Bar Pacific XVIII became a wholly owned subsidiary of Bar Pacific Group Limited on 1 September 2016.

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

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

Bar Pacific XIX was incorporated in Hong Kong on 29 March 2006. Upon incorporation, Bar Pacific XIX was wholly-owned by Chan Wai. After a series of shareholding changes, Bar Pacific XIX was held as to 60% by Chan Wai and 40% by eight minority shareholders immediately before the Reorganisation. Pursuant to the Reorganisation, Bar Pacific XIX became a 87.5% owned subsidiary of Bar Pacific Group Limited on 1 September 2016.

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

Bar Pacific XX operates one of our bars in Shatin.

Bar Pacific XX was incorporated in Hong Kong on 29 March 2006. Upon incorporation, Bar Pacific XX was wholly-owned by Chan Wai. After a series of shareholding changes, Bar Pacific XX was held as to 50.5% by Chan Wai, 2.5% by Ms. Tse and 47% by 10 minority shareholders immediately before the Reorganisation. Pursuant to the Reorganisation, Bar Pacific XX became a 90% owned subsidiary of Bar Pacific Group Limited on 1 September 2016.

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

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

Bar Pacific XXI was incorporated in Hong Kong on 26 July 2006. Upon incorporation, Bar Pacific XXI was wholly-owned by Chan Wai. After a series of shareholding changes, Bar Pacific XXI was held as to 57.5% by Chan Wai and 42.5% by 14 minority shareholders immediately before the Reorganisation. Pursuant to the Reorganisation, Bar Pacific XXI became a 95% owned subsidiary of Bar Pacific Group Limited on 1 September 2016.



## HISTORY, DEVELOPMENT AND REORGANISATION

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

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

Bar Pacific XXII was incorporated in Hong Kong on 18 May 2007. Upon incorporation, Bar Pacific XXII was wholly-owned by Chan Wai. After a series of shareholding changes, Bar Pacific XXII was held as to 60% by Chan Wai and 40% by 11 minority shareholders immediately before the Reorganisation. Pursuant to the Reorganisation, Bar Pacific XXII became a 95% owned subsidiary of Bar Pacific Group Limited on 1 September 2016.

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

Bar Pacific XXIII operated one of our bars in Kowloon City which ceased operation in December 2016.

Bar Pacific XXIII was incorporated in Hong Kong on 16 November 2007. Upon incorporation, Bar Pacific XXIII was wholly-owned by Chan Wai. After a series of shareholding changes, Bar Pacific XXIII was held as to 66% by Chan Wai, 2% by Ms. Tse and 32% by 12 minority shareholders immediately before the Reorganisation. Pursuant to the Reorganisation, Bar Pacific XXIII became a 84% owned subsidiary of Bar Pacific Group Limited on 1 September 2016.

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

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

Bar Pacific XXVII was incorporated in Hong Kong on 4 July 2008. Upon incorporation, Bar Pacific XXVII was wholly-owned by Chan Wai. After a series of shareholding changes, Bar Pacific XXVII was held as to 62.5% by Chan Wai and 37.5% by 11 minority shareholders immediately before the Reorganisation. Pursuant to the Reorganisation, Bar Pacific XXVII became a 92.5% owned subsidiary of Bar Pacific Group Limited on 1 September 2016.

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

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

Bar Pacific XXVIII was incorporated in Hong Kong on 2 March 2009. Upon incorporation, Bar Pacific XXVIII was wholly-owned by Chan Wai. After a series of shareholding changes, Bar Pacific XXVIII was held as to 58% by Chan Wai and 42% by 14 minority shareholders immediately before the Reorganisation. Pursuant to the Reorganisation, Bar Pacific XXVIII became a 86.5% owned subsidiary of Bar Pacific Group Limited on 1 September 2016.

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

Bar Pacific XXIX operates one of our bars in Shatin.

## HISTORY, DEVELOPMENT AND REORGANISATION

Bar Pacific XXIX was incorporated in Hong Kong on 16 December 2009. Upon incorporation, Bar Pacific XXIX was wholly-owned by Chan Wai. After a series of shareholding changes, Bar Pacific XXIX was held as to 53.19% by Chan Wai and 46.81% by 20 minority shareholders immediately before the Reorganisation. Pursuant to the Reorganisation, Bar Pacific XXIX became a 86.17% owned subsidiary of Bar Pacific Group Limited on 1 September 2016.

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

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

Bar Pacific XXX was incorporated in Hong Kong on 30 December 2009. Upon incorporation, Bar Pacific XXX was wholly-owned by Chan Wai. After a series of shareholding changes, Bar Pacific XXX was held as to 53.33% by Chan Wai and 46.67% by 17 minority shareholders immediately before the Reorganisation. Pursuant to the Reorganisation, Bar Pacific XXX became a 79.35% owned subsidiary of Bar Pacific Group Limited on 1 September 2016.

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

Bar Pacific XXXI operates one of our bars in Aberdeen.

Bar Pacific XXXI was incorporated in Hong Kong on 9 April 2010. Upon incorporation, Bar Pacific XXXI was wholly-owned by Chan Wai. After a series of shareholding changes, Bar Pacific XXXI was held as to 54.04% by Chan Wai and 45.96% by 26 minority shareholders immediately before the Reorganisation. Pursuant to the Reorganisation, Bar Pacific XXXI became a 82.83% owned subsidiary of Bar Pacific Group Limited on 1 September 2016.

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

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

Bar Pacific XXXII was incorporated in Hong Kong on 30 June 2010. Upon incorporation, Bar Pacific XXXII was wholly-owned by Chan Wai. After a series of shareholding changes, Bar Pacific XXXII was held as to 50.88% by Chan Wai and 49.12% by 19 minority shareholders immediately before the Reorganisation. Pursuant to the Reorganisation, Bar Pacific XXXII became a 85.09% owned subsidiary of Bar Pacific Group Limited on 1 September 2016.

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

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

Bar Pacific XXXIII was incorporated in Hong Kong on 10 November 2010. Upon incorporation, Bar Pacific XXXIII was wholly-owned by Chan Wai. After a series of shareholding changes, Bar Pacific XXXIII was held as to 55.50% by Chan Wai and 44.50% by 37 minority shareholders immediately before the Reorganisation. Pursuant to the Reorganisation, Bar Pacific XXXIII became a 85% owned subsidiary of Bar Pacific Group Limited on 1 September 2016.

## HISTORY, DEVELOPMENT AND REORGANISATION

### **(29) Bar Pacific XXXVII International Limited (“Bar Pacific XXXVII”)**

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

Bar Pacific XXXVII was incorporated in Hong Kong on 6 May 2011. Upon incorporation, Bar Pacific XXXVII was wholly-owned by Chan Wai. After a series of shareholding changes, Bar Pacific XXXVII was held as to 52.86% by Chan Wai and 47.14% by 30 minority shareholders immediately before the Reorganisation. Pursuant to the Reorganisation, Bar Pacific XXXVII became a 90% owned subsidiary of Bar Pacific Group Limited on 1 September 2016.

### **(30) Bar Pacific XXXVIII International Limited (“Bar Pacific XXXVIII”)**

Bar Pacific XXXVIII operates one of our bars in Fanling.

Bar Pacific XXXVIII was incorporated in Hong Kong on 28 July 2011. Upon incorporation, Bar Pacific XXXVIII was wholly-owned by Chan Wai. After a series of shareholding changes, Bar Pacific XXXVIII was held as to 53.13% by Chan Wai and 46.87% by 26 minority shareholders immediately before the Reorganisation. Pursuant to the Reorganisation, Bar Pacific XXXVIII became a 85% owned subsidiary of Bar Pacific Group Limited on 1 September 2016.

### **(31) Bar Pacific XXXIX International Limited (“Bar Pacific XXXIX”)**

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

Bar Pacific XXXIX was incorporated in Hong Kong on 28 July 2011. Upon incorporation, Bar Pacific XXXIX was wholly-owned by Chan Wai. After a series of shareholding changes, Bar Pacific XXXIX was held as to 60.12% by Chan Wai and 39.88% by 25 minority shareholders immediately before the Reorganisation. Pursuant to the Reorganisation, Bar Pacific XXXIX became a 81.55% owned subsidiary of Bar Pacific Group Limited on 1 September 2016.

### **(32) Bar Pacific LX International Limited (“Bar Pacific LX”)**

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

Bar Pacific LX was incorporated in Hong Kong on 28 July 2011. Upon incorporation, Bar Pacific LX was wholly-owned by Chan Wai. After a series of shareholding changes, Bar Pacific LX was held as to 55.71% by Chan Wai and 44.29% by 30 minority shareholders immediately before the Reorganisation. Pursuant to the Reorganisation, Bar Pacific LX became a 80% owned subsidiary of Bar Pacific Group Limited on 1 September 2016.

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

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

Bar Pacific LXI was incorporated in Hong Kong on 28 July 2011. Upon incorporation, Bar Pacific LXI was wholly-owned by Chan Wai. After a series of shareholding changes, Bar Pacific LXI was held as to 58.18% by Chan Wai and 41.82% by 27 minority shareholders immediately before the Reorganisation. Pursuant to the Reorganisation, Bar Pacific LXI became a 83.18% owned subsidiary of Bar Pacific Group Limited on 1 September 2016.

## HISTORY, DEVELOPMENT AND REORGANISATION

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

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

Bar Pacific LXII was incorporated in Hong Kong on 9 July 2012. Upon incorporation, Bar Pacific LXII was wholly-owned by Chan Wai. After a series of shareholding changes, Bar Pacific LXII was held as to 56.36% by Chan Wai and 43.64% by 33 minority shareholders immediately before the Reorganisation. Pursuant to the Reorganisation, Bar Pacific LXII became a 82.27% owned subsidiary of Bar Pacific Group Limited on 1 September 2016.

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

Bar Pacific LXIII operates one of our bars in Fanling.

Bar Pacific LXIII was incorporated in Hong Kong on 9 July 2012. Upon incorporation, Bar Pacific LXIII was wholly-owned by Chan Wai. After a series of shareholding changes, Bar Pacific LXIII was held as to 54.21% by Chan Wai and 45.79% by 25 minority shareholders immediately before the Reorganisation. Pursuant to the Reorganisation, Bar Pacific LXIII became a 71.05% owned subsidiary of Bar Pacific Group Limited on 1 September 2016.

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

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

Bar Pacific LXVIII was incorporated in Hong Kong on 28 August 2013. Upon incorporation, Bar Pacific LXVIII was wholly-owned by Chan Wai. After a series of shareholding changes, Bar Pacific LXVIII was held as to 57.89% by Bar Pacific Group Limited, 0.00004% by Ms. Tse and 42.11% by 21 minority shareholder in March 2016. Pursuant to the Reorganisation, Bar Pacific LXVIII became a 57.89% owned subsidiary of Bar Pacific Group Limited on 1 September 2016.

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

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

Bar Pacific LXIX was incorporated in Hong Kong on 28 August 2013. Upon incorporation, Bar Pacific LXIX was wholly-owned by Chan Wai. After a series of shareholding changes, Bar Pacific LXIX was held as to 100% by Bar Pacific Group Limited in March 2016. Pursuant to the Reorganisation, Bar Pacific LXIX remained a wholly owned subsidiary of Bar Pacific Group Limited on 1 September 2016.

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

Bar Pacific LXX operates one of our bars in Chai Wan.

Bar Pacific LXX was incorporated in Hong Kong on 14 April 2015. Upon incorporation, Bar Pacific LXX was wholly-owned by Ms. Tse. After a transfer of shareholding, Bar Pacific LXX was held as to 100% by Bar Pacific Group Limited immediately before the Reorganisation. Pursuant to the Reorganisation, Bar Pacific LXX remained a wholly owned subsidiary of Bar Pacific Group Limited on 1 September 2016.

## HISTORY, DEVELOPMENT AND REORGANISATION

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

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

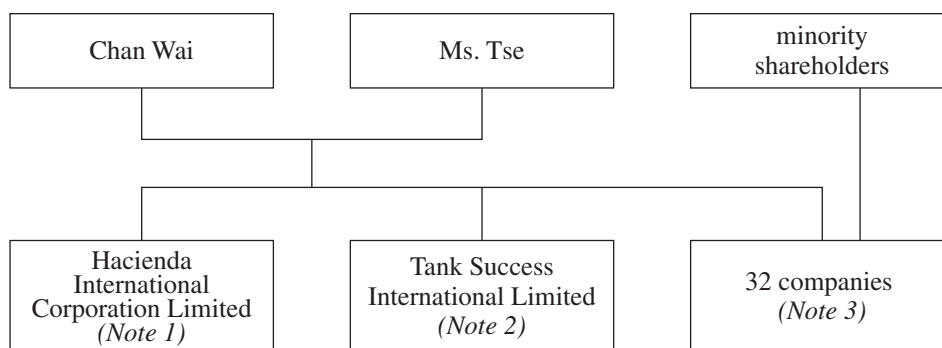
Bar Pacific LXXI was incorporated in Hong Kong on 10 June 2016. Upon incorporation and immediately before the Reorganisation, Bar Pacific LXXI was wholly-owned by Bar Pacific Group Limited. Pursuant to the Reorganisation, Bar Pacific LXXI remained a wholly owned subsidiary of Bar Pacific Group Limited on 1 September 2016.

### (40) Bar Pacific LXXII International Limited (“Bar Pacific LXXII”)

Bar Pacific LXXII has no business operation yet as at the Latest Practicable Date. It was incorporated in Hong Kong on 2 December 2016 and is wholly-owned by Bar Pacific Group Limited.

## REORGANISATION

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



Notes:

1. Hacienda International Corporation Limited was owned by Chan Wai as to 99.9% and Ms. Tse as to 0.01%.
2. Tank Success International Limited was owned by Chan Wai and Ms. Tse in equal shares.
3. Among these 32 companies from Bar Pacific I to Bar Pacific LXIX mentioned above, two companies, namely Bar Pacific LXVIII and Bar Pacific LXIX, had not commenced business operations, and each of the remaining 30 companies was operating a bar. Please also refer to the paragraph headed “Corporate Development” above in this section for the shareholdings of Chan Wai, Ms. Tse and the minority shareholders in these companies. None of the minority shareholders of these companies held more than 30% of issued share capital of these companies before the Reorganisation.

In order to prepare for the Listing, the Company underwent the Reorganisation which involved the following steps:

#### 1. Incorporation of Bar Pacific Group Limited

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

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

## HISTORY, DEVELOPMENT AND REORGANISATION

### 2. Establishment of Bar Pacific Entertainment Limited

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

On 6 March 2014, HK Incorporation Limited transferred its 1 share in Bar Pacific Entertainment Limited to Bar Pacific Group Limited at HK\$1.

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

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

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

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

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

| <b>The operating subsidiaries</b> | <b>Percentage of issued share capital transferred in the relevant operating subsidiaries</b> |
|-----------------------------------|--|
| Bar Pacific II                    | 10%  |
| Bar Pacific VI                    | 5%   |
| Bar Pacific IX                    | 1%   |
| Bar Pacific XII                   | 1%   |
| Bar Pacific XVI                   | 1%   |
| Bar Pacific XX                    | 2.4%   |
| Bar Pacific XXIII                 | 2%   |

## HISTORY, DEVELOPMENT AND REORGANISATION

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

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

| The relevant operating subsidiaries | Percentage of<br>issued share<br>capital<br>transferred to Bar<br>Pacific Group<br>Limited | Percentage of<br>issued share<br>capital<br>transferred to<br>Ms. Tse |
|-------------------------------------|--|---|
| Bar Pacific I                       | 75%  | 0.1%  |
| Bar Pacific II                      | 80%  | —   |
| Bar Pacific III                     | 75%  | 0.1%  |
| Bar Pacific VI                      | 70%  | —   |
| Bar Pacific VII                     | 60%  | 0.1%  |
| Bar Pacific VIII                    | 65%  | 0.1%  |
| Bar Pacific IX                      | 64%  | —   |
| Bar Pacific XII                     | 59%  | —   |
| Bar Pacific XVI                     | 51%  | —   |
| Bar Pacific XVII                    | 60%  | 0.1%  |
| Bar Pacific XVIII                   | 60%  | 0.1%  |
| Bar Pacific XIX                     | 60%  | 0.1%  |
| Bar Pacific XX                      | 50.5%  | —   |
| Bar Pacific XXI                     | 57.4%  | 0.1%  |
| Bar Pacific XXII                    | 60%  | 0.1%  |
| Bar Pacific XXIII                   | 66%  | —   |
| Bar Pacific XXVII                   | 62.4%  | 0.1%  |
| Bar Pacific XXVIII                  | 58%  | 0.1%  |
| Bar Pacific XXIX                    | 52.66%   | 0.53%   |
| Bar Pacific XXX                     | 52.67%   | 0.67%   |
| Bar Pacific XXXI                    | 53.54%   | 0.5051%   |
| Bar Pacific XXXII                   | 50.44%   | 0.4386%   |
| Bar Pacific XXXIII                  | 55%  | 0.50%   |
| Bar Pacific XXXVII                  | 52.38%   | 0.48%   |
| Bar Pacific XXXVIII                 | 52.5%  | 0.63%   |
| Bar Pacific XXXIX                   | 59.52%   | 0.60%   |
| Bar Pacific LX                      | 55.24%   | 0.48%   |
| Bar Pacific LXI                     | 57.73%   | 0.45%   |
| Bar Pacific LXII                    | 55.91%   | 0.45%   |
| Bar Pacific LXIII                   | 53.68%   | 0.53%   |
| Bar Pacific LXVIII                  | —  | 100%  |
| Bar Pacific LXIX                    | —  | 100%  |

## HISTORY, DEVELOPMENT AND REORGANISATION

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

Mr. Chan Wai had no role and responsibilities in the Group after he transferred his interest in the Group to Bar Pacific Group Limited and/or Ms. Tse under the Reorganisation.

### **6. Establishment of the Bar Pacific Trust**

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

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



## HISTORY, DEVELOPMENT AND REORGANISATION

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

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

| The relevant operating subsidiaries<br>the shares of which were<br>transferred | Number of<br>transferors | Number of<br>shares<br>transferred | Total<br>consideration<br>paid by Bar<br>Pacific Group<br>Limited |
|--|--------------------------|------------------------------------|---|
| Bar Pacific III  | 1                        | 50                                 | HK\$45,000  |
| Bar Pacific VII  | 2                        | 75                                 | HK\$87,110  |
| Bar Pacific VIII   | 1                        | 50                                 | HK\$62,500  |
| Bar Pacific XVI  | 1                        | 30                                 | HK\$30,379  |
| Bar Pacific XIX  | 1                        | 25                                 | HK\$20,475  |
| Bar Pacific XXI  | 1                        | 25                                 | HK\$48,000  |
| Bar Pacific XXII   | 1                        | 25                                 | HK\$718   |
| Bar Pacific XXVIII   | 1                        | 10                                 | HK\$14,553  |
| Bar Pacific XXIX   | 3                        | 12                                 | HK\$148,994   |
| Bar Pacific XXX  | 2                        | 4                                  | HK\$32,600  |
| Bar Pacific XXXI   | 3                        | 4                                  | HK\$22,353  |
| Bar Pacific XXXII  | 5                        | 24                                 | HK\$290,322   |
| Bar Pacific XXXIII   | 8                        | 5,814                              | HK\$215,030   |
| Bar Pacific XXXVII   | 7                        | 9,204                              | HK\$189,045   |
| Bar Pacific XXXVIII  | 3                        | 5,170                              | HK\$59,966  |
| Bar Pacific XXXIX  | 6                        | 18,851                             | HK\$76,309  |
| Bar Pacific LX   | 6                        | 17                                 | HK\$52,115  |
| Bar Pacific LXI  | 4                        | 16,176                             | HK\$75,709  |
| Bar Pacific LXII   | 8                        | 21                                 | HK\$118,845   |
| Bar Pacific LXIII  | 7                        | 22                                 | HK\$189,600   |

The considerations for the above transfers were either based on two times EBITDA of the relevant subsidiary for the year ended 31 March 2015 pursuant to its management accounts or with reference to the investment contributed by the transferor.

## HISTORY, DEVELOPMENT AND REORGANISATION

### 8. Incorporation of BP Sharing Limited

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

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

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

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

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

## HISTORY, DEVELOPMENT AND REORGANISATION

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

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

| <b>Transferor</b>          | <b>Number of operating subsidiaries in which the shares were transferred by the transferor to Bar Pacific Group Limited</b> |
|----------------------------|---|
| Chung Kwok Wai Clement     | 16  |
| Kam Yiu Wan                | 20  |
| Ng Chui Kuen               | 22  |
| Chung Kin Shing            | 17  |
| Ko Hang Wa                 | 14  |
| Ip Chi Man                 | 12  |
| Pan Mui Lie                | 7   |
| Admiral Enterprise Limited | 8   |
| Yu Wai Tak                 | 10  |
| Tong Nga Ling              | 10  |
| Cheng Wai Ping             | 7   |
| Chan Yiu Chung             | 14  |
| Leung Kwok Ho              | 7   |
| Poon Suet Hung             | 6   |
| Ho Keng Wai                | 10  |
| Lai Man Wai                | 10  |
| Chow Wing Hang, Eric       | 4   |
| Szeto Lawrence             | 9   |
| Cheung Ho Ming             | 9   |

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

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

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

## HISTORY, DEVELOPMENT AND REORGANISATION

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

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

| The relevant operating subsidiaries | Number of shares issued and allotted | Allottee(s)  |
|-------------------------------------|--------------------------------------|--|
| Bar Pacific XXX                     | 135,877                              | Bar Pacific Group Limited  |
| Bar Pacific XXX                     | 11,410                               | Ng Chi Wah   |
| Bar Pacific XXX                     | 5,705                                | each of So Chiu Ming and Leung Tze Yin   |
| Bar Pacific XXX                     | 3,423                                | Chan Suk Ching   |
| Bar Pacific XXX                     | 2,282                                | each of Lai Fung Chi Joan and Ho Pak Chuen   |
| Bar Pacific XXX                     | 1,141                                | each of Yuen Siu Chuen, Lau Wai Sum, Leung Wai Chiu Simon and Chan Wing Hing                                   |
| Bar Pacific XXXI                    | 432,392                              | Bar Pacific Group Limited  |
| Bar Pacific XXXI                    | 26,360                               | Ng Chi Wah   |
| Bar Pacific XXXI                    | 7,908                                | each of Tam Tat Ming, Chan Wing Wong, Yiu Chun Wing and Kwok Hang Shing  |
| Bar Pacific XXXI                    | 5,272                                | each of Wong Tak Cheung Harry, Cheng Wai Yan Phoebe, Yee Man Wai and Lam Ching Leung                           |
| Bar Pacific XXXI                    | 2,636                                | each of Ho Ka Wai, Lau Wai Sum, Leung Wai Chiu Simon and Chan Wing Hing  |
| Bar Pacific XXXIII                  | 486,824                              | Bar Pacific Group Limited  |
| Bar Pacific XXXIII                  | 14,485                               | each of Ng Chi Wah, Li Qi Cun and Ng Sui Keung   |
| Bar Pacific XXXIII                  | 5,794                                | each of Lau Wai Sum, Chiu Sin Tung, Tam Tat Ming, Siu Ho Kwan and Wong Yu                                      |
| Bar Pacific XXXIII                  | 2,897                                | each of Mo Kuok Chong, Ting Shiou Shin, Chan Wing Wong, Ho Kwai Fong, Ma Hon Ping, Yuen Man Kit and Yiu Shiela |
| Bar Pacific XXXVII                  | 858,950                              | Bar Pacific Group Limited  |
| Bar Pacific XXXVII                  | 22,965                               | Ng Chi Wah   |
| Bar Pacific XXXVII                  | 13,779                               | each of Chan Wing Wong and Ma Hon Ping   |
| Bar Pacific XXXVII                  | 9,186                                | each of Tam Tat Ming, Au Sze Nam Simon, Chiu Fai, Yee Man Wai and Lau Ka Ho                                    |
| Bar Pacific XXXVII                  | 4,593                                | each of Ho Kwai Fong and Lam Siu Ming  |
| Bar Pacific XXXVIII                 | 697,249                              | Bar Pacific Group Limited  |
| Bar Pacific XXXVIII                 | 25,820                               | Ng Chi Wah   |
| Bar Pacific XXXVIII                 | 15,492                               | each of Ma Hon Ping and Chan Wing Wong   |
| Bar Pacific XXXVIII                 | 10,328                               | each of Au Sze Nam Simon, Tam Tat Ming, Lam Ching Leung, Lau Mang Chi Angela and Chan Chun Kit                 |
| Bar Pacific XXXVIII                 | 5,164                                | each of Ko Chi Fai, Chiu Fai, Lok Sze Man and Ma Hon Chung   |
| Bar Pacific XXXIX                   | 1,271,577                            | Bar Pacific Group Limited  |
| Bar Pacific XXXIX                   | 47,095                               | each of Ng Chi Wah and Yue Pak Kee David   |
| Bar Pacific XXXIX                   | 37,676                               | Lam Ching Leung  |

## HISTORY, DEVELOPMENT AND REORGANISATION

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

## HISTORY, DEVELOPMENT AND REORGANISATION

### 11. Investment by the Pre-IPO Investor

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

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

Please refer to the paragraph headed “Pre-IPO Investment” below in this section.

### 12. Incorporation of the Company

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

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

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

### 14. Incorporation of BVI Holdco

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

### 15. Acquisition of Bar Pacific Group Limited by the Company

On 15 December 2016, the Company acquired the entire issued share capital of Bar Pacific Group Limited from Harneys Trustees Limited, BP Sharing Limited and the Pre-IPO Investor.

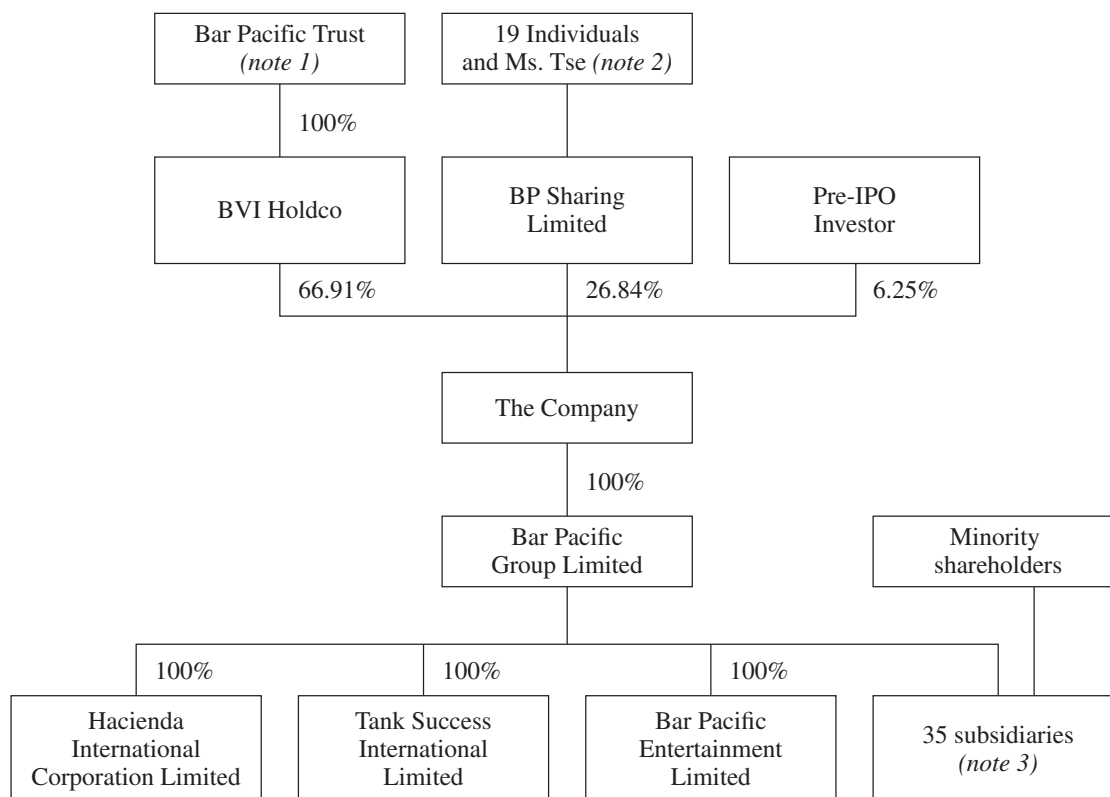
The Company acquired (i) 33,453 shares in Bar Pacific Group Limited from Harneys Trustees Limited and in consideration allotted and issued 33,452 new Shares to BVI Holdco, (ii) 13,422 shares from BP Sharing Limited and in consideration allotted and issued 13,422 new Shares to BP Sharing Limited, and (iii) 3,125 shares from the Pre-IPO Investor and in consideration allotted and issued 3,125 new Shares to the Pre-IPO Investor, respectively.

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

After the above allotment and issue of new Shares and transfer of one Share, BVI Holdco, BP Sharing Limited and the Pre-IPO Investor held approximately 66.91%, 26.84% and 6.25% of the issued share capital of the Company, respectively.

## HISTORY, DEVELOPMENT AND REORGANISATION

The following chart sets forth the Group's shareholding structure immediately prior to the Placing and Capitalisation Issue:



## HISTORY, DEVELOPMENT AND REORGANISATION

*Notes:*

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

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



## HISTORY, DEVELOPMENT AND REORGANISATION

3. 10 of these subsidiaries of the Company are wholly owned by Bar Pacific Group Limited and the remaining 25 subsidiaries of the Companies have minority shareholders as follows:

|  | Number of<br>minority<br>shareholders<br>in the<br>subsidiaries | Percentage of<br>shareholding<br>held by the<br>largest<br>minority<br>shareholder | Percentage of<br>total<br>shareholdings<br>held by the<br>minority<br>shareholders | Percentage of<br>interests<br>owned by Bar<br>Pacific Group<br>Limited |
|--|---|--|--|--|
| Bar Pacific I  | Nil   | Nil  | Nil  | 100%   |
| Bar Pacific II   | Nil   | Nil  | Nil  | 100%   |
| Bar Pacific III  | 2   | 5%   | 7.5%   | 92.5%  |
| Bar Pacific VI   | 1   | 10%  | 10%  | 90%  |
| Bar Pacific VII  | Nil   | Nil  | Nil  | 100%   |
| Bar Pacific VIII                                       | Nil   | Nil  | Nil  | 100%   |
| Bar Pacific IX   | 1   | 5%   | 5%   | 95%  |
| Bar Pacific XII  | Nil   | Nil  | Nil  | 100%   |
| Bar Pacific XVI  | 1   | 5%   | 5%   | 95%  |
| Bar Pacific XVII                                       | 3   | 5%   | 15%  | 85%  |
| Bar Pacific XVIII                                      | Nil   | Nil  | Nil  | 100%   |
| Bar Pacific XIX  | 3   | 5%   | 12.5%  | 87.5%  |
| Bar Pacific XX   | 2   | 5%   | 10%  | 90%  |
| Bar Pacific XXI  | 2   | 2.5%   | 5%   | 95%  |
| Bar Pacific XXII                                       | 2   | 2.5%   | 5%   | 95%  |
| Bar Pacific XXIII                                      | 6   | 4%   | 16%  | 84%  |
| Bar Pacific XXVII                                      | 2   | 5%   | 7.5%   | 92.5%  |
| Bar Pacific XXVIII                                     | 4   | 5%   | 13.5%  | 86.5%  |
| Bar Pacific XXIX                                       | 5   | 5.32%  | 13.83%   | 86.17%   |
| Bar Pacific XXX  | 10  | 6.66%  | 20.65%   | 79.35%   |
| Bar Pacific XXXI                                       | 13  | 5.05%  | 17.17%   | 82.83%   |
| Bar Pacific XXXII                                      | 6   | 4.39%  | 14.91%   | 85.09%   |
| Bar Pacific XXXIII                                     | 14  | 2.50%  | 15.00%   | 85.00%   |
| Bar Pacific XXXVII                                     | 9   | 2.38%  | 10.00%   | 90.00%   |
| Bar Pacific XXXVIII                                    | 11  | 3.12%  | 15.00%   | 85.00%   |
| Bar Pacific XXXIX                                      | 12  | 2.98%  | 18.45%   | 81.55%   |
| Bar Pacific LX   | 15  | 2.38%  | 20%  | 80%  |
| Bar Pacific LXI  | 13  | 2.27%  | 16.82%   | 83.18%   |
| Bar Pacific LXII                                       | 15  | 2.27%  | 17.73%   | 82.27%   |
| Bar Pacific LXIII                                      | 15  | 3.16%  | 28.95%   | 71.05%   |
| Bar Pacific LXVIII                                     | 21  | 4.39%  | 42.11%   | 57.89%   |
| Bar Pacific LXIX (incorporated on<br>28 August 2013)   | Nil   | Nil  | Nil  | 100%   |
| Bar Pacific LXX (incorporated on 14 April 2015)        | Nil   | Nil  | Nil  | 100%   |
| Bar Pacific LXXI (incorporated on 10 June 2016)        | Nil   | Nil  | Nil  | 100%   |
| Bar Pacific LXXII (incorporated on<br>2 December 2016) | Nil   | Nil  | Nil  | 100%   |

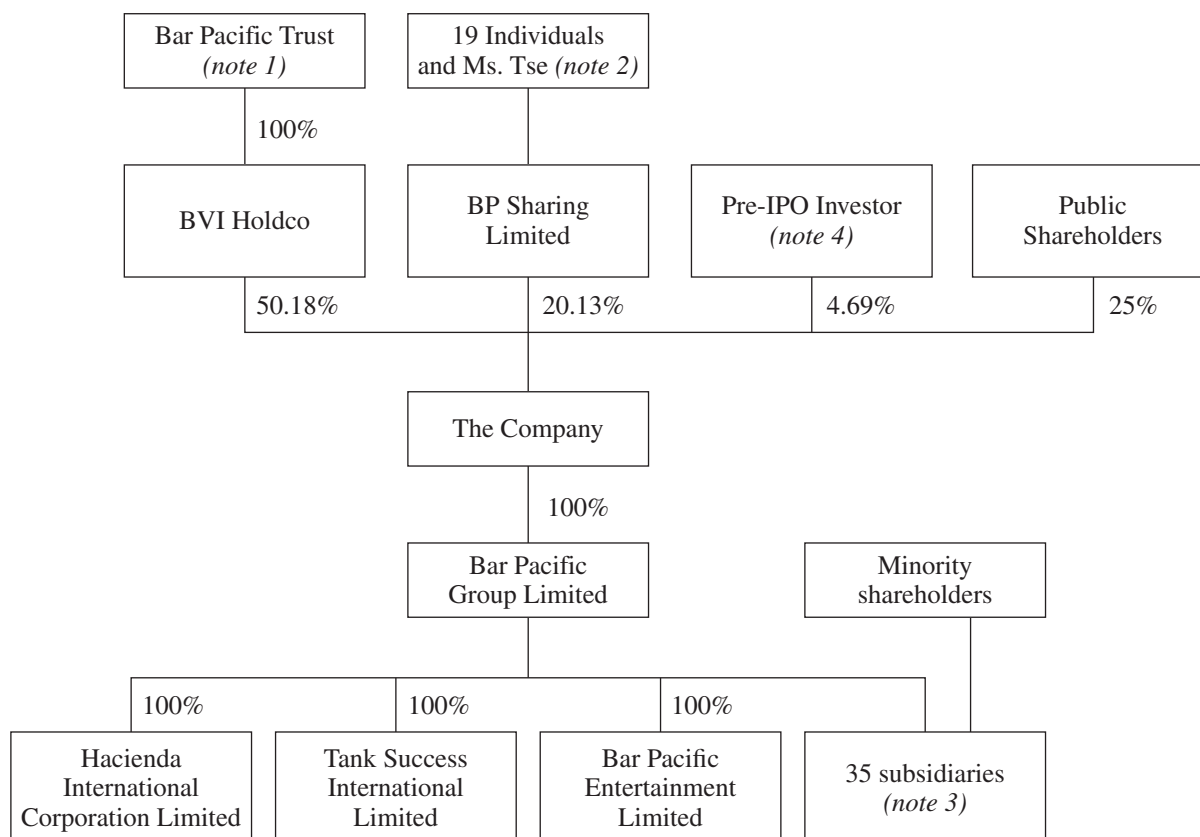
## HISTORY, DEVELOPMENT AND REORGANISATION

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

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

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

The following chart sets forth the Group's shareholding structure immediately following the completion of the Capitalisation Issue and the Placing (without taking into account any Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme):



## HISTORY, DEVELOPMENT AND REORGANISATION

### *Notes:*

1. The entire issued share capital of BVI Holdco is held by Harneys Trustees Limited, which is the trustee of the Bar Pacific Trust. Bar Pacific Trust is a trust established by Ms. Tse as settlor on 25 March 2014 for the benefit of herself and her daughter, namely Ms. Chan Tsz Kiu, Teresa. Pursuant to the deed of settlement dated 25 March 2014 in respect of the Bar Pacific Trust, Ms. Chan Ching Mandy, who is the sister of Chan Wai, is the protector of the Bar Pacific Trust.
2. Please refer to note 2 of the corporate chart of our Group on page 82 of this prospectus for details of the shareholding structure of BP Sharing Limited. BP Sharing is a Substantial Shareholder which will hold 20.13% of the issued share capital of the Company upon Listing, and thus a connected person of the Company. As such, its shareholding in the Company will not be counted as public float upon Listing for the purpose of Rule 11.23 of the GEM Listing Rules.
3. 10 of these subsidiaries of the Company are wholly owned by Bar Pacific Group Limited and the remaining 25 subsidiaries of the Company have minority shareholders. Please refer to note 3 to the corporate chart of our Group on page 83 of this prospectus for details of the shareholdings of the subsidiaries of the Company and the shareholdings held by the minority shareholders in those subsidiaries.
4. Since the Pre-IPO Investor is owned as to 50% and 50% by two Independent Third Parties, namely Mr. Fung and Mr. Wong, respectively, the Shares held by the Pre-IPO Investor are considered as part of the public float upon Listing for the purpose of Rule 11.23 of the GEM Listing Rules.

### **PRE-IPO INVESTMENT**

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

### **Description of the Pre-IPO Investor**

The Pre-IPO Investor was incorporated in BVI on 18 September 2015. It is wholly owned by Mr. Fung Sik Lun and Mr. Wong Kin Chung. Mr. Fung is a licensed person registered with the SFC to carry out type 6 (advising on corporate finance) regulated activity under the SFO. Mr. Wong is a licensed person registered with the SFC to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO. Each of them has over ten years of experience in corporate finance industry. They were first introduced to the Group when they were working for a licensed corporation registered with the SFC to carry out type 6 (advising on corporate finance) regulated activity under the SFO which was engaged by our Group in 2014 to advise on corporate structuring and strategic planning. Mr. Fung and Mr. Wong confirmed that they have not participated in other initial public offerings as a pre-IPO investor as at the Latest Practicable Date. Our Directors believe that the introduction of Mr. Fung and Mr. Wong as our pre-IPO investors can provide a more reliable channel for external advice from other professionals on the business and operation of the Group.

Other than its investment in our Company, each of the Pre-IPO Investor, Mr. Fung and Mr. Wong is independent from and not connected with our other Directors, senior management, or our other Substantial Shareholders, or any of our subsidiaries, or any of their respective associates.

## HISTORY, DEVELOPMENT AND REORGANISATION

### Key Features of the Pre-IPO Investment

The following table provides a summary of the key features of the investment of the Pre-IPO Investor in our Group:

|   |   |
|---|---|
| Name of the Pre-IPO Investor  | Fortune Worth Investment Holdings Limited   |
| Date of sale and purchase agreement   | 25 January 2016   |
| Amount of consideration paid  | HK\$2.4 million   |
| Irrevocable settlement date of the consideration                            | 27 January 2016   |
| Basis of determination of the consideration                                 | The consideration was determined based on arm's length negotiations between the Pre-IPO Investor, the Bar Pacific Trust and Ms. Tse after taking into consideration of the timing of the subscription and the financial performance of the Group. The consideration was arrived at approximately 3.25 times the price-to-earning ratio of our Group for the year ended 31 March 2015. |
| Cost per Share paid   | Approximately HK\$0.06 after the completion of Capitalisation Issue and the Placing   |
| Discount to Placing Price   | Approximately 78.6% discount to the Placing Price of HK\$0.28 (being the mid-point of the Placing Price range stated in this prospectus)  |
| Strategic benefits to our Company   | In conjunction with its investment, the Pre-IPO Investor provided capital to our Company in relation to our Group's business, and shall bring in experience in accounting and financial function to our Company to improve our financial management.  |
| Special rights of the Pre-IPO Investor                                      | The Pre-IPO Investor was not granted any special rights in relation to our Company.   |
| Shareholding in our Company before the Placing and the Capitalisation Issue | 6.25%   |
| Shareholding in our Company upon Listing                                    | 4.69%   |

## HISTORY, DEVELOPMENT AND REORGANISATION

Lock-up period

The Pre-IPO Investor is not subject to any lock-up undertaking pursuant to the sale and purchase agreement dated 25 January 2016 entered into between Harneys Trustees Limited and the Pre-IPO Investor.

The Pre-IPO Investor is subject to the lock-up undertaking under the Underwriting Agreement, particulars of which are set out in the paragraph headed “Underwriting — Underwriting arrangements and expenses — Undertakings under the Underwriting Agreement” of this prospectus.

Inclusion in calculation of the public float

Since the Pre-IPO Investor is wholly owned by Independent Third Parties, the Shares held by the Pre-IPO Investor are considered as part of the public float for the purposes of GEM Listing Rules 11.23.

### **Confirmation from the Sponsor**

The Sponsor has confirmed that the investment by the Pre-IPO Investor is in compliance with the Interim Guidance on Pre-IPO Investments issued on 13 October 2010 (i.e. Guidance Letter HKEx-GL29-12) by the Stock Exchange, the Guidance Letter HKEx-GL43-12 issued on October 2012 and updated in July 2013 by the Stock Exchange and the Guidance Letter HKEx-GL44-12 issued in October 2012 by the Stock Exchange based on the above and that the consideration under the investment by the Pre-IPO Investor has been irrevocably settled on 27 January 2016, which was more than 28 clear days before the first submission of the listing application form in respect of the Listing.

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### OVERVIEW

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

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

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

|                       | Year ended 31 March        |                      |                            |                      | Three months ended         |                      |
|-----------------------|----------------------------|----------------------|----------------------------|----------------------|----------------------------|----------------------|
|                       | 2015                       |                      | 2016                       |                      | 30 June                    |                      |
|                       | Revenue<br><i>HK\$'000</i> | % of<br>revenue      | Revenue<br><i>HK\$'000</i> | % of<br>revenue      | Revenue<br><i>HK\$'000</i> | % of<br>revenue      |
| Beverages             | 102,760                    | 91.5%                | 116,333                    | 92.2%                | 28,607                     | 91.0%                |
| Light refreshments    | 6,550                      | 5.8%                 | 6,562                      | 5.2%                 | 1,765                      | 5.6%                 |
| Others <sup>(1)</sup> | 3,063                      | 2.7%                 | 3,250                      | 2.6%                 | 1,060                      | 3.4%                 |
| <b>Total</b>          | <b><u>112,373</u></b>      | <b><u>100.0%</u></b> | <b><u>126,145</u></b>      | <b><u>100.0%</u></b> | <b><u>31,432</u></b>       | <b><u>100.0%</u></b> |

## BUSINESS

*Notes:*

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

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

### COMPETITIVE STRENGTHS

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

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

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

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

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

#### **Standardised operations and economies of scale enabled by number of bars**

Our standardised operations primarily consist of the following aspects:

##### *Centralised procurement*

Save for light refreshments, our head office is in charge of collecting orders for beverages and other supplies from individual shops and placing orders with suppliers. Please refer to the paragraph headed “Suppliers” in this section for further details of our centralised procurement system. Our Directors believe that such centralised procurement by our head office can enhance our sourcing capabilities and in turn can increase our bargaining power

## BUSINESS

with suppliers and can lower our costs of sales as a whole so that we can offer beverages at reasonable and affordable prices. Centralisation of purchases is intended to simplify work procedures, minimise the labour required to perform the task, and maximise the efficiency of purchasing. Our Directors believe that this strategy assists us in controlling the inventory levels by having provided it with ready access to a stable supply of beverage products. It also helps us minimise the risk of price fluctuation of beverage products and prevent any possible kick-back arrangements between individual shops and the suppliers.

### *Standardised operation procedures*

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

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

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

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

### **Strategic locations with close proximity to the residential or industrial areas**

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

### **Established relationship with suppliers**

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

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



**Experienced management team**

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

**BUSINESS STRATEGIES**

**Expand our “Bar Pacific” brand to different locations**

According to the Euromonitor Report, thanks to the large western expatriate community in Hong Kong and the growing influence of local young adults, the culture of having casual drinks on Friday nights, networking events and social after-work drinks remains popular. Although the Hong Kong economy slowed down in the latter half of 2015 and beginning of 2016, coupled with a stable demand for casual drinking venues in suburban regions throughout Hong Kong, local bar/pub operators operate in a more favourable segment of the market compared to the high-end bars/pubs which tend to focus on products within the wine category and might be less affected as they tend to be insulated by their lower operational costs, coupled by their more competitive pricing. In addition, according to the Euromonitor Report, chained bar/pub operators generally have sufficient capital to set up and run a new outlet until it breaks even on the initial costs. They are supported by the other profitable outlets that provide them with a steady stream of revenue income to take up investment opportunity as it occurs without dipping into their treasuries. While their absolute cost of operations may be higher, chained bar/pub operators generally have lower overhead per outlet through the economies of scale in management and procurement. In view of the above, our Directors are of the view that our plan to expand our “Bar Pacific” brand in different locations is in the interest of our Company and our Shareholders as a whole. We intend to open a total of twelve shops in the four years ending 31 March 2020. We believe that continuing to expand our network will increase our market share and maintain our leading position as the largest chained bar in terms of number of outlets in Hong Kong in 2015. We will use our existing site selection criteria (including location, surrounding area, proposed rental terms, site area, expected capacity, potential competitors, and any potential impact on the sales of existing shops in the surrounding area) for expansion. For more details on site selection criteria, please refer to the paragraph headed “Expansion process” in this section.

After the opening of new shop is approved by our Directors and senior management, our Directors will negotiate lease terms with the landlord while our administration and human resources department will seek for quotation from professional to design the new shop, apply for all necessary licences, and relocating existing staff or recruiting new staff for new shop operation. We adopt centralized purchasing system for procurement of beverages and other supplies (except light refreshments) and our head office is in charge of collecting orders from each shop (including our new shops). Our marketing department is responsible for the overall promotion of our brand as well as acting as a liaison with suppliers to

## BUSINESS

organise marketing events in our shops (including our new shops). For more details on how we manage the expansion of our new shops, please refer to the paragraph headed “Expansion process” in this section and for more details on our marketing plan, please refer to the paragraph headed “Marketing and promotion” in this section.

Similar to some of our existing shops, we expect our new shops to have a size of 84 to 167 square meters. Based on our historical experience during the Track Record Period and the current market conditions, the capital expenditure and initial working capital requirement for each shop is estimated to be HK\$2.8 million (of which we intend to use HK\$1.8 million for renovation, HK\$0.4 million for three months’ working capital, HK\$0.5 million for rental deposit and HK\$0.1 million for inventory cost). As at 30 June 2016, the cost of property, plant and equipment (excluding motor vehicles) amounted to approximately HK\$36.3 million, and accordingly the average capital expenditure of each of our existing shops was HK\$1.1 million. However, of these 32 shops we had operated during the Track Record Period, 13 of them were opened over ten years ago, the then renovation cost was much lower than the recent one. Further, since (i) we strive to provide a comfortable and relaxing environment to our customers; and (ii) having taken into account the average renovation cost for each of the two shops opened during the Track Record Period amounting to HK\$1.7 million, our Directors are of the view that renovation cost of HK\$1.8 million for each of our future new shops is a reasonable estimation. Accordingly, we intend to allocate an aggregate sum of approximately HK\$33.6 million of the proceeds from the Placing for the opening of the twelve new shops in the four years ending 31 March 2020. During the Track Record Period, we opened two new shops and the breakeven period for these two shops is approximately one to two months. The shop achieves breakeven when the shop for the first time records a positive EBITDA following the month of commencement of operation of the shop. We expect that our new shops will have similar breakeven period of Shop LXIX opened during the Track Record Period, since we expect our new shops will have similar size and nature of Shop LXIX opened during the Track Record Period. We expect our new shops will have the investment payback period, which means the period requires for the investment costs in a shop’s fixed assets and decoration costs to be fully covered by its accumulated EBITDA since the commencement of operation of the shop, of approximately 11 to 45 months. The above historical breakeven period and investment payback period for our shops operated during the Track Record Period are not indicative of our future performance as our revenue, expenses and operating results may vary from period to period in response to a variety of factors beyond our control.

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

### **Continue our promotion and marketing efforts**

We will continue to build on our existing efforts to promote our brand “Bar Pacific”. We will increase our sales and marketing effort by organising various promotion and marketing events by ourselves or with our major suppliers as well as engaging independent marketing agent to place advertising on traditional media (such as newspaper and magazines) and other media (such as our own website, internet and Facebook) as well as to handle all matters in relation to our public relations to increase our recognition in the Hong Kong market. Our Directors intend to achieve this by applying an aggregate sum of approximately HK\$3.3 million of our proceeds from the Placing within 30 months

## BUSINESS

after the Listing to conduct additional marketing and promotion and brand building activities both online and offline in relation to our shops to promote our brand. For further details, please refer to the paragraph “Marketing and Promotion” in this section.

### **Continue to upgrade our shops’ facilities**

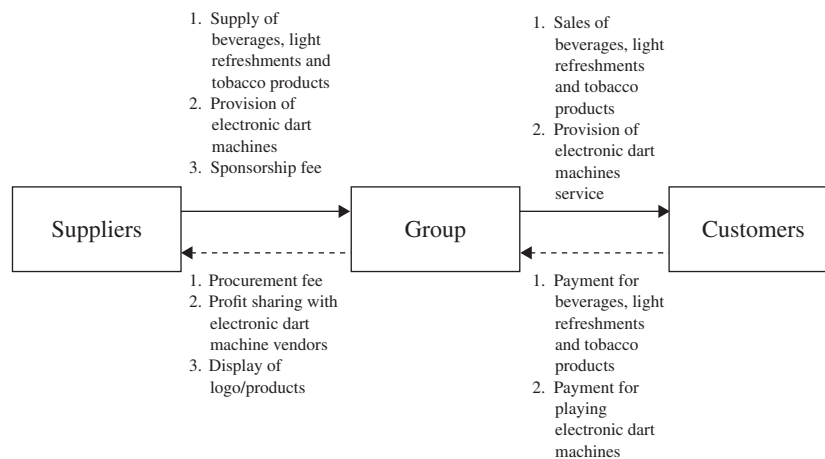
We believe upgrading our shop facilities can enhance our brand image which in turn will generate greater customer traffic and increase in sales. We plan to carry out refurbishment in our existing shops and upgrade our shop facilities including, amongst others, adding new bar equipment such as draught beer stations and ice bins, and/or changing the atmosphere of the relevant shops. We also plan to modify our current shop layout and replace our tables and seats with more stylish ones, which can enhance our brand image, ultimately raising the competitive edge of our shops. In connection to this, we target to spend approximately HK\$3.2 million to renovate 13 existing shops from the Latest Practicable Date to 31 March 2020.

### **Diversified product mix offered**

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

### **BUSINESS AND REVENUE MODEL**

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



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

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

### Our services

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

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

|                                       | Year ended 31 March   |                      | Year ended 31 March   |                      | Three months ended   |                      |
|---------------------------------------|-----------------------|----------------------|-----------------------|----------------------|----------------------|----------------------|
|                                       | 2015                  | 2016                 | 2015                  | 2016                 | 30 June              | 2016                 |
|                                       | Revenue               | % of                 | Revenue               | % of                 | Revenue              | % of                 |
|                                       | <i>HK\$'000</i>       | revenue              | <i>HK\$'000</i>       | revenue              | <i>HK\$'000</i>      | revenue              |
| <b>Beverages</b>                      |                       |                      |                       |                      |                      |                      |
| ● Beer <sup>(1)</sup>                 | 67,317                | 59.9%                | 81,413                | 64.5%                | 21,377               | 68.0%                |
| ● Other alcohol drinks <sup>(2)</sup> | 35,193                | 31.3%                | 34,522                | 27.4%                | 7,082                | 22.5%                |
| ● Other beverages <sup>(3)</sup>      | 250                   | 0.3%                 | 398                   | 0.3%                 | 148                  | 0.5%                 |
| <b>Light refreshments</b>             | 6,550                 | 5.8%                 | 6,562                 | 5.2%                 | 1,765                | 5.6%                 |
| <b>Others <sup>(4)</sup></b>          | <u>3,063</u>          | <u>2.7%</u>          | <u>3,250</u>          | <u>2.6%</u>          | <u>1,060</u>         | <u>3.4%</u>          |
| <b>Total</b>                          | <b><u>112,373</u></b> | <b><u>100.0%</u></b> | <b><u>126,145</u></b> | <b><u>100.0%</u></b> | <b><u>31,432</u></b> | <b><u>100.0%</u></b> |

Notes:

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

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

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

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

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

### Our network

The following map shows our shops by locations in Hong Kong during the Track Record Period and as at the Latest Practicable Date:

#### New Territories

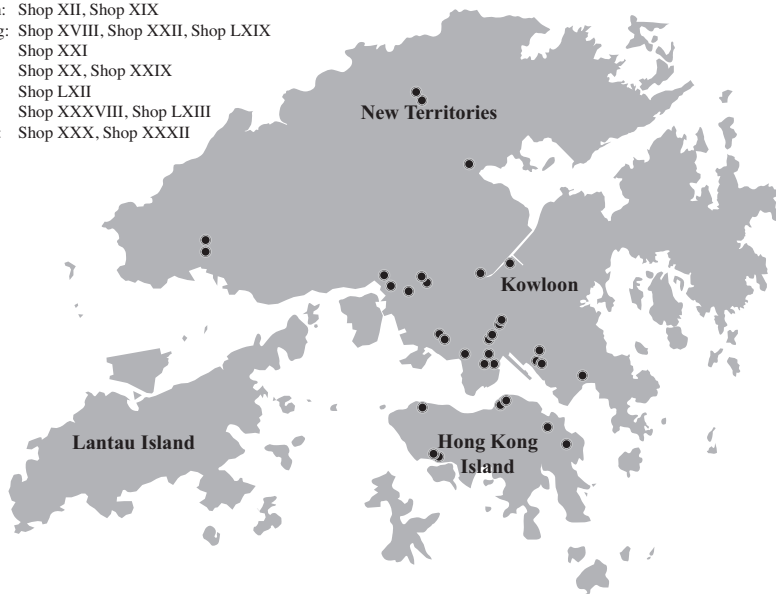
Tsuen Wan: Shop XII, Shop XIX  
 Kwai Tsing: Shop XVIII, Shop XXII, Shop LXIX  
 Sai Kung: Shop XXI  
 Shatin: Shop XX, Shop XXIX  
 Tai Po: Shop LXII  
 North: Shop XXXVIII, Shop LXIII  
 Tuen Mun: Shop XXX, Shop XXXII

#### Kowloon

Kowloon City: Shop I, Shop II, Shop III, Shop XXIII  
*(Note)*, Shop XXVIII  
 Wong Tai Sin: Shop IX, Shop XVII  
 Kwun Tong: Shop VIII, Shop XVI, Shop LXI  
 Yau Tsim Wong: Shop XXVII  
 Sham Shui Po: Shop VI, Shop VII

#### Hong Kong Island

Central & Western: Shop XXXIX  
 Eastern: Shop XXXIII, Shop XXXVII, Shop LXVIII  
 Southern: Shop XXXI, Shop LX, Shop LXX



*Note:* Shop XXIII ceased operation in December 2016.

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## Operating performance of our existing network

As at the Latest Practicable Date, we operated 32 shops throughout Hong Kong. The following table shows the summary of our existing network (excluding Shop LXX which was opened in October 2016) and the operating performance of each of our shops for each of the two years ended 31 March 2016 and the three months ended 30 June 2016.

| Shop number | Address   | Year of commencement of operation (YYYY-MM) | Gross floor area (sq.m.) | For the year ended 31 March 2015            |  |                             |                                       |                                   |   | For the year ended 31 March 2016                      |  |                             |                                       |                                   |   | For the three months ended 30 June 2016               |  |                             |                                       |                                   |   |   |
|-------------|---|---|--------------------------|---|--|-----------------------------|---------------------------------------|-----------------------------------|---|---|--|-----------------------------|---------------------------------------|-----------------------------------|---|---|--|-----------------------------|---------------------------------------|-----------------------------------|---|---|
|             |   |   |                          | Estimated seating capacity (seats) (Note 1) | Estimated number of customer visits (Note 2) | Revenue (HK\$'000) (Note 3) | Average daily revenue (HK\$) (Note 3) | Profit (loss) (HK\$'000) (Note 3) | Average spending per customer (Note 4) (HK\$) | Estimated average seat turnover rate (times) (Note 5) | Estimated number of customer visits (Note 2) | Revenue (HK\$'000) (Note 3) | Average daily revenue (HK\$) (Note 3) | Profit (loss) (HK\$'000) (Note 3) | Average spending per customer (Note 4) (HK\$) | Estimated average seat turnover rate (times) (Note 5) | Estimated number of customer visits (Note 2) | Revenue (HK\$'000) (Note 3) | Average daily revenue (HK\$) (Note 3) | Profit (loss) (HK\$'000) (Note 3) | Average spending per customer (Note 4) (HK\$) | Estimated average seat turnover rate (times) (Note 5) |
| I           | G/F, 671 Gilles Avenue North, Hungghom, Kowloon City, Kowloon   | 1998-09                                     | 67.7                     | 50  | 13,661                                       | 2,228.7                     | 6,106.1                               | (41.2)                            | 163.1   | 0.7   | 15,191                                       | 2,410.6                     | 6,836.3                               | (27.6)                            | 158.7   | 0.8   | 3,792  | 587.7                       | 6,438.3                               | (15.6)                            | 153.0   | 0.8   |
| II          | G/F, 663 Gilles Avenue North, Hungghom, Kowloon City, Kowloon   | 2002-03                                     | 58.1                     | 34  | 13,106                                       | 2,314.6                     | 6,341.5                               | 76.6                              | 176.6   | 1.1   | 12,305                                       | 2,466.3                     | 6,738.6                               | 138.8                             | 197.2   | 1.0   | 3,269  | 640.6                       | 7,040.0                               | (30.9)                            | 198.0   | 1.1   |
| III         | Shop 2, G/F, 16-26 Tam Kung Road, Takawan, Kowloon  | 2002-10                                     | 70.7                     | 42  | 21,838                                       | 3,044.1                     | 8,230.3                               | 392.1                             | 139.2   | 1.4   | 15,691                                       | 3,197.3                     | 8,735.8                               | 312.5                             | 203.8   | 1.0   | 3,379  | 738.6                       | 8,006.5                               | 1.7                               | 215.6   | 0.9   |
| IV          | Shop A, G/F, Grace Court, 298 Un Chau Street, Sham Shui Po, Kowloon   | 2003-06                                     | 103.8                    | 60  | 23,098                                       | 3,418.1                     | 9,364.7                               | 277.4                             | 148.0   | 1.1   | 22,071                                       | 3,798.9                     | 10,494.3                              | 405.8                             | 172.1   | 1.0   | 5,427  | 952.8                       | 10,470.5                              | 19.2                              | 175.6   | 1.0   |
| V           | G/F, 68 Un Chau Street, Sham Shui Po, Kowloon   | 2003-08                                     | 94.4                     | 56  | 26,426                                       | 3,847.0                     | 10,539.7                              | 595.5                             | 145.6   | 1.3   | 30,970                                       | 4,151.2                     | 11,342.0                              | 613.1                             | 134.0   | 1.5   | 6,016  | 979.1                       | 10,759.2                              | 107.6                             | 162.7   | 1.2   |
| VI          | G/F, 66 Hong Ning Road, Kwun Tong, Kowloon  | 2005-11                                     | 70.7                     | 50  | 23,757                                       | 3,701.1                     | 10,139.9                              | 421.8                             | 155.8   | 1.3   | 24,151                                       | 3,924.7                     | 10,723.2                              | 237.9                             | 162.5   | 1.3   | 6,027  | 1,015.3                     | 11,157.6                              | 65.9                              | 168.5   | 1.3   |
| VII         | G/F, 31 Fung Tak Road, N.K.L.L. 5030, Kowloon   | 2004-08                                     | 70.1                     | 50  | 16,397                                       | 2,897.7                     | 7,938.8                               | 356.1                             | 176.7   | 0.9   | 16,942                                       | 3,313.2                     | 9,052.4                               | 313.8                             | 195.6   | 0.9   | 4,026  | 783.8                       | 8,612.7                               | 62.6                              | 194.7   | 0.9   |
| VIII        | G/F, 415 Castle Peak Road, Tsuen Wan, New Territories   | 2005-08                                     | 77.3                     | 50  | 20,598                                       | 3,248.2                     | 8,899.3                               | 323.4                             | 157.7   | 1.1   | 21,925                                       | 2,999.5                     | 8,195.5                               | 323.7                             | 136.8   | 1.2   | 6,482  | 825.7                       | 9,073.3                               | 78.7                              | 127.4   | 1.4   |
| IX          | Shop 5, G/F, Wing Ngai Mansion, 9-15 Luen On Street, Kwun Tong, Kowloon   | 2005-11                                     | 65.4                     | 47  | 24,992                                       | 3,671.4                     | 10,058.5                              | 361.4                             | 146.9   | 1.5   | 24,899                                       | 3,925.4                     | 10,725.2                              | 235.4                             | 159.6   | 1.4   | 5,796  | 933.2                       | 10,474.5                              | 54.9                              | 164.5   | 1.4   |
| X           | G/F, Yn Hing Building, 70 Choi Hung Road, San Po Kong, Kowloon  | 2006-02                                     | 56.0                     | 39  | 12,906                                       | 2,482.0                     | 6,800.1                               | 172.6                             | 192.3   | 0.9   | 13,006                                       | 2,826.0                     | 7,721.3                               | 275.6                             | 217.3   | 0.9   | 3,166  | 670.3                       | 7,366.0                               | 5.6                               | 211.7   | 0.9   |
| XI          | Shop Nos. C, D & E, G/F, Yan Shing Building, 501-503 & 507-511 Castle Peak Road, Kwai Chung, New Territories      | 2006-05                                     | 133.6                    | 74  | 26,608                                       | 3,770.9                     | 10,331.2                              | 475.1                             | 141.7   | 1.0   | 19,770                                       | 4,032.9                     | 11,073.6                              | 382.0                             | 205.0   | 0.7   | 4,811  | 966.6                       | 10,622.4                              | 68.9                              | 200.9   | 0.7   |
| XII         | Shop P8, G/F, Block F, Shek Pik Resettlement, 12-26 Luen Yan Street, DD 449, Lot 2134, Tsuen Wan, New Territories | 2006-08                                     | 64.8                     | 60  | 20,591                                       | 2,712.0                     | 7,450.3                               | 284.2                             | 131.7   | 0.9   | 21,603                                       | 3,042.6                     | 8,313.1                               | 400.8                             | 140.8   | 1.0   | 4,762  | 730.2                       | 8,024.5                               | 22.7                              | 153.3   | 0.9   |
| XIII        | Outlet 6, G/F, Regal Riverside Hotel, 34-36 Tai Chung Kiu Road, Sha Tin, New Territories                          | 2006-12                                     | 159.8                    | 110   | 50,081                                       | 6,858.9                     | 18,791.6                              | 1,754.9                           | 137.0   | 1.2   | 48,398                                       | 7,313.9                     | 19,983.4                              | 1,845.1                           | 151.1   | 1.2   | 13,151                                       | 1,796.1                     | 19,737.2                              | 441.1                             | 136.6   | 1.3   |
| XIV         | Shop B02, B03, Park Central, 9 Fong Tak Street, Tseung Kwan O, Sai Kung, New Territories                          | 2007-12                                     | 185.9                    | 110   | 41,207                                       | 6,833.2                     | 18,693.8                              | 1,186.4                           | 165.6   | 1.0   | 41,152                                       | 6,930.0                     | 18,934.4                              | 1,448.8                           | 168.4   | 1.0   | 9,905  | 1,753.9                     | 19,273.4                              | 338.0                             | 177.1   | 1.0   |
| XV          | Shop D, G/F, Kwai Lok Building, 77-85 Wing Fong Road, Kwai Fong, Kwai Chung, New Territories                      | 2007-10                                     | 78.1                     | 70  | 14,786                                       | 2,903.7                     | 7,955.3                               | (29.5)                            | 196.4   | 0.6   | 13,307                                       | 2,764.8                     | 7,554.1                               | (149.3)                           | 207.8   | 0.5   | 4,088  | 735.2                       | 8,078.6                               | 32.2                              | 179.8   | 0.6   |

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| Shop number | Shop Address  | Year of commencement of operation (YYYY-MM) | Gross floor area (sq.m.) | Estimated seating capacity (seats) (Note 1) | Estimated number of customer visits (Note 2) | For the year ended 31 March 2015 |                          |                                       |   | For the year ended 31 March 2016              |  |                    |                          | For the three months ended 30 June 2016 |   |   |  |                    |                          |                                       |   |   |
|-------------|---|---|--------------------------|---|--|----------------------------------|--------------------------|---------------------------------------|---|---|--|--------------------|--------------------------|---|---|---|--|--------------------|--------------------------|---------------------------------------|---|---|
|             |   |   |                          |   |  | Revenue (HK\$'000)               | Profit (loss) (HK\$'000) | Average daily revenue (Note 3) (HK\$) | Average spending per customer (Note 4) (HK\$) | Estimated seat turnover rate (times) (Note 5) | Estimated number of customer visits (Note 2) | Revenue (HK\$'000) | Profit (loss) (HK\$'000) | Average daily revenue (Note 3) (HK\$)   | Average spending per customer (Note 4) (HK\$) | Estimated seat turnover rate (times) (Note 5) | Estimated number of customer visits (Note 2) | Revenue (HK\$'000) | Profit (loss) (HK\$'000) | Average daily revenue (Note 3) (HK\$) | Average spending per customer (Note 4) (HK\$) | Estimated seat turnover rate (times) (Note 5) |
| 16          | XXIII GF, 78 Junction Road, Kowloon (Note 6)  | 2008-05                                     | 69.1                     | 48  | 13,265                                       | 2,845.9                          | 6,975.1                  | 328.9                                 | 191.9   | 0.8   | 11,355                                       | 2,825.1            | 7,718.9                  | 293.0                                   | 248.8   | 0.6   | 3,027  | 679.7              | 7,468.8                  | 16.7                                  | 224.5   | 0.7   |
| 17          | XXVII Shop 4, GF, Tak On Mansion, 3, 7, 9 & 11 Pine Street, Tai Kok Tsui, Kowloon                                 | 2008-12                                     | 146.2                    | 100   | 22,119                                       | 3,372.6                          | 9,239.9                  | 80.4                                  | 152.5   | 0.6   | 25,270                                       | 3,846.5            | 10,509.6                 | 216.9                                   | 152.2   | 0.7   | 6,821  | 1,091.2            | 11,991.5                 | 23.6                                  | 160.0   | 0.7   |
| 18          | XXVIII Basement & Shop B, GF, Kingsfield Court, 24 Nam Kok Road, Kowloon City, Kowloon                            | 2009-11                                     | 232.3                    | 120   | 31,973                                       | 4,613.5                          | 12,639.7                 | 634.3                                 | 144.3   | 0.7   | 32,772                                       | 5,648.7            | 15,433.6                 | 741.4                                   | 172.4   | 0.7   | 7,724  | 1,435.4            | 15,774.2                 | 111.3                                 | 185.8   | 0.7   |
| 19          | XXIX Shop A & B, GF, Lin Fung House, 82-86 Chik Chen Street, Tai Wai, Sha Tin, New Territories                    | 2010-05                                     | 111.2                    | 100   | 28,936                                       | 5,031.9                          | 13,786.1                 | 824.1                                 | 173.9   | 0.8   | 29,426                                       | 5,913.3            | 16,156.6                 | 975.9                                   | 201.0   | 0.8   | 8,364  | 1,421.4            | 15,620.1                 | 241.3                                 | 169.9   | 0.9   |
| 20          | XXX Shop 4, GF, Hip Pont Building, 21 Tsang Choi Street, Tuen Mun, New Territories                                | 2010-09                                     | 76.8                     | 60  | 17,624                                       | 3,129.6                          | 8,574.3                  | 485.9                                 | 177.6   | 0.8   | 18,614                                       | 3,659.2            | 9,997.9                  | 546.5                                   | 196.6   | 0.8   | 3,970  | 804.6              | 8,841.6                  | 59.9                                  | 202.7   | 0.7   |
| 21          | XXXI Shop 1 & 2, GF, Jadevater, 238 Aberdeen Main Road, Aberdeen, Hong Kong                                       | 2010-09                                     | 115.9                    | 80  | 28,204                                       | 4,110.6                          | 11,262.0                 | 25.9                                  | 145.7   | 1.0   | 29,862                                       | 4,602.4            | 12,574.8                 | 517.6                                   | 153.6   | 1.0   | 6,692  | 1,183.9            | 13,031.9                 | 70.8                                  | 177.2   | 0.9   |
| 22          | XXXII Shop Nos 1-3 Ground Floor, Kam Hing Building, 169-181 Castle Peak Road, Tuen Mun, New Territories           | 2011-02                                     | 237.0                    | 115   | 56,093                                       | 7,251.7                          | 19,867.7                 | 1,728.5                               | 127.2   | 1.4   | 48,083                                       | 7,113.7            | 19,436.3                 | 1,746.1                                 | 147.9   | 1.1   | 11,004                                       | 1,707.5            | 18,763.4                 | 452.5                                 | 155.2   | 1.1   |
| 23          | XXXIII Shop 3, GF, Hong Wah Mansion, 18 Nam Hong Street, Shau Kei Wan, Hong Kong                                  | 2011-09                                     | 155.8                    | 85  | 28,189                                       | 4,511.8                          | 12,361.2                 | 445.6                                 | 160.1   | 0.9   | 29,480                                       | 5,049.1            | 13,795.3                 | 702.8                                   | 171.3   | 0.9   | 6,531  | 1,151.6            | 12,655.4                 | 130.5                                 | 176.3   | 0.8   |
| 24          | XXXVII Shop 1 & 2, GF, Kar Fu Building, 196-202 Java Road, North Point, Hong Kong                                 | 2011-12                                     | 122.1                    | 74  | 32,460                                       | 4,697.6                          | 12,870.3                 | 375.0                                 | 144.7   | 1.2   | 29,008                                       | 5,048.4            | 13,793.4                 | 829.5                                   | 174.0   | 1.1   | 7,062  | 1,159.9            | 12,746.3                 | 126.3                                 | 164.2   | 1.0   |
| 25          | XXXVIII GF, 33 Luen Hing Street, Fanling, New Territories   | 2013-04                                     | 88.6                     | 65  | 21,779                                       | 2,988.2                          | 8,214.3                  | (69.6)                                | 137.7   | 0.9   | 17,092                                       | 3,299.2            | 9,014.2                  | 311.7                                   | 193.0   | 0.7   | 4,204  | 792.3              | 8,707.1                  | 55.5                                  | 188.5   | 0.7   |
| 26          | XXXIX Shops A, GF New Start Building, 310-316 Queen's Road West, Sai Ying Pun, Hong Kong                          | 2012-06                                     | 87.8                     | 60  | 13,547                                       | 2,635.0                          | 6,671.1                  | (239.5)                               | 179.7   | 0.6   | 16,895                                       | 2,449.9            | 6,693.6                  | 143.5                                   | 145.0   | 0.8   | 4,321  | 672.4              | 7,389.3                  | (12.7)                                | 153.6   | 0.8   |
| 27          | LX Shop 3, upper GF, Full Jade Mansion, 48-54 Shek Pa Wan Road, Tin Wan, Hong Kong                                | 2012-07                                     | 129.0                    | 85  | 16,807                                       | 2,445.6                          | 6,700.4                  | (547.3)                               | 145.5   | 0.5   | 13,271                                       | 2,163.8            | 5,912.1                  | (276.8)                                 | 163.0   | 0.4   | 2,918  | 531.3              | 5,838.1                  | (115.5)                               | 182.1   | 0.4   |
| 28          | LXI Shop D, D1 and Shop G Ground Floor, Kin Tai House, Number 89-113 Wan Hon Street, Kowloon, Hong Kong           | 2013-02                                     | 153.7                    | 92  | 19,325                                       | 3,666.6                          | 10,446.0                 | (71.7)                                | 189.7   | 0.6   | 25,099                                       | 4,270.0            | 11,666.8                 | 277.3                                   | 170.1   | 0.7   | 6,688  | 1,052.2            | 11,562.2                 | (47.3)                                | 157.3   | 0.8   |
| 29          | LXII Shop B1 Ground Floor, Central Plaza, Number 51-59 Kwong Fuk Road, Tai Po, New Territories                    | 2013-10                                     | 104.7                    | 85  | 35,767                                       | 4,266.0                          | 11,849.9                 | (13.4)                                | 119.3   | 1.2   | 33,634                                       | 4,582.7            | 12,521.1                 | 359.6                                   | 136.3   | 1.1   | 7,640  | 1,190.5            | 12,642.8                 | 56.0                                  | 150.6   | 1.0   |
| 30          | LXIII GF 19 Wo Tai Street, Luen Wo Market, Fanling, New Territories   | 2014-02                                     | 150.1                    | 50  | 28,223                                       | 3,414.7                          | 9,355.4                  | 106.2                                 | 121.0   | 1.5   | 28,884                                       | 3,873.2            | 10,382.6                 | 186.8                                   | 134.1   | 1.6   | 7,063  | 932.3              | 10,245.5                 | 62.9                                  | 132.0   | 1.6   |
| 31          | LXVIII GF, Yen Po Court, 74-82 Wharf Road, North Point (Note 7)   | 2015-04                                     | 319.6                    | 110   | n/a  | n/a                              | n/a                      | (415.8)                               | n/a   | n/a   | 17,836                                       | 3,024.7            | 10,613.0                 | (711.7)                                 | 169.6   | 0.6   | 5,521  | 981.3              | 10,783.8                 | (101.1)                               | 177.7   | 0.6   |
| 32          | LXIX Shops B & C, GF, Block A, Ming Tong Building, 444-448 Castle Peak Road, Kwai Chung, New Territories (Note 7) | 2015-08                                     | 133.4                    | 65  | n/a  | n/a                              | n/a                      | (13.6)                                | n/a   | n/a   | 10,073                                       | 1,657.5            | 7,206.3                  | (778.3)                                 | 164.5   | 0.7   | 3,344  | 563.5              | 6,192.8                  | (298.0)                               | 168.5   | 0.6   |

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### *Notes:*

1. Estimated seating capacity represents the total number of seats available for regular service in the relevant bar, and is estimated by our Directors after taking into account the likely possible number of seats occupied by customers per table. Our Directors consider that such estimation would best reflect the bar's capacity based on the fact that the seats in a single table may not be fully taken up in each table as customers may not be willing to share table with others.
2. Estimated number of customer visits represents the estimated total number of customer counts during the relevant period.
3. Average daily revenue is calculated by dividing the total revenue of the relevant shop during the relevant period by number of operation days.
4. Estimated average spending per customer is calculated by dividing the total revenue of the relevant shop during the relevant period by estimated number of customer visits.
5. Estimated seat turnover rate is calculated by dividing the estimated number of customers' visits by the outcome of multiplying the estimated seating capacity by the number of operation days.
6. Shop XXIII ceased operation in December 2016.
7. Shop LXVIII and Shop LXIX were opened in April 2015 and August 2015 respectively.

The estimated average spending per customer of our shops increased from approximately HK\$150.8 for the year ended 31 March 2015 to approximately HK\$166.4 for the year ended 31 March 2016, representing an increase of approximately 10.3%. The estimated average spending per customer of our shops increased from approximately HK\$162.2 for the three months ended 30 June 2015 to approximately HK\$168.1 for the three months ended 30 June 2016, representing an increase of approximately 3.6%. The average daily revenue of our shops increased from approximately HK\$10,280.2 for the year ended 31 March 2015 to HK\$10,977.7 for the year ended 31 March 2016, representing an increase of approximately 6.8%. The average daily revenue of our shops decreased from approximately HK\$11,066.5 for the three months ended 30 June 2015 to approximately HK\$10,794.1 for the three months ended 30 June 2016, representing a decrease of approximately 2.5%. The estimated average daily seat turnover rate of our shops remain stable at approximately 0.96 times, 0.92 times and 0.89 times for the two years ended 31 March 2016 and the three months ended 30 June 2016, respectively. During the Track Record Period, four of our shops, namely Shop I, Shop LX, Shop LXVIII and Shop LXIX, recorded a loss for the two years ended 31 March 2016 and the three months ended 30 June 2016. We will closely monitor their performance. As at the Latest Practicable Date, our Directors are of the view that we can improve the performance of these shops. However, if our Directors are of the view that any of these shops is unlikely to improve performance in the future, we will consider closing the relevant shop. Please refer to the section headed "Financial Information" in this prospectus for further details.

### *Network expansion*

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



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

|   | <b>Year ended</b>    |             | <b>Three months ended</b> | <b>From 1 July 2016 to the Latest Practicable Date</b> |
|---|----------------------|-------------|---------------------------|--|
|   | <b>31 March 2015</b> | <b>2016</b> | <b>30 June 2016</b>       |  |
| Number of shops at the beginning of the period/year     | 30                   | 30          | 32                        | 32   |
| Number of new shops opened during the period/year       | 0                    | 2           | 0                         | 1  |
| Number of shops ceased operation during the period/year | 0                    | 0           | 0                         | 1  |
| Number of shops as at period/year end                   | 30                   | 32          | 32                        | 32   |

During the Track Record Period and up to the Latest Practicable Date, we opened Shops LXVIII, LXIX and LXX, which are located in North Point, Kwai Chung and Chai Wan, respectively. As at the Latest Practicable Date, the capital expenditure for renovation we incurred for Shop LXX (i.e. the new shop opened in Chai Wan in October 2016) amounted to approximately HK\$1.8 million. Save for Shop XI, Shop XXVI and Shop XXXVI which were closed before the commencement of the Track Record Period, and Shop XXIII which ceased operation in December 2016, no other shop was closed down during the Track Record Period. We intend to open twelve new shops in the four years ending 31 March 2020. Capital expenditure for each shop will vary based on numerous factors including but not limited to location of the shop and size of shop both of which in turn will affect the rental cost, design, materials used, type of renovation and equipment required. Based on our historical experience during the Track Record Period and the current market conditions, we expect the total capital expenditure and the initial working capital requirements for each new shop to be approximately HK\$2.8 million (of which we intend to use HK\$1.8 million for renovation, HK\$0.4 million for three months' working capital, HK\$0.5 million for rental deposit and HK\$0.1 million for inventory cost). We intend to allocate an aggregate sum of approximately HK\$33.6 million of the proceeds from the Placing for the opening of the twelve new shops in the four years ending 31 March 2020. Please refer to the section headed "Future Plans and Use of Proceeds — Use of Proceeds" in this prospectus for further details. As at the Latest Practicable Date, no other premises had been identified and no formal lease agreement had been entered into.

### ***Operating breakeven period and investment payback period of new shops***

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

|                        | <b>Commencement of operation in</b> | <b>Operating breakeven period</b> |
|------------------------|-------------------------------------|-----------------------------------|
|                        |                                     | <i>(Note 1)</i>                   |
| LXVIII <i>(Note 2)</i> | April 2015                          | 2 months                          |
| LXIX <i>(Note 2)</i>   | August 2015                         | 1 month                           |

*Notes:*

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

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

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

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

### *Expansion process*

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

#### *(1) Site selection*

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

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

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

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

### *(2) Feasibility study*

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

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

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

### *(3) Evaluation and approval*

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

*(4) Negotiation of lease terms*

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

*(5) Renovation*

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

*(6) Application for licences*

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

*(7) Staffing*

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

*(8) Procurement for new shop*

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

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

*(9) Management Reporting*

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

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

### *(10) Quality Control*

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

### **Pricing**

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

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

### **Seasonality**

Our revenue is subject to seasonal fluctuations as the spending patterns vary on seasonal basis. During the two years ended 31 March 2016, we generally recorded higher revenue in July, August and December which accounted for an average of approximately 8.7%, 8.7% and 9.2% respectively, of our total revenue for the corresponding years. We believe that the higher revenue recorded in July and August is due to the summer seasons and the higher revenue recorded in December is due to the Christmas holidays.

### **SUPPLIERS**

We centralised the purchase of all beverages and other supplies (except light refreshments) for our shops by the operation department at our head office. During the Track Record Period, our suppliers were mainly beverage suppliers. The cost of beverage purchased accounted for approximately 90.2%, 93.3% and 93.6% of our total cost of purchase for each of the two years ended 31 March 2016 and the three months ended 30 June 2016 respectively.

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

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

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

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

As at the Latest Practicable Date, we have 20 and 2 suppliers on our approved lists of suppliers for beverages and tobacco respectively. We conduct a half-yearly evaluation on their performance based on a set of criteria including product range, delivery schedule, service quality, price and credit terms. New suppliers are selected on the list of approved suppliers upon satisfactory results on checking their company websites, business registration, and if necessary, the performance review by our management on a trial test period. Since our head office is responsible to source all beverages and other supplies for all shops, our Directors believe that we may increase our bargaining power through bulk purchasing to lower our costs.

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

### Five largest suppliers for the year ended 31 March 2015

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

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### Five largest suppliers for the year ended 31 March 2016

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

### Five largest suppliers for the three months ended 30 June 2016

| Rank          | Supplier   | Background                        | Number of years of business relationship with our Group as at the Latest Practicable Date | Credit terms (days) | Payment method | Purchase (HK\$'000) | Approximate % of our total purchases |
|---------------|------------|-----------------------------------|---|---------------------|----------------|---------------------|--------------------------------------|
| 1             | Supplier A | Beer and soft drink distributor   | around 17 years   | 15                  | Cheque         | 2,924               | 36.5%                                |
| 2             | Supplier B | Alcohol distributor               | around 7 years  | 30                  | Cheque         | 2,059               | 25.7%                                |
| 3             | Supplier D | Self-owned brand beer distributor | over 17 years   | 60                  | Cheque         | 882                 | 11.0%                                |
| 4             | Supplier C | Self-owned brand beer distributor | around 17 years   | 60                  | Cheque         | 594                 | 7.4%                                 |
| 5             | Supplier F | Self-owned brand beer distributor | around 1 year   | 30                  | Cheque         | 533                 | 6.6%                                 |
| <b>Total:</b> |            |                                   |   |                     |                | <b>6,992</b>        | <b>87.2%</b>                         |

Our purchase from our largest supplier accounted for approximately 35.1%, 36.5% and 36.5% of our total purchases for the year ended 31 March 2015, the year ended 31 March 2016 and the three months ended 30 June 2016, respectively. Our purchases from our top 5 suppliers accounted for approximately 90.7%, 82.0% and 87.2% of our total purchases for the year ended 31 March 2015 and 2016 and the three months ended 30 June 2016 respectively. To the best of our Director's knowledge, having made reasonable enquiries, none of our Directors and their respective close associates or any Shareholder holding 5% or more of our issued share capital has any interest in any of our five largest suppliers during the Track Record Period.

During the Track Record Period, none of our major suppliers ceased their operations. In addition, we did not experience any beverage supply interruption that would have any material adverse impact on our business, early termination of contractual arrangements with our major suppliers nor failure to secure sufficient quantities of beverages. In case of any supply shortage, our Group can source beverage

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products from alternative suppliers with comparable quality and prices. Our Directors believe that the concentration risk of suppliers is not material and the Group's practices are in line with the industry standards.

Revenue from beer represents approximately 59.9%, 64.5% and 68.0% of our total revenue for the years ended 31 March 2015 and 2016 and the three months ended 30 June 2016, respectively. There was no material increase in beer price during the same period. To ensure that our profit margin can be maintained, we will continue to refine our menus and increase prices of selected menu items, introduce higher-margin menu items, and enhance relationship with our major suppliers to secure better pricing. Our Directors believe that we will be able to pass most of the price fluctuations, if any, onto our customers.

The following sensitivity analysis illustrates the impact of hypothetical fluctuations in cost of inventories sold on our profit before tax for the year during the Track Record Period. Fluctuations are assumed to be 5%, 10% and 15% for each of the year ended 31 March 2015 and 2016 and the three months ended 30 June 2016, respectively, which correspond to the range of historical fluctuations of our cost of inventories sold during the Track Record Period.

|   | <b>(HK\$'000, except percentages)</b> |            |             |             |             |             |
|---|---------------------------------------|------------|-------------|-------------|-------------|-------------|
| <b>Hypothetical fluctuation</b>   | <b>+5%</b>                            | <b>-5%</b> | <b>+10%</b> | <b>-10%</b> | <b>+15%</b> | <b>-15%</b> |
| <i>Impact on certain combined statements of profit or loss and other comprehensive income items for the year ended 31 March 2015</i>        |                                       |            |             |             |             |             |
| Change in cost of inventories sold  | 1,388                                 | (1,388)    | 2,776       | (2,776)     | 4,164       | (4,164)     |
| Change in profit before taxation  | (1,388)                               | 1,388      | (2,776)     | 2,776       | (4,164)     | 4,164       |
| <i>Impact on certain combined statements of profit or loss and other comprehensive income items for the year ended 31 March 2016</i>        |                                       |            |             |             |             |             |
| Change in cost of inventories sold  | 1,421                                 | (1,421)    | 2,843       | (2,843)     | 4,264       | (4,264)     |
| Change in profit before taxation  | (1,421)                               | 1,421      | (2,843)     | 2,843       | (4,264)     | 4,264       |
| <i>Impact on certain combined statements of profit or loss and other comprehensive income items for the three months ended 30 June 2016</i> |                                       |            |             |             |             |             |
| Change in cost of inventories sold  | 380                                   | (380)      | 760         | (760)       | 1,140       | (1,140)     |
| Change in profit before taxation  | (380)                                 | 380        | (760)       | 760         | (1,140)     | 1,140       |

### **Inventory management**

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

On a daily basis, each shop needs to stock take on the inventory level and provide the stock take results to the operation department. Operation department ensures that the inventory level at the shop level is consistent with the record maintained by the operation department. If there is any inconsistency, the shop manager and/or bartender need to review the sales record on the previous day and report back



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to our head office on the reasons for such discrepancy. The operation department will also conduct sample checks on each shop from time to time and on a need basis. Once the inventory at the shop level drops to near the minimum inventory level, the shop manager will send an order form to the operation department of the head office and the operation department will either place orders to supplier(s) upon consolidating all orders from individual shops or send supply to shops from its own inventory.

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

### **MARKETING AND PROMOTION**

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

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

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

During the Track Record Period, our advertising and promotions expenses were approximately HK\$981,000, HK\$1,066,000 and HK\$588,000 for the year ended 31 March 2015 and 2016 and the three months ended 30 June 2016 respectively. Going forward, we will increase our sales and marketing effort to increase our recognition in Hong Kong market. Our Directors intend to achieve this by applying approximately HK\$3.3 million from our proceeds from the Placing from the Latest Practicable Date to 31 March 2019 to conduct additional marketing and promotion and brand building activities both online and offline in relation to our shops and to promote our brand generally. For details of our marketing implementation plans, please refer to the section headed “Future Plans and Use of Proceeds” in this prospectus.

### **CUSTOMERS**

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

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### Settlement

All of the payments made by our customers are through cash, credit cards, coupons, EPS or others. The table below sets out the breakdown of our revenue by settlement methods during the Track Record Period:

|                        | Year ended 31 March   |                    |                       |                    | Three months ended 30 June |                    |
|------------------------|-----------------------|--------------------|-----------------------|--------------------|----------------------------|--------------------|
|                        | 2015                  |                    | 2016                  |                    | 2016                       |                    |
|                        | Revenue               | % of               | Revenue               | % of               | Revenue                    | % of               |
|                        | <i>HK\$'000</i>       | revenue            | <i>HK\$'000</i>       | revenue            | <i>HK\$'000</i>            | revenue            |
| Cash                   | 86,141                | 76.7%              | 93,642                | 74.2%              | 22,548                     | 71.8%              |
| Credit card            | 26,283                | 23.4%              | 31,992                | 25.4%              | 8,676                      | 27.6%              |
| Coupons                | 154                   | 0.1%               | 126                   | 0.1%               | 70                         | 0.2%               |
| EPS                    | —                     | —                  | 73                    | 0.1%               | 190                        | 0.6%               |
| Others ( <i>Note</i> ) | (205)                 | -0.2%              | 312                   | 0.2%               | (52)                       | -0.2%              |
| <b>Total</b>           | <b><u>112,373</u></b> | <b><u>100%</u></b> | <b><u>126,145</u></b> | <b><u>100%</u></b> | <b><u>31,432</u></b>       | <b><u>100%</u></b> |

*Note:* Our customer can prepay for their beverages (the “**Prepayment**”) and consume within three months after the Prepayment date (the “**Redemption**”) and prepayment for this kind of sales will only be recognised as revenue at Redemption or recognised as other income at expiry of the Redemption period (i.e. when the customers have not consumed the beverages within three months after the Prepayment date, such Redemption will be deemed as expired) (the “**Expiry of Redemption**”). The figures shown in “Others” is calculated by the difference between the Prepayment amount and Redemption (including Expiry of Redemption) amount for the relevant period.

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

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

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

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### EMPLOYEES

As at the Latest Practicable Date, we had a total of 294 employees in Hong Kong. The following table sets forth a breakdown of our employees by function as at the Latest Practicable Date:

|   | <b>As at<br/>the Latest<br/>Practicable<br/>Date</b> |
|---|--|
| Operation department                          | 3  |
| Marketing department                          | 2  |
| Finance department                            | 11   |
| Administration and human resources department | 6  |
| Staff at shop levels — full-time              | 119  |
| Staff at shop levels — part-time              | 153  |
| <b>Total</b>                                  | <b>294</b>   |

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

#### *Employee recruitment and remuneration*

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

#### *Employee training*

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

## **QUALITY CONTROL AND SAFETY**

### **Procedures for handling customer complaints**

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

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

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

### **Quality control in procurement of beverage products**

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

### **Safe environment for staff and customers**

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

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

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

### ENVIRONMENTAL MATTERS

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

### INSURANCE

We primarily maintain the following insurances:

- Insurance for employees’ compensation for injuries or death in the course of employment;
- Fire insurance;
- Medical insurance;
- Public liability insurance to cover ourselves against, among other things, claims of drink poisoning by our customers, claims in respect of bodily injury by any person or loss of or damage to property of our Group, and claims in respect of fire or other damages to the venues leased by our Group.

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

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

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### PROPERTIES

The following table shows the details of lease terms of our shops.

| Shop number               | Address  | Lease term                              | Option for renewal |
|---------------------------|--|---|--------------------|
| I                         | G/F., 671 Gillies Avenue North, Hunghom, Kowloon City, Kowloon   | 10 August 2016–<br>9 August 2018        | 1 year             |
| II                        | G/F., 663 Gillies Avenue North, Hunghom, Kowloon City, Kowloon   | 25 March 2016–<br>24 March 2019         | N/A                |
| III                       | Shop 2, G/F., 16–26 Tam Kung Road, Tokwawan, Kowloon   | 1 September 2015–<br>31 August 2018     | N/A                |
| VI                        | Shop A, G/F., Grace Court, 298 Un Chau Street, Sham Shui Po, Kowloon   | 22 April 2016–<br>21 April 2019         | N/A                |
| VII <sup>(Note 1)</sup>   | G/F., 68 Un Chau Street, Sham Shui Po, Kowloon   | 15 September 2011–<br>14 September 2013 | N/A                |
| VIII                      | G/F., 66 Hong Ning Road, Kwun Tong, Kowloon  | 10 December 2014–<br>9 December 2017    | N/A                |
| IX                        | G/F, 31 Fung Tak Road, N.K.I.L. 5030, Kowloon  | 1 June 2015–<br>31 May 2018             | 3 years            |
| XII                       | G/F., 415 Castle Peak Road, Tsuen Wan, New Territories   | 1 June 2016–<br>31 May 2018             | N/A                |
| XVI                       | Shop 5, G/F., Wing Ngai Mansion, 9–15 Luen On Street, Kwun Tong, Kowloon   | 25 July 2015–<br>24 July 2018           | 3 years            |
| XVII                      | G/F., Yin Hing Building, 70 Choi Hung Road, San Po Kong, Kowloon   | 7 October 2016–<br>6 October 2018       | N/A                |
| XVIII                     | Shop Nos. C, D & E, G/F., Yau Shing Building, 501–503 & 507–511 Castle Peak Road, Kwai Chung, New Territories      | 1 November 2016–<br>31 October 2019     | 3 years            |
| XIX                       | Shop F8, G/F., Block F, Shek Pik Resettlement, 12–26 Luen Yan Street, Dd 449, Lot 2134, Tsuen Wan, New Territories | 3 April 2016–<br>2 April 2019           | N/A                |
| XX                        | Outlet 6, G/F., Regal Riverside Hotel, 34–36 Tai Chung Kiu Road, Shatin, New Territories                           | 15 November 2015–<br>14 November 2018   | N/A                |
| XXI <sup>(Note 2)</sup>   | Shop B02, B1/F., Park Central, 9 Tong Tak street, Tseung Kwan O, Sai Kung, New Territories                         | 1 September 2015–<br>31 December 2016   | N/A                |
| XXII                      | Shop D, G/F., Kwai Lok Building, 77–85 Wing Fong Road, Kwai Fong, Kwai Chung, New Territories                      | 1 August 2016–<br>31 July 2018          | N/A                |
| XXIII <sup>(Note 3)</sup> | G/F., 78 Junction Road, Kowloon  | 23 March 2015–<br>22 March 2017         | 4 years            |
| XXVII                     | Shop 4, G/F., Tak On Mansion, 3, 7, 9 & 11 Pine Street, Tai Kok Tsui, Kowloon                                      | 23 September 2014–<br>22 September 2017 | N/A                |
| XXVIII                    | Basement & Shop B, G/F., Kingsfield Court, 24 Nam Kok Road, Kowloon City, Kowloon                                  | 25 August 2016–<br>24 August 2018       | N/A                |
| XXIX                      | Shop A & B, G/F., Lin Fung House, 82–86 Chik Chuen Street, Tai Wai, Shatin, New Territories                        | 15 January 2015–<br>14 January 2018     | 2 years            |
| XXX                       | Shop 4, G/F., Hip Pont Building, 21 Tseng Choi Street, Tuen Mun, New Territories                                   | 19 May 2015–<br>18 May 2017             | N/A                |
| XXXI                      | Shop 1 & Shop 2, G/F., Jadewater, 238 Aberdeen Main Road, Aberdeen, Hong Kong                                      | 1 May 2016–<br>30 April 2019            | N/A                |
| XXXII <sup>(Note 4)</sup> | Shop Nos, 1–3 Ground Floor, Kam Hing Building, 169–181 Castle Peak Road, Tuen Mun, New Territories                 | 27 September 2013–<br>26 September 2016 | N/A                |
| XXXIII                    | Shop 3, G/F., Hong Wah Mansion, 18 Nam Hong Street, Shau Kei Wan, Hong Kong  | 1 May 2014–<br>30 April 2017            | 2 years            |
| XXXVII                    | Shop 1 & 2, G/F., Kar Fu Building, 196–202 Java Road, North Point, Hong Kong                                       | 1 September 2014–<br>31 August 2017     | 2 years            |
| XXXVIII                   | G/F., 33 Luen Hing Street, Fanling, New Territories  | 1 November 2016–<br>31 October 2018     | N/A                |

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| Shop number | Address  | Lease term                             | Option for renewal |
|-------------|--|--|--------------------|
| XXXIX       | Shop A, G/F., New Start Building, 330–336 Queen’s Road West, Sai Ying Pun, Hong Kong                 | 1 April 2012–<br>31 March 2017         | N/A                |
| LX          | Shop 3 on Upper G/F., Full Jade Mansion, 48–54 Shek Pai Wan Rd, Tin Wan, Hong Kong                   | 12 June 2015–<br>11 June 2018          | N/A                |
| LXI         | Shop D, D1 and Shop G, Ground Floor, Kin Tai House, Number 89–113 Wan Hon Street, Kowloon, Hong Kong | 1 October 2016–<br>30 September 2020   | N/A                |
| LXII        | Shop B1, Ground Floor, Central Plaza, Number 51–59 Kwong Fuk Road, Tai Po, New Territories           | 18 June 2016–<br>17 June 2018          | 2 years            |
| LXIII       | G/F., 19 Wo Tai Street, Luen Wo Market, Fanling, New Territories                                     | 10 September 2016–<br>9 September 2022 | N/A                |
| LXVIII      | G/F., Yen Po Court, 74–82 Wharf Road, North Point, Hong Kong   | 1 November 2014–<br>31 October 2017    | 3 years            |
| LXIX        | Shop B & C, G/F., Block A, Ming Tong Building, 444–448 Castle Peak Road, Kwai Chung, New Territories | 1 July 2015–<br>30 June 2018           | 6 years            |
| LXX         | Shop A, Block B, G/F., Yen Lok Building, 120 Wan Tsui Road, Chai Wan, Hong Kong                      | 1 August 2016–<br>31 July 2022         | N/A                |

*Notes:*

- (1) The lease for Shop VII has been expired in September 2013. However, based on our understanding with the landlord, the lease will be continued and we have paid the rental to the landlord to rent the premises for more than 3 years and we did not foresee any circumstances that might result in the termination of the lease and we have also been liaising with the landlord to enter into a formal lease agreement with us. Our Directors believed, the Sponsor concurs, that the risk that we have to relocate this shop is low.
- (2) The lease for Shop XXI was expired in August 2016 and has been renewed till December 2016. In case where the landlord cannot lease the same shop after the expiry of the lease or another shop in the same shopping centre to us, we may have to close Shop XXI.
- (3) Shop XXIII ceased operation in December 2016. For details of the cessation of the operation of Shop XXIII, please refer to the paragraph “Compliance Matters — Contravention of Prescribed Use in the Occupation Permits” in this section.
- (4) The lease term of this shop has been expired and we are in the course of negotiating the renewal with the landlord and we expect the lease can be renewed on similar terms as the existing lease.

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

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

## BUSINESS

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

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

Our property rentals and related expenses in relation to the properties leased for our shops, head office and storage were HK\$18.8 million, HK\$21.3 million and HK\$5.6 million for the years ended 31 March 2015 and 2016 and the three months ended 30 June 2016 respectively.

We did not own any property during the Track Record Period and as at the Latest Practicable Date. As we did not own any property as of 30 June 2016, we are not required by Rule 8.01A of the GEM Listing Rules to include in this prospectus any valuation report. Pursuant to section 6(2) of the Companies (Exemption of Companies and Prospectus from Compliance with Provisions) Notice, this prospectus is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, which requires a valuation report with respect to interests in land or buildings.

### INTELLECTUAL PROPERTY

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

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

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



## BUSINESS

### INFORMATION TECHNOLOGY

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

### AWARDS AND RECOGNITIONS

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

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

### LITIGATION OR CLAIMS

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

## BUSINESS

### LICENCES, PERMITS AND APPROVALS

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

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

## BUSINESS

| Shop number | Liquor licence holder | Liquor licence                          | Light refreshment restaurant licence  | Water pollution control licence     |
|-------------|-----------------------|---|---------------------------------------|-------------------------------------|
| XXXVIII     | TSANG CHUEN KWAN      | 10 October 2016–<br>9 October 2017      | 5 November 2016–<br>4 November 2017   | 8 August 2016–<br>31 August 2021    |
| XXXIX       | CHAN PUI MAN          | 5 September 2016–<br>4 June 2017        | 20 November 2016–<br>19 November 2017 | 17 January 2013–<br>31 January 2018 |
| LX          | LAM FONG YEE SABINA   | 1 May 2016–<br>31 January 2017          | 22 February 2016–<br>21 February 2017 | 30 May 2016–<br>31 May 2021         |
| LXI         | FOK WAI TUNG          | 16 September 2016–<br>15 September 2017 | 14 May 2016–<br>13 May 2017           | 17 May 2016–<br>31 May 2021         |
| LXII        | MAN WING SHUM VINCENT | 17 June 2016–<br>16 March 2017          | 25 April 2016–<br>24 April 2017       | 10 May 2016–<br>31 May 2021         |
| LXIII       | LAI NGA LAI           | 28 October 2016–<br>27 October 2017     | 10 June 2016–<br>9 June 2017          | 27 May 2016–<br>31 May 2021         |
| LXVIII      | LI SHUK CHONG         | 14 April 2016–<br>13 April 2017         | 17 December 2016–<br>16 December 2017 | 30 June 2016–<br>30 June 2021       |
| LXIX        | HO CHI CHUNG          | 3 August 2016–<br>2 May 2017            | 5 February 2016–<br>4 February 2017   | 19 May 2016–<br>31 May 2021         |
| LXX         | TONG MAN KIT          | 13 September 2016–<br>22 February 2017  | 23 August 2016–<br>22 February 2017   | 26 October 2016–<br>31 October 2021 |

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

To ensure that we would be able to timely obtain all necessary licenses for our operations in Hong Kong, we have assigned a member of our management in particular, our compliance officer and company secretary, Mr. Chan Darren Chun-Yeung, to keep track of the expiry dates of all relevant licenses and apply for timely renewal. We will apply to renew the relevant licences in due course to ensure successful renewal before their expiry. The expiry dates of the existing liquor licenses and light refreshment restaurant licenses fall between January 2017 and December 2018. As advised by our Hong Kong Legal Counsel, although the licensing authorities will probably consider our non-compliances (details of which are set out in paragraph headed “Compliance matters” in this section below), given that the nature of these non-compliances is not particularly serious and the chance of prosecution is low, he is of the view that he cannot see any legal impediment for renewal of our licences based on those non-compliance incidents because they are not material enough to have any significant adverse impact on renewal of our licences.

As at the Latest Practicable Date, we have obtained all necessary licences for the operation of our business.

## BUSINESS

### COMPLIANCE MATTERS

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

Our Controlling Shareholders entered into the Deed of Indemnity in favour of our Group whereby the Controlling Shareholders agreed to indemnify our Group, subject to the terms and conditions of the Deed of Indemnity, in respect of, among other matters, any claims, payments, suits, damages, settlement payments, cost, expenses, liabilities and losses which would be incurred or suffered by our Group as a result of any litigation, arbitration, legal proceedings and/or non-compliance of our Group, whether of criminal, administrative, contractual, tortious or otherwise nature against any member of our Group in relation to any act, non-performance, omission or otherwise of any member of our Group on or before the date on which the Placing becomes unconditional. Further details of the Deed of Indemnity are set out in the paragraph headed “E. Other information — 1. Tax and other indemnities” in Appendix IV to this prospectus.

#### **Conduct of business without liquor licence and light refreshment restaurant licence**

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

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

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

## BUSINESS

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

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

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

As advised by our Hong Kong Legal Counsel, the chance of imprisonment is low; the total estimated financial penalty for the above non-compliances would be approximately HK\$199,600 (being the sum of the total estimated penalty for selling liquor without licence amounting to HK\$30,000 x 5 (being number of non-compliance incidents) = HK\$150,000 and the total estimated penalty for selling light refreshments without the light refreshment licence amounting to HK\$15,000 x 3 (being number of non-compliance incidence) + 23 days (being the number of days of non-compliance) x HK\$200 (being estimated daily fine) = HK\$49,600), which is less than the maximum fine under the ordinance (based on the fact that there is no previous conviction of same charge and assuming pleading of guilty) and would not affect the relevant light refreshment restaurant licences and liquor licences; and the likelihood of prosecution is low, because:

- i. the periods of non-compliances are relatively short and not particularly serious;
- ii. the relevant shops held valid licences before and after non-compliances;
- iii. the Company has no intention to operate illegally without the liquor licences or the light refreshment restaurant licences; and
- iv. the shops eventually obtained or successfully renewed the liquor licences for their business.

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

## BUSINESS

### Breach of conditions of liquor licences

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

| Breach  | Shop       | Reason for the breaches  | Date(s) of incident(s)   | Penalty  |
|---|------------|--|--|--|
| The liquor licensee was not present on the premises within the prescribed hours                             | Shop XXI   | Our Directors confirmed that the breach was not willful and was due to absence of timely and professional advice at the material time such that the relevant licensee took sick leave without medical certification or took leave for contingent personal reasons and as a result of which we could not apply for temporary liquor licences. | 24 November 2013,<br>7 December 2013,<br>3 February 2014<br>and 9 April 2014 | A fine of HK\$4,000 was imposed for each of the first three incidents. A fine of HK\$3,200 was imposed of the last incident. Hence, a total fine of HK\$15,200 was imposed for the four incidents. |
|   | Shop VIII  |  | 20 January 2015 and<br>11 February 2015                                      | A fine of HK\$8,000 was imposed for each of the incidents and hence, a total fine of HK\$16,000 was imposed for the two incidents.   |
|   | Shop XXIII |  | 4 November 2015<br>and 24 February<br>2016                                   | Fine of HK\$2,000 was imposed for each of the incidents and hence, a total fine of HK\$4,000 was imposed for the two incidents.  |
| Liquor was sold or supplied for consumption on the premises out of the prescribed hours                     | Shop XXXI  | Our Directors confirmed that the breach was not willful and was due to inadvertent oversight of the frontline staff to pay sufficient attention to the prescribed hours for the sale and provision of liquor when handling customers' orders.  | 30 August 2015   | A fine of HK\$2,500 was imposed.   |
|   | Shop LX    |  | 30 August 2015   | A fine of HK\$2,500 was imposed.   |
|   | Shop XXXIX |  | 12 September 2015  | A fine of HK\$2,500 was imposed.   |
| Music was played by amplification device/ music and amplified sound was played, out of the prescribed hours | Shop XXXIX | Our Directors confirmed that the breach was not willful and was due to inadvertent oversight of the frontline staff to pay sufficient attention to amplification of sound playing in the shop.   | 11 July 2015   | A fine of HK\$1,200 was imposed.   |
|   | Shop XXVII |  | 7 January 2014   | A fine of HK\$3,000 was imposed.   |
| A person under age of 18 was allowed on the premises  | Shop XXI   | Our Directors confirmed that the breach was not willful and was due to inadvertent oversight of the frontline staff to verify the age of a visitor who was under 18.   | 24 June 2014   | A fine of HK\$9,950 was imposed.   |

## BUSINESS

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

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

### **Failure to obtain water pollution control licences**

Our Group had not obtained water pollution control licences for our 29 shops (other than Shops XVII, XXIX and XXXIX) during the Track Record Period. Our Directors confirmed that no penalty has been imposed on us for our failure to obtain water pollution control licences for these shops. Our Group has applied for the water pollution control licences for those shops without it during the Track Record Period, and as at the Latest Practicable Date, has obtained water pollution control licences for all of our 32 shops.

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

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

As advised by our Hong Kong Legal Counsel, the fair range of the estimation of a fine for an offence will be from HK\$15,000 to HK\$40,000, which is less than the maximum fine under the ordinance (based on the fact that there is no previous conviction of same charge and assuming pleading of guilty), and the chance of imprisonment is relatively low because the nature of the business does not generate serious water pollution issue.

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

- i. our Group has already obtained the water pollution control licences for all of our shops; and
- ii. if our Group shows willingness to operate in a compliant manner, the prosecution for past breaches serve no practicable purpose.

## BUSINESS

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

### **Contravention of Prescribed Use in the Occupation Permits**

One of the subsidiaries of our Group operates a shop in Kowloon City, in contravention of the prescribed use of the occupation permit of the building of which our shop is located at the ground floor. The occupation permit of the building prescribes the use of the building is domestic purpose. Our Directors confirmed that the reason for such non-compliance was the then directors of the Group had not sought timely and professional advice at the material time. There has not been any charge or penalty for such non-compliance during the Track Record Period and up to the Latest Practicable Date. As at the Latest Practicable Date, we have ceased the operation of the shop in Kowloon City (i.e. Shop XXIII).

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

Our Hong Kong Legal Counsel is of the view that:

- i. there is nothing suggesting that the change of use has endangered the structure of the building or any public interest;
- ii. there is no sentencing guideline of tariff in this kind of cases; and
- iii. assuming that any person prosecuted will plead guilty,

therefore the likely penalty for the above non-compliance with sections 25(1) and 25(2) of BO should be a fine and imprisonment is highly unlikely and the estimated fine for the non-compliance with section 25(1) of BO is HK\$25,000 for the company and each of the responsible directors and for any non-compliance with section 25(2) will be HK\$15,000, with a daily default fine of HK\$2,000, for the company and each of the responsible directors which is less than the maximum fine under the ordinance (based on the fact that there is no previous conviction of same charge and assuming pleading of guilty). Accordingly, our Directors are of the view that such non-compliance has a minimal impact on the operational and financial condition of our Group and we have not made any provision for the non-compliance.



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

31 shops (including Shop XXIII which ceased operation in December 2016) of our Group have one to five EDMs placed inside the respective shops without any AGC Licence. Strictly speaking, a bar installed with EDM(s) does fall within the definition of an amusement game centre and an AGC Licence should be required under the Amusement Game Centres Ordinance (Cap 435 of the Laws of Hong Kong) (“AGCO”).

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

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

As advised by our Hong Kong Legal Counsel, the chance of prosecution is relatively low and the penalty for the above non-compliances in the event of an unlikely prosecution should be a fine instead of imprisonment and the total estimated financial penalty for the above non-compliances is HK\$30,000 for each offence which is less than the maximum fine under the ordinance (based on the fact that there is no previous conviction of same charge and assuming pleading of guilty), based on the following reasons:

- (i) legislative Council Panel on Home Affairs’ “Regulatory Control over Internet Computer Services Centres and other Places of Entertainment Installed with Game Machines” (LC Paper No. CB(2)841/13–14(05)) outlines the regulatory arrangements for Internet Computer Services and other places of entertainment within the ambit of the AGCO. Paragraph 14 of the Paper deals with pubs or bars, restaurants and restaurants installed with EDMs. It states that given the respective licensing regimes which regulate these establishments already require prior approval of the layout plans to protect building and fire safety, the Administration recommend to exempt those premises with a valid and relevant licence from the AGCO;
- (ii) according to Business Facilitation Advisory Committee Paper 9/15(3) (“**BFAC Paper 9/15(3)**”), Home Affairs Bureau was working out the construction of legal document and the operational details with relevant department in connection with the proposal to exempt from the AGCO the electronic darting centres and other premises installed with EDMs already licensed under other licensing regimes with similar safety requirements;

## BUSINESS

- (iii) the Home Affairs Bureau is working out the construction of legal document and the operational details with relevant departments. Home Affairs Bureau and Home Affairs Department will further communicate with relevant trades and other stakeholders when implementation details are available. The detailed proposals would be submitted to the Legislative Council when ready as appropriate;
- (iv) accordingly, the Group's breaches of AGCO are minor and benign; and
- (v) our Group had made enquiry to the Home Affairs Department and was given to understand that enforcement will generally not be carried out when the EDMs are located in areas which are licensed.

As advised by the Hong Kong Legal Adviser, based on the interpretation of section 2 of AGCO, an AGC Licence should be required for a bar installed with EDMs. However, from 2012, the Government has repeatedly expressed in various public papers its proposals to exempt the amusement game centre licensing requirements for premises, such as pubs and bars, which are already licensed under other licensing regimes with similar safety requirements.

To foster communication between the trades and relevant government bureau or departments and help resolve/clarify regulatory and licensing matters at the operational level, the Economic Analysis and Business Facilitation Unit ("EABFU") of the Financial Secretary Office has set up different business liaison groups ("BLGs") for major business sectors. Information dissemination sessions on business facilitation initiatives or regulatory requirements and consultation sessions on regulatory proposals had been conducted by the government bureaux or departments concerned at the BLG meetings with the relevant trades. The following papers reported the brief given by the Home Affairs Bureau ("HAB"), which deals with the licensing of amusement game centres, at the meetings of the BLG on installation of EDMs at pubs and other licensed premises. Below is an extracted summary of these papers:

| <b>Date of paper</b> | <b>Prepared by</b> | <b>Summary of the paper</b>   |
|----------------------|--------------------|---|
| February 2012        | HAB                | HAB, for the purpose of responding to the concerns of the bar operators expressed at the business liaison group for karaoke establishments, night clubs, bars and other entertainment clubs, advised that it was not the policy intent to regulate pubs installed with EDMs through the AGCO or to require such pubs to obtain AGC Licences. HAB was examining an appropriate means to address the situation, with a view to facilitating the mere playing of darting machines for entertainment in licensed premises which originally were not AGCs. |

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| <b>Date of paper</b> | <b>Prepared by</b> | <b>Summary of the paper</b>  |
|----------------------|--------------------|--|
| March 2012           | EABFU              | HAB advised that it, together with the Television and Entertainment Licensing Authority (“TELA”), Hong Kong Police Force and the Department of Justice, was examining an appropriate means to address the situation with a view to facilitating the mere playing of EDMs for entertainment in licensed premises which originally were not AGCs. Meanwhile, the Hong Kong Police Force had suspended enforcement actions against the mere playing of EDMs for entertainment in licensed premises where AGC was not the major business and where the said machines were not installed in one separate room in the premises.  |
| June 2014            | HAB                | HAB stated that it recommended to exempt from the AGCO the premises such as pubs or bars which had replaced dart boards with EDMs if they already have a valid and relevant licence.   |
| July 2014            | EABFU              | HAB advised that under the proposed regulatory control over bars and other places of entertainment installed with EDMs, the premises installed with EDMs already licensed under other licensing regimes with similar safety requirements will be exempted from AGCO. The main policy consideration was safeguarding public safety while avoiding double regulation. Premises installed with EDMs while operating as food or liquor premises should obtain the relevant licenses for the latter operations to ensure compliance with prevailing safety requirements. HAB and Home Affairs Department would further communicate with relevant trades and other stakeholders when implementation details are available. The detailed proposals would be submitted to the Legislative Council when ready as appropriate. |
| November 2015        | EABFU              | HAB was working out the construction of legal document and the operational details with relevant departments in connection with the proposal to exempt from the AGCO the electronic darting centres and other premises installed with EDMs already licensed under other licensing regimes with similar safety requirements.  |

Under the AGCO, it is the public officer appointed by the Secretary for Home Affairs who is responsible to issue AGC Licences for the operation of amusement game centre.

In October 2016, we submitted a written enquiry to HAB, being the authority to issue AGC Licences under the AGCO, regarding the application of AGCO on bars with EDMs. Consistent with the Government’s view expressed in the abovementioned papers, HAB, in November 2016, replied to us that (i) AGCO primarily regulates AGCs while bars and restaurants with EDMs are already regulated by their relevant licencing regimes; and (ii) to avoid duplicated regulation, the Government reviewed the issue and preliminarily proposed to waive the amusement game centre licensing requirements for those premises which are already by other licensing regimes.

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After reviewing the abovementioned papers, our Hong Kong Legal Adviser is of the view that regarding the EDMs, the non-compliances of AGCO are minor breaches and the nature is benign. Moreover, the Hong Kong Legal Adviser is of the view that:

- i. the public officer appointed by the Secretary for Home Affairs is responsible for dealing with the licensing matters in respect of amusement game centres under AGCO;
- ii. based on the papers prepared by HAB and EABFU, HAB clearly indicated the government policy of not requiring bars installed with EDMs which have already possessed the liquor licences and restaurant licences to obtain AGC Licences;
- iii. other than AGC Licences, bars installed with EDMs and without EDMs are subject to the same licensing requirements; and
- iv. the BO contains no specific regime regulating the installation of EDMs inside the bars.

Based on (a) the abovementioned views of the Government, in particular, (i) its proposal to exempt the AGC licensing requirements for premises, such as pubs and bars, which are already licensed under other licensing regimes and are already required to comply with building safety, fire and other relevant safety requirements; and (ii) the Hong Kong Police Force had suspended enforcement actions against the mere playing of EDMs for entertainment in licensed premises where AGC was not the major business and where the said machines were not installed in one separate room in the premises; (b) HAB's reply in November 2016 as disclosed above; and (c) the Hong Kong Legal Adviser's view that the chance of prosecution is relatively low, our Directors believe that such non-compliances will not have any material adverse impact on the operation of our Group and we have not made any provision for the non-compliance and it is appropriate for us to closely monitor the legislative development of the AGC licensing requirement for pubs and bars in Hong Kong, seek legal advice and take appropriate actions as and when appropriate.

### **Internal control measures to prevent recurrence of non-compliance incidents**

To prevent the recurrence of any non-compliance in the future, our Group, as recommended by Baker Tilly Hong Kong Risk Assurance Limited (*note*), being the internal control consultant engaged by the Group, has adopted and implemented the following internal control measures in early June 2016 to ensure compliance with the applicable rules and regulations:

1. Internal control measures to prevent the recurrence of non-compliance incidents related to conduct of business without liquor licence and light refreshment restaurant licence
  - Our Group has set up a licence register which includes particulars of our licences such as types of licences, licence holders, licence number and expiry date, and designated the administrative officer of our Group to update the licence register and the compliance officer to monitor the validity period of our licences.

*Note:* Baker Tilly Hong Kong Risk Assurance Limited is part of Baker Tilly Hong Kong which is an affiliate of Baker Tilly International. Baker Tilly Hong Kong Risk Assurance Limited mainly engages in providing a broad range of corporate governance and risk advisory, internal audit, and internal controls regulatory compliance services to its clients including listed companies and companies preparing for listing in Hong Kong. The key members of the engagement team from Baker Tilly Hong Kong Risk Assurance Limited are qualified accountants and internal auditors.

2. Internal control measures to prevent the recurrence of non-compliance incidents related to conditions of liquor licences

- Regarding the non-compliance where the liquor licensee was not present on the premise within the prescribed hours, we have established policies and procedures over compliance, under which in the event that the holder of the liquor licence is on leave and accordingly cannot be on duty on the relevant premises during the hours stated on the liquor licences, to comply with regulation 24 of DCLR, application should be made for the authorisation of another person to manage the premises.
- Regarding the non-compliance where liquor was sold or supplied for consumption on the premises out of the prescribed hours, our Group designates responsible personnel to do regular review on the POS record of each shop of our Group and lock the POS machine out of the prescribed hours so as to ensure that no liquor is sold out of the prescribed hours.
- Regarding the non-compliance where music was played by amplification device/music and amplified sound was played out of the prescribed hours, our Group designates responsible personnel to monitor the playing of music by amplification device out of the prescribed hours to comply with established policies and procedures over compliance pursuant to which:
  - i. the Operation Control Manager will perform surprise check on a random basis; and
  - ii. training is provided to staff every three months.

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

- Regarding the non-compliance where a person under the age of 18 was allowed on the premises, our Group implements the following internal control measures:
  - i. we have provided to our staff guidelines on handling suspected under-age entry of our shops;
  - ii. regular meetings and training are to be held with our staff; and
  - iii. we have circulated a formal notice to the staff to announce and introduce the policies and procedures over compliance.

3. Internal control measures to prevent the recurrence of non-compliance incidents related to water pollution control licences

- Our Group has set up a licence register which includes particulars of our licences such as types of licences, licence holders, licence number and expiry date, and designated the administrative officer of our Group to update the licence register and the compliance officer to monitor the validity period of our licences.

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The details of the material findings of our internal control consultant, Baker Tilly Hong Kong Risk Assurance Limited (“**Baker Tilly**”), have been disclosed in the section headed “Compliance matters” in this section. Baker Tilly has also performed a review in October 2016 on the above internal control measures in order to assess the adequacy and effectiveness of such measures.

Baker Tilly performed the following steps for the review and assessment:

- i. enquired with the Company’s management and/or respective process owners to obtain an understanding of the Group’s current practices and existing control procedures over the processes under review, and then, identified the key internal control procedures and system design deficiencies of the internal controls over the non-compliance issues;
- ii. performed walkthrough tests on internal control procedures identified in step (i) above to confirm the understanding of the processes and check if the said control procedures exist as designed;
- iii. performed sample testing on the key internal control procedures identified in step (i) above to ascertain if the said key control procedures have been implemented as designed;
- iv. communicated with management and relevant process owners to address the deficiencies identified from the abovementioned steps and recommend for remedial actions to be taken; and
- v. followed up the implementation status of the recommendations to ensure that the internal control system as for non-compliance issues is adequate and effective.

Baker Tilly was of the view that our internal controls over the non-compliance issues as mentioned above were adequate and effective in all material respects.

### **View of our Directors and the Sponsor**

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

Given (i) the nature and the circumstances giving rise to the abovementioned non-compliance incidents which were principally due to lack of relevant legal knowledge and professional advice at the material time; (ii) none of the non-compliance incidents were intentional nor due to dishonesty, fraudulent act or lack of integrity on the part of any of our Directors; (iii) our Directors attended training sessions provided by our legal advisers to Hong Kong law on the relevant legal and regulatory requirements in relation to our business; and (iv) upon discovery of the non-compliance incidents, our

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Directors, with the assistance from relevant professional advisers, have taken all reasonable rectification actions, where applicable, to prevent further non-compliance and any possible recurrence of such incidents, therefore, after performing all reasonable due diligence, there is nothing which draws to the attention of the Sponsor which suggests that our Directors do not have due regard to relevant laws and regulations nor not competent in operating our business in a law-compliant manner. In addition, after considering the above and having reviewed the internal control measures and the findings of the internal control consultant, the Sponsor concurs with the view of our Directors that (a) the various internal control measures adopted by our Group are adequate and effective; and (b) the abovementioned non-compliance incidents would not affect the suitability of our Directors under Rule 5.01 and 5.02 of the GEM Listing Rules and the suitability of listing of our Company under Rule 11.06 of the GEM Listing Rules.

### **RISK MANAGEMENT AND ANTI-MONEY LAUNDERING PROCEDURES**

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

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

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

Given that we are a retail chained bar group and the estimated average spending per customer is relatively small, ranging from HK\$150.8 to HK\$168.1 during the Track Record Period, we have not adopted any anti-money laundering procedures.

### **INTERNAL CONTROL AND CORPORATE GOVERNANCE**

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

- on 26 August 2016, our Directors attended training sessions provided by our legal advisers to Hong Kong law on the on-going obligations and duties of a director of a company whose shares are listed on the Stock Exchange;
- independent non-executive Directors are appointed to enhance the diversity of our Board and to provide independent view, monitoring and advice to our Group;

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- we have established the risk management team to oversee the implementation and monitoring our internal control at operational level;
- on 17 December 2016, we established an audit committee, which will comprise all independent non-executive Directors. The audit committee has adopted its terms of reference which sets out clearly its duties and set up formal arrangements to apply financial reporting and internal control principles in accounting and financial matters to ensure compliance with the GEM Listing Rules and all relevant laws and regulations;
- we will oversee our compliance matters from the very top level. We will seek timely legal advice from external professional advisers where necessary;
- our compliance officer and company secretary, Mr. Chan Darren Chun-Yeung, is responsible for the day-to-day compliance matters of our Group and will report to our Board in relation to the potential non-compliance issue identified on a timely basis and, if necessary, consult external professional for advice to address to the potential issue;
- we have engaged LY Capital Limited as our compliance adviser to advise us on the compliance matters under the GEM Listing Rules; and
- we will appoint a Hong Kong law firm as our legal advisers as to Hong Kong law upon the Listing to advise us on the compliance with the GEM Listing Rules and the applicable laws and regulations in Hong Kong and such engagement will be reviewed regularly.

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

- 1 the Articles provide that a Director shall not vote (nor shall he/she be counted in the quorum) on any resolution of the Board in respect of any contract or arrangement or proposal in which he/she or any of his close associate(s) has/have a material interest, and if he/she shall do so his/her vote shall not be counted (nor shall he/she be counted in the quorum for that resolution), but this prohibition shall not apply to the exceptions as stated in the Articles where such exceptions are consistent with those provided in Appendix 3 to the GEM Listing Rules;
- 2 our independent non-executive Directors will review, on an annual basis, the compliance with the Deed of Non-competition by our Controlling Shareholders;
- 3 our Controlling Shareholders undertake to provide all information requested by our Company which is necessary for the annual review by our independent non-executive Directors and the enforcement of the Deed of Non-competition;
- 4 our Company will disclose decisions on matters reviewed by our independent non-executive Directors relating to compliance and enforcement of the Deed of Non-competition of our Controlling Shareholders in the annual reports of our Company;
- 5 our Controlling Shareholders will make an annual declaration on compliance with the Deed of Non-competition in the annual report of our Company;



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- 6 our independent non-executive Directors will be responsible for deciding whether or not to allow any Controlling Shareholder and/or his/its close associates to involve or participate in any business in competition with or likely to be in competition with the existing business activity of any member of our Group within Hong Kong and such other parts of the world where any member of our Group may operate from time to time and if so, any condition to be imposed; and
- 7 our independent non-executive Directors may appoint independent financial adviser and other professional advisers as they consider appropriate to advise them on any matter relating to the Deed of Non-competition or connected transaction(s) at the cost of our Company.

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

## FINANCIAL INFORMATION

*You should read the following discussion and analysis of our financial condition and results of operations together with our consolidated financial statements as at and for the financial years ended 31 March 2015 and 2016 and the three months ended 30 June 2016 and the accompanying notes included in the Accountants' Report set forth in Appendix I to this prospectus. Our financial information has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The following discussion and analysis contains certain forward-looking statements that reflect our current views with respect to future events and financial performance which involve risks and uncertainties. These statements are based on assumptions and analyses made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. Our actual results reported in future periods could differ materially from those discussed below. Factors that could cause or contribute to such differences include those discussed in the sections headed "Risk factors" and "Business" and elsewhere in this prospectus.*

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

### OVERVIEW

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

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

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

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### **BASIS OF PRESENTATION OF FINANCIAL INFORMATION**

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 2 June 2016. In preparation for the Listing, we underwent the Reorganisation as detailed in the section headed “History, Development and Reorganisation — Reorganisation” in this prospectus. As a result of the Reorganisation, our Company became a holding company of the subsidiaries comprising our Group. The combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined cash flows statements of our Group include the results of operations of the companies now comprising our Group as if the current group structure had been in existence throughout the Track Record Period, or since their respective dates of incorporation whichever is a shorter period. The combined statements of financial position of our Group as at 31 March 2015 and 2016 and 30 June 2016 have been prepared to present the assets and liabilities of the companies now comprising our Group as at those dates as if the current group structure had been in existence at the respective dates.

### **FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION**

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

#### **The number of shops in operation**

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

## FINANCIAL INFORMATION

The table below sets forth information on revenue generated from our shops which were operating throughout each period indicated and those shops which were newly opened during the applicable periods:

|  | <b>Shops in<br/>operation<br/>throughout the<br/>period</b> | <b>Shops newly<br/>opened during<br/>the period</b> | <b>Total</b> |
|--|---|---|--------------|
| <b>Year ended 31 March 2015</b>        |   |   |              |
| Number of shops                        | 30  | —   | 30           |
| Revenue ( <i>HK\$'000</i> )            | 112,373   | —   | 112,373      |
| Percentage of total revenue (%)        | 100   | —   | 100          |
| <b>Year ended 31 March 2016</b>        |   |   |              |
| Number of shops                        | 30  | 2   | 32           |
| Revenue ( <i>HK\$'000</i> )            | 121,463   | 4,682   | 126,145      |
| Percentage of total revenue (%)        | 96.3  | 3.7   | 100          |
| <b>Three months ended 30 June 2016</b> |   |   |              |
| Number of shops                        | 32  | —   | 32           |
| Revenue ( <i>HK\$'000</i> )            | 31,432  | —   | 31,432       |
| Percentage of total revenue (%)        | 100   | —   | 100          |

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

## FINANCIAL INFORMATION

### Comparable shop sales

Comparable shop sales for a given fiscal year refers to the revenue of shops which have been operating throughout the periods under comparison. The table below sets forth our comparable shop sales, the estimated seat turnover rate and average spending per customer of our comparable shops during the Track Record Period:

|  | Year ended 31 March |         | Three months ended 30 June |        |
|--|---------------------|---------|----------------------------|--------|
|  | 2015                | 2016    | 2015                       | 2016   |
| Number of comparable shops   | 30                  | 30      | 30                         | 30     |
| Comparable shop sales ( <i>HK\$'000</i> )  | 112,373             | 121,463 | 30,394                     | 29,887 |
| Estimated seat turnover rate of comparable shops (times) <sup>(1)</sup>                    | 0.96                | 0.94    | 0.97                       | 0.92   |
| Estimated average spending per customer of comparable shops ( <i>HK\$</i> ) <sup>(2)</sup> | 150.8               | 166.4   | 162.7                      | 167.8  |

*Notes:*

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

Our comparable shop sales increased from HK\$112.4 million for the year ended 31 March 2015 to HK\$121.5 million for the year ended 31 March 2016, representing an increase of 8.1%. Such increase was mainly due to an increase in average spending per customer from HK\$150.8 for the year ended 31 March 2015 to HK\$166.4 for the year ended 31 March 2016, representing an increase 10.3%. Our Directors believe that the increase in average spending per customer was mainly due to the upward price adjustment as a result of the unification of our price for all items across all our shops and our promotion and marketing events launched by our marketing department. Our comparable shop sales remained relatively stable at HK\$30.4 million and HK\$29.9 million for the three months ended 30 June 2015 and 2016, respectively.

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

## FINANCIAL INFORMATION

### Staff costs

Bar operations are highly service-oriented and labour intensive. We believe that our ability to attract, motive and retain qualified staff, including bar managers and bartenders, will have significant impact on our profitability and our success. We offer competitive remuneration packages, career development and promotion opportunities to our staff. During the Track Record Period, we recorded staff costs, which comprise salaries and benefits, including wages, salaries, bonuses, retirement benefit costs and other allowances, of HK\$28.9 million, HK\$36.4 million and HK\$8.8 million for the years ended 31 March 2015 and 2016 and the three months ended 30 June 2016, respectively, representing 25.7%, 28.8% and 28.0% of our revenue for the corresponding periods.

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

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

|   | <b>Year ended 31 March</b> |                 | <b>Three months</b>  |
|---|----------------------------|-----------------|----------------------|
|   | <b>2015</b>                | <b>2016</b>     | <b>ended 30 June</b> |
|   | <i>HK\$'000</i>            | <i>HK\$'000</i> | <b>2016</b>          |
|   |                            |                 | <i>HK\$'000</i>      |
| <b>If staff costs had been 5% higher/lower</b>  |                            |                 |                      |
| Decrease/increase in profit before taxation     | -/+1,443                   | -/+1,818        | -/+440               |
| <b>If staff costs had been 10% higher/lower</b> |                            |                 |                      |
| Decrease/increase in profit before taxation     | -/+2,886                   | -/+3,635        | -/+880               |
| <b>If staff costs had been 15% higher/lower</b> |                            |                 |                      |
| Decrease/increase in profit before taxation     | -/+4,329                   | -/+5,453        | -/+1,320             |

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

## FINANCIAL INFORMATION

### Cost of inventories sold

Our cost of inventories sold consists of the cost of beverages, light refreshments and tobacco sold in our shops. According to the Euromonitor Report, all alcoholic drinks displayed increasing prices over the period from 2011 to 2015. Our cost of inventories sold amounted to HK\$27.8 million, HK\$28.4 million and HK\$7.6 million for the year ended 31 March 2015 and 2016 and the three months ended 30 June 2016, representing 24.7%, 22.5% and 24.2% of our revenue for the corresponding periods.

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

|  | Year ended 31 March |                 | Three months<br>ended 30 June |
|--|---------------------|-----------------|-------------------------------|
|  | 2015                | 2016            | 2016                          |
|  | <i>HK\$'000</i>     | <i>HK\$'000</i> | <i>HK\$'000</i>               |
| <b>If cost of inventories sold had been 5% higher/lower</b>  |                     |                 |                               |
| Decrease/increase in profit before taxation                  | -/+1,388            | -/+1,421        | -/+380                        |
| <b>If cost of inventories sold had been 10% higher/lower</b> |                     |                 |                               |
| Decrease/increase in profit before taxation                  | -/+2,776            | -/+2,843        | -/+760                        |
| <b>If cost of inventories sold had been 15% higher/lower</b> |                     |                 |                               |
| Decrease/increase in profit before taxation                  | -/+4,164            | -/+4,264        | -/+1,140                      |

### Property rentals and related expenses

During the Track Record Period and up to the Latest Practicable Date, we operate all of our shops on leased properties, and the changes in the level of property rentals will have significant impact on our profitability. The costs of leasing and maintaining our shops, storage and office premises are reflected in our property rentals and related expenses. For each of the two years ended 31 March 2015 and 2016 and the three months ended 30 June 2016, our property rentals and related expenses amounted to HK\$18.8 million, HK\$21.3 million and HK\$5.6 million, respectively, representing 16.7%, 16.9% and 17.7% of our revenue for the corresponding periods.

## FINANCIAL INFORMATION

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

|   | <b>Year ended 31 March</b> |                 | <b>Three months</b>  |
|---|----------------------------|-----------------|----------------------|
|   | <b>2015</b>                | <b>2016</b>     | <b>ended 30 June</b> |
|   | <i>HK\$'000</i>            | <i>HK\$'000</i> | <i>2016</i>          |
|   |                            |                 | <i>HK\$'000</i>      |
| <b>If property rentals and related expenses had been 5% higher/lower</b>  |                            |                 |                      |
| Decrease/increase in profit before taxation                               | -/+939                     | -/+1,066        | -/+278               |
| <b>If property rentals and related expenses had been 10% higher/lower</b> |                            |                 |                      |
| Decrease/increase in profit before taxation                               | -/+1,879                   | -/+2,131        | -/+556               |
| <b>If property rentals and related expenses had been 15% higher/lower</b> |                            |                 |                      |
| Decrease/increase in profit before taxation                               | -/+2,818                   | -/+3,197        | -/+834               |

### Seasonality

Our revenue is subject to seasonal fluctuations as the spending patterns vary on seasonal basis. During the two years ended 31 March 2016, we generally recorded higher revenue in July, August and December each year which accounted for an average of approximately 8.7%, 8.7% and 9.2% respectively, of our total revenue for the corresponding years. We believe that the higher revenue recorded in July and August is due to the summer season and the higher revenue recorded in December is due to the Christmas holidays. Because of the seasonality of the business, the results for any period in a year are not necessarily indicative of the results that may be achieved for the full year.

### CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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

### Revenue recognition

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



## FINANCIAL INFORMATION

### **Property, plant and equipment and depreciation**

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

### **Change of depreciation rate in the year**

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

### **Inventories**

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

## FINANCIAL INFORMATION

### RESULTS OF OPERATION OF OUR GROUP

The following table sets forth our combined statements of profit or loss and other comprehensive income for the years ended 31 March 2015 and 2016 and the three months ended 30 June 2015 and 2016, extracted from the Accountants' Report as set out in Appendix I to this prospectus:

#### Combined statements of profit or loss and other comprehensive income

|   | Year ended 31 March |                 | Three months<br>ended 30 June |                 |
|---|---------------------|-----------------|-------------------------------|-----------------|
|   | 2015                | 2016            | 2015                          | 2016            |
|   | <i>HK\$'000</i>     | <i>HK\$'000</i> | <i>HK\$'000</i>               | <i>HK\$'000</i> |
|   |                     |                 | (unaudited)                   |                 |
| Revenue   | 112,373             | 126,145         | 31,041                        | 31,432          |
| Other income  | 1,977               | 1,364           | 170                           | 236             |
| Cost of inventories sold  | (27,761)            | (28,427)        | (7,380)                       | (7,599)         |
| Staff costs   | (28,862)            | (36,353)        | (7,214)                       | (8,800)         |
| Depreciation  | (6,178)             | (3,938)         | (859)                         | (895)           |
| Property rentals and related expenses   | (18,786)            | (21,311)        | (5,277)                       | (5,561)         |
| Other operating expenses  | (18,139)            | (19,109)        | (4,241)                       | (5,660)         |
| Finance costs   | (23)                | (17)            | (5)                           | (3)             |
| Listing expenses  | —                   | (300)           | —                             | (4,115)         |
|   | <u>14,601</u>       | <u>18,054</u>   | <u>6,235</u>                  | <u>(965)</u>    |
| Profit (loss) before taxation   |                     |                 |                               |                 |
| Taxation  | (2,772)             | (2,699)         | (885)                         | (608)           |
|   | <u>11,829</u>       | <u>15,355</u>   | <u>5,350</u>                  | <u>(1,573)</u>  |
| Profit (loss) and total comprehensive income<br>(expense) for the year/period |                     |                 |                               |                 |
| Profit (loss) for the year/period<br>attributable to:                         |                     |                 |                               |                 |
| Owners of the Company   | 7,273               | 9,450           | 3,501                         | (1,786)         |
| Non-controlling interests   | 4,556               | 5,905           | 1,849                         | 213             |
|   | <u>11,829</u>       | <u>15,355</u>   | <u>5,350</u>                  | <u>(1,573)</u>  |

## FINANCIAL INFORMATION

### Revenue

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

|                          | Year ended 31 March |              |                |              | Three months ended 30 June |              |               |              |
|--------------------------|---------------------|--------------|----------------|--------------|----------------------------|--------------|---------------|--------------|
|                          | 2015                |              | 2016           |              | 2015                       |              | 2016          |              |
|                          | HK\$'000            | % of revenue | HK\$'000       | % of revenue | HK\$'000                   | % of revenue | HK\$'000      | % of revenue |
| Beverages                | 102,760             | 91.5         | 116,333        | 92.2         | 28,402                     | 91.5         | 28,607        | 91.0         |
| Light Refreshments       | 6,550               | 5.8          | 6,562          | 5.2          | 1,977                      | 6.4          | 1,765         | 5.6          |
| Others <sup>(Note)</sup> | 3,063               | 2.7          | 3,250          | 2.6          | 662                        | 2.1          | 1,060         | 3.4          |
| <b>Total</b>             | <b>112,373</b>      | <b>100.0</b> | <b>126,145</b> | <b>100.0</b> | <b>31,041</b>              | <b>100.0</b> | <b>31,432</b> | <b>100.0</b> |

*Note:* Others include income from electronic dart machine and sales of tobacco.

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

|                                       | Year ended 31 March |              |                |              | Three months ended 30 June |              |               |              |
|---------------------------------------|---------------------|--------------|----------------|--------------|----------------------------|--------------|---------------|--------------|
|                                       | 2015                |              | 2016           |              | 2015                       |              | 2016          |              |
|                                       | HK\$'000            | %            | HK\$'000       | %            | HK\$'000                   | %            | HK\$'000      | %            |
| Beer <sup>(1)</sup>                   | 67,317              | 65.5         | 81,413         | 70.0         | 20,721                     | 73.0         | 21,377        | 74.7         |
| Other alcoholic drinks <sup>(2)</sup> | 35,193              | 34.2         | 34,522         | 29.7         | 7,522                      | 26.5         | 7,082         | 24.8         |
| Other beverages <sup>(3)</sup>        | 250                 | 0.3          | 398            | 0.3          | 159                        | 0.5          | 148           | 0.5          |
| <b>Total</b>                          | <b>102,760</b>      | <b>100.0</b> | <b>116,333</b> | <b>100.0</b> | <b>28,402</b>              | <b>100.0</b> | <b>28,607</b> | <b>100.0</b> |

*Notes:*

<sup>(1)</sup> Beer includes bottle beer and draught beer.

<sup>(2)</sup> Other alcoholic drinks include spirits, wine and cocktails.

<sup>(3)</sup> Other beverages include non-alcoholic drinks such as mocktail, juice, tea and soft drinks.

In terms of revenue contributions, our top five shops contributed 27.3%, 26.1% and 25.8% of our total revenue for the years ended 31 March 2015 and 2016 and the three months ended 30 June 2016, respectively.

## FINANCIAL INFORMATION

### Other Income

Other income primarily consists of sponsorship income, interest income, and others. Sponsorship income represents income from beverage suppliers for displaying their logos or products at our shops and during marketing events organised by us or co-organised with them. Others mainly include penalty income charged on our shop managers and shop staff for shop management purpose, rental refund from a landlord and claims from an insurance company on property damages. The following table sets forth the breakdown of our other income during the Track Record Period:

|                    | <b>Year ended 31 March</b> |                     | <b>Three months ended 30 June</b> |                   |
|--------------------|----------------------------|---------------------|-----------------------------------|-------------------|
|                    | <b>2015</b>                | <b>2016</b>         | <b>2015</b>                       | <b>2016</b>       |
|                    | <i>HK\$'000</i>            | <i>HK\$'000</i>     | <i>HK\$'000</i>                   | <i>HK\$'000</i>   |
|                    |                            |                     | (unaudited)                       |                   |
| Sponsorship income | 1,263                      | 686                 | 56                                | 4                 |
| Interest income    | —                          | 1                   | 1                                 | 9                 |
| Others             | <u>714</u>                 | <u>677</u>          | <u>113</u>                        | <u>223</u>        |
| <b>Total</b>       | <b><u>1,977</u></b>        | <b><u>1,364</u></b> | <b><u>170</u></b>                 | <b><u>236</u></b> |

### Cost of inventories sold

Our cost of inventories sold consists of the cost of beverages, light refreshments and tobacco products sold in our shop. For the years ended 31 March 2015 and 2016 and the three months ended 30 June 2016, our cost of inventories sold amounted to HK\$27.8 million, HK\$28.4 million and HK\$7.6 million, respectively, representing 24.7%, 22.5% and 24.2% of our revenue for the corresponding periods.

## FINANCIAL INFORMATION

### Staff costs

Our staff costs comprise salaries and benefits, including wages, salaries, bonuses, retirement benefit costs and other allowances to all our employees and staff, including our directors, head office and shop staff. Our staff costs amounted to HK\$28.9 million, HK\$36.4 million and HK\$8.8 million for the years ended 31 March 2015 and 2016 and the three months ended 30 June 2016, respectively, representing 25.7%, 28.8% and 28.0% of our revenue for the corresponding periods. The table below sets forth the staff costs by category during the Track Record Period:

|  | <b>Year ended 31 March</b> |                      | <b>Three months ended 30 June</b> |                     |
|--|----------------------------|----------------------|-----------------------------------|---------------------|
|  | <b>2015</b>                | <b>2016</b>          | <b>2015</b>                       | <b>2016</b>         |
|  | <i>HK\$'000</i>            | <i>HK\$'000</i>      | <i>HK\$'000</i>                   | <i>HK\$'000</i>     |
|  |                            |                      | (unaudited)                       |                     |
| Directors' remuneration                                | 490                        | 813                  | 191                               | 200                 |
| Other staff's salaries and other benefits              | 27,067                     | 33,904               | 6,794                             | 8,207               |
| Other staff's retirement benefits scheme contributions | <u>1,305</u>               | <u>1,636</u>         | <u>229</u>                        | <u>393</u>          |
| <b>Total</b>   | <b><u>28,862</u></b>       | <b><u>36,353</u></b> | <b><u>7,214</u></b>               | <b><u>8,800</u></b> |

### Depreciation

Our depreciation represents depreciation charges for our property, plant and equipment which comprise leasehold improvements, dart machines, computer equipment, furniture and fixtures and motor vehicles. For the years ended 31 March 2015 and 2016 and the three months ended 30 June 2016, our depreciation amounted to HK\$6.2 million, HK\$3.9 million and HK\$0.9 million, respectively, representing 5.5%, 3.1% and 2.8% of our revenue for the corresponding periods.

### Property rentals and related expenses

Our property rentals and related expenses consist of operating leases payments, property management fee and government rate for our shops, storage and office premises. For the years ended 31 March 2015 and 2016 and the three months ended 30 June 2016, property rentals and related expenses amounted to HK\$18.8 million, HK\$21.3 million and HK\$5.6 million, respectively, representing 16.7%, 16.9% and 17.7% of our revenue for the corresponding periods, respectively.

## FINANCIAL INFORMATION

For the years ended 31 March 2015 and 2016 and the three months ended 30 June 2016, only the lease of Shop XXI was subject to contingent rent arrangement. Under the contingent rent arrangement, the monthly rent payable by us includes (i) the monthly basic rent and (ii) the additional monthly rent representing a certain percentage of the monthly turnover of Shop XXI in excess of the monthly basic rent. The following table sets forth a breakdown of our property rentals and related expenses during the Track Record Period:

|   | Year ended 31 March |               | Three months ended 30 June |              |
|---|---------------------|---------------|----------------------------|--------------|
|   | 2015                | 2016          | 2015                       | 2016         |
|   | HK\$'000            | HK\$'000      | HK\$'000                   | HK\$'000     |
|   |                     |               | (unaudited)                |              |
| Operating leases payments                   |                     |               |                            |              |
| Fixed rent                                  | 17,487              | 19,903        | 4,914                      | 5,202        |
| Contingent rent <i>(Note)</i>               | 99                  | 47            | 6                          | 6            |
| Property management fee and government rate | 1,200               | 1,361         | 357                        | 353          |
| <b>Total</b>                                | <b>18,786</b>       | <b>21,311</b> | <b>5,277</b>               | <b>5,561</b> |

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

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

| Number of shops with leases expiring | On or before | After     | Total     |
|--------------------------------------|--------------|-----------|-----------|
|                                      | 31 March     | 31 March  |           |
|                                      | 2017         | 2017      |           |
| Option to renew                      | 1            | 10        | 11        |
| No option to renew                   | 4            | 18        | 22        |
| <b>Total</b>                         | <b>5</b>     | <b>28</b> | <b>33</b> |

Save as (i) Shop XXI which we may have to close after the expiry of the lease on 31 December 2016 if the landlord cannot lease the same shop after the expiry of the lease or another shop in the same shopping centre to us; and (ii) Shop XXIII which we ceased operation in December 2016, our Directors do not foresee any material difficulties in renewing such leases. For details of our leases, please refer to the section headed “Business — Properties” in this prospectus.

## FINANCIAL INFORMATION

### Other operating expenses

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

|  | Year ended 31 March |              |               |              | Three months ended 30 June |              |              |              |
|--|---------------------|--------------|---------------|--------------|----------------------------|--------------|--------------|--------------|
|  | 2015                |              | 2016          |              | 2015                       |              | 2016         |              |
|  | HK\$'000            | %            | HK\$'000      | %            | HK\$'000                   | %            | HK\$'000     | %            |
|  | (unaudited)         |              |               |              |                            |              |              |              |
| Advertising and promotions                         | 981                 | 5.4          | 1,066         | 5.6          | 38                         | 0.9          | 588          | 10.4         |
| Bank and credit card handling charges              | 611                 | 3.4          | 728           | 3.8          | 162                        | 3.8          | 347          | 6.1          |
| Cleaning expenses                                  | 1,665               | 9.2          | 1,548         | 8.1          | 453                        | 10.7         | 448          | 7.9          |
| Electricity, water, telephone and air conditioning | 3,060               | 16.9         | 3,046         | 15.9         | 811                        | 19.1         | 844          | 14.9         |
| Entertainment and travelling                       | 317                 | 1.7          | 406           | 2.1          | 134                        | 3.2          | 69           | 1.2          |
| Financial advisory fee                             | 600                 | 3.1          | —             | —            | —                          | 0.0          | —            | 0.0          |
| Insurance  | 648                 | 3.6          | 858           | 4.5          | 269                        | 6.3          | 228          | 4.0          |
| Internet and cable expenses                        | 1,139               | 6.3          | 1,227         | 6.4          | 281                        | 6.6          | 581          | 10.3         |
| Legal and professional fees                        | 1,809               | 10.0         | 1,651         | 8.6          | 374                        | 8.8          | 490          | 8.7          |
| License fees                                       | 1,957               | 10.8         | 2,389         | 12.5         | 464                        | 10.9         | 551          | 9.7          |
| Low value consumables                              | 1,602               | 8.8          | 1,927         | 10.1         | 472                        | 11.1         | 191          | 3.4          |
| Repair and maintenance                             | 1,480               | 8.2          | 1,941         | 10.2         | 342                        | 8.1          | 451          | 8.0          |
| Tools and stationery                               | 941                 | 5.2          | 1,244         | 6.5          | 165                        | 3.9          | 258          | 4.6          |
| Transportation and motor vehicles expenses         | 358                 | 2.0          | 627           | 3.3          | 186                        | 4.4          | 144          | 2.5          |
| Others   | 971                 | 5.4          | 451           | 2.4          | 90                         | 2.2          | 470          | 8.3          |
| <b>Total</b>                                       | <b>18,139</b>       | <b>100.0</b> | <b>19,109</b> | <b>100.0</b> | <b>4,241</b>               | <b>100.0</b> | <b>5,660</b> | <b>100.0</b> |

For the years ended 31 March 2015 and 2016 and the three months ended 30 June 2016, our other operating expenses amounted to HK\$18.1 million, HK\$19.1 million and HK\$5.7 million, respectively, representing 16.1%, 15.1% and 18.0% of our revenue for the corresponding periods.

### Finance costs

Our finance costs represent interest expenses on obligations under a finance lease of a motor vehicle. For the years ended 31 March 2015 and 2016 and the three months ended 30 June 2016, our finance costs amounted to approximately HK\$23,000, HK\$17,000 and HK\$3,000, respectively.

## FINANCIAL INFORMATION

### **Taxation**

Our operations are subject to Hong Kong profits tax of 16.5% on estimated assessable profits arising in Hong Kong and we have no tax obligation arising from other jurisdictions during the Track Record Period. For more details, please see Note 12 to the Accountants' Report as set out in Appendix I to this prospectus. Our effective tax rate for operations in Hong Kong was 19.0% and 14.9% for the years ended 31 March 2015 and 2016, respectively. For the three months ended 30 June 2016, the taxation charge of HK\$0.6 million was mainly attributable to the combined effect of (i) tax charge of HK\$0.7 million arise from the non-deductible expense of professional fee in respect of the Listing and (ii) tax credit of HK\$0.2 million arise from the loss before taxation.

### **REVIEW OF HISTORICAL OPERATING RESULTS OF OUR GROUP**

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

##### **Revenue**

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

##### **Cost of inventories sold**

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

##### **Other income**

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

##### **Staff costs**

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



## FINANCIAL INFORMATION

### **Depreciation**

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

### **Property rentals and related expenses**

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

### **Other operating expenses**

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

### **Finance costs**

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

### **Profit before taxation**

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

### **Taxation**

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

## FINANCIAL INFORMATION

### **Profit for the year**

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

### **Three months ended 30 June 2016 compared to three months ended 30 June 2015**

#### **Revenue**

Our revenue generated from our shop operations increased by HK\$0.4 million, or 1.3%, from HK\$31.0 million for the three months ended 30 June 2015 to HK\$31.4 million for the three months ended 30 June 2016. The increase in revenue was primarily due to HK\$0.3 million increase in revenue of our Shop LXVIII opened in April 2015 and HK\$0.6 million increase in revenue from our Shop LXIX opened in August 2015. The increase was partially offset by the slight decrease of HK\$0.5 million of remaining shops operating throughout the periods under comparison.

#### **Cost of inventories sold**

Our cost of inventories sold increased by HK\$0.2 million, or 3.0%, from HK\$7.4 million for the three months ended 30 June 2015 to HK\$7.6 million for the three months ended 30 June 2016. Our growth in cost of inventories sold was generally in line with the growth in revenue for the three months ended 30 June 2015 and 2016.

#### **Other income**

Our other income remained relatively stable at HK\$0.2 million for the three months ended 30 June 2015 and 2016.

#### **Staff costs**

Our staff costs increased by HK\$1.6 million, or 22.0%, from HK\$7.2 million for the three months ended 30 June 2015 to HK\$8.8 million for the three months ended 30 June 2016. The increase is primarily due to (i) the general increase in salaries level and increase in staff costs in relation to the increase in revenue; and (ii) the increase in hiring during the three months ended 30 June 2016 for the expansion of our headquarters.

#### **Depreciation**

Our depreciation charges remained relatively stable at HK\$0.9 million for the three months ended 30 June 2015 and 2016.

#### **Property rentals and related expenses**

Our property rentals and related expenses increased by HK\$0.3 million, or 5.4% from HK\$5.3 million for the three months ended 30 June 2015 to HK\$5.6 million for the three months ended 30 June 2016. The increase was primarily due to the increase in the rental expenses of some of our leased properties upon renewal of leases.

## FINANCIAL INFORMATION

### Other operating expenses

Our other operating expenses increased by HK\$1.5 million, or 33.5%, from HK\$4.2 million for the three months ended 30 June 2015 to HK\$5.7 million for the three months ended 30 June 2016. The increase was primarily due to the HK\$0.6 million increase in advertising and promotions expenses to improve our brand awareness and the HK\$0.3 million increase in internet and cable expenses for our network expansion.

### Finance costs

Our finance costs remained relatively stable at HK\$5,000 and HK\$3,000 for the three months ended 30 June 2015 and 2016 respectively.

### Profit (loss) before taxation

As a result of the foregoing and the impact of listing expenses discussed in the paragraph headed “Listing expenses” in this section, our profit before taxation decreased by HK\$7.2 million, or 115.5%, from profit before taxation of HK\$6.2 million for the three months ended 30 June 2015 to loss before taxation of HK\$1.0 million for the three months ended 30 June 2016.

### Taxation

Our taxation charge decreased by HK\$0.3 million or 31.3%, from HK\$0.9 million for the three months ended 30 June 2015 to HK\$0.6 million for the three months ended 30 June 2016, primarily due to a HK\$1.2 million decrease in taxation charge as a result of the decrease in profit before taxation. The decrease was partially offset by the increase in taxation charge of HK\$0.7 million due to the increase in non-tax deductible listing expenses.

### Profit (loss) for the period

As a result of the cumulative effect of the above factors, our profit for the period attributable to owners of our Company and non-controlling interests decreased by HK\$7.0 million, or 129.4%, from profit of HK\$5.4 million for the three months ended 30 June 2015 to loss of HK\$1.6 million for the three months ended 30 June 2016.

## LIQUIDITY AND CAPITAL RESOURCES

Our primary uses of cash are to satisfy our working capital requirements for payments of staff costs, cost of inventories sold, property rentals and related expenses, and other operating expenses incurred for our shop operations and to fund our capital expenditure for opening new shops and renovation of our existing shops. During the Track Record Period, our working capital and other liquidity requirements were principally financed by cash generated from our operations. As at 31 March 2015 and 2016 and 30 June 2016, our Group had bank balances and cash of HK\$10.9 million, HK\$15.2 million and HK\$6.4 million, respectively, all of which were held in Hong Kong dollars.

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

## FINANCIAL INFORMATION

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

### Cash flows

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

|  | <b>Year ended 31 March</b> |                      | <b>Three months ended 30 June</b> |                     |
|--|----------------------------|----------------------|-----------------------------------|---------------------|
|  | <b>2015</b>                | <b>2016</b>          | <b>2015</b>                       | <b>2016</b>         |
|  | <i>HK\$'000</i>            | <i>HK\$'000</i>      | <i>HK\$'000</i>                   | <i>HK\$'000</i>     |
|  | (unaudited)                |                      |                                   |                     |
| Net cash from (used in) operating activities   | 18,176                     | 20,387               | 4,936                             | (3,212)             |
| Net cash used in investing activities  | (2,035)                    | (5,165)              | (458)                             | (10,523)            |
| Net cash (used in) from financing activities   | <u>(8,792)</u>             | <u>(10,859)</u>      | <u>(3,686)</u>                    | <u>4,853</u>        |
| Net increase (decrease) in cash and cash equivalents   | 7,349                      | 4,363                | 792                               | (8,882)             |
| Cash and cash equivalents at the beginning of the year/period                                | <u>3,530</u>               | <u>10,879</u>        | <u>10,879</u>                     | <u>15,242</u>       |
| Cash and cash equivalents at the end of the year/period, representing bank balances and cash | <u><u>10,879</u></u>       | <u><u>15,242</u></u> | <u><u>11,671</u></u>              | <u><u>6,360</u></u> |

#### *Net cash generated from operating activities*

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

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

For the year ended 31 March 2016, we recorded net cash from operating activities of HK\$20.4 million, primarily as a result of operating cash flows of HK\$22.1 million before net positive changes in working capital of HK\$1.1 million and tax payment of HK\$3.0 million. Net positive change in working

## FINANCIAL INFORMATION

capital primarily consisted of the combined effects of the decrease in trade and other receivables and rental deposits of HK\$1.8 million partially offset by the decrease in trade and other payables of HK\$0.8 million.

For the three months ended 30 June 2016, we recorded net cash used in operating activities of HK\$3.2 million, primarily as a result of negative operating cash flows of HK\$0.1 million before net negative changes in working capital of HK\$2.4 million and tax payment of HK\$0.7 million. The negative operating cash flow of approximately HK\$76,000 was mainly due to (i) the listing expenses of HK\$4.1 million; and (ii) increased amount of other operating expenses to promote our brand awareness and for our network expansion incurred during the same period. Net negative change in working capital was primarily resulted from the combined effects of the increase in trade and other receivables and rental deposits of HK\$3.1 million partially offset by the increase in trade and other payables of HK\$1.1 million.

### *Cash flows used in investing activities*

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

For the three months ended 30 June 2016, we recorded net cash used in investing activities of HK\$10.5 million, which was primarily attributable to the pledge of bank deposits of HK\$10.0 million for securing banking facilities from two financial institutions.

### *Cash flows used in financing activities*

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

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

For the three months ended 30 June 2016, we recorded net cash from financing activities of HK\$4.9 million, which was mainly due to bank borrowing of HK\$4.5 million and advance from a director of HK\$0.4 million.

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### WORKING CAPITAL SUFFICIENCY

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

### CURRENT ASSETS AND CURRENT LIABILITIES

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

|   | As at 31 March  |                 | As at<br>30 June | As at<br>30 November |
|---|-----------------|-----------------|------------------|----------------------|
|   | 2015            | 2016            | 2016             | 2016                 |
|   | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i>  | <i>HK\$'000</i>      |
|   |                 |                 |                  | (unaudited)          |
| <b>Current assets</b>   |                 |                 |                  |                      |
| Inventories   | 1,046           | 917             | 1,340            | 1,107                |
| Trade receivables   | 460             | 264             | 254              | 226                  |
| Prepayments, deposits and other receivables   | 6,013           | 4,955           | 7,716            | 9,590                |
| Pledged bank deposits   | —               | —               | 10,000           | 5,000                |
| Bank balances and cash  | 10,879          | 15,242          | 6,360            | 6,206                |
|   | 18,398          | 21,378          | 25,670           | 22,129               |
| <b>Current liabilities</b>  |                 |                 |                  |                      |
| Trade payables  | 3,354           | 2,960           | 3,496            | 2,817                |
| Accruals and other payables   | 5,000           | 4,580           | 5,096            | 8,211                |
| Amount due to a related party in respect of<br>acquisition of property, plant and equipment | 1,750           | —               | —                | —                    |
| Amount due to a director  | 196             | 3,726           | 4,169            | 4,169                |
| Amounts due to non-controlling shareholders of<br>subsidiaries                              | 5,780           | —               | —                | —                    |
| Taxation payable  | 634             | 483             | 393              | 387                  |
| Obligations under finance leases  |                 |                 |                  |                      |
| — amount due within one year  | 105             | 187             | 188              | 191                  |
| Bank borrowing  | —               | —               | 4,500            | —                    |
|   | 16,819          | 11,936          | 17,842           | 15,775               |
| <b>Net current assets</b>   | 1,579           | 9,442           | 7,828            | 6,354                |

## FINANCIAL INFORMATION

Our current assets as at 31 March 2015 and 2016 and 30 June 2016 amounted to HK\$18.4 million, HK\$21.4 million and HK\$25.7 million, respectively, which primarily consisted of pledged bank deposits, bank balances and cash, prepayments, deposits and other receivables, inventories and trade receivables. Our current liabilities as at 31 March 2015 and 2016 and 30 June 2016 amounted to HK\$16.8 million, HK\$11.9 million and HK\$17.8 million, respectively, with accruals and other payables, bank borrowing, amount due to a director, trade payables and amounts due to non-controlling shareholders of subsidiaries being our major current liabilities components.

Our net current assets position improved by HK\$7.8 million, from HK\$1.6 million as at 31 March 2015 to HK\$9.4 million as at 31 March 2016, which was primarily attributable to the decrease in amounts due to non-controlling shareholders of subsidiaries by HK\$5.8 million, the decrease in an amount due to a related party in respect of acquisition of property, plant and equipment by HK\$1.8 million and the increase in bank balances and cash by HK\$4.4 million, which was partially offset by the increase in amount due to a director by HK\$3.5 million and the decrease in prepayments, deposits and other receivables by HK\$1.0 million.

Our net current assets decreased by HK\$1.6 million, from HK\$9.4 million as at 31 March 2016 to HK\$7.8 million as at 30 June 2016, which was primarily attributable to the decrease in bank balances and cash by HK\$8.9 million, the increase in bank borrowing by HK\$4.5 million, the increase in trade payables of HK\$0.5 million and the increase in amount due to a director of HK\$0.4 million, partially offset by the increase in pledged bank deposits by HK\$10.0 million and the increase in prepayments, deposits and other receivables by HK\$2.8 million.

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

### **DISCUSSION OF SELECTED STATEMENTS OF FINANCIAL POSITION ITEMS**

#### **Property, plant and equipment**

During the Track Record Period, our property, plant and equipment represented leasehold improvements, dart machines, computer equipment, furniture and fixtures and motor vehicles. As at 31 March 2015 and 2016 and 30 June 2016, our property, plant and equipment amounted to HK\$7.1 million, HK\$6.9 million and HK\$6.5 million, respectively. The decrease in property, plant and equipment during the Track Record Period was mainly due to the fact that depreciation charges outpaced the additions of leasehold improvements for Shop LXIX opened in August 2015, the addition of computer equipment for our office use and the general addition of furniture and fixtures in our shops over such period.

## FINANCIAL INFORMATION

### Inventories

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

|   | <b>As at 31 March<br/>2015</b> | <b>2016</b> | <b>As at 30 June<br/>2016</b> |
|---|--------------------------------|-------------|-------------------------------|
| Beverages and other items for shop operations ( <i>HK\$'000</i> ) | 1,046                          | 917         | 1,340                         |
| Inventories turnover days <sup>(1)</sup>                          | 12.2                           | 12.6        | 13.5                          |

<sup>(1)</sup> We calculate inventory turnover days by dividing average inventory by cost of inventories sold multiplied by 365 days for each of the years ended 31 March 2015 and 2016 and 91 days for the three months ended 30 June 2016. Average inventory is calculated by dividing the sum of inventory at the beginning of the period and the inventory at the end of the period by two.

Our inventories decreased by HK\$0.1 million, or 12.3%, from HK\$1.0 million as at 31 March 2015 to HK\$0.9 million as at 31 March 2016, which was primarily due to a decrease in the level of buffer stocks of beverages. Our inventories increased by HK\$0.4 million, or 46.1%, from HK\$0.9 million as at 31 March 2016 to HK\$1.3 million as at 30 June 2016 primarily due to the increase in the level of buffer stocks for our high season in summer.

Our inventory turnover days remained relatively stable during the Track Record Period, as demonstrated by inventories turnover days of 12.2 days, 12.6 days and 13.5 days as at 31 March 2015, 31 March 2016 and 30 June 2016, respectively.

As at 30 November 2016, HK\$1.2 million out of the HK\$1.3 million inventories as at 30 June 2016 had been subsequently sold.

### Trade receivables

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

As at 31 March 2015 and 2016 and 30 June 2016, our trade receivables amounted to HK\$0.5 million, HK\$0.3 million and HK\$0.3 million, respectively. The relatively higher balance of trade receivables as at 31 March 2015 was primarily due to the fact that 31 March 2015 was Tuesday, and hence, there was two additional business day for the credit card issuers for processing the credit card transactions which took place during the weekend prior to 31 March 2015.

As at 30 November 2016, our trade receivables as at 30 June 2016 were fully settled.



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

|  | Year ended 31 March |      | Three months          |
|--|---------------------|------|-----------------------|
|  | 2015                | 2016 | ended 30 June<br>2016 |
| Trade receivables turnover days <sup>(1)</sup> | 0.9                 | 1.1  | 0.7                   |

<sup>(1)</sup> We calculate trade receivables turnover days by dividing average trade receivables by revenue and multiplied by 365 days for each of the years ended 31 March 2015 and 2016 and 91 days for the three months ended 30 June 2016. Average trade receivables is calculated by dividing the sum of trade receivables at the beginning of the period and trade receivables at the end of the period by two.

Our trade receivables turnover days remained relatively stable during the Track Record Period, as demonstrated by the trade receivables turnover days of 0.9 days, 1.1 days and 0.7 days as at 31 March 2015, 31 March 2016 and 30 June 2016.

### Prepayments, deposits and other receivables

Our prepayments, deposits and other receivables consisted of non-current portion and current portion. The non-current portion as at 31 March 2015 and 2016 and 30 June 2016 consisted of rental deposits for the Group's leased properties with leases expiring beyond 31 March 2016 and 2017 and 30 June 2017, respectively. The current portion primarily represented rental deposits, other deposits and prepayments for rent under operating lease agreements. The following table sets out the details of our prepayments, deposits, and other receivables as at the dates indicated:

|                               | As at 31 March  |                 | As at 30 June   |
|-------------------------------|-----------------|-----------------|-----------------|
|                               | 2015            | 2016            | 2016            |
|                               | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| <b>Non-current portion</b>    |                 |                 |                 |
| Rental deposits               | 3,024           | 2,481           | 2,797           |
| <b>Current portion</b>        |                 |                 |                 |
| Rental deposits               | 1,776           | 2,554           | 2,721           |
| Other deposits                | 1,067           | 1,362           | 1,443           |
| Prepayments                   | 2,747           | 706             | 2,219           |
| Other receivables             | 423             | 233             | 62              |
| Deferral for listing expenses | —               | 100             | 1,271           |
| <b>Total</b>                  | <b>6,013</b>    | <b>4,955</b>    | <b>7,716</b>    |

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

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

The increase in current portion of prepayments, deposits and other receivables of HK\$2.7 million, or 55.7%, from HK\$5.0 million as at 31 March 2016 to HK\$7.7 million as at 30 June 2016 was mainly due to the increase in prepayments of HK\$1.5 million mainly as a result of an increase in prepaid rent as at 30 June 2016 and the increase in deferral for listing expenses of HK\$1.2 million prepaid for the Listing.

### Trade payables

During the Track Record Period, our trade payables mainly related to our purchases of beverages and other items for our shop operations. During the Track Record Period, our credit period with our major beverage suppliers is normally within 60 days after the monthly statement is issued. The table below sets out an aging analysis of our trade payables based on the invoice date and our trade payables turnover days as at 31 March 2015 and 2016 and 30 June 2016.

|   | <b>As at 31 March</b> |                       | <b>As at 30 June</b> |
|---|-----------------------|-----------------------|----------------------|
|   | <b>2015</b>           | <b>2016</b>           | <b>2016</b>          |
|   | <i>HK\$'000</i>       | <i>HK\$'000</i>       | <i>HK\$'000</i>      |
| 0–30 days                                   | 2,347                 | 2,284                 | 2,950                |
| 31–60 days                                  | 956                   | 634                   | 498                  |
| 61–90 days                                  | 9                     | —                     | 6                    |
| 91–120 days                                 | 42                    | —                     | —                    |
| Over 120 days                               | —                     | 42                    | 42                   |
|   | —                     | 42                    | 42                   |
| <b>Total</b>                                | <b>3,354</b>          | <b>2,960</b>          | <b>3,496</b>         |
|   |                       | <b>As at 31 March</b> | <b>As at 30 June</b> |
|   |                       | <b>2015</b>           | <b>2016</b>          |
| Trade payables turnover days <sup>(1)</sup> | 50.2                  | 40.5                  | 38.7                 |

<sup>(1)</sup> Trade payables turnover days are calculated by dividing average trade payables by cost of inventories sold and multiplied by 365 days for each of the years ended 31 March 2015 and 2016 and 91 days for the three months ended 30 June 2016. Average trade payables is calculated by dividing the sum of trade payables at the beginning of the period and the trade payables at the end of the period by two.

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Our trade payables decreased by HK\$0.4 million, or 11.7% from HK\$3.4 million as at 31 March 2015 to HK\$3.0 million as at 31 March 2016. Our trade payables turnover days decreased from 50.2 days as at 31 March 2015 to 40.5 days as at 31 March 2016. The decrease in trade payables and trade payables turnover days was primarily due to the decrease in purchase from one of our major suppliers with credit term of 60 days and an enhancement of our payment procedures, resulting in a shorter administrative time for such payment.

Our trade payables increased by HK\$0.5 million, or 18.1% from HK\$3.0 million as at 31 March 2016 to HK\$3.5 million as at 30 June 2016, primarily due to the increase in purchase in June 2016 to increase the level of buffer stock for our high season in summer. Our trade payables turnover days remained relatively stable at 40.5 days and 38.7 days as at 31 March 2016 and 30 June 2016, respectively.

As at 30 November 2016, HK\$3.5 million of our HK\$3.5 million trade payables as at 30 June 2016 were settled.

### **Accruals and other payables**

Our other payables and accrued charges mainly comprised salary payables, payables for listing expenses, accrued license fees for music played in our shops, accrued audit fee, accrued rental expenses, unearned revenue for our cash coupons issued and a financial advisory fee payable. The decrease in accruals and other payables by HK\$0.4 million, or 8.4%, from HK\$5.0 million as at 31 March 2015 to HK\$4.6 million as at 31 March 2016 was primarily due to the settlement of a financial advisory payable of HK\$0.6 million during the year ended 31 March 2016.

The increase in accruals and other payables by HK\$0.5 million, or 11.3%, from HK\$4.6 million as at 31 March 2016 to HK\$5.1 million as at 30 June 2016 was primarily due to the increase in accrual for listing fee of HK\$1.0 million which was partially offset by the decrease in accrued license fee of HK\$0.7 million.

### **Amount due to a related party**

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

### **Amounts due to non-controlling shareholders of subsidiaries**

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

## FINANCIAL INFORMATION

### RELATED PARTY TRANSACTIONS

With respect to the related party transactions set forth in note 26 to the Accountants' Report to Appendix I to this prospectus, our Directors confirm that each transaction set forth therein was conducted in accordance with terms as agreed between us and the respective related parties, on an arm's length basis and did not distort our results of operations for the Track Record Period or make our historical results not reflective of our future performance.

### INDEBTEDNESS

#### Bank borrowings

We had bank borrowing of HK\$4.5 million as at 30 June 2016 which was denominated in HK\$ with interest at HIBOR plus 2.00% per annum. The bank borrowing was secured by a fixed deposit of HK\$5.0 million and an unlimited amount of personal guarantee provided by Ms. Tse. The bank borrowing of HK\$4.5 million as at 30 June 2016 was fully repaid in July 2016.

#### Obligations under finance leases

We leased a motor vehicle and certain furniture and fixtures under finance leases. The following table sets forth our obligations under the finance leases as at the dates indicated:

|   | Minimum lease payments |                   |                   |                   |
|---|------------------------|-------------------|-------------------|-------------------|
|   | At 31 March            |                   | At                |                   |
|   | 2015                   | 2016              | 30 June 2016      | 30 November 2016  |
|   | <i>HK\$'000</i>        | <i>HK\$'000</i>   | <i>HK\$'000</i>   | <i>HK\$'000</i>   |
|   | (unaudited)            |                   |                   |                   |
| Amount payable under finance leases                   |                        |                   |                   |                   |
| — within one year                                     | 122                    | 197               | 197               | 197               |
| — in more than one year but not more than two years   | 122                    | 197               | 197               | 176               |
| — in more than two years but not more than five years | <u>182</u>             | <u>242</u>        | <u>192</u>        | <u>132</u>        |
|   | 425                    | 636               | 586               | 505               |
| Less: Future finance charges                          | <u>(30)</u>            | <u>(13)</u>       | <u>(10)</u>       | <u>(6)</u>        |
| Present value of lease obligations                    | <u><u>395</u></u>      | <u><u>623</u></u> | <u><u>576</u></u> | <u><u>499</u></u> |

As at 31 March 2015 and 2016, 30 June 2016 and 30 November 2016, we had secured and unguaranteed obligations under finance leases of HK\$0.4 million, HK\$0.6 million, HK\$0.6 million and HK\$0.5 million, which were secured by the leased assets.

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We had entered into lease agreements for a term of five years to acquire a motor vehicle and certain furniture and fixtures. Our Directors consider that the carrying amounts of obligations under a finance lease approximate to its fair value. As at 31 March 2015, 31 March 2016, 30 June 2016 and 30 November 2016, the average interest rates on finance lease was 2.5%.

### **Amount due to a director**

The amount due to a director represented the amount due to Ms. Tse, being our executive Director, which amounted to HK\$0.2 million, HK\$3.7 million, HK\$4.2 million and HK\$4.2 million as at 31 March 2015 and 2016, 30 June 2016 and 30 November 2016, respectively. Such amount is unsecured, unguaranteed, interest-free and has no fixed terms of repayments. The entire amount due to a director will be fully settled prior to the Listing.

As at 30 November 2016, being the latest practicable date for determining our indebtedness, we had an unutilised banking facility in an aggregate amount of HK\$16.0 million granted from two financial institutions for our working capital. One of the banking facility of HK\$8.0 million is secured by a fixed deposit of HK\$5.0 million and an unlimited amount of personal guarantee provided by Ms. Tse. Our Directors are of the opinion that the personal guaranteed provided by Ms. Tse will be released before Listing. Another banking facilities of HK\$8.0 million would need to be secured by our fixed deposit placed in that financial institution in order to utilise the facilities and the total overdraft amount should not exceed 97% of the deposit charged or the ceiling limit of HK\$8.0 million whichever is lower. Also as at 30 November 2016, we had outstanding obligations under finance leases of HK\$0.5 million and an amount due to a director of HK\$4.2 million. There are no material covenants relating to these outstanding indebtedness.

Save as disclosed above, as at 30 November 2016, we did not have any other borrowings, mortgages, charges, debentures or debt securities, issued or outstanding, or authorised or otherwise created but unissued, or other similar indebtedness, finance lease commitment, liabilities under acceptances, acceptance credits, hire purchase commitments, material contingent liabilities or guarantees. In addition, our Directors confirmed that as at the Latest Practicable Date, we do not have any external debt financing plan shortly after Listing.

Our Directors confirmed that up to the Latest Practicable Date, there has been no material change in our indebtedness, capital commitment and contingent liabilities of our Group since 30 November 2016.

### **LISTING EXPENSES**

The total expenses for the Listing are estimated to be HK\$17.2 million based on the Placing Price of HK\$0.28 (being the mid-point of the indicated Placing Price range stated in this prospectus), of which HK\$5.2 million is directly attributable to the issue of Placing Shares under the Placing and is expected to be accounted for as a deduction from equity. For the remaining listing expenses of HK\$12.0 million, HK\$0.3 million and HK\$4.1 million were charged to the combined statement of comprehensive income of our Group for the year ended 31 March 2016 and the three months ended 30 June 2016, respectively, and HK\$7.6 million will be charged to the combined statement of comprehensive income of our Group for the nine months ending 31 March 2017.

## FINANCIAL INFORMATION

### EFFECT ON OUR FINANCIAL PERFORMANCE DUE TO LISTING EXPENSES

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

### OPERATING LEASES COMMITMENT

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

|                                      | <b>As at 31 March</b> |                 | <b>As at 30 June</b> |
|--------------------------------------|-----------------------|-----------------|----------------------|
|                                      | <b>2015</b>           | <b>2016</b>     | <b>2016</b>          |
|                                      | <i>HK\$'000</i>       | <i>HK\$'000</i> | <i>HK\$'000</i>      |
| Within one year                      | 16,710                | 14,001          | 16,546               |
| After one year but within five years | 13,204                | 10,842          | 15,430               |
| Over five years                      | —                     | —               | 720                  |
| <b>Total</b>                         | <b>29,914</b>         | <b>24,843</b>   | <b>32,696</b>        |

The above lease commitments represent basic rents only and do not include contingent rents payable in respect of certain bars leased by the Group. In general, these contingent rents are calculated based on the relevant bars' turnover pursuant to the terms and conditions as set out in the respective rental agreements. It is not possible to estimate in advance the amount of such contingent rent payable. During the years ended 31 March 2015 and 2016 and the three months ended 30 June 2016, the amounts of contingent rental recognised as expenses were approximately HK\$99,000, HK\$47,000 and HK\$6,000 respectively.

### CONTINGENT LIABILITIES

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

### OFF-BALANCE SHEET ARRANGEMENT

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

### CAPITAL EXPENDITURE

Our capital expenditure amounted to HK\$2.0 million, HK\$5.2 million and HK\$0.5 million for the year ended 31 March 2015 and 2016 and the three months ended 30 June 2016, respectively. It was primarily used for the purchase of property, plant and equipment.

## **FINANCIAL INFORMATION**

Our planned capital expenditure for the year ending 31 March 2017 is HK\$5.9 million, which will be primarily used for the acquisition of property, plant and equipment for our opening of new shops and renovation of existing shops. We plan to finance our capital expenditure with a combination of cash generated from our operating activities and net proceeds from the Placing.

### **DISTRIBUTABLE RESERVES**

Our Company was incorporated on 2 June 2016 and has not carried out any business since the date of incorporation and it had no distributable reserves as at 31 March 2015 and 2016 and 30 June 2016.

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

### **DIVIDENDS AND DIVIDEND POLICY**

During the Track Record Period, certain subsidiaries of our Group declared and paid dividends of HK\$0.1 million for the year ended 31 March 2015 and HK\$1.3 million for the year ended 31 March 2016 to their then non-controlling shareholders. During the year ended 31 March 2016, Bar Pacific Group Limited declared and paid an interim dividend of HK\$9.1 million to its then shareholder. During the three months ended 30 June 2016, no dividend was declared and paid.

As at the Latest Practicable Date, we have not adopted any dividend policy and we had no fixed dividend pay-out ratio. The declaration of dividends is subject to the absolute discretion of our Directors, and if necessary, the approval of our Shareholders and will depend on, among others, our earnings, financial condition, cash requirement and availability, and other factors as our Directors may deem relevant. Any declaration and payment as well as the amount of dividends will also be subject to our Articles of Association and the Companies Law. Our past dividend payment history is not, and should not be taken as, an indication of our potential future practice on dividend payments. There is no assurance that dividends of such amount or any amount will be declared or distributed each year or in any year.

## FINANCIAL INFORMATION

### KEY FINANCIAL RATIOS

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

|  | Year ended 31 March |         | Three months<br>ended 30 June |
|--|---------------------|---------|-------------------------------|
|  | 2015                | 2016    | 2016                          |
| <b>Profitability ratios</b>            |                     |         |                               |
| Net profit margin <sup>(1)</sup>       | 10.5%               | 12.2%   | -5.0%                         |
| Return on equity <sup>(2)</sup>        | 103.5%              | 83.7%   | -37.7%                        |
| Return on total assets <sup>(3)</sup>  | 41.4%               | 50.0%   | -18.0%                        |
| <b>Liquidity ratios</b>                |                     |         |                               |
| Current ratio <sup>(4)</sup>           | 1.1                 | 1.8     | 1.4                           |
| Quick ratio <sup>(5)</sup>             | 1.0                 | 1.7     | 1.4                           |
| <b>Capital adequacy ratios</b>         |                     |         |                               |
| Gearing ratio <sup>(6)</sup>           | 52.3%               | 20.3%   | 51.8%                         |
| Interest coverage ratio <sup>(7)</sup> | 635.8               | 1,063.0 | N/A                           |

- (1) Net profit margin is calculated by dividing profit for the year/period by revenue and multiplying the resulting value by 100%.
- (2) For each of the years ended 31 March 2015 and 2016, return on equity is calculated by dividing profit for the year by total equity as at the end of year and multiplying the resulting value by 100%. For the three months ended 30 June 2016, return on equity is calculated by dividing profit for the period by total equity as at end of period, multiplying by 365/91, and then multiplying the resulting value by 100%.
- (3) For each of the years ended 31 March 2015 and 2016, return on total assets is calculated by dividing profit for the year by total assets as at the end of year and multiplying the resulting value by 100%. For the three months ended 30 June 2016, return on total assets is calculated by dividing profit for the period by total assets as at end of period, multiplying by 365/91, and then multiplying the resulting value by 100%.
- (4) Current ratio is calculated by dividing total current assets by total current liabilities.
- (5) Quick ratio is calculated by dividing total current assets (excluding inventories) by total current liabilities.
- (6) Gearing ratio is calculated by dividing total debt by total equity. Total debt is defined to include all payables incurred not in the ordinary course of business, which included bank borrowing, amount due to a director and amounts due to non-controlling shareholders of subsidiaries.
- (7) Interest coverage ratio is calculated by dividing profit before interest and taxation by finance costs and multiplying by 100%.

### Net profit margin

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



## FINANCIAL INFORMATION

Our net profit margin decreased from 12.2% for the year ended 31 March 2016 to -5.0% for the three months ended 30 June 2016 mainly as a result of the combined effect of the increase in listing expenses for the Listing and the increased amount of other operating expenses to promote our brand awareness and for our network expansion incurred during the period.

### **Return on equity**

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

Our return on equity decreased from 83.7% for the year ended 31 March 2016 to -37.7% for the three months ended 30 June 2016 primarily due to the decrease in net profit generated during the period.

The low equity balance of HK\$11.4 million as at 31 March 2015 was mainly due to the negative equity balance of HK\$0.2 million brought forward from the previous financial year. The equity balance as at 31 March 2015 was strengthened by the HK\$11.8 million profit recorded for the year ended 31 March 2015. Our negative equity balance as at 1 April 2014 was primarily attributable to the HK\$1.5 million accumulated losses brought forward due to: (i) prior to 1 April 2014, it was our practice to distribute substantial portion of our profit generated during the year to our then shareholders; and (ii) during the two years ended 31 March 2014, we opened six new shops which generally generated lower profit margin due to lower sales and higher startup operating cost in the initial stage, and the six new shops recorded accumulated losses as at 1 April 2014.

### **Return on total assets**

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

Our return on total assets decreased from 50.0% for the year ended 31 March 2016 to -18.0% for the three months ended 30 June 2016 mainly due to the decrease in net profit generated during the period and the higher asset base as at 30 June 2016.

### **Current ratio**

Our current ratio increased from 1.1 times as at 31 March 2015 to 1.8 times as at 31 March 2016. The increase in current ratio was mainly due to (i) the increase in bank balances and cash of HK\$4.4 million generated from our operating activities; and (ii) the decrease in amounts due to non-controlling shareholders of our subsidiaries of HK\$5.8 million for the year ended 31 March 2016.

## FINANCIAL INFORMATION

Our current ratio decreased from 1.8 times as at 31 March 2016 to 1.4 times as at 30 June 2016 mainly due to the increase in bank borrowing of HK\$4.5 million which was partially offset by the net increase in current assets of HK\$4.3 million mainly as a result of the combined effect of the increase in pledged bank deposits of HK\$10.0 million, the decrease in bank balances and cash of HK\$8.9 million and the increase in prepayments, deposits and other receivables of HK\$2.8 million.

### Quick ratio

Our quick ratio increased from 1.0 times as at 31 March 2015 to 1.7 times as at 31 March 2016 and decreased to 1.4 times as at 30 June 2016. The trend of our quick ratio was in line with our current ratio as disclosed as above.

### Gearing ratio

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

Our gearing ratio increased from 20.3% as at 31 March 2016 to 51.8% as at 30 June 2016 mainly due to the increase in bank borrowing of HK\$4.5 million during the three months ended 30 June 2016.

### Interest coverage ratio

Our interest coverage was 635.8 times and 1,063.0 times for the years ended 31 March 2015 and 2016, respectively. The high interest coverage was mainly due to our low finance costs during the Track Record Period. Our interest coverage was not relevant for the three months ended 30 June 2016 as we recorded loss before interest and taxation for the period.

## QUANTITATIVE AND QUALITATIVE ANALYSIS ABOUT MARKET RISKS

### Credit risk

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

### Liquidity risk

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

## FINANCIAL INFORMATION

### UNAUDITED PRO FORMA ADJUSTED COMBINED NET TANGIBLE ASSETS

The following is an illustrative statement of our unaudited pro forma adjusted combined net tangible assets and is prepared in accordance with paragraph 7.31 of the GEM Rules and is set out below to illustrate the effect of the Placing on our combined net tangible assets attributable to owners of our Company as at 30 June 2016 as if the Placing had taken place on that date.

|   | <b>Audited<br/>combined net<br/>tangible assets<br/>of the Group<br/>attributable to<br/>owners of our<br/>Company as at<br/>30 June 2016<sup>(1)</sup></b> | <b>Estimated net<br/>proceeds from<br/>the Placing<sup>(2)</sup></b> | <b>Unaudited pro<br/>forma adjusted<br/>combined net<br/>tangible assets<br/>of the Group<br/>attributable to<br/>owners of our<br/>Company</b> | <b>Unaudited pro<br/>forma adjusted<br/>combined net<br/>tangible assets<br/>of the Group<br/>attributable to<br/>owners of our<br/>Company per<br/>Share<sup>(3)</sup></b> |
|---|---|--|---|---|
|   | <i>HK\$'000</i>   | <i>HK\$'000</i>  | <i>HK\$'000</i>   | <i>HK\$</i>   |
| Based on the Placing Price of<br>HK\$0.27 per Share | 9,499   | 45,299   | 54,798  | 0.064   |
| Based on the Placing Price of<br>HK\$0.29 per Share | 9,499   | 49,599   | 59,098  | 0.069   |

*Notes:*

- (1) The audited combined net tangible assets of our Group attributable to owners of our Company as at 30 June 2016 is based on the combined net assets of our Group attributable to owners of our Company of approximately HK\$9,499,000 as extracted from the Accountants' Report set out in Appendix I to this Prospectus.
- (2) The estimated net proceeds from the Placing are based on 215,000,000 Shares at the Placing Price of HK\$0.27 and of HK\$0.29 being the low-end and the high-end of the stated placing price range, per Placing Share, after deduction of the underwriting fees and other related expenses payable by the Company (other than expenses already recognised in profit or loss up to 30 June 2016). It does not take into account of any Shares that may be issued pursuant to the exercise of any options granted or to be granted.
- (3) The unaudited pro forma adjusted combined net tangible assets of our Group attributable to owners of our Company per Share has been arrived at after making the adjustments referred to in this section and on the basis of a total of 860,000,000 Shares comprising 50,000 Shares in issue as at the date of this Prospectus and 859,950,000 shares to be issued pursuant to the Placing and Capitalisation Issue, all are assumed had been issued on 30 June 2016. It does not take into account of any Shares that may be issued pursuant to the exercise of any options granted or to be granted.
- (4) No adjustment has been made to the audited combined net tangible assets of our Group attributable to the owners of the Company as at 30 June 2016 to reflect any trading results or other transactions of our Group entered into subsequent to 30 June 2016.

### DISCLOSURE UNDER CHAPTER 17 OF THE GEM LISTING RULES

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

## FINANCIAL INFORMATION

### **NO MATERIAL ADVERSE CHANGE**

Our Directors confirm that, up to the Latest Practicable Date, there has been no material adverse change in our financial or trading position since 30 June 2016 and there is no event since 30 June 2016 which would materially affect the information shown in the Accountant's Report set out in Appendix I to the prospectus.

## **RELATIONSHIP WITH CONTROLLING SHAREHOLDERS**

### **OUR CONTROLLING SHAREHOLDERS**

Immediately following completion of the Placing and Capitalisation Issue (without taking into account any Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme), BVI Holdco will directly hold approximately 50.18% of the issued share capital of our Company. The entire issued share capital of BVI Holdco is held by Harneys Trustees Limited, which is the trustee of the Bar Pacific Trust. Bar Pacific Trust is a trust established by Ms. Tse as settlor on 25 March 2014 for the benefit of herself and her daughter, namely Ms. Chan Tsz Kiu, Teresa. Pursuant to the deed of settlement dated 25 March 2014 in respect of the Bar Pacific Trust, Ms. Chan Ching Mandy, who is the sister of Chan Wai, is the protector of the Bar Pacific Trust, and Harneys Trustees Limited is required to exercise the voting rights in any company the fund of the Bar Pacific Trust is invested in accordance with the joint written instruction from the protector (i.e. Ms. Chan Ching Mandy) and the settlor (i.e. Ms. Tse) of the Bar Pacific Trust.

For the purpose of the GEM Listing Rules, BVI Holdco, Ms. Tse and Ms. Chan Ching Mandy are the Controlling Shareholders of our Company.

### **INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS**

Other than the de minimis continuing connected transaction between our Group and Ms. Tse for licence of premises for our operation of a bar, details of which are set out in the section headed “Connected Transactions” in this prospectus, our Directors do not expect that there will be any significant transactions between our Group and our Controlling Shareholders upon or shortly after the Listing.

Our Group is capable of carrying on our business independently from and does not place undue reliance on our Controlling Shareholders and their respective close associates, taking into consideration the following factors:

#### **Management independence**

Our Board comprises two executive Directors and three independent non-executive Directors.

Each of our Directors is aware of his/her fiduciary duties as a Director which require, among other things, that he/she acts for the benefit and in the best interests of our Company and that no conflict between his/her duties as a Director and his/her personal interest would be allowed. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Director(s) or their respective close associate(s), the interested Director(s) shall abstain from voting at the relevant board meeting(s) of our Company in respect of such transactions and shall not be counted towards the quorum.

Three of the members of our Board are independent non-executive Directors who have extensive experience in different areas or are professionals, and they have been appointed pursuant to the requirements under the GEM Listing Rules to ensure that the decisions of our Board are made only after due consideration of independent and impartial opinions.

## **RELATIONSHIP WITH CONTROLLING SHAREHOLDERS**

Furthermore, our Board's main functions include devising and approving the overall business plans and strategies of our Group, monitoring the implementation of our Group's policies and strategies and taking into account the reports and advice of the senior management of our Group. In addition, the Company has an independent senior management team to carry out the business decisions of the Group independently.

Having considered the above factors, our Directors are of the view that they are able to carry out the business decisions of our Group independently and to perform their relevant roles independently of our Controlling Shareholders and their respective associates after the Listing.

### **Operational independence**

The operations of our Group are independent of and not connected with our Controlling Shareholders and their respective close associates. Our Group has established our own set of organisational structure made up of individual divisions, each with specific areas of responsibilities, including corporate development, sales and marketing, administration, finance and accounting.

During the Track Record Period and up to the Latest Practicable Date, our Group had independent access to suppliers of our Group for our business operations and all of our customers are Independent Third Parties. The continuing connected transaction between our Group and Ms. Tse for licence of premises for our operation of a bar, details of which are set out in the section headed "Connected Transactions" in this prospectus, is on normal commercial terms and constitutes de minimis continuing connected transaction of the Company. Save as the above, all of the operating subsidiaries of our Company hold the necessary assets and equipment for the operation of the Group.

Our Directors are of the view that there is no operational dependence on our Controlling Shareholders or any of their respective close associates.

### **Financial independence**

Our Group has an independent financial system, and makes financial decisions according to our own business needs. We have sufficient capital to operate our business independently, and adequate internal resources and a strong credit profile to support our daily operations.

During the Track Record Period, Ms. Tse has provided personal guarantees in favour of the landlords of certain premises leased to our Group for our shops under the relevant tenancy agreements. The aforesaid guarantees given by Ms. Tse have been released as at the Latest Practicable Date. In April 2016, Ms. Tse has provided guarantee in respect of the obligations of Hacienda International Corporation Limited under a banking facilities agreement of HK\$8 million. Our Directors confirmed that the aforesaid guarantee given by Ms. Tse for the banking facilities will be released upon Listing. In addition, as at 30 June 2016, we had an amount of approximately HK\$4,169,000 due to Ms. Tse. Our Directors confirmed that such amount will be fully settled prior to Listing.

As such, upon Listing, our Group will have independent access to third party financing without relying on any guarantee from its Controlling Shareholders or their respective associates. All loans and advances due from/to the Controlling Shareholders or their respective associates will be fully settled before Listing.

## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Our Directors are of the view that our Group is able to obtain external financing on market terms and conditions for its business operations as and when required and is not financially dependent on our Controlling Shareholders or any of their respective close associates.

### RULE 11.04 OF THE GEM LISTING RULES

Our Controlling Shareholders, our Directors and their respective close associates do not have any interest in a business apart from our business which competes or is likely to compete, directly or indirectly, with our business and would require disclosure under Rule 11.04 of the GEM Listing Rules.

### DEED OF NON-COMPETITION

Ms. Chan Ching Mandy, Ms. Tse and BVI Holdco (each the “**Covenantor**”, and collectively, the “**Covenantors**”) entered into the Deed of Non-competition with an aim to avoid any possible future competition between our Group and each of the Covenantors. Pursuant to the Deed of Non-competition, each of the Covenantors has irrevocably and unconditionally undertaken and covenanted with our Company (for itself, and for the benefit of its subsidiaries) that, among other things, during the period that the Deed of Non-competition remains effective, she/it shall, and shall procure her/its close associates and/or companies controlled by her/it shall not, directly or indirectly, be interested, involved or engaged, or acquire or hold any right or interest, in any business which competes or is likely to compete with the existing business engaged by our Group including but not limited to operation of bar from time to time, save for the holding of not more than 5% of shareholding interest (individually or with her/its close associates) in any company listed on a recognised stock exchange, and she/it or her/its close associates are not entitled to appoint a majority of the directors or management of that company.

Each of the Covenantors has further undertaken and covenanted that if she/it and/or her/its close associates is aware of any project, or new business opportunity, that may compete with the business or our Group (the “**New Opportunity**”), she/it shall, and shall procure her/its close associates to, among other things:

- a. refer the New Opportunity to the Company and notify the Company in writing within 7 business days after becoming aware of the New Opportunity, and promptly provide such information as is reasonably required by the Company or the independent non-executive Directors in order to enable the Company and/or the independent non-executive Directors to come to an informed assessment of the New Opportunity;
- b. grant a right of first refusal to the Group to take up the New Opportunity, and the Group shall, within a period of 6 months after receipt of the written notice (or such longer period if the Group is required to complete any approval procedures as set out or required under the GEM Listing Rules from time to time), notify the Covenantors if the Group shall exercise such right of first refusal, and the Company shall only exercise such right of first refusal upon the approval of all the independent non-executive Directors (who do not have any interest in the New Opportunity);
- c. abstain from participating in and voting at, and not be counted as quorum at, all meetings of the Board of Directors where there is a conflict of interest or potential conflict of interest for considering whether or not to exercise the right of first refusal; and

## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

- d. be entitled to pursue the New Opportunity only if she/it or her/its close associates has received a notice from the Company declining the New Opportunity.

Our Company shall adopt the following procedures to ensure that the provisions of the Deed of Non-competition are observed at all times:

- a. our independent non-executive Directors shall review, on an annual basis, the compliance with the above undertakings by the Covenantors, including all decisions taken in the year on whether to pursue a New Opportunity in accordance with the Deed of Non-competition, and evaluate the effective implementation of the terms and conditions of the Deed of Non-competition; and
- b. each of the Covenantors shall further undertake and covenant with our Company that:
  - i. for so long as the Deed of Non-competition remains in effect, she/it shall promptly provide our Company with such information as our Company may from time to time reasonably request to ascertain compliance by the Covenantors of her/its obligations under the Deed of Non-competition; and
  - ii. if requested by our Company, she/it shall issue a letter to our Company, confirming her/its and her/its close associates' full compliance with the relevant terms and conditions of the Deed of Non-competition, and consenting to our Company's disclosure of the contents of such letter in the annual report of our Company, and/or such other documents as otherwise published by our Company.

The terms and conditions of the Deed of Non-competition are conditional on, and take effect upon, the Listing.

The Deed of Non-competition shall terminate on the earliest date on which: (i) our Company becomes wholly-owned by the Covenantors and/or their respective associated (whether individually or collectively); or (ii) the securities of our Company cease to be listed on the Stock Exchange, or any other stock exchange recognised under the SFO.

## CORPORATE GOVERNANCE MEASURES

Our Company will adopt the following corporate governance measures to avoid potential conflict of interests and safeguard the interests of our Shareholders:

- (a) compliance with the GEM Listing Rules, in particular, strictly observe any proposed transactions between us and our Connected Person(s) and comply with the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules where applicable;
- (b) appointment of LY Capital Limited as our compliance adviser to advise us on the compliance matters in respect of the GEM Listing Rules and applicable laws and regulations;
- (c) our independent non-executive Directors will be responsible for considering and deciding as to whether to pursue or decline the Business Opportunity;



## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

- (d) our Controlling Shareholders undertake to provide all details reasonably necessary for our Company to consider whether to pursue such Business Opportunity, and in the event that there is any material change in the nature, terms or conditions of such Business Opportunity, our Controlling Shareholders shall refer such Business Opportunity to our Company as if it were a new Business Opportunity;
- (e) if appropriate, our independent non-executive Directors may appoint independent financial advisers to assist in the decision-making process in relation to such Business Opportunity;
- (f) our Controlling Shareholders undertake to provide all information necessary for the annual review by our independent non-executive Directors in respect of the compliance with the Deed of Non-competition;
- (g) our independent non-executive Directors will review, on an annual basis, the compliance of our Controlling Shareholders with the Deed of Non-competition, in particular the right of refusal relating to any Business Opportunity and our Company will disclose decisions on matters reviewed by the independent non-executive Directors relating to the compliance with and enforcement of the Deed of Non-competition in our annual report or by way of announcement to public; and
- (h) adoption of the Articles which provide that a Director shall abstain himself/herself from participating in Board meetings (nor he/she be counted towards the quorum) and from voting on any resolutions of the Board in relation to any contract or arrangement or other proposal in which he/she or any of his/her associates is materially interested.

## CONNECTED TRANSACTIONS

Our Group has entered into the following transactions with connected persons and will continue to carry out such transactions upon Listing. Such transaction will therefore constitute continuing connected transactions of our Group under Chapter 20 of the GEM Listing Rules.

### **LICENCE AGREEMENT BETWEEN MS. TSE AND BAR PACIFIC XXII INTERNATIONAL LIMITED**

On 30 April 2016, Ms. Tse as tenant entered into a tenancy agreement (“**Tenancy Agreement**”) with an Independent Third Party as landlord for the operation of shop XXII of our Group at Shop No. D on G/F & Cockloft, Kwai Lok Building, No.81 Wing Feng Road, Kwai Chung, New Territories, Hong Kong. The term of the Tenancy Agreement is from 1 August 2016 to 31 July 2018 at a monthly rent of HK\$60,000.

As the landlord was only willing to enter into the Tenancy Agreement with an individual instead of a corporation as the tenant of the said premises, Ms. Tse entered into a licence agreement (as the licensor) (“**Licence Agreement**”) with Bar Pacific XXII International Limited, one of the subsidiaries of our Company (as the licensee) on 23 September 2016 for a term commencing from 23 September 2016 to 31 July 2018 at a monthly licence fee of HK\$60,000, which is payable exclusive of other outgoings and in advance on the first day of each calendar month, so that Bar Pacific XXII International Limited can use the premises for operating the shop.

Since the percentage ratio under the GEM Listing Rules in respect of the transaction under the Licence Agreement is expected to be less than 5% and the consideration is expected to be less than HK\$3 million, the transaction constitutes de minimis transaction which will be fully exempt from the shareholders’ approval, annual review and all disclosure requirements under Rule 20.74 of the GEM Listing Rules.

### **PERSONAL GUARANTEE PROVIDED BY A CONNECTED PERSON**

During the Track Record Period, Mr. Chan Darren Chun-Yeung, our executive Director, had entered into a guarantee in favour of the landlord in relation to the premises leased from an Independent Third Party for one of our shops, particulars of which are set out below:

| <b>Guarantor</b>              | <b>Premises</b>   | <b>Tenant</b>                                 | <b>Term</b>                              |
|-------------------------------|---|---|--|
| Mr. Chan Darren<br>Chun-Yeung | G/F 19 Wo Tai Street,<br>Luen Wo Market,<br>Fanling,<br>the New Territories,<br>Hong Kong | Bar Pacific LXIII<br>International<br>Limited | 10 September 2016 to<br>9 September 2022 |

As the guarantee is provided by a connected person of the Company for the benefit of our Group on normal commercial terms and no counter guarantee, indemnity or security over the assets of our Group is provided in respect of the guarantee, the above transaction is a fully exempt continuing connected transaction pursuant to Rule 20.88 of the GEM Listing Rules.

## SHARE CAPITAL

The share capital of our Company immediately following completion of the Placing and Capitalisation Issue is set out in the table below. The table is prepared on the basis of the Placing becoming unconditional and the issue of Placing Shares and Capitalisation Issue pursuant thereto is made as described herein. It takes no account of any Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme or of any Shares which may be allotted and issued or repurchased by our Company under the general mandates for the allotment and issue or repurchase of Shares granted to the Directors as referred to below or otherwise.

|  |  |                    |
|--|--|--------------------|
| <i>Authorised share capital:</i>   |  | <i>HK\$</i>        |
| <u>10,000,000,000</u>  | Shares   | <u>100,000,000</u> |
| <br><i>Issued and to be issued, fully paid or credited as fully paid upon completion of the Placing and Capitalisation Issue</i> |  |                    |
|  |  | <i>HK\$</i>        |
| 50,000   | Shares in issue as at the date of this prospectus        | 500                |
| 644,950,000  | Shares to be issued pursuant to the Capitalisation Issue | 6,449,500          |
| <u>215,000,000</u>   | Placing Shares to be issued pursuant to the Placing      | <u>2,150,000</u>   |
| <u>860,000,000</u>   | Shares   | <u>8,600,000</u>   |

### MINIMUM PUBLIC FLOAT

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at least 25% of the total issued share capital of our Company must at all times be held by the public. The 215,000,000 Placing Shares represent 25% of the issued share capital of our Company upon Listing.

### RANKING

The Placing Shares will rank in pari passu in all respects with all the Shares now in issued or to be allotted and issued as mentioned in this prospectus save for the entitlement under the Capitalisation Issue and will qualify for all dividends or other distributions declared made or paid on the Shares in respect of a record date which falls after the Listing Date.

### SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme, the major terms of which are set out in the paragraph headed “D. Share Option Scheme” in Appendix IV to this prospectus.

### GENERAL MANDATE TO ISSUE SHARES

Subject to the Placing becoming unconditional, the Directors have been granted a general unconditional mandate to allot, issue and deal with the Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such securities convertible into Shares, and to make or grant offers, agreements or options which might acquire such Shares to be allotted and issued

## SHARE CAPITAL

or dealt with subject to the requirement that the aggregate nominal value of the Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued (otherwise than pursuant to a rights issue, or scrip dividend scheme or similar arrangements, or a specific authority granted by the Shareholders) shall not exceed:

- (a) 20% of the aggregate nominal value of the share capital of our Company in issue immediately following the completion of the Placing and the Capitalisation Issue (not including Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme); and
- (b) the aggregate nominal value of the share capital of our Company repurchased by our Company (if any) pursuant to the general mandate to repurchase Shares referred to in the paragraph headed “General Mandate to Repurchase Shares” below.

This mandate does not cover Shares to be allotted, issued or dealt with under a rights issue or pursuant to the exercise of the options which may be granted under the Share Option Scheme. This general mandate to issue Shares will remain in effect until the earliest of:

- (a) the conclusion of the next annual general meeting of our Company;
- (b) the expiration of the period within which the next annual general meeting of our Company is required by the Memorandum and the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or
- (c) the time when such mandate is revoked or varied by an ordinary resolution of the Shareholders in general meeting.

For further details of this general mandate, please refer to the sub-paragraph headed “Written shareholders’ resolutions of the Company passed on 17 December 2016” under the paragraph “A. Further information about the Company” in Appendix IV to this prospectus.

### **GENERAL MANDATE TO REPURCHASE SHARES**

Subject to the Placing becoming unconditional, the Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares with an aggregate nominal value of not more than 10% of the aggregate nominal value of the share capital of our Company in issue following the completion of the Placing and the Capitalisation Issue (without taking into account any Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme).

This mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, and such repurchases are made in accordance with all applicable laws and the requirements of the GEM Listing Rules. A summary of the relevant GEM Listing Rules is set out in the paragraph headed “A. Further information about the Company — 6. Repurchase of the Shares by the Company” in Appendix IV to this prospectus.

## SHARE CAPITAL

The general mandates to issue and repurchase Shares will remain in effect until the earliest of:

- (a) the conclusion of the next annual general meeting of our Company;
- (b) the expiration of the period within which the next annual general meeting of our Company is required by the Memorandum and the Articles or the Companies Law or any other applicable law of the Cayman Islands to be held; or
- (c) the time when such mandate is revoked or varied by an ordinary resolution of the Shareholders in general meeting.

For further details of this general mandate, please refer to the paragraph “A. Further information about the Company — 6. Repurchase of the Shares by the Company” in Appendix IV to this prospectus.

### **CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED**

The circumstances under which general meeting and class meeting are required are provided in the Articles of Association. For details, please see the section headed “2. Articles of Association” in Appendix III to this prospectus.

## SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, the following persons shall, immediately following the completion of the Placing and the Capitalisation Issue (without taking into account any Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme), have an interest or short position in the Shares, or underlying Shares, which would fall to be disclosed to our Company under provisions of Divisions 2 and 3 of Part XV of the SFO, or who shall, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Group:

| Name                                       | Nature of Interest                  | No. of Shares | Approximate percentage of shareholding |
|--|-------------------------------------|---------------|--|
| BVI Holdco <sup>(Note)</sup>               | Beneficial owner                    | 431,543,700   | 50.18%                                 |
| Harneys Trustees Limited <sup>(Note)</sup> | Trustee (other than a bare trustee) | 431,543,700   | 50.18%                                 |
| Ms. Tse <sup>(Note)</sup>                  | Beneficiary of a trust              | 431,543,700   | 50.18%                                 |
| Ms. Chan Tsz Kiu Teresa <sup>(Note)</sup>  | Beneficiary of a trust              | 431,543,700   | 50.18%                                 |
| Ms. Chan Ching Mandy                       | Interest of controlled corporation  | 431,543,700   | 50.18%                                 |
| BP Sharing Limited                         | Beneficial owner                    | 173,143,800   | 20.13%                                 |

*Note:* Immediately following the completion of the Placing and the Capitalisation Issue, BVI Holdco holds 431,543,700 Shares, representing approximately 50.18% of the share capital of the Company. The sole shareholder of BVI Holdco is Harneys Trustees Limited, the trustee of the Bar Pacific Trust, of which Ms. Tse and her daughter, namely Ms. Chan Tsz Kiu Teresa, are beneficiaries. Pursuant to the deed of settlement dated 25 March 2014 in respect of the Bar Pacific Trust, Ms. Chan Ching Mandy is the protector of the Bar Pacific Trust, and Harneys Trustees Limited is required to exercise the voting rights in any company the fund of the Bar Pacific Trust is invested in accordance with the joint written instruction from the protector (i.e. Ms. Chan Ching Mandy) and the settlor (i.e. Ms. Tse) of the Bar Pacific Trust. Each of Harneys Trustees Limited, Ms. Tse, Ms. Chan Tsz Kiu Teresa and Ms. Chan Ching Mandy is deemed to be interested in the Shares held by BVI Holdco under the SFO.

Save as disclosed in this section, our Directors are not aware of any person(s) who, immediately following completion of the Placing and the Capitalisation Issue (without taking into account any Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme), shall have an interest or a short position in the Shares, or underlying Shares, which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or shall be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Group, and are, therefore, regarded as Substantial Shareholders under the GEM Listing Rules.

## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

### DIRECTORS

The Board consists of five Directors, among which there are two executive Directors and three independent non-executive Directors. Our Directors and senior management are involved in the day-to-day management of our business. The following table sets forth certain information in respect of our Directors:

| Name                   | Age | Time of joining our Group | Date of appointment as Director | Position                           | Brief description of roles and responsibilities   |
|------------------------|-----|---------------------------|---------------------------------|------------------------------------|---|
| Tse Ying Sin Eva       | 45  | August 1999               | 2 June 2016                     | Chairlady, CEO, executive Director | Formulating the overall business strategy and planning; overseeing the Group's performance generally; leading and representing the Group in negotiation with potential business partners                |
| Chan Darren Chun-Yeung | 35  | October 2014              | 2 June 2016                     | Executive Director                 | Overseeing the management of the Group's finance, accounting & company secretarial matters  |
| Tang Wing Lam David    | 60  | December 2016             | 17 December 2016                | Independent non-executive Director | Overseeing the Group's compliance, internal control, corporate governance, but not participating in the day-to-day management of the Group's business operation   |
| Chin Chun Wing         | 38  | December 2016             | 17 December 2016                | Independent non-executive Director | Chairman of the remuneration committee, overseeing the Group's compliance, internal control, corporate governance, but not participating in the day-to-day management of the Group's business operation |
| Yung Wai Kei           | 34  | December 2016             | 17 December 2016                | Independent non-executive Director | Chairman of the audit committee, overseeing the Group's compliance, internal control, corporate governance, but not participating in the day-to-day management of the Group's business operation        |

## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

### Executive Directors

**Ms. Tse Ying Sin Eva (謝熒倩)**, aged 45, is our Chairlady, CEO and executive Director. Ms. Tse is responsible for formulating the overall business strategy and planning, overseeing the Group's performance generally and leading and representing the Group in negotiation with potential business partners. Ms. Tse took her secondary education in Hong Kong from 1984 to 1985 and in Canada from 1987 to 1992. Afterwards, Ms. Tse joined our Group in August 1999 and has been a director of a number of subsidiaries of our Group. Ms. Tse is currently a director of Hacienda International Corporation Limited (希斯達國際有限公司), Tank Success International Limited (騰昇國際有限公司), Bar Pacific Entertainment Limited (太平洋娛樂有限公司) and the operating subsidiaries of the Group.

**Mr. Chan Darren Chun-Yeung (陳振洋)**, aged 35, is our executive Director. Mr. Chan is responsible for overseeing the management of the Group's finance, accounting and company secretarial matters. Mr. Chan joined our Group since October, 2014 as accounting manager. Mr. Chan obtained a Bachelor of Commerce degree from University of British Columbia in Canada in May 2006. Mr. Chan is also a Practising Member of the Hong Kong Institute of Certified Public Accountant. Mr. Chan has 10 years of experience in accounting.

Before joining our Group, Mr. Chan worked in Deloitte Touche Tohmatsu as an auditor from September 2006 to September, 2008 and as a senior auditor from October 2008 to January 2013, during which he was involved in various projects of large publicly listed multi-national companies. In April 2013, Mr. Chan joined Milon Wine (Hong Kong) Company Limited, a subsidiary of Midea Group (listed on the Shenzhen Stock Exchange; stock code 000333) as finance manager. Throughout the years, Mr. Chan has extensive exposure in the accounting field including areas such as audit, tax and consulting and financial advisory.

The Directors and the Sponsor are in the view that Mr. Chan is competent as a Director as Mr. Chan joined our Group since October 2014 and through the performance of his duties, has gained a comprehensive understanding on the operation of our Group. He also possesses the desirable personal characteristics and working experience to be a Director.

Save as disclosed in this prospectus, each of our executive Directors has confirmed that (i) he/she has no interests in the Shares within the meaning of Part XV of the SFO, (ii) he/she is independent from, and is not related to, any other Directors, members of senior management, Substantial Shareholders or Controlling Shareholders, (iii) he/she has not held any directorship in any other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years, and (iv) there is no other information which is required to be disclosed pursuant to any of the requirements under Rules 17.50(2)(h) to 17.50(2)(v) of the GEM Listing Rules nor are there any matters which need to be brought to the attention of the Shareholders in connection with his/her appointment.

### Independent non-executive Directors

**Mr. Tang Wing Lam David (鄧榮林)**, aged 60, is our independent non-executive Director appointed by our Company on 17 December 2016. Mr. Tang obtained a diploma in Sociology from Hong Kong Baptist College in June 1983. Mr. Tang obtained a Master degree of Arts in Management Systems from University of Hull in the United Kingdom in December 1988. Mr. Tang subsequently obtained a Bachelor degree of laws from University of Wolverhampton in United Kingdom in October



## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

1994 by attending the Distance Learning Program and the Postgraduate Certificate in Laws from City University of Hong Kong in August 1996. Mr. Tang is currently a practicing solicitor in Hong Kong. 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 till the date of this Prospectus, Mr. Tang became a limited liability partner of Fung, Wong, Ng & Lam LLP Solicitors (formerly known as “Fung, Wong, Ng & Lam, Solicitors & Notaries”). Mr. Tang has about 17 years of legal experience in Hong Kong.

**Mr. Chin Chun Wing (錢雋永)**, aged 38, is our independent non-executive Director appointed by our Company on 17 December 2016. 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 salesman. From August 2006 to August 2009, Mr. Chin worked in Grand Bar & Lounge as director. Since March 2007, Mr. Chin has been and is the director of Hong Kong Cocktail School. Since November 2008, Mr. Chin has been and is the vice chairman of Hong Kong Bar & Club Association. Mr. Chin has more than 9 years of experience in the beverage industry in Hong Kong.

**Mr. Yung Wai Kei (容偉基)**, aged 34, is our independent non-executive Director appointed by our Company on 17 December 2016. Mr. Yung obtained a Bachelor degree of Business Administration from Hong Kong Baptist University (香港浸會大學) in Hong Kong in November 2004, majoring in Applied Economics. Mr. Yung is currently a full member of the Association of Chartered Certified Accountants. From June 2004 to September 2005, Mr. Yung worked in AIP Partners C.P.A. Limited as audit junior. From October 2005 to January 2008, Mr. Yung was employed by Jimmy C.H. Cheung & Co., CPA as audit intermediate. From July 2008 to November 2008, Mr. Yung worked in Ronald Ng & Company Limited, CPA as audit senior. After his departure from Ronald Ng & Company Limited, Mr. Yung worked in W.Y. Lam & Co., CPA (formerly known as W.Y. Lam & Dominic Chan & Co.), as assistant manager from December 2008 to January 2012. Since December 2012 till now, Mr. Yung joined Alpha Partners, CPA as audit manager. Mr. Yung has over 10 years of external audit experience in Hong Kong.

Save as disclosed in this prospectus, each of our independent non-executive Directors has confirmed that (i) he has no interests in the Shares within the meaning of Part XV of the SFO, (ii) he is independent from, and is not related to, any other Directors, members of senior management, Substantial Shareholders or Controlling Shareholders, (iii) he has not held any directorship in any other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years, and (iv) there is no other information which is required to be disclosed pursuant to any of the requirements under Rules 17.50(2)(h) to 17.50(2)(v) of the GEM Listing Rules nor are there any matters which need to be brought to the attention of the Shareholders in connection with his/her appointment.

## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

### SENIOR MANAGEMENT

| Name             | Age | Time of joining our Group  | Date of appointment as senior management | Position                | Brief description of roles and responsibilities   |
|------------------|-----|--|--|-------------------------|---|
| Pan Mui Lie      | 39  | August 2003<br>(left in March 2013 and rejoined in October 2015) | 16 October 2015                          | Chief Operation Manager | Overseeing the day-to-day operation; assessing the performance of frontline staff and formulating training standard and guidance to frontline staff |
| Au Siu Lun       | 38  | April 2005   | 7 February 2006                          | District Manager        | Daily operation of the shops, staff coordination, staff training and execution of sales proposal  |
| Chan Ting        | 27  | April 2009   | 1 September 2011                         | District Manager        | Daily operation of the shops, staff coordination, staff training and execution of sales proposal  |
| Poon Suet Hung   | 38  | January 2007   | 3 January 2007                           | District Manager        | Daily operation of the shops, staff coordination, staff training and execution of sales proposal  |
| Leung Ching Ming | 34  | March 2014   | 5 September 2015                         | Operation Supervisor    | Daily operation of the shops  |

**Ms. Pan Mui Lie (范美麗)**, aged 39, joined our Group since August 2003 for more than 9 years and subsequently rejoined our Group in October 2015. Ms. Pan is currently appointed as chief operation manager of our Group, responsible for overseeing the day-to-day operation; assessing the performance of frontline staff and formulating training standard and guidance to frontline staff of our Group. From August 2003 to March 2013, Ms. Pan worked in Tank Success International Limited (騰昇國際有限公司) as district manager. In October 2015, Ms. Pan rejoined our Group as chief operation manager. Ms. Pan has over 10 years of experience in the food and beverage industry.

**Mr. Au Siu Lun (區兆倫)**, aged 38, joined our Group since April 2005 and was appointed as shop manager, responsible for the daily operation of the shops, handling enquiries and complaints of customers, coordinating staff, providing training for staff and planning and executing sales proposal of the bars. Mr. Au has over 10 years of experience in the bar industry. Currently, Mr. Au is one of the district managers of our Group.

**Ms. Chan Ting (陳婷)**, aged 27, was appointed as part-time waitress in April 2009, and as full-time waitress in July 2009, responsible for daily operation of the shops. Ms. Chan obtained a certificate in hosting and broadcasting from Communication University of China in January 2008. In September 2011, Ms. Chan was appointed as district manager of the Group, responsible for the daily operation of the shops, handling enquiries and complaints of customers, coordinating staff, providing training for staff and planning and executing sales proposal of the bars. Ms. Chan has more than 7 years of experience in the bar industry. Currently, Ms. Chan is one of the district managers of our Group.

## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

**Ms. Poon Suet Hung** (潘雪紅), aged 38, joined our Group since January 2007 and was appointed as waitress responsible for the daily operation of the shops, handling enquiries and complaints of customers, coordinating staff, providing training for staff and planning and executing sales proposal of the bars. Ms. Poon has over 9 years of experience in the food and beverage industry. Currently, Ms. Poon is one of the district managers of our Group.

**Ms. Leung Ching Ming** (梁靜明), aged 34, joined our Group since March 2014 and was appointed as Operation Clerk of our Group. Ms. Leung obtained the Certificate in Food Hygiene for Hygiene Supervisor from the Hong Kong Productivity Council in July 2006. In January 2011, Ms. Leung obtained the Level 2 Award in Food Safety in Catering from the Chartered Institute of Environmental Health. Ms. Leung obtained Basic Food Hygiene Certificate for Hygiene Managers in March 2011 from the School of Continuing and Professional Education of the City University of Hong Kong in Hong Kong. From March 2006 to May 2008, Ms. Leung worked in Baab Limited as server, senior server and supervisor, and as a Manager Candidate from August 2008 to April 2009. From May, 2009 to December 2009, Ms. Leung worked in Pizza Box as associate manager. Ms. Leung returned to Baab Limited and performed various roles, including supervisor, assistant manager, restaurant manager and area manager during the period between December 2009 and September 2013. After that, Ms. Leung joined our Group in March 2014. Currently, Ms. Leung is the operation supervisor of our Group.

### COMPANY SECRETARY

Mr. Chan Darren Chun-Yeung is the company secretary of our Company. For his biographical details, please refer to the paragraph headed “Directors — Executive Directors” in this section.

### COMPLIANCE OFFICER

Mr. Chan Darren Chun-Yeung is the compliance officer of our Company. For his biographical details, please refer to the paragraph headed “Directors — Executive Directors” in this section.

### COMPLIANCE ADVISER

In accordance with Rule 6A.19 of the GEM Listing Rules, our Company has appointed LY Capital Limited as our compliance adviser, who will have access to all relevant records and information relating to our Company that it may reasonably require to properly perform its duties. Pursuant to Rule 6A.23 of the GEM Listing Rules, the Company must consult with and, if necessary, seek advice from the compliance adviser on a timely basis in the following circumstances:

- (i) before the publication of any regulatory announcement, circular or financial report;
- (ii) where a transaction, which might be a notifiable or connected transaction, is contemplated by our Company, including share issues and share repurchases;
- (iii) where our Company proposes to use the proceeds of the Placing in a manner different from that detailed in this prospectus or where the business activities, developments or results of our Company deviate from any forecast, estimate (if any) or other information in this prospectus; and

## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

- (iv) where the Stock Exchange makes an inquiry of our Company under Rule 17.11 of the GEM Listing Rules.

The terms of appointment shall commence on the Listing Date and end on the date on which our Company complies with Rule 18.03 of the GEM Listing Rules in respect of its financial results for the second full financial year commencing after the Listing Date, that is, the distribution of our Company's annual report of its financial results for the year ending 31 March 2019, or until the agreement is terminated, whichever is the earlier.

### **BOARD COMMITTEES**

The Board has established the Audit Committee, the Remuneration Committee and the Nomination Committee.

#### **Audit committee**

Our Company established the Audit Committee pursuant to a resolution of the Directors passed on 17 December 2016 in compliance with Rule 5.28 of the GEM Listing Rules. Written terms of reference in compliance with paragraph C.3.3 of the Corporate Governance Code has been adopted. Among other things, the primary duties of the Audit Committee are to make recommendations to the Board on appointment or reappointment and removal of external auditor; review financial statements of our Company and judgments in respect of financial reporting; and oversee the effectiveness of the procedures of the internal control of our Group. The Audit Committee consists of three independent non-executive Directors, namely Mr. Tang Wing Lam David, Mr. Chin Chun Wing and Mr. Yung Wai Kei. Mr. Yung Wai Kei is the chairman of the Audit Committee.

#### **Remuneration committee**

Our Company established the Remuneration Committee on 17 December 2016 pursuant to a resolution in compliance with Rule 5.34 of the GEM Listing Rules with written terms of reference in compliance with paragraph B.1.2 of the Corporate Governance Code. The primary duties of the Remuneration Committee are to make recommendation to the Board on the overall remuneration policy and structure relating to all Directors, senior management and general staff of the Group and ensure that none of the Directors or any of their associates determine their own remuneration. The Remuneration Committee consists of three members, namely Mr. Chin Chun Wing, Ms. Tse Ying Sin Eva and Mr. Yung Wai Kei. Mr. Chin Chun Wing is the chairman of the Remuneration Committee.

#### **Nomination committee**

Our Company established the Nomination Committee on 17 December 2016 with written terms of reference in compliance with paragraph A.5.2 of the Corporate Governance Code. The primary duties of the Nomination Committee are to review the structure, size and composition of the Board annually; identify individuals suitably qualified to become Board members; assess the independence of independent non-executive Directors; and make recommendations to the Board on relevant matters relating to appointment or reappointment of Directors. The Nomination Committee consists of three members, namely Mr. Chin Chun Wing, Ms. Tse Ying Sin Eva and Mr. Yung Wai Kei. Ms. Tse Ying Sin Eva is the chairman of the Nomination Committee.

## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

### CORPORATE GOVERNANCE

Our Directors recognise the importance of good corporate governance in management and internal procedures so as to achieve effective accountability. Our Company's corporate governance practices are based on principles and code provisions as set out in the Corporate Governance Code contained in Appendix 15 to the GEM Listing Rules (the "**Corporate Governance Code**"). Except for the deviation from paragraph A.2.1 of the Corporate Governance Code as stated below, our Company's corporate governance practices have complied with the Corporate Governance Code.

Paragraph A.2.1 of the Corporate Governance Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Ms. Tse is the Chairlady and the chief executive officer of our Company. Considering that Ms. Tse has been operating and managing our Group for the Track Record Period, the Board believes that it is in the best interest of our Group to have Ms. Tse taking up both roles for effective management and business development. Therefore, the Board considers that the deviation from paragraph A.2.1 of the Corporate Governance Code is appropriate in such circumstance.

### DIRECTORS AND SENIOR MANAGEMENT'S REMUNERATION

The aggregate amount of fees, salaries, contributions to pension schemes, housing and other allowances, benefits in kind and discretionary bonuses paid to the Directors for the years ended 31 March 2015 and 31 March 2016 and the three months ended 30 June 2016 were approximately HK\$490,000, HK\$813,000 and HK\$200,000, respectively.

Our Group's five highest paid individuals included one Director. Excluding that Director, the aggregate amount of fees, salaries, contributions to pension schemes, housing and other allowances, benefits in kind and discretionary bonuses paid to the remaining four highest paid individuals for the years ended 31 March 2015 and 31 March 2016 and the three months ended 30 June 2016 were approximately HK\$1,485,000, HK\$1,905,000 and HK\$453,000 respectively.

During the Track Record Period, no compensation was paid to, or receivable by, our Directors, past directors or our Group's five highest paid individuals for the loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group. During the Track Record Period, no emolument was paid to, or receivable by, our Directors or our Group's five highest paid individuals as an inducement to join or upon joining our Group. During the Track Record Period, none of our Directors had waived or agreed to waive any emolument.

Except as disclosed above, no other payments of remuneration have been made, or are payable, in respect of the Track Record Period, by our Group to or on behalf of any of our Directors.

For additional information on our Directors' remuneration during the Track Record Period as well as information on the highest paid individuals, please refer to note 11 in the Accountant's Report set out in Appendix I to this prospectus.

## **DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES**

### **EMPLOYEES**

As at the Latest Practicable Date, our Group had 294 employees. For details about our employees and staff policy, please refer to the paragraph headed “Business — Employees” in this prospectus.

#### **Relationship with employees**

Our Directors believe that our Group maintains good working relationships with our employees. Our Group has not encountered any difficulty in the recruitment and retention of staff for our operations or experienced any material disruption of our operations as a result of labour disputes since the establishment of our business.

### **STAFF BENEFITS**

Our Group participates in the mandatory provident fund prescribed by the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) and our Directors confirm that our Group has made the relevant contributions in accordance with the aforesaid laws and regulations. Save as the aforesaid, our Group did not participate in any other pension schemes during the Track Record Period.

### **SHARE OPTION SCHEME**

Our Company has conditionally adopted the Share Option Scheme on 17 December 2016 under which certain selected classes of participants (including, among others, full-time employees) may be granted options to subscribe for the Shares. The principal terms of the Share Option Scheme are summarised in the paragraph headed “D. Share Option Scheme” in Appendix IV to this prospectus.

## FUTURE PLANS AND USE OF PROCEEDS

### BUSINESS OBJECTIVES

As at the Latest Practicable Date, we owned and operated 32 shops at street level throughout Hong Kong. Our business philosophy is to provide quality drinks and snacks at affordable prices under a pleasant, comfortable and tidy environment for our valuable customers. Our objective is to maintain our competitiveness in the bar industry in Hong Kong and strengthen our positions by capturing a larger market shares in Hong Kong.

### BUSINESS STRATEGIES

Please refer to the paragraph headed “Business — Business strategies” in this prospectus for a description of our business strategies.

### IMPLEMENTATION PLAN

In light of the business objectives of our Group, we will seek to attain the milestones contained in this paragraph from the Latest Practicable Date to 31 March 2020. Prospective investors should note that the milestones and their scheduled times for attainment are formulated on the bases and assumptions referred to in the paragraph headed “Bases and assumptions” in this section. These bases and assumptions are inherently subject to many uncertainties, variables and unpredictable factors, in particular the risk factors set out in the section headed “Risk Factors” in this prospectus. Our Group’s actual course of business may vary from the business objectives set out in this prospectus. There can be no assurance that the plans of our Group will materialise in accordance with the expected time frame or that the objectives of our Group will be accomplished at all. Based on the current state of the industry, our Directors intend to carry out the following implementation plans:

#### **For the period from the Latest Practicable Date to 31 March 2017**

| <b>Business strategies</b>                            | <b>Use of<br/>proceeds</b> | <b>Implementation plan</b>   |
|---|----------------------------|--|
|   | <i>HK\$ million</i>        |  |
| Expand our “Bar Pacific” brand to different locations | 2.80                       | ● Opening a new shop   |
| Continue to upgrade our shops’ facilities             | 0.40                       | ● Renovation of two existing shops   |
| Continue our promotion and marketing efforts          | 0.40                       | ● Engaging independent marketing agent to place advertising on traditional media and other media |
|   | 0.20                       | ● Organising various promotion and marketing events by ourselves or with our suppliers           |

## FUTURE PLANS AND USE OF PROCEEDS

### For the six months ending 30 September 2017

| <b>Business strategies</b>                            | <b>Use of<br/>proceeds</b><br><i>HK\$ million</i> | <b>Implementation plan</b>   |
|---|---|--|
| Expand our “Bar Pacific” brand to different locations | 5.60  | ● Opening two new shops  |
| Continue to upgrade our shops’ facilities             | 0.50  | ● Renovation of two existing shops   |
| Continue our promotion and marketing efforts          | 0.40  | ● Engaging independent marketing agent to place advertising on traditional media and other media |
|   | 0.20  | ● Organising various promotion and marketing events by ourselves or with our suppliers           |

### For the six months ending 31 March 2018

| <b>Business strategies</b>                            | <b>Use of<br/>proceeds</b><br><i>HK\$ million</i> | <b>Implementation plan</b>   |
|---|---|--|
| Expand our “Bar Pacific” brand to different locations | 5.60  | ● Opening two new shops  |
| Continue to upgrade our shops’ facilities             | 0.55  | ● Renovation of two existing shops   |
| Continue our promotion and marketing efforts          | 0.40  | ● Engaging independent marketing agent to place advertising on traditional media and other media |
|   | 0.20  | ● Organising various promotion and marketing events by ourselves or with our suppliers           |

### For the six months ending 30 September 2018

| <b>Business strategies</b>                            | <b>Use of<br/>proceeds</b><br><i>HK\$ million</i> | <b>Implementation plan</b>   |
|---|---|--|
| Expand our “Bar Pacific” brand to different locations | 5.60  | ● Opening two new shops  |
| Continue to upgrade our shops’ facilities             | 0.85  | ● Renovation of three existing shops   |
| Continue our promotion and marketing efforts          | 0.40  | ● Engaging independent marketing agent to place advertising on traditional media and other media |
|   | 0.20  | ● Organising various promotion and marketing events by ourselves or with our suppliers           |



## FUTURE PLANS AND USE OF PROCEEDS

### For the six months ending 31 March 2019

| <b>Business strategies</b>                            | <b>Use of<br/>proceeds</b><br><i>HK\$ million</i> | <b>Implementation plan</b>   |
|---|---|--|
| Expand our “Bar Pacific” brand to different locations | 5.60  | ● Opening two new shops  |
| Continue to upgrade our shops’ facilities             | 0.50  | ● Renovation of two existing shops   |
| Continue our promotion and marketing efforts          | 0.60  | ● Engaging independent marketing agent to place advertising on traditional media and other media |
|   | 0.30  | ● Organising various promotion and marketing events by ourselves or with our suppliers           |

### For the six months ending 30 September 2019

| <b>Business strategies</b>                            | <b>Use of<br/>proceeds</b><br><i>HK\$ million</i> | <b>Implementation plan</b>         |
|---|---|------------------------------------|
| Expand our “Bar Pacific” brand to different locations | 5.60  | ● Opening two new shops            |
| Continue to upgrade our shops’ facilities             | 0.40  | ● Renovation of two existing shops |

### For the six months ending 31 March 2020

| <b>Business strategies</b>                            | <b>Use of<br/>proceeds</b><br><i>HK\$ million</i> | <b>Implementation plan</b> |
|---|---|----------------------------|
| Expand our “Bar Pacific” brand to different locations | 2.80  | ● Opening one new shop     |

The remaining HK\$2.7 million (approximately 6.3% of the net proceeds) will be used as our general working capital.

### BASES AND ASSUMPTIONS

The business objectives set out by our Directors are based on the following bases and assumptions:

- (a) the net proceed from Placing base on the Placing Price of HK\$0.28 per share (being the mid-point of the Placing Price range), after deducting related expenses, are estimated to be approximately HK\$42.8 million;
- (b) we will have sufficient financial resources to meet the planned capital expenditure and business development requirements during the period to which the business objectives relate;

## FUTURE PLANS AND USE OF PROCEEDS

- (c) there will be no material changes in existing laws, rules and regulations, or other governmental policies relating to our Group, or in the political, economic or market conditions in which our Group operates;
- (d) there will be no change in the funding requirement for each of the near term business objectives described in this prospectus from the amount as estimated by our Directors;
- (e) there will be no material changes in the bases or rates of taxation applicable to the activities of our Group;
- (f) there will be no disasters, natural, political or otherwise, which would materially disrupt the business or operations of our Group;
- (g) our Group is able to maintain its customers;
- (h) our Group will be able to retain key staff in the management and the main operational departments;
- (i) our Group will be able to continue its operation in substantially the same manner as our Group has been operating during the Track Record Period and our Group will also be able to carry out its development plans without disruption adversely affecting its operations or business objectives in any way;
- (j) there will be no change in the effectiveness of the authorisations and licences obtained by our Group; and
- (k) we will not be materially affected by the risk factors as set out in the section headed “Risk Factors” in this prospectus.

### REASONS FOR THE PLACING

During the two years ended 31 March 2016, we had an average net cash from operating activities of HK\$19.3 million. As at 30 November 2016, we had cash and bank balances of approximately HK\$6.2 million and an unutilised banking facility in an aggregate amount of approximately HK\$16.0 million. However, since (i) one of the banking facilities of HK\$8.0 million is secured by a fixed deposit of HK\$5.0 million and an unlimited amount of personal guarantee provided by Ms. Tse (which we expect to be released before Listing); (ii) another banking facilities of HK\$8.0 million is secured by our fixed deposit placed in that financial institution and the total overdraft amount should not exceed 97% of the deposit charged or the ceiling limit of HK\$8.0 million whichever is lower, if we utilise this banking facility, our cash and bank balances will be reduced accordingly. As at 30 November 2016, we have pledged a fixed deposit of HK\$5.0 million for one of the banking facilities of HK\$8.0 million. For the cash and bank balances of approximately HK\$6.2 million, we have to reserve it for our working capital, such as payment of staff costs, rentals and purchase of inventories and have no extra cashflow to expand our network.

Since 1999 when we opened our first shop in Hunghom, we, over the years, have gradually expanded and as at the Latest Practicable Date, we operated 32 shops at street level throughout Hong Kong. From 2002 to 2008, due to the restricted source of fund in the past, we opened one to four new

## FUTURE PLANS AND USE OF PROCEEDS

shops every year. We intend to open a total of twelve new shops in the four years ending 31 March 2020 and the estimated capital expenditure for these 12 new shops amounts to approximately HK\$33.6 million which cannot be fully financed by our internal resources. Although a new shop generally generates lower profit margin due to lower sales and higher start-up operating cost in the initial stage, which may adversely affect our financial performances, such as net profit margin, return on equity and return on total assets, in the initial stage, the new shops can increase our total revenue; for example, the two newly opened shops (Shop LXVIII and Shop LXIX) generated a total revenue of approximately HK\$4.7 million, contributing approximately 3.7% of our total revenue generated from all our shops for the year ended 31 March 2016. We believe that the opening of new shops will in the long run improve our financial performance. In addition, we believe that continuing to expand our network will increase our market share and maintain our leading position as the largest chained bar in Hong Kong in terms of number of outlets in Hong Kong as at 31 December 2015. Going forward, to commensurate with our past and future business strategies to continue to expand our network, with the support of the net proceeds from the Placing, our Directors are of the view that we are able to adopt a faster pace to expand our network. We intend to allocate approximately 78.5% or HK\$33.6 million from the net proceeds from the Placing to open a total of twelve new shops in the four years ending 31 March 2020 to expand our “Bar Pacific” brand to different locations. For details of the use of proceeds, please refer to the paragraph headed “Use of proceeds” in this section below.

Our objective is to maintain our competitiveness in the bar industry in Hong Kong and strengthen our positions by capturing a larger market share in Hong Kong. We believe that the estimated net proceeds from the Placing of HK\$42.8 million (after deducting the related underwriting fees and expenses payable in relation to the Listing) will enable us to achieve this and implement business strategies and implementation plans as set out above.

Our Directors believe that apart from obtaining the necessary funding for expansion, the listing of the Shares on GEM will also enhance our corporate profile and brand awareness. Our Directors believe that having a listing status will increase our credibility to all our stakeholders including:

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

## FUTURE PLANS AND USE OF PROCEEDS

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

In light of the above, although listing expenses of approximately HK\$17.2 million, representing approximately 28.7% of the gross proceeds from the Placing, will be incurred, for our long term growth and benefits, our Directors believe that a GEM listing is beneficial to our Group and our shareholders as a whole.

### USE OF PROCEEDS

Assuming that the Placing Price is determined at HK\$0.28 (being the mid-point of the Placing Price range), the aggregate amount of net proceeds of the Placing to be received by our Company after deducting the underwriting commission and estimated expenses payable by our Company is estimated to be approximately HK\$42.8 million. Our Directors currently intend to apply such net proceeds in the following manner:

|   | From the Latest<br>Practicable Date |                      |                  | For the six months ending |                  |                      |                  | Total        | Approximate<br>percentage<br>% |
|---|-------------------------------------|----------------------|------------------|---------------------------|------------------|----------------------|------------------|--------------|--------------------------------|
|   | to 31 March<br>2017                 | 30 September<br>2017 | 31 March<br>2018 | 30 September<br>2018      | 31 March<br>2019 | 30 September<br>2019 | 31 March<br>2020 |              |                                |
|   | HK\$ million                        | HK\$ million         | HK\$ million     | HK\$ million              | HK\$ million     | HK\$ million         | HK\$ million     |              |                                |
| Expand our "Bar Pacific" brand to different locations | 2.80                                | 5.60                 | 5.60             | 5.60                      | 5.60             | 5.60                 | 2.80             | 33.60        | 78.5                           |
| Continue to upgrade our shops' facilities             | 0.40                                | 0.50                 | 0.55             | 0.85                      | 0.50             | 0.40                 | —                | 3.20         | 7.5                            |
| Continue our promotion and marketing efforts          | 0.60                                | 0.60                 | 0.60             | 0.60                      | 0.90             | —                    | —                | 3.30         | 7.7                            |
| <b>TOTAL</b>  | <b>3.80</b>                         | <b>6.70</b>          | <b>6.75</b>      | <b>7.05</b>               | <b>7.00</b>      | <b>6.00</b>          | <b>2.80</b>      | <b>40.10</b> | <b>93.7 (Note)</b>             |

*Note:* The remaining net proceed of HK\$2.7 million, representing approximately 6.3% of the total net proceeds will be used for additional working capital and other general corporate purposes.

If the Placing Price is set at the high-end of the indicative Placing Price range at HK\$0.29 per Placing Share, the net proceeds from the Placing will increase to approximately HK\$45.2 million. If the Placing is set at the low-end of the indicative Placing Price range at HK\$0.27 per Placing Share, the net proceeds from the Placing will decrease to approximately HK\$40.9 million. If the Placing is finally determined to be less than HK\$0.28 (being the mid-point of the indicative range of the Placing Price), the Group will reduce the proposed use of net proceeds on a pro rata basis and will finance such shortfall by internal cash resources, working capital and/or other financing, as and when appropriate. If the Placing is finally determined to be more than HK\$0.28, the Group will increase the proposed amounts of net proceeds based on a pro rata basis.

## **FUTURE PLANS AND USE OF PROCEEDS**

To the extent that the net proceeds from the Placing are not immediately required for the above purposes, it is the present intention of the Directors that such net proceeds will be placed as short-term deposits with authorised banks and/or financial institutions in Hong Kong. The Directors consider that the net proceeds from the Placing together with the internal resources of the Group will be sufficient to finance the implementation of the Group's business plans as set out in the subsection headed "Use of proceeds" above.

Investors should be aware that any part of the business plans of the Group may or may not proceed according to the timeframe as described under the subsection headed "Use of proceeds" above due to various factors such as changes in customers' demand and changes in market conditions. Under such circumstances, our Directors will evaluate carefully the situations and will hold the funds as short-term deposits in authorised banks and/or financial institution in Hong Kong until the relevant business plan materialises.

# UNDERWRITING

## UNDERWRITER

Emperor Securities Limited

## UNDERWRITING ARRANGEMENTS AND EXPENSES

### Underwriting Agreement

Pursuant to the Underwriting Agreement, our Company is offering the Placing Shares for subscription by professional, institutional and/or other investors by private placement at the Placing Price subject to the terms and conditions in the Underwriting Agreement and this prospectus. Subject to, among other conditions, the Listing Division of the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and to be allotted and issued as mentioned in this prospectus and certain other conditions set out in the Underwriting Agreement being satisfied, the Underwriter has agreed to subscribe for or procure subscribers for their respective applicable proportions of the Placing Shares on the terms and conditions of the Underwriting Agreement and this prospectus.

### Grounds for termination of the Underwriting Agreement

The Lead Manager (for itself and on behalf of the Underwriter) shall have the absolute right to terminate the arrangements set out in the Underwriting Agreement by notice in writing given to our Company at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date, if there shall develop, occur, exist or come into effect:

- (a) any new law or regulation or any material change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong, the Cayman Islands, the BVI or any relevant jurisdiction;
- (b) any change (whether or not permanent) in local, national or international stock market conditions;
- (c) the imposition of any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange or other major stock exchange in the United States, the United Kingdom or the PRC due to exceptional financial circumstances or otherwise;
- (d) any change or development involving a prospective change in taxation or exchange control (or the implementation of any exchange control) in Hong Kong, the Cayman Islands, the BVI or any relevant jurisdiction;
- (e) any change or development or event involving a prospective change in our assets, liabilities, profit, losses, performance, condition, business, financial, earnings, trading position or prospects;
- (f) any change or development (whether or not permanent), or any event or series of events resulting in any change in the local, national, regional or international financial, legal, political, economic, military, industrial, fiscal, regulatory, currency market, market matters or conditions (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets and inter-bank markets, a change in the system under which the

## UNDERWRITING

value of Hong Kong currency is linked to that of the currency of the United States or a devaluation of the Renminbi against any foreign currencies) in or affecting any of Hong Kong, the Cayman Islands, the BVI or any relevant jurisdiction;

- (g) a general moratorium on commercial banking business activities in Hong Kong, the Cayman Islands, the BVI or any relevant jurisdiction declared by the relevant authorities;
- (h) any event of force majeure including but without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, tsunami, explosion, epidemic, pandemic, act of terrorism, earthquake, strike or lock-out;
- (i) any litigation or claim of any third party being threatened or instigated against any member of our Group, the executive Directors and/or the Controlling Shareholders;
- (j) any change or development involving a prospective change, or materialisation of, any of the risks set out in the section headed “Risk Factors” in this prospectus;
- (k) any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or calamity or crisis in or affecting any of Hong Kong, the Cayman Islands, the BVI or any relevant jurisdictions;
- (l) any imposition of economic or other sanctions, in whatever form, directly or indirectly, by or to any of Hong Kong, the Cayman Islands, the BVI or any relevant jurisdictions;
- (m) a petition is presented for the winding up or liquidation of any member of our Group, or any member of our Group make any compromise or arrangement with our Company’s or our creditors or enter into a scheme of arrangement or any resolution is passed for the winding-up of any member of our Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any member of our Group or anything analogous thereto occurs in respect of any member of our Group;
- (n) a valid demand by any creditor for repayment or payment of any indebtedness of any member of our Group or in respect of which such member of our Group is liable prior to its stated maturity, or any loss or damage sustained by any member of our Group (howsoever caused and whether or not the subject of any insurance or claim against any person);
- (o) any judicial, regulatory or governmental authority or political body or organisation in any of Hong Kong, the Cayman Islands, the BVI or any relevant jurisdictions commencing any investigation, action, claim or proceedings, or announcing an intention to investigate or take any action, against any Director;
- (p) any Director being charged with an indictable offence or prohibited by the operation of law or otherwise disqualified from taking part in the management of a company;
- (q) the chairman of our Company or CEO vacating her office;

## UNDERWRITING

- (r) any prohibition on our Company for whatever reason from allotting or selling the Placing Shares (including the Shares to be issued pursuant to the exercise of the options that may be granted under the Share Option Scheme) pursuant to the Placing and the terms set out in the Underwriting Agreement and this prospectus;
- (s) other than with the approval of the Lead Manager (on behalf of the Underwriter), the issue or the requirement to issue by our Company of any supplement or amendment to this prospectus (or to any documents used in connection with the Placing) pursuant to the Companies (WUMP) Ordinance or the GEM Listing Rules or any requirement or request of the Stock Exchange and/or the SFC;
- (t) any event which gives rise or would give rise to any liability on the part of our Company and/or the Controlling Shareholders pursuant to the indemnity provisions contained in the Underwriting Agreement; or
- (u) a breach of any of the representations, warranties and undertakings contained in the Underwriting Agreement or of any of the other obligations imposed upon or undertakings given by our Company under the Underwriting Agreement,

which individually or in the aggregate, in the absolute opinion of the Lead Manager (for itself and on behalf of the Underwriter):

- (i) is or will or is likely to be materially adverse to the business, financial condition or prospects of our Group taken as a whole;
- (ii) has or will have or is likely to have a material adverse effect on the success of the Placing; or
- (iii) makes or will make or is likely to make it inappropriate, inadvisable or inexpedient to proceed with the Placing.

Without prejudice to the above, if, at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date, it comes to the notice of the Lead Manager (for itself and on behalf of the Underwriter):

- (a) any matter or event showing any of the warranties of the Underwriting Agreement to be untrue, inaccurate or misleading in any aspect when given or repeated or there has been a breach of any of the warranties or any other provision of the Underwriting Agreement by any party to the Underwriting Agreement other than the Underwriter which, in any such cases, is considered, in the absolute opinion of the Lead Manager (for itself and on behalf of the Underwriter), to be material in the context of the Placing; or
- (b) any matter which, had it arisen immediately before the date of this prospectus and not having been disclosed in the prospectus, would have constituted a material omission in the absolute opinion of the Lead Manager (for itself and on behalf of the Underwriter) in the context of the Placing; or



## UNDERWRITING

- (c) any statement contained in the Prospectus considered to be material by the Lead Manager in its absolute opinion which is discovered to be or becomes untrue, incorrect or misleading in any respect considered in the absolute opinion of the Lead Manager (for itself and on behalf of the Underwriter) to be material; or
- (d) any event, act or omission which gives rise or is likely to give rise to any liability of any of our Company, the executive Directors and the Controlling Shareholders pursuant to the indemnities contained in the Underwriting Agreement; or
- (e) any breach by any party to the Underwriting Agreement other than the Underwriter of any provision of the Underwriting Agreement which is considered in absolute opinion of the Lead Manager (for itself and on behalf of the Underwriter), to be material; or
- (f) any adverse change or a prospective adverse change in the business, results of operation, financial or trading position, or prospects of our Group as a whole the effect of which is, in the absolute opinion of the Lead Manager (for itself and on behalf of the Underwriter), so material and adverse as to make it impracticable or inadvisable to proceed with the Placing; or
- (g) approval by the Stock Exchange of the listing of, and permission to deal in, our Shares is refused or not granted, or if granted, the approval is subsequently withdrawn, qualified or withheld; or
- (h) any person (other than the Underwriter) has withdrawn or sought to withdraw its consent to being named in this prospectus or to the issue of this prospectus;

the Lead Manager (for itself and on behalf of the Underwriter) shall have the absolute right by notice in writing to our Company on or prior to such time to terminate the Underwriting Agreement.

### **Restrictions and undertakings under the GEM Listing Rules**

#### *Concerning our Company*

Under Rule 17.29 of the GEM Listing Rules, no further shares or securities convertible into equity securities of our Company (whether or not of a class already listed) may be issued or form the subject of any agreement to such an issue within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except for certain circumstances as prescribed by Rule 17.29 of the GEM Listing Rules.

#### *Concerning our Controlling Shareholders*

Under Rule 13.16A(1) of the GEM Listing Rules, each of our Controlling Shareholders shall not and shall procure that the relevant registered holder(s) shall not:

- (a) in the period commencing on the date by reference to which disclosure of the shareholding of our Controlling Shareholders is made in this prospectus and ending on the date which is six months from the Listing Date (the “**First Six-month Period**”), dispose of, nor enter into any

## UNDERWRITING

agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of those securities of our Company in respect of which she/it is or they are shown by this prospectus to be the beneficial owner(s); or

- (b) in the period of six months commencing on the date on which the First Six-month Period expires (the “**Second Six-month Period**”), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the securities referred to in the preceding paragraph if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, that person or group of persons would cease to be a Controlling Shareholder.

Any offer for sale contained in this prospectus, if any, shall not be subject to the above restrictions.

As required under Rule 13.19 of the GEM Listing Rules, our Company shall procure that every Controlling Shareholder undertakes to our Company and the Stock Exchange to comply with the following requirements:

- (a) in the event that a Controlling Shareholder pledges or charges any direct or indirect interest in relevant securities under Rule 13.18(1) of the GEM Listing Rules or pursuant to any right or waiver granted by the Stock Exchange pursuant to Rule 13.18(4) of the GEM Listing Rules, at any time during the relevant periods specified in Rule 13.16A of the GEM Listing Rules, she/it must inform our Company immediately thereafter, disclosing the details specified in Rules 17.43(1) to (4) of the GEM Listing Rules; and
- (b) if and when she/it has pledged or charged any interest in securities under the preceding paragraph, she/it must inform our Company immediately in the event that she/it becomes aware that the pledgee or chargee has disposed of or intends to dispose of such interest and of the number of securities affected.

After being informed of any matter under Rule 13.19 of the GEM Listing Rules, our Company shall forthwith publish an announcement giving details of the same in accordance with the requirements of Rule 17.43 of the GEM Listing Rules.

### **Undertakings under the Underwriting Agreement**

*By our Company and our Controlling Shareholders*

Our Company irrevocably and unconditionally undertakes to and covenants with the Sponsor, the Lead Manager and the Underwriter, and each of our Controlling Shareholders and our executive Directors irrevocably and unconditionally, jointly and severally undertakes to and covenants with the Sponsor, the Lead Manager and the Underwriter to procure that, save with the prior written consent of the Lead Manager (for itself and on behalf of the Underwriter) and in compliance with the GEM Listing Rules and the applicable laws, neither our Company nor any of its subsidiaries from time to time shall:

## UNDERWRITING

- (i) allot or issue or agree to allot or issue any share or securities in our Company or any of its subsidiaries from time to time or grant or agree to grant any option, warrant or other right carrying the right to subscribe for or otherwise acquire any share or securities of our Company or any of our subsidiaries from time to time during the First Six Month Period; or
- (ii) issue any share or securities in our Company or grant or agree to grant any option, warrant or other right carrying the right to subscribe for or otherwise convert into or exchange for shares or securities in our Company or enter into any swap, derivative or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any such shares or securities during the Second Six-Month Period so as to result in our Controlling Shareholders ceasing to be the controlling shareholder (which has the meaning ascribed to it under the GEM Listing Rules) of our Company or our Company ceasing to hold a controlling interest of 30% or more in any major subsidiary (which shall have the same meaning as in Rule 17.27(2) of the GEM Listing Rules) of our Group; or
- (iii) during the First Six-Month Period purchase any Shares or any other securities of our Company; or
- (iv) offer to or agree to do any of the foregoing or announce any intention to do so,

other than the Placing Shares or any shares which may fall to be issued pursuant to the grant or the exercise of any options under the Share Option Scheme or any consolidation, sub-division or capital reduction of Shares or by way of scrip dividend schemes or other similar schemes in accordance with the articles of association of our Company and the GEM Listing Rules or otherwise approved by the Stock Exchange.

### *By our Controlling Shareholders*

Each of our Controlling Shareholders undertakes to and covenants with our Company, the Sponsor, the Lead Manager and the Underwriter that save as provided in Rule 13.18 of the GEM Listing Rules, it or she shall not and shall procure that the relevant registered holders of our Shares shall not:

- (a) in the First Six-Month Period, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which it or she is shown by this prospectus to be the beneficial owner (the “**Relevant Securities**”); and
- (b) during the Second Six-Month Period, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Relevant Securities if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it or he would cease to be a controlling shareholder (which has the meaning ascribed to it under the GEM Listing Rules) of our Company.

The above restrictions shall not apply to any Shares which our Controlling Shareholders or any of its or her Close Associates may acquire or become interested in following the Listing Date.

## UNDERWRITING

*By BP Sharing and the Pre-IPO Investor*

Each of BP Sharing and the Pre-IPO Investor undertakes to and covenants with our Company, the Sponsor, the Lead Manager and the Underwriter that it shall not in the First Six-Month Period, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares owned by each of them on or before the Listing Date.

### **Commissions and expenses**

Pursuant to the terms of the Underwriting Agreement, our Company has agreed to pay to (i) the Lead Manager (for itself and on behalf of the Underwriter) an underwriting commission of 3% of the aggregate final Placing Price payable for the Placing Shares, out of which any sub-underwriting commissions will be paid; and (ii) the Sponsor a fee which is equivalent to 1% of the aggregate Placing Price for the Placing Shares. The underwriting commissions, the aforementioned fee paid to the Sponsor, the listing fees, the professional fees, the printing and other expenses relating to the Placing are estimated to be approximately HK\$17.2 million in aggregate (based on a Placing Price of HK\$0.28 per Placing Share, being the midpoint of the indicative Placing Price range) and shall be borne by our Company.

### **UNDERWRITER'S INTERESTS IN OUR COMPANY**

Save for their respective obligations and interests under the Underwriting Agreement as disclosed above, the Underwriter has no shareholding interest in our Company or any of our subsidiaries or has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

## **STRUCTURE OF THE PLACING**

### **THE PLACING**

Our Company is initially offering, at the Placing Price, 215,000,000 Shares for subscription by way of the Placing. The Placing is sponsored by the Sponsor and managed by the Lead Manager. The Placing Shares are fully underwritten by the Underwriter subject to the terms and conditions of the Underwriting Agreement. Pursuant to the Placing, the Underwriter or any selling agent which they nominate will, on behalf of our Company, conditionally place the Placing Shares at the Placing Price plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% with selected professional, institutional and private investors.

### **DETERMINING THE PLACING PRICE**

The Placing Price is expected to be fixed by the Price Determination Agreement to be entered into between our Company and the Lead Manager (for itself and on behalf of the Underwriter) on or around the Price Determination Date, which is expected to be on or around Saturday, 31 December 2016, or such other date as may be agreed between our Company and the Lead Manager (for itself and on behalf of the Underwriter), but in any event no later than 6:00 p.m. (Hong Kong time) on Saturday, 31 December 2016. If, for any reason, our Company and the Lead Manager (for itself and on behalf of the Underwriter) are unable to reach any agreement on the Placing Price by the Price Determination Date, the Placing will not become unconditional and will lapse immediately.

Prospective investors should be aware that the Placing Price to be determined on or before the Price Determination Date may be, but is not expected to be, lower than the Placing Price range as stated in this prospectus. The Placing Price will not be more than HK\$0.29 per Placing Share and is expected to be not less than HK\$0.27 per Placing Share. The Placing Price will fall within the Placing Price range as stated in this prospectus unless otherwise announced.

The Lead Manager (for itself and on behalf of the Underwriter) may, where considered appropriate, based on the level of interest expressed by prospective professional, institutional and private investors during a book-building process, and with the consent of our Company, reduce the Placing Price range below that stated in this prospectus. In such case, our Company will, as soon as practicable following the decision to make such reduction, cause to be published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the website of our Company at [www.barpacific.com.hk](http://www.barpacific.com.hk) the notice of such change. Upon issuing such notice, the revised Placing Price range will be final and conclusive and the Placing Price, if agreed between our Company and the Lead Manager (for itself and on behalf of the Underwriter), will be fixed within such revised Placing Price range. In the absence of any notice of a reduction in the Placing Price range as stated in this prospectus being published, the Placing Price, if agreed between our Company and the Lead Manager (for itself and on behalf of the Underwriter), will under no circumstances be set outside the Placing Price range as stated in this prospectus.

Announcement of the final Placing Price and the level of indication of interest in the Placing will be published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the website of our Company at [www.barpacific.com.hk](http://www.barpacific.com.hk) on or before Tuesday, 10 January 2017.

## **STRUCTURE OF THE PLACING**

### **BASIS OF ALLOCATION**

Allocation of the Placing Shares to professional, institutional and private investors pursuant to the Placing will be based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the investor is likely to purchase further Shares, or hold or sell the Shares placed, after the Listing. Such allocation is intended to result in a distribution of the Placing Shares on the basis which would lead to the establishment of a solid and broad Shareholder base to the benefit of our Company and our Shareholders as a whole. In particular, the Placing Shares will be allocated pursuant to Rule 11.23(8) of the GEM Listing Rules such that not more than 50% of the Shares in public hands at the time of the Listing will be beneficially owned by the three largest public Shareholders. No allocations will be permitted to nominee companies unless the name of the ultimate beneficiary is disclosed, without the prior written consent of the Stock Exchange. There will not be any preferential treatment in the allocation of the Placing Shares to any person. The Placing is subject to the conditions set out in the paragraph headed "Conditions of the Placing" in this section.

### **CONDITIONS OF THE PLACING**

The Placing is conditional upon:

- (a) the Listing Division of the Stock Exchange granting the approval of the listing of, and permission to deal in, the Shares in issue and to be allotted and issued as mentioned in this prospectus, and such listing and permission not subsequently being revoked prior to the commencement of dealings in the Shares on GEM; and
- (b) the obligations of the Underwriter under the Underwriting Agreement becoming unconditional (including, among others, the Price Determination Agreement being entered into on or around the Price Determination Date and if relevant, as a result of the waiver of any condition granted by the Lead Manager (for itself and on behalf of the Underwriter)) and not being terminated in accordance with its terms.

If the above conditions are not fulfilled on or before the time and date specified in the Underwriting Agreement or such later date as the Lead Manager (for itself and on behalf of the Underwriter) may in its absolute discretion determine, the Placing will lapse.

### **DEALING ARRANGEMENTS AND BOARD LOT SIZE**

Assuming that the Placing becomes unconditional at or before 8:00 a.m. on Wednesday, 11 January 2017, it is expected that dealings in the Shares on GEM will commence at 9:00 a.m. on Wednesday, 11 January 2017. The Shares will be traded in board lots of 10,000 Shares. The stock code for the Shares will be 8432.

The following is the text of a report, prepared for the purpose of incorporation in the prospectus, received from the Company's reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong.

# Deloitte.

# 德勤

35/F, One Pacific Place  
88 Queensway  
Hong Kong

30 December 2016

The Directors  
Bar Pacific Group Holdings Limited

LY Capital Limited

Dear Sirs,

We set out below our report on the financial information (the “**Financial Information**”) relating to Bar Pacific Group Holdings Limited (the “**Company**”) and its subsidiaries hereinafter collectively referred as (the “**Group**”) for each of the two years ended 31 March 2015 and 31 March 2016 and the three months ended 30 June 2016 (the “**Track Record Period**”) for inclusion in the prospectus of the Company dated 30 December 2016 in connection with the proposed listing of the shares of the Company on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (the “**Prospectus**”).

The Company, which acts as an investment holding company, was incorporated on 2 June 2016 and registered as an exempted company in the Cayman Islands under the Companies Law Cap. 22 (Law 3 of 1961) of the Cayman Islands. Through a group reorganisation as more fully explained in the section “History, Development and Reorganisation” in the Prospectus, the Company became the holding company of the Group on 15 December 2016. Apart from the reorganisation as mentioned in the foregoing, the Company has not commenced any business or operation since its incorporation.

Particulars of the subsidiaries directly or indirectly held by the Company at the date of this report are as follows:

| Name of subsidiary                             | Place and date of incorporation                   | Place of operation | Ordinary share capital at the date of this report | Equity interest attributable to the Group |                    |                            | Principal activities |  |
|--|---|--------------------|---|---|--------------------|----------------------------|----------------------|--|
|  |   |                    |   | as at 31 March 2015                       | as at 30 June 2016 | at the date of this report |                      |  |
| Bar Pacific Group Limited* (“Bar Pacific BVI”) | British Virgin Island (“BVI”)<br>24 February 2014 | Hong Kong          | US\$50,000  | 100%                                      | 100%               | 100%                       | 100%                 | Investment holding company   |
| Bar Pacific Entertainment Limited              | Hong Kong<br>4 March 2014                         | Hong Kong          | HK\$1   | 100%                                      | 100%               | 100%                       | 100%                 | Leasing of dart machines for fellow subsidiaries and holding of the Group's trade mark |

| Name of subsidiary                         | Place and date of incorporation | Place of operation | Ordinary share capital at the date of this report | Equity interest attributable to the Group |       |                    |                            | Principal activities  |
|--|---------------------------------|--------------------|---|---|-------|--------------------|----------------------------|---|
|  |                                 |                    |   | as at 31 March 2015                       | 2016  | as at 30 June 2016 | at the date of this report |   |
| Hacienda International Corporation Limited | Hong Kong<br>17 May 1999        | Hong Kong          | HK\$1,000   | 100%                                      | 100%  | 100%               | 100%                       | Bulk purchase of beverages for fellow subsidiaries          |
| Tank Success International Limited         | Hong Kong<br>18 March 2003      | Hong Kong          | HK\$2   | 100%                                      | 100%  | 100%               | 100%                       | Recruitment and management services for fellow subsidiaries |
| Bar Pacific I International Limited        | Hong Kong<br>17 September 2005  | Hong Kong          | HK\$1,000   | 75%                                       | 100%  | 100%               | 100%                       | Operation of a bar under the brand name of Bar Pacific      |
| Bar Pacific II International Limited       | Hong Kong<br>17 September 2005  | Hong Kong          | HK\$1,000   | 90%                                       | 100%  | 100%               | 100%                       | Operation of a bar under the brand name of Bar Pacific      |
| Bar Pacific III International Limited      | Hong Kong<br>17 September 2005  | Hong Kong          | HK\$1,000   | 75%                                       | 92.5% | 92.5%              | 92.5%                      | Operation of a bar under the brand name of Bar Pacific      |
| Bar Pacific VI International Limited       | Hong Kong<br>17 September 2005  | Hong Kong          | HK\$1,000   | 75%                                       | 90%   | 90%                | 90%                        | Operation of a bar under the brand name of Bar Pacific      |
| Bar Pacific VII International Limited      | Hong Kong<br>17 September 2005  | Hong Kong          | HK\$1,000   | 60%                                       | 100%  | 100%               | 100%                       | Operation of a bar under the brand name of Bar Pacific      |
| Bar Pacific VIII International Limited     | Hong Kong<br>17 September 2005  | Hong Kong          | HK\$1,000   | 65%                                       | 100%  | 100%               | 100%                       | Operation of a bar under the brand name of Bar Pacific      |
| Bar Pacific IX International Limited       | Hong Kong<br>17 September 2005  | Hong Kong          | HK\$1,000   | 65%                                       | 95%   | 95%                | 95%                        | Operation of a bar under the brand name of Bar Pacific      |
| Bar Pacific XII International Limited      | Hong Kong<br>17 September 2005  | Hong Kong          | HK\$1,000   | 60%                                       | 100%  | 100%               | 100%                       | Operation of a bar under the brand name of Bar Pacific      |
| Bar Pacific XVI International Limited      | Hong Kong<br>17 September 2005  | Hong Kong          | HK\$1,000   | 52%                                       | 95%   | 95%                | 95%                        | Operation of a bar under the brand name of Bar Pacific      |
| Bar Pacific XVII International Limited     | Hong Kong<br>17 September 2005  | Hong Kong          | HK\$1,000   | 60%                                       | 85%   | 85%                | 85%                        | Operation of a bar under the brand name of Bar Pacific      |
| Bar Pacific XVIII International Limited    | Hong Kong<br>13 October 2005    | Hong Kong          | HK\$1,000   | 60%                                       | 100%  | 100%               | 100%                       | Operation of a bar under the brand name of Bar Pacific      |



| Name of subsidiary                        | Place and date of incorporation | Place of operation | Ordinary share capital at the date of this report | Equity interest attributable to the Group |       |                    |                            | Principal activities                                   |
|---|---------------------------------|--------------------|---|---|-------|--------------------|----------------------------|--|
|   |                                 |                    |   | as at 31 March 2015                       | 2016  | as at 30 June 2016 | at the date of this report |  |
| Bar Pacific XIX International Limited     | Hong Kong<br>29 March 2006      | Hong Kong          | HK\$1,000   | 60%                                       | 87.5% | 87.5%              | 87.5%                      | Operation of a bar under the brand name of Bar Pacific |
| Bar Pacific XX International Limited      | Hong Kong<br>29 March 2006      | Hong Kong          | HK\$1,000   | 53%                                       | 90%   | 90%                | 90%                        | Operation of a bar under the brand name of Bar Pacific |
| Bar Pacific XXI International Limited     | Hong Kong<br>26 July 2006       | Hong Kong          | HK\$1,000   | 57.5%                                     | 95%   | 95%                | 95%                        | Operation of a bar under the brand name of Bar Pacific |
| Bar Pacific XXII International Limited    | Hong Kong<br>18 May 2007        | Hong Kong          | HK\$1,000   | 60%                                       | 95%   | 95%                | 95%                        | Operation of a bar under the brand name of Bar Pacific |
| Bar Pacific XXIII International Limited   | Hong Kong<br>16 November 2007   | Hong Kong          | HK\$1,000   | 68%                                       | 84%   | 84%                | 84%                        | Operation of a bar under the brand name of Bar Pacific |
| Bar Pacific XXVII International Limited   | Hong Kong<br>4 July 2008        | Hong Kong          | HK\$1,000   | 62.5%                                     | 92.5% | 92.5%              | 92.5%                      | Operation of a bar under the brand name of Bar Pacific |
| Bar Pacific XXVIII International Limited  | Hong Kong<br>2 March 2009       | Hong Kong          | HK\$1,000   | 58%                                       | 86.5% | 86.5%              | 86.5%                      | Operation of a bar under the brand name of Bar Pacific |
| Bar Pacific XXIX International Limited    | Hong Kong<br>16 December 2009   | Hong Kong          | HK\$188   | 53.2%                                     | 85.1% | 86.2%              | 86.2%                      | Operation of a bar under the brand name of Bar Pacific |
| Bar Pacific XXX International Limited     | Hong Kong<br>30 December 2009   | Hong Kong          | HK\$171,398                                       | 53.3%                                     | 79.4% | 79.4%              | 79.4%                      | Operation of a bar under the brand name of Bar Pacific |
| Bar Pacific XXXI International Limited    | Hong Kong<br>9 April 2010       | Hong Kong          | HK\$522,214                                       | 54.0%                                     | 82.8% | 82.8%              | 82.8%                      | Operation of a bar under the brand name of Bar Pacific |
| Bar Pacific XXXII International Limited   | Hong Kong<br>30 June 2010       | Hong Kong          | HK\$228   | 50.9%                                     | 85.1% | 85.1%              | 85.1%                      | Operation of a bar under the brand name of Bar Pacific |
| Bar Pacific XXXIII International Limited  | Hong Kong<br>10 November 2010   | Hong Kong          | HK\$579,728                                       | 55.5%                                     | 84%   | 85%                | 85%                        | Operation of a bar under the brand name of Bar Pacific |
| Bar Pacific XXXVII International Limited  | Hong Kong<br>6 May 2011         | Hong Kong          | HK\$964,799                                       | 52.9%                                     | 89.1% | 89.1%              | 90%                        | Operation of a bar under the brand name of Bar Pacific |
| Bar Pacific XXXVIII International Limited | Hong Kong<br>28 July 2011       | Hong Kong          | HK\$826,509                                       | 55%                                       | 84.4% | 84.4%              | 85%                        | Operation of a bar under the brand name of Bar Pacific |
| Bar Pacific XXXIX International Limited   | Hong Kong<br>28 July 2011       | Hong Kong          | HK\$1,582,572                                     | 61.9%                                     | 80.4% | 80.4%              | 81.6%                      | Operation of a bar under the brand name of Bar Pacific |

| Name of subsidiary   | Place and date of incorporation | Place of operation | Ordinary share capital at the date of this report | Equity interest attributable to the Group |       |                    |                            | Principal activities                                   |
|--|---------------------------------|--------------------|---|---|-------|--------------------|----------------------------|--|
|  |                                 |                    |   | as at 31 March 2015                       | 2016  | as at 30 June 2016 | at the date of this report |  |
| Bar Pacific LX International Limited                             | Hong Kong<br>28 July 2011       | Hong Kong          | HK\$1,967,944                                     | 58.1%                                     | 80%   | 80%                | 80%                        | Operation of a bar under the brand name of Bar Pacific |
| Bar Pacific LXI International Limited                            | Hong Kong<br>28 July 2011       | Hong Kong          | HK\$1,778,066                                     | 58.2%                                     | 82.3% | 82.3%              | 83.2%                      | Operation of a bar under the brand name of Bar Pacific |
| Bar Pacific LXII International Limited                           | Hong Kong<br>9 July 2012        | Hong Kong          | HK\$1,727,137                                     | 56.4%                                     | 82.3% | 82.3%              | 82.3%                      | Operation of a bar under the brand name of Bar Pacific |
| Bar Pacific LXIII International Limited                          | Hong Kong<br>9 July 2012        | Hong Kong          | HK\$1,527,823                                     | 54.2%                                     | 71.1% | 71.1%              | 71.1%                      | Operation of a bar under the brand name of Bar Pacific |
| Bar Pacific LXVIII International Limited                         | Hong Kong<br>28 August 2013     | Hong Kong          | HK\$2,280,000                                     | 100%                                      | 57.9% | 57.9%              | 57.9%                      | Operation of a bar under the brand name of Bar Pacific |
| Bar Pacific LXIX International Limited                           | Hong Kong<br>28 August 2013     | Hong Kong          | HK\$1   | 100%                                      | 100%  | 100%               | 100%                       | Operation of a bar under the brand name of Bar Pacific |
| Bar Pacific LXX International Limited<br>("Bar Pacific LXX")     | Hong Kong<br>14 April 2015      | Hong Kong          | HK\$1   | —   | 100%  | 100%               | 100%                       | Operation of a bar under the brand name of Bar Pacific |
| Bar Pacific LXXI International Limited<br>("Bar Pacific LXXI")   | Hong Kong<br>10 June 2016       | Hong Kong          | HK\$1   | —   | —     | 100%               | 100%                       | Inactive   |
| Bar Pacific LXXII International Limited<br>("Bar Pacific LXXII") | Hong Kong<br>2 December 2016    | Hong Kong          | HK\$1   | —   | —     | —                  | 100%                       | Inactive   |

\* Directly held by the Company

Each of the Company and its subsidiaries has adopted 31 March as its financial year end date.

No statutory financial statements have been prepared for the Company or Bar Pacific BVI since their dates of incorporation as they were incorporated in a jurisdiction where there are no statutory audit requirements. No statutory financial statements have been prepared for Bar Pacific LXXI and Bar Pacific LXXII as it has not reached the statutory time imposed on the issuance of its first set of financial statements.

Except for Bar Pacific BVI, Bar Pacific LXX, Bar Pacific LXXI and Bar Pacific LXXII, all of the Group's subsidiaries' statutory financial statements for the years ended 31 March 2015 and 31 March 2016, prepared in accordance with Hong Kong Financial Reporting Standard for Private Entities ("**HKFRS for Private Entities**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), were audited by us. We have audited the statutory financial statements of Bar Pacific LXX from the date of its incorporation on 14 April 2015 to 31 March 2016 which were also prepared in accordance with HKFRS for Private Entities.

For the purpose of this report, the sole director of Bar Pacific BVI has prepared the consolidated financial statements of Bar Pacific BVI and its subsidiaries for the two years ended 31 March 2015 and 31 March 2016 and the three months ended 30 June 2016 (the “**Bar Pacific BVI Financial Statements**”), and the directors of the Company have prepared the management accounts of the Company from the date of its incorporation on 2 June 2016 to 30 June 2016 (collectively referred to as the “**Underlying Financial Statements**”) in accordance with accounting policies which conform with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by HKICPA. We have audited the Bar Pacific BVI Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA. We have reviewed the material transactions of the Company and carried out such procedures as we considered necessary in respect of the management accounts for inclusion of its financial information in the Prospectus for the Track Record Period.

We have examined the Underlying Financial Statements in accordance with Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” as recommended by the HKICPA.

The Financial Information of the Group for the Track Record Period set out in this report has been prepared from the Underlying Financial Statements on the basis of presentation set out in note 2 of Section E below after making such adjustment as the directors of the Company consider appropriate for the purpose of preparing our report for inclusion in the Prospectus.

The Underlying Financial Statements are the responsibility of the respective directors of those companies who approved their issue. The directors of the Company are responsible for the contents of the Prospectus in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, on the basis of presentation set out in note 2 of section E below, the Financial Information gives, for the purpose of this report, a true and fair view of the financial position of the Group as at 31 March 2015, 31 March 2016 and 30 June 2016, and of the Company as at 30 June 2016, and of the financial performance and cash flows of the Group for the Track Record Period.

The comparative combined statement of profit or loss and other comprehensive income, statement of cash flows and statement of changes in equity of the Group for the three months ended 30 June 2015 together with the notes thereon have been extracted from the Group’s unaudited combined financial information for the same period (the “**Financial Information for 30 June 2015**”) which was prepared by the directors of the Company solely for the purpose of this report. We have reviewed the Financial Information for 30 June 2015 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. Our review of the Financial Information for 30 June 2015 consisted 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 and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the Financial Information for 30 June 2015. Based on our review, nothing has come to our attention that causes us to believe that the Financial Information for 30 June 2015 is not prepared, in all material respects, in accordance with the accounting policies consistent with those used in the preparation of the Financial Information which conform with Hong Kong Financial Reporting Standards.

## (A) COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

|  | <i>Notes</i> | Year ended 31 March |                 | Three months ended |                 |
|--|--------------|---------------------|-----------------|--------------------|-----------------|
|  |              | 2015                | 2016            | 30 June            | 2016            |
|  |              | <i>HK\$'000</i>     | <i>HK\$'000</i> | <i>HK\$'000</i>    | <i>HK\$'000</i> |
|  |              |                     |                 | (unaudited)        |                 |
| Revenue  | 7            | 112,373             | 126,145         | 31,041             | 31,432          |
| Other income   | 8            | 1,977               | 1,364           | 170                | 236             |
| Cost of inventories sold   |              | (27,761)            | (28,427)        | (7,380)            | (7,599)         |
| Staff costs  |              | (28,862)            | (36,353)        | (7,214)            | (8,800)         |
| Depreciation   |              | (6,178)             | (3,938)         | (859)              | (895)           |
| Property rentals and related expenses                                      |              | (18,786)            | (21,311)        | (5,277)            | (5,561)         |
| Other operating expenses   |              | (18,139)            | (19,109)        | (4,241)            | (5,660)         |
| Finance costs  | 9            | (23)                | (17)            | (5)                | (3)             |
| Listing expenses   |              | —                   | (300)           | —                  | (4,115)         |
| Profit (loss) before taxation  | 10           | 14,601              | 18,054          | 6,235              | (965)           |
| Taxation   | 12           | (2,772)             | (2,699)         | (885)              | (608)           |
| Profit (loss) and total comprehensive income (expense) for the year/period |              | <u>11,829</u>       | <u>15,355</u>   | <u>5,350</u>       | <u>(1,573)</u>  |
| Profit (loss) for the year/period attributable to:                         |              |                     |                 |                    |                 |
| Owners of the Company  |              | 7,273               | 9,450           | 3,501              | (1,786)         |
| Non-controlling interests  |              | <u>4,556</u>        | <u>5,905</u>    | <u>1,849</u>       | <u>213</u>      |
|  |              | <u>11,829</u>       | <u>15,355</u>   | <u>5,350</u>       | <u>(1,573)</u>  |

## (B) COMBINED STATEMENTS OF FINANCIAL POSITION

|   |       | At 31 March   |               | At            |
|---|-------|---------------|---------------|---------------|
|   |       | 2015          | 2016          | 30 June       |
|   | Notes | HK\$'000      | HK\$'000      | 2016          |
|   |       |               |               | HK\$'000      |
| <b>Non-current assets</b>                                   |       |               |               |               |
| Property, plant and equipment                               | 15    | 7,117         | 6,854         | 6,491         |
| Rental deposits   | 17    | <u>3,024</u>  | <u>2,481</u>  | <u>2,797</u>  |
|   |       | <u>10,141</u> | <u>9,335</u>  | <u>9,288</u>  |
| <b>Current assets</b>                                       |       |               |               |               |
| Inventories   | 16    | 1,046         | 917           | 1,340         |
| Trade and other receivables                                 | 17    | 6,473         | 5,219         | 7,970         |
| Pledged bank deposits                                       | 18    | —             | —             | 10,000        |
| Bank balances and cash                                      | 18    | <u>10,879</u> | <u>15,242</u> | <u>6,360</u>  |
|   |       | <u>18,398</u> | <u>21,378</u> | <u>25,670</u> |
| <b>Current liabilities</b>                                  |       |               |               |               |
| Trade and other payables                                    | 19    | 10,104        | 7,540         | 8,592         |
| Amount due to a director                                    | 20    | 196           | 3,726         | 4,169         |
| Amounts due to non-controlling shareholders of subsidiaries | 21    | 5,780         | —             | —             |
| Taxation payable  |       | 634           | 483           | 393           |
| Obligations under finance leases                            |       |               |               |               |
| — amount due within one year                                | 22    | 105           | 187           | 188           |
| Bank borrowing  | 23    | <u>—</u>      | <u>—</u>      | <u>4,500</u>  |
|   |       | <u>16,819</u> | <u>11,936</u> | <u>17,842</u> |
| <b>Net current assets</b>                                   |       | <u>1,579</u>  | <u>9,442</u>  | <u>7,828</u>  |
| <b>Total assets less current liabilities</b>                |       | <u>11,720</u> | <u>18,777</u> | <u>17,116</u> |
| <b>Non-current liabilities</b>                              |       |               |               |               |
| Obligations under finance leases                            |       |               |               |               |
| — amount due over one year                                  | 22    | <u>290</u>    | <u>436</u>    | <u>388</u>    |
| <b>Net assets</b>   |       | <u>11,430</u> | <u>18,341</u> | <u>16,728</u> |
| <b>Share capital and reserves</b>                           |       |               |               |               |
| Share capital   | 24    | —             | 390           | 390           |
| Reserves  |       | <u>5,663</u>  | <u>10,899</u> | <u>9,109</u>  |
|   |       | 5,663         | 11,289        | 9,499         |
| <b>Non-controlling interests</b>                            |       | <u>5,767</u>  | <u>7,052</u>  | <u>7,229</u>  |
| <b>Total equity</b>   |       | <u>11,430</u> | <u>18,341</u> | <u>16,728</u> |

## (B1) STATEMENT OF FINANCIAL POSITION OF THE COMPANY

|                                  | <i>Notes</i> | <b>As at<br/>30 June<br/>2016<br/>HK\$'000</b> |
|----------------------------------|--------------|--|
| <b>Current assets</b>            |              |  |
| Deferred expenses                |              | 1,271  |
| Prepayment                       |              | <u>213</u>                                     |
|                                  |              | <u>1,484</u>                                   |
| <b>Current liabilities</b>       |              |  |
| Other payable                    |              | 1,265  |
| Amounts due to related companies | <i>21</i>    | <u>4,634</u>                                   |
|                                  |              | <u>5,899</u>                                   |
| <b>Net current liabilities</b>   |              | <u><u>4,415</u></u>                            |
| <b>Capital and reserve</b>       |              |  |
| Share capital                    | <i>24</i>    | —  |
| Deficit                          |              | <u>4,415</u>                                   |
|                                  |              | <u><u>4,415</u></u>                            |

## (C) COMBINED STATEMENTS OF CHANGES IN EQUITY

|   | Attributable to owners of the Company |   |   |   |                   |  | Total<br>HK\$'000 |
|---|---------------------------------------|---|---|---|-------------------|--|-------------------|
|   | Share<br>capital<br>HK\$'000          | Capital<br>reserves<br>HK\$'000<br>(Note a) | Other<br>reserves<br>HK\$'000<br>(Note b) | (Accumulated<br>losses)/<br>retained<br>profits<br>HK\$'000 | Total<br>HK\$'000 | Non-<br>controlling<br>interests<br>HK\$'000 |                   |
| At 1 April 2014   | —                                     | —   | —   | (1,458)   | (1,458)           | 1,279  | (179)             |
| Profit and total comprehensive income<br>for the year                       | —                                     | —   | —   | 7,273   | 7,273             | 4,556  | 11,829            |
| Acquisition of additional interests in<br>subsidiaries                      | —                                     | —   | (152)                                     | —   | (152)             | 71   | (81)              |
| Dividends paid to non-controlling<br>shareholders of subsidiaries           | —                                     | —   | —   | —   | —                 | (139)  | (139)             |
| At 31 March 2015  | —                                     | —   | (152)                                     | 5,815   | 5,663             | 5,767  | 11,430            |
| Profit and total comprehensive income<br>for the year                       | —                                     | —   | —   | 9,450   | 9,450             | 5,905  | 15,355            |
| Issue of shares to a shareholder  | 285                                   | —   | —   | —   | 285               | —  | 285               |
| Issue of shares to acquire non-<br>controlling interest of subsidiaries     | 105                                   | 6,065                                       | (657)                                     | —   | 5,513             | (5,513)                                      | —                 |
| Acquisition of additional interests in<br>subsidiaries                      | —                                     | —   | (1,001)                                   | —   | (1,001)           | (518)  | (1,519)           |
| Capital contribution by non-<br>controlling shareholders of<br>subsidiaries | —                                     | —   | 479                                       | —   | 479               | 2,701  | 3,180             |
| Dividends paid to non-controlling<br>shareholders of subsidiaries           | —                                     | —   | —   | —   | —                 | (1,290)                                      | (1,290)           |
| Dividend (note 14)  | —                                     | —   | —   | (9,100)   | (9,100)           | —  | (9,100)           |
| At 31 March 2016  | 390                                   | 6,065                                       | (1,331)                                   | 6,165   | 11,289            | 7,052  | 18,341            |
| (Loss) profit and total comprehensive<br>(expense) income for the period    | —                                     | —   | —   | (1,786)   | (1,786)           | 213  | (1,573)           |
| Acquisition of additional interests in<br>subsidiaries                      | —                                     | —   | (4)                                       | —   | (4)               | (36)   | (40)              |
| At 30 June 2016   | 390                                   | 6,065                                       | (1,335)                                   | 4,379   | 9,499             | 7,229  | 16,728            |
| (Unaudited)   |                                       |   |   |   |                   |  |                   |
| At 1 April 2015   | —                                     | —   | (152)                                     | 5,815   | 5,663             | 5,767  | 11,430            |
| Profit and total comprehensive income<br>for the period                     | —                                     | —   | —   | 3,501   | 3,501             | 1,849  | 5,350             |
| Acquisition of additional interests in<br>subsidiaries                      | —                                     | —   | (320)                                     | —   | (320)             | (86)   | (406)             |
| Dividends paid to non-controlling<br>shareholders of subsidiaries           | —                                     | —   | —   | —   | —                 | (1,041)                                      | (1,041)           |
| At 30 June 2015   | —                                     | —   | (472)                                     | 9,316   | 8,844             | 6,489  | 15,333            |

*Notes:*

- (a) The capital reserves represents the difference between the value of the consideration paid for the acquisition of additional interest in subsidiaries and the nominal value of the 13,422 ordinary shares of Bar Pacific BVI issued.
- (b) As at 30 June 2016, other reserves comprises (i) a credit balance of HK\$479,000, which represents the difference between the consideration of HK\$3,180,000 received during the Track Record Period, of which HK\$2,220,000 represents consideration from issue of shares of subsidiaries to non-controlling shareholders of subsidiaries for the settlement of amount due to non-controlling shareholders of subsidiaries (note 28(c)) and HK\$960,000 represents capital contribution by non-controlling shareholders of subsidiaries in cash, and the carrying amount of the net assets attributable to the relevant changes in interest in certain subsidiaries; and (ii) debit balances of an aggregate amount of HK\$1,814,000, which represents the difference between the fair value of the consideration paid and the proportionate amount of non-controlling interests acquired.



## (D) COMBINED STATEMENTS OF CASH FLOWS

|   | Year ended 31 March |                  | Three months ended<br>30 June   |                                 |
|---|---------------------|------------------|---------------------------------|---------------------------------|
|   | 2015<br>HK\$'000    | 2016<br>HK\$'000 | 2015<br>HK\$'000<br>(unaudited) | 2016<br>HK\$'000<br>(unaudited) |
| Operating activities  |                     |                  |                                 |                                 |
| Profit (loss) before taxation   | 14,601              | 18,054           | 6,235                           | (965)                           |
| Adjustments for:  |                     |                  |                                 |                                 |
| Depreciation on property,<br>plant and equipment                          | 6,178               | 3,938            | 859                             | 895                             |
| Loss on disposal of property,<br>plant and equipment                      | 30                  | 117              | —                               | —                               |
| Interest on obligations under<br>finance leases                           | 23                  | 17               | 5                               | 3                               |
| Interest income   | —                   | (1)              | (1)                             | (9)                             |
| Operating cash flows before<br>movements in working capital               | 20,832              | 22,125           | 7,098                           | (76)                            |
| (Increase) decrease in trade and<br>other receivables and rental deposits | (1,484)             | 1,797            | (2,282)                         | (3,067)                         |
| (Increase) decrease in inventories  | (234)               | 129              | 137                             | (423)                           |
| Increase (decrease) in trade and<br>other payables                        | 1,834               | (814)            | (95)                            | 1,052                           |
| Cash generated from (used in)<br>operations                               | 20,948              | 23,237           | 4,858                           | (2,514)                         |
| Hong Kong Profits Tax paid  | (2,794)             | (2,962)          | (16)                            | (762)                           |
| Hong Kong Profits Tax refunded  | 22                  | 112              | 94                              | 64                              |
| Net cash from (used in)<br>operating activities                           | 18,176              | 20,387           | 4,936                           | (3,212)                         |
| Investing activities  |                     |                  |                                 |                                 |
| Purchase of property, plant and<br>equipment                              | (2,035)             | (5,166)          | (459)                           | (532)                           |
| Interest income   | —                   | 1                | 1                               | 9                               |
| Placement of pledged bank deposits  | —                   | —                | —                               | (10,000)                        |
| Net cash used in investing activities                                     | (2,035)             | (5,165)          | (458)                           | (10,523)                        |

|  | Year ended 31 March  |                      | Three months ended<br>30 June   |                     |
|--|----------------------|----------------------|---------------------------------|---------------------|
|  | 2015<br>HK\$'000     | 2016<br>HK\$'000     | 2015<br>HK\$'000<br>(unaudited) | 2016<br>HK\$'000    |
| Financing activities   |                      |                      |                                 |                     |
| Advance from non-controlling shareholders of subsidiaries                                    | 3,536                | —                    | —                               | —                   |
| Repayment to non-controlling shareholders of subsidiaries                                    | (1,683)              | (3,560)              | —                               | —                   |
| Bank borrowing raised  | —                    | —                    | —                               | 4,500               |
| Advance from a director  | —                    | 2,761                | 323                             | 443                 |
| Repayment to a director  | (10,304)             | (8,046)              | (3,572)                         | —                   |
| Dividends paid to non-controlling shareholders of subsidiaries                               | (139)                | (1,290)              | —                               | —                   |
| Acquisition of additional interests in subsidiaries  | (81)                 | (1,519)              | (406)                           | (40)                |
| Capital contribution by non-controlling shareholders of subsidiaries                         | —                    | 960                  | —                               | —                   |
| Interest on obligations under finance leases   | (23)                 | (17)                 | (5)                             | (3)                 |
| Principal payments for obligations under finance leases                                      | (98)                 | (148)                | (26)                            | (47)                |
| Net cash (used in) from financing activities   | <u>(8,792)</u>       | <u>(10,859)</u>      | <u>(3,686)</u>                  | <u>4,853</u>        |
| Net increase (decrease) in cash and cash equivalents   | 7,349                | 4,363                | 792                             | (8,882)             |
| Cash and cash equivalents at the beginning of the year/period                                | <u>3,530</u>         | <u>10,879</u>        | <u>10,879</u>                   | <u>15,242</u>       |
| Cash and cash equivalents at the end of the year/period, representing bank balances and cash | <u><u>10,879</u></u> | <u><u>15,242</u></u> | <u><u>11,671</u></u>            | <u><u>6,360</u></u> |

**(E) NOTES TO THE FINANCIAL INFORMATION****1. GENERAL**

The addresses of the Company's registered office and principal place of business is disclosed in the section "Corporate Information" in the Prospectus. The Company's immediate and ultimate holding company is Moment to Moment Company Limited and Harneys Trustees Limited respectively, both are private companies incorporated in the BVI. The ultimate controlling parties are Ms. Tse Ying Sin Eva ("Ms. Tse") and Ms. Chan Ching Mandy ("Ms. Chan") (collectively the "Controlling Shareholders").

The principal activity of the Group is the operation of a chain of bars in Hong Kong under the brand name of Bar Pacific.

The Financial Information is presented in Hong Kong dollars ("HK\$"), which is the same as the functional currency of the Company.

**2. GROUP REORGANISATION AND BASIS OF PRESENTATION OF FINANCIAL INFORMATION**

In preparation for listing of the shares of the Company on the Stock Exchange (the "Listing"), the Group underwent a reorganisation (the "Reorganisation").

Pursuant to the Reorganisation as set out in the section headed "History, Development and Reorganisation" in the Prospectus, which involved interspersing the Company, and certain companies between the Controlling Shareholders and the group entities, the Company became the holding company of the companies now comprising the Group on 15 December 2016. The Company and its subsidiaries have been under the common control of the Controlling Shareholders throughout the Track Record Period or since their respective dates of incorporation, where there is a shorter period. Accordingly, the Financial Information has been prepared under the principles of merger accounting in accordance with the Accounting Guideline 5 "Merger Accounting For Common Control Combinations" issued by the HKICPA. The combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows of the Group have been prepared as if the group structure upon completion of the Reorganisation had been in existence throughout the Track Record Period, or since their date of incorporation, where there is a shorter period. The combined statements of financial position of the Group as at 31 March 2015, 31 March 2016 and 30 June 2016 have been prepared to present the assets and liabilities of the companies now comprising the Group as if the group structure upon completion of the Reorganisation had been in existence at those dates taking into account the respective date of incorporation, where applicable.

**3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS**

For the purpose of preparing and presenting the Financial Information for the Track Record Period, the Group has consistently adopted all new and revised HKFRSs, Hong Kong Accounting Standards ("HKAS") amendments and interpretations issued by HKICPA which are effective for the accounting periods beginning on 1 April 2016 consistently throughout the Track Record Period.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

|                                    |  |
|------------------------------------|--|
| HKFRS 9                            | Financial instruments <sup>1</sup>   |
| HKFRS 15                           | Revenue from contracts with customers <sup>1</sup>   |
| HKFRS 16                           | Leases <sup>3</sup>  |
| Amendments to HKFRS 2              | Classification and Measurement of Share-based Payment Transactions <sup>1</sup>                    |
| Amendments to HKFRS 15             | Clarifications to HKFRS 15 Revenue from contracts with customers <sup>1</sup>                      |
| Amendments to HKAS 7               | Disclosure initiative <sup>4</sup>   |
| Amendments to HKAS 12              | Recognition of deferred tax assets for unrealised losses <sup>4</sup>                              |
| Amendments to HKFRS 10 and HKAS 28 | Sale or contribution of assets between an investor and its associate or joint venture <sup>2</sup> |

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2018

<sup>2</sup> Effective for annual periods beginning on or after a date to be determined

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2019

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2017

#### HKFRS 16 Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 Leases, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

As set out in note 27, total operating lease commitments of the Group in respect of leased premises as at 30 June 2016 amounted to HK\$32,696,000, the directors of the Company do not expect the adoption of HKFRS 16 would result in significant impact on the Group's financial performance but it is expected that certain portion of these lease commitments will be required to be recognised in the combined statements of financial position as right-of-use assets and lease liabilities in future.

Except as described above, the directors of the Company consider that the application of the other new and revised standard and amendments is unlikely to have a material impact on the Group's financial position and performance in future.

#### 4. SIGNIFICANT ACCOUNTING POLICIES

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

The Financial Information has been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The principal accounting policies adopted are set out below.

**Basis of combination**

The Financial Information incorporates the financial information of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Combination of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary.

When necessary, adjustments are made to the financial information of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intra-group assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on combination.

**Business combination under common control**

The Financial Information incorporates the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of acquirers' interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The combined statements of profit or loss and other comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities first came under the common control combination, where there is a shorter period, regardless of the date of the common control combination.

**Changes in the Group's ownership interest in existing subsidiaries**

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

**Revenue recognition**

Revenue is measured at fair value of the consideration received or receivable. It represents amounts receivable from operation of bars and net of discounts.

Revenue from bar operations is recognised at the point of sales to customers.

Sponsorship income is recognised when the services have been rendered and the amount can be measured reliably.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

#### **Property, plant and equipment**

Property, plant and equipment held for use in the operation of the bars, or for administrative purposes are stated in the combined statements of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets over their estimated useful lives, using the straight-line method.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

#### **Borrowing costs**

Borrowing costs are recognised in profit and loss in the period in which they are incurred.

#### **Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out method. Net realisable value is the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

#### **Financial instruments**

Financial assets and financial liabilities are recognised in the combined statements of financial position when the Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

#### *Financial assets*

The Group's financial assets are loans and receivables. The classification of financial assets depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

#### *Effective interest method*

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial assets, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in active market. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment of financial assets below).

*Impairment of financial assets*

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimate future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain receivables that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date of the impairment loss is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

*Financial liabilities and equity instruments*

Debt and equity instruments issued by the group entities are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

*Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the group entities are recognised at the proceeds received, net of direct issue costs.

*Financial liabilities*

Financial liabilities are subsequently measured at amortised cost, using the effective interest method.

*Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimate future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

***Derecognition***

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

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

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

**Impairment**

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

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

**Taxation**

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

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

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not



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

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

Current and deferred tax are recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

#### **Leasing**

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

#### ***The Group as lessee***

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the combined statements of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

#### **Retirement benefits costs**

Payments to defined contribution retirement benefits schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

### **5. CAPITAL RISK MANAGEMENT**

The directors of the Company manage the Group's capital to ensure that it will be able to continue as a going concern while maximising the return to owners through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged over the Track Record Period.

The capital structure of the Group consists of advances from non-controlling shareholders of subsidiaries and a director (see notes 20 and 21), and equity attributable to owners of the Group, comprising share capital, retained profits and other reserves as disclosed in the Financial Information.

The directors of the Company review the capital structure regularly. As part of this review, the director of the Company consider the cost of capital and the risks associated with each class of capital, and will balance its overall capital structure through the payment of dividends, new share issues as well as raising of borrowings.

## 6. FINANCIAL INSTRUMENTS

## Categories of financial instruments

|   | The Group     |               |               | The Company  |
|---|---------------|---------------|---------------|--------------|
|   | At 31 March   |               | At            | At           |
|   | 2015          | 2016          | 30 June       | 30 June      |
|   | HK\$'000      | HK\$'000      | HK\$'000      | HK\$'000     |
| <b>Financial assets</b>                                     |               |               |               |              |
| Loans and receivables (including cash and cash equivalents) | <u>11,762</u> | <u>15,739</u> | <u>16,676</u> | <u>—</u>     |
| <b>Financial liabilities</b>                                |               |               |               |              |
| Amortised cost  | <u>11,613</u> | <u>7,363</u>  | <u>12,194</u> | <u>5,899</u> |

## Financial risk management objectives and policies

The Group's financial instruments include trade and other receivables, bank balances and cash, pledged bank deposits, trade payables, amount due to a director, amounts due to non-controlling shareholders of subsidiaries and bank borrowing. The Company's financial instruments include other payable and amounts due to related companies. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risk (interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The directors of the Company manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner.

*Interest rate risk*

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances and bank borrowings (see Note 23 for details of the bank borrowings). The Group currently does not have any interest rate hedging policy. The management of the Group monitors the Group's exposure on ongoing basis and will consider hedging interest rate risk should the need arises.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of prevailing market interest rates arising from the Group's bank balances and Hong Kong Interbank Offered Rate ("HIBOR") arising from the Group's variable-rate bank borrowings.

*Sensitivity analysis*

The sensitivity analysis below has been determined based on the exposure to interest rates for its variable bank borrowings. The analysis is prepared assuming the variable-rate bank borrowings at the end of the reporting period were outstanding for the whole year/period and 50 basis points increase or decrease are used. The bank balances are excluded from the sensitivity analysis as the management of the Group considers that the interest rate fluctuation is not significant.

If interest rates have been 50 basis points higher/lower for variable-rate bank borrowings and all other variables were held constant, the Group's loss for the three months ended 30 June 2016 period would increase/decrease by HK\$23,000.

*Credit risk*

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations, at the end of each reporting period in relation to each class of recognised financial assets, is the carrying amount of those assets stated in the combined statements of financial position.

The credit risk on bank balances and trade receivables is limited as such amounts are placed with or due from financial institutions with good reputation or credit rating.

*Liquidity risk*

The Group's policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding in the short and longer term.

All of the Group's liabilities are carried at amounts not materially different from their contractual undiscounted cash flows as all the financial liabilities are with maturities within one year or repayable on demand at the end of each reporting period.

**Fair value measurements of financial instruments**

The directors of the Company consider that the carrying amounts of financial assets and liabilities recorded at amortised cost in the Financial Information approximate their fair values at the end of each reporting period.

**7. REVENUE AND SEGMENT INFORMATION**

Revenue represents amounts receivable from operation of bars, net of discounts.

Operating segments are determined with reference to the reports and financial information reviewed by the executive directors of the Company, being the chief operating decision maker of the Group, for assessment of performance and allocation of resources. The Group has only a single operating segment which is operation of a chain of bars in Hong Kong.

For the purpose of resource allocation and performance assessment, the chief operating decision maker reviews the overall results and financial position of the Group as a whole prepared based on same accounting policies set out in note 4.

No geographical information is shown as the revenue and profit from operations of the Group are all derived from its activities in Hong Kong.

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

**8. OTHER INCOME**

|                    | Year ended 31 March |              | Three months ended 30 June |            |
|--------------------|---------------------|--------------|----------------------------|------------|
|                    | 2015                | 2016         | 2015                       | 2016       |
|                    | HK\$'000            | HK\$'000     | HK\$'000                   | HK\$'000   |
|                    | (unaudited)         |              |                            |            |
| Sponsorship income | 1,263               | 686          | 56                         | 4          |
| Interest income    | —                   | 1            | 1                          | 9          |
| Others             | 714                 | 677          | 113                        | 223        |
|                    | <u>1,977</u>        | <u>1,364</u> | <u>170</u>                 | <u>236</u> |

## 9. FINANCE COSTS

|  | Year ended 31 March |           | Three months ended 30 June |          |
|--|---------------------|-----------|----------------------------|----------|
|  | 2015                | 2016      | 2015                       | 2016     |
|  | HK\$'000            | HK\$'000  | HK\$'000                   | HK\$'000 |
| Interest on obligations under finance leases | <u>23</u>           | <u>17</u> | <u>5</u>                   | <u>3</u> |

## 10. PROFIT (LOSS) BEFORE TAXATION

|   | Year ended 31 March |               | Three months ended 30 June |              |
|---|---------------------|---------------|----------------------------|--------------|
|   | 2015                | 2016          | 2015                       | 2016         |
|   | HK\$'000            | HK\$'000      | HK\$'000                   | HK\$'000     |
| Profit (loss) before taxation has been arrived at after charging: |                     |               |                            |              |
| Directors' remuneration ( <i>note 11</i> )                        | 490                 | 813           | 191                        | 200          |
| Other staff's salaries and other benefits                         | 27,067              | 33,904        | 6,794                      | 8,207        |
| Other staff's retirement benefits scheme contributions            | <u>1,305</u>        | <u>1,636</u>  | <u>229</u>                 | <u>393</u>   |
| Total staff costs   | <u>28,862</u>       | <u>36,353</u> | <u>7,214</u>               | <u>8,800</u> |
| Depreciation of property, plant and equipment                     |                     |               |                            |              |
| — owned assets  | 6,016               | 3,770         | 818                        | 836          |
| — assets under finance lease                                      | <u>162</u>          | <u>168</u>    | <u>41</u>                  | <u>59</u>    |
|   | <u>6,178</u>        | <u>3,938</u>  | <u>859</u>                 | <u>895</u>   |
| Operating lease payments  | 17,585              | 19,950        | 4,920                      | 5,208        |
| Auditor's remuneration  | 600                 | 600           | 150                        | 150          |
| Loss on disposal of property, plant and equipment                 | <u>30</u>           | <u>117</u>    | <u>—</u>                   | <u>—</u>     |

## 11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

The directors of the Company were appointed in June 2016 and December 2016. Details of the emoluments paid or payable to the directors and the Chief Executive of the Company (including emoluments for their services as employees or directors of the group entities prior to becoming the directors of the Company) during the Track Record Period are as follows:

|  | Year ended 31 March |            | Three months ended 30 June |            |
|--|---------------------|------------|----------------------------|------------|
|  | 2015                | 2016       | 2015                       | 2016       |
|  | HK\$'000            | HK\$'000   | HK\$'000                   | HK\$'000   |
|  | (unaudited)         |            |                            |            |
| Chairlady and executive director:          |                     |            |                            |            |
| Ms. Tse                                    |                     |            |                            |            |
| — director's fee                           | 256                 | 273        | 64                         | 70         |
| — salaries and other benefits              | —                   | —          | —                          | —          |
| — performance-based bonus                  | —                   | —          | —                          | —          |
| — retirement benefits scheme contributions | —                   | —          | —                          | —          |
|  | <u>256</u>          | <u>273</u> | <u>64</u>                  | <u>70</u>  |
| Executive director:                        |                     |            |                            |            |
| Mr. Chan Darren Chun-Yeung                 |                     |            |                            |            |
| — director's fee                           | —                   | —          | —                          | —          |
| — salaries and other benefits              | 225                 | 522        | 122                        | 125        |
| — performance-based bonus                  | —                   | —          | —                          | —          |
| — retirement benefits scheme contributions | 9                   | 18         | 5                          | 5          |
|  | <u>234</u>          | <u>540</u> | <u>127</u>                 | <u>130</u> |
|  | <u>490</u>          | <u>813</u> | <u>191</u>                 | <u>200</u> |

*Notes:*

- (i) Ms. Tse is also the Chief Executive of the Company and her emoluments above includes those for services rendered by her as Chief Executive.
- (ii) No emoluments were paid to any of the other directors, namely, Mr. Tang Wing Lam David, Mr. Chin Chun Wing and Mr. Yung Wai Kei, during the Track Record Period.

The five highest paid individuals included 1 director for each of the years ended 31 March 2015 and 31 March 2016 and the three months ended 30 June 2016, details of whose emolument are included above. The emoluments of the remaining 4 highest paid individuals during the Track Record Period were as follows:

|  | Year ended 31 March |              | Three months ended 30 June |            |
|--|---------------------|--------------|----------------------------|------------|
|  | 2015                | 2016         | 2015                       | 2016       |
|  | HK\$'000            | HK\$'000     | HK\$'000                   | HK\$'000   |
|  | (unaudited)         |              |                            |            |
| Employees                                  |                     |              |                            |            |
| — salaries and other benefits              | 1,285               | 1,612        | 354                        | 418        |
| — performance-based bonus                  | 135                 | 221          | 50                         | 17         |
| — retirement benefits scheme contributions | 65                  | 72           | 18                         | 18         |
|  | <u>1,485</u>        | <u>1,905</u> | <u>422</u>                 | <u>453</u> |

The performance-based bonus of the employees was determined based on the performance of relevant subsidiaries.

The emoluments of the remaining 4 highest paid individuals were within the following band:

|                      | Year ended 31 March        |                            | Three months ended 30 June                |                            |
|----------------------|----------------------------|----------------------------|---|----------------------------|
|                      | 2015                       | 2016                       | 2015                                      | 2016                       |
|                      | <i>Number of employees</i> | <i>Number of employees</i> | <i>Number of employees</i><br>(unaudited) | <i>Number of employees</i> |
| Nil to HK\$1,000,000 | <u>4</u>                   | <u>4</u>                   | <u>4</u>                                  | <u>4</u>                   |

During the Track Record Period, no emoluments were paid by the Group to the directors of the Company or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors have waived any emoluments during the Track Record Period.

## 12. TAXATION

|                                 | Year ended 31 March |                 | Three months ended 30 June     |                 |
|---------------------------------|---------------------|-----------------|--------------------------------|-----------------|
|                                 | 2015                | 2016            | 2015                           | 2016            |
|                                 | <i>HK\$'000</i>     | <i>HK\$'000</i> | <i>HK\$'000</i><br>(unaudited) | <i>HK\$'000</i> |
| The taxation charge comprises:  |                     |                 |                                |                 |
| Hong Kong Profits Tax           |                     |                 |                                |                 |
| — Current year/period           | 2,717               | 2,699           | 885                            | 608             |
| — Underprovision in prior years | <u>55</u>           | <u>—</u>        | <u>—</u>                       | <u>—</u>        |
|                                 | <u>2,772</u>        | <u>2,699</u>    | <u>885</u>                     | <u>608</u>      |

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the Track Record Period.

Taxation charge for the year/period can be reconciled to the profit before taxation per the combined statements of profit or loss and other comprehensive income as follows:

|  | Year ended 31 March |                 | Three months ended 30 June     |                 |
|--|---------------------|-----------------|--------------------------------|-----------------|
|  | 2015                | 2016            | 2015                           | 2016            |
|  | <i>HK\$'000</i>     | <i>HK\$'000</i> | <i>HK\$'000</i><br>(unaudited) | <i>HK\$'000</i> |
| Profit (loss) before taxation                                  | <u>14,601</u>       | <u>18,054</u>   | <u>6,235</u>                   | <u>(965)</u>    |
| Tax charge (credit) at the applicable income tax rate at 16.5% | 2,409               | 2,979           | 1,029                          | (159)           |
| Tax effect of expenses not deductible for tax purposes         | 30                  | 50              | 5                              | 705             |
| Tax effect of income not taxable for tax purposes              | (26)                | (14)            | (12)                           | (14)            |
| Tax effect of tax losses not recognised                        | 106                 | (1)             | 1                              | 16              |
| Underprovision in prior years                                  | 55                  | —               | —                              | —               |
| Tax reduction  | (466)               | (536)           | (165)                          | —               |
| Tax effect of other temporary difference not recognised        | <u>664</u>          | <u>221</u>      | <u>27</u>                      | <u>60</u>       |
| Taxation charge for the year/period                            | <u>2,772</u>        | <u>2,699</u>    | <u>885</u>                     | <u>608</u>      |

As at 31 March 2015, 31 March 2016 and 30 June 2016, the Group has unused tax losses of approximately HK\$4,045,000 and HK\$4,037,000 and HK\$4,132,000 available for offset against future profit. No deferred tax asset has been recognised in respect of such unused tax loss due to unpredictability of future profit streams.

During the year ended 31 March 2015 and 2016, the subsidiaries of the Group were entitled to a tax reduction of 75% of Hong Kong Profits Tax subject of a ceiling of HK\$20,000 of each subsidiary.

### 13. EARNINGS PER SHARE

No earnings per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful with regard to the Reorganisation and the results for the Track Record Period that is presented on a combined basis.

### 14. DIVIDENDS

The dividend paid during the year ended 31 March 2016, represent an interim dividend paid to the then shareholder of Bar Pacific BVI.

No dividends have been paid or declared by Bar Pacific BVI for the year ended 31 March 2015 and the three months ended 30 June 2016. No dividends have been paid or declared by the Company since its incorporation.

The rate of dividend and number of shares ranking for dividend are not presented as such information is not considered meaningful having regard to the purpose of this report.

### 15. PROPERTY, PLANT AND EQUIPMENT

|                             | Leasehold<br>improvements | Dart<br>machines | Computer<br>equipment | Furniture<br>and fixtures | Motor<br>vehicles | Total           |
|-----------------------------|---------------------------|------------------|-----------------------|---------------------------|-------------------|-----------------|
|                             | <i>HK\$'000</i>           | <i>HK\$'000</i>  | <i>HK\$'000</i>       | <i>HK\$'000</i>           | <i>HK\$'000</i>   | <i>HK\$'000</i> |
| COST                        |                           |                  |                       |                           |                   |                 |
| At 1 April 2014             | 13,543                    | —                | —                     | 15,043                    | 1,577             | 30,163          |
| Additions                   | 2,129                     | 189              | 357                   | 1,110                     | —                 | 3,785           |
| Disposal                    | (176)                     | —                | —                     | (62)                      | —                 | (238)           |
| At 31 March 2015            | 15,496                    | 189              | 357                   | 16,091                    | 1,577             | 33,710          |
| Additions                   | 1,770                     | —                | 929                   | 1,093                     | —                 | 3,792           |
| Disposal                    | —                         | (189)            | —                     | —                         | —                 | (189)           |
| At 31 March 2016            | 17,266                    | —                | 1,286                 | 17,184                    | 1,577             | 37,313          |
| Additions                   | 50                        | —                | 132                   | 350                       | —                 | 532             |
| At 30 June 2016             | 17,316                    | —                | 1,418                 | 17,534                    | 1,577             | 37,845          |
| ACCUMULATED<br>DEPRECIATION |                           |                  |                       |                           |                   |                 |
| At 1 April 2014             | 8,865                     | —                | —                     | 10,559                    | 1,199             | 20,623          |
| Eliminated on disposals     | (172)                     | —                | —                     | (36)                      | —                 | (208)           |
| Provided for the year       | 4,014                     | 38               | 26                    | 1,938                     | 162               | 6,178           |
| At 31 March 2015            | 12,707                    | 38               | 26                    | 12,461                    | 1,361             | 26,593          |
| Eliminated on disposals     | —                         | (72)             | —                     | —                         | —                 | (72)            |
| Provided for the year       | 1,824                     | 34               | 133                   | 1,785                     | 162               | 3,938           |
| At 31 March 2016            | 14,531                    | —                | 159                   | 14,246                    | 1,523             | 30,459          |
| Provided for the period     | 439                       | —                | 67                    | 348                       | 41                | 895             |
| At 30 June 2016             | 14,970                    | —                | 226                   | 14,594                    | 1,564             | 31,354          |

|                  | Leasehold<br>improvements<br><i>HK\$'000</i> | Dart<br>machines<br><i>HK\$'000</i> | Computer<br>equipment<br><i>HK\$'000</i> | Furniture<br>and fixtures<br><i>HK\$'000</i> | Motor<br>vehicles<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
|------------------|--|-------------------------------------|--|--|--------------------------------------|--------------------------|
| CARRYING VALUES  |  |                                     |  |  |                                      |                          |
| At 31 March 2015 | <u>2,789</u>                                 | <u>151</u>                          | <u>331</u>                               | <u>3,630</u>                                 | <u>216</u>                           | <u>7,117</u>             |
| At 31 March 2016 | <u>2,735</u>                                 | <u>—</u>                            | <u>1,127</u>                             | <u>2,938</u>                                 | <u>54</u>                            | <u>6,854</u>             |
| At 30 June 2016  | <u>2,346</u>                                 | <u>—</u>                            | <u>1,192</u>                             | <u>2,940</u>                                 | <u>13</u>                            | <u>6,491</u>             |

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives at the following rates per annum:

|                        |     |
|------------------------|-----|
| Dart machines          | 20% |
| Computer equipment     | 20% |
| Furniture and fixtures | 20% |
| Motor vehicles         | 20% |

Leasehold improvements are depreciated over 3 years or the term of the lease whichever is shorter.

In previous years, leasehold improvement was depreciated over 5 years. During the year ended 31 March 2015, management has reviewed its depreciation policy and considers that the expected useful life of leasehold improvement should be revised from 5 years to 3 years. With effect from 1 April 2014, leasehold improvement is depreciated over 3 years or the term of the lease whichever is the shorter. This change in depreciation rate has increased the depreciation charge for the year ended 31 March 2015 approximately HK\$1,873,000.

As at 31 March 2015, 31 March 2016 and 30 June 2016, the carrying value of property, plant and equipment includes an amount of HK\$216,000, HK\$424,000 and HK\$365,000, respectively, in respect of assets held under finance lease.

#### 16. INVENTORIES

|  | At 31 March     |                 | At                      |
|--|-----------------|-----------------|-------------------------|
|  | 2015            | 2016            | 30 June                 |
|  | <i>HK\$'000</i> | <i>HK\$'000</i> | 2016<br><i>HK\$'000</i> |
| Beverages and other items for bar operations | <u>1,046</u>    | <u>917</u>      | <u>1,340</u>            |

#### 17. TRADE AND OTHER RECEIVABLES

|   | At 31 March     |                 | At                      |
|---|-----------------|-----------------|-------------------------|
|   | 2015            | 2016            | 30 June                 |
|   | <i>HK\$'000</i> | <i>HK\$'000</i> | 2016<br><i>HK\$'000</i> |
| Trade receivables   | 460             | 264             | 254                     |
| Other receivables   | 423             | 233             | 62                      |
| Deferred listing expenses   | —               | 100             | 1,271                   |
| Deposits and prepayments  | 3,814           | 2,068           | 3,662                   |
| Rental deposits   | <u>4,800</u>    | <u>5,035</u>    | <u>5,518</u>            |
|   | 9,497           | 7,700           | 10,767                  |
| Less: Rental deposits receivable over one year shown under non-current assets | <u>(3,024)</u>  | <u>(2,481)</u>  | <u>(2,797)</u>          |
|   | <u>6,473</u>    | <u>5,219</u>    | <u>7,970</u>            |



The Group's sales are mainly on cash or credit card settlement. As at 31 March 2015, 31 March 2016 and 30 June 2016, the Group's trade receivables represents credit card sales receivable from financial institutions. None of the Group's trade receivables was individually or collectively considered to be impaired. The Group does not hold any collateral over these balances.

Based on transaction date, all trade receivables are aged within 30 days as at the end of each of the reporting date.

#### 18. BANK BALANCES AND CASH/PLEDGED BANK DEPOSITS

Bank balances carry interest at prevailing market rates and are denominated in HK\$. The pledged bank deposits carry fixed interest rate which ranged from 0.6% to 1.05% per annum. The pledged bank deposits will be released upon the settlement of the relevant bank borrowings (see note 23).

#### 19. TRADE AND OTHER PAYABLES

|  | <b>At 31 March</b> |                 | <b>At</b>       |
|--|--------------------|-----------------|-----------------|
|  | <b>2015</b>        | <b>2016</b>     | <b>30 June</b>  |
|  | <i>HK\$'000</i>    | <i>HK\$'000</i> | <b>2016</b>     |
|  |                    |                 | <i>HK\$'000</i> |
| Trade payables   | 3,354              | 2,960           | 3,496           |
| Amount due to a related party in respect of acquisition of property, plant and equipment | 1,750              | —               | —               |
| Salary payables  | 1,402              | 1,688           | 1,627           |
| Payables for listing expenses  | —                  | 400             | 1,265           |
| Accruals and other payables  | <u>3,598</u>       | <u>2,492</u>    | <u>2,204</u>    |
|  | <u>10,104</u>      | <u>7,540</u>    | <u>8,592</u>    |

The amount due to related party represent an amount due to Wishing Limited (“**Wishing**”), a company controlled by a close family member of a controlling party of the Group. The amount was unsecured, interest-free and repayable on demand.

The credit period on purchases of goods is within 60 days. The following is an aged analysis of trade payables presented based on invoice date at the end of each reporting period:

|               | <b>At 31 March</b> |                 | <b>At</b>       |
|---------------|--------------------|-----------------|-----------------|
|               | <b>2015</b>        | <b>2016</b>     | <b>30 June</b>  |
|               | <i>HK\$'000</i>    | <i>HK\$'000</i> | <b>2016</b>     |
|               |                    |                 | <i>HK\$'000</i> |
| 0–30 days     | 2,347              | 2,284           | 2,950           |
| 31–60 days    | 956                | 634             | 498             |
| 61–90 days    | 9                  | —               | 6               |
| 91–120 days   | 42                 | —               | —               |
| Over 120 days | <u>—</u>           | <u>42</u>       | <u>42</u>       |
|               | <u>3,354</u>       | <u>2,960</u>    | <u>3,496</u>    |

#### 20. AMOUNT DUE TO A DIRECTOR

The amount was due to Ms. Tse. The amount was non-trade nature, unsecured, interest-free and repayable on demand. In the opinion of the directors of the Company, the outstanding amount as at 30 June 2016 will be fully settled before Listing.

**21. AMOUNTS DUE TO NON-CONTROLLING SHAREHOLDERS OF SUBSIDIARIES/RELATED COMPANIES****The Group**

The amounts due to non-controlling shareholders of subsidiaries were non-trade nature, unsecured, interest-free and repayable on demand. The amounts were fully settled during the year ended 31 March 2016.

**The Company**

Related companies are Bar Pacific BVI and Hacienda International Corporation Limited. The amounts were non-trade nature, unsecured, interest free and repayable on demand.

**22. OBLIGATIONS UNDER FINANCE LEASES**

|  | Minimum lease payments |             |             | Present value of minimum lease payments |              |              |
|--|------------------------|-------------|-------------|---|--------------|--------------|
|  | At 31 March            |             | At 30 June  | At 31 March                             |              | At 30 June   |
|  | 2015                   | 2016        | 2016        | 2015                                    | 2016         | 2016         |
|  | HK\$'000               | HK\$'000    | HK\$'000    | HK\$'000                                | HK\$'000     | HK\$'000     |
| Amount payable under finance leases                              |                        |             |             |   |              |              |
| — within one year  | 122                    | 197         | 197         | 105                                     | 187          | 188          |
| — in more than one year but not more than two years              | 122                    | 197         | 197         | 111                                     | 193          | 195          |
| — in more than two years but not more than five years            | <u>182</u>             | <u>242</u>  | <u>192</u>  | <u>179</u>                              | <u>243</u>   | <u>193</u>   |
|  | 425                    | 636         | 586         | 395                                     | 623          | 576          |
| Less: Future finance charges                                     | <u>(30)</u>            | <u>(13)</u> | <u>(10)</u> |   |              |              |
| Present value of lease obligations                               | <u>395</u>             | <u>623</u>  | <u>576</u>  |   |              |              |
| Less: Amount due within one year shown under current liabilities |                        |             |             | <u>(105)</u>                            | <u>(187)</u> | <u>(188)</u> |
| Amount due after one year  |                        |             |             | <u>290</u>                              | <u>436</u>   | <u>388</u>   |

The Group had entered into lease agreements for a term of five years to acquire a motor vehicle and certain furniture and fixtures. The directors of the Company consider that the carrying amount of obligations under finance leases approximate to its fair value. As at 31 March 2015, 31 March 2016 and 30 June 2016, the average interest rates on finance lease was 2.5%, 2.5% and 2.5% respectively.

**23. BANK BORROWING**

As at 30 June 2016, the bank borrowing is denominated in HK\$ and bears interest at HIBOR plus 2.00% per annum. The bank borrowing is repayable within one year. The Group has pledged a fixed deposit to the bank to secure the bank borrowing (see note 18) and the bank borrowing is also secured by a personal guarantee provided by a director of the Company (see note 26(a)).

**24. SHARE CAPITAL**

The Company was incorporated and registered as an exempted company in the Cayman Islands on 2 June 2016 with an authorised share capital of HK\$300,000 divided into 30,000,000 shares of a nominal value of HK\$0.01 each. Upon incorporation of the Company, 1 share of HK\$0.01 was issued at par value to the initial subscriber. Further details of the changes in the Company's share capital are set out in the section headed "Share capital" in the Prospectus.

The share capital as at 1 April 2014, 31 March 2015 and 31 March 2016 represented the issued share capital of Bar Pacific BVI. The share capital as at 30 June 2016 represented the aggregate share capital of Bar Pacific BVI and the Company. Pursuant to the Reorganisation, the Company has become the holding company of Bar Pacific BVI on 15 December 2016.

Details of the authorised and issued share capital of the Company are as follows:

|                                   | Number of<br>shares | Share<br>Capital<br>HK\$ |
|-----------------------------------|---------------------|--------------------------|
| Ordinary shares of HK\$0.01 each  |                     |                          |
| Authorised                        |                     |                          |
| At incorporation and 30 June 2016 | <u>30,000,000</u>   | <u>300,000</u>           |
| Issued and fully paid:            |                     |                          |
| At incorporation and 30 June 2016 | <u>1</u>            | <u>—</u>                 |

## 25. RETIREMENT BENEFITS SCHEME

The Group operates a Mandatory Provident Fund Scheme (the “MPF Scheme”) under the Hong Kong Mandatory Provident Fund Schemes Ordinance. Under the MPF Scheme, the employees are required to contribute 5% of their monthly salaries or up to a maximum of HK\$1,500 (before 1 June 2014: HK\$1,250) and they can choose to make additional contributions. The employer’s monthly contributions are calculated at 5% of the employee’s monthly salaries or up to a maximum of HK\$1,500 (before 1 June 2014: HK\$1,250) (the “mandatory contributions”). The employees are entitled to 100% of the employer’s mandatory contributions upon their retirement at the age of 65, death or total incapacity.

## 26. RELATED PARTY TRANSACTIONS

(a) During the Track Record Period, the Group entered into the following transactions with related parties:

| Related parties                                 | Relationship of related parties                         | Nature of Transaction                     | Year ended 31 March |                  | Three months ended 30 June |                  |
|---|---|---|---------------------|------------------|----------------------------|------------------|
|   |   |   | 2015<br>HK\$'000    | 2016<br>HK\$'000 | 2015<br>HK\$'000           | 2016<br>HK\$'000 |
| Landmark Western 2 Limited (“Landmark Western”) | Company controlled by a close family member of Ms. Chan | Other income<br>Sales of alcohol          | 20<br>26            | —<br>62          | —<br>7                     | —<br>—           |
| Wishing   | Company controlled by a close family member of Ms. Chan | Purchase of property, plant and equipment | <u>1,750</u>        | <u>1,550</u>     | <u>—</u>                   | <u>—</u>         |

The directors of the Company consider that the above related party transactions during the Track Record Period were conducted on normal commercial terms.

During the Track Record Period, the director, Ms. Tse and her close family member have provided financial guarantees to the subsidiaries of the Group in respect of operating leases for bars. As at 31 March 2015, 31 March 2016 and 30 June 2016, the outstanding amounts are HK\$188,000, HK\$246,000 and HK\$246,000 respectively. The director of the Company confirmed that the respective financial guarantees will be released before Listing.

In April 2016, a director, Ms. Tse, provided personal guarantee to a bank to secure a banking facility of HK\$8,000,000 granted to a subsidiary of the Group. The directors of the Company confirmed that the personal guarantee will be released before Listing.

- (b) Balances with related parties are disclosed in pages I-7 and I-8 and in notes 19, 20 and 21. Also, included in trade receivables (note 17) are the following amounts due from Landmark Western:

|                   | Balance at      |                 |                 |                 |
|-------------------|-----------------|-----------------|-----------------|-----------------|
|                   | 1 April         | 31 March        | 31 March        | 30 June         |
|                   | 2014            | 2015            | 2016            | 2016            |
|                   | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Trade receivables | —               | —               | 60              | —               |

- (c) The remuneration paid or payable to the key management personnel, being the executive directors of the Company during the Track Record Period is included in note 11. The remuneration of key management personnel is determined with reference to the performance of the individuals and market trends.

## 27. OPERATING LEASE COMMITMENTS

The Group had future aggregate minimum lease payables under non-cancellable operating leases in respect of office and bars as follows:

|                                      | At 31 March     |                 | At              |
|--------------------------------------|-----------------|-----------------|-----------------|
|                                      | 2015            | 2016            | 30 June         |
|                                      | <i>HK\$'000</i> | <i>HK\$'000</i> | 2016            |
|                                      |                 |                 | <i>HK\$'000</i> |
| Within one year                      | 16,710          | 14,001          | 16,546          |
| After one year but within five years | 13,204          | 10,842          | 15,430          |
| Over five years                      | —               | —               | 720             |
|                                      | <u>29,914</u>   | <u>24,843</u>   | <u>32,696</u>   |

Leases are negotiated for terms of one to six years.

The above lease commitments represent basic rents only and do not include contingent rents payable in respect of certain bars leased by the Group. In general, these contingent rents are calculated based on the relevant bars' turnover pursuant to the terms and conditions as set out in the respective rental agreements. It is not possible to estimate in advance the amount of such contingent rent payable. During the years ended 31 March 2015 and 2016, the amounts of contingent rental recognised as expenses were approximately HK\$99,000 and HK\$47,000 respectively. During the three months ended 30 June 2015 and 2016, the amounts of contingent rental recognised as expenses were approximately HK\$6,000 (unaudited) and HK\$6,000 respectively.

## 28. MAJOR NON-CASH TRANSACTIONS

- (a) During the year ended 31 March 2016, an interim dividend of HK\$9,100,000 and the issue of shares to a shareholder for a consideration of HK\$285,000 were settled through the current account with a director, Ms. Tse.
- (b) During the year ended 31 March 2016, the Group entered into a finance lease arrangement in respect of property, plant and equipment with a value of approximately HK\$376,000 at the inception of the lease.
- (c) During the year ended 31 March 2016, amounts due to non-controlling shareholders of subsidiaries of HK\$2,220,000 has been capitalised by issue of shares in the respective subsidiaries and accounted for as capital contribution by the non-controlling shareholders.
- (d) During the year ended 31 March 2016, the Group acquired additional interests in certain subsidiaries and the consideration of which was settled by issue of 105 shares in Bar Pacific BVI.

**29. NON-CONTROLLING INTERESTS**

The Group comprises of 30, 25 and 25 subsidiaries as at 31 March 2015 and 2016 and 30 June 2016, respectively, which in aggregate have a material non-controlling interest balance, however each of them are individually not material.

**(F) SUBSEQUENT EVENTS**

The following events took place subsequent to 30 June 2016:

- (a) On 20 July 2016, the Group acquired additional interests in certain subsidiaries for an aggregate consideration of HK\$70,000 and the amount was settled by cash in July 2016.
- (b) On 6 September 2016, a director of the Company, Mr. Chan Darren Chun-Yeung provided financial guarantee of HK\$40,000 to a subsidiary of the Group in respect of an operating lease for a bar.
- (c) The Reorganisation was completed on 15 December 2016 with the issuance and allotment of 49,999 ordinary shares of the Company to acquire Bar Pacific BVI from the then shareholders. As a result, the issued share capital of the Company was increased to 50,000 ordinary shares of HK\$0.01 each. Further details of the Reorganisation are set out in the section headed "History, Development and Reorganisation" to the Prospectus. As a result of the Reorganisation, the Company became the holding company of the subsidiaries now comprising the Group.
- (d) On 17 December 2016, the authorised ordinary share capital of the Company was increased from HK\$300,000 divided into 30,000,000 ordinary shares of the Company to HK\$100,000,000 divided into 10,000,000,000 ordinary shares of the Company by creation of an additional 9,970,000,000 ordinary shares of the Company of HK\$0.01 each.
- (e) On 17 December 2016, resolutions in writing were passed by the shareholders of the Company pursuant to which, among other things, conditional on the listing division of the Stock Exchange granting listing of, and permission to deal in, the shares in issue and shares to be issued as mentioned in the Prospectus and on the obligations of the underwriting agreement in relation to the underwriting of the placing of the shares of the Company (the "**Underwriting Agreement**") becoming unconditional and not being terminated in accordance with the terms of the Underwriting Agreement or otherwise, in each case on or before the date falling 30 days after the date of the issue of the Prospectus:
  - (i) the rules of the share option scheme, the principal terms of which are set out in the paragraph headed "Share Option Scheme" below in Appendix IV to the Prospectus, were approved and adopted and the directors of the Company were authorised, subject to the terms and conditions of the share option scheme, to grant options to subscribe for shares thereunder and to allot, issue and deal with the shares pursuant to the exercise of subscription rights attaching to any options which may be granted under the share option scheme and to take all such actions as they consider necessary or desirable to implement the share option scheme;

- (ii) conditional further on the share premium account of the Company being credited as a result of the placing of the shares of the Company, the directors of the Company were authorised to capitalise an amount of HK\$6,449,500 standing to the credit of the share premium account of the Company and to appropriate such amount as to capital to pay up in full at par 644,950,000 Shares for allotment and issue to the persons whose names appear on the register of members of the Company at the close of business on 23 December 2016 in proportion (as nearly as possible without involving fractions) to their then existing shareholdings in the Company (the “**Capitalisation Issue**”), each ranking pari passu in all respects with the then existing issued shares, and the directors of the Company were authorised to give effect to such capitalisation and distributions and the Capitalisation Issue was approved.

**(G) SUBSEQUENT FINANCIAL STATEMENTS**

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

Yours faithfully,  
**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*  
Hong Kong

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| <b>APPENDIX II</b> | <b>UNAUDITED PRO FORMA FINANCIAL INFORMATION</b> |
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The information set out in this appendix does not form part of the accountants' report on the financial information of the Group for the two years ended 31 March 2016 and the three months ended 30 June 2016 (the "Accountants' Report") prepared by Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, as set out in Appendix I to this Prospectus, and is included in this Prospectus for information only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this Prospectus and the Accountants' Report set forth in Appendix I to this Prospectus.

**(A) UNAUDITED PRO FORMA ADJUSTED COMBINED NET TANGIBLE ASSETS**

The following statement of unaudited pro forma adjusted combined net tangible assets of the Group is prepared in accordance with paragraph 7.31 of the GEM Rules and is set out below to illustrate the effect of the Placing on the combined net tangible assets of the Group attributable to owners of the Company as at 30 June 2016 as if the Placing had taken place on that date.

The unaudited pro forma adjusted combined net tangible assets of the Group has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the combined net tangible assets of the Group attributable to owners of the Company had the Placing been completed as at 30 June 2016 or at any future dates. It is prepared based on the audited combined net tangible assets of the Group attributable to owners of the Company as at 30 June 2016 derived from the combined statement of financial position at that date as set out in the Accountants' Report in Appendix I to this Prospectus, and adjusted as described below.

|   | <b>Audited<br/>combined net<br/>tangible assets<br/>of the Group<br/>attributable to<br/>owners of the<br/>Company as at<br/>30 June 2016<sup>(1)</sup><br/>HK\$'000</b> | <b>Estimated net<br/>proceeds from<br/>the Placing<sup>(2)</sup><br/>HK\$'000</b> | <b>Unaudited pro<br/>forma adjusted<br/>combined net<br/>tangible assets<br/>of the Group<br/>attributable to<br/>owners of the<br/>Company<br/>HK\$'000</b> | <b>Unaudited pro<br/>forma adjusted<br/>combined net<br/>tangible assets<br/>of the Group<br/>attributable to<br/>owners of the<br/>Company per<br/>Share<sup>(3)</sup><br/>HK\$</b> |
|---|--|---|--|--|
| Based on the Placing Price<br>of HK\$0.27 per Share | 9,499  | 45,299  | 54,798   | 0.064  |
| Based on the Placing Price<br>of HK\$0.29 per Share | 9,499  | 49,599  | 59,098   | 0.069  |

Notes:

- (1) The audited combined net tangible assets of the Group attributable to owners of the Company as at 30 June 2016 is the combined net assets of the Group attributable to owners of the Company of approximately HK\$9,499,000 as extracted from the Accountants' Report set out in Appendix I to this Prospectus.

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- (2) The estimated net proceeds from the Placing are based on 215,000,000 Shares at the Placing Price of HK\$0.27 and of HK\$0.29 being the low-end and the high-end of the stated placing price range, per Placing Share, after deduction of the underwriting fees and other related expenses payable by the Company (other than expenses already recognised in profit or loss up to 30 June 2016). It does not take into account of any Shares that may be issued pursuant to the exercise of any options granted or to be granted.
- (3) The unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company per Share has been arrived at after making the adjustments referred to in this section and on the basis of a total of 860,000,000 Shares comprising 50,000 Shares in issue as at the date of this prospectus and 859,950,000 Shares to be issued pursuant to the Placing and Capitalisation Issue, all are assumed had been issued on 30 June 2016. It does not take into account of any Shares that may be issued pursuant to the exercise of or any options granted or to be granted.
- (4) No adjustment has been made to the audited combined net tangible assets of the Group attributable to the owners of the Company as at 30 June 2016 to reflect any trading results or other transactions of the Group entered into subsequent to 30 June 2016.



**(B) INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION**

*The following is the text of a report received from the reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, in respect of the Group's pro forma financial information for the purpose of incorporation in this Prospectus.*

**Deloitte.**

**德勤**

**Independent Reporting Accountants' Assurance Report on the Compilation of Pro Forma Financial Information**

**TO THE DIRECTORS OF BAR PACIFIC GROUP HOLDINGS LIMITED**

We have completed our assurance engagement to report on the compilation of the unaudited pro forma financial information of Bar Pacific Group Holdings Limited (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) by the directors of the Company (the “**Directors**”) for illustrative purposes only. The unaudited pro forma financial information consists of the statement of unaudited pro forma adjusted combined net tangible assets of the Group as at 30 June 2016 and related notes, as set out in section A of Appendix II to the prospectus issued by the Company dated 30 December 2016 (the “**Prospectus**”). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described in section A of Appendix II to the Prospectus.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the Placing (as defined in the Prospectus) on the Group's financial position as at 30 June 2016, as if the Placing had taken place at 30 June 2016. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial information for the two years ended 31 March 2016 and the three months ended 30 June 2016, on which an accountants' report set out in Appendix I to the Prospectus has been published.

**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 Growth Enterprise Market 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 behaviour.

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 the 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 30 June 2016 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.

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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.

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*  
Hong Kong  
30 December 2016

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 2 June, 2016 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the “**Companies Law**”). The Company’s constitutional documents consist of its Amended and Restated Memorandum of Association (the “**Memorandum**”) and its Amended and Restated Articles of Association (the “**Articles**”).

## 1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

## 2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on 17 December 2016 with effect from the Listing Date. The following is a summary of certain provisions of the Articles:

### (a) Shares

#### (i) *Classes of shares*

The share capital of the Company consists of ordinary shares.

#### (ii) *Variation of rights of existing shares or classes of shares*

Subject to the Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting

two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

***(iii) Alteration of capital***

The Company may by ordinary resolution of its members:

- (i) increase its share capital by the creation of new shares;
- (ii) consolidate all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;
- (iv) sub divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

***(iv) Transfer of shares***

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time.

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect that share.

The board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

The board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as Stock Exchange may determine to be payable) determined by the Directors is paid to the Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as the board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favour of the Company.

***(v) Power of the Company to purchase its own shares***

The Company is empowered by the Companies Law and the Articles to purchase its own shares subject to certain restrictions and the board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by Stock Exchange.

Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender must be limited to a maximum price determined by the Company in general meeting. If purchases are by tender, tenders must be made available to all members alike.

***(vi) Power of any subsidiary of the Company to own shares in the Company***

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

***(vii) Calls on shares and forfeiture of shares***

The board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is

due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

**(b) Directors**

**(i) *Appointment, retirement and removal***

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

The Directors have the power to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and members of the Company may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated if:

- (aa) he resigns by notice in writing delivered to the Company;
- (bb) he becomes of unsound mind or dies;
- (cc) without special leave, he is absent from meetings of the board for six (6) consecutive months, and the board resolves that his office is vacated;
- (dd) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) he is prohibited from being a director by law; or
- (ff) he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

***(ii) Power to allot and issue shares and warrants***

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with



regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the board may determine), or (b) on terms that, at the option of the Company or the holder thereof, it is liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of Stock Exchange and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company are at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board is obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

***(iii) Power to dispose of the assets of the Company or any of its subsidiaries***

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

***(iv) Borrowing powers***

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

***(v) Remuneration***

The ordinary remuneration of the Directors is to be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of

the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors are also entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

***(vi) Compensation or payments for loss of office***

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

***(vii) Loans and provision of security for loans to Directors***

The Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 622 of the laws of Hong Kong) as if the Company were a company incorporated in Hong Kong.

*(viii) Disclosure of interests in contracts with the Company or any of its subsidiaries*

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and upon such terms as the board may determine, and may be paid such extra remuneration therefor in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. The board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company must declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;

- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or
- (ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

**(c) Proceedings of the Board**

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

**(d) Alterations to constitutional documents and the Company's name**

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

**(e) Meetings of members**

**(i) *Special and ordinary resolutions***

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

Under the Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given held in accordance with the Articles.

*(ii) Voting rights and right to demand a poll*

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorized representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Stock Exchange, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

*(iii) Annual general meetings*

The Company must hold an annual general meeting of the Company every year within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of not more than eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of the Stock Exchange.

*(iv) Notices of meetings and business to be conducted*

An annual general meeting must be called by notice of not less than twenty-one (21) days and not less than twenty (20) business days. All other general meetings must be called by notice of at least fourteen (14) days and not less than ten (10) business days. The notice is exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time and place of the meeting and, in the case of special business, the general nature of that business.

In addition notice of every general meeting, must be given to all members of the Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to the auditors for the time being of the Company.

Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of the Company personally, by post to such member's registered address or by advertisement in newspapers published daily and circulating generally in Hong Kong and in accordance with the requirements of the Stock Exchange. Subject to compliance with Cayman Islands law and the rules of the Stock Exchange, notice may also be served or delivered by the Company to any member by electronic means.

All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each the following business is deemed an ordinary business:

- (aa) the declaration and sanctioning of dividends;
- (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
- (cc) the election of directors in place of those retiring;
- (dd) the appointment of auditors and other officers;
- (ee) the fixing of the remuneration of the directors and of the auditors;
- (ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and

(gg) the granting of any mandate or authority to the directors to repurchase securities of the Company.

**(v) *Quorum for meetings and separate class meetings***

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

The quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

**(vi) *Proxies***

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and is entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy is entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

**(f) *Accounts and audit***

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records must be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting. However, an exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Stock Exchange, the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the next annual general meeting. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards which be those of a country or jurisdiction other than the Cayman Islands.. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

**(g) Dividends and other methods of distribution**

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid



up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit.

The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

**(h) Inspection of corporate records**

Pursuant to the Articles, the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

**(i) Rights of minorities in relation to fraud or oppression**

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

**(j) Procedures on liquidation**

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if the Company is wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and
- (ii) if the Company is wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

**(k) Subscription rights reserve**

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

### 3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

#### (a) Company operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

#### (b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium.

The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "**Court**"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

**(c) Financial assistance to purchase shares of a company or its holding company**

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

**(d) Purchase of shares and warrants by a company and its subsidiaries**

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company is to be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

**(e) Dividends and distributions**

The Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

**(f) Protection of minorities and shareholders' suits**

The Courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

**(g) Disposal of assets**

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his

duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

**(h) Accounting and auditing requirements**

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

**(i) Exchange control**

There are no exchange control regulations or currency restrictions in the Cayman Islands.

**(j) Taxation**

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 28 June 2016.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

**(k) Stamp duty on transfers**

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

**(l) Loans to directors**

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

**(m) Inspection of corporate records**

Members of the Company have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

**(n) Register of members**

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register must be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

**(o) Register of Directors and Officers**

The Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within sixty (60) days of any change in such directors or officers.

**(p) Winding up**

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where

it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorising civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts as they fall due. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court.

As soon as the affairs of the company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and how the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorised by the company's articles of association and published in the Gazette.

#### **(q) Reconstructions**

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.



**(r) Take-overs**

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

**(s) Indemnification**

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

**4. GENERAL**

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Document delivered to the Registrar of Companies in Hong Kong and Documents available for inspection" in Appendix V to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

**A. FURTHER INFORMATION ABOUT THE COMPANY****1. Incorporation**

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 2 June 2016. The Company has established a principal place of business in Hong Kong at Room D2, 11/F, Phase 2, Hang Fung Industrial Building, 2G Hok Yuen Street, Hunghom, Kowloon, Hong Kong and was registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance on 20 December 2016. Ms. Tse of Flat B, 5/F, Block 1, Balwin Court, No. 154–164 Argyle Street, Kowloon City, Kowloon, Hong Kong has been appointed as the authorised representative of the Company for the acceptance of service of process and notices on behalf of the Company in Hong Kong.

As the Company is incorporated in the Cayman Islands, it is subject to the Cayman Islands law and to its constitution, which comprises the Memorandum and the Articles. A summary of various provisions of its constitution and relevant aspects of the Companies Law is set out in Appendix III to this prospectus.

**2. Changes in share capital of the Company**

- (a) As at the date of incorporation, the Company has an authorised share capital of HK\$300,000 divided into 30,000,000 shares of HK\$0.01 each. One fully-paid Share was allotted and issued to the initial subscriber on 2 June 2016, and was subsequently transferred to Ms. Tse on the same day.
- (b) On 15 December 2016, the Company acquired (i) 33,453 shares in Bar Pacific Group Limited from Harneys Trustees Limited and in consideration allotted and issued 33,452 new Shares to BVI Holdco, (ii) 13,422 shares from BP Sharing Limited and in consideration allotted and issued 13,422 new Shares to BP Sharing, and (iii) 3,125 shares from Fortune Worth Investment Holdings Limited and in consideration allotted and issued 3,125 new Shares to Fortune Worth Investment Holdings Limited, respectively. At the same time, Ms. Tse transferred her 1 Share to BVI Holdco.
- (c) Pursuant to written resolutions of the Shareholders passed on 17 December 2016, the authorised share capital of the Company was increased from HK\$300,000 to HK\$100,000,000 by the creation of an additional of 9,970,000,000 Shares, each ranking pari passu with the Shares then in issue in all respects.
- (d) Immediately following completion of the Capitalisation Issue and the Placing, and taking no account of any Share which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme, 860,000,000 Shares will be issued fully paid or credited as fully paid, and 9,140,000,000 Shares will remain unissued.
- (e) Other than pursuant to the general mandate to issue Shares referred to in the paragraph headed “Written shareholders’ resolutions of the Company passed on 17 December 2016” in this appendix and pursuant to the Share Option Scheme, the Company does not have any

present intention to issue any of the authorised but unissued share capital of the Company and, without prior approval of the Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of the Company.

- (f) Save as disclosed in this prospectus, there has been no other alteration in the Company's share capital since its incorporation.

### **3. Written shareholders' resolutions of the Company passed on 17 December 2016**

On 17 December 2016, resolutions in writing were passed by the shareholders of the Company pursuant to which, among other things:

- (a) the Company approved and adopted the Memorandum which immediate effect and the Articles conditionally which shall become effective upon the Listing Date, the terms of which are summarised in Appendix III to this prospectus;
- (b) the authorised share capital of the Company be increased from HK\$300,000 divided into 30,000,000 Shares of HK\$0.01 each to HK\$100,000,000 divided into 10,000,000,000 Shares of HK\$0.01 each by the creation of an additional 9,970,000,000 Shares of HK\$0.01 each, ranking pari passu with the existing Shares in all respects;
- (c) conditional on the Listing Division granting listing of, and permission to deal in, the Shares in issue and Shares to be issued as mentioned in this prospectus (including any Shares which may be issued pursuant to the exercise of the options granted under the Share Option Scheme) and on the obligations of the Underwriter under the Underwriting Agreement becoming unconditional and not being terminated in accordance with the terms of the Underwriting Agreement or otherwise, in each case on or before the date falling 30 days after the date of the issue of this prospectus:
  - (i) the Placing was approved and our Directors were authorised to allot and issue the Placing Shares pursuant to the Placing to rank pari passu with the then existing Shares in all respects;
  - (ii) the rules of the Share Option Scheme, the principal terms of which are set out in the paragraph headed "Share Option Scheme" below in this appendix, were approved and adopted and our Directors were authorised, subject to the terms and conditions of the Share Option Scheme, to grant options to subscribe for Shares thereunder and to allot, issue and deal with the Shares pursuant to the exercise of subscription rights attaching to any options which may be granted under the Share Option Scheme and to take all such actions as they consider necessary or desirable to implement the Share Option Scheme;
  - (iii) conditional further on the share premium account of the Company being credited as a result of the Placing, our Directors were authorised to capitalise an amount of HK\$6,449,500 standing to the credit of the share premium account of the Company and to appropriate such amount as to capital to pay up in full at par 644,950,000 Shares for allotment and issue to the persons whose names appear on the register of members of the Company at the close of business on 23 December 2016 in proportion (as nearly as

possible without involving fractions) to their then existing shareholdings in the Company, each ranking pari passu in all respects with the then existing issued Shares, and our Directors were authorised to give effect to such capitalisation and distributions and the Capitalisation Issue was approved;

- (d) a general unconditional mandate was given to our Directors to exercise all powers of the Company to allot, issue and deal with, otherwise than by way of rights issue or an issue of Shares pursuant to the exercise of any options which may be granted under the Share Option Scheme or any other share option scheme of the Company or any Shares allotted and issued in lieu of the whole or part of a dividend on Shares or similar arrangement in accordance with the Articles or pursuant to a specific authority granted by the Shareholders in general meeting or pursuant to the Placing, Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such securities convertible into Shares, and to make or grant offers, agreements and options which might require the exercise of such power, with an aggregate nominal value not exceeding 20% of the aggregate nominal value of the share capital of the Company in issue immediately following completion of the Placing and the Capitalisation Issue but excluding any Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme, such mandate to remain in effect until whichever is the earliest of:
- (i) the conclusion of the next annual general meeting of the Company;
  - (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or
  - (iii) the time when such mandate is revoked or varied by an ordinary resolution of the Shareholders in general meeting; and
- (e) a general unconditional mandate was given to the Directors authorising them to exercise all powers of the Company to repurchase on GEM or on any other stock exchange on which the securities of the Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, such number of Shares as will represent up to 10% of the aggregate nominal value of the share capital of the Company in issue immediately following completion of the Placing and the Capitalisation Issue but excluding any Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme, such mandate to remain in effect until whichever is the earliest of:
- (i) the conclusion of the next annual general meeting of the Company;
  - (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or
  - (iii) the time when such mandate is revoked or varied by an ordinary resolution of the Shareholders in general meeting; and

- (f) the general unconditional mandate mentioned in sub-paragraph (d) above was extended by the addition to the aggregate nominal value of the share capital of the Company which may be allotted or agreed to be allotted by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of the Company repurchased by the Company pursuant to the mandate to repurchase Shares referred to in sub-paragraph (e) above, provided that such extended amount shall not exceed 10% of the aggregate nominal value of the share capital of the Company in issue immediately following completion of the Placing and the Capitalisation Issue but excluding any Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme.

#### **4. Corporate Reorganisation**

In preparing for the Listing, the companies comprising our Group underwent the Reorganisation to rationalise the corporate structure of our Group and the Company became the holding company of our Group. Please refer to the paragraph headed “History, Development and Reorganisation — Reorganisation” in this prospectus for further details.

#### **5. Changes in share capital of subsidiaries**

The subsidiaries of the Company are set out in the Accountants’ Report of the Company, the text of which is set out in Appendix I to this prospectus.

Save as disclosed in the section headed “History, Development and Reorganisation — Reorganisation” in this prospectus, there has been no alteration in the share capital of any of the subsidiaries of the Company within the two years immediately preceding the date of this prospectus.

#### **6. Repurchase of the Shares by the Company**

This section contains information required by the Stock Exchange to be included in this prospectus concerning the repurchase of the Shares by the Company.

##### ***(a) Provisions of the GEM Listing Rules***

The GEM Listing Rules permit companies whose primary listing is on GEM to repurchase their securities on GEM subject to certain restrictions, a summary of which is set out below:

##### ***(i) Shareholders’ approval***

The GEM Listing Rules provide that all proposed repurchases of shares, which must be fully paid up in the case of shares, by a company with a primary listing on GEM must be approved in advance by an ordinary resolution of the shareholders, either by way of general mandate or by specific approval of a particular transaction.

*Note:* Pursuant to the written shareholders’ resolutions passed by the Company on 17 December 2016, a general unconditional mandate (the “**Repurchase Mandate**”) was granted to our Directors authorising them to exercise all powers of the Company to repurchase on GEM or on any other stock exchange on which the securities of the Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, such number of Shares as will represent up to 10% of the aggregate nominal amount of the share capital of the Company in issue immediately following completion of the

Placing and the Capitalisation Issue but excluding any Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme and the Repurchase Mandate shall remain in effect until whichever is the earliest of the conclusion of the next annual general meeting of the Company, or the expiration of the period within which the next annual general meeting of the Company is required by the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held or the time when the Repurchase Mandate is revoked or varied by an ordinary resolution of the Shareholders in a general meeting.

*(ii) Source of Funds*

Any repurchase by the Company must be funded out of funds legally available for the purpose in accordance with the Articles, the applicable laws of the Cayman Islands and the GEM Listing Rules. The Company may not repurchase its own Shares on GEM for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

Any repurchases by the Company may be made out of profits, out of the Company's share premium account or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, if authorised by the Articles and subject to the Companies Law, out of capital and, in the case of any premium payable on the repurchase, out of profits of the Company or out of the Company's share premium account before or at the time the Shares are repurchased or, if authorised by the Articles and subject to the Companies Law, out of capital.

*(iii) Connected parties*

The GEM Listing Rules prohibit the Company from knowingly repurchasing the Shares on GEM from a "core connected person" (as defined in the GEM Listing Rules), which includes a Director, chief executive or Substantial Shareholder of the Company or any of its subsidiaries and core a connected person shall not knowingly sell Shares to the Company on GEM.

*(b) Exercise of the Repurchase Mandate*

On the basis of 860,000,000 Shares in issue immediately after completion of the Placing and the Capitalisation Issue, the Directors would be authorised under the Repurchase Mandate to repurchase up to 86,000,000 Shares during the period in which the Repurchase Mandate remains in force. Any Shares repurchased pursuant to the Repurchase Mandate must be fully paid up.

*(c) Reasons for repurchases*

Our Directors believe that it is in the best interests of the Company and its Shareholders for our Directors to have a general authority from Shareholders to enable the Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the Company's net asset value and/or earnings per Share and will only be made when our Directors believe that such repurchases will benefit the Company and the Shareholders.

*(d) Funding of repurchases*

In repurchasing the Shares, the Company may only apply funds legally available for such purpose in accordance with the Articles, the GEM Listing Rules and the applicable laws and regulations of the Cayman Islands.

Our Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or the gearing levels which in the opinion of our Directors are from time to time appropriate for the Company.

*(e) General*

None of our Directors or to the best of their knowledge, having made all reasonable enquiries, any of their close associates (as defined in the GEM Listing Rules) of any Director, has any present intention to sell any Shares to the Company if the Repurchase Mandate is exercised.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the GEM Listing Rules, the Articles and the applicable law and regulations from time to in force in the Cayman Islands.

If, as a result of a repurchase of Shares pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purpose of the Hong Kong Code on Takeovers and Mergers and Share Repurchases (the "**Takeovers Code**"). In certain circumstances, a Shareholder or a group of Shareholders acting in concert (as defined in the Takeovers Code) depending on the level of increase of the Shareholders' interest, could obtain or consolidate control of the Company and may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of any such increase.

Save as disclosed above, our Directors are not aware of any consequences which may arise under the Takeovers Code as a consequence of any repurchase of Shares if made immediately after the listing of the Shares pursuant to the Repurchase Mandate. At present, so far as is known to the Directors, no Shareholder may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code in the event that our Directors exercise the power in full to repurchase the Shares pursuant to the Repurchase Mandate.

Our Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the GEM Listing Rules). No core connected person (as defined in the GEM Listing Rules) has notified the Company that he/she has a present intention to sell Shares to the Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

**B. FURTHER INFORMATION ABOUT THE BUSINESS****1. Summary of material contracts**

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by our Group within the two years preceding the date of this prospectus and are or may be material in relation to the business of the Company taken as a whole:

- (a) a sale and purchase agreement dated 15 December 2016 entered into among the Company, BP Sharing Limited, Fortune Worth Investment Holdings Limited, Harneys Trustees Limited as trustee of The Bar Pacific Trust, and BVI Holdco pursuant to which the Company acquired (i) 33,453 shares in Bar Pacific Group Limited from Harneys Trustees Limited and in consideration allotted and issued 33,452 new Shares to BVI Holdco, (ii) 13,422 shares from BP Sharing Limited and in consideration allotted and issued 13,422 new Shares to BP Sharing Limited, and (iii) 3,125 shares from Fortune Worth Investment Holdings Limited and in consideration allotted and issued 3,125 new Shares to Fortune Worth Investment Holdings Limited, respectively;
- (b) a deed of indemnity dated 17 December 2016 and executed by the Controlling Shareholders, in favour of the Company (for itself and on behalf of its subsidiaries) containing indemnities referred to in the paragraph headed “Tax and other indemnities” in this appendix;
- (c) a deed of non-competition dated 17 December 2016 and executed by the Controlling Shareholders in favour of the Company (for itself and on behalf of its subsidiaries), details of which are set out in the paragraph headed “Deed of Non-competition” under the section headed “Relationship with Controlling Shareholders” in this prospectus; and
- (d) the Underwriting Agreement.

**2. Intellectual Property Rights of our Group***(a) Trademark*

As at the Latest Practicable Date, our Group holds the following registered trademark in Hong Kong which we believe to be material to our business:

| <b>Trademark</b>     | <b>Registered owner</b>              | <b>Class</b> | <b>Trademark number</b> | <b>Validity period</b>                    |
|----------------------|--------------------------------------|--------------|-------------------------|---|
| BAR PACIFIC<br>太平洋酒吧 | Bar Pacific Entertainment<br>Limited | 43           | 300078750               | 16 September 2003 to<br>15 September 2023 |



*(b) Domain name*

As at the Latest Practicable Date, our Group was the owner of the following domain name which is material to the business of our Group:

| <b>Domain name</b>    | <b>Expiry Date</b> |
|-----------------------|--------------------|
| www.barpacific.com.hk | 23 November 2021   |

### **C. FURTHER INFORMATION ABOUT SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND EXPERTS**

#### **1. Disclosure of Interests**

##### *(a) Interests of Directors and chief executive in shares, underlying shares and debentures of the Company and its associated corporations*

So far as the Directors are aware, immediately following the completion of the Placing and the Capitalisation Issue, but taking no account of any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme or repurchased by the Company pursuant to the mandates as referred to in the paragraph headed “Further information about the Company” in this appendix, the interests and short positions of the Directors or chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of the associated corporations (within the meaning of Part XV of the SFO) which, once the Shares are listed on the GEM, will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they are taken or deemed to have under such provisions of the SFO) or will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by our Directors, to be notified to the Company and the Stock Exchange, will be as follows:

##### *(i) Long position in the Shares*

| <b>Name of Director</b>   | <b>Capacity/Nature</b> | <b>Number of Shares held</b> | <b>Percentage of shareholding</b> |
|---------------------------|------------------------|------------------------------|-----------------------------------|
| Ms. Tse <sup>(Note)</sup> | Beneficiary of a trust | 431,543,700                  | 50.18%                            |

*Notes:* These 431,543,700 Shares are held by BVI Holdco, the issued share capital of which is held by Harneys Trustees Limited, the trustee of the Bar Pacific Trust, of which Ms. Tse and her daughter, namely Ms. Chan Tsz Kiu Teresa, are beneficiaries. Ms. Tse is deemed to be interested in the Shares held by BVI Holdco under the SFO.

(ii) *Long position in the ordinary shares of associated corporations*

| <b>Name of Director</b>   | <b>Name of associated corporation</b> | <b>Capacity/Nature</b> | <b>No. of share held</b> | <b>Percentage of interest</b> |
|---------------------------|---------------------------------------|------------------------|--------------------------|-------------------------------|
| Ms. Tse <sup>(Note)</sup> | Moment to Moment Company Limited      | Beneficiary of a trust | one                      | 100%                          |

*Notes:* The entire issued share capital of Moment to Moment Company Limited is owned by Harneys Trustees Limited, the trustee of the Bar Pacific Trust, of which Ms. Tse and her daughter, namely Ms. Chan Tsz Kiu Teresa, are beneficiaries. Ms. Tse is accordingly deemed to be interested in the one share of Moment to Moment Company Limited.

(b) *Interests of substantial and other Shareholders in the Shares and Underlying Shares*

So far as is known to our Directors and taking no account of any Shares which may be taken up under the Placing, and Shares to be issued pursuant to options which may be granted under the Share Option Scheme, the following persons (not being a Director or chief executive of the Company) will, immediately following the completion of the Capitalisation Issue and the Placing, have interests or short positions in Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

| <b>Name</b>                               | <b>Capacity/Nature</b>              | <b>Number of Shares held</b> | <b>Percentage of shareholding</b> |
|---|-------------------------------------|------------------------------|-----------------------------------|
| BVI Holdco                                | Beneficial owner                    | 431,543,700                  | 50.18%                            |
| Harneys Trustees Limited                  | Trustee (other than a bare trustee) | 431,543,700                  | 50.18%                            |
| Ms. Chan Tsz Kiu Teresa <sup>(Note)</sup> | Beneficiary of a trust              | 431,543,700                  | 50.18%                            |
| Ms. Chan Ching Mandy                      | Interest of controlled corporation  | 431,543,700                  | 50.18%                            |
| BP Sharing Limited                        | Beneficial owner                    | 173,143,800                  | 20.13%                            |

*Notes:* These 431,543,700 Shares are held by BVI Holdco, the issued share capital of which is held by Harneys Trustees Limited, the trustee of the Bar Pacific Trust, of which Ms. Tse and her daughter, namely Ms. Chan Tsz Kiu Teresa, are beneficiaries. Pursuant to the deed of settlement dated 25 March 2014 in respect of the Bar Pacific Trust, Ms. Chan Ching Mandy is the protector of the Bar Pacific Trust, and Harneys Trustees Limited is required to exercise the voting rights in any company the fund of the Bar Pacific Trust is invested in accordance with the joint written instruction from the protector (i.e. Ms. Chan Ching Mandy) and the settlor (i.e. Ms. Tse) of the Bar Pacific Trust. Each of Ms. Tse and Ms. Chan Ching Mandy is deemed to be interested in the Shares held by BVI Holdco under the SFO.

**2. Particulars of service agreements**

None of our Directors has or is proposed to have any service agreement with the Company or any of its subsidiaries (excluding contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

### 3. Remuneration of Directors

- (a) The aggregate remuneration paid by our Group to our Directors in respect of the two years ended 31 March 2015 and 2016 and the three months ended 30 June 2016 were approximately HK\$490,000, HK\$813,000 and HK\$200,000 respectively.
- (b) Under the arrangements currently in force, the aggregate emoluments (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by our Group to our Directors for the year ending 31 March 2017 will be approximately HK\$1.1 million.
- (c) Under the arrangements currently proposed, conditional upon the Listing, the basic annual remuneration (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by our Group to each of our Directors will be as follows:

*HK\$*

#### **Executive Directors**

|                            |             |
|----------------------------|-------------|
| Ms. Tse Ying Sin Eva       | HK\$660,000 |
| Mr. Chan Darren Chun-Yeung | HK\$744,000 |

#### **Independent Non-executive Directors**

|                          |             |
|--------------------------|-------------|
| Mr. Tang Wing Lam, David | HK\$120,000 |
| Mr. Chin Chun Wing       | HK\$120,000 |
| Mr. Yung Wai Kei         | HK\$120,000 |

- (d) Each of our Directors has entered into a service contract and appointment letter (as the case may be) with the Company for a term of three years commencing from the Listing Date, which may be terminated by not less than three months' notice served by either party on the other, and is subject to termination provisions therein and provisions on retirement by rotation of Directors as set out in the Memorandum and Articles.

### 4. Agency fees or commissions received

Save as disclosed in the paragraph headed "Commissions and expenses" in the section headed "Underwriting" of this prospectus, none of our Directors or the experts named in the paragraph headed "Consents of experts" in this appendix had received any agency fee or commissions from our Group within the two years preceding the date of this prospectus.

### 5. Related party transactions

Details of the related party transactions are set out under Note 26 to the Accountants' Report of the Company set out in Appendix I to this prospectus.

**6. Disclaimers**

Save as disclosed in this prospectus:

- (a) taking no account of any Shares which may be issued upon the exercise of options which may be granted under the Share Option Scheme or repurchased by the Company pursuant to the mandates as referred to in the paragraph headed “Further information about the Company” in this appendix, our Directors are not aware of any person (not being a Director or chief executive of the Company) who will, immediately following the completion of the Placing and the Capitalisation Issue, have an interest or short position in the Shares or underlying Shares which will fall to be disclosed to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be, directly or indirectly, interested in 10% or more of the nominal value or any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group;
- (b) none of our Directors or chief executive of the Company has any interest or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by our Directors, to be notified to the Company and the Stock Exchange, in each case once the Shares are listed on the GEM;
- (c) none of our Directors or the experts named in the paragraph headed “Qualifications of experts” in this appendix is interested in the promotion of, or in any assets which have been, within the two years immediately preceding the issue of this prospectus, acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (d) none of our Directors or the experts named in the paragraph headed “Qualifications of experts” in this appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;
- (e) none of our Directors or the experts named in the paragraph headed “Qualifications of experts” in this appendix has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group;
- (f) so far as is known to our Directors, none of our Directors, their respective associates (as defined under the GEM Listing Rules) or Shareholders who are interested in more than 5% of the issued share capital of the Company has any interests in the five largest customers or the five largest suppliers of our Group;

- (g) none of our Directors has any existing or proposed service contracts with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)); and
- (h) no remuneration or other benefits in kind have been paid by any member of our Group to any Director since the date of incorporation of the Company, nor are any remuneration or benefits in kind payable by any member of our Group to any Director in respect of the current financial year under any arrangement in force as at the Latest Practicable Date.

#### D. SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme on 17 December 2016. The following is a summary of the principal terms of the Share Option Scheme but does not form part of, nor was it intended to be, part of the Share Option Scheme nor should it be taken as affecting the interpretation of the rules of the Share Option Scheme.

The terms of the Share Option Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules.

##### (a) Summary of terms

The following is a summary of the principal terms of the Share Option Scheme conditionally adopted by a resolution in writing passed by the Shareholders on 17 December 2016:

###### (i) *Purposes of the scheme*

The purpose of the Share Option Scheme is to enable our Group to grant options to selected participants as incentives or rewards for their contribution to our Group. Our Directors consider the Share Option Scheme, with its broadened basis of participation, will enable our Group to reward the employees, our Directors and other selected participants for their contributions to our Group.

###### (ii) *Who may join*

Our Directors may, at its absolute discretion, invite any person belonging to any of the following classes of participants (“**Eligible Participants**”), to take up options to subscribe for Shares:

- (aa) any employee (whether full-time or part-time, including any executive director but excluding any non-executive director) of our Company, any of its subsidiaries (“**Subsidiaries**”) or any entity (“**Invested Entity**”) in which our Group holds an equity interest (“**Eligible Employee**”);
- (bb) any non-executive directors (including independent non-executive directors) of our Company, any Subsidiaries or any Invested Entity;
- (cc) any supplier of goods or services to any member of our Group or any Invested Entity;

- (dd) any customer of any member of our Group or any Invested Entity;
- (ee) any person or entity that provides research, development or other technological support to any member of our Group or any Invested Entity;
- (ff) any shareholder of any member of our Group or any Invested Entity or any holder of any securities issued by any member of our Group or any Invested Entity;
- (gg) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of our Group or any Invested Entity; and
- (hh) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the growth of our Group.

The eligibility of any of the above class of participants to the grant of any option shall be determined by our Directors from time to time on the basis of our Directors' option as to his contribution to the development and growth of our Group.

(iii) *Maximum number of Shares*

- (aa) The maximum number of Shares which may be allotted and issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme of our Group shall not exceed 30% of the issued share capital of our Company from time to time.
- (bb) The total number of Shares which may be issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme of our Group) to be granted under the Share Option Scheme and any other share option scheme of our Group must not in aggregate exceed 10.0% of the Shares in issue on the day on which dealings in the Shares first commence on GEM (i.e. not exceeding 86,000,000 Shares) (the "**General Scheme Limit**").
- (cc) Subject to (aa) above but without prejudice to (dd) below, our Company may issue a circular to its Shareholders and seek approval of its Shareholders in general meeting to refresh the General Scheme Limit provided that the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share options scheme of our Group shall not exceed 10.0% of the Shares in issue as at the date of approval of the limit and for the purpose of calculating the limit, options (including those outstanding, cancelled, lapsed or exercised in accordance with the Share Option Scheme and any other share option scheme of our Group) previously granted under the Share Option Scheme and any other share option scheme of our Group will not be counted. The circular sent by our Company to its Shareholders shall contain, among other information, the information required under Rule 23.02(2)(d) of the GEM Listing Rules and the disclaimer required under Rule 23.02(4) of the GEM Listing Rules.

(dd) Subject to (aa) above and without prejudice to (cc) above, our Company may seek separate Shareholders' approval in general meeting to grant options beyond the General Scheme Limit or, if applicable, the refreshed limit referred to in (cc) above to Eligible Participants specifically identified by our Company before such approval is sought. In such event, our Company must send a circular to its Shareholders containing a general description of the specified participants, the number and terms of options to be granted, the purpose of granting options to the specified participants with an explanation as to how the terms of the options serve such purpose and such other information required under Rule 23.02(2)(d) of the GEM Listing Rules and the disclaimer required under Rule 23.02(4) of the GEM Listing Rules.

*(iv) Maximum entitlement of each participant*

Subject to (v) (bb) below, the total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option scheme of our Group (including both exercised or outstanding options) to each participant in any 12-month period shall not exceed 1.0% of the issued share capital of our Company for the time being ("**Individual Limit**"). Any further grant of options in excess of the Individual Limit in any 12-month period up to and including the date of such further grant shall be subject to the issue of a circular to the Shareholders and the Shareholders' approval in general meeting of our Company with such participant and his close associates (or his associates, if such participant is a connected person) abstaining from voting. The number and terms (including the exercise price) of options to be granted to such participant must be fixed before Shareholders' approval and the date of board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the exercise price under note (1) to Rule 23.03(9) of the GEM Listing Rules.

*(v) Grant of options to connected persons*

(aa) Without prejudice to (v)(bb) below, any grant of options under the Share Option Scheme to a director, chief executive or Substantial Shareholder of our Company or any of their respective associates (as defined under the GEM Listing Rules) must be approved by the independent non-executive Directors (excluding any independent non-executive Director who or whose associate is the proposed grantee of the options).

(bb) Without prejudice to (v)(aa) above, where any grant of options to a Substantial Shareholder of our Company or an independent non-executive Director or any of their respective associates, would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

- i. representing in aggregate over 0.1% of the Shares in issue; and

- ii. having an aggregate value, based on the closing price of the Shares at the date of each grant of each offer of the grant of options, in excess of HK\$5 million;

such further grant of options must be approved by Shareholders of our Company in general meeting. Our Company must send a circular to the Shareholders. All proposed grantee, its associates and core connected persons of our Company must abstain from voting at such general meeting. Any change in the terms of options granted to a Substantial Shareholder or an independent non-executive director of our Company or any of their respective associates must be approved by the Shareholders of our Company in general meeting.

*(vi) Time of acceptance and exercise of option*

An option may be accepted by a participant within 21 days from the date of the offer of grant of the option.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by our Directors to each grantee, which period may commence on a day after the date upon which the offer for the grant of options is made but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination thereof. Unless otherwise determined by our Directors and stated in the offer of the grant of options to a grantee, there is no minimum period required under the Share Option Scheme for the holding of an option before it can be exercised.

*(vii) Performance targets*

Unless our Directors otherwise determined and stated in the offer of the grant of options to a grantee, a grantee is not required to achieve any performance targets before any options granted under the Share Option Scheme can be exercised.

*(viii) Subscription price for Shares and consideration for the option*

The subscription price per Share under the Share Option Scheme will be a price determined by our Directors, but shall not be less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant, which must be a business day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations for the five business days immediately preceding the date of the offer of grant; and (iii) the nominal value of a Share.

A consideration of HK\$1 is payable on acceptance of the grant of an option.

*(ix) Ranking of Shares*

- (aa) Shares allotted and issued upon the exercise of an option will be subject to all the provisions of the Articles of Association of our Company for the time being in force and will rank pari passu in all respects with the then existing fully paid



Shares in issue on the date on which the option is duly exercised or, if that date falls on a day when the register of members of our Company is closed, the first day of the re-opening of the register of members (the “**Exercise Date**”) and accordingly will entitle the holders thereof to participate in all dividends or other distributions paid or made on or after the Exercise Date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefore shall be before the Exercise Date. A Share allotted and issued upon the exercise of an option shall not carry voting rights until the completion of the registration of the name of the grantee on the register of members of our Company as the holder thereof.

(bb) Unless the context otherwise requires, references to “Shares” in this paragraph include references to shares in the ordinary equity share capital of our Company of such nominal amount as shall result from a subdivision, consolidation, re-classification or reduction of the share capital of our Company from time to time.

*(x) Restrictions on the time of grant of options*

No offer for grant of options shall be made after inside information has come to our knowledge until such information has been announced in accordance with the requirements of the GEM Listing Rules. In particular, our Company may not make any offer during the period commencing one month immediately preceding the earlier of (aa) the date of the meeting of the Board for the approval of our Company’s results for any year, half-year, quarterly or any other interim period (whether or not required under the GEM Listing Rules); and (bb) the deadline for our Company to publish an announcement of its results for any year or half-year (under the GEM Listing Rules), or quarterly or any other interim period (whether or not required under the GEM Listing Rules) and ending on the date of the announcement of the results.

Our Directors may not make any offer to an Eligible Participant who is a Director during the periods or times in which Directors are prohibited from dealing in shares pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers prescribed by the GEM Listing Rules or any corresponding code or securities dealing restrictions adopted by our Company.

*(xi) Period of the Share Option Scheme*

The Share Option Scheme will remain in force for a period of 10 years commencing on the date on which the Share Option Scheme is adopted.

*(xii) Rights on ceasing employment*

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee for any reason other than death, ill-health or retirement in accordance with his contract of employment or for serious misconduct or other grounds referred to in subparagraph (xiv) below before exercising his option in full, the option (to the extent not already exercised) will lapse on the date of cessation and will not be exercisable unless our Directors otherwise determine in which event the grantee may exercise the option (to the

extent not already exercised) in whole or in part within such period as our Directors may determine following the date of such cessation, which will be taken to be the last day on which the grantee was at work with our Company, the relevant Subsidiary or the Invested Entity whether salary is paid in lieu of notice or not.

*(xiii) Rights on death, ill-health or retirement*

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee by reason of his death, ill-health or retirement in accordance with his contract of employment before exercising the option in full, his personal representative(s), or, as appropriate, the grantee may exercise the option (to the extent not already exercised) in whole or in part within a period of 12 months following the date of cessation which date shall be the last day on which the grantee was at work with our Company, the relevant Subsidiary or the Invested Entity whether salary is paid in lieu of notice or not or such longer period as our Directors may determine.

*(xiv) Rights on dismissal*

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee by reason that he has been guilty of persistent and serious misconduct or has committed any act of bankruptcy or has become insolvent or has made any arrangements or composition with his creditors generally, or has been convicted of any criminal offence (other than an offence which in the opinion of our Directors does not bring the grantee or any member of our Group or the Invested Entity into disrepute), his option will lapse automatically and will not in any event be exercisable on or after the date of cessation to be an Eligible Employee.

*(xv) Rights on breach of contract*

If our Directors shall at their absolute discretion determine that (aa) the grantee of any option (other than an Eligible Employee) or his associate has committed any breach of any contract entered into between the grantee or his associate on the one part and our Group or any Invested Entity on the other part; or (bb) that the grantee has committed any act of bankruptcy or has become insolvent or is subject to any winding-up, liquidation or analogous proceedings or has made any arrangement or composition with his creditors generally; or (cc) the grantee could no longer make any contribution to the growth and development of any member of our Group by reason of the cessation of its relations with our Group or by other reason whatsoever, then the option granted to the grantee under the Share Option scheme shall lapse as a result of any event specified in sub-paragraph (aa), (bb) or (cc) above.

*(xvi) Rights on a general offer, a compromise or arrangement*

If a general or partial offer, whether by way of take-over offer, share re-purchase offer, or scheme of arrangement or otherwise in like manner is made to all the holders of Shares, or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror, our Company shall use all reasonable endeavours to procure that such offer is extended to all the grantees on the same terms, mutatis mutandis, and assuming that they will become, by the exercise in full of the options

granted to them, shareholders of our Company. If such offer becomes or is declared unconditional, a grantee shall notwithstanding any other terms on which his options were granted, be entitled to exercise his option (to the extent not already exercised) to its full extent or to the extent specified in the grantee's notice to our Company in exercise of his option at any time before the close of such offer (or any revised offer) or the record date for entitlements under such scheme of arrangement, as the case may be. Subject to the above, an option will lapse automatically (to the extent not exercised) on the date on which such offer (or, as the case may be, revised offer) closes or the relevant record date for entitlements under the scheme of arrangement, as the case may be.

*(xvii) Rights on winding up*

In the event of a resolution being proposed for the voluntary winding-up of our Company during the option period, the grantee may, subject to the provisions of all applicable laws, by notice in writing to our Company at any time not less than two business days before the date on which such resolution is to be considered and/or passed, exercise his option (to the extent not already exercised) either to its full extent or to the extent specified in such notice in accordance with the provisions of the Share Option Scheme and our Company shall allot and issue to the grantee the Shares in respect of which such grantee has exercised his option not less than one business day before the date on which such resolution is to be considered and/or passed whereupon the grantee shall accordingly be entitled, in respect of the Shares allotted and issued to him in the aforesaid manner, to participate in the distribution of the assets of our Company available in liquidation *pari passu* with the holders of the Shares in issue on the day prior to the date of such resolution. Subject thereto, all options then outstanding shall lapse and determine on the commencement of the winding-up of our Company.

*(xviii) Grantee being a company wholly owned by Eligible Participants*

If the grantee is a company wholly owned by one or more Eligible Participants:

- (i) sub-paragraphs (xii), (xiii), (xiv) and (xv) shall apply to the grantee and to the options granted to such grantee, *mutatis mutandis*, as if such options had been granted to the relevant Eligible Participant, and such options shall accordingly lapse or fall to be exercisable after the event(s) referred to in sub-paragraphs (xii), (xiii), (xiv) and (xv) shall occur with respect to the relevant Eligible Participant; and
- (ii) the options granted to the grantee shall lapse and determine on the date the grantee ceases to be wholly owned by the relevant Eligible Participant provided that our Directors may in their absolute discretion decide that such options or any part thereof shall not so lapse or determine subject to such conditions or limitations as they may impose.

*(xix) Adjustments to the subscription price*

In the event of a capitalisation issue, rights issue, subdivision or consolidation of Shares or reduction of authorised share capital of our Company whilst an option remains exercisable, such corresponding alterations (if any) certified by the auditors for the time being or an independent financial adviser to our Company as fair and reasonable will be made to the number or nominal amount of Shares, the subject matter of the Share Option Scheme and the option so far as unexercised and/or the option price of the option concerned, provided that (i) any adjustments shall give a grantee the same proportion of the issued share capital (as interpreted in accordance with the supplementary guidance attached to the letter from the Stock Exchange dated 5 September 2005 to all issuers in relation to share option schemes) to which he was entitled prior to such adjustment; (ii) no such adjustment shall be made the effect of which would be to enable a Share to be issued at less than its nominal value; and (iii) the issue of Shares or other securities of our Group as consideration in a transaction may not be regarded as a circumstance requiring adjustment; (iv) any adjustment must be made in compliance with the GEM Listing Rule and such rules, codes and guidance notes of the Stock Exchange from time to time. In addition, in respect of any such adjustments, such auditors or independent financial adviser must confirm to our Directors in writing that the adjustments satisfy the requirements of the relevant provision of the GEM Listing Rules and such other applicable guidance and/or interpretation of the GEM Listing Rules from time to time issued by the Stock Exchange, including but not limited to the supplementary guidance attached to the letter from the Stock Exchange to all issuers dated 5 September 2005 in relation to share option schemes.

*(xx) Cancellation of options*

Any cancellation of options granted but not exercised must be subject to the consent of the relevant grantee and the approval of our Directors. When our Company cancels any option granted to a grantee but not exercised and issues new option(s) to the same grantee, the issue of such new option(s) may only be made with available unissued options (excluding the options so cancelled) within the General Scheme Limit or the new limits approved by the Shareholders pursuant to sub-paragraphs (iii) (cc) and (dd) above.

*(xxi) Termination of the Share Option Scheme*

Our Company may by resolution in general meeting at any time terminate the Share Option Scheme and in such event no further options shall be offered but in all other respects the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any options (to the extent not already exercised) granted prior to the termination or otherwise as may be required in accordance with the provisions of the Share Option Scheme. Options (to the extent not already exercised) granted prior to such termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

*(xxii) Rights are personal to the grantee*

An option is personal to the grantee and shall not be transferable or assignable.

*(xxiii) Lapse of option*

An option shall lapse automatically (to the extent not already exercised) on the earliest of:

- (aa) the expiry of the period for exercise of the options referred to in paragraph (vi);
- (bb) the expiry of the periods or dates referred to in paragraph (xii), (xiii), (xiv), (xv), (xvi) and (xvii); and
- (cc) the date on which our Directors shall exercise our Company's right to cancel the option by reason of a breach of paragraph (xxii) by the grantee in respect of that or any other options.

*(xxiv) Others*

- (aa) The Share Option Scheme is conditional on the Listing Division granting the listing of and permission to deal in, such number of Shares to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, such number being not less than that of the General Scheme Limit.
- (bb) The terms and conditions of the Share Option Scheme relating to the matters set out in Rule 23.03 of the GEM Listing Rules shall not be altered to the advantage of grantees of the options except with the approval of the Shareholders in general meeting.
- (cc) Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of options granted must be approved by the Shareholders of our Company in general meeting, except where the alterations take effect automatically under the existing terms of the Share Option Scheme.
- (dd) The amended terms of the Share Option Scheme or the options shall comply with the relevant requirements of Chapter 23 of the GEM Listing Rules, the "Supplementary Guidance on Main Board Listing Rule 17.03(13)/GEM Listing Rule 23.03(13) and the Note Immediately After the Rule" set out in the letter from the Stock Exchange to all listed issuers dated 5 September 2005 and other relevant guidance of the Stock Exchange.
- (ee) Any change to the authority of our Directors or the scheme administrators in relation to any alteration to the terms of the Share Option Scheme shall be approved by the Shareholders of our Company in general meeting.

**(b) Present status of the Share Option Scheme***(i) Approval of the Stock Exchange required*

The Share Option Scheme, which complies with Chapter 23 of the GEM Listing Rules, is conditional on the Listing Division granting the listing of, and permission to deal in, such number of Shares to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, such number being not less than that of the General Scheme Limit.

*(ii) Application for approval*

Application has been made to the Stock Exchange for the listing of and permission to deal in the Shares to be issued within the General Scheme Limit and pursuant to the exercise of any options which may be granted under the Share Option Scheme.

*(iii) Grant of option*

As at the date of this prospectus, no options have been granted or agreed to be granted under the Share Option Scheme.

*(iv) Value of options*

Our Directors consider it inappropriate to disclose the value of options which may be granted under the Share Option Scheme as if they had been granted as at the Latest Practicable Date. Any such valuation will have to be made on the basis of certain option pricing model or other methodology, which depends on various assumptions including, the exercise price, the exercise period, interest rate, expected volatility and other variables. As no options have been granted, certain variables are not available for calculating the value of options. Our Directors believe that any calculation of the value of options as at the Latest Practicable Date based on a number of speculative assumptions would not be meaningful and would be misleading to investors.

**E. OTHER INFORMATION****1. Tax and other indemnities**

BVI Holdco, Ms. Tse and Ms. Chan Ching Mandy (collectively, the “**Indemnifiers**”) have, under a deed of indemnity referred to in paragraph (b) of the section headed “Summary of material contracts” in this appendix, given joint and several indemnities to the Company for itself and as trustee for its subsidiaries in connection with, among other things, (a) any taxation falling on any member of our Group (i) in respect of or by reference to any income, profits or gains earned, accrued or received or deemed or alleged to have been earned, accrued or received on or before the date on which the Placing becomes unconditional; or (ii) in respect of or in consequence of any transaction, act, omission or thing entered into or occurring or deemed to enter into or occur on or before the Listing Date; and (b) any claims, actions, demands, proceedings, judgments, losses, liabilities, damages, costs, charges, fees, expenses and fines of whatever nature suffered or incurred by any member of our Group as a result of or in connection with any litigation, arbitrations, claims (including counter-claims), complaints, demands

and/or legal proceedings instituted by or against any member of our Group in relation to non-compliance of any legal and/or regulatory requirements of any jurisdictions or events occurred on or before the Listing Date. The Indemnifiers will, however, not be liable under the deed of indemnity to the extent that, among others:

- (a) specific provision, reserve or allowance has been made for such liability in the audited combined accounts of the Company for the Track Record Period; or
- (b) the taxation liability arises or is incurred as a result of a retrospective change in law or a retrospective increase in tax rates coming into force after the Listing Date; or
- (c) the taxation liability caused by act or omission of, or transaction voluntarily effected by, any members of our Group in the ordinary course of business after the Listing Date.

Our Directors have been advised that no material liability for estate duty under the laws of the Cayman Islands is likely to fall on our Group.

## **2. Litigation**

Our Directors confirmed that as at the Latest Practicable Date, no member of our Group is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is pending or threatened by or against any member of our Group.

## **3. Sponsor**

The Sponsor has made an application on behalf of the Company to the Listing Division for listing of and permission to deal in the Shares in issue and to be issued as mentioned herein and any Shares which may fall to be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme.

The Sponsor has confirmed to the Stock Exchange that it satisfies the independence test as stipulated under Rule 6A.07 of the GEM Listing Rules.

The Sponsor's fee in relation to the Listing is HK\$4 million.

## **4. Preliminary expenses**

The preliminary expenses relating to the incorporation of the Company are approximately HK\$49,000 and are payable by the Company.

## **5. Compliance adviser**

In accordance with the requirements of the GEM Listing Rules, our Company has appointed LY Capital Limited as our compliance adviser to provide advisory services to our Company (for ourselves and on behalf of the Selling Shareholder) to ensure compliance with the GEM Listing Rules for a period commencing on the Listing Date, and ending on the date on which our Company complies with Rule 18.03 of the GEM Listing Rules in respect of our financial results for the second full financial year commencing after the Listing Date, or until the compliance adviser agreement is otherwise terminated upon the terms and conditions set out therein.

**6. Promoter**

The Company has no promoter for the purpose of the GEM Listing Rules.

**7. Qualifications of experts**

The following are the respective qualifications of the experts who have given their opinion or advice which is contained in this prospectus:

| <b>Name</b>                                  | <b>Qualification</b>   |
|--|--|
| LY Capital Limited                           | A licensed corporation under the SFO to engage in type 1 (dealing in securities) and type 6 (advising on corporate finance) of the regulated activities as defined under the SFO |
| Deloitte Touche Tohmatsu                     | Certified public accountants   |
| Euromonitor International Limited            | Independent market research consultant   |
| Conyers Dill & Pearman                       | Cayman Islands attorneys-at-law  |
| Baker Tilly Hong Kong Risk Assurance Limited | Internal control consultant  |
| Mr. Chan Chung                               | Barrister-at-law   |

**8. Consents of experts**

Each of LY Capital Limited, Deloitte Touche Tohmatsu, Euromonitor International Limited, Conyers Dill & Pearman, Baker Tilly Hong Kong Risk Assurance Limited and Mr. Chan Chung has given and has not withdrawn its written consents to the issue of this prospectus, with the inclusion of its letters and/or reports and/or opinions and/or summary thereof (as the case may be) and/or reference to its name included herein in the form and context in which they respectively appear.

**9. Binding effect**

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

**10. Registration procedures**

The principal register of members of the Company in the Cayman Islands will be maintained by Codan Trust Company (Cayman) Limited and a branch register of members of the Company will be maintained by Tricor Investor Services Limited. Save where our Directors otherwise agree, all transfers and other documents of title to Shares must be lodged for registration with, and registered by, the Company's branch share registrar in Hong Kong and may not be lodged in the Cayman Islands. All necessary arrangements have been made to enable the Shares to be admitted into CCASS.



**11. No material adverse change**

Our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of the Company or its subsidiaries since 30 June 2016 (being the date to which the latest audited financial statements of our Group were made up) and up to the Latest Practicable Date.

**12. Taxation of holders of Shares***(a) Hong Kong*

Dealings in Shares registered on the Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty.

Profits from dealings in Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

*(b) Cayman Islands*

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

*(c) Consultation with professional advisers*

Intending holders of the Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in the Shares. It is emphasised that none of our Company, our Directors or parties involved in the Placing accepts responsibility for any tax effect on, or liabilities of holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares.

**13. Miscellaneous***(a) Save as disclosed in this prospectus:**(i) Within the two years immediately preceding the date of this prospectus:*

- (aa) no share or debenture of the Company or any of our subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than in cash;*
- (bb) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of the Company or any of its subsidiaries and no commission has been paid or is payable in connection with the issue or sale of any capital of our Company or any of our subsidiaries;*
- (cc) no commission has been paid or payable (except to sub-underwriter) for subscribing or agreeing to subscribe, procuring or agreeing to procure subscriptions, for any Shares or shares of any of our subsidiaries;*

- (dd) no founder, management or deferred shares or any debentures of the Company have been issued or agreed to be issued; and
- (ee) no share or loan capital of the Company is under option or is agreed conditionally or unconditionally to be put under option.
- (ii) there has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group in the 12 months immediately preceding the date of this prospectus;
- (iii) none of LY Capital Limited, Deloitte Touche Tohmatsu, Euromonitor, Conyers Dill & Pearman, Baker Tilly Hong Kong Risk Assurance Limited, and Mr. Chan Chung:
  - (aa) is interested beneficially or non-beneficially in any securities in any member of our Group, including the Shares; or
  - (bb) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of our Group, including the Shares.
- (iv) the Company and its subsidiaries do not have any debt securities issued or outstanding, or authorised or otherwise created but unissued, or any term loans whether guaranteed or secured as at the Latest Practicable Date;
- (v) no company within our Group is presently listed on any stock exchange or traded on any trading system;
- (vi) our Group has no outstanding convertible debt securities; and
- (vii) the English text of this prospectus shall prevail over the Chinese text.

#### **14. Bilingual document**

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided in section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

**DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG**

The documents attached to a copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were copies of the written consents referred to in the paragraph headed “E. Other Information — 8. Consents of Experts” in Appendix IV to this prospectus and copies of the material contracts referred to in the paragraph headed “B. Further Information about the Business — 1. Summary of Material Contracts” in Appendix IV to this prospectus.

**DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the office of CFN Lawyers at 27th Floor, Neich Tower, 128 Gloucester Road, Wanchai, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum of Association and the Articles of Association;
- (b) the accountants’ report prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix I to this prospectus and the related statement of adjustments;
- (c) the report on the unaudited pro forma financial information of our Group prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix II to this prospectus;
- (d) the consolidated audited financial statements of Bar Pacific Group Limited and the companies comprising our Group for the two financial years ended 31 March 2016 and the three months ended 30 June 2016;
- (e) the material contracts referred to in the paragraph headed “B. Further Information about the Business — 1. Summary of Material Contracts” in Appendix IV to this prospectus;
- (f) the service agreements referred to in the paragraph headed “C. Further Information about Substantial Shareholders, Directors and Experts — 2. Particulars of Service Agreements” in Appendix IV to this prospectus;
- (g) the rules of the Share Option Scheme referred to in the paragraph headed “D. Share Option Scheme” in Appendix IV to this prospectus;
- (h) the written consents referred to in the paragraph headed “E. Other Information — 8. Consents of Experts” in Appendix IV to this prospectus;
- (i) the legal opinion prepared by the Hong Kong Legal Counsel;
- (j) the market report prepared by Euromonitor;
- (k) the internal control assurance report prepared by Baker Tilly;
- (l) the Companies Law; and
- (m) the letter prepared by Conyers Dill & Pearman summarising certain aspects of the Cayman Islands company law referred to in Appendix III to this prospectus.

BAR PACIFIC  
Group Holdings Limited  
太平洋酒吧集團控股有限公司