

# 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)  
(於開曼群島註冊成立的有限公司)

Stock Code 股份代號 : 8432



## ANNUAL REPORT

2019/20

年報

## CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE” AND “GEM”, RESPECTIVELY)

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the 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.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board on the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

*Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, 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 report.*

*This Annual Report, for which the directors (collectively the “**Directors**” or individually a “**Director**”) of Bar Pacific Group Holdings Limited (the “**Company**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this report 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 Annual Report misleading.*

*Any announcement, notice or other document of the Company published on the GEM website at [www.hkgem.com](http://www.hkgem.com) will remain on the “Latest Listed Company Information” page for a minimum period of 7 days from the date of publication and on the website to the Company at [www.barpacific.com.hk](http://www.barpacific.com.hk).*

Glossary	3
Corporate Information	6
Chairlady's Statement	7
Management Discussion and Analysis	9
Profile of Directors and Senior Management	15
Corporate Governance Report	18
Directors' Report	29
Environmental, Social and Governance Report	41
Independent Auditor's Report	55
Consolidated Statement of Profit or Loss and Other Comprehensive Income	61
Consolidated Statement of Financial Position	62
Consolidated Statement of Changes in Equity	64
Consolidated Statement of Cash Flows	65
Notes to the Consolidated Financial Statements	67
Financial Summary	128

# CONTENTS



# GLOSSARY

Unless the context otherwise requires, the following terms used in the sections headed “Corporate Information”, “Chairlady’s Statement”, “Management Discussion and Analysis”, “Profile of Directors and Senior Management”, “Corporate Governance Report”, “Directors’ Report”, “Environmental, Social and Governance Report” and “Financial Summary” shall have their respective meanings set out below.

“2019 AGM”	the AGM held on Wednesday, 31 July 2019
“2020 AGM”	the AGM to be held on Friday, 31 July 2020 at 2:00 p.m.
“AGM(s)”	the annual general meeting(s) of the Company
“Annual Report”	the annual report of the Company for the Year
“Articles of Association”	the articles of association of the Company as amended, supplemented or otherwise modified from time to time
“Audit Committee”	the audit committee of the Board
“Board”	the board of Directors
“CEO” or “Chief Executive Officer”	the chief executive officer of the Company
“CG Code”	the Corporate Governance Code contained in Appendix 15 to the GEM Listing Rules
“Chairlady”	the chairlady of the Board
“close associate(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Company”	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 with limited liability, whose issued Shares are listed and traded on GEM (Stock code: 8432)
“Company Secretary”	the company secretary of the Company
“Compliance Officer”	the compliance officer of the Company
“COVID-19” or “Disease”	the novel coronavirus (COVID-19) disease
“Director(s)”	the director(s) of the Company
“EGM(s)”	the extraordinary general meeting(s) of the Company
“ESG”	environmental, social and governance
“Executive Director(s)”	the executive Director(s) of the Company



# GLOSSARY

“Financial Statements”	the consolidated financial statements of the Group for the Year
“GEM”	GEM 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
“Group”	the Company and its subsidiaries
“HKFRS(s)”	Hong Kong Financial Reporting Standard(s) issued by the Hong Kong Institute of Certified Public Accountant
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Auditor(s)”	independent auditor(s) of the Company
“Independent Non-executive Director(s)” or “INED(s)”	the independent non-executive Director(s)
“Joint Company Secretary(ies)”	a joint company secretary of the Company or the joint company secretaries of the Company
“Listing”	the listing of the issued Shares on GEM by way of share offer
“Listing Date”	11 January 2017, the date on which the issued Shares were initially listed on GEM
“Nomination Committee”	the nomination committee of the Board
“PRC”	the People’s Republic of China and for the purpose of this Annual Report, excluding Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Previous Year”	the year ended 31 March 2019
“Register”	the register of the Company
“Register of Members”	the register of members of the Company
“Remuneration Committee”	the remuneration committee of the Board
“Reporting Date”	the date of the Annual Report (i.e. 24 June 2020)
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time



# GLOSSARY

“Share(s)”	the ordinary share(s) of nominal or par value of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto under the GEM Listing Rules
“UK”	the United Kingdom
“US”	the United States of America
“Year”	the year ended 31 March 2020
“%”	per cent



## BOARD OF DIRECTORS

### Executive Directors

Ms. Tse Ying Sin Eva  
(*Chairlady and Chief Executive Officer*)  
Ms. Chan Tsz Tung

### Independent Non-Executive Directors

Mr. Tang Wing Lam David  
Mr. Chin Chun Wing  
Mr. Yung Wai Kei

## BOARD COMMITTEES

### Audit Committee

Mr. Yung Wai Kei (*Chairman*)  
Mr. Chin Chun Wing  
Mr. Tang Wing Lam David

### Remuneration Committee

Mr. Chin Chun Wing (*Chairman*)  
Ms. Tse Ying Sin Eva  
Mr. Yung Wai Kei

### Nomination Committee

Ms. Tse Ying Sin Eva (*Chairlady*)  
Mr. Chin Chun Wing  
Mr. Yung Wai Kei

## JOINT COMPANY SECRETARIES

Mr. Leung Ping Hing, *CPA*  
Sir Kwok Siu Man KR, *FCS*

## COMPLIANCE OFFICER

Ms. Chan Tsz Tung

## AUTHORISED REPRESENTATIVES

Ms. Tse Ying Sin Eva  
Sir Kwok Siu Man KR  
Mr. Leung Ping Hing (alternative to Ms. Tse Ying Sin Eva)

## INDEPENDENT AUDITOR

Deloitte Touche Tohmatsu (resigned on 29 October 2019)  
BDO Limited (appointed on 30 October 2019)

## COMPLIANCE ADVISER

Red Solar Capital Limited (resigned on 26 June 2019)

## LEGAL ADVISOR

### as to Hong Kong laws

Victor Chan & Co.

## REGISTERED OFFICE

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

## HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Conyers Trust Company (Cayman) Limited  
Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman, KY1-1111  
Cayman Islands

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Boardroom Share Registrars (HK) Limited  
2103B, 21/F, 148 Electric Road  
North Point  
Hong Kong

## PRINCIPAL BANKERS

Industrial and Commercial Bank of China (Asia) Limited  
The Hongkong and Shanghai Banking Corporation Limited  
Bank of China (Hong Kong) Limited

## COMPANY'S WEBSITE

[www.barpacific.com.hk](http://www.barpacific.com.hk)  
(*information on this website does not form part of this report*)

## LISTING INFORMATION

### Place of Listing

GEM of The Stock Exchange of Hong Kong Limited

### Stock Code

8432

### Board Lots

10,000 shares

# CHAIRLADY'S STATEMENT

Dear shareholders,

On behalf of the Board, I present to you the annual results of the Group for the Year.

## OVERVIEW

In Hong Kong, year 2019 was exceptionally difficult for the food and beverage sector. A new paradigm is evolving between China and the US, with trade negotiations dominating the press headlines. Then, at the tail of the Year, the World Health Organisation reported the emergence of the COVID-19 pandemic. Geopolitical tensions remain front and centre as the pendulum continues to swing. The economy contracted 1.2% and unemployment rate rose to 3.1%. Small and medium enterprises, as well as retail, catering and hotel businesses have been hit the hardest.

Under the circumstances of uncertainties, the Group's performance continues to be resilient. All of us at Bar Pacific Group joined together to overcome these hurdles and worked towards our ultimate goal of having a leading position in the Bar & Beverage Industry.

## BUSINESS PERFORMANCE

During the Year, the Group delivered stable results and recorded growth in both sales and same-shop-sales. Profit before income taxes of operation of bars was HK\$13.2 million, an increase of 30.7% from the Previous Year.

Moreover, the Group continued to actively open 4 new branches. In October 2019, good progress was made by acquiring a property of shop units in Kwai Chung, Hong Kong where the area mainly comprises office and retail space.

After the outbreak of the COVID-19, the Hong Kong government has adopted a series of prevention and control measures, including restrictions or suspension of entertainment activities. This led to unavoidable temporary influence to the business. On 27 March 2020, the Hong Kong government published in the Garzette the Prevention and Control of Disease (Requirement and Directions) (Business and Premises) (Amendment) Regulations 2020 (the Amendment Regulation) (the "**Regulation**") which commenced on 28 March 2020. In compliance with the Regulation and the subsequent amendment, we ceased our business operation then resumed our business on 8 May 2020.

To mitigate these challenges, we have adopted a number of sanitation measures. We examined expenditure to focus on increased productivity and cost saving, along with implementing service quality improvement projects and deferring or cancelling non-critical expenditure. This was centred on the strategic operating system that leverages our advantages of scale to drive further convergence and integration. We restructured the Group to enable effective and synergetic capability building and collaborative growth, while nurturing internal vitality. These measures have supported us to obtain positive momentum in overall operating results and expand our network continuously in 2020, which was a hard-earned achievement in a tough year.

## PROSPECT

In the near-term, Hong Kong remains in a state of profound transformation. Although there is much uncertainty, the Group has always pursued a prudent and steady financial policy. While actively making acquisitions of value projects, the Group has also maintained financial stability through a series of effective measures during the Year. These qualities and values remain at the heart of everything we do and are what will help us come through the current challenges. We believe that the reliability of business development strategy stands out under the current economic environment. Therefore, we would keep moving forward with a culture of continuous improvement.





# CHAIRLADY'S STATEMENT

## CLOSING

The hard work and determination of our teams over the past year and in the current COVID-19 crisis has been outstanding. I would like to thank them for the dedication they have shown during these exceptionally challenging times in ensuring our ability to maintain our operations as smoothly and efficiently as possible. I would also like to thank our customers, landlord and business partners for their support, and fellow members of the Board for their wise counsel and guidance. As a Group, we remain unwavering in our commitment to our customers. We shall continue to invest significantly in delivering and strengthening an industry-leading experience.

**Tse Ying Sin Eva**

*Chairlady*

Hong Kong, 24 June 2020



# MANAGEMENT DISCUSSION AND ANALYSIS

## OVERVIEW

The following commentaries refer to the year-on-year (“YoY”) comparison.

- The Group operated a total of 41 chained bars under the brand “Bar Pacific” and “Pacific” in Hong Kong at the Reporting Date.
- Turnover of bar operations for the Year were HK\$167.0 million, which grew by 11.1% and 3.4% in total sales and comparable-shop-sales respectively. Table 1 below provides detailed analysis.
- Profit before income taxes of operation of bars was HK\$13.2 million, an increase of 30.7% from the Previous Year. Table 2 below provides detailed analysis.

**Table 1. Turnover of bars operation**

	2020	2019	Change
Number of shops number at 31 March	40	37	8.1%
Number of shops number with full year operation	36	33	9.1%
Number of shops number with full year operation in both 2020 and 2019	33	33	N/A
Sales of shops with full year operation in both 2020 and 2019	HK\$146.5 million	HK\$141.7 million	3.4%

**Table 2. Segement results**

	Operation of bars HK\$'000	Property investment HK\$'000	Corporate and unallocated HK\$'000	Inter-segment elimination HK\$'000	2020 HK\$'000	2019 HK\$'000
Revenue	167,027	484	–	(340)	167,171	150,340
Other income	5,099	–	199	–	5,298	2,109
Cost of inventories sold	(38,152)	–	–	–	(38,152)	(33,713)
Staff costs	(45,537)	–	–	–	(45,537)	(44,728)
Depreciation of property, plant and equipment	(8,931)	–	(336)	–	(9,267)	(8,345)
Depreciation of right-of-use assets	(25,254)	–	(800)	–	(26,054)	–
Property rentals and related expenses	(6,943)	–	–	340	(6,603)	(29,826)
Other operating expenses	(24,381)	(453)	(14)	–	(24,848)	(25,691)
Impairment loss on property, plant and equipment	(1,406)	–	–	–	(1,406)	–
Impairment loss on right-of-use assets	(5,889)	–	–	–	(5,889)	–
Fair value loss on investment properties	–	(4,606)	–	–	(4,606)	–
Finance costs	(2,418)	–	(440)	–	(2,858)	(30)
Profit before income tax	13,215	(4,575)	(1,391)	–	7,249	10,116



# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

### Revenue and gross profit margin

Our revenue from operation of bars increased by 11.1% to approximately HK\$167.0 million for the Year, compared to that of approximately HK\$150.3 million for the Previous Year. The general increase in the performance of existing shops (the Same-shop Sales increased by 3.4%) and opening of new shops were the main factors for the growth. We shall further expand our network and continuously monitor and improve our existing shops' performance.

Gross profit from operation of bars for the Year amounted to HK\$128.9 million, representing 10.5% growth as compared with the Previous Year (2019: HK\$116.6 million). Gross profit margin for the Year remained stable at approximately 77.2% (2019: 77.6%). We enjoyed bulk purchases discount from vendors having long business relationship and it is a main factor in our cost control.

Property rental income HK\$144,000 after inter-segment elimination was recorded since the acquisition of investment property on 31 October 2019.

### Other income

Our other income recorded approximately HK\$5.3 million for the Year, in which included government subsidy schemes under Anti-epidemic Fund for an amount of HK\$3.2 million. Interest income – rental deposit HK\$204,000 was recorded firstly in the Year, being an impact of the adoption of HKFRS 16. The other income for the Year other than the items mentioned above was HK\$1.9 million.

### Staff costs

Our staff costs comprise salaries and benefits, including wages, salaries, bonuses, retirement benefit cost and other allowances to all our staff, including our Directors as well as head office and shop staff. Staff costs increased to approximately HK\$45.5 million for the Year from approximately HK\$44.7 million for the Previous Year, representing an increase of approximately 2%. The absence of a one-off special bonus in the Year partially offset the effect of increases in both the number of employees and general salary level.

### Depreciation of property, plant and equipment

Depreciation represents depreciation charges on its property, plant and equipment, including in leasehold improvements, computer equipment, furniture and fixtures and motor vehicles. Our depreciation charges increased to approximately HK\$9.3 million for the Year from approximately HK\$8.3 million for the Previous Year, representing an increase of approximately 12%. Such increase was primarily attributable to the opening of three new shops during the Year.

### Property rentals and related expenses

Our property rentals and related expenses consist of operating lease payments, property management fee and government rates on our shops, storage and office premises. For the Year, property rentals and related expenses decreased by approximately 77.9% to approximately HK\$6.6 million from approximately HK\$29.8 million for the Previous Year. Such decrease was primarily attributable to the adoption of HKFRS 16.

### Other operating expenses

Other operating expenses recorded a decrease of approximately 3.3% from approximately HK\$25.7 million for the Previous Year to approximately HK\$24.8 million for the Year. The reduction of operating expenses was mainly due to the improvement of internal cost control.

### Finance costs

Finance costs for the Year amounting to HK\$2.9 million increased by over 94 times when compared to those of HK\$30,000 for the Previous Year. The main reasons for the rapid increase of finance cost for HK\$2.9 million for the Year were due to the interests on (i) new bank borrowing in the Year of HK\$0.4 million and (ii) lease liabilities of HK\$2.5 million arising from the adoption of HKFRS 16.

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW *(Continued)*

### Taxation

The total tax expenses for the Year were HK\$1 million (2019: HK\$1.5 million), which included current tax expense of HK\$2.4 million (2019: HK\$1.5 million) and deferred tax credit of HK\$1.4 million (2019: Nil). The increase of current tax expense was mainly attributable to improvement in operating profit of bar operation.

### Capital commitments

As at 31 March 2020, the Group's capital commitments were HK\$900,000 (2019: Nil).

### Contingent liabilities

The Group did not have any contingent liabilities as at 31 March 2020 (2019: Nil).

### Charges on the Group's assets

The Group pledged the following assets to secure bank borrowings and general banking facilities granted to the subsidiaries of the Company:

Asset	Net carrying amount	
	2020 (HK\$'000)	2019 (HK\$'000)
Building	1,120	–
Right-of use assets – leasehold land	17,180	–
Investment properties	22,830	–
	<b>41,130</b>	–

### Significant investments

The Group did not hold any significant investments (except investments in the Company's subsidiaries) during the Year.

### Dividend

The Board has declared the payment of an interim dividend of HK0.55 cent per Share for the six months ended 30 September 2019 (2019: HK0.5 cent), totalling HK\$4,730,000 (2019: HK\$4,300,000).

The Board has recommended the payment of a final dividend out of share premium account of HK0.55 cent (2019: HK0.50 cent) per Share for the Year. Subject to the approval of Shareholders at the 2020 AGM, the proposed final dividend will be payable on Friday, 28 August 2020 to Shareholders whose names will appear on the Register of Members on Monday, 10 August 2020.

### Foreign currency exposure

Since the Group's business activities are solely operated in Hong Kong and the relevant transactions are denominated in Hong Kong dollars, the Directors consider that the Group's risk in foreign exchange is insignificant.

### Significant event after year end

There is no significant event affecting the Group subsequent to 31 March 2020.



# MANAGEMENT DISCUSSION AND ANALYSIS

## PROSPECTS

Although there is much uncertainty in the year to come, especially the continuous spreading of the COVID-19 worldwide, the Group has always pursued a prudent and steady financial policy. During the Year, while actively making acquisitions of valuable projects, the Group has maintained financial stability through a series of effective measures.

Looking ahead, the Group will ride on its elevated profile upon its Listing in January 2017 and maintain its core business of bar operation and its existing branding strategy, targeting the mass market, to increase market share in Hong Kong. With the existing client base garnered over the years, the Group has the advantage of leveraging its extensive network in Hong Kong.

## Use of proceeds

The Shares in issue were successfully listed on GEM on 11 January 2017 and a total of 215,000,000 Shares at HK\$0.29 per Share were placed (the “**Placing**”). The net proceeds from the Placing (the “**Net Proceeds**”) were about HK\$45.2 million after deduction of listing related expenses. During the Year, a portion of the Net Proceeds was utilised and a summary of the use of the Net Proceeds is set out in the table below:

	Proposed amount to be used (HK\$ million)	Proposed amount used up to 31 March 2020 (HK\$ million)	Actual amount used during the Year (HK\$ million)	Actual approximate amount utilized up to 31 March 2020 (HK\$ million)	Changes and explanation
Expand our brands	35.5	35.5	15.2	32.8	The Group completed the expansion plan and the remaining amount HK\$2.7 million will be used as working capital.
Continue to upgrade our shops' facilities	3.4	3.4	–	3.4	N/A
Continue our promotion and marketing activities	3.5	3.5	–	3.5	N/A
Total	42.4	42.4	15.2	39.7	

## Employee and remuneration policy

As at 31 March 2020, the Group had approximately 400 employees (2019: 370 employees). Total staff costs (including Directors' remuneration) were approximately HK\$45.5 million for the Year (2019: HK\$44.7 million). Remuneration is determined by reference to the prevailing market terms and in accordance with the performance, qualification and experience of each individual employee. Periodic in-house training is provided to the employees to enhance the knowledge of the workforce. Meanwhile, training programs conducted by qualified personnel are also attended by our employees to enhance their skills set and working experience.

The Group adopted a share option scheme on 17 December 2016 to provide incentives to the directors, employees and eligible participants of the Group. Since its adoption, no options have been granted or agreed to be granted, and therefore, there were no outstanding options as at 31 March 2020 (2019: Nil).

# MANAGEMENT DISCUSSION AND ANALYSIS

## PRINCIPAL RISKS AND UNCERTAINTIES

The Group's financial condition, results of operations, businesses and prospects would be affected by a number of risks and uncertainties, including market risk, credit risk and impairment assessment, and liquidity risk. The risk management objectives and policies of the Group are shown in note 32 to the consolidated financial statements of this Annual Report.

### Material acquisition or disposal

On 23 July 2019, HTS Development Limited ("HTS"), a wholly-owned subsidiary of the Company, entered into an agreement (the "Agreement") with the shareholders of Smart Express Development Limited ("Smart Express" and the "Vendors", respectively), pursuant to which the Vendors had agreed to sell all the issued shares of Smart Express and the Shareholder's Loan (as defined in the Agreement), and HTS had agreed to acquire the same for a consideration of HK\$50,000,000 subject to the terms and conditions contained in the Agreement (the "Acquisition").

The main asset of Smart Express is the shops located on the Ground floor, Yau Shing Building, Nos. 501/503 and 507/511 Castle Peak Road, Kwai Chung, New Territories, Hong Kong.

The Acquisition was completed on 31 October 2019.

Save for the above, there was no material acquisition or disposal of subsidiaries, associates and joint ventures during the Year.

## LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

	As at	
	31 March 2020	31 March 2019
Cash and cash equivalents	<b>HK\$32.6 million</b>	HK\$50.3 million
Bank borrowings	<b>HK\$32.4 million</b>	Nil
Unutilised banking facilities	<b>HK\$19.4 million</b>	Nil
Gearing ratio	<b>101%</b>	0%

The Directors are of the view that at the date hereof, the Group's financial resources are sufficient to support its business and operations.

The Group's primary sources of funds were cash inflows from operating activities and bank borrowings and, after the Listing, the Net Proceeds.

The gearing ratio is calculated by dividing total debts by total equity and multiplied by 100% and total debts are defined to include payables incurred not in the ordinary course of business.

The interest rate of bank borrowings is charged based on floating rates.



# MANAGEMENT DISCUSSION AND ANALYSIS

## FOREIGN CURRENCY

During the Year, the transactions of the Group were denominated and settled in Hong Kong dollars, the functional and reporting currency of the Group.

The Group does not have a significant foreign exchange exposure and has currently not implemented any foreign currency hedging policy. The management will consider hedging against significant foreign exchange exposure should the need arise.



# PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

## EXECUTIVE DIRECTORS

**Ms. Tse Ying Sin Eva (謝熒倩) (former forename “Siu Hung” (小虹)) (“Ms. Tse”)**, aged 48, is the Chairlady, the Chief Executive Officer, an Executive Director and a director of each of Bar Pacific Group Limited, 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) (“**Tank Success**”) and Bar Pacific Entertainment Limited (太平洋娛樂有限公司), all being operating subsidiaries of the Company. She is also the chairlady of the Nomination Committee and a member of the Remuneration Committee.

Ms. Tse joined the Group in August 1999 and has spent about 20 years with the Group where she held senior corporate management positions in development and operations, including as a director of a number of subsidiaries of the Company.

Ms. Tse is responsible for formulating the overall business strategy and planning, leading business development, overseeing the Group’s performance and representing the Group in negotiation with potential business partners.

Ms. Tse is the mother of Ms. Chan Tsz Tung, an Executive Director.

**Ms. Chan Tsz Tung (陳枳瞳) (former forename “Tin Lok” (天洛)) (“Ms. Gloria Chan”)**, age 27, was appointed as Executive Director on 31 December 2018. Ms. Gloria Chan joined the Group as the marketing director of Tank Success, a wholly-owned subsidiary of the Company in 2015 and has primarily been responsible for the Group’s marketing activities. Ms. Gloria Chan obtained a bachelor’s degree of science in hotel management from The Hong Kong Polytechnic University in 2015.

Ms. Gloria Chan is a daughter of Ms. Tse, the Chairlady, the Chief Executive Officer and an Executive Director.

## INEDs

**Mr. Tang Wing Lam David (鄧榮林) (“Mr. Tang”)**, aged 63, was appointed as an INED on 17 December 2016 and is a member of the Audit Committee. Mr. Tang obtained a diploma in Sociology from Hong Kong Baptist College in June 1983. Mr. Tang obtained a master’s degree of Arts in Management Systems from the University of Hull in the UK in December 1988. Mr. Tang subsequently obtained a bachelor’s degree of laws from the University of Wolverhampton in the UK in October 1994 and a Postgraduate Certificate in Laws from the City University of Hong Kong in August 1996. Mr. Tang obtained a doctor of Philosophy in Business Administration from Tarlac State University in the Philippines in January 2019. Mr. Tang is currently a practising solicitor in Hong Kong. Mr. Tang joined Fung, Wong & Ha as a trainee solicitor from 1996 to 1998. From April 1999 to March 2016, Mr. Tang worked in Fung, Wong, Ng & Lam, Solicitors & Notaries as consultant. Since April 2016, Mr. Tang became a limited liability partner of Fung, Wong, Ng & Lam LLP Solicitors (formerly known as “Fung, Wong, Ng & Lam, Solicitors & Notaries”). Mr. Tang has about 20 years of legal experience in Hong Kong.

**Mr. Chin Chun Wing (錢雋永) (“Mr. Chin”)**, aged 41, was appointed as an INED on 17 December 2016 and is the chairman of the Remuneration Committee and a member of each of the Audit Committee and the Nomination Committee. Mr. Chin completed secondary education in Hong Kong in 1995. From September 1997 to July 2005, Mr. Chin worked in Tom Lee Music Co., Ltd. as a salesman. From August 2006 to August 2009, Mr. Chin worked in Grand Bar & Lounge as a director. Since March 2007, Mr. Chin has been the director of Hong Kong Cocktail School. Since November 2008, Mr. Chin is the vice chairman of Hong Kong Bar & Club Association. Mr. Chin has about 10 years of experience in the beverage industry in Hong Kong.

**Mr. Yung Wai Kei (容偉基) (“Mr. Yung”)**, aged 38, was appointed as an INED on 17 December 2016. He is the chairman of the Audit Committee and a member of each of the Remuneration Committee and the Nomination Committee. Mr. Yung obtained a bachelor’s degree of business administration from Hong Kong Baptist University in November 2004, majoring in Applied Economics. Mr. Yung is currently a full member of the Association of Chartered Certified Accountants in the UK. From June 2004 to September 2005, Mr. Yung worked in AIP Partners C.P.A. Limited as audit junior. From October 2005 to January 2008, Mr. Yung was employed by Jimmy C.H. Cheung & Co., CPA as audit intermediate. From July 2008 to November 2008, Mr. Yung worked in Ronald Ng & Company Limited, CPA as audit senior. Mr. Yung worked in W.Y. Lam & Co., CPA (formerly known as W.Y. Lam & Dominic Chan & Co.) as assistant manager from December 2008 to January 2012. Since December 2012, Mr. Yung has been working for Alpha Partners, CPA as audit manager. Mr. Yung has over 10 years of external audit experience in Hong Kong.





# PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

## SENIOR MANAGEMENT

**Ms. Pan Mui Lie (范美麗) (“Ms. Pan”)**, aged 43, joined the Group in August 2003 and left after working for about 10 years and subsequently re-joined the Group in October 2015 as chief operation manager. Ms. Pan is currently the chief operation manager of the 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 the Group. From August 2003 to March 2013, Ms. Pan worked in Tank Success as district manager. Ms. Pan has over 10 years of experience in the food and beverage industry.

**Mr. Au Siu Lun (區兆倫) (“Mr. Au”)**, aged 42, joined the Group in April 2005 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 the Group.

**Ms. Chan Ting (陳婷) (“Ms. Chan”)**, aged 31, joined the Group as a part-time waitress in April 2009, and worked as a 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. Since September 2011, Ms. Chan has been appointed as a 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 10 years of experience in the bar industry.

**Ms. Poon Suet Hung (潘雪紅) (“Ms. Poon”)**, aged 42, joined the Group in January 2007 as a 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 10 years of experience in the food and beverage industry. Currently, Ms. Poon is one of the district managers of the Group.

**Ms. Leung Ching Ming (梁靜明) (“Ms. Leung”)**, aged 37, joined the Group in March 2014 as an operation clerk. Ms. Leung obtained a 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 a 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. Afterwards, Ms. Leung joined the Group in March 2014. Currently, Ms. Leung is the operation manager of the Group.

**Mr. Leung Ping Hing (梁炳興) (“Mr. Leung”)**, aged 38, has been appointed as the Financial Controller of the Group and a Joint Company Secretary with effect from 16 December 2018 and 31 December 2018, respectively. He joined the Group as Finance Manager in April 2018 and is primarily responsible for the management of financial, accounting as well as company secretarial matters.

Mr. Leung has more than 10 years of accounting and auditing experience through his auditor or accountant positions with a number of certified public accountant firms in Hong Kong. From April 2014 to March 2018, Mr. Leung worked as the management accountant of Chinalink Bus Company Limited, a wholly-owned subsidiary of Kwoon Chung Bus Holdings Limited whose issued shares are listed on the Stock Exchange.

Mr. Leung obtained a bachelor’s degree of Business Administration from the City University of Hong Kong in November 2004, majoring in Financial Engineering and is a member of the Hong Kong Institute of Certified Public Accountants.

# PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

## JOINT COMPANY SECRETARIES

Mr. Leung Ping Hing is the Financial Controller of the Group and a Joint Company Secretary. For his brief biographical details, please refer to the paragraph headed “Senior Management” in this section above.

**Sir Kwok Siu Man KR (“Sir Seaman Kwok”)** was appointed as a Joint Company Secretary on 31 December 2018.

Sir Seaman Kwok is an executive director and head, corporate secretarial of Boardroom Corporate Services (HK) Limited (“**Boardroom**”), and a director of Boardroom Share Registrars (HK) Limited, the Company’s Hong Kong branch share registrar, responsible for, amongst others, providing corporate secretarial services to listed clients. He has over 30 years of experience in the corporate secretarial, legal and management fields.

Sir Seaman Kwok matriculated from Queen’s College in Hong Kong and obtained a Professional Diploma in Company Secretaryship and Administration and a Bachelor’s Degree of Arts (with honours) in Accountancy from the Hong Kong Polytechnic (currently known as The Hong Kong Polytechnic University). He also completed a Post-Graduate Diploma in Laws (with credit) from the Manchester Metropolitan University in England and passed the Common Professional Examination in England and Wales.

A Chartered Governance Professional of both The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators) in England (“**CGI**”) and The Hong Kong Institute of Chartered Secretaries (“**HKICS**”), Sir Seaman Kwok is a fellow member of each of CGI, HKICS, The Institute of Financial Accountants in England, the Institute of Public Accountants in Australia, The Association of Hong Kong Accountants and The Hong Kong Institute of Directors and a member of the Hong Kong Securities and Investment Institute. He also possesses professional qualifications in arbitration, taxation, financial planning and human resources management. In 1999, he received induction into the International WHO’S WHO of Professionals, an international organization which establishes a network of international elite professionals. He was one of the adjudicators for the “Best Annual Reports Awards” organised by the Hong Kong Management Association in the early 1990’s and the late 2000’s and the youngest and longest serving elected council member and the reviewer and the chief examiner of the “Hong Kong Company Secretarial Practice/Corporate Secretaryship” module of the international qualifying scheme of the HKICS. He was conferred as a Knight of Rizal of the Philippines in mid-June 2019.

Prior to joining Boardroom in September 2013, he served as the company secretary of various listed companies in Hong Kong including Lai Sun Garment (International) Limited (stock code: 191), Lai Sun Development Company Limited (stock code: 488), Lai Fung Holdings Limited (stock code: 1125), S E A Holdings Limited (stock code: 251), K. Wah International Holdings Limited (stock code: 173) and Great Eagle Holdings Limited (stock code: 41), a Hang Seng Index Constituent stock (the “**HSICS**”) company then. He was the managing director of a top-notch financial printer in Hong Kong with international affiliation.

Sir Seaman Kwok was an independent non-executive director of Grand Ocean Advanced Resources Company Limited, the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 65), from February 2015 to February 2016. He has been an independent non-executive director of Tak Lee Machinery Holdings Limited, the issued shares of which are listed on GEM (stock code: 8142), since June 2017 and has been a director of a charity fund in Hong Kong since its incorporation in 1992. In addition, he is an executive committee member of Federation of Share Registrars Limited.

First appointed as the company secretary of a HSICS company in 1991, Sir Seaman Kwok was not required to have at least 15 hours of relevant continuing professional development training for each of the five consecutive years from 2012 under the GEM Listing Rules.

## COMPLIANCE OFFICER

Ms. Gloria Chan is the Compliance Officer. For her brief biographical details, please refer to the paragraph headed “Executive Directors” in this section above.



# CORPORATE GOVERNANCE REPORT

The Company is committed to fulfilling its responsibilities to its Shareholders and protecting and enhancing Shareholders' value by devoting considerable effort to identify and formulating good corporate governance practices.

The Directors recognize the importance of incorporating elements of good corporate governance in the management structures and internal control and risk management procedures of the Group so as to achieve effective accountability.

The Board is pleased to present this Corporate Governance Report of the Group for the Year.

## CORPORATE GOVERNANCE PRACTICES

The Company acknowledges the important roles of its Board in providing effective leadership and direction to the Group's business, and ensuring transparency and accountability of the Company's operations. The Board sets appropriate policies and implements corporate governance practices appropriate to the conduct and growth of the Group's business.

During the Year, the Company has adopted and complied with all applicable code provisions as set out in the CG Code as contained in Appendix 15 to the GEM Listing Rules with the exception that the roles of the Chairlady and the Chief Executive Officer have not been segregated as required by code provision A.2.1 of the CG Code. The Company is of the view that it is in the best interest of the Company that Ms. Tse, with her profound expertise in bar business, shall continue in her dual capacity as the Chairlady and the Chief Executive Officer. Nevertheless, the Company will look for suitable candidates and will make necessary arrangement pursuant to the requirement under A.2.1 of CG Code as and when necessary.

## BOARD OF DIRECTORS

### A. Responsibilities

The Board is primarily responsible for overseeing and supervising the management of the business affairs and the overall performance of the Group. The Board sets the Group's values and standards and ensures that the requisite financial and operational support is in place for the Group to achieve its objectives. The functions performed by the Board include but not limited to formulating the Group's business plans and strategies, deciding all significant financial (including major capital expenditure) and operational issues, developing, monitoring and reviewing the Group's corporate governance practices and all other functions reserved to the Board under the Articles of Association. The Board has established Board committees and has delegated to these Board committees various responsibilities as set out in their respective terms of reference which are published on the respective websites of the Stock Exchange and the Company. The Board may from time to time delegate certain functions to senior management of the Group if and when considered appropriate. The senior management is mainly responsible for the execution of the business plans, strategies and policies adopted by the Board and assigned to it from time to time.

The Directors have full access to information of the Group and the management has an obligation to supply the Directors with adequate information in a timely manner to enable the Directors to perform their responsibilities. The Directors are entitled to seek independent professional advice in appropriate circumstances at the Company's expense.



## BOARD OF DIRECTORS *(Continued)*

### B. Composition

The Company is committed to holding and implementing the view that the Board should include a balanced composition of Executive Directors and INEDs so that there is a strong independent element on the Board which can effectively exercise independent judgement.

As at the Reporting Date, the Board comprises the following five Directors, of which the INEDs in aggregate represent more than 50% of the Board members, exceeding the requirement of the GEM Listing Rules:

#### Executive Directors

Ms. Tse Ying Sin Eva (*Chairlady*)

Ms. Chan Tsz Tung

#### INEDs

Mr. Tang Wing Lam David

Mr. Chin Chun Wing

Mr. Yung Wai Kei

The biographical details of each of the Directors are set out in the section headed "Profile of Directors and Senior Management" of this Annual Report.

Ms. Tse is the mother of Ms. Gloria Chan. Save as disclosed, there was no financial, business, family or other material relationship among the Directors for the Year.

The INEDs have brought in a wide range of business and financial expertise and independent judgement to the Board. Through active participation in the Board meetings and serving on various Board committees, all INEDs will continue to make various contributions to the Company.

During the Year, save as disclosed above, the Board has at all times met the requirement of Rules 5.05 and 5.05A of the GEM Listing Rules relating to the appointment of at least three INEDs with at least one of them has appropriate professional qualification and accounting and related financial management expertise as required under the GEM Listing Rules.

The Company has received a written annual confirmation of independence in writing from each of the INEDs pursuant to Rule 5.09 of the GEM Listing Rules. Based on such confirmation, the Company considers that all the INEDs are independent and have met the independence guidelines as set out in Rule 5.09 of the GEM Listing Rules up to the Reporting Date.

Appropriate insurance coverage in respect of legal actions against the Directors, and senior management's liability has been arranged by the Company.

#### Appointment, Re-Election and Removal of Directors

In compliance with the GEM Listing Rules and in accordance with the Articles of Association, (i) all INEDs should be appointed for specific terms, (ii) all Directors should be subject to retirement by rotation at least once every three years and are eligible for re-election, and (iii) any Director appointed by the Board to fill a casual vacancy in the Board shall hold office only until the next following general meeting of the Company and shall be subject to re-election at such meeting.



# CORPORATE GOVERNANCE REPORT

## DIRECTORS' INDUCTION AND CONTINUING PROFESSIONAL DEVELOPMENT

All Directors has received a formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure that he/she has appropriate understanding of the business and operations of the Group and that he/she is sufficiently aware of his/her responsibilities under statutes and common law, the GEM Listing Rules, legal and regulatory requirements and the Company's business and government policies.

All Directors are continually updated with legal and regulatory developments, and the business and market changes to facilitate the discharge of their responsibilities.

All Directors confirmed that they have complied with the code provision A.6.5 of the CG Code. According to the training records maintained by the Company, the Directors received the following trainings regarding roles, function and duties of a director of a listed company or professional skills in compliance with the requirement of the CG Code on continuous professional development during the Year:

Name of Directors	Type of Trainings
Ms. Tse Ying Sin Eva	A, B
Ms. Chan Tsz Tung	A, B
Mr. Tang Wing Lam David	A, B
Mr. Chin Chun Wing	A, B
Mr. Yung Wai Kei	A, B

A: attending seminars/briefings/conference/forums and workshop

B: reading newspapers, journals and updates relating to the economy, general business, corporate governance and directors' duties and responsibilities

## MEETINGS OF BOARD AND DIRECTORS' ATTENDANCE RECORDS

Schedules for regular Board meetings are normally agreed with the Directors in advance. In addition to the above, notice of at least 14 days is given for a regular Board meeting. For other Board meetings, reasonable notice is generally given.

Draft agenda of each Board meeting is usually sent to all Directors together with the notice in order to give them an opportunity to include any other matters in the agenda for discussion in the meeting.

Board papers together with all appropriate, complete and reliable information are sent to all Directors at least 3 days before each Board meeting to provide them with materials relating to the transactions to be discussed in the meeting in order to enable them to make informed decisions. The Board and each Director also have separate and independent access to the senior management whenever necessary.

The Chairlady, other Directors and other senior managements normally attend regular Board meetings and, where necessary, other Board and committee meetings to advise on business developments, financial and accounting matters, statutory compliance, corporate governance and other major aspects of the Group.



# CORPORATE GOVERNANCE REPORT

## MEETINGS OF BOARD AND DIRECTORS' ATTENDANCE RECORDS (Continued)

The Company Secretary is/Joint Company Secretaries are responsible to keep minutes of all Board and committee meetings. Draft minutes are normally circulated to Directors for comments within a reasonable time after each meeting and the final version is open for Directors' inspection.

According to current Board practice, any material transaction, which involves a conflict of interest for substantial shareholders or a director, will be considered and dealt with by the Board at a duly convened Board meeting. The Articles of Association contains provisions requiring directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such directors or any of their associates have a material interest.

The following table summarises the attendance records of directors and committee members for the Year:

Name of Directors	Number of meeting(s) attended/eligible to attend				
	Board Meeting	Audit Committee	Nomination Committee	Remuneration Committee	AGM
Number of meeting held	6	4	4	2	1
<b>Executive Directors</b>					
Ms. Tse Ying Sin Eva	6/6	–	4/4	2/2	1/1
Ms. Chan Tsz Tung	6/6	–	–	–	–
<b>INEDs</b>					
Mr. Tang Wing Lam David	6/6	4/4	–	–	1/1
Mr. Chin Chun Wing	6/6	4/4	4/4	2/2	1/1
Mr. Yung Wai Kei	6/6	4/4	4/4	2/2	1/1

Note: During the Year, the Board held six meetings, four of those were regular meetings.

Apart from the Board meetings above, consents and/or approvals of the Board were also obtained by way of written resolutions on a number of matters.

## CHANGE IN INDEPENDENT AUDITORS

Deloitte Touche Tohmatsu ("Deloitte") had been the Independent Auditors since the Listing Date. On 29 October 2019, Deloitte resigned as the Independent Auditors. On 30 October 2019, the Board appointed BDO Limited ("BDO") to fill the casual vacancy as the Independent Auditors until the conclusion of the 2019 AGM.



# CORPORATE GOVERNANCE REPORT

## DIVIDEND POLICY

It is the policy of the Board, in considering the payment of dividends, to allow the Shareholders to participate in the Company's profits whilst preserving the Company's liquidity to capture future growth opportunities.

In deciding whether to propose a dividend and in determining the dividend amount, the Board shall consider the following factors before declaring or recommending dividends:

- (a) the Company's actual and expected financial performance;
- (b) retained earnings and distributable reserves of the Company and each of the members of the Group;
- (c) the Group's working capital requirements, capital expenditure requirements and future expansion plans;
- (d) the Group's liquidity position;
- (e) general economic conditions, business cycle of the Group's business and other internal or external factors that may have an impact on the business or financial performance and position of the Group; and
- (f) other factors that the Board may considered relevant.

The payment of dividend by the Company is also subject to any restrictions under the Cayman Islands laws and the Articles of Association.

The Board will continually review the Dividend Policy from time to time and there can be no assurance that dividends will be paid in any particular amount for any given period. Even if the Board decides to recommend and pay dividends, the form, frequency and amount will depend upon the operations and earning, capital requirements and surplus, general financial condition, contractual restrictions and other factors of and affecting the Group.

## BOARD COMMITTEES

The Board has established three Board committees, namely the Audit Committee, the Remuneration Committee, and the Nomination Committee to oversee particular aspects of the Company's affairs. The Board committees are provided with sufficient resources to discharge their duties.



## **BOARD COMMITTEES** *(Continued)*

### **Remuneration Committee**

The 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 code provision B.1.2 of the CG Code. The primary duties of the Remuneration Committee are to make recommendation to the Board on the overall remuneration policy, structure and packages 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, Ms. Tse and Mr. Yung. Mr. Chin is the chairman of the Remuneration Committee.

For the Year, the Remuneration Committee held three meetings, and reviewed and recommended to the Board for consideration certain remuneration-related matters of the Directors and senior management. The remuneration of Directors was determined by their experience, responsibility, workload and the time devoted to the Group. Executive Directors and employees also participate in bonus arrangements which was determined in accordance with the performance of the Group and the individual's performance. Details of the Directors' remuneration are set out in note 11 to the consolidated financial statement.

Ms. Tse, the Chairlady, an Executive Director and the CEO and Mr. Chin and Mr. Yung both INEDs, attended the above Remuneration Committee meeting in the capacity of a member/the chairman of the Remuneration Committee.

### **Nomination Committee**

The Company established the Nomination Committee on 17 December 2016 with written terms of reference in compliance with code provision A.5.2 of the CG Code. The nomination committee schedules to hold at least one meeting a year. 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 INEDs; 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, Ms. Tse and Mr. Yung. Ms. Tse is the chairlady of the Nomination Committee.

During the Year, the Nomination Committee held four meetings. It had assessed the independence of the INEDs and recommended to the Board for consideration the re-appointment of the retiring Directors at the 2020 AGM and discussed the matters relating to the procedure of nomination of director candidate by Shareholders, Directors' evaluation and succession plan etc.

### **Board Diversity Policy**

The Board adopted a policy of the Board diversity, including the measurable objectives set for implementing the same on 13 November 2018. The Nomination Committee will review these objectives regularly.

The Company recognises and embraces the benefits of a diversity of Board members. It endeavours to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. All Board nominations, appointments and re-appointments will continue to be made on a merit basis with due regard for the benefits of diversity of the Board members and the nomination policy of the Company. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills and knowledge.





## **BOARD COMMITTEES** *(Continued)*

### **Procedures and Process of Nomination of Directors**

The Nomination Committee will recommend to the Board for the appointment of a Director including an INED in accordance with the following procedures and process:

- i. The Nomination Committee will, giving due consideration to the current composition and size of the Board, develop a list of desirable skills, perspectives and experience at the outset to focus the search effort;
- ii. The Nomination Committee may consult any source it considers appropriate in identifying or selecting suitable candidates, such as referrals from existing Directors, advertising, recommendations from a third-party agency firm and proposals from the Shareholders with due consideration given to the criteria which include but are not limited to:
  - (a) diversity in the aspects, amongst others, of gender, age, cultural and educational background, professional experience, skills, knowledge and length of service;
  - (b) commitment for responsibilities of the Board in respect of available time and relevant interest;
  - (c) qualifications, both accomplishment and experience in the relevant industries in which the Group's business is involved;
  - (d) independence of INEDs;
  - (e) reputation for integrity;
  - (f) potential contributions that the individual can bring to the Board; and
  - (g) plan(s) in place for the orderly succession of the Board.
- iii. The Nomination Committee may adopt any process it considers appropriate in evaluating the suitability of the candidates, such as interviews, background checks, presentations and third-party reference checks;
- iv. The Nomination Committee will consider a broad range of candidates who are in and outside of the Board's circle of contacts;
- v. Upon considering a candidate suitable for the directorship, the Nomination Committee will hold a meeting and/or by way of written resolutions to, if thought fit, approve the recommendation to the Board for appointment;
- vi. The Nomination Committee will provide the relevant information of the selected candidate to the Remuneration Committee for consideration of the remuneration package of such selected candidate;
- vii. The Nomination Committee will thereafter make the recommendation to the Board in relation to the proposed appointment, and where a non-executive Director is considered, the Remuneration Committee will make the recommendation to the Board on the policy and structure for the remuneration;

## BOARD COMMITTEES *(Continued)*

### Procedures and Process of Nomination of Directors *(Continued)*

- viii. The Board may arrange for the selected candidate to be interviewed by the members of the Board, who are not members of the Nomination Committee and the Board will thereafter deliberate and decide the appointment as the case may be; and
- ix. All appointment of Directors will be confirmed by the filing of the consent to act as Director of the relevant Director (or any other similar filings requiring the relevant Director to acknowledge or accept the appointment as Director, as the case may be) with the relevant regulatory authorities, if required.

Ms. Tse, the Chairlady, an Executive Director and the CEO and Mr. Chin and Mr. Yung, both INEDs, attended the above Nomination Committee meeting in the capacity of a member/the chairlady of the Nomination Committee.

### Audit Committee

The 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 code provision C.3.3 of the CG 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 the 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 all the INEDs, namely Mr. Tang, Mr. Chin and Mr. Yung. Mr. Yung Wai Kei is the chairman of the Audit Committee.

During the Year, the Audit Committee has reviewed and ensured the independence and objectivity of the external auditor, BDO. Details of the fees paid or payable to BDO for the Year are set out under the paragraph headed "Independent Auditor's Remuneration" on page 26 in this Annual Report.

During the Year, four Audit Committee meetings were held and the attendance record of meeting during the Year is set on page 21.

The Audit Committee performed the following work during the Year:

- (a) reviewed the Group's draft annual audited financial statements for the Year, the draft unaudited quarterly financial statement for the three months ended 30 June 2019, the interim financial statements for the six months ended 30 September 2019 and the third quarterly financial statement for the nine months ended 31 December 2019 including the accounting principles and accounting standards adopted with recommendations for presentation to the Board for its consideration and approval;
- (b) reviewed the changes in accounting standards and assessed their potential impacts on the Group's financial statements;
- (c) reviewed the Group's internal control system and related matters; and
- (d) considered and made recommendations on the re-appointment of the Independent Auditor, and the terms of engagement.

Each of the INEDs attended the above meetings in the capacity of a member/the chairman of the Audit Committee.



# CORPORATE GOVERNANCE REPORT

## BOARD COMMITTEES *(Continued)*

### Audit Committee *(Continued)*

The Company has complied with Rule 5.28 of the GEM Listing Rules in that at least one of the members of the Audit Committee (which must comprise a minimum of three members and must be chaired by an INED) is an INED who possess appropriate professional qualifications or accounting or related financial management expertise.

The Financial Statements have been reviewed by the Audit Committee. The Audit Committee is of the opinion that such Financial Statements comply with applicable accounting standards and the GEM Listing Rules and that adequate disclosure has been made.

### Corporate Governance Functions

The Audit Committee is responsible for performing the corporate governance functions as set out in code provision D.3.1 of the CG Code, which include but are not limited to:

- developing and reviewing the Company's policies and practices on corporate governance and making recommendations to the Board;
- reviewing and monitoring the training and continuous professional development of the Directors and senior management;
- reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements;
- developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees and the Directors; and
- reviewing the Company's compliance with the CG Code and disclosure in this Annual Report.

## REMUNERATION OF SENIOR MANAGEMENT

Pursuant to code provision B.1.5 of the CG Code, the remuneration of the members of the senior management (other than the Directors) whose particulars are contained in the section headed "Profile of Directors and Senior Management" in this Annual Report for the Year by band is set out below:

Remuneration band (in HK\$)	Number of individuals
Nil to 1,000,000	6

## INDEPENDENT AUDITOR'S REMUNERATION

The Audit Committee has reviewed and ensured the independence and objectivity of the external auditor, BDO. Details of the fees paid or payable to BDO for the Year are as follows:

	HK\$'000
2020 annual audit – Audit services	800
Non-audit services	–
Total	800

# CORPORATE GOVERNANCE REPORT

## DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors acknowledge their responsibility for the preparation of the Financial Statements. The directors were not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

## INTERNAL CONTROLS AND RISK MANAGEMENT

The Board is responsible for the Group's risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and can only provide reasonable, but not absolute assurance against misstatement or loss.

Given the relatively simple corporate and operation structure, the Group currently does not have an internal audit function.

The Board has overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems.

The Audit Committee assists the Board in leading the management as well as overseeing the formation, implementation and monitoring of the risk management and internal control systems.

Pursuant to C.2.1 of the CG Code, the Group engages independent professional advisor to conduct an annual review of the effectiveness of the Group's risk management and internal control system in various material aspects including financial, operational and compliance controls. The risk management report and internal control report are submitted and reviewed by the Audit Committee at least once a year. Summary of findings and recommendations are discussed at the Audit Committee meeting with a view to improve the Group's operations.

For the Year, the Board is satisfied that the Group's risk management and internal control systems (i) are adequate to meet the needs of the Group in its current business environment; and (ii) comply with the code provisions on internal control as set out in the GEM Listing Rules.

## SHAREHOLDERS' RIGHT

### Procedures for Shareholders to Convene an EGM

Pursuant to the Articles of Association, an EGM may be convened by the Board upon requisition by any Shareholder holding not less than one-tenth of the issued share capital of the Company and the securities being held carrying the right of voting at any general meetings of the Company. The Shareholder shall make a written requisition to the Board or the Company Secretary at the head office of the Company at Room D2, 11/F, Phase 2, Hang Fung Industrial Building, 2G Hok Yuen Street, Hung Hom, Kowloon, Hong Kong, specifying the shareholding information of the shareholder, his/her contact details and the proposal regarding any specified transaction/business and its supporting documents.

The Board shall arrange to hold such general meeting within two (2) months after the receipt of such written requisition. Pursuant to the Articles of Association, the Company shall serve requisite notice of the general meeting, including the time, place of meeting and particulars of resolutions to be considered at the meeting and the general nature of the business.

If within twenty-one (21) days of the receipt of such written requisition, the Board fails to proceed to convene such EGM, the requisitioner(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitioner(s) as a result of the failure of the Board shall be reimbursed to the requisitioner(s) by the Company.



## SHAREHOLDERS' RIGHT *(Continued)*

### Procedures for putting forward Proposals at a General Meeting

A Shareholder shall make a written requisition to the Board or the Company Secretary at the head office of the Company at Room D2, 11/F, Phase 2, Hang Fung Industrial Building, 2G Hok Yuen Street, Hung Hom, Kowloon, Hong Kong, specifying the shareholding information of the shareholder, his/her contact details and the proposal he/she intends to put forward at general meeting regarding any specified transaction/business and its supporting documents.

### Procedures for Directing Shareholders' Enquiries to the Board

Shareholders may at any time send their enquires and concerns to the Board by post for the attention of the Company Secretary at the head office of the Company at Room D2, 11/F, Phase 2, Hang Fung Industrial Building, 2G Hok Yuen Street, Hung Hom, Kowloon, Hong Kong, or send email to [info@barpacific.com.hk](mailto:info@barpacific.com.hk). Shareholders may also make enquiries with the Board at the general meetings of the Company.

## CONSTITUTIONAL DOCUMENTS

There were no changes in constitutional documents of the Company during the Year.

## DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the required standard of dealings in the securities (the "**Required Standard of Dealings**") as contained in Rules 5.48 to 5.67 of the GEM Listing Rules as its own code of conduct governing the securities transactions by the Directors for the Year. Having made specific enquiries by the Company on each of the Directors, all Directors have confirmed that they had complied with the Required Standard of Dealings for the Year.

## JOINT COMPANY SECRETARIES

The biographical details of Mr. Leung and Sir Seaman Kwok are set out in the section headed "Profile of Directors and Senior Management" of this Annual Report.

Mr. Leung attended over 15 hours' relevant continuous professional development training during the Year pursuant to Rule 5.15 of the GEM Listing Rules.

Sir Seaman Kwok was nominated by Boardroom Corporate Services (HK) Limited ("**Boardroom**") to be a Joint Company Secretary and Boardroom has been providing certain corporate secretarial services to the Company pursuant to an engagement letter entered into between the Company and Boardroom. The primary person at the Company with whom Sir Seaman Kwok has been contacting in respect of company secretarial matters is Mr. Leung, the Financial Controller.

Sir Seaman Kwok delivered and attended over 15 hours' relevant continuous professional development training during the Year pursuant to Rule 5.15 of the GEM Listing Rules.



# DIRECTORS' REPORT

The Directors are pleased to present this Annual Report and the audited Financial Statements.

## PRINCIPAL ACTIVITIES

The Company is an investment holding company and the principal activities of its subsidiaries is the operation of a chained bar group offering beverages and light refreshments in Hong Kong. Details of the Company's principal subsidiaries are set out in note 35 to the audited financial statements. There were no significant changes in the nature of the Group's principal activities during the Year.

## BUSINESS REVIEW

A review of the business of the Group during the Year and a discussion on the Group's future business development are set out in the section headed "Chairlady's Statement" on page 7 and section headed "Management Discussion and Analysis" on pages 9 to 14 of this Annual Report. No important events affecting the Group occurred since the end of the Year. In addition, discussions on the Group's ESG practices, relationships with its key stakeholders and compliance with relevant laws and regulations which have a significant impact on the Group are contained in the section headed "Environmental, Social and Governance Report" on pages 41 to 54 and the section headed "Corporate Governance Report" on pages 18 to 28 of this Annual Report.

## RESULTS AND DIVIDENDS

The results of the Group for the Year are set out in the consolidated statement of profit or loss and other comprehensive income on page 61 of this Annual Report.

### Dividend

An interim dividend of HK0.55 cent per Share, totalling HK\$4,730,000 for the Year was paid on 11 December 2019 (2019: HK0.50 cent).

The Board has recommended the payment of a final dividend of HK0.55 cent (2019: HK0.5 cent) per Share for the Year, totalling HK\$4,730,000. Subject to the approval of the Shareholders at the 2020 AGM, the proposed final dividend will be payable on or around Friday, 28 August 2020 to Shareholders whose names will appear on the Register of Members on Monday, 10 August 2020.

The Board is not aware of any Shareholders who have waived or agreed to waive any dividends.

## CLOSURE OF REGISTER OF MEMBERS

### For 2020 AGM

The Register of Members will be closed from Tuesday, 28 July 2020 to Friday, 31 July 2020 (both days inclusive), during which period no transfer of Shares will be registered, for ascertaining Shareholders' entitlement to attend the forthcoming 2020 AGM which will be held on Friday, 31 July 2020. In order to qualify for attending and voting at the 2020 AGM, non-registered Shareholders must lodge all duly completed transfer forms accompanied by the relevant share certificates with the Company's Hong Kong branch share registrar, Boardroom Share Registrar (HK) Limited (the "**Hong Kong Branch Share Registrar**") for registration no later than 4:30 p.m. on Monday, 27 July 2020. The address of the Hong Kong Branch Share Registrar is 2103B, 21/F, 148 Electric Road, North Point, Hong Kong.



# DIRECTORS' REPORT

## CLOSURE OF REGISTER OF MEMBERS *(Continued)*

### For dividends

The Register of Members will be closed on Friday, 7 August 2020 and Monday, 10 August 2020, during which period no transfer of Shares will be registered, for ascertaining Shareholders' entitlement to receive the proposed final dividend. In order to be eligible to receive the proposed final dividend, non-registered Shareholders must lodge all duly completed transfer forms accompanied by the relevant share certificates with the Hong Kong Branch Share Registrar for registration no later than 4:30 p.m. on Thursday, 6 August 2020. The address of the Hong Kong Branch Share Registrar is 2103B, 21/F, 148 Electric Road, North Point, Hong Kong.

## FINANCIAL SUMMARY

A summary of the published results and the assets and liabilities of the Group for the last five financial years, as set out on page 128 of this Annual Report, are extracted from this Annual Report and the prospectus of the Company dated 30 December 2016.

## USE OF PROCEEDS

As at 31 March 2020, all of the unused proceeds were deposited in a licensed bank in Hong Kong. During the Year, a portion of the net proceeds from the Placing was utilised and the corresponding explanations are set out in the table below:

Proposed use of proceeds	Proposed amount to be used (HK\$ million)	Proposed amount used up to 31 March 2020 (HK\$ million)	Actual amount utilized during the Year (HK\$ million)	Approximate actual amount utilized up to 31 March 2020 (HK\$ million)	Amount proposed to be used in the next 12 months (HK\$ million)	Changes and explanation
Expand our brands	35.5	35.5	15.2	32.8	Nil	The Group completed the expansion plan and the remaining amount HK\$2.7 million will be used as working capital.
Continue to upgrade our shops' facilities	3.4	3.4	–	3.4	Nil	N/A
Continue our promotion and marketing activities	3.5	3.5	–	3.5	Nil	N/A
Total	42.4	42.4	15.2	39.7	Nil	

## PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the Year are set out in note 14 to the consolidated financial statements.

## DISTRIBUTABLE RESERVES

As at 31 March 2020, the Company's reserves available for distribution to the Shareholders are approximately HK\$55 million (as at 31 March 2019: HK\$63 million) as calculated in accordance with statutory provisions applicable in the Cayman Islands.

## PRE-EMPTIVE RIGHT

There are no provisions for pre-emptive rights under the Articles of Association or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing Shareholders.

# DIRECTORS' REPORT

## SHARE CAPITAL

Details of the movements in the share capital of the Company are set out in note 24 to the consolidated financial statements.

## DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The Directors during the Year and up to the Reporting Date are:

### Executive Directors:

Ms. Tse Ying Sin Eva

Ms. Chan Tsz Tung

### INEDs:

Mr. Tang Wing Lam David

Mr. Chin Chun Wing

Mr. Yung Wai Kei

In accordance with Article 84(1) of the Articles of Association, at each AGM, one-third of the Directors for the time being (or, if their number is not a multiple of three, 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. In accordance with article 84(2) of the Articles of Association, the Directors to retire by rotation shall include (so far as necessary to ascertain the number of directors to retire by rotation) any Director who wishes to retire and not to offer himself for re-election. Any Director who has not been subject to retirement by rotation in the three years preceding the AGM shall retire by rotation at such AGM. Any further Directors so to retire shall be those who have been the longest in office since their last re-election or appointment and so that as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

In accordance with article 83(3) of the Articles of Association, any Director appointed by the Board either to fill a casual vacancy on the Board or as an addition to the existing Board shall hold office only until the next following AGM and shall then be eligible for re-election.

At the 2020 AGM, Mr. Tang and Mr. Chin will retire from office as Director by rotation and, being eligible, will offer themselves for re-election at the 2020 AGM.

The Company has received from each of the INEDs a written annual confirmation of his independence and the Company considers each of the INEDs to be independent pursuant to Rule 5.09 of the GEM Listing Rules.

Profile of the Directors and senior management of the Group as at the Reporting Date are set out on pages 15 to 17.

The Company entered into a service contract with each of Ms. Tse and Ms. Gloria Chan, being Executive Directors and an appointment letter with each of Mr. Tang, Mr. Chin and Mr. Yung, being INEDs for a term of three years, commencing on the Listing Date and shall continue thereafter unless terminated by either party giving to the other not less than three months' notice in writing.

No Directors being proposed for re-election at the 2020 AGM has any service contract with the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.





## DISCLOSURE OF INTERESTS

### (A) Directors' and chief executives' interests and short positions in Shares, underlying shares and debentures of the Company and its associated corporations

As at 31 March 2020, the interests and short positions of the Directors and the chief executives of the Company in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO which were required: (a) 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 and short positions in which they are taken or deemed to have under such provisions of the SFO); (b) pursuant to section 352 of the SFO, to be entered in the register required to be kept; or (c) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors), to be notified to the Company and the Stock Exchange were as follows:

#### Interests in the Company

##### Long position in the Shares

Name of Director	Capacity/Nature of interest	Number of issued Shares held	Approximate percentage of issued share capital in the Company
Ms. Tse (Note)	Beneficiary of a trust	431,543,700	50.18%
	Beneficial owner	12,094	0.00%
Ms. Gloria Chan (Note)	Beneficiary of a trust	431,543,700	50.18%

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

#### Interests in associated corporation of the Company

##### Long position in the shares of the associated corporation

Name of Directors	Name of associated corporation	Capacity/nature of interest	Number of shares held	Percentage of sharehold
Ms. Tse	Moment to Moment	Beneficiary of a trust	1	100%
Ms. Gloria Chan	Moment to Moment	Beneficiary of a trust	1	100%

Save as disclosed above and so far as the Directors are aware, as at 31 March 2020, none of the Directors and the chief executives of the Company had any interests or short positions in any Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the Register, or were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors to be notified to the Company and the Stock Exchange.

## DISCLOSURE OF INTERESTS *(Continued)*

### (B) Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares of the Company

So far as the Directors are aware of, as at 31 March 2020, the following persons/entities other than a Director or the chief executive of the Company had interests or short positions in the Shares and underlying Shares, which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the Register required to be kept under section 336 of the SFO (the "**Substantial Shareholders' Register**"), or who were directly or indirectly interested in 5% or more of the issued voting shares of the Company:

#### Long position in the Shares

Name of substantial shareholders	Capacity/ Nature of interest	Number of issued Shares held	Approximate percentage of issued share capital in the Company
Moment to Moment <i>(Note 1)</i>	Beneficial owner	431,543,700	50.18%
Harneys <i>(Note 1)</i>	Trustee (other than a bare trustee)	431,543,700	50.18%
Ms. Chan Tsz Kiu Teresa ("Ms. T Chan") <i>(Note 1)</i>	Beneficiary of a trust	431,543,700	50.18%
Mr. Chan Wai ("Mr. Chan") <i>(Note 2)</i>	Beneficiary of a trust Beneficial owner	431,543,700 24,925,038	50.18% 2.90%
Ms. Chan Ching Mandy ("Ms. M Chan") <i>(Note 1)</i>	Interest of controlled corporation	431,543,700	50.18%

#### Notes:

- Moment to Moment holds 431,543,700 Shares, representing approximately 50.18% of the issued share capital of the Company. The sole shareholder of Moment to Moment is Harneys, the trustee of the Bar Pacific Trust, of which Ms. Tse and one of her daughters, namely Ms. T Chan, are the first batch of beneficiaries (Please refer to note 2 below). Pursuant to a deed of settlement dated 25 March 2014 in respect of the Bar Pacific Trust, Ms. M Chan is the protector of the Bar Pacific Trust, and Harneys is required to exercise the voting rights in any company the fund of the Bar Pacific Trust is invested in accordance with the joint written instruction from the protector (i.e. Ms. M Chan) and the settlor (i.e. Ms. Tse) of the Bar Pacific Trust. Each of Harneys, Ms. Tse, Ms. T Chan and Ms. M Chan is deemed to be interested in the Shares held by Moment to Moment under the SFO.
- On 7 June 2018, Mr. Chan and Ms. Gloria Chan became the beneficiaries of Bar Pacific Trust. Hence, both Mr. Chan and Ms. Gloria Chan are also deemed to be interested in the 431,543,700 Shares held by Moment to Moment under the SFO. Mr. Chan directly held 24,925,038 Shares.

Save as disclosed above, as at 31 March 2020, the Directors were not aware of any persons who/entities which had any interest or short position in the Shares or underlying Shares that would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be recorded in the Substantial Shareholders' Register required to be kept under section 336 of the SFO.



## INTERESTS OF COMPLIANCE ADVISER

As at 31 March 2020, as notified by the Company's compliance adviser, Red Solar Capital Limited (the "**Compliance Adviser**"), except for the compliance adviser agreement dated 27 October 2017 and entered into between the Company and the Compliance Adviser, neither the Compliance Adviser nor its directors, employees or close associates (as defined under the GEM Listing Rules) had any interests in relation to the Company, which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules. The Compliance Adviser resigned on 26 June 2019.

## SHARE OPTION SCHEME

The Company adopted a share option scheme (the "**Scheme**") on 17 December 2016 (the "**Adoption Date**"). The terms of the Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules.

No share option has been granted since the Adoption Date and therefore, there was no share option outstanding as at 31 March 2020 and no share options were granted, exercised or cancelled or lapsed during the Year.

The following is a summary of the principal terms of the Scheme (Rule 23.09):

1. Purpose of the Scheme

To grant options to selected participants as incentives or rewards for their contribution to the Group.

2. Participants of the Scheme

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:

- a) Any employee (whether full-time or part-time, including any executive director but excluding any non-executive director) of the Company, any of its subsidiaries ("**Subsidiaries**") or any entity ("**Invested Entity**") in which the Group holds an equity interest ("**Eligible Employee**");
- b) Any non-executive Directors (including INEDs) of the Company, any Subsidiaries or any Invested Entity;
- c) Any supplier of goods or services to any member of the Group or any Invested Entity;
- d) Any customer of any member of the Group or any Invested Entity;
- e) Any person or entity that provides research, development or other technological support to any member of the Group or any Invested Entity;
- f) Any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity;
- g) Any adviser (professional or otherwise) or consultant to any area of Business or business development of any member of the Group or any Invested Entity; and
- h) 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 the Group.



## SHARE OPTION SCHEME *(Continued)*

### 3. Total number of Shares available for issue:

- a) 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 Scheme and any other share option scheme of the Group shall not exceed 30% of the issued share capital of the Company from time to time.
- b) 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 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**"). No option has been granted under the Scheme since the Listing Date and up to 31 March 2019. Accordingly, the number of Shares available for issue upon exercise of options that may be granted under the Scheme is 86,000,000, representing 10.0% of the Shares in issue as the Reporting Date.

### 4. Maximum entitlement of each participant

- i) Subject to 4.(ii)(b) 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 the 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 the 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 the 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.
- (ii)
  - (a) Without prejudice to (ii)(b) 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).
  - (b) Without prejudice to (ii)(a) above, where any grant of options to a substantial Shareholder 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;



## SHARE OPTION SCHEME *(Continued)*

5. Period during which the options must be exercised to subscribe for Shares and Minimum period for which an option must be held before it can be exercised

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 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 Scheme for the holding of an option before it can be exercised.

6. Subscription price for Shares and consideration for the option and Basis of determining exercise price

The subscription price per Share under the 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.

7. Remaining life of the Scheme

The Scheme will remain in force for a period of 10 years commencing on 17 December 2016 which the Share Option is adopted.

## ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the Year was the Company, or any of its subsidiaries, a party to any arrangements to enable the Directors or their associates (as defined under the GEM Listing Rules) to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

## EQUITY-LINKED AGREEMENTS

Save for the Scheme as disclosed in the paragraph headed "Share Option Scheme", no equity-linked agreements that (i) will or may result in the Company issuing shares; or (ii) require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the Year or subsisted at the end of the Year.

## RELATED PARTY TRANSACTIONS

The significant related party transactions entered into by the Group during the Year are set out in note 29 to the consolidated financial statements.

During the Year, the Group has entered into a transaction with connected persons and it will continue to carry out such transaction. The transaction constitutes de minimis transaction which is fully exempt from the Shareholders' approval, annual review and all disclosure requirements under Rule 20.74 of the GEM Listing Rules.

Saved as disclosed, none of the related party transactions constituted a connected transaction or continuing connected transaction (as defined in the GEM Listing Rules) that was required to be disclosed.



# DIRECTORS' REPORT

## EMOLUMENT POLICY AND DIRECTORS' REMUNERATION

The Group offers its employees group hospitalisation and personal accident insurance. The Group also offers its employees an incentive bonus scheme which encourages their individual performance and then to contribute to their departmental performance as well.

The Board has delegated the Remuneration Committee with assisting the Board on formulating a remuneration policy and reviewing the emoluments of senior management of the Company and the Directors.

The Company has adopted the Scheme, details of which are set out under the section headed "Share Option Scheme" in this Annual Report.

Details of the Directors' remuneration and the five highest paid individuals in the Group during the Year are set out in Note 11 to the Consolidated Financial Statements.

During the Year, there was no arrangement under which any Director had waived or agreed to waive any emoluments.

## PERMITTED INDEMNITY PROVISION

Pursuant to the Articles of Association, subject to relevant laws, every Director shall be indemnified out of the assets of the Company against all losses and liabilities which the Directors may sustain or incur in or about the execution of his/her office or otherwise in relation thereto. The Company has taken out insurance against the liability and costs associated with defending any proceedings which may be brought against Directors.

## PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company during the Year.

## MAJOR CUSTOMERS AND SUPPLIERS

The Group had no major customer due to the nature of principal activities of the Group.

During the Year, the aggregate purchases attributable to the Group's five largest suppliers accounted for approximately 89% of the Group's total purchases while the purchases attributable to the Group's largest supplier accounted for approximately 32% of the Group's total purchases.

None of the Directors, their respective close associates (as defined under the GEM Listing Rules) or any Shareholder, to the best knowledge of the Directors, owns more than 5% of the Company's issued shares, had any interest in any of the five largest suppliers of the Company.

## DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the Year, none of the Directors of the Company or their respective close associates (as defined in the GEM Listing Rules) were considered to have an interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group, other than those businesses of which the Director were appointed as Directors to represent the interests of the Company and/or the Group.



# DIRECTORS' REPORT

## MANAGEMENT CONTRACTS

No contracts, other than the service contracts of the Executive Directors, concerning the management and administration of the whole or any substantial part of any business of the Group were entered into or existed during the Year.

## INDEPENDENT AUDITORS

The Financial Statements have been audited by Messrs. BDO Limited ("**BDO**"), the Independent Auditors, which will retire and being eligible, offer themselves for re-appointment. A resolution will be proposed at the 2020 AGM to re-appoint BDO as the Independent Auditors until the conclusion of the next AGM and to authorize the Board to fix their remuneration.

## SUFFICIENT OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within its knowledge, as at the Reporting Date, there is sufficient public float of 25% of the Company's issued shares as required under the GEM Listing Rules.

## NON-COMPETITION UNDERTAKING

Each of Ms. M Chan, Ms. Tse and Moment to Moment (each a "**Covenantor**", collectively, "**Covenantors**") entered into a deed of non-competition in favour of the Company (the "**Deed of Non-competition**") on 17 December 2016.

A summary of the major terms of the Deed of Non-competition was disclosed in the section headed "Relationship with our Controlling Shareholders" of the prospectus of the Company dated 30 December 2016.

The Company received from each of the Covenantors an annual confirmation in June 2020 on each of their compliance of the non-competition undertaking under the Deed of Non-competition. The INEDs have reviewed the compliance of each of these undertakings and evaluated the effectiveness of the implementation of the Deed of Non-competition, and were satisfied that each of the Covenantors has complied with their undertaking during the Year.

## DIRECTORS' INTERESTS IN SIGNIFICANT TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

Save for those disclosed under Note 29 to the consolidated financial statements, during the Year, there was no transaction, arrangement or contract of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director or a connected entity of that Director has or had, directly or indirectly, a material interest.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the paragraphs headed "Directors' and Chief Executives' Interests and Short Position in Shares, Underlying Shares and Debentures of the Company and its Associated Corporations" on page 32 in this Annual Report, at no time during the Year and as at the end of the Year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors and chief executive (including their respective spouse and children under 18 years of age) to acquire benefits by means of the acquisition of shares or underlying shares in, or debentures of, the Company or any of its associated corporation.

## CORPORATE GOVERNANCE

The principal corporate governance practices as adopted by the Company are set out in the section headed "CORPORATE GOVERNANCE REPORT" from pages 18 to 28 of this Annual Report.



## CHARITY AND DONATION

The Group's charitable and other donations during the Year amounted to approximately HK\$32,500 (2019: HK\$27,224). No donations were made to political parties during the Year.

## SPECIFIC PERFORMANCE OBLIGATIONS ON CONTROLLING SHAREHOLDER

As at the Reporting Date, details of the existing banking facility with covenants relating to specific performance of the controlling shareholder of the Company, which constituted disclosure obligation pursuant to Rule 17.20 of the GEM Listing Rules are as follows:

Date of facilities	Nature of facilities	Aggregate Amount	Life of the facilities	Specific performance obligation
12 June 2019	Term loan facility, revolving loan facility and combined facility	HK\$20,000,000	No fixed term but subject to review and will continue up to and including 15 May 2021	Note 1
30 August 2019	Term loan facility	HK\$10,000,000	– ditto –	Note 1
3 January 2020	Term loan facility	HK\$25,800,000	– ditto –	Note 1

Note 1:

Ms. Tse, an Executive Director, the Chairlady and the CEO, (i) will serve as the Chairlady, (ii) is actively involved in the management and business of the Group, (iii) remains as the single major Shareholder through beneficial ownership, controlled corporation, trust or other means, and (iv) the Tangible Net Worth (as defined in the relevant facility letters) of the Company will be maintained at a minimum level of HK\$30 million at all times.

## COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

As far as the Directors are aware, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the Year, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

## DISCLOSURES UNDER RULES 17.22 TO 17.24 OF THE GEM LISTING RULES

Save for disclosed, the Group had no circumstances which would give rise to a disclosure obligation under Rules 17.22 to 17.24 of the GEM Listing Rules as at 31 March 2020.

## ENVIRONMENTAL POLICIES AND PERFORMANCES

The Group is committed to support for environmental protection by adopting green office practices to reduce consumption of energy and natural resources. The green office practices include use of energy-efficient LED lights and duplex printing, reuse of single-side printed paper envelopes and stationery, using e-clearing, turning off idle electrical appliances and setting optimal temperature on the air-conditioning. Employees have been following the green office practices whenever possible during the day-to-day operation.

The ESG Report is set out on pages 41 to 54 of this Annual Report.





## KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND BUSINESS PARTNERS

The Group is committed to establishing and maintaining long term and harmonious relationships with its employees, customers and business partners. The Group provides a pleasant and healthy working environment to employees. During the Year, the Group organised various activities to promote the friendship, bonding and healthiness of employees including overseas trip, barbecue and annual dinner. In addition, continuous professional training is provided to employees to update and strengthen their professional knowledge. Instead of mass communication, employees of the Group communicate with his/her business partners on an ongoing and promptly basis through email, telephone or face-to-face meeting. The Group maintain good working relation with its business partners to improve the quality of service to the customers.

## DEBENTURES

The Company did not issue any debentures during the Year.

## RESERVES

Details of the movement in the reserves of the Group and the Company during the Year are set out in the consolidated statement of changes in equity and in note 36 to the consolidated financial statements, respectively.

## AUDIT COMMITTEE

The Audit Committee together with the management and external auditor has reviewed the accounting principles and policies adopted by the Group, discussed internal controls and financial reporting matters and the audited Financial Statements.

## RELIEF OF TAXATION

The Company is not aware of any relief from taxation available to the Shareholders by reason of their holding of the Shares.

## EVENTS AFTER THE REPORTING PERIOD

The Directors are not aware of any event having a significant effect on the Group after the end of the reporting period and up to the date of this Annual Report.

On behalf of the Board

**Tse Ying Sin Eva**

*Chairlady*

24 June 2020



## APPROACH

Bar Pacific Group Holdings Limited (hereafter called “**the Company**” or “**Bar Pacific**”) and its subsidiaries (collectively, “**the Group**” or “**we**”) are a chained bar group offering beverages and light refreshments under the brand “Bar Pacific” in Hong Kong. Various factors, including business-related challenges, work ethics, global trends, applicable laws and regulations, etc., are taken into account by the Group in order to constantly promote its network expansion and achieve its long-term sustainability. The Group is constantly seeking opportunities to grow its businesses that will be beneficial not only to its shareholders, but also to its suppliers, customers and the environment in which it operates.

The Group recognizes its responsibilities to be accountable to all its stakeholders, including customers, existing shareholders and potential investors, employees, suppliers, non-governmental organizations (“**NGOs**”) and local community. Understanding the needs and expectations of the stakeholders is the key to the Group’s success. As each stakeholder requires a different engagement approach, we have established tailor-made communication methods in order to better meet each stakeholder’s needs and expectations.

Within the Group, we place a huge emphasis on monitoring the risks and exploring potential opportunities. For the sake of striking a balance among business needs, social demands and environmental impacts, we are committed to continuously monitoring the risks and opportunities which exist in our daily operations and embracing transparent corporate culture to ensure that our sustainability strategies are well communicated to our employees, customers, suppliers, the communities and other stakeholders.

To implement sustainability strategies which apply to all levels of the Group, the top-down approach is adopted for the following sustainability strategies:

1. To achieve environmental sustainability
2. To respect human rights and social culture
3. To engage with stakeholders
4. To support our employees
5. To sustain local communities



## ABOUT THIS REPORT

Bar Pacific is pleased to present its ESG Report. The content contained herein focuses on providing an overview of the ESG performance of its major operations in Hong Kong for the Year. This also facilitates the Group to conduct thorough performance review and evaluation to enhance the overall performance results in the future.

### Scope of the Report

This report has been prepared in accordance with the “Environmental, Social and Governance Reporting Guide” in Appendix 20 to the GEM Listing Rules of the Stock Exchange. The two ESG subject areas, namely Environmental and Social, are disclosed separately, highlighting the impacts of the operations of the Group in Hong Kong during the Year.

For the Year, the material ESG issues are those which have or may have a significant impact on:

- The Hong Kong’s bar industry;
- The global bar market;
- The current or future environment or society in which we operate;
- Our financial performance or operations; and/or
- Our stakeholders’ assessments, decisions and actions.

The data and information used in this report are referenced from our archived documents, records, statistics and research. Financial data is extracted from or calculated based on the Group’s audited annual financial statements for the Year.

### Feedback

For details of our ESG performance, corporate governance as well as financial performance, please refer to our Annual Reports. We treasure your feedback and comments on our sustainability performance. Please call our Customer Hotline at 2356 1126 or send email to [info@barpacific.com.hk](mailto:info@barpacific.com.hk) for any feedback and enquiries.

## ABOUT BAR PACIFIC

### Our Business

Bar Pacific was listed on the GEM of the Stock Exchange with the stock code of 8432. The Group operates a chained bar mainly offering beverages and light refreshments. With the competitive advantage of devoting ourselves to quality control, risk management and personnel development, the Group enjoys a competitive edge in the bar industry in Hong Kong.

### Our Vision

To maintain its leading position in the bar industry by enhancing its brand image and service quality.

### Our Mission

To spread happiness to everyone by promising a happy, safe, comfortable and tidy environment, and offering a joyful experience to all customers.



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## ABOUT BAR PACIFIC *(Continued)*

### Board of Directors

As at the Reporting date, the Board consists of:

Executive Directors	INEDs
Ms. Tse Ying Sin Eva ( <i>Chairlady and Chief Executive Officer</i> )	Mr. Tang Wing Lam David
Ms. Chan Tsz Tung	Mr. Chin Chun Wing
–	Mr. Yung Wai Kei

## OUR STAKEHOLDERS

Bar Pacific actively strives to better understand and engage its stakeholders to ensure continuous improvements. We strongly believe that our stakeholders play a crucial role in sustaining the success of our business in the challenging market.

Stakeholders	Point(s) of concern	Communication and responses
<b>HKEx</b>	Compliance with listing rules, timely and accurate announcements.	Meetings, training, roadshows, workshops, programs, website updates and announcements.
<b>Government</b>	Compliance with laws and regulations, prevention of tax evasion, and social welfare.	Interaction and visits, government inspections, tax returns and other information.
<b>Suppliers</b>	Payment schedule, stable demand.	Site visits.
<b>Shareholders/Investors</b>	Corporate governance system, business strategies and performance, and investment returns.	Organizing and participating in seminars, interviews, shareholders' meetings, issuing of financial reports and/or operation reports for investors, media and analysts.
<b>Media &amp; Public</b>	Corporate governance, environmental protection, and human right.	Issue of newsletters on the Company's website.
<b>Customers</b>	Product quality, delivery times, reasonable prices, service value, labour protection and work safety.	Site visits, and after-sales services.
<b>Employees</b>	Rights and benefits, employee compensation, training and development, work hours, and work environment.	Union activities, trainings, interviews for employees, employee handbooks, internal memos, and employee suggestion boxes.
<b>Community</b>	Community environment, employment and community development, and social welfare.	Community activities, employee voluntary activities, community welfare subsidies and charitable donations.



## SECTION A: ENVIRONMENTAL

To demonstrate the Group's commitment to sustainable development and compliance with laws and regulations relating to the environmental protection, the Group endeavors to minimize the environmental impact of its business activities and maintain green operations and green office practices. Our dedicated efforts were proven effective as there was no material non-compliance in laws and regulations related to environmental protection throughout the Year. We will continue to be alert to any non-compliance behavior relating to critical environmental problems.

### Emissions

#### Air pollution Emission

As the Group's operations mainly focus on providing beverage and light refreshment to customers, no material emissions of air pollutants, which include nitrogen oxides ("NO<sub>x</sub>"), sulphur oxides ("SO<sub>x</sub>") and particulate matters ("PM"), etc., were identified.

#### Greenhouse Gas Emissions

Greenhouse gas ("GHG") emissions are the main culprits of global warming. The Group's major GHG emission source was attributable to the electricity consumption<sup>1</sup>, which accounted for 99% of the GHG emissions. The other indirect emission sources namely electricity used for processing fresh water<sup>2</sup> and sewage<sup>3</sup> by government departments and paper waste disposed at landfills accounted for the remaining 1%. During the Year, the total GHG emissions of the Group amounted to approximately 1,599 tonnes (2019: 1,533 tonnes), with an increase of approximately 4% compared to Previous Year<sup>4</sup>. Correspondingly, the GHG emission intensity amounted to approximately 40 tonnes per bar outlet<sup>5</sup> (2019: 41 tonnes per bar outlet), with an effective reduction of approximately 4% compared to Previous Year.

In the light of reducing GHG emissions, we embraced in advocating green practices in our day-to-day operations. We reduced the consumptions of electricity, water and paper. Reminders were posted next to the switches, encouraging employees to switch off all idle appliances. A collection box was placed next to the printer for collecting single-side-printed paper for reuse.

#### Waste Management

The Group's operations of bar outlets, serving customers with beverage and light refreshment, produce no hazardous waste, e.g. chemical wastes, clinical wastes and hazardous chemicals.

<sup>1</sup> The latest carbon emission factors announced in the Sustainability Report 2018/19 issued by CLP Holdings Limited and HK Electric Investments Limited were 0.62 kgCO<sub>2</sub>e/kWh and 0.81 kgCO<sub>2</sub>e/kWh respectively.

<sup>2</sup> The latest unit electricity consumption factor of fresh water processing announced in the Annual Report 2018/19 issued by Hong Kong Water Supply Department was 0.606 kWh/m<sup>3</sup>.

<sup>3</sup> The latest unit electricity consumption factor of sewage processing announced in the Sustainability Report 2018/19 issued by Hong Kong Drainage Services Department was 0.28 kWh/m<sup>3</sup>.

<sup>4</sup> Adjustments had been made on the GHG emissions data for Previous Year when compared with our last ESG Report because the carbon emission factors of the electricity consumption, and the unit electricity consumption factors of fresh water processing and sewage processing for the year 2018/19 were updated.

<sup>5</sup> As at 31 March 2020, the Group operated 40 bar outlets in Hong Kong (2019: 37 bar outlets).

## SECTION A: ENVIRONMENTAL *(Continued)*

### Emissions *(Continued)*

#### Waste Management *(Continued)*

With decreasing availability of suitable land for landfill and increasing environmental impacts of waste disposal, waste reduction has always been one of the objectives of the Group. The non-hazardous wastes produced by the Group were mainly the paper waste, wine bottles and edible oil leftovers. During the Year, the total paper waste produced amounted to approximately 323 kg (2019: 383 kg), with a reduction of 16% compared to Previous Year. The corresponding non-hazardous waste intensity was approximately 0.8 kg per employee (2019: 1.0 kg per employee), with a decrease of 22% from Previous Year, with regards of our 400 employees.

We encouraged double-sided printing, and so, single-side-printed paper was collected for reuse purpose. We advocated a paperless work environment by attempting to switch from printed documents to electronic documents. E-clearing in our bar outlets' operations was in place in which paper sheets were saved by the e-clearing practice. On top of these, toners from our printers were also recycled to further cut down our waste production. With regards of our waste reduction efforts, the total paper waste disposal reduced for approximately 16% and the corresponding intensity reduced for approximately 22% compared to Previous Year. We will continue to strive for every means to whittle down the consumption of paper, and thus, the paper waste produced.

Alongside the paper waste, the wine bottles and edible oil leftovers were sold to a qualified recycler on a monthly basis for recycling purpose or further processing. Hence, no material wine bottles or edible oil leftovers had been disposed and caused pollution.

### Use of Resources

The Group initiates to become an environmental-friendly and sustainable enterprise. To reduce carbon emission and footprint, we have undertaken carbon reduction measures in our daily operations.

#### Energy Consumption

During the Year, the total electricity consumption amounted to approximately 2,410 MWh (2019: 2,328 MWh), with an increase of 4% compared with Previous Year. Correspondingly, the intensity was approximately 60.3 MWh per bar outlet (2019: 64.7 MWh per bar outlet), with a reduction of approximately 7% compared with the previous year. The electricity consumed by the Group was the largest contributor to the GHG footprint, compared to other resource consumption. To reduce the Group's carbon footprints as well as the energy consumption, the Group has posted some energy conservation reminders in place, and continued to upgrade the office hardware into one with more energy efficient options, e.g. LED lightings in our office and bar outlets. In this regards, the Group successfully achieved a decline of approximately 7% in the electricity consumption intensity compared to Previous Year.



## SECTION A: ENVIRONMENTAL *(Continued)*

### Use of Resources *(Continued)*

#### Water Consumption

Water consumption is essential for our operations of offering beverage to customers. Yet, we still encourage reduction on unnecessary water consumption. As processing fresh water and sewage both involved electricity usage, reduction of water consumption is key for reducing our adverse impact on the environment. During the Year, our water consumption<sup>6</sup> was 16,227 m<sup>3</sup> (2019: 15,916 m<sup>3</sup>), with an increase of 2% compared with Previous Year. The corresponding intensity was approximately 406 m<sup>3</sup> per bar outlet (2019: 442 m<sup>3</sup> per bar outlet), showing a decrease of 8% from the Previous Year. The Group has continuously provided trainings to its employees to educate them the importance of water conservation. Apart from posting water saving reminders next to the water taps, the Group encouraged its employees to do the washing in bulk to further reduce unnecessary water consumption. With regards to the aforementioned measures, during the Year, there was a shrink of approximately 8% in the water consumption intensity compared to Previous Year.

As the Group sourced water from the government departments, there was no water supply issue to be identified during the Year.

#### Packaging Materials

As the Group's operations mainly focus on providing beverage and light refreshment, no significant packaging material consumption can be identified during the Year.

#### The Environment and Natural Resources

The Group believes that corporate development should not come at the expense of the environment. Therefore, we have adopted environmental-friendly practices in various aspects as aforementioned. With the Group's determination in minimizing the negative impacts of on the environment brought by its business operations, the following results had been successfully achieved:

Aspects	Results Achieved
GHG Emission Intensity	↓ 3.52%
Paper Waste Production	↓ 15.65%
Paper Waste Production Intensity	↓ 22.28%
Electricity Consumption Intensity	↓ 6.82%
Water Consumption Intensity	↓ 8.24%

As for our efforts made on environmental protection. We are pleased to report that there was no material non-compliance issue regarding relevant laws and regulations for the Year.

Based on the success this year, we would place more attention on the natural resources consumptions and strive to further reduce our adverse impacts on the environment in the future.

<sup>6</sup> Water consumption of the Year was projected based on the actual average usage in the first 8 months of the Year (i.e. from April 2019 to November 2019), as the latest water bill has not been obtained from the Water Supply Department as at the date of preparation of this report.



## SECTION B: SOCIAL – EMPLOYMENT AND LABOUR PRACTICES

### Employment

The Group places huge importance on its most treasurable asset – its employees. We value our employees' contribution and dedication to our business development. For the sake of the mutual interests for both, we aim to grow with our employees for the future boom of the Group. As such, we adopt employee-oriented approach in attracting, developing and retaining the best people to support our business development.

### Our Employees

As at 31 March 2020, the Group was consisted of 400 employees (2019: 370 employees). Our employees' male-to-female ratio was approximately 1:2. We believe that maintaining a diverse and inclusive workforce with due respect given to our employees is critical for running a sustainable and successful business. The detailed compositions of our employees are as follows:

By Gender		By Years of Service	
Male	32%	<1 year	42%
Female	68%	1–3 years	28%
		3–5 years	17%
		5–10 years	10%
		>10 years	3%

### Employee Benefits

The Group offers a comprehensive employee benefits package for all its dedicated and talented staff. They are compensated fairly according to their contributions, with reference to the market practice. A comprehensive group medical insurance scheme was provided by the Group to all its employees for 24-hour worldwide medical coverage. Annual discretionary bonus was awarded based on employees' and the Group's performance. In addition, the Group has also adopted various bonus schemes for its shop level staff in order to motivate them to achieve certain pre-set targets. Weekly and monthly bonuses will be distributed to those eligible staff with sales target achieved. For shop level staff, promotion chances can be earned by consecutively meeting the shop's sales target for 3 months. A clear career path has also been set out in the HR Management Policy.

Staff's performance is reviewed and assessed annually, in the light of enhancing the strengths and addressing the development needs of each of them, so that not only can our employees succeed in their job, but they can also build a career with us at Bar Pacific. A transparent mechanism takes into account various factors, including but not limited to, employees' attendance performance, capability, attitude, team spirit, communication skills and contributions to the Group, for salary adjustment and promotion considerations. Our employees earn higher subsidies and bonuses as they are promoted to higher ranks. In addition, the Group contributes to the Mandatory Provident Fund and Employees' Compensation Insurance with reference to the Employment Ordinance of Hong Kong.

The Group strictly abides with the Employment Ordinance (Cap. 57), Employees' Compensation Ordinance (Cap. 282), Mandatory Provident Fund Schemes Ordinance (Cap. 485) and other relevant laws and regulations which cover all employment protection and benefits.





## SECTION B: SOCIAL – EMPLOYMENT AND LABOUR PRACTICES *(Continued)*

### Employment *(Continued)*

#### Harmonious Workspace

The Group strives for building a harmonious and inclusive work environment which is free from any harassment and discrimination. The Group respects human rights, providing equal opportunities to its staff, regardless of their age, marital status, pregnancy, family status, disability, race, nationality, religion and/or sexual orientation. The equal opportunities philosophy is applicable towards its recruitment, training and development, recognition and reward, and termination and dismissal.

For recruitment and dismissal process, the Group will go through the procedures according to the policies stated internally. For recruitment, equal opportunities are provided to all applicants with regards of the considerations of their experience, knowledge and skills only. For dismissal, those employees acting improperly or breaching of contract terms and code of conduct will be terminated. Compensations are provided when applicable.

In case any staff member feels that he/she has been harassed, discriminated or treated inappropriately, he/she should immediately report to the Supervisors, Assistant Managers or Managers, who will investigate thoroughly and confidentially, and take the follow-up actions if necessary. The management will take this matter in a serious manner and we will continue to strive for a harmonious workplace for our employees.

As rewarded by the above mature HR management policies and in view of the industry norm, the Group recorded a healthy monthly average turnover rate of approximately 6%.

#### Work-life Balance of Employees

The Group understands that sufficient rest is necessary for accomplishing the long-term goals of the Group, and so, it strives for striking a proper work-life balance of its employees, by providing them from 7 to 14 days of annual leave, and 25 days' work per month with nine working hours per day. Employees are also entitled special leaves to meet their families' needs, such as marriage leave, funeral leave and maternity leave, etc.

In addition, we organized various kinds of company activities, such as annual dinner, Christmas party, birthday party, etc., to provide our staff a chance to relax in the work environment as well as build a stronger bond with the Group.



## SECTION B: SOCIAL – EMPLOYMENT AND LABOUR PRACTICES *(Continued)*

### Employment *(Continued)*

#### Health and Safety

The Group is committed to providing a safe work environment for its employees. Not only does the Group aim at meeting the minimum occupational health and safety standards required by law, but also exceeding them. In every bar outlet, there is one Hygiene Supervisor monitoring the hygiene quality of the outlet, all Hygiene Supervisors have joined the training courses held on behalf of Food and Environmental Hygiene Department and been awarded the Certificate in Food Hygiene for Hygiene Supervisor. Their daily monitoring and the irregular surprise checks performed by the District Manager ensure a clean and tidy work environment for employees.

To ensure alcoholic beverages are only sold to legitimate customers, our employees are educated to check the identity documents of any customers suspected to be below 18 years old. All the bar outlets of the Group are equipped with security system such as CCTV to monitor the shop operation. The Group has strict guidelines issued to the staff, instructing them to report to the police if they suspect that there are illegal activities or disorderly behaviour taking place in the bar outlets. Moreover, in case of emergency, employees are guided to protect themselves first, and call the police, if necessary, when violence is involved.

Besides, the Group understands that preventive measures are way more important than reactive measures. Therefore, irregular emergency trainings are provided in the bar outlets for our staff to familiar with the treatments and reactions in case any incidents happens. Moreover, sufficient fire equipment, such as fire extinguishers and fire hose reels, and first-aid boxes are placed in both office area and all bar outlets to deal with emergencies. To further protect the safety and welfare of our employees, all of our employees are covered by group medical insurance. In case of work injury, our employees are entitled to sick leave and/or reimbursements of medical expenses by the insurance company, so that they can receive the necessary medical assistance and have adequate rest for recovery.

During the Year, there were 10 cases of work injury reported, with over 60 working days lost. In order to minimize occupational hazard and work injuries, we promise to put continuous effort into promoting our employees' awareness of workplace safety. As aforementioned, our employees are of our Group's top priority, so we pledge to monitor workplace safety closely and prevent any work injury or accident by all practicable means.

The Group strictly complied with the Employees' Compensation Ordinance in Hong Kong to report any accident to the Commissioner for Labor. The Group also strictly complied with others relevant health and safety laws and regulations, such as the local fire services regulations, to provide a safe work environment to its employees by protecting them from occupational hazards.



## SECTION B: SOCIAL – EMPLOYMENT AND LABOUR PRACTICES *(Continued)*

### Development and Training

The Group provided a wide variety of training to its staff to encourage positive behaviour of the employees, and to equip employees with the work-related skills. Standardized operation manuals and trainings are provided to newly joined employees and the existing staff from time to time. In general, induction training is provided to all newly joined staff to be familiar with the office's or bar outlet's daily operations. Regular trainings and briefings are also provided to the existing staff to update on any new industry regulations and the Group's new marketing events. Meanwhile, our senior management has also attended training on topics such as cybersecurity and trading suspension rule, so as to equip themselves with the latest knowledge in pursuit of better corporate governance.

During the Year, all of our 400 employees attended to both our induction trainings and regular trainings, with a trained male-to-female ratio as approximately 1:2 and a total of 400 hours of training for an average of 1 hour per trained employee. The Group will continue to observe the latest trends in the industry and government policies, so as to equip our staff with the necessary skills and knowledge accordingly and keep up with the standard.

### Labour Standards

Respecting human rights has been an integral part of the Group's approach to sustainability. The Group fully complies with labour laws and other relevant legislations that prohibit child labour and forced labour. Identification documents of the candidates would be checked during interview to ensure they have reached the legal working age. Supervisors, Assistant Managers, Managers and Human Resources Department will communicate with the employees on work arrangement based on the actual situation of different bar outlets. Our employees are not required to work overtime against their will. Flexible working hours might apply for some positions based on the operation needs. The Group guarantees that no employee is made to work against his/her will, or work under forced labour, or subject to coercion related to work.

During the Year, there was no material non-compliance with applicable laws and regulations in relation to labour standards. The Group strictly complied with the relevant laws and regulations in relation to labour standards.

### Communication with Employees

The Group strives to create an open environment in which its employees are able to speak up with ideas and issues. Our employees are welcome to provide comments and feedback directly to the Supervisors, Assistant Managers or the Managers. Every week, an office meeting is held to update the employees with the Group's news. Our employees are welcome to freely express their opinion in the meetings. In case of any complaint received from employees, an independent investigation and the appropriate follow-up actions would be taken, if necessary. Through both top-down and bottom-up communication, the Group is confident that harmonious relationship with its employees is achieved. In addition, through the communication mechanism, our employees are able to voice out injustice they face.



## SECTION B: SOCIAL – OPERATING PRACTICES

### Supply Chain Management

To maintain long-term relationship with suppliers, the Group has entered into annual master purchase agreement, with most of its major suppliers.

The Group recognizes that proper management of its supply chain could bring positive impacts to the social environment. The Group implements rigorous management of its suppliers. In this regard, a list of approved suppliers has been established. When there is new supplier, the Group conducts an initial supplier assessment to consider its qualification, reputation, product or service quality, quality consistency and the ability to deliver on time. Only the suppliers with a pass result in the initial assessment can be added into our approved supplier list. The Group also conducts a semi-annual evaluation on the performance of its suppliers to confirm that they are up to its required standards. We remove any of the suppliers with unsatisfying results from the approved supplier list to ensure that we provide the best quality of our services.

The suppliers are encouraged to demonstrate their corporate social responsibilities by complying with corporate social responsibility codes as well as business ethics, with respect to workplace operations, marketing activities, social contacts and environmental responsibilities. High standards of morality which include prohibition of provision and acceptance of bribes and/or other unfair benefits are adopted by the Group.

As at 31 March 2020, the Group had a total of 34 major suppliers located in Hong Kong, supplying food and beverages to the Group. We will continue to implement the aforementioned measures strictly, so that we can uphold the standard of our supply chain.

### Product Responsibility

The Group emphasizes the product and service responsibility in its daily operations. During the Year, there was no material non-compliance with applicable laws and regulations relating to product responsibility.

### Quality Assurance

To guarantee the beverage product quality, the Group's procurement policy is to select only the suppliers from its approved supplier list, in order to ensure that they have passed selection procedures with required standards. Semi-annual assessment will also be conducted to monitor the quality of products regularly. The Bar Managers and Operation Team check the outer appearance of the beverage products regularly for identifying if there is any abnormality upon delivery to the bar outlets and head office, respectively. Any beverage products which show signs of abnormality are returned to the supplier for replacement or refund. The Group's inventory mainly comprises beverages. The Bar Managers and Operation Team are also responsible for inventory management, ensuring the turnover rate of beverage is shorter than the beverage shelf life.

The Group places huge importance on the quality of food and beverage so as to protect our customers from any potential health and safety issue. In addition, our advertisements are mainly based on word-of-mouth. It helps provide our customers with confidence towards our actual product and service.



## **SECTION B: SOCIAL – OPERATING PRACTICES** *(Continued)*

### **Product Responsibility** *(Continued)*

#### **Customers' Compliant Handling Procedures**

In addition, the Group also places huge importance on the customers' feedbacks of our services. The customer service team is responsible for handling customers' complaints and enquiries. Various channels have been set up for customers to express their comments and recommendations, such as customer service hotline, email and social networking tools. The Group has established a written policy to guide our staff to respond to customers' compliant. It clearly states that our staff should understand the situation and handle with patience. All complaint should be reported to the Managers immediately for prompt response. Also, all complaint should be recorded in a customer complaint register with detailed description, follow-up action and status, in order to ensure that the complaint is properly handled and settled. The Regional Manager and General Manager should be noticed with the compliant at weekly meetings. We strive to improve our quality of products and services by taking into consideration every comment or feedback received from customers.

During the Year, there were 9 cases of customer compliant recorded and all of them were investigated by the Management and settled. We will continue to keep good relationships with our customers and uphold our current standard of customer service.

#### **Personal Data Protection**

The Group is committed to providing beverage and light refreshment with high standards of quality and reliability, as well as protecting the personal information of its customers. Our employees are required to sign the non-disclosure agreement when they join the Group to ensure proper maintenance of confidentiality of the Group's business strategies and protect customers' data privacy. A written policy has been in place to specify the handling procedures of personal data and confidential information. Strict controls on computer systems are in place to prohibit any unauthorized access to the confidential data. Any form of unauthorized information transfer, both directly and indirectly, to any third-parties are strictly prohibited. No copy of customer's personal data should be made and taken-away from the office and bar outlets.

#### **Bar Outlet Management**

The Group is responsible to comply with the applicable laws and regulations in its daily operations. As such, customers under age of 18 are prohibited to enter the bar outlet or alcohol selling establishment. Managers of each bar outlet are responsible to alert and offer guideline to the staff to handle suspected under-age entry, such as identification checks upon entrance.

In addition, in order to provide a safe and comfortable place to our customers, the Group has established a written policy to guide its staff to handle any violence cases or drunk customers. CCTVs are installed in every bar outlet to monitor the operations. Video data will be stored for at least 1 month for easy retrieval if required.



## SECTION B: SOCIAL – OPERATING PRACTICES *(Continued)*

### Anti-corruption

We prohibit all forms of bribery and corruption. Our employees should not solicit or accept any advantage for themselves. In particular, the Group centralized the purchase of all beverages, so as to prevent any possible kickback arrangement between individual bar outlets and the suppliers. In addition to bribery and corruption, our employees are strictly prohibited from engaging in any illegal acts, including extortion, fraud, money laundering, etc.

Whistleblowing policies are in place for employees to report suspected misconduct of their colleagues, subordinates, senior management or even suppliers. They are welcomed to express their concerns through face-to-face conversation, email or telephone with the Supervisors, Assistant Managers, Managers, or even the Executive Directors in serious cases. Our Management will review and take follow-up actions to investigate for every single possible misconduct case. It is the Group's core values for reminding its employees to uphold their integrity and professionalism as aforementioned.

During the Year, there was no concluded legal case regarding corrupt practices brought against the Group or its employees. The Group will continue to stay alert to potential illegal acts, so that it can address the issues accordingly with the adoption of zero-tolerance approach.

## SECTION B: SOCIAL – COMMUNITY

### Community Investment

The Company is actively involved in a variety of community initiatives. Leveraging the uniqueness of the bar business, the company aligns the resources of the company with the needs of communities, motivating our staff to serve the community in different areas. We will continue to allocate more resources on community investments in the coming years.

In this Year, the Group donated HK\$32,500 in total to Hong Kong Spinocerebellar Ataxia Association and Sowers Action, so as to support the physically challenged community in Hong Kong, as well as the disadvantaged children in Southeast Asia. On top of that, 154 of our employees participated in a series of local community service, such as food distribution and visiting underprivileged groups living in subdivided flats, amounting to approximately 301 hours of service.

We hope that through donations and services, we can contribute to poverty alleviation and support those in need. In the coming years, the Group will continue to allocate more sources to other aspects of community investment and promote corporate social responsibility, in a bid to contribute to the betterment of society as a whole.

## REGULATORY COMPLIANCE

The Group was not aware of any non-compliance with laws and regulations that has a significant impact on the Group relating to emissions, employment, health and safety, labour standards, product responsibility and anti-corruption during the reporting period.



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## ENVIRONMENTAL DATA

Emissions	Year ended 31 March 2019	Year ended 31 March 2020	Unit
<b>Greenhouse Gas Emissions</b>			
Total greenhouse gas emissions	1,532.68	1,598.65	tonnes
– Scope 2 Emissions from Electricity Consumption	1,520.97	1,587.04	tonnes
– Scope 3 Emissions from Fresh Water and Sewage Processing	9.87	10.06	tonnes
– Scope 3 Emissions from Disposal of Paper Waste	1.84	1.55	tonnes
Greenhouse gas emission intensity	41.42	39.97	tonnes/ bar outlet
<b>Waste Management</b>			
Total Paper Waste Produced	383.29	323.32	kg
Paper Waste Intensity	1.04	0.81	kg/employee
Use of Resources	Year ended 31 March 2019	Year ended 31 March 2020	Unit
<b>Electricity Consumption</b>			
Total Electricity Consumption	2,327.63	2,410.07	MWh
Electricity Consumption Intensity	64.66	60.25	MWh/bar outlet
<b>Water Consumption</b>			
Total Water Consumption	15,916	16,227	m <sup>3</sup>
Water Consumption Intensity	442.11	405.68	m <sup>3</sup> /bar outlet



# INDEPENDENT AUDITOR'S REPORT



Tel : +852 2218 8288  
Fax: +852 2815 2239  
[www.bdo.com.hk](http://www.bdo.com.hk)

25<sup>th</sup> Floor Wing On Centre  
111 Connaught Road Central  
Hong Kong

電話 : +852 2218 8288  
傳真 : +852 2815 2239  
[www.bdo.com.hk](http://www.bdo.com.hk)

香港干諾道中111號  
永安中心25樓

## TO THE SHAREHOLDERS OF BAR PACIFIC GROUP HOLDINGS LIMITED

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

### OPINION

We have audited the consolidated financial statements of Bar Pacific Group Holdings Limited (the “**Company**”) and its subsidiaries (together the “**Group**”) set out on pages 61 to 127, which comprise the consolidated statement of financial position as at 31 March 2020, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing (“**HKSAs**”) issued by the HKICPA. Our responsibilities under those standards are further described in the “Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements” section of our report. We are independent of the Group in accordance with the HKICPA’s “Code of Ethics for Professional Accountants” (“**the Code**”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.





# INDEPENDENT AUDITOR'S REPORT

## KEY AUDIT MATTERS *(Continued)*

### Revenue recognition

The Group's revenue from operation of bars amounted to approximately HK\$167,027,000 for the year ended 31 March 2020. Such revenue was recognised at the point of sale to customers, which is the point of time when a customer has the ability to direct the use of the goods and services and obtain substantially all of the remaining benefits of the goods and services.

We identified revenue recognition in respect of the operation of bars as a key audit matter, because the revenue is material to the consolidated financial statements.

Refer to Note 6 to the consolidated financial statements and accounting policy in Note 4(c) to the consolidated financial statements.

Our response:

- Obtained an understanding of and evaluated the Group's revenue recognition policy;
- Gained an understanding of, evaluated and tested the key controls over the Group's point of sales system for capturing and recording of revenue transactions;
- On a sample basis, traced revenue recognised to daily sales reports and reconciliations to cash receipts and credit card settlements; and
- Performed analytical review procedures on revenue and assessed reasonableness of management's explanations for any unusual trends or fluctuations.



# INDEPENDENT AUDITOR'S REPORT

## KEY AUDIT MATTERS *(Continued)*

### **Impairment of property, plant and equipment and right-of-use assets**

The carrying amounts of the Group's property, plant and equipment and right-of-use assets as presented on its consolidated statement of financial position as at 31 March 2020 amounted to approximately HK\$18,210,000 and HK\$86,138,000, respectively are attributable to the cash-generating units ("**CGUs**") relating to operation of bars.

Management performed impairment assessment on certain CGUs were underperforming or loss-making. Impairment losses of approximately HK\$1,406,000 and HK\$5,889,000 were recognised on the Group's property, plant and equipment and right-of-use assets respectively for the year ended 31 March 2020.

The determination of the recoverable amount of CGUs requires significant judgements by management in preparing their value-in-use models, in particular on those key internal inputs and external market conditions which impact future cash flows, the discount rates and long term growth rates.

We identified impairment assessment of property, plant and equipment and right-of-use assets as a key audit matter because of the significant judgement and estimation uncertainty involved in the determination of the recoverable amount of CGUs.

Refer to Notes 14, 15 and 25 to the consolidated financial statements and accounting policy in Note 4(h) to the consolidated financial statements.

Our response:

- Reviewed and understood management's impairment assessment process, including what indications of impairment had been noted and the appropriateness of the models used;
- Assessed appropriateness of management's identification of CGUs based on our understanding of the Group's business;
- Benchmarked and challenged key assumptions used by management to determine the recoverable amount, including assumptions of projected results of CGUs, long-term growth rates and discount rates used; and
- Reconciled input data to supporting evidence, such as historical financial information.



# INDEPENDENT AUDITOR'S REPORT

## OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibility in this regard.

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.



# INDEPENDENT AUDITOR'S REPORT

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

*(Continued)*

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



# INDEPENDENT AUDITOR'S REPORT

## OTHER MATTER

The consolidated financial statements of the Group for the year ended 31 March 2019 were audited by another auditor who expressed an unmodified opinion on those statements on 25 June 2019.

### **BDO Limited**

*Certified Public Accountants*

### **Tang Tak Wah**

Practising Certificate no. P06262

Hong Kong, 24 June 2020



# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2020

	NOTES	2020 HK\$'000	2019 HK\$'000
Revenue	6	167,171	150,340
Other income	7	5,298	2,109
Cost of inventories sold		(38,152)	(33,713)
Staff costs		(45,537)	(44,728)
Depreciation of property, plant and equipment		(9,267)	(8,345)
Depreciation of right-of-use assets		(26,054)	–
Property rentals and related expenses		(6,603)	(29,826)
Other operating expenses		(24,848)	(25,691)
Impairment loss on property, plant and equipment		(1,406)	–
Impairment loss on right-of-use assets		(5,889)	–
Fair value loss on investment properties	16	(4,606)	–
Finance costs	8	(2,858)	(30)
Profit before income tax	10	7,249	10,116
Income tax expense	9	(1,008)	(1,545)
Profit and total comprehensive income for the year		6,241	8,571
Profit and total comprehensive income for the year attributable to:			
Owners of the Company		4,429	7,298
Non-controlling interests		1,812	1,273
		6,241	8,571
Earnings per share			
– Basic and diluted (HK cents)	13	0.52	0.85



# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2020

	NOTES	2020 HK\$'000	2019 HK\$'000
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	14	18,210	19,828
Right-of-use assets	15	86,138	–
Investment properties	16	22,830	–
Prepayment for acquisition of property, plant and equipment	18	6,651	–
Rental deposits	18	5,760	5,584
Deferred tax assets	23	1,458	–
		<b>141,047</b>	25,412
<b>Current assets</b>			
Inventories	17	2,337	1,941
Trade and other receivables	18	9,003	6,433
Tax recoverable		410	187
Bank balances and cash	19	32,586	50,277
		<b>44,336</b>	58,838
<b>Total assets</b>		<b>185,383</b>	84,250
<b>Current liabilities</b>			
Trade and other payables	20	9,152	8,218
Bank borrowings	21	32,357	–
Lease liabilities	15	24,337	–
Obligations under finance leases	22	–	306
Tax payable		898	–
		<b>66,744</b>	8,524
<b>Net current (liabilities)/assets</b>		<b>(22,408)</b>	50,314
<b>Total assets less current liabilities</b>		<b>118,639</b>	75,726
<b>Non-current liabilities</b>			
Trade and other payables	20	917	–
Lease liabilities	15	47,124	–
Obligations under finance leases	22	–	477
Deferred tax liabilities	23	22	–
		<b>48,063</b>	477
<b>Total liabilities</b>		<b>114,807</b>	9,001
<b>NET ASSETS</b>		<b>70,576</b>	75,249

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2020

	NOTES	2020 HK\$'000	2019 HK\$'000
<b>EQUITY</b>			
Equity attributable to owners of the Company			
Share capital	24	8,600	8,600
Reserves		54,940	59,679
<hr/>			
		63,540	68,279
Non-controlling interests	30	7,036	6,970
<hr/>			
<b>TOTAL EQUITY</b>		<b>70,576</b>	75,249

The consolidated financial statements on pages 61 to 127 were approved and authorised for issue by the Board of Directors on 24 June 2020 and are signed on its behalf by:

\_\_\_\_\_  
**TSE YING SIN EVA**  
DIRECTOR

\_\_\_\_\_  
**CHAN TSZ TUNG**  
DIRECTOR





# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2020

	Attributable to owners of the Company							Non-controlling interests HK\$'000	Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000 (Note a)	Special reserve HK\$'000 (Note b)	Other reserves HK\$'000 (Note c)	Retained profits HK\$'000	Sub-total HK\$'000		
As at 1 April 2018	8,600	57,060	6,065	(8,093)	(1,252)	2,858	65,238	6,578	71,816
Profit and total comprehensive income for the year	-	-	-	-	-	7,298	7,298	1,273	8,571
Acquisition of additional interests in subsidiaries (Note 30)	-	-	-	-	43	-	43	(63)	(20)
Dividends paid to non-controlling shareholders of subsidiaries	-	-	-	-	-	-	-	(818)	(818)
Dividends (Note 12)	-	-	-	-	-	(4,300)	(4,300)	-	(4,300)
As at 31 March 2019 and 1 April 2019	8,600	57,060	6,065	(8,093)	(1,209)	5,856	68,279	6,970	75,249
Profit and total comprehensive income for the year	-	-	-	-	-	4,429	4,429	1,812	6,241
Acquisition of additional interests in subsidiaries (Note 30)	-	-	-	-	(138)	-	(138)	(802)	(940)
Dividends paid to non-controlling shareholders of subsidiaries	-	-	-	-	-	-	-	(944)	(944)
Dividends (Note 12)	-	-	-	-	-	(9,030)	(9,030)	-	(9,030)
As at 31 March 2020	8,600	57,060	6,065	(8,093)	(1,347)	1,255	63,540	7,036	70,576

Notes:

(a) The capital reserve represents the difference between the value of the consideration paid for the acquisition of additional interest in subsidiaries and the nominal value of the issued ordinary shares of Bar Pacific Group Limited ("**Bar Pacific BVI**"), a subsidiary of Bar Pacific Group Holdings Limited (the "**Company**").

(b) Pursuant to a group reorganisation (the "**Reorganisation**") in preparation for the listing of the Company's shares on the GEM of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), the Company became the holding company of the companies now comprising the Group on 15 December 2016 with the issue of shares of the Company to acquire Bar Pacific BVI from the then shareholders.

Special reserve represents the difference between the entire issued share capital of Bar Pacific BVI and the consideration for acquiring Bar Pacific BVI by the Company pursuant to the Reorganisation completed on 15 December 2016.

(c) The other reserve represents the difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received due to the changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries other than set out in note (a) above.



# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2020

	NOTES	2020 HK\$'000	2019 HK\$'000
<b>Cash flows from operating activities</b>			
<b>Profit before income tax</b>		<b>7,249</b>	10,116
Adjustments for:			
Depreciation of property, plant and equipment	10	<b>9,267</b>	8,345
Depreciation of right-of-use assets	10	<b>26,054</b>	–
Loss on disposal/write off of property, plant and equipment	10	<b>2</b>	331
Impairment loss on property, plant and equipment		<b>1,406</b>	–
Impairment loss on right-of-use assets		<b>5,889</b>	–
Fair value loss on investment properties	16	<b>4,606</b>	–
Bank interest income	7	<b>(196)</b>	(161)
Interest income from rental deposit	7	<b>(204)</b>	–
Government grant income	7	<b>(3,200)</b>	–
Finance costs	8	<b>2,858</b>	30
<b>Operating cash flows before movements in working capital</b>		<b>53,731</b>	18,661
Increase in inventories		<b>(396)</b>	(506)
Increase in trade and other receivables and rental deposits		<b>(2,332)</b>	(958)
Increase/(decrease) in trade and other payables		<b>1,097</b>	(1,355)
<b>Cash generated from operations</b>		<b>52,100</b>	15,842
Income tax paid		<b>(1,926)</b>	(1,523)
Income tax refunded		<b>–</b>	828
<b>Net cash generated from operating activities</b>		<b>50,174</b>	15,147
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment		<b>(15,020)</b>	(8,474)
Proceeds from disposal of property, plant and equipment		<b>11</b>	82
Acquisition of a subsidiary	28	<b>(49,332)</b>	–
Addition of right-of-use assets		<b>(214)</b>	–
Interest income		<b>196</b>	161
<b>Net cash used in investing activities</b>		<b>(64,359)</b>	(8,231)



# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2020

	2020 HK\$'000	2019 HK\$'000
<b>Cash flows from financing activities</b>		
Drawdown of bank borrowings	36,367	–
Repayment of bank borrowings	(4,010)	–
Interest paid	(2,858)	(30)
Repayment of principal portion of lease liabilities	(23,131)	–
Repayment of principal portion of obligations under finance leases	–	(297)
Dividend paid	(9,030)	(4,300)
Dividends paid to non-controlling shareholders of subsidiaries	(944)	(818)
Acquisition of additional interests in subsidiaries	(940)	(20)
Government subsidies received	1,040	–
<b>Net cash used in financing activities</b>	<b>(3,506)</b>	<b>(5,465)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(17,691)</b>	<b>1,451</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>50,277</b>	<b>48,826</b>
<b>Cash and cash equivalents at end of year</b>	<b>32,586</b>	<b>50,277</b>
<b>Analysis of balances of cash and cash equivalents</b>		
Bank balances and cash	32,586	50,277

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 1. GENERAL INFORMATION

Bar Pacific Group Holdings Limited (the “**Company**”) is a public limited company incorporated in the Cayman Islands and its shares are listed on the GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The addresses of the Company’s registered office and principal place of business are Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and Room D2, 11/F, Phase 2, Hang Fung Industrial Building, 2G Hok Yuen Street, Hunghom, Kowloon, Hong Kong, respectively. The Company’s immediate holding company and ultimate holding company are Moment to Moment Company Limited and Harneys Trustees Limited, respectively. Both companies are incorporated in the British Virgin Islands (“**BVI**”).

The Company and its subsidiaries (the “**Group**”) are principally engaged in operation of chain of bars in Hong Kong under brands “Bar Pacific” and “Pacific” and property investment in Hong Kong.

The consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”), which is also the same as the functional currency of the Company.

## 2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“**HKFRSs**”)

### (a) Adoption of new/revised HKFRSs

In the current year, the Group has applied for the first time the following new standards, amendments and interpretations (“**the new HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), which are relevant to and effective for the Group’s financial statements for the annual period beginning on 1 April 2019:

HKFRS 16	Leases
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle

The impact of the adoption of HKFRS 16 “Leases” have been summarised in below. The other new or revised HKFRSs that are effective from 1 April 2019 did not have material impact on the Group’s accounting policies.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

### (a) Adoption of new/revised HKFRSs (Continued)

#### HKFRS 16 – Leases

The Group has applied HKFRS 16 Leases ("HKFRS 16") for the first time in the current year. HKFRS 16 superseded HKAS 17 Leases ("HKAS 17"), and the related interpretations.

#### Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK (IFRIC)-Int 4 "Determining whether an Arrangement contains a Lease" and not apply HKFRS 16 to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 April 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

#### As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 April 2019.

As at 1 April 2019, the Group recognised the lease liabilities and right-of-use assets at amounts equal to the related lease liabilities (adjusted by any prepaid or accrued lease payments) by applying HKFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- (i) elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;
- (ii) used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

### (a) Adoption of new/revised HKFRSs (Continued)

#### HKFRS 16 – Leases (Continued)

As a lessee (Continued)

Reconciliation of operating lease commitments to lease liabilities

	At 1 April 2019 HK\$'000
Operating lease commitments disclosed as at 31 March 2019	42,037
Add: Extension options reasonably certain to be exercised	25,512
Less: short-term leases	(4,092)
low value assets	(7)
Future interest expenses	(3,957)
Lease liabilities relating to operating leases recognised upon application of HKFRS 16	59,493
Add: Obligations under finance leases recognised at 31 March 2019	783
Lease liabilities as at 1 April 2019	60,276
Analysed as:	
Current	17,742
Non-current	42,534
	60,276

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The incremental borrowing rates applied by the relevant group entities range from 2.68% to 4.45%.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

### (a) Adoption of new/revised HKFRSs (Continued)

#### HKFRS 16 – Leases (Continued)

As a lessee (Continued)

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

	Notes	Right-of-use assets HK\$'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16		59,493
Add:		
Property, plant and equipment previously held under finance leases as at 31 March 2019	(i)	794
Adjustments on rental deposits as 1 April 2019	(ii)	525
Adjustments on prepaid lease payments	(iii)	1,121
Less:		
Accrued lease liabilities relating to rent-free period and lease payments increase progressively over lease terms as at 1 April 2019	(iv)	(541)
		61,392

Notes:

- (i) In relation to assets previously under finance leases, the Group reclassified the relevant assets which were still under lease as at 1 April 2019 amounting to HK\$794,000 as right-of-use assets.  
  
In addition, the Group reclassified the obligations under finance leases of HK\$306,000 and HK\$477,000 to lease liabilities as current and non-current liabilities respectively at 1 April 2019.
- (ii) Before the application of HKFRS 16, the Group considered refundable rental deposits paid as rights and obligations under leases to which HKAS 17 applied under other receivables. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use of the underlying assets and were adjusted to reflect the discounting effect at transition. Accordingly, HK\$525,000 was adjusted to refundable rental deposits paid and right-of-use assets.
- (iii) These relate to prepaid lease payments in respect of lease recognised before 1 April 2019. The carrying amount of lease incentive liabilities of HK\$1,121,000 under trade and other receivables as at 1 April 2019 was adjusted to right-of-use assets at transition.
- (iv) These relate to accrued lease liabilities for leases of properties in which the lessors provided rent-free period. The carrying amount of the lease incentive liabilities HK\$541,000 under trade and other payables as at 1 April 2019 was adjusted to right-of-use assets at transition.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

### (a) Adoption of new/revised HKFRSs (Continued)

#### HKFRS 16 – Leases (Continued)

As a lessee (Continued)

Impact on the consolidated statement of financial position

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 April 2019. Line items that were not affected by the changes have not been included.

	Notes	31 March 2019 HK\$'000	Impact on adoption of HKFRS 16 HK\$'000	1 April 2019 HK\$'000 (restated)
<b>Non-current assets</b>				
Property, plant and equipment	(i)	19,828	(794)	19,034
Right-of-use assets	(i) – (iv)	–	61,392	61,392
Rental deposits	(ii)	5,584	(525)	5,059
<b>Current assets</b>				
Trade and other receivables	(v)	6,433	(1,121)	5,312
<b>Current liabilities</b>				
Trade and other payables	(iii)	8,218	(541)	7,677
Lease liabilities	(i)	–	17,742	17,742
Obligations under finance leases	(i)	306	(306)	–
<b>Non-current liabilities</b>				
Lease liabilities	(i)	–	42,534	42,534
Obligations under finance leases	(i)	477	(477)	–





# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

### (a) Adoption of new/revised HKFRSs (Continued)

#### HKFRS 16 – Leases (Continued)

As a lessor

In accordance with transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

Effective on 1 April 2019, the Group has applied HKFRS 15 Revenue from Contracts with Customers (“HKFRS 15”) to allocate consideration in the contract to each lease and non-lease components.

### (b) New/revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group’s financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group’s current intention is to apply these changes on the date they become effective.

Amendments to HKAS 1 and HKAS 8	Definition of Material <sup>1</sup>
Amendments to HKFRS 3	Definition of a Business <sup>1</sup>
Amendments to HKFRS 16	COVID-19-Related Rent Concessions <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2020

<sup>2</sup> Effective for annual periods beginning on or after 1 June 2020

#### Amendments to HKFRS 3 – Definition of a Business

The amendments clarify that a business must include, as a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs, together with providing extensive guidance on what is meant by a “substantive process”.

Additionally, the amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs, whilst narrowing the definition of “outputs” and a “business” to focus on returns from selling goods and services to customers, rather than on cost reductions. An optional concentration test has also been added that permits a simplified assessment of whether an acquired set of activities and assets is not a business.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

### (b) New/revised HKFRSs that have been issued but are not yet effective (Continued)

#### Amendments to HKAS 1 and HKAS 8 – Definition of Material

The amendments clarify the definition and explanation of “material”, aligning the definition across all HKFRS Standards and the Conceptual Framework, and incorporating supporting requirements in HKAS 1 into the definition.

#### Amendments to HKFRS 16 – COVID-19-Related Rent Concessions

Amendments to HKFRS 16 – “COVID-19-Related Rent Concessions” allow lessee to elect not to assess whether a rent concession occurring as a direct consequence of the COVID-19 pandemic is a lease modification. Such practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than the consideration for the lease immediately preceding the change;
- Any reduction in lease payments affects only payments originally due on or before 30 June 2021;
- There is no substantive change to other terms and conditions of the lease.

The Group is in the process of making an assessment of what the impact of these new or revised HKFRSs is expected to be in the period of initial application. So far the directors of the Company (the “**Directors**”) concluded that the adoption of the new HKFRSs will have no material impact on the Group’s financial statements.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 3. BASIS OF PREPARATION

### (a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations (hereinafter collectively referred to as the “**HKFRS**”) and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on GEM of the Stock Exchange (“**GEM Listing Rules**”).

### (b) Basis of measurement

The consolidated financial statements have been prepared under historical cost basis except for investment properties and leasehold land recognised as right-of-use assets which meet the definition of investment properties that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

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

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

For investment properties which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

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

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



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 3. BASIS OF PREPARATION (Continued)

### (c) Going concern assumption

Even though increasing number of confirmed cases of coronavirus disease 2019 (“**COVID-19**”) were noted in Hong Kong since January 2020, the Group’s revenue has not dropped until late March 2020 when there was a high number of confirmed COVID-19 cases are linked to local bars. On 2 April 2020, the Hong Kong government has imposed an order to compulsory shut down the bars and pubs from 3 April 2020 to 7 May 2020. As a result, the Group’s revenue has dropped slightly since late March and no revenue from operations of bars was recorded during the mandatory closure period.

In view of these circumstances and the uncertainties related to the possible impact of the COVID-19 pandemic, the directors of the Company have prepared twelve-month cash flow forecasts from the reporting date and considered the occurrence of different events and how and to what extent those events affect the liquidity position of the Group, the directors of the Company are satisfied that the Group will have sufficient liquidity to finance its working capital and meet its financial obligations during the next twelve months and are of opinion that it is appropriate to prepare the financial statements on the going concern basis. The events that have been considered in the preparation of the cash flow forecasts include the following:

- (i) The Group has applied for subsidies under Catering Business (Social Distancing) Subsidy Scheme launched by the Food and Environmental Hygiene Department, under which each of the Group’s subsidiaries holding eligible light refreshment license would be entitled subsidies ranging from HK\$250,000 to HK\$2,200,000 according to the floor area of each of the Group’s bars. It is expected that the Group will receive the subsidies in coming months;
- (ii) The Group has opened the bars since 8 May 2020. The cash flow forecasts include the consideration of the actual revenue in April and May 2020 as well as the negative impact to the Group’s business related to the possible outbreak of COVID-19 in winter 2020; and
- (iii) As at 31 March 2020, the Group had bank borrowings amounting to HK\$32,357,000 (note 21) out of which HK\$26,287,000 is due over one year based on the repayment schedule but the lender has the unconditional right to demand repayable at any time at its own discretion and therefore these borrowings are classified as current liabilities in the consolidated statement of financial position. After performing a sensitivity analysis on the financial covenants as stipulated in the agreements relevant to the bank borrowings and assessing the Group’s ability to generate sufficient cash flows, the directors considered that it is highly unlikely that the relevant banks will exercise their discretion to demand immediate repayment and believes that such bank borrowings will be repaid in accordance with scheduled dates set out in relevant loan agreements, the current banking facilities will continue to be available for the next twelve months.

### (d) Functional and presentation currency

The consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”), which is the same as the functional currency of the Company and its subsidiaries, and all value are rounded the nearest thousands, except when otherwise indicated.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 4. SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of consolidation

The consolidated financial statements incorporate the financial statements 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.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interest. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interest having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent ownership interest entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

### Changes in the Group's interest in existing subsidiaries

Changes in the Group's 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 relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

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.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (b) Acquisition of a subsidiary not constituting a business

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to investment properties which are subsequently measured under fair value model and financial assets/financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

### (c) Revenue recognition

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

#### Revenue from bar operations

Revenue from operation of bars is recognised at the point of sales to customers, which is the point of time when the customer has the ability to direct the use of the goods and services and obtain substantially all of the remaining benefits of the goods and services. Payment of the transaction price is due immediately at the point the customer purchases the goods and services.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (c) Revenue recognition (Continued)

#### Sponsorship income

Sponsorship income is recognised over time using the output method.

#### Output method

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

#### Interest income

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.

### (d) 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 consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

#### Ownership interests in leasehold land and building

When the Group makes payments for ownership interests of properties which includes both leasehold land and building element, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as right-of-use assets in the consolidated statement of financial position except for those that are classified and accounted for as investment properties under the fair value model. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

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.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (e) Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at fair value, adjusted to exclude any prepaid or accrued operating lease income.

Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

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

### (f) Leases

#### A. Accounting policies applied from 1 April 2019

##### *Definition of a lease*

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

##### *The Group as a lessee*

##### *Allocation of consideration to components of a contract*

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

##### *Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.





# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (f) Leases *(Continued)*

#### A. Accounting policies applied from 1 April 2019 *(Continued)*

*The Group as a lessee (Continued)*

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition; and required by the terms and conditions of the lease.

Except for those that are classified as investment properties and measured under fair value model, right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (f) Leases (Continued)

#### A. Accounting policies applied from 1 April 2019 (Continued)

*The Group as a lessee (Continued)*

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 Financial Instruments (“**HKFRS 9**”) and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review/ expected payment under a guaranteed residual value in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (f) Leases (Continued)

#### A. Accounting policies applied from 1 April 2019 (Continued)

##### *The Group as a lessee (Continued)*

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities and lease incentives from lessor by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

##### *The Group as a lessor*

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model.

Interest and rental income which are derived from the Group's ordinary course of business are presented as revenue.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (f) Leases (Continued)

#### B. Accounting policies applied until 31 March 2019

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.

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 consolidated statement 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, unless they are directly attributable to qualifying assets.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

### (g) Borrowing costs

Borrowing costs which are not capitalised to qualifying assets are recognised in profit or loss in the period in which they are incurred.

### (h) Impairment on property, plant and equipment and right-of-use assets

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment and right-of-use assets determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of property, plant and equipment and right-of-use assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In addition, the Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, corporate assets are also allocated to individual cash-generating units ("CGUs"), or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or CGU) for which the estimates of future cash flows have not been adjusted.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (h) Impairment on property, plant and equipment and right-of-use assets (Continued)

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a CGU, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of CGUs. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro-rata to the other assets of the unit or the group of CGUs. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or CGU) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

### (i) Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in-first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

### (j) Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (j) Financial instruments (Continued)

#### (i) Financial assets

##### *Classification and subsequent measurement of financial assets*

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

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

##### *Amortised cost and interest income*

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

##### *Impairment loss on financial assets*

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

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

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

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



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (j) Financial instruments (Continued)

#### (i) Financial assets (Continued)

##### *Impairment loss on financial assets (Continued)*

Significant increase in credit risk

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

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

- An actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- Significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- Existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- An actual or expected significant deterioration in the operating results of the debtor; and
- An actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

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

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

##### Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

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



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (j) Financial instruments (Continued)

#### (i) Financial assets (Continued)

##### *Impairment loss on financial assets (Continued)*

##### Credit-impaired financial assets

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

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

##### Write-off policy

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

##### Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

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





# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (j) Financial instruments (Continued)

#### (i) Financial assets (Continued)

*Impairment loss on financial assets (Continued)*

Measurement and recognition of ECL (Continued)

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

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

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

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

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

*Derecognition of financial asset*

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

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

#### (ii) Financial liabilities and equity instruments

*Classification as debt or equity*

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definition 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 an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

*Financial liabilities at amortised cost*

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (j) Financial instruments (Continued)

#### (ii) Financial liabilities and equity instruments (Continued)

##### *Derecognition of financial liabilities*

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.

### (k) Government subsidy

Government subsidy is not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the subsidy will be received.

Government subsidy is recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the subsidy is intended to compensate.

Government subsidy that is receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

### (l) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

### (m) Employee benefits

#### (i) Retirement benefit costs

Payments to the defined contribution retirement benefit plans representing the Mandatory Provident Fund Schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

#### (ii) Short-term employee benefits

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

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



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (n) 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. Taxable profit differs from profit/loss before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable 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 difference 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.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

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

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (n) **Taxation** *(Continued)*

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised in profit or loss, except when they relate 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.

### (o) **Related parties**

- (a) A person or a close member of that person's family is related to the Group if that person:
- (i) has control or joint control of the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of key management personnel of the Group or the Company's parent.
- (b) An entity is related to the Group if any of the following conditions apply:
- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - (iii) Both entities are joint ventures of the same third party.
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.
  - (vi) The entity is controlled or jointly controlled by a person identified in (a).
  - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).
  - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (o) Related parties *(Continued)*

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

- (i) that person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependants of that person or that person's spouse or domestic partner.

## 5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 4, management of the Group is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

### Critical judgments in applying accounting policies

The following are the critical judgments, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

#### Going concern basis

These consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the operating results of the Group's operations and financing plan assessed using cash flows forecasts as detailed in note 3(c) to these consolidated financial statements. However, because not all future events or conditions can be predicted, this assumption is not a guarantee as to the Group's and Company's ability to continue as a going concern.

#### Deferred taxation on investment properties

For the purposes of measuring deferred tax arising from investment properties that are measured using the fair value model, the directors of the Company have reviewed the Group's investment properties and concluded that the Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. Therefore, in determining the deferred taxation on investment properties, the directors of the Company have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is not rebutted. The Group has not recognised any deferred tax on changes in fair value of investment properties as the Group is not subject to any income taxes on the fair value changes of the investment properties on disposal.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

*(Continued)*

### **Key sources of estimation uncertainty**

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

### **Useful lives and residual values of property, plant and equipment**

The Group's management determines the estimated useful lives and depreciation method in determining the related depreciation charges for its property, plant and equipment. This estimate is based on the management's experience of the actual useful lives of property, plant and equipment of similar nature and functions and will take into account the lease term (including any renewal option) of the Group's bars. Management of the Group will accelerate the depreciation charge where the economic useful lives are shorter than previously estimated due to removal or closure of bars. The management of the Group will also write-off or write-down the carrying value of the items which are technically obsolete or non-strategic assets that have been abandoned. Actual economic useful lives may differ from estimated economic useful lives.

### **Estimation of impairment of property, plant and equipment and right-of-use assets**

Assessing impairment of the property, plant and equipment and right-of-use assets requires an estimation of its recoverable amount which is the higher of value in use and fair value less costs of disposal. If there is any indication that the property, plant and equipment and right-of-use assets allocated to each individual bar CGU may be impaired, such as bars operated with operating loss, recoverable amount shall be estimated for such bar CGU. When value in use calculations are undertaken, management must estimate the expected future cash flows from the CGUs of each individual bar and choose a suitable discount rate in order to calculate the present value to those cash flows. When fair value less costs of disposal calculations are undertaken, the fair value was estimated using relevant valuation technique and make reference to recent market comparative for similar assets adjusted for difference in condition in order to determine the fair value.

### **Fair value of investment properties**

Investment properties are stated at fair value based on the valuation performed by independent professional valuers. In determining the fair value, the valuers have based on a method of valuation which involves certain estimates of market condition. In relying on the valuation report, the directors of the Company have exercised their judgement and are satisfied that the assumptions used in the valuation are reflective of the current market conditions. Changes to these assumptions would result in changes in the fair values of the Group's investment properties and the corresponding adjustments to the amount of gain or loss reported in the consolidated statement of profit or loss and other comprehensive income.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 6. REVENUE AND SEGMENT INFORMATION

Operating segments are determined with reference to the reports and financial information reviewed by the executive directors of the Company and the officers responsible for finance and accounting matters, being the chief operating decision maker (“**CODM**”) of the Group, for assessment of performance and allocation of resources.

During the year ended 31 March 2019, the Group only has one reportable segment, i.e. operation of bars. During the year ended 31 March 2020, the Group commenced a reportable segment, i.e. property investment through acquisition of a subsidiary, Smart Express Development Limited (“**Smart Express**”) whose principal activity is property investment. The following summary describes the operations in each of the Group’s reportable segments:

- Operation of bars – sales of beverages and light refreshments in bars in Hong Kong; and
- Property investment – leasing of property.

### Business segment

The following is an analysis of the Group’s revenue and results by operating and reportable segments during the year ended 31 March 2020:

	Operation of bars HK\$'000	Property investment HK\$'000	Inter-segment elimination HK\$'000	Consolidated HK\$'000
<b>Revenue</b>				
Revenue from external customers	167,027	144	–	167,171
Revenue from inter-segment	–	340	(340)	–
Reportable segment revenue	167,027	484	(340)	167,171
Reportable segment results	13,215	(4,575)	–	8,640
<b>Unallocated:</b>				
Corporate and other unallocated expenses				(14)
Depreciation of property, plant and equipment				(336)
Depreciation of right-of-use assets				(800)
Interest income				196
Interest income from rental deposits				3
Finance costs				(440)
Profit before income tax				7,249

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 6. REVENUE AND SEGMENT INFORMATION (Continued)

### Business segment (Continued)

Inter-segment transactions are priced with reference to prices charged to external parties for similar order. Central revenue and expenses are not allocated to the operating segments as they are not included in the measure of the segments' profit that is used by the chief operating decision-maker for assessment of segment performance.

Unallocated expenses comprised mainly of the expenses of the Group's headquarter which were not directly attributable to the business activities of any operating segment.

	Operation of bars HK\$'000	Property investment HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
<b>Assets</b>				
Reportable segment assets	128,177	22,892	34,314	185,383
<b>Liabilities</b>				
Reportable segment liabilities	(82,373)	(76)	(32,358)	(114,807)
Reportable segment net assets	45,804	22,816	1,956	70,576

Unallocated corporate assets comprised mainly of cash and cash equivalents which are held as general working capital of the Group as a whole and other corporate assets of the Group's headquarter which were not directly attributable to the business activities of any operating segment. Unallocated corporate liabilities mainly comprised of the liabilities of the Group's headquarter which were not directly attributable to the business activities of any operating segment.





# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 6. REVENUE AND SEGMENT INFORMATION (Continued)

### Other information

	Operation of bars HK\$'000	Property investment HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
Interest income	–	–	196	196
Interest income from rental deposits	201	–	3	204
Interest expense	2,418	–	440	2,858
Purchase of property, plant and equipment	15,033	–	–	15,033
Addition of right-of-use assets	37,294	–	–	37,294
Depreciation of property, plant and equipment	8,931	–	336	9,267
Depreciation of right-of-use assets	25,254	–	800	26,054
Impairment loss on property, plant and equipment	1,406	–	–	1,406
Impairment loss on right-of-use assets	5,889	–	–	5,889
Loss on disposal of property, plant and equipment	2	–	–	2
Fair value loss on investment properties	–	4,606	–	4,606

### Geographical information

No geographical information is shown as the revenue and profit from operations of the Group are all derived from its activities in Hong Kong and all the Group's non-current assets are located in Hong Kong.

### Information about major customers

The Group's customer base is diversified and no individual customer had transactions which exceeded 10% of the Group's revenue in both years.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 6. REVENUE AND SEGMENT INFORMATION (Continued)

### Disaggregation of revenue

	2020 HK\$'000	2019 HK\$'000
<b>Revenue from contracts with customers under HKFRS 15</b>		
<b>Operation of bars</b>		
Sales of beverage and refreshment	160,943	145,180
Electronic dart machines	6,084	5,160
	<b>167,027</b>	150,340
<b>Revenue from other sources</b>		
<b>Property investment</b>		
Rental income from investment properties	144	–
	<b>167,171</b>	150,340

	2020 HK\$'000	2019 HK\$'000
<b>Revenue from contracts with customers under HKFRS 15</b>		
Disaggregated revenue information for the year		
<b>By timing of revenue recognition</b>		
A point in time	167,027	150,340

### Performance obligations for contracts with customers under HKFRS 15

#### Operation of bars (revenue recognised at a point in time)

The Group recognises revenue from operation of bars. The revenue of the Group is recognised at a point in time. Under the transfer-of-control approach in HKFRS 15, revenue from operation of bars is recognised at the point of sales to customers, which is the point of time when the customer has the ability to direct the use of the goods and services obtain substantially all of the remaining benefits of the goods and services. Payment of the transaction price is due immediately at the point the customer purchases the goods and services.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 7. OTHER INCOME

	2020 HK\$'000	2019 HK\$'000
Government subsidy (Note)	3,200	–
Sponsorship income	1,238	1,054
Bank interest income	196	161
Interest income from rental deposits	204	–
Others	460	894
	<b>5,298</b>	2,109

Note: The government subsidy represent a one-off subsidy under the Food Licence Holders Subsidy Scheme launched by the Hong Kong government for each of the Group's subsidiaries which holds light refreshment restaurant license.

## 8. FINANCE COSTS

	2020 HK\$'000	2019 HK\$'000
Interest on bank borrowings	400	–
Interest on lease liabilities	2,458	–
Interest on obligations under finance leases	–	30
	<b>2,858</b>	30

## 9. INCOME TAX EXPENSE

	2020 HK\$'000	2019 HK\$'000
Current tax		
– Hong Kong Profits Tax	2,399	1,546
– Under-/over-provision in respect of prior years	45	(1)
	<b>2,444</b>	1,545
Deferred tax (Note 23)	(1,436)	–
	<b>1,008</b>	1,545

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 9. INCOME TAX EXPENSE (Continued)

Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The income tax expense for the year can be reconciled to the profit before tax per the consolidated statements of profit or loss and other comprehensive income as follows:

	2020 HK\$'000	2019 HK\$'000
Profit before income tax	7,249	10,116
Tax charge at the applicable income tax rate of 16.5%	1,196	1,669
Tax effect of expenses not deductible for tax purposes	1,517	87
Tax effect of income not taxable for tax purpose	(593)	(27)
Tax effect of tax losses not recognised	468	454
Utilisation of tax losses previously not recognised	(667)	(446)
Under-/ (over-) provision in respect of prior years	45	(1)
Tax reduction	(510)	(489)
Income tax at concessionary rate	(165)	(165)
Others	(283)	463
Income tax expense	1,008	1,545

During the years ended 31 March 2020 and 2019, the subsidiaries of the Group were entitled to a tax reduction of 75% of Hong Kong Profits Tax subject to a ceiling of HK\$20,000 of each subsidiary.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 10. PROFIT BEFORE INCOME TAX

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

	2020 HK\$'000	2019 HK\$'000
Auditor's remuneration	800	1,050
Gross rental income from investment properties	144	–
Less: Direct operating expenses incurred for investment properties that generated rental income during the year	(44)	–
Direct operating expenses incurred for investment properties that did not generate rental income during the year	(60)	–
	<b>40</b>	–
Loss on disposal/write off of property, plant and equipment	2	331
Cost of inventories recognised as an expense	38,152	33,713
Depreciation of right-of-use assets	26,054	–
Depreciation of property, plant and equipment		
– Owned assets	9,267	8,040
– Assets held under finance lease contracts	–	305
	<b>9,267</b>	8,345
Operating lease payments		
– Basic rents	–	28,124
– Practical expedient in respect of		
– Low value lease expenses	7	–
– Short-term lease expenses	5,027	–
– Contingent rents	12	–
	<b>5,046</b>	28,124
Directors' remuneration (Note 11)	1,850	2,176
Other staff costs		
– Salaries and other benefits	41,756	40,785
– Retirement benefit scheme contribution	1,931	1,767
Total staff costs	<b>45,537</b>	44,728

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 11. REMUNERATION OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

### (a) Directors' remuneration

Details of the emoluments paid or payable to the directors of the Company during the year were as follows:

#### For the year ended 31 March 2020

	Fees HK\$'000	Salaries and other benefits HK\$'000	Discretionary bonus HK\$'000	Retirement benefits scheme contributions HK\$'000	Total HK\$'000
Executive directors					
Tse Ying Sin Eva ("Ms. Tse")	–	717	58	18	793
Chan Tsz Tung	–	621	25	18	664
Independent non-executive directors					
Tang Wing Lam David	131	–	–	–	131
Chin Chun Wing	131	–	–	–	131
Yung Wai Kei	131	–	–	–	131
	<b>393</b>	<b>1,338</b>	<b>83</b>	<b>36</b>	<b>1,850</b>

#### For the year ended 31 March 2019

	Fees HK\$'000	Salaries and other benefits HK\$'000	Discretionary bonus HK\$'000	Retirement benefits scheme contributions HK\$'000	Total HK\$'000
Executive directors					
Ms. Tse	–	741	–	18	759
Chan Darren Chun-Yeung <sup>#</sup>	–	704	170	14	888
Chan Tsz Tung <sup>*</sup>	–	150	–	4	154
Independent non-executive directors					
Tang Wing Lam David	125	–	–	–	125
Chin Chun Wing	125	–	–	–	125
Yung Wai Kei	125	–	–	–	125
	<b>375</b>	<b>1,595</b>	<b>170</b>	<b>36</b>	<b>2,176</b>

<sup>#</sup> Chan Darren Chun-Yeung resigned on 31 December 2018.

<sup>\*</sup> Chan Tsz Tung was appointed on 31 December 2018.

Note: Ms. Tse is also the Chief Executive of the Company and her emoluments above includes those for services rendered by her as Chief Executive.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 11. REMUNERATION OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS (Continued)

### (b) Five highest paid individuals

The five highest paid individuals of the Group during the year included two (2019: two) directors, details of their emoluments are set out above. The emoluments of the remaining three (2019: three) individuals are as follows:

	2020 HK\$'000	2019 HK\$'000
Salaries, allowances and benefits in kind	1,419	1,328
Performance related bonus (note)	114	1,225
Retirement benefits scheme contributions	54	54
	<b>1,587</b>	2,607

The number of the highest paid individuals who are not the directors of the Company has their remuneration falling within the following band:

	2020 Number of individual	2019 Number of individual
Nil to HK\$1,000,000	3	3

Note: The performance related bonus is discretionary determined with reference to the Group's financial results.

During the years ended 31 March 2020 and 2019, no emoluments were paid by the Group to the directors of the Company or the five highest paid individual 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 both years.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 12. DIVIDENDS

Dividends for ordinary shareholders of the Company recognised as distribution during the year:

	2020 HK\$'000	2019 HK\$'000
Interim dividend declared and paid	4,730	4,300
Final dividend in respect of previous financial year, declared and paid during the year	4,300	–
	<b>9,030</b>	4,300

The Board has not recommended the payment of a final dividend out of share premium account of total HK\$4,730,000 (2019: HK\$4,300,000).

## 13. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to owners of the Company is based on the following data:

	2020 HK\$'000	2019 HK\$'000
<b>Earnings</b>		
Profit for the year attributable to owners of the Company for the purpose of basic earnings per share	4,429	7,298

  

	2020	2019
<b>Number of ordinary shares</b>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	860,000,000	860,000,000

No diluted earnings per share is presented as there were no potential ordinary shares in issue in both years.





# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 14. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK\$'000	Leasehold improvements HK\$'000	Office equipment HK\$'000	Furniture and fixtures HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
<b>COST</b>						
At 1 April 2018	–	26,253	3,609	25,364	1,577	56,803
Additions	–	5,275	375	2,824	–	8,474
Disposal/write off	–	(12,368)	(258)	(10,427)	–	(23,053)
At 31 March 2019	–	19,160	3,726	17,761	1,577	42,224
Initial adoption of HKFRS 16	–	–	(1,523)	–	–	(1,523)
At 1 April 2019 (restated)	–	19,160	2,203	17,761	1,577	40,701
Additions	–	5,792	86	2,504	–	8,382
Acquisition of a subsidiary (Note 28)	1,480	–	–	–	–	1,480
Disposal/write off	–	–	(11)	(71)	–	(82)
At 31 March 2020	1,480	24,952	2,278	20,194	1,577	50,481
<b>ACCUMULATED DEPRECIATION</b>						
At 1 April 2018	–	17,340	1,139	16,635	1,577	36,691
Provided for the year	–	5,247	727	2,371	–	8,345
Eliminated on disposal/write off	–	(12,339)	(156)	(10,145)	–	(22,640)
At 31 March 2019	–	10,248	1,710	8,861	1,577	22,396
Initial adoption of HKFRS 16	–	–	(729)	–	–	(729)
At 1 April 2019 (restated)	–	10,248	981	8,861	1,577	21,667
Provided for the year	22	5,920	501	2,824	–	9,267
Eliminated on disposal/write off	–	–	(2)	(67)	–	(69)
At 31 March 2020	22	16,168	1,480	11,618	1,577	30,865
<b>ACCUMULATED IMPAIRMENT</b>						
At 1 April 2018, 31 March 2019 and 1 April 2019	–	–	–	–	–	–
Provided for the year	338	381	–	687	–	1,406
At 31 March 2020	338	381	–	687	–	1,406
<b>CARRYING VALUE</b>						
At 31 March 2020	1,120	8,403	798	7,889	–	18,210
At 31 March 2019	–	8,912	2,016	8,900	–	19,828

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

Buildings	the term of the lease
Leasehold improvements	3 years or the term of the lease whichever is shorter
Office equipment	5 years
Furniture and fixtures	5 years
Motor vehicles	5 years

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 14. PROPERTY, PLANT AND EQUIPMENT (Continued)

As at 31 March 2019, the Group's property, plant and equipment included office equipment of approximately HK\$794,000 held under finance leases. Upon adoption of HKFRS 16, office equipment held under finance leases with net carrying amount of HK\$794,000 as at 1 April 2020 are reclassified as right-of-use assets (Note 15).

As at 31 March 2020, the Group's buildings with net carrying amount of HK\$1,120,000 was pledged to secure bank borrowings (Note 21) and general bank facilities granted to the subsidiaries of the Company.

## 15. LEASES

### (a) Right-of-use assets

	Leasehold land HK\$'000	Office equipment HK\$'000	Office premise HK\$'000	Shops HK\$'000	Total HK\$'000
<b>COST</b>					
At 31 March 2019	–	–	–	–	–
Initial adoption of HKFRS 16	–	1,523	1,365	59,233	62,121
At 1 April 2019 (restated)	–	1,523	1,365	59,233	62,121
Additions	–	–	–	37,294	37,294
Acquisition of a subsidiary (Note 28)	20,850	–	–	–	20,850
Lease modification	–	–	(23)	(1,432)	(1,455)
At 31 March 2020	20,850	1,523	1,342	95,095	118,810
<b>ACCUMULATED DEPRECIATION</b>					
At 31 March 2019	–	–	–	–	–
Initial adoption of HKFRS 16	–	729	–	–	729
At 1 April 2019 (restated)	–	729	–	–	729
Provided for the year	314	305	495	24,940	26,054
At 31 March 2020	314	1,034	495	24,940	26,783
<b>ACCUMULATED IMPAIRMENT</b>					
At 1 April 2018, 31 March 2019 and 1 April 2019	–	–	–	–	–
Provided for the year (Note 25)	3,356	–	–	2,533	5,889
At 31 March 2020	3,356	–	–	2,533	5,889
<b>CARRYING VALUE</b>					
At 31 March 2020	17,180	489	847	67,622	86,138
At 31 March 2019	–	–	–	–	–



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 15. LEASES (Continued)

### (a) Right-of-use assets (Continued)

The right-of-use assets are depreciated over lease terms as follows:

Leasehold land	27 years
Office equipment	5 months
Office premises	36 months
Shops	24 to 72 months

Upon adoption of HKFRS 16, office equipment held under finance leases with net carrying amount of HK\$794,000 (Note 14) as at 1 April 2019 are reclassified as right-of-use assets.

As at 31 March 2020, the Group's leasehold land under right-of-use assets with net carrying amount of approximately HK\$17,180,000 were pledged to secure bank borrowings (Note 21) and general bank facilities granted to the subsidiaries of the Company.

### (b) Lease liabilities

	As at 31 March 2020 HK\$'000	As at 1 April 2019 HK\$'000 (restated)
Analysed for reporting purpose as:		
Current liabilities	24,337	17,742
Non-current liabilities	47,124	42,534
	<b>71,461</b>	60,276

The movements during the year are as follows:

	HK\$'000
Carrying amount at 1 April 2019	60,276
New leases	35,771
Lease modification	(1,455)
Accretion of interest recognised during the year	2,458
Payments	(25,589)
Carrying amount at 31 March 2020	71,461

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 15. LEASES (Continued)

### (b) Lease liabilities (Continued)

	As at 31 March 2020		As at 1 April 2019	
	Minimum lease payments HK\$'000	Present value of minimum lease payments HK\$'000	Minimum lease payments HK\$'000 (restated)	Present value of minimum lease payments HK\$'000 (restated)
<b>Lease liabilities</b>				
Within one year	26,130	24,337	19,426	17,742
More than one year, but not more than two years	21,470	20,315	17,693	16,510
More than two years, but not more than five years	25,289	24,166	26,338	25,221
Over five years	2,681	2,643	814	803
	<b>75,570</b>	<b>71,461</b>	64,271	60,276
Less: future interest expense	(4,109)	–	(3,995)	–
Present value of lease liabilities	<b>71,461</b>	<b>71,461</b>	60,276	60,276
Less: Amounts due for settlement within 12 months (shown under current portion)		(24,337)		(17,742)
Amounts due for settlement after 12 months		<b>47,124</b>		42,534

The Group discounts the lease liabilities at the incremental borrowing rates ranging from 2.68% to 4.45% for the year ended 31 March 2020.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 15. LEASES (Continued)

### (c) The Group as lessee

The Group had future aggregate minimum lease payables under non-cancellable operating leases in respect of office and bars as follows:

	2019 HK\$'000
Within one year	22,229
After one year but within five years	19,808
	<hr/>
	42,037

Leases are negotiated for terms of one to four years during the year ended 31 March 2019.

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 reliably estimate in advance the amount of such contingent rent payable.

### (d) The Group as lessor

The minimum rent receivables under non-cancellable operating leases are as follows:

	2020 HK\$'000	2019 HK\$'000
Not later than one year	384	–
Later than one year and not later than two years	320	–
	<hr/>	
	704	–

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 16. INVESTMENT PROPERTIES

	Investment properties HK\$'000
<b>Fair value</b>	
At 1 April 2019	–
Acquisition of a subsidiary (Note 28)	27,436
Fair value loss	(4,606)
At 31 March 2020	22,830

On 31 October 2019, the Group acquired a 100% equity interest in Smart Express which held certain investment properties, representing shops located in Hong Kong. The acquisition of Smart Express has been accounted for as an asset acquisition (Note 28).

The Group leases out these shops under operating leases with rentals payable monthly. The leases typically run for an initial period of 1 to 4 years.

As at 31 March 2020, the Group's investment properties with carrying amount of approximately HK\$22,830,000 were pledged to secure bank borrowings (Note 21) and general bank facilities granted to the subsidiaries of the Company.

The fair values of the Group's investment properties at 31 October 2019 and 31 March 2020 have been arrived at on market value carried out by Moore Transaction Services Limited, an independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment properties being valued.

The fair value of investment properties was determined by applying the comparison approach by making reference to comparable sales transaction in the market and investment approach by taking into consideration of existing tenancies and reversionary potential of property. The fair value measurement of such properties was classified as Level 3 with the following significant unobservable input:

Reversionary yield	Based on actual location, size and quality of the properties and taking into account market data at the valuation date.
--------------------	---

### At 31 March 2020

Properties	Valuation Technique	Fair value hierarchy	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Properties in Hong Kong	Comparison approach combined with investment approach	Level 3	Reversionary yield	3.4%	The higher the reversionary yield, the lower the fair value
			Market unit rate	HK\$9,500 square feet to HK\$42,000 per square feet	The higher the unit rate the higher the fair value
			Term yield	2.7%	The higher the term yield, the lower the fair value

The fair value measurement is based on the above properties' highest and best use, which does not differ from their actual use.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 17. INVENTORIES

	2020 HK\$'000	2019 HK\$'000
Beverages and other items for bar operations	2,337	1,941

## 18. TRADE AND OTHER RECEIVABLES

	2020 HK\$'000	2019 HK\$'000
Trade receivables (Note (a))	401	725
Lease receivables (Note (b))	10	–
Other receivables (Note (c))	2,767	98
Prepayments	8,445	1,670
Rental deposits	7,765	8,189
Utilities deposits	2,026	1,335
	21,414	12,017
Less: Non-current assets		
Rental deposits	(5,760)	(5,584)
Prepayment for acquisition of property, plant and equipment	(6,651)	–
Amount shown as current assets	9,003	6,433

### (a) Trade receivables

As at 31 March 2020 and 2019, trade receivables from contracts with customers amounted to HK\$401,000 and HK\$725,000, respectively.

The Group's sales are mainly on cash or credit card settlement. As at 31 March 2020 and 2019, the Group's trade receivables mainly represents credit card sales receivable from financial institutions. None of the Group's trade receivables was individually and/or collectively using a provision matrix with appropriate grouping 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.

### (b) Lease receivables

Based on invoice date, all lease receivables are aged within 30 days as at the end of each of the reporting date.

### (c) Other receivables

Included in other receivables are the government subsidy receivables of HK\$2,160,000 (Note 7).

Details of impairment assessment of trade and other receivables are set out in Note 33(b).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 19. BANK BALANCES AND CASH

Bank balances carry interest at prevailing market rates and are denominated in HK\$.

## 20. TRADE AND OTHER PAYABLES

	2020 HK\$'000	2019 HK\$'000
<b>Current:</b>		
Trade payables	4,348	3,852
Salary accruals and payables	1,799	1,619
Other accruals and payables	2,841	2,747
Provision for reinstatement costs	164	–
	9,152	8,218
<b>Non-current:</b>		
Rental deposits received	76	–
Provision for reinstatement costs	841	–
	917	–

The credit period on purchases of goods is 0 to 60 days. The following is an aged analysis of trade payables presented based on invoice date at the end of each reporting period:

	2020 HK\$'000	2019 HK\$'000
Trade payables:		
0–30 days	2,662	2,993
31–60 days	1,686	715
61–90 days	–	140
91–120 days	–	–
Over 180 days	–	4
	4,348	3,852

## 21. BANK BORROWINGS

	2020 HK\$'000	2019 HK\$'000
Current liabilities:		
Bank loans	32,357	–

All of the Group's borrowings are guaranteed and secured, repayable on demand and carried variable rates of interest.





# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 21. BANK BORROWINGS (Continued)

As at 31 March 2020, bank loans of HK\$32,357,000 that contain a clause that provides the lender with an unconditional right to demand repayment at any time at its own discretion scheduled to repay ranging from 1 to 7 year. Therefore they were classified as current liabilities.

Assuming that the bank does not exercise in accordance with the clause for repayments on demand and based on the repayment dates as stipulated in the loan agreements, the Group's borrowings are due for repayment, as at each of the reporting dates, as follows:

	2020 HK\$'000	2019 HK\$'000
Carrying amounts repayable (based on scheduled repayable terms):		
Within one year	6,070	–
More than one year, but not more than two years	3,326	–
More than two years, but not more than five years	8,774	–
More than five years	14,187	–
	<b>32,357</b>	–

The banking facilities contain a covenant which include the maintenance of specified financial ratios. The Directors have reviewed the covenants compliance and were not aware of any breach during the years.

At 31 March 2020, the Group's bank loans and banking facilities are secured by:

- (i) corporate guarantees up to HK\$25,800,000 by the Company and Bar Pacific Group Limited;
- (ii) unlimited corporate guarantee by Hacienda International Corporation Limited, Tank Success International Limited, and Smart Express;
- (iii) the Group's buildings classified as property, plant and equipment with net carrying amount of HK\$1,120,000 (Note 14);
- (iv) the Group's leasehold land classified as right-of-use assets with net carrying amount of HK\$17,180,000 (Note 15(a)); and
- (v) the Group's investment properties with net carrying amount of HK\$22,830,000 (Note 16).

The effective interest rates of the Group's borrowings are as follow:

	2020	2019
Effective interest rates (per annum):		
Variable-rate bank borrowings	3.64%–4.99%	N/A

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 22. OBLIGATIONS UNDER FINANCE LEASES

	2019 HK\$'000
Analysed for reporting purpose as:	
Current liabilities	306
Non-current liabilities	477
Carrying amount at the end of the year	783

	2019	
	Minimum lease payments HK\$'000	Present value of minimum lease payments HK\$'000
<b>Obligations under finance lease payable</b>		
Within one year	327	306
More than one year, but not more than two years	284	271
More than two years but not more than five years	210	206
	821	783
Less: future finance charges	(38)	–
Present value of lease obligations	783	783
Less: Amounts due for settlement within 12 months (shown under current portion)		(306)
Amount due for settlement after 12 months		477

The Group had entered into lease agreements for a term of five years to acquire certain property, plant and equipment. The directors of the Company considers that the carrying amount of obligations under finance leases approximate to its fair value. As at 31 March 2019, the effective interest rates on finance lease are ranging from 0% to 3.75% per annum.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 23. DEFERRED TAXATION

The deferred tax assets recognised and the movements thereon during the current year:

	Tax loss HK\$'000	Decelerated tax depreciation HK\$'000	Total HK\$'000
At 1 April 2018, 31 March 2019 and 1 April 2019	–	–	–
Credited to profit or loss for the year	6	1,430	1,436
At 31 March 2020	6	1,430	1,436

As at 31 March 2020, the Group has unused tax losses of HK\$8,672,000 (2019: HK\$9,881,000) available for offset against future profit.

Deferred tax assets have not been recognised as the following temporary differences:

	2020 HK\$'000	2019 HK\$'000
Unused tax losses	8,672	9,881
Deductible temporary differences	7,059	6,407
	15,731	16,288

The deductible temporary differences of depreciation allowance regarding the property, plant and equipment and the unused tax losses can be carried forward indefinitely. No deferred tax asset has been recognised in relation to the deductible temporary differences of depreciation allowance and the unused tax losses they have arisen in subsidiaries that have been loss-making for some time and it is not probable that taxable profit will be available against which the deductible temporary differences and the unused tax losses can be utilised.

## 24. SHARE CAPITAL

	Number of shares	Share capital HK\$
Ordinary shares of the Company of HK\$0.01 each		
<b>Authorised:</b>		
At 1 April 2018, 31 March 2019, 1 April 2019 and 31 March 2020	10,000,000,000	100,000,000
<b>Issued and fully paid:</b>		
At 1 April 2018, 31 March 2019, 1 April 2019 and 31 March 2020	860,000,000	8,600,000

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 25. IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

The outbreak of COVID-19 posed negative impact on the Group's operation of bars is disclosed in Note 3(c).

The management of the Group concluded there was indication of impairment and conducted impairment assessment and measured recoverable amounts of the bars CGUs individually.

The recoverable amount of these CGUs has been determined based on value in use calculations. That calculations use cash flow projections based on financial budgets approved by the management of the Group covering the remaining lease terms with the pre-tax discount rate of 13%. The Group's assumption for the value in use calculations are the budgeted gross profits and operating expenses which are determined based recent performance of the relevant bars CGUs.

Based on the result of the assessment, the management of the Group determined that certain recoverable amounts of the CGUs were lower than the carrying amounts. The impairment losses were allocated to the assets of the bars CGUs pro-rata on the basis of the carrying amount to each unit in the bars CGUs. Impairment losses of HK\$1,406,000 (Note 14) and HK\$5,889,000 (Note 15) were recognised on property, plant and equipment and right-of-use assets respectively.

## 26. SHARE OPTION SCHEME

Pursuant to an ordinary resolution passed on 17 December 2016, a share option scheme was adopted for the primary purpose of providing incentives to directors, employees and eligible participants. The scheme will expire on 16 December 2026.

Under the scheme, the Board of Directors of the Company (the "**Board**") may grant options to directors, employees, consultants, advisers, agents, vendors, suppliers of goods or services and customers of the Company and its subsidiaries and entities in which the Group holds equity interest at the discretion of the Board pursuant to the terms of the scheme, to subscribe for shares of the Company at a price which shall not be less than the highest of (i) the closing price of a share of the Company listed on the Stock Exchange at the date of grant of the option; (ii) the average of the closing price of a share of the Company on the Stock Exchange for the five trading days immediately preceding the date of grant of the option; and (iii) the nominal value of a share of the Company.

The maximum number of shares in respect of which options shall be granted under the scheme and any other share option schemes of the Company is 10% of the total number of shares in issue at the date of approval of adoption of the scheme. No director, employee or eligible participant may be granted options under the scheme which will enable him or her if exercise in full to subscribe for more than 1% of the issued share capital of the Company in any 12-month period. The option period for which the options granted can be exercisable, shall be such period as notified by the Board, save that it shall not be more than 10 years from the date of grant subject to the terms of the scheme. Nominal consideration of HK\$1 is payable on acceptance of each grant and the share options granted shall be accepted within 28 days from the date of grant.

No share option was granted since adoption of the scheme.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 27. 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 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 (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.

## 28. ACQUISITION OF A SUBSIDIARY

Pursuant to the sale and purchase agreement dated 23 July 2019, the Group has conditionally agreed to acquire a 100% equity interest in Smart Express from independent third parties. Smart Express held certain interest properties, representing shops located in Hong Kong. The acquisition was completed on 31 October 2019.

Particulars of the acquisition of Smart Express were set out in the Company’s circular dated 27 September 2019 and announcement dated 31 October 2019.

The acquisition of Smart Express has been accounted for as an asset acquisition set out in Note 4(b). The identified assets and liabilities as at the date of acquisition are as follows:

	HK\$'000
Property, plant and equipment (Note 14)	1,480
Right-of-use assets (Note 15)	20,850
Investment properties (Note 16)	27,436
Trade and other receivables	12
Other payables	(289)
Tax payables	(157)
	49,332
Satisfied by cash	49,332

An analysis of the cash flow in respect of the acquisition of a subsidiary is as follows:

	HK\$'000
Cash consideration	48,267
Transaction cost	1,065
Cash outflows from the acquisition of a subsidiary	49,332



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 29. RELATED PARTY TRANSACTIONS

(a) During the year, the Group entered into the following transactions with related parties:

Related party	Relationship of related party	Nature of transaction	2020 HK\$'000	2019 HK\$'000
Landmark Western 2 Limited	Company controlled by a close family member of a substantial shareholder of the Company	Sale of alcohol	–	28

(b) The remuneration paid or payable to the key management personnel which are the executive directors during the year is set out below. Their remuneration was determined with reference to the performance of the individuals and market trends.

	2020 HK\$'000	2019 HK\$'000
Fees, salaries and other benefits	1,421	1,765
Retirement benefits scheme contributions	36	36
	<b>1,457</b>	1,801

## 30. NON-CONTROLLING INTEREST

As at 31 March 2020, the Group comprises 24 subsidiaries (2019: 24 subsidiaries) which in aggregate have a material non-controlling interest balance, however each of them are individually not material.

During the year ended 31 March 2020, the Group has further acquired certain percentage of equity interests in certain of the Group's subsidiaries, from the non-controlling shareholders at cash consideration of HK\$940,000 (2019: HK\$20,000). The aggregate carrying amount of the non-controlling interests at the respective date of acquisition was approximately HK\$802,000 (2019: HK\$63,000). The difference between the consideration paid and the carrying amount of the interest acquired amounting approximately HK\$138,000 (2019: HK\$43,000) was charged to other reserve.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 31. CAPITAL COMMITMENTS

	2020 HK\$'000	2019 HK\$'000
Commitments for the acquisition of: Property, plant and equipment	900	–

## 32. CAPITAL RISK MANAGEMENT

The directors of the Company manages 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 during the year.

The capital structure of the Group consists of debt net of cash and cash equivalents and equity attributable to owners of the Company, comprising share capital, share premium, retained profits and other reserves as disclosed in the consolidated financial statements.

The directors of the Company reviews the capital structure regularly. As part of this review, the directors of the Company considers 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.

The gearing ratio at the end of reporting period was as follows:

	2020 HK\$'000	2019 HK\$'000
Bank borrowings	32,357	–
Lease liabilities	71,461	–
Obligation under finance leases	–	783
	103,818	783
Less: Bank balances and cash	(32,586)	(50,277)
Net debt/(cash)	71,232	(49,494)
Total equity	70,576	75,249
Debt to equity ratio	1.01	N/A

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 33. FINANCIAL INSTRUMENTS

### (a) Categories of financial assets and liabilities

	2020 HK\$'000	2019 HK\$'000
<b>Financial assets</b>		
Financial assets at amortised cost	35,765	51,100
<b>Financial liabilities</b>		
Financial liabilities at amortised cost	41,044	4,095
Lease liabilities	71,461	–

### (b) Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, bank balances and cash, trade and other payables and lease liabilities (2019: obligations under finance leases). Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include interest rate risk, credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The Directors 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 secured bank borrowings. The Group currently does not enter into any hedging instrument for cash flow interest rate risk. The Group monitors interest rate risk exposure and will consider hedging significant interest rate risk should the need arises.

#### Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for bank balances and variable rate bank borrowings at the end of each reporting period and assumed that the amount of liabilities outstanding at the end of each period was outstanding for the whole year. A 100 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the year would increased by HK\$56,000 (2019: HK\$Nil).





# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 33. FINANCIAL INSTRUMENTS *(Continued)*

### (b) Financial risk management objectives and policies *(Continued)*

#### Credit risk and impairment assessment

The Group's credit risk is primarily attributable to trade and other receivables and bank balances as at 31 March 2020 and 2019.

As at 31 March 2020 and 2019, the maximum exposure to credit risk of the Group which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

#### *Trade receivables arising from contracts with customers*

Trade receivables are assessed individually and/or collectively using a provision matrix with appropriate grouping for impairment allowance based on the historical credit losses experience, adjusted for factors that are specific to the debtors and certain forward-looking information. The trade receivables are due from financial institutions with no history of default and have good credit ratings assigned, as such the directors of the Company consider that the Group's credit risk on trade receivables is minimal.

#### *Lease receivables*

Lease receivables are assessed individually for impairment allowance based on the historical credit losses experience, adjusted for factors that are specific to the debtors and certain forward-looking information. The trade receivables are due from tenants with no history of default, as such the directors of the Company consider that the Group's credit risk on lease receivables is minimal.

#### *Other receivables*

The management of the Group assessed the recoverability of other receivables based on historical settlement records, past experience, and also available reasonable and supportive forward-looking information under ECL model upon application of HKFRS 9. The management of the Group believes that there is no material credit risk inherent in the Group's outstanding balance of other receivables.

#### *Bank balances*

The credit risk on bank balances and cash is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies. Accordingly, no impairment loss allowance is recognised for bank balances.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 33. FINANCIAL INSTRUMENTS (Continued)

### (b) Financial risk management objectives and policies (Continued)

#### 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.

The maturity profile of the Group's financial liabilities as at the reporting dates, based on the contracted undiscounted payments, was as follows:

	Carrying amounts HK\$'000	Total undiscounted cash flows HK\$'000	Repayable on demand/ less than 1 year HK\$'000	1 to 2 years HK\$'000	2 to 5 years HK\$'000	Over 5 years HK\$'000
<b>At 31 March 2020</b>						
Trade and other payables	10,069	10,069	10,069	-	-	-
Bank borrowings	32,357	33,096	33,096	-	-	-
Lease liabilities	71,461	75,570	26,130	21,470	25,289	2,681
	<b>113,887</b>	<b>118,735</b>	<b>69,295</b>	<b>21,470</b>	<b>25,289</b>	<b>2,681</b>
<b>At 31 March 2019</b>						
Trade and other payables	8,218	8,218	8,218	-	-	-
Obligations under finance leases	783	821	327	284	210	-
	9,001	9,039	8,545	284	210	-

For bank loan which contain a repayment on demand clause that can be exercised at the bank's sole discretion, the analysis above shows the cash outflows based on the earliest period in which the Group can be required to pay, that is if the lenders were to invoke their unconditional rights to call the loans with immediate effect.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 33. FINANCIAL INSTRUMENTS (Continued)

### (b) Financial risk management objectives and policies (Continued)

#### Liquidity risk (Continued)

Taking into account the renewal of bank loan granted by the bank, the directors do not consider it probable that the bank will exercise its discretion to demand immediate repayment. The directors believe that such bank loans will be repaid in accordance with the scheduled repayment dates as set out in the loan agreements which are summarised in the table below:

	Carrying amounts HK\$'000	Total undiscounted cash flows HK\$'000	Repayable on demand/ less than 1 year HK\$'000	1 to 2 years HK\$'000	2 to 5 years HK\$'000	Over 5 years HK\$'000
<b>At 31 March 2020</b>						
Trade and other payables	10,069	10,069	10,069	–	–	–
Bank borrowings	32,357	33,096	6,390	3,546	8,973	14,187
Lease liabilities	71,461	75,570	26,130	21,470	25,289	2,681
	<b>113,887</b>	<b>118,735</b>	<b>42,589</b>	<b>25,016</b>	<b>34,262</b>	<b>16,868</b>
<b>At 31 March 2019</b>						
Trade and other payables	8,218	8,218	8,218	–	–	–
Obligations under finance leases	783	821	327	284	210	–
	9,001	9,039	8,545	284	210	–

### (c) Fair value measurements of financial instruments

The fair value of financial assets and financial liabilities is determined based on discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated statement of financial position approximate to their fair values.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 34. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of liabilities arising from financing activities is as follows:

	Bank borrowings HK\$'000	Lease liabilities HK\$'000	Obligations under finance leases HK\$'000	Total HK\$'000
<b>At April 2018</b>	–	–	1,080	1,080
<b>Financing cash flows:</b>				
Repayment of lease liabilities	–	–	(297)	(297)
Interest paid	–	–	(30)	(30)
Total changes from cash flows	–	–	(327)	(327)
<b>Non-cash changes:</b>				
Interest expenses	–	–	30	30
Total non-cash changes	–	–	30	30
<b>At 31 March 2019</b>	–	–	783	783
Initial adoption of HKFRS 16	–	783	(783)	–
Initial recognition of lease liabilities on adoption of HKFRS 16	–	59,493	–	59,493
<b>At 1 April 2019 (restated)</b>	–	<b>60,276</b>	–	<b>60,276</b>
<b>Financing cash flows:</b>				
Drawdown of bank borrowing	<b>36,367</b>	–	–	<b>36,367</b>
Repayment of bank borrowings/lease liabilities	<b>(4,010)</b>	<b>(23,131)</b>	–	<b>(27,141)</b>
Interest paid	<b>(400)</b>	<b>(2,458)</b>	–	<b>(2,858)</b>
Total changes from cash flows	<b>31,957</b>	<b>(25,589)</b>	–	<b>6,368</b>
<b>Non-cash changes:</b>				
Addition of lease liabilities	–	<b>35,771</b>	–	<b>35,771</b>
Lease modification	–	<b>(1,455)</b>	–	<b>(1,455)</b>
Interest expense	<b>400</b>	<b>2,458</b>	–	<b>2,858</b>
Total non-cash changes	<b>400</b>	<b>36,774</b>	–	<b>37,174</b>
<b>At 31 March 2020</b>	<b>32,357</b>	<b>71,461</b>	–	<b>103,818</b>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 34. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

### Major non-cash transactions

- (i) During the year ended 31 March 2020, the Group had non-cash additions to right-of-use assets and lease liabilities of HK\$35,771,000 and HK\$35,771,000, respectively, in respect of lease arrangements for office premise and bars.
- (ii) During the year ended 31 March 2020, the Group has recognised non-cash additions to property, plant and equipment, right-of-use assets and provision of reinstatement cost of HK\$13,000, HK\$1,017,000 and HK\$1,030,000 in respect of lease arrangement.

## 35. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Name of subsidiary	Place of Incorporation and operation	Paid-up share capital	Equity interest attributable to the Group		Principal activities
			2020	2019	
Hacienda International Corporation Limited	Hong Kong	HK\$1,000	100%	100%	Bulk purchase of beverages for fellow subsidiaries
Tank Success International Limited	Hong Kong	HK\$2	100%	100%	Recruitment and management services for fellow subsidiaries
Smart Express Development Limited	Hong Kong	HK\$1,000	100%	–	Property Investment
Bar Pacific VII International Limited	Hong Kong	HK\$1,000	100%	100%	Operation of a bar
Bar Pacific VIII International Limited	Hong Kong	HK\$1,000	100%	100%	Operation of a bar
Bar Pacific IX International Limited	Hong Kong	HK\$1,000	100%	100%	Operation of a bar
Bar Pacific XII International Limited	Hong Kong	HK\$1,000	100%	100%	Operation of a bar
Bar Pacific XVI International Limited	Hong Kong	HK\$1,000	95%	95%	Operation of a bar
Bar Pacific XX International Limited	Hong Kong	HK\$1,000	90%	90%	Operation of a bar
Bar Pacific XXI International Limited	Hong Kong	HK\$1,000	95%	95%	Operation of a bar

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 35. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

Name of subsidiary	Place of Incorporation and operation	Paid-up share capital	Equity interest attributable to the Group		Principal activities
			2020	2019	
Bar Pacific XXVIII International Limited	Hong Kong	HK\$1,000	<b>86.5%</b>	86.5%	Operation of a bar
Bar Pacific XXIX International Limited	Hong Kong	HK\$188	<b>88.8%</b>	86.2%	Operation of a bar
Bar Pacific XXX International Limited	Hong Kong	HK\$171,398	<b>79.4%</b>	79.4%	Operation of a bar
Bar Pacific XXXI International Limited	Hong Kong	HK\$522,214	<b>83.8%</b>	83.8%	Operation of a bar
Bar Pacific XXXII International Limited	Hong Kong	HK\$228	<b>85.1%</b>	85.1%	Operation of a bar
Bar Pacific XXXIII International Limited	Hong Kong	HK\$579,728	<b>90.5%</b>	85%	Operation of a bar
Bar Pacific XXXVII International Limited	Hong Kong	HK\$964,799	<b>90%</b>	90%	Operation of a bar
Bar Pacific LXIII International Limited	Hong Kong	HK\$1,527,823	<b>80%</b>	80%	Operation of a bar
Bar Pacific LXVIII International Limited	Hong Kong	HK\$2,280,000	<b>91.2%</b>	60%	Operation of a bar
Bar Pacific LXXI International Limited	Hong Kong	HK\$1	<b>100%</b>	100%	Operation of a bar
Bar Pacific LXXII International Limited	Hong Kong	HK\$1	<b>100%</b>	100%	Operation of a bar

The above table lists the subsidiaries of the Company, which, in the opinion of the directors of the Company, principally affected the results of the year or constituted a substantial portion of the assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company result in particulars of excessive length.

None of the Group's subsidiaries had issued any debt securities during the year.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 35. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

At the end of the reporting period, the Company has other subsidiaries that are not material to the Group. The principal activities of these subsidiaries are summarised as follows:

Principal activities	Principal place of business	Number of subsidiaries	
		2020	2019
Operation of bars	Hong Kong	23	19
Investment holding	Hong Kong	2	1
Inactive	Hong Kong	6	7
		<b>31</b>	<b>27</b>

## 36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period includes:

	2020 HK\$'000	2019 HK\$'000
<b>Non-current assets</b>		
Investment in a subsidiary	8,483	8,483
Amounts due from subsidiaries	52,078	58,108
	<b>60,561</b>	<b>66,591</b>
<b>Current assets</b>		
Cash and cash equivalents	10,009	5,023
<b>Current liabilities</b>		
Accrued expenses	1	–
<b>Net current assets</b>	<b>10,008</b>	<b>5,023</b>
<b>Total assets less current liabilities</b>	<b>70,569</b>	<b>71,614</b>
<b>EQUITY</b>		
Equity attributable to owners of the Company		
Share capital	8,600	8,600
Reserves (Note)	61,969	63,014
<b>TOTAL EQUITY</b>	<b>70,569</b>	<b>71,614</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note:

Movement in the Company's reserves are as follows:

	Share Premium HK\$'000	Retained profits HK\$'000	Total HK\$'000
On 1 April 2018	57,060	1,464	58,524
Profit and total comprehensive income for the year	–	8,790	8,790
Dividend	–	(4,300)	(4,300)
At 31 March 2019 and 1 April 2019	57,060	5,954	63,014
Profit and total comprehensive income for the year	–	7,985	7,985
Dividend	–	(9,030)	(9,030)
At 31 March 2020	57,060	4,909	61,969





# FINANCIAL SUMMARY

	Year ended 31 March				2020 HK\$'000
	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000	2019 HK\$'000	
Revenue	126,145	126,212	134,251	150,340	<b>167,171</b>
Profit (loss) before taxation	18,054	(1,790)	7,766	10,116	<b>7,249</b>
Taxation	(2,699)	(1,590)	(1,229)	(1,545)	<b>(1,008)</b>
Profit (loss) for the year	15,355	(3,380)	6,537	8,571	<b>6,241</b>
Attributable to:					
Owners of the Company	9,450	(4,275)	5,698	7,298	<b>4,429</b>
Non-controlling interests	5,905	895	839	1,273	<b>1,812</b>
	15,355	(3,380)	6,537	8,571	<b>6,241</b>
	At 31 March				2020 HK\$'000
	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000	2019 HK\$'000	
Assets and liabilities					
Total assets	30,713	80,080	82,469	84,250	<b>185,383</b>
Total liabilities	(12,372)	(9,153)	(10,653)	(9,001)	<b>(114,807)</b>
	18,341	70,927	71,816	75,249	<b>70,576</b>
Equity contributable to:					
Owners of the Company	11,289	64,162	65,238	68,279	<b>63,540</b>
Non-controlling interests	7,052	6,765	6,578	6,970	<b>7,036</b>
	18,341	70,927	71,816	75,249	<b>70,576</b>





**BAR PACIFIC GROUP HOLDINGS LIMITED**  
**太平洋酒吧集團控股有限公司**