



美捷滙控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

STOCK CODE : 8209



PLACING

SOLE SPONSOR



China Everbright Capital Limited

SOLE BOOKRUNNER AND SOLE LEAD MANAGER



China Everbright Securities (HK) Limited

* for identification purposes only

IMPORTANT

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



美捷滙控股有限公司*

(incorporated in the Cayman Islands with limited liability)

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

Number of Placing Shares : 30,000,000 Shares
**Maximum Placing Price : HK\$1.40 per Placing Share, plus 1.0%
brokerage, 0.003% SFC transaction levy
and 0.005% Stock Exchange trading fee,
payable in full on application subject to
refund on final pricing**
Nominal value : HK\$0.01 per Share
Stock code : 8209

Sole Sponsor



China Everbright Capital Limited

Sole Bookrunner and Sole Lead Manager



China Everbright Securities (HK) Limited

Co-Manager



**太平基業證券有限公司
Pacific Foundation Securities Limited**

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

A copy of this prospectus together with the documents specified in the section headed "Documents Delivered to the Registrar of Companies and Available for Inspection" in Appendix V to this prospectus has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any other documents referred to above.

The Placing Price is expected to be fixed by the Price Determination Agreement between our Company and the Sole Lead Manager (for itself and on behalf of the Underwriters) on the Price Determination Date, which is expected to be on or before Wednesday, 8 January 2014. The Placing Price will not be more than HK\$1.40 per Placing Share and is expected to be not less than HK\$1.00 per Placing Share. If our Company and the Sole Lead Manager (for itself and on behalf of the Underwriters) are unable to reach an agreement on the Placing Price by that date or such later date as agreed by our Company and the Sole Lead Manager (for itself and on behalf of the Underwriters), the Placing will not become unconditional and will not proceed.

Prior to making an investment decision, prospective investors should consider carefully all the information set forth in this prospectus, including but not limited to the risk factors set out in the section headed "Risk Factors" in this prospectus.

The obligations of the Underwriters under the Underwriting Agreement to subscribe for, and to procure places for the subscription for, the Placing Shares, are subject to termination by the Sole Lead Manager (for itself and on behalf of the Underwriters) upon the occurrence of any of the events set out in the section headed "Underwriting — Underwriting Arrangements and Expenses — Grounds for termination" in this prospectus at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date.

CHARACTERISTICS OF GEM

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

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

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

EXPECTED TIMETABLE⁽¹⁾

If there is any change in the following expected timetable, we will issue an announcement to be published on the websites of the Stock Exchange at www.hkexnews.hk and our Company at www.majorcellar.com.

Expected Price Determination Date⁽²⁾ on or before Wednesday, 8 January 2014

Announcement of the determination of the Placing Price and
the level of indication of interest in the Placing to be published

- (a) on the website of the Stock Exchange at www.hkexnews.hk; and
- (b) on our Company's website at www.majorcellar.com⁽³⁾ on or before . Thursday, 9 January 2014

Allotment of the Placing Shares to placees (or their designated person(s))
on or before Thursday, 9 January 2014

Deposit of share certificates for the Placing Shares
into CCASS on or before⁽⁴⁾ & ⁽⁵⁾ Thursday, 9 January 2014

Dealings in the Shares on GEM to commence
at 9:00 a.m. on Friday, 10 January 2014

Notes:

1. Unless otherwise stated, in this prospectus, all times and dates refer to Hong Kong local times and dates.
2. The Price Determination Date is expected to be on or before Wednesday, 8 January 2014. If our Company and the Sole Lead Manager (for itself and on behalf of the Underwriters) are unable to reach an agreement on the Placing Price by that date or such later date as agreed by our Company and the Sole Lead Manager (for itself and on behalf of the Underwriters), the Placing will not become unconditional and will not proceed.
3. None of our website or any of the information contained in our website forms part of this prospectus.
4. The share certificates are expected to be issued in the name of HKSCC Nominees Limited. Share certificates for the Placing Shares to be distributed via CCASS are expected to be deposited into CCASS on or before Thursday, 9 January 2014 for credit to the relevant CCASS Participants' stock accounts or the relevant CCASS Investor Participants' stock accounts designated by the Sole Lead Manager, the placing agents, the placees or their agents (as the case may be). No temporary documents or evidence of title will be issued.
5. The share certificates for the Placing Shares will only become valid certificates of title provided that, prior to 8:00 a.m. (Hong Kong time) on the Listing Date, (a) the Placing has become unconditional in all respects; and (b) the Underwriting Agreement has not been terminated in accordance with its terms and conditions. If the Placing does not become unconditional or the Underwriting Agreement is terminated in accordance with its terms, we will make an announcement as soon as possible.

For details of the structure and conditions of the Placing, you should refer to the section headed "Structure and Conditions of the Placing" in this prospectus.

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IMPORTANT NOTICE TO PROSPECTIVE INVESTORS

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

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

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SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all of the information which may be important to you and is qualified in its entirety by, and should be read in conjunction with, the full text of this prospectus. You should read the whole prospectus including the appendices hereto, which constitute an integral part of this prospectus, before you decide to invest in the Placing Shares.

There are risks associated with any investment. Some of the particular risks in investing in the Placing Shares are summarised in the section headed “Risk Factors” in this prospectus. You should read that section carefully before you decide to invest in the Placing Shares.

Various expressions used in this summary are defined in the sections headed “Definitions” and “Glossary of Technical Terms” in this prospectus.

OVERVIEW

We are a retailer of a wide range of premium wine and spirits products and a personalised wine services provider in Hong Kong. We have approximately five years of operating experience in Hong Kong, engaging in the sale of (i) wine and spirits products, such as Fine Red Wine, Rare and Collectible Red Wine, Value Red Wine, Fine White Wine, Value White Wine, sparkling wine and spirits, as well as (ii) wine accessory products, such as decanters, wine glasses, wine cellars, wine openers, wine books and other wine related products, and (iii) other products such as cigars and other cigars related products. As part of our after-sales customer services, we also provide complimentary personalised wine services, such as wine appreciation consultation services and wine storage consultation services, to our customers.

The table below sets out a breakdown of our revenue by product category during the Track Record Period:

Product category	Year ended 31 March		Five months ended
	2012	2013	31 August 2013
	HK\$'000	HK\$'000	HK\$'000
Wine & spirits products	331,755	266,019	116,702
Wine accessory products	1,515	750	588
Other products	97	64	16
Total	333,367	266,833	117,306

Our outlook on the wine and spirits market in Hong Kong

To the best knowledge of our Directors, the current wine and spirits market in Hong Kong is stable as there is a constant and stable demand for Fine Red Wine or similar red wine, including an increasing demand for Fine Red Wine from Burgundy, which we maintain an extensive collection. See “Risk Factors — Risks relating to our industry” for further details of some of the material risks and uncertainties relating to our industry.

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OUR PRODUCTS PORTFOLIO

Our products portfolio consists of (i) wine and spirits products, (ii) wine accessory products, and (iii) other products. We generated revenue from our wine and spirits products, wine accessory products and other products of approximately 99.5%, 0.5% and 0.03% of our total revenue, respectively, for the year ended 31 March 2012; approximately 99.7%, 0.3% and 0.02% of our total revenue, respectively, for the year ended 31 March 2013; and approximately 99.5%, 0.5% and 0.01% of our total revenue, respectively, for the five months ended 31 August 2013.

Our wine and spirits products accounted for approximately 99.5%, 99.7% and 99.5% of our total revenue for the years ended 31 March 2012 and 31 March 2013 and the five months ended 31 August 2013, respectively, and comprise red wine, white wine, sparkling wine and spirits. We categorise our red wine into Fine Red Wine, Rare and Collectible Red Wine and Value Red Wine, which is in line with the categorisations commonly adopted in respect of red wine within the wine and spirits industry. Red wine is our primary product accounting for approximately 96.6%, 94.7% and 93.3% of our total revenue for the years ended 31 March 2012 and 31 March 2013 and the five months ended 31 August 2013, respectively. Our red wine portfolio consists of over 6,000 types of Fine Red Wine, Rare and Collectible Red Wine and Value Red Wine, which spans across approximately 30 vintages and includes selected old vintages such as Latour 1899. We sell red wine from various countries of origin, including France, the United States, Italy, Spain and Chile, and across various Appellations, including Margaux and Pessac Leognan of France. We source red wine of various classifications including Premier cru and Grand cru and of different volumes ranging from 375 *ml.* to 27 *l.*. The retail prices of our red wine range from approximately HK\$50 to HK\$388,000 for a regular 750 *ml.* bottle. We categorise our white wine into Fine White Wine and Value White Wine, which is in line with the categorisations commonly adopted in respect of white wine in the wine and spirits industry. Our white wine portfolio consists of approximately 600 types of Fine White Wine and Value White Wine, which spans across approximately 30 vintages and includes selected old vintages such as Leroy Montrachet Blanc 1966. We sell white wine from various countries of origin, including France, the United States, Australia and Italy. We source white wine of various classifications including Premier cru and Grand cru and of different volumes ranging from 375 *ml.* to 6 *l.*. The retail prices of our white wine range from approximately HK\$60 to HK\$70,000 for a regular 750 *ml.* bottle. Our sparkling wine portfolio comprises mostly champagne and consists of approximately 100 types of champagne and includes selected old vintages such as Dom Perignon Oenotheque 1962. The retail prices of our sparkling wine range from approximately HK\$60 to HK\$40,000 for a regular 750 *ml.* bottle. Our spirits portfolio comprises mostly cognac and whisky with retail prices ranging from approximately HK\$500 to HK\$238,000 for a regular 750 *ml.* bottle.

Our wine accessory products accounted for approximately 0.5%, 0.3% and 0.5% of our total revenue for the years ended 31 March 2012 and 31 March 2013 and the five months ended 31 August 2013, respectively.

Our other products accounted for approximately 0.03%, 0.02% and 0.01% of our total revenue for the years ended 31 March 2012 and 31 March 2013 and the five months ended 31 August 2013, respectively.

See “Business — Our products portfolio” for further details.

SALE

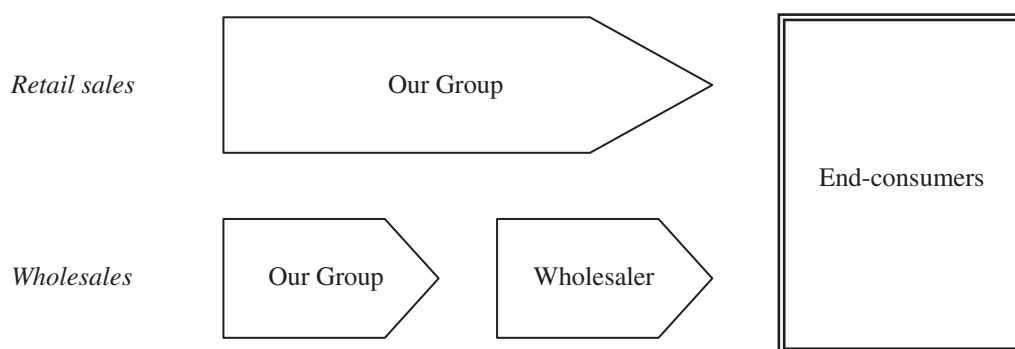
Our products are offered for sale in Hong Kong only and by means of retail sales and wholesales. We classify sales to our retail customers, being the end-consumers, as retail sales, and sales to our wholesale customers, being third party retailers who will re-sell our products in the course of their businesses, as wholesales.

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The revenue attributable to our retail sales for the years ended 31 March 2012 and 31 March 2013 and the five months ended 31 August 2012 (unaudited) and 31 August 2013 was approximately HK\$297.2 million, HK\$248.2 million, HK\$103.3 million and HK\$109.4 million, respectively, and the revenue attributable to our wholesales for the years ended 31 March 2012 and 31 March 2013 and the five months ended 31 August 2012 (unaudited) and 31 August 2013 was approximately HK\$36.1 million, HK\$18.6 million, HK\$4.8 million and HK\$7.9 million, respectively.

As at the Latest Practicable Date, we operated in Hong Kong (i) one retail showroom, which serves as our retail store for walk-in customers and our showroom where we display some of our most prestigious wine and spirits products, and (ii) one office premises, which serves as our headquarters to oversee our overall business operations, and handles all of our administrative matters, including liaisons with regards to customers' purchase orders and signing of purchase contracts that are not executed at our retail showroom. See "Business — Sale" for further details.

The table below illustrates the flow of our wine and spirits products from our Group to the end-consumers under our business model:



See "Business — Our business model" for further details.

OUR CUSTOMERS

We differentiate our customers by reference to end-consumers and we classify end-consumers of our wine and spirits products as our retail customers and third party retailers who will re-sell our wine and spirits products in the course of their businesses as our wholesale customers.

Our primary retail customers comprise individual wine collectors, retail consumers and business corporations and our primary wholesale customers comprise wine traders and catering businesses, such as hotels, restaurants and private clubs. For the years ended 31 March 2012 and 31 March 2013 and the five months ended 31 August 2013, the total sales to our five largest customers represented approximately 29.3%, 34.6% and 40.2% of our total revenue during the same periods, respectively, the total sales to our 10 largest customers represented approximately 37.1%, 39.5% and 47.9% of our total revenue during the same periods, respectively, and the total sales to each of our single largest customer represented approximately 17.2%, 15.6% and 30.7% of our total revenue during the same periods, respectively. Based on information available to our Directors, our five largest customers for the years

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ended 31 March 2012 and 31 March 2013 and the five months ended 31 August 2013 are corporate customers, retail customers, restaurants and individual wine collectors, whom we have developed business relationships for over a year. See “Business — Our customers” for further details.

OUR SUPPLIERS

Sourcing is the process whereby we compile our wine and spirits products portfolio, which is conducted by means of internal selection, customer pre-ordering and supply arrangements. We source from our suppliers, including our major suppliers, on an order-by-order basis. We typically select our suppliers of wine and spirits products based on their reputation for product quality and supply reliability, history of operations, size of business, overall reputation, ability to procure delivery on a timely basis, products portfolio, stock inventories, market demand of the wine and spirits products supplied by such suppliers, and promotions offered by the suppliers.

For the years ended 31 March 2012 and 31 March 2013 and the five months ended 31 August 2013, the purchase from our five largest suppliers of wine and spirits products represented approximately 38.1%, 37.6% and 42.3% of our total purchase during the same periods, respectively, the purchase from our 10 largest suppliers of wine and spirits products represented approximately 56.5%, 55.2% and 57.9% of our total purchase during the same periods, respectively, and the purchase from our single largest supplier represented approximately 11.2%, 11.1% and 13.3% of our total purchase during the same periods, respectively. Based on the information available to our Directors, our five largest suppliers for the years ended 31 March 2012 and 31 March 2013 and the five months ended 31 August 2013 are wholesalers and auction house. See “Business — Our suppliers” for further details.

OUR COMPETITIVE STRENGTHS

We believe our success is attributed to, among others, the following competitive strengths: (i) we provide one-stop services for a vast array of wine and spirits related products; (ii) we have a strong management team with a proven track record and a multi-functional sales team comprising 14 wine consultants; (iii) we have well-established and stable relationships with our major suppliers forming our extensive supply network; (iv) we sell a broad variety of brands of wine and spirits products targeting at different customers; and (v) we have an established presence in the fast-growing wine and spirits industry in Hong Kong, and we have maintained a broad and loyal customer base. See “Business — Our competitive strengths” for further details.

OUR BUSINESS STRATEGIES

We intend to continue our business diversification and strive to obtain a leading position in the wine and spirits industry in Hong Kong. We intend to achieve these goals by pursuing the following business strategies: (i) we plan to expand our existing supply arrangements and diversify our existing wine products portfolio with the objectives of broadening our existing customer base and our existing market share and position in the wine and spirits industry in Hong Kong; (ii) we will continue to enhance consumer awareness of our wine and spirits products and promote our corporate image, recognition and brand reputation; (iii) we will continue to develop and enhance our customer communication and interaction, strengthening our sales of wine and spirits in Hong Kong, and thereby

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maintaining our market position in the wine and spirits industry in Hong Kong; (iv) we will continue to expand and explore additional products and services to amplify our one-stop services to our customers; and (v) we will retain, develop and attract high-quality talent. See “Business — Our business strategies” for further details.

RECENT DEVELOPMENT

For the eight months ended 30 November 2013, we recorded a revenue of approximately HK\$180.7 million, being approximately 19.6% higher than the revenue of approximately HK\$151.1 million for the same period in 2012. The increase was mainly attributable to the increase in the sales of Fine Red Wine during the eight months ended 30 November 2013. As at 30 November 2013, our net current assets amounted to approximately HK\$78.2 million, representing a decrease of approximately 19.7% compared to our audited net current assets as at 31 March 2013 of approximately HK\$97.4 million. The decrease was primarily attributable to the settlement of dividends declared in the amount of HK\$22.6 million during the five months ended 31 August 2013.

As at the Latest Practicable Date, we did not have any significant non-recurrent items in our income statement.

As at 30 November 2013, our Group had obtained banking facilities of approximately HK\$20.0 million, of which approximately HK\$0.1 million was unutilised. Taking into account of the financial resources available to our Group, including the expected cash to be generated from our operations, the available banking facilities and the estimated net proceeds from the Placing, our Directors consider that we have sufficient working capital for our operations for at least the next 12 months from the date of this prospectus.

The following table sets out the information on the balance as at 31 March 2013, subsequent utilisation or settlement up to 30 November 2013 and outstanding as at 30 November 2013 in respect of our inventories, trade receivables, trade deposits paid and trade deposits received:

	Balance as at 31 March 2013	Subsequent utilisation/ settlement up to 30 November 2013	Outstanding as at 30 November 2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Inventories	85,614	52,192	33,422
Trade receivables	12,565	12,344	221
Trade deposits paid	38,439	22,258	16,181
Trade deposits received	35,556	22,714	12,842

For the eight months ended 30 November 2013, (i) our gross profit margin amounted to approximately 20.0%, representing a slight decrease of approximately 0.4% compared to our gross profit margin amounted to approximately 20.4% for the same period in 2012; (ii) our average cost of sales of our wine and spirits products amounted to approximately HK\$1,850 per bottle, representing an increase of approximately 18.7% compared to our average cost of sales of our wine and spirits products of HK\$1,558 per bottle for the same period in 2012; and (iii) our average selling price of our wine and spirits products amounted to approximately HK\$2,312 per bottle, representing an increase of approximately 18.1% compared to our average selling price of our wine and spirits products of HK\$1,957 per bottle for the same period in 2012.

SUMMARY

Our price trend during the Track Record Period was consistent with the trend that the market researchers forecasted. The gross profit margin for the eight months ended 30 November 2013 maintained at approximately 20.0% compared to the same period in 2012. In particular, the gross profit margin of our Fine Red Wine, which constituted the largest portion of our revenue during the Track Record Period, increased from approximately 13.6% for the year ended 31 March 2012 to approximately 17.9% for the year ended 31 March 2013. Such increase was attributable to the increase in average selling price of Fine Red Wine, which reflected a higher mark-up on the selling prices and the average selling price of our Fine Red Wine during the eight months ended 30 November 2012 and 30 November 2013 were approximately HK\$2,900 per bottle and HK\$3,300 per bottle, respectively. The gross profit margin of our Fine Red Wine remained at approximately 17.6% for the eight months ended 30 November 2013.

For the eight months ended 30 November 2013, the sales volume of our wine and spirits products was approximately 77,000 bottles. The following table sets out a breakdown of the average cost per bottle/item and the average selling price per bottle/item for each of our product category for the eight months ended 30 November 2013:

Our Products	Average cost per bottle/item	Average Selling price per bottle/item
	HK\$	HK\$
<i>WINE & SPIRITS PRODUCTS</i>		
<i>Red wine</i>		
- Fine Red Wine	2,730	3,318
- Rare and Collectible Red Wine	46,231	60,503
- Value Red Wine	188	267
<i>White wine</i>		
- Fine White Wine	1,771	2,374
- Value White Wine	239	355
<i>Sparkling wine</i>	429	560
<i>Spirits</i>	4,129	6,413
<i>WINE ACCESSORY PRODUCTS</i>		
<i>Decanters, wine glasses, wine cellars, wine openers, wine books and other wine related products</i>	454	596
<i>OTHER PRODUCTS</i>		
<i>Cigars and other cigars related products</i>	126	192

During the eight months ended 30 November 2012, the average cost per bottle and the average selling price per bottle of our spirits were HK\$8,610 and HK\$13,299, respectively. During the eight months ended 30 November 2013, the average cost per bottle and the average selling price per bottle of our spirits were HK\$4,129 and HK\$6,413, respectively. The fluctuations of the average cost per bottle and the average selling price per bottle in respect of spirits were attributable to the increase in the sale of lower-priced spirits during the eight months ended 30 November 2013. Except for spirits, our Directors confirm that there were no material fluctuations of the average cost per bottle/item and the average selling price per bottle/item in respect of each of our wine and spirits products, wine accessory products and other products between the periods comprising the eight months ended 30 November 2012 and 2013.

Our Directors confirm that (i) so far as they are aware, there are no material adverse changes in the market conditions or the industry and environment in which we operate that materially and

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adversely affect our financial or operating position since 31 August 2013 and up to the Latest Practicable Date, (ii) there has been no material adverse change in the trading and financial positions or prospects of our Group since 31 August 2013 and up to the date of this prospectus, and (iii) no event has occurred since 31 August 2013 and up to the Latest Practicable Date that would materially and adversely affect the information shown in the Accountants' Report set out in Appendix I to this prospectus.

MATERIAL NON-COMPLIANCE INCIDENTS

During the Track Record Period, there were certain incidents of material non-compliance with applicable laws and regulations, including non-compliances with the Inland Revenue Ordinance, the Companies Ordinance, the Mandatory Provident Fund Scheme Ordinance and the Buildings Ordinance. See "Business — Material non-compliance incidents" for further details. Our Directors are of the view that (i) adequate provisions had been made in respect of the non-compliance incidents and (ii) these incidents of non-compliance, whether individually or collectively, will not have a material operational or financial impact on us.

FINANCIAL INFORMATION

Our financial year commences on 1 April and concludes on 31 March of the following year. The following tables summarise our consolidated financial information as at, and for the years ended 31 March 2012 and 31 March 2013 and the five months ended 31 August 2012 (unaudited) and 31 August 2013. See the section headed "Financial Information" for further details. We have extracted this summary financial information from the Accountants' Report, and you should read the summary of the financial information in conjunction with our consolidated financial statements for each of the two financial years ended 31 March 2013 and the five months ended 31 August 2012 (unaudited) and 31 August 2013, including the notes thereto as set out in our Accountants' Report in Appendix I to this prospectus.

Summary of consolidated statement of profit or loss and other comprehensive income

	Year ended 31 March		Five months ended 31 August	
	2012	2013	2012	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			<i>(unaudited)</i>	
Revenue	333,367	266,833	108,095	117,306
Cost of sales	(279,136)	(206,187)	(86,252)	(93,021)
Gross profit	54,231	60,646	21,843	24,285
Profit and total comprehensive income for the year/period attributable to owners of our Company	7,402	23,544	7,511	2,597

Our total revenue decreased by approximately 20.0% from approximately HK\$333.4 million for the year ended 31 March 2012 to approximately HK\$266.8 million for the year ended 31 March 2013. Our total revenue increased by approximately 8.5% from approximately HK\$108.1 million for the five months ended 31 August 2012 (unaudited) to approximately HK\$117.3 million for the five months ended 31 August 2013. See "Financial Information — Summary of consolidated results of operations" for further details.

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Gross profit and gross profit margin

Our gross profit increased by approximately 11.8% from approximately HK\$54.2 million for the year ended 31 March 2012 to approximately HK\$60.6 million for the year ended 31 March 2013, and our gross profit margin increased by approximately 6.4% from a gross profit margin of approximately 16.3% for the year ended 31 March 2012 to 22.7% for the year ended 31 March 2013. Our gross profit increased by approximately 11.2% from approximately HK\$21.8 million for the five months ended 31 August 2012 (unaudited) to approximately HK\$24.3 million for the five months ended 31 August 2013 and our gross profit margin increased from approximately 20.2% for the five months ended 31 August 2012 (unaudited) to approximately 20.7% for the five months ended 31 August 2013. See “Financial Information — Review of historical results of operations — Gross profit and gross profit margin” for further details.

Profit and total comprehensive income for the year/period attributable to owners of our Company

Our profit and total comprehensive income for the year attributable to owners of our Company increased by approximately 218.1% from approximately HK\$7.4 million for the year ended 31 March 2012 to approximately HK\$23.5 million for the year ended 31 March 2013. Our profit and total comprehensive income for the period attributable to owners of our Company decreased by approximately 65.4% from approximately HK\$7.5 million for the five months ended 31 August 2012 (unaudited) to approximately HK\$2.6 million for the five months ended 31 August 2013. Our net profit margin for the years ended 31 March 2012 and 31 March 2013 were 2.2% and 8.8%, respectively. Our net profit margin decreased from 6.9% for the five months ended 31 August 2012 (unaudited) to 2.2% for the five months ended 31 August 2013. See “Financial Information — Review of historical results of operations — Year ended 31 March 2013 compared to year ended 31 March 2012 — Profit and total comprehensive income for the year attributable to owner of our Company” and “Financial Information — Review of historical results of operations — Five months ended 31 August 2013 compared to five months ended 31 August 2012 (unaudited) — Profit and total comprehensive income for the period attributable to owners of our Company” for further details.

Summary of financial ratios

The table below sets out a summary of our key financial ratios for the years ended 31 March 2012 and 31 March 2013 and the five months ended 31 August 2013 and should be read in conjunction with the Accountants’ Report in Appendix I to this prospectus.

	Year ended 31 March		Five months ended
	2012	2013	31 August 2013
Gross profit margin	16.3%	22.7%	20.7%
Net profit margin	2.2%	8.8%	2.2%
Return on equity	14.8%	22.7%	3.1%
Current ratio	1.2	2.2	2.1
Gearing ratio	99.3%	38.0%	41.7%
Trade receivables turnover days	19 days	14 days	23 days

SUMMARY

See “Financial Information — Summary of key financial ratios” for further details.

Dividend policy

During the five months ended 31 August 2013, which was prior to the Reorganisation, we declared a dividend in the aggregate amount of HK\$22.6 million to the shareholders of Major Cellar at the relevant time.

Our Directors will declare dividends, if any, in Hong Kong dollars with respect to our Shares on a per share basis and will pay such dividends in Hong Kong dollars. Any final dividend for a fiscal year will be subject to our Shareholders’ approval. Prospective investors should note that historical dividend distributions are not indicative of our future dividend distribution policy. See “Financial Information — Dividends and dividend policy” for further details.

Working capital

Our Directors confirm that, taking into account the financial resources available to us, including internally generated funds, banking facilities available to us and the estimated net proceeds from the Placing, our working capital is sufficient for our present requirements, including the estimated capital expenditures, that is, for at least 12 months commencing from the date of this prospectus.

Off-balance sheet arrangements

We did not have any outstanding off-balance sheet guarantees, interest rate swap transactions, foreign currency and commodity forward contracts or other off-balance sheet arrangements during the Track Record Period. We do not engage in trading activities involving non-exchange traded contracts. In the course of our normal business, we do not enter into transactions involving, or otherwise form relationships with, unconsolidated entities or financial partnerships that are established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

No material adverse change

Our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position since 31 August 2013, being the end of the period reported on in the Accountants’ Report.

THERE ARE CERTAIN RISKS AND UNCERTAINTIES RELATING TO AN INVESTMENT IN OUR SHARES, DETAILS OF WHICH ARE SET OUT IN THE SECTION HEADED “RISK FACTORS” IN THIS PROSPECTUS.

PLACING STATISTICS

	Based on the Placing Price of HK\$1.00 per Placing Share	Based on the Placing Price of HK\$1.40 per Placing Share
Market capitalisation of the Share (<i>Note 1</i>)	HK\$120 million	HK\$168 million
Unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to owners of our Company per share (<i>Note 2</i>)	HK\$0.87	HK\$0.97

SUMMARY

Notes:

- (1) The calculation of the market capitalisation of the Shares is based on the respective Placing Prices of HK\$1.00 and HK\$1.40 per Placing Share and 120,000,000 Shares in issue immediately after completion of the Placing and the Capitalisation Issue, but takes no account of (i) any Share which may fall to be allotted and issued pursuant to the general mandate for the allotment and issue of Shares or any Shares which may be repurchased by our Company pursuant to the general mandate for repurchase of Shares referred to in the paragraph headed “Resolutions in writing of all the Shareholders passed on 30 December 2013” in Appendix IV to this prospectus; and (ii) any Shares which may be allotted and issued pursuant to the exercise of any options that may be granted under the Share Option Scheme.
- (2) The unaudited pro forma adjusted consolidated net tangible asset value per Share has been arrived at after the adjustments referred to in the section headed “Financial Information” in this prospectus, and on the basis of the respective Placing Prices of HK\$1.00 and HK\$1.40 per Placing Share and 120,000,000 Shares in issue immediately following completion of the Placing and the Capitalisation Issue but taking no account of any Shares which may be allotted and issued pursuant to the exercise of any options that may be granted under the Share Option Scheme.

REASONS FOR THE PLACING

We believe that the Placing will enhance our profile, strengthen our competitiveness and financial position, and provide us with additional working capital to implement the future plans set out in “Business — Our business strategies” and “Statement of Business Objectives and Use of Proceeds — Implementation Plans”.

USE OF PROCEEDS

The net proceeds from the Placing, are estimated to be approximately HK\$19.3 million after deducting the underwriting commission and total listing expenses in the amount of approximately HK\$16.7 million, payable by our Company from the gross proceeds from the Placing, and based on the Placing Price of HK\$1.20 per Placing Share, being the mid-point of the Placing Price range stated in this prospectus.

We intend to apply the aforesaid net proceeds in the following manner:

- (i) approximately 70% of the total estimated net proceeds, or approximately HK\$13.5 million, will be used to increase wine and spirits stock inventory and to expand our existing collection of wine and spirits products;
- (ii) approximately 20% of the total estimated net proceeds, or approximately HK\$3.9 million, will be used for the expansion of our point of sales in the Hong Kong market by opening one new retail showroom; and
- (iii) the remaining 10% of the total estimated net proceeds, or approximately HK\$1.9 million, will be used for the funding of our working capital and other general corporate uses.

The above allocation of the proceeds will be adjusted on a pro rata basis in the event that the Placing Price is fixed at a higher or lower level compared to the mid-point of the estimated Placing Price range.

See the section headed “Statement of Business Objectives and Use of Proceeds” for further details.

DEFINITIONS

In this prospectus, unless the context otherwise requires, the following terms shall have the meanings set out below. Certain technical terms are explained in the section headed “Glossary of Technical Terms” in this Prospectus.

“Articles of Association” or “Articles”	the articles of association of our Company, conditionally adopted on 30 December 2013 and to take effect on the Listing Date, as supplemented, amended or otherwise modified from time to time, a summary of which is contained in Appendix III to this prospectus
“associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Authorised Person”	a person whose name is on the authorised persons’ register kept under Section 3 of the Buildings Ordinance
“Beyond Elite”	Beyond Elite Limited, a company incorporated in the BVI with limited liability on 21 March 2013 and a direct wholly owned subsidiary of our Company
“Board”	our board of Directors
“Buildings Department”	the Buildings Department of Hong Kong
“Buildings Ordinance”	the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“business day”	any day (other than a Saturday, Sunday or public holiday in Hong Kong) on which banks in Hong Kong are generally open for normal banking business
“BVI”	the British Virgin Islands
“CAGR”	compound annual growth rate
“Capitalisation Issue”	the issue of new Shares to be made upon capitalisation of the share premium account of our Company as referred to in the paragraph entitled “— Resolutions in writing of all the Shareholders passed on 30 December 2013” in Appendix IV to this prospectus
“Cayman Share Registrar”	Codan Trust Company (Cayman) Limited
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant(s)”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant

DEFINITIONS

“CCASS Custodian Participant(s)”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant(s)”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant(s)”	a CCASS Clearing Participant, CCASS Custodian Participant or CCASS Investor Participant
“CHF”	Swiss Franc, the lawful currency of the Swiss Confederation and the Principality of Liechtenstein
“China” or the “PRC”	the People’s Republic of China and, except where the context otherwise requires and only for the purpose of this prospectus, references to China or the PRC exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“China Everbright” or “Sole Sponsor”	China Everbright Capital Limited, a corporation licensed to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO, being the sole sponsor to the Placing
“China Everbright Securities” or “Sole Bookrunner” or “Sole Lead Manager”	China Everbright Securities (HK) Limited, a corporation licensed to carry out type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO, being the sole bookrunner and sole lead manager to the Placing
“Commissioner”	the Commissioner of Inland Revenue of the Inland Revenue Department
“Companies Law”	the Companies Law (Chapter 22 of the Cayman Islands (Law 3 of 1961, as consolidated and revised)), as amended, supplemented or otherwise modified from time to time
“Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company” or “our Company”	Major Holdings Limited (美捷滙控股有限公司*), a company incorporated in the Cayman Islands as an exempted company with limited liability on 2 April 2013
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules

DEFINITIONS

“Controlling Shareholder(s)”	has the meaning ascribed thereto under the GEM Listing Rules and, for the purpose of this prospectus, refers to Silver Tycoon, High State Investments, Mr. Cheung and Mr. Leung
“Customs and Excise Department”	the Customs and Excise Department of Hong Kong
“Dutiable Commodities (Liquor) Regulations”	the Dutiable Commodities (Liquor) Regulations (Chapter 109B of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Dutiable Commodities Ordinance”	the Dutiable Commodities Ordinance (Chapter 109 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Dutiable Commodities Regulations”	the Dutiable Commodities Regulations (Chapter 109A of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Deed of Indemnity”	the deed of indemnity dated 30 December 2013 executed by our Controlling Shareholders in favour of our Company (for ourselves and as trustee for each of our subsidiaries from time to time), as described in the paragraph headed “Tax and other indemnities” in Appendix IV to this prospectus
“Deed of Non-competition”	a deed of non-competition dated 30 December 2013 executed by our Controlling Shareholders in favour of our Company (for ourselves and as trustee of each of our subsidiaries from time to time), particulars of which are summarised in the section headed “Relationship with our Controlling Shareholders” and the paragraph headed “Tax and other indemnities” in Appendix IV to this prospectus
“Director(s)”	the director(s) of our Company
“EUR”	the lawful currency of the member states of the European Union
“Euromonitor”	Euromonitor International (Asia) Pte. Ltd.
“Euromonitor Report (HK)”	a detailed study of the market potential and opportunities for alcoholic drinks in Hong Kong prepared by Euromonitor, but not commissioned by us
“Euromonitor Report (PRC)”	a detailed study of the market potential and opportunities for alcoholic drinks in the PRC prepared by Euromonitor, but not commissioned by us

DEFINITIONS

“GBP”	the British pound sterling, the lawful currency of the United Kingdom
“GDP”	gross domestic product
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM, as amended, supplemented or otherwise modified from time to time
“Group” or “our Group”	our Company together with our subsidiaries or, where the context refers to any time prior to its incorporation, the business in which the predecessors of its present subsidiaries were engaged and which were subsequently assumed by such subsidiaries pursuant to the Reorganisation
“Guobangxing”	Shanwei City Guobangxing Clothing Company Limited* (汕尾市國邦興服裝有限公司), a company incorporated in PRC on 17 June 2008, which was wholly owned by Nation Bond prior to the Reorganisation
“High State Investments”	High State Investments Limited, a company incorporated in the BVI with limited liability on 8 February 2013 and wholly owned by Mr. Leung, being one of our Controlling Shareholders
“HKFRSs”	Hong Kong Financial Reporting Standards
“HKICPA”	Hong Kong Institute of Certified Public Accountants
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a subsidiary of Hong Kong Exchanges & Clearing Ltd
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong dollar(s)” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong Share Registrar”	Tricor Investor Services Limited
“HKTDC”	the Hong Kong Trade Development Council
“l.”	litre(s)

DEFINITIONS

“Independent Third Party(ies)”	individuals, company(ies) or party(ies) who is/are independent and not connected with (within the meaning of the GEM Listing Rules) any directors, chief executive or substantial shareholders of our Company, our subsidiaries or any of their respective associates
“Inland Revenue Department”	the Inland Revenue Department of Hong Kong
“Inland Revenue Ordinance”	the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Latest Practicable Date”	30 December 2013, being the latest practicable date for ascertaining certain information in this prospectus prior to the printing of this prospectus
“Listing”	the listing and the commencement of dealings of our Shares on GEM
“Listing Date”	the date on which our Shares are listed and dealings in our Shares first commence on GEM, which is expected to be on or about Friday, 10 January 2014
“Listing Division”	the Listing Division of the Stock Exchange for GEM
“Major Aim”	Major Aim Limited, a company incorporated in Hong Kong on 22 October 2009 of which 50% of its shareholding interest was held by Mr. Leung on trust for Major Cellar and the remaining 50% was held by Mr. Shum Man Kit, an independent third party. Major Aim was subsequently disposed of by Major Cellar on 3 July 2013
“Major Cellar”	Major Cellar Company Limited, a company incorporated in Hong Kong with limited liability on 25 September 2009, which is wholly owned by Beyond Elite, and an indirect wholly owned subsidiary of our Company
“Major Investment”	Major Investment Holding Limited, a company incorporated in Hong Kong with limited liability on 14 May 2010, which is wholly owned by Mr. Cheung
“MPF”	The Mandatory Provident Fund, a compulsory pension scheme for the residents of Hong Kong
“Mandatory Provident Fund Schemes Authority”	Mandatory Provident Fund Schemes Authority of Hong Kong

DEFINITIONS

“Mandatory Provident Fund Schemes Ordinance”	the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Memorandum of Association” or “Memorandum”	the memorandum of association of our Company as currently adopted and as supplemented, amended or otherwise modified from time to time, a summary of which is contained in Appendix III to this prospectus
“ml.”	millilitre(s)
“Mr. Cheung”	Mr. Cheung Chun To, an executive Director and a Controlling Shareholder
“Mr. Leung”	Mr. Leung Chi Kin Joseph, an executive Director and a Controlling Shareholder
“Nation Bond”	Nation Bond Inc. Limited, a company incorporated in Hong Kong on 10 March 2008, which was the wholly-owned subsidiary of Major Cellar and the sole shareholder of Guobangxing. Nation Bond was subsequently disposed of by Major Cellar on 31 May 2013
“Placing”	the conditional placing of the Placing Shares by the Sole Lead Manager and the Underwriters on behalf of our Company at the Placing Price, as described in the section headed “Structure and Conditions of the Placing” in this prospectus
“Placing Price”	the final price per Placing Share which will not be more than HK\$1.40 per Placing Share and not less than HK\$1.00 per Placing Share (exclusive of brokerage of 1.0%, the Stock Exchange trading fee of 0.005% and the SFC transaction levy of 0.003%), such price to be agreed upon by our Company and the Sole Lead Manager (for itself and on behalf of the Underwriters) on or before the Price Determination Date at which the Placing Shares are to be subscribed pursuant to the Placing
“Placing Shares”	the 30,000,000 new Shares being offered by our Company for subscription under the Placing
“PRC Government Initiatives”	the frugality campaign and/or other policies relating to the wine industry launched by the PRC government

DEFINITIONS

“Price Determination Agreement”	the agreement to be entered into by the Sole Lead Manager (for itself and on behalf of the Underwriters) and us on the Price Determination Date to determine the Placing Price
“Price Determination Date”	the date, which is expected to be on or before Wednesday, 8 January 2014, on which the Placing Price is to be fixed by agreement between our Company and the Sole Lead Manager (for itself and on behalf of the Underwriters) for the purposes of the Placing
“Reorganisation”	the corporate reorganisation of our Group in preparation for the Listing, as described in the sections headed “History, Reorganisation and Corporate Structure” in this prospectus and “Statutory and General Information — Further Information about Our Company and its Subsidiaries — 4. Group reorganisation” in Appendix IV to this prospectus
“Rouge & Blanc”	Rouge & Blanc Wines Limited, a company incorporated in Hong Kong on 27 December 2007, which was the predecessor of Major Cellar
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share Option Scheme”	the share option scheme of our Company conditionally adopted on 30 December 2013, the principal terms of which are summarised in the section headed “Statutory and General Information — Share Option Scheme” in Appendix IV to this prospectus
“Shareholder(s)”	the holder(s) of our Shares
“Shares”	ordinary shares with a nominal value of HK\$0.01 each in the share capital of our Company, which are to be traded in Hong Kong dollars and listed on GEM
“Silver Tycoon”	Silver Tycoon Limited, a company incorporated in the BVI with limited liability on 23 November 2012 and wholly owned by Mr. Cheung, being one of our Controlling Shareholders
“sq. ft.”	square foot
“sq. m.”	square metre
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the GEM Listing Rules

DEFINITIONS

“substantial shareholder(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Track Record Period”	the period comprising the two financial years ended 31 March 2012 and 2013 and the five months ended 31 August 2013
“Underwriters”	the underwriters of the Placing set out in the section headed “Underwriting — Underwriters” in this prospectus
“Underwriting Agreement”	the underwriting agreement to be entered into among our Company, our executive Directors, the Sole Lead Manager and the Underwriters relating to the Placing on or about Monday, 6 January 2014
“USD” or “U.S. dollar(s)” or “US\$”	United States dollars, the lawful currency of the United States of America
“we”, “us” or “our”	our Company or our Group (as the context may require)
“%”	per cent.

* *for identification purpose only*

GLOSSARY OF TECHNICAL TERMS

This glossary contains explanations of certain terms used in this prospectus in the context of our business and operations. These terms and their given meanings may not correspond to standard industry meanings or usage.

“Appellation(s)”	a legally defined and protected geographical indication used to identify where the grapes for a wine were grown
“Celsius”	a scale and unit of measurement for temperature
“Champagne”	a sparkling wine produced from grapes grown in the Champagne region of France following rules that demand secondary fermentation of the wine in the bottle to create carbonation
“drinking-window plateau”	the period of maturity and approachability
“Fine Red Wine”	red wine with unit retail prices ranging from HK\$800 to HK\$20,000 per 750 ml. bottle, as classified based on our own categorisation
“Fine White Wine”	white wine with unit retail prices above HK\$800 per 750 ml. bottle, as classified based on our own categorisation
“Grand cru”	a French wine term corresponding to “Great Growth” which can be used to refer to classified vineyards, wineries and wine, with different meanings in different wine regions
“Hong Kong International Wine and Spirits Fair”	a wine and spirits trade fair organised by the HKTDC, scheduled to be held in Hong Kong annually
“Liquor”	any liquid which contains more than 1.2% of ethyl alcohol by volume except denatured spirits; any liquid that is an ingredient in any goods, if that liquid cannot be converted to pure ethyl alcohol or to an intoxicating liquor or if such a conversion would not be economical
“Premier cru”	a French wine term corresponding to “First Growth” which can be used to refer to classified vineyards, wineries and wine, with different meanings in different wine regions
“quintal”	a unit of weight, which is equal to 100 kilograms
“Rare and Collectible Red Wine”	red wine with unit retail prices generally above HK\$20,000 per 750 ml. bottle, as classified based on our own categorisation

GLOSSARY OF TECHNICAL TERMS

“Value Red Wine”	red wine with unit retail prices falling below HK\$800 per 750 <i>ml.</i> bottle, as classified based on our own categorisation
“Value White Wine”	white wine with unit retail prices falling below HK\$800 per 750 <i>ml.</i> bottle, as classified based on our own categorisation
“vintage”	the yield of wine or grapes from a vineyard or district during a single specified year
“WSET”	The Wine & Spirits Education Trust, an organisation which provides courses and exams in the field of wine and spirits

FORWARD-LOOKING STATEMENTS

We have included in this prospectus forward-looking statements that are not historical facts but relate to our intentions, beliefs, expectations or predictions for future events and conditions which may not occur. Even though these statements have been made by our Directors after due and careful consideration and on bases and assumptions fair and reasonable at the time, they nevertheless involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Some of the risks are listed in the section headed “Risk Factors” and elsewhere in this prospectus. In some cases, you can identify these forward-looking statements by words such as “aim”, “anticipate”, “believe”, “continue”, “could”, “expect”, “intend”, “may”, “might”, “plan”, “potential”, “predict”, “project”, “propose”, “seek”, “should”, “will”, “would” or similar expressions, or their negatives. These forward-looking statements include, without limitation, statements relating to:

- our business prospects;
- our business objectives, business strategies and implementation plans;
- the regulatory environment of our industry in general;
- our ability to maintain our existing relationships with our major customers and major suppliers;
- our future business development, results of operations and financial condition;
- our planned use of proceeds;
- future development and trends in our industry; and
- risks identified under the section headed “Risk Factors” in this prospectus.

We do not guarantee that the transactions and events described in the forward-looking statements in this prospectus will happen as described, or at all. Actual outcomes may differ materially from the information contained in the forward-looking statements as a result of a number of factors, including, without limitation, the risks and uncertainties set forth in the section headed “Risk Factors” in this prospectus. You should read this prospectus in its entirety and with the understanding that actual future results may be materially different from what we expect. The forward-looking statements made in this prospectus relate only to events as at the date on which the statements are made or, if obtained from third-party studies or reports, the dates of the respective studies or reports. Since we operate in an evolving environment where new risks and uncertainties may emerge from time to time, you should not rely upon forward-looking statements as predictions of future events. We undertake no obligation, beyond what is required by law to update any forward-looking statement to reflect events or circumstances after the date on which the statement is made even when our situation may have changed.

FORWARD-LOOKING STATEMENTS

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

RISK FACTORS

You should carefully consider all of the information in this prospectus including the risks and uncertainties described below before making an investment in our Shares. Our business, financial condition and results of operations could be materially and adversely affected by any of these risks and uncertainties. The trading price of our Shares could decline due to any of these risks, and you may lose all or part of your investment.

We believe that there are certain risks and uncertainties involved in our operations, some of which are beyond our control. We have broadly categorised these risks and uncertainties into: (i) risks relating to our business; (ii) risks relating to our industry; (iii) risks relating to conducting business in Hong Kong; and (iv) risks relating to the Placing. Additional risks and uncertainties not presently known to us or that we presently deem immaterial may also harm our business, financial conditions and results of operations.

RISKS RELATING TO OUR BUSINESS

We have a concentrated products portfolio and a significant portion of our revenue was attributable to the sale of Fine Red Wine and Rare and Collectible Red Wine. We also have a concentrated customer portfolio and any decrease in purchase orders from our five largest customers could have a material and adverse effect on our business.

For the years ended 31 March 2012 and 31 March 2013 and the five months ended 31 August 2013, we had generated revenue of approximately HK\$220.3 million, HK\$161.7 million and HK\$91.0 million from the sale of Fine Red Wine, respectively, which accounted for approximately 66.1%, 60.6% and 77.5% of our Group's total revenue during the same periods indicated, respectively. We had also generated revenue of approximately HK\$88.2 million, HK\$75.6 million and HK\$13.9 million from the sale of Rare and Collectible Red Wine, respectively, which accounted for approximately 26.5%, 28.3% and 11.8% of our Group's total revenue during the same periods indicated, respectively. Accordingly, we have a concentrated products portfolio whereby a significant portion of our revenue was attributable to the sale of Fine Red Wine and Rare and Collectible Red Wine.

Furthermore, our Group's five largest customers for the years ended 31 March 2012 and 31 March 2013 and the five months ended 31 August 2013 accounted for approximately 29.3%, 34.6% and 40.2% of our total revenue during the same periods indicated, respectively, and our Group's single largest customer for the years ended 31 March 2012 and 31 March 2013 and the five months ended 31 August 2013 accounted for approximately 17.2%, 15.6% and 30.7% of our total revenue during the same periods indicated, respectively. We cannot assure you that we will be able to continue to receive purchase orders at current levels on similar terms, or at all, or that they will continue to purchase from us rather than from other suppliers. If our major customers substantially reduce their purchase orders from us or terminate their business relationships with us, we cannot assure you that we would be able to obtain purchase orders from other customers to timely replace such loss of sales on comparable terms, or at all, in which case our business, operating results and financial condition may be materially and adversely affected.

RISK FACTORS

In addition, our concentrated customer portfolio renders us susceptible to changes in the purchasing powers and changes in consumer preferences of our major customers. Since our Group's revenue is primarily attributed to the sale of Fine Red Wine and Rare and Collectible Red Wine, should the consumer preferences or tastes for Fine Red Wine and Rare and Collectible Red Wine change or the demand of Fine Red Wine and Rare and Collectible Red Wine decline for any reason, the potential loss in the revenue would adversely affect the profitability of our Group. Please also refer to “— Risks relating to our industry — Demand for wine and spirits products generally may be affected by adverse public opinion and perception about wine and spirits products and changes in consumer preferences and/or spending habits, which could materially and adversely impact our profitability.”.

The unauthorised building works at our retail showroom and warehouse in Hung Hom may expose us to early termination of the tenancy agreements and enforcement actions may be taken by the relevant government authority against us.

We had erected a cockloft structure at our retail showroom and warehouse in Hung Hom. According to an Authorised Person, the cockloft structures were not part of the building works approved by the Buildings Department, and accordingly, the cockloft structures were considered as unauthorised building works. As such, the erection of cockloft structures amounted to a breach of the Buildings Ordinance and the Buildings Department may issue a building order directing that the cocklofts be demolished and removed within the time limit prescribed by them. See “Business — Legal proceedings and regulatory matters — Material non-compliance incidents — Historical unauthorised building works” for further details.

Pursuant to the tenancy agreements of our retail showroom and warehouse in Hung Hom, the erection of the cockloft structures amounted to a breach of the relevant tenancy agreement, entitling the respective landlords to terminate the tenancy agreements and to seek damages from us, and further, the respective landlords may request us to remove the cockloft structures and reinstate the property in a proper manner and continue with the lease. In addition, the erection of the cockloft structures also amounted to a breach of the sub-deeds of covenant, which entitled the respective building managers of the buildings to take enforcement actions against us or remove the cockloft structures at our costs.

In the event that our landlord in respect of our retail showroom exercised its rights of re-entry under the tenancy agreement, we would have to close our retail showroom at once and relocate elsewhere. The closure of our retail showroom may result in an estimated daily loss of revenue of approximately HK\$180,000, which is calculated by reference to the average daily revenue generated from our retail showroom during the Track Record Period. We will seek to relocate our retail showroom within the proximity of our existing retail showroom or, failing which, within the same district, Tsim Sha Tsui.

The market for Rare and Collectible Red Wine is not liquid or active, the demand for Rare and Collectible Red Wine is unpredictable, and the success of the sales of Rare and Collectible Red Wine depends on our key management personnel's vision and judgment in identifying and purchasing Rare and Collectible Red Wine with investment potential and collectible values at an acceptable price.

Approximately 26.5%, 28.3% and 11.8% of our Group's total revenue for the years ended 31 March 2012 and 31 March 2013 and the five months ended 31 August 2013 were derived from the sale

RISK FACTORS

of Rare and Collectible Red Wine, and the cost of sales of Rare and Collectible Red Wine accounted for approximately 25.1%, 26.0% and 11.4% of our Group's total cost of sales during the same periods indicated, respectively. We rely on our key management personnel's vision, expertise and judgment in identifying Rare and Collectible Red Wine with investment potential and collectible values, and purchasing Rare and Collectible Red Wine at acceptable prices. We cannot assure you that all Rare and Collectible Red Wine bear investment potential or collectible values, and there are no means to ascertain whether Rare and Collectible Red Wine are purchased at acceptable prices.

At present, the market for Rare and Collectible Red Wine is not liquid or actively trading. Accordingly, it will normally take a longer time to sell our Rare and Collectible Red Wine than our Fine Red Wine or our Value Red Wine. As a result, our cash flow and liquidity may be affected.

In addition, the valuation of Rare and Collectible Red Wine, its investment potential or desire as a collectible is inherently subjective and the demand for Rare and Collectible Red Wine is influenced not only by overall economic conditions, but also by changing trends in the Rare and Collectible Red Wine market and by the preferences of individual Rare and Collectible Red Wine collectors, all of which are difficult to predict and may cause significant variance in our Group's financial condition and results of operation.

Our continuing success depends on key management personnel.

Our continuing success depends, to a significant extent, on the ability and expertise of our senior management team members, including our executive Directors and other members of the management who have operational experience and expertise in wine and spirits industry. In particular, we rely on Mr. Cheung and Mr. Leung, both our executive Directors, both of whom possess approximately five years of experience in the wine and spirits industry and are instrumental to our relationship with our major customers. As at the Latest Practicable Date, we had approximately 14 wine consultants, most of whom possess various levels of the certificate in wines and spirits awarded by the WSET ranging from level one foundation certificate in wines to level three advance certificate in wines and spirits. If one or more of our senior management team members are unable or unwilling to continue in their present positions, we may not be able to identify and recruit suitable replacements in a timely manner. The loss of services of any of such senior management team members for any reason could have a material adverse effect on our business and our financial performance. Furthermore, as our business continues to grow, we will need to recruit and train additional qualified personnel. If we fail to attract and retain qualified personnel, our business and prospects may be adversely affected.

See the section headed "Directors and Senior Management" for further details.

As we only conduct inspection by examining the physical appearance of the products and we do not conduct sampling or tasting inspection on our wine and spirits products, we cannot control the quality of the products we sell.

As a retailer of a wide range of premium wine and spirits products and the provision of personalised wine services in Hong Kong, we cannot control the quality of the products we source from our suppliers. We place heavy reliance on the reputation and goodwill of our suppliers and our

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logistics companies to ensure the quality of our purchase orders. As the state of each individual product may vary, and in some instances, we only purchase sufficient products to match purchase orders from our customers, it is not practicable to conduct sampling or tasting inspections on our wine and spirits products. Inspection is primarily conducted by our staff, who will examine the physical appearance of the products based on its labelling, wine level, sealing and overall packaging and appearance. We rely on the experience, expertise and judgment of our staff in the acceptance of the products. Furthermore, as we offer customers a full refund and exchange for defective wine and spirits products that is less than 10 years vintage and below HK\$700 per bottle within an exchange period of three days, we may suffer from acceptance of defective goods due to misjudgements of our logistics team, which may in turn adversely affect our business, financial condition and results of operations as well as our corporate image and reputation. Please also refer to “— Risks relating to our business — We may be exposed to product liability and we do not maintain product liability insurance.” for further details.

We are exposed to fluctuations in foreign currency exchange rates, and our profit margin is sensitive to fluctuations in the cost of wine products.

We source and purchase our wine and spirits products internationally, namely the United Kingdom, France, Switzerland and the United States, and the settlement currency for our purchases is primarily in local currencies of our suppliers whereas the settlement currency for all of our sales is in Hong Kong dollar. Accordingly, fluctuations in foreign currency exchange rates can increase or decrease our results of operations. During the Track Record Period, our purchases of wine and spirits products were settled in GBP, EUR, USD and CHF and accounted for approximately 21.5%, 23.5%, 19.2% and 6.0% of our Company’s total purchases of wine and spirits products, respectively. Accordingly, our profit on our wine and spirits products may be affected by fluctuations in foreign currency exchange rates.

Our functional currency is Hong Kong dollar. All of our purchases made in foreign currencies are translated into Hong Kong dollar at average exchange rates of the relevant financial years whereas foreign currency balance sheets are translated into Hong Kong dollar at the rates as at the balance sheet date when we prepare our consolidated financial statements. Accordingly, the profits we derived in foreign currencies would be lower should there be any appreciation in the exchange rates of Hong Kong dollar against the respective currencies. See “Financial Information — Critical accounting policies, assumptions, estimates and judgments — Foreign currencies.” for further details.

Counterfeit or imitated products of our wine and spirits products may affect our profitability.

Counterfeiting and imitation of popular wine and spirits products occur from time to time in Hong Kong. The presence of counterfeit wine and spirits products in the market could hinder customers’ confidence in purchasing wine and spirits products in general, which could in turn pose a negative impact on the value of our wine and spirits products, and adversely affect our business and results of operations.

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Our business depends on our ability to maintain stable and adequate supply of inventories to meet customers' demand for our wine and spirits products.

Maintaining an optimal level of inventories is important to our business. If we over-stock our inventories, our required working capital will increase and we may incur additional finance costs. Conversely, if we under-stock our inventories, we may be unable to meet customers' demand and consequently, our operating results may be adversely affected.

For the years ended 31 March 2012 and 31 March 2013 and the five months ended 31 August 2013, the purchase attributable to our Group's five largest suppliers was approximately HK\$102.4 million, HK\$73.4 million and HK\$35.6 million, respectively, which accounted for approximately 38.1%, 37.6% and 42.3% of our Group's total purchase during the same periods indicated, respectively. Accordingly, our business and results of operations is dependent on the continued supply from our five largest suppliers.

We do not enter into long-term supply contracts with any of our suppliers. Instead, we work with our suppliers, including our major suppliers, on an order-by-order basis. Competition in the wine and spirits industry is intense and we must obtain sufficient quantities and varieties of wine and spirits products at acceptable prices and in a timely manner to be able to respond to and meet customers demand effectively. In the absence of any long-term supply contracts with our major suppliers, we cannot ensure the availability and quantity of wine and spirits products, and any disruption or termination of our relationships with our major suppliers may have a material adverse effect on our business and results of operations. In the event that our major suppliers cease to supply wine and spirits products to us, and we fail to obtain alternative suppliers in a timely manner, we may have to purchase inventories at significantly higher costs to meet purchase orders, which may affect our profit margin significantly and negatively.

We are exposed to risks of obsolete and slow-moving inventory which may adversely impact our financial performance.

As at 31 March 2012, 31 March 2013 and 31 August 2013, the total amount of our inventories were approximately HK\$95.3 million, HK\$85.6 million and HK\$77.6 million, respectively, and accounted for approximately 57.0%, 45.0% and 48.7% of our total assets for the same periods, respectively. The demand for our wine and spirits products is highly dependent on the customers' preferences, which are beyond our control. For the year ended 31 March 2012 and the five months ended 31 August 2013, we had made allowances for inventories of approximately HK\$0.1 million and HK\$0.4 million, respectively, and for the year ended 31 March 2013, we had a reversal of inventories of approximately HK\$2.4 million. See "Financial Information — Descriptions of certain income statement items — Cost of sales — Allowances provided for (or reversal of) inventories" for further details. Any obsolete and slow-moving inventory may adversely affect our financial performance. Further, if we fail to source appropriate products to suit consumer preferences in the future, the volume of obsolete and slow-moving inventory may increase and we may need to either sell off such inventory at a lower price or write off such inventory, in the event of which our financial position and results of operations may be materially and adversely affected.

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We conduct business operations in Hong Kong only and any adverse change in the economic, political and social conditions in Hong Kong may affect our business.

All of our business operations are carried out in Hong Kong, and we anticipate that income derived from sales in Hong Kong will continue to be our principal source of income in the near future. However, as the demand for wine and spirits products in Hong Kong is affected by the size of and purchasing power of its population and the general state of its economy, we are exposed to changes in economic, political and social conditions in Hong Kong. Any adverse change in the economic environment of Hong Kong may adversely affect our business, operational results, and financial position. We do not intend to expand our operations outside Hong Kong. Therefore, we will continue to have geographical concentration risk in Hong Kong. Please also refer to “— Risks relating to conducting business in Hong Kong”.

Sale of our wine and spirits products may be adversely affected by the implementation and enforcement of the PRC Government Initiatives.

In 2012 to 2013, the Communist Party of China announced a series of policies to reform the culture of the government system which emphasised on constraining public expenses including the cost on overseas trips, vehicle purchasing and maintenance and official receptions. In particular, the use of public expenses by the PRC Government officials, including (i) public expenses on visits, gifts, social activities such as new year functions; (ii) gifts to supervisors; (iii) contravention of regulations by receiving and providing gifts, money, securities, payment voucher and pre-paid cards; (iv) random distribution of property, ostentatious and extravagant behaviour; (v) excessive hospitality; and (vi) organising and participating in gambling activities, were expressly prohibited. Due to the implementation of the PRC Government Initiatives and the enforcement actions taken by the PRC Government, the demand for wine and spirits of the PRC customers and our customers who purchase wine and spirits products for consumption in the PRC may be adversely affected. Such customers may be deterred from purchasing our higher-priced Fine Red Wine and Rare and Collectible Red Wine as a result of the constraints imposed to reduce public expenses. Consequently, our financial performance may be adversely affected.

The crackdown of smuggling by the PRC government may deter our customers who are not ordinary resident in Hong Kong and who purchase our wine and spirits products for consumption in the PRC, which may adversely affect our financial performance.

A significant portion of our customers are not ordinary resident in Hong Kong and such customers may purchase our wine and spirits products for consumption in the PRC. If these customers do not pay the applicable levy chargeable on the wine and spirits products in accordance with the laws and regulations in the PRC during their carriage of wine and spirits products into the PRC, such carriage of wine and spirits products into the PRC may constitute an act of smuggling under the laws and regulations in the PRC. Accordingly, the crackdown of smuggling by the PRC government may deter such customers from purchasing wine and spirits from us for consumption in the PRC and consequently, our financial performance may be adversely affected.

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Disruption of the warehouse facility and our independent third party warehouse service provider could have a material and adverse effect of our business.

We maintain a warehouse facility at our warehouse in Hung Hom and we outsource the storage of some of our inventories to an independent third party warehouse service provider. These facilities are subject to operational risks, including mechanical and information technology system failure, power shortage, natural disasters, fire and skill and care of the independent third party warehouse service provider. Any disruptions of any of the warehouse facilities could adversely affect the quality of our inventories and the stable supply of wine and spirits products to our customers, which could have a material adverse effect on our business, financial condition and results of operations.

We face the risks of contamination and deterioration of our wine and spirits products.

Contamination and deterioration are risks inherent to wine and spirits industry participants, including ourselves. We face the risks of contamination and deterioration of our wine and spirits products during storage and during transportation. Any contamination or deterioration in our wine and spirits products may render the wine and spirits products defective, which may potentially result in a recall of our wine and spirits products and potential losses incurred in respect of compensations to our customers for recalls. Any such recall would damage our reputation and could harm our business, profitability and financial performance.

We may be exposed to product liability and we do not maintain product liability insurance.

Any product liability claim against us and any legal proceedings, arbitration or administrative sanctions or penalties arising therefrom, irrespective of the outcome or the merits of such claims, would adversely affect our business, financial condition, results of operations as well as our corporate image and reputation. Even if we are able to defend any such claim successfully, we cannot assure you that our customers will not lose confidence in our wine and spirits products as a result of such claim, which may in turn adversely affect our future business. In addition, any product liability claim could result in significant costs and expenses which may or may not be recoverable.

There is no assurance that no product liability claims will be made against us in the future. We do not currently maintain any third party liabilities or product liabilities insurance to cover any claims arising from defective products.

Changes in laws and regulations relating to labelling could increase our cost of sales. Furthermore, significant additional labelling or warning requirements may affect the sale of the relevant products.

If additional product labelling or warning requirements relating to the contents or perceived adverse health consequences of wine and spirits products are required for the sale of wine and spirits products in Hong Kong specifically, we may incur additional costs for labelling, monitoring and inspection. In addition, consumer perception and demand for wine and spirits products may be affected by the contents of the labelling and the warning requirements. Consequently, our business, financial condition and results of operations may be adversely affected.

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Sale of our wine and spirits products are subject to seasonality, and success of our sales during particular seasons depends on our selection of the right product mix.

Our sale of wine and spirits products are subject to seasonality, which may affect our revenue and operating income. Historically, we have experienced higher sale of wine and spirits products in anticipation of the increase in consumption during holiday seasons such as Christmas, New Year and Chinese New Year. Since we operate on a seasonal cycle, if we fail to select the right product mix for a particular season, the sale for that entire season could be affected. Furthermore, our business, financial condition and results of operations would be adversely affected if our operation is disrupted or affected by unpredictable events taking place during these holiday seasons.

In addition, due to the seasonality, comparisons of sales and results of operations between different periods within a single financial year, or between different periods in different financial years, are not necessarily meaningful and cannot be relied on as indicators of our performance, and any seasonal fluctuations reported in the future may not match the expectations of investors.

Our lease renewals will be affected by the timing and condition of the rental market.

We have entered into leases with a term of 13 months for our office premises, which will expire on 31 January 2015, and two years for our retail showroom, which will expire on 14 August 2014. The tenancy agreements are subject to pre-determined rental escalation or rent review every 13 months and two years, respectively, and the rental payable would be adjusted with reference to prevailing market rates. Owing to the rapid rental increases in Hong Kong, we may not be able to renew the existing leases on terms and conditions that are acceptable to us or may have to renew such leases on less favourable terms and hence increasing the costs of our operation. If we fail to renew the leases on terms commercially acceptable to us, there could be an adverse impact to our business, operational results and financial condition. Accordingly, our business and results of operations may be affected by changes in the rental market.

We may be unable to maintain rapid growth and implement our future plans.

Our future business growth primarily depends on the successful implementation of our business objectives, business strategies and future plans as set out in this prospectus. These business objectives are based on the existing plans and intentions of our Group, most of which are at initial stages and are therefore subject to risks and uncertainties. Furthermore, we may not be able to achieve the anticipated growth and expansion of our business due to factors which are beyond our control, such as changes in economic environment, market demands, government policies and relevant laws and regulations. As such, there is no assurance that our business objectives, business strategies and future plans will be accomplished, whether in whole or in part or be implemented within the estimated timeline. In the event that our future plans are not implemented and our business objectives are not accomplished, our business, profitability and financial positions in the future may be adversely affected.

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RISKS RELATING TO OUR INDUSTRY

Changes in levy on wine and spirits products in Hong Kong may reduce the demand for or profitability of wine and spirits products, which may adversely affect our business, financial condition and results of operations.

According to the Dutiable Commodities Ordinance, the Dutiable Commodities Regulations and the Dutiable Commodities (Liquor) Regulations, which took effect on 27 February 2008, the import duty on wine and liquor with an alcoholic strength of not more than 30% by volume measured at a temperature of 20 Celsius shall be levied at a reduced rate of zero percent. Liquor with an alcoholic strength of more than 30% by volume measured at temperature of 20 Celsius remains subject to an import duty rate at 100%. All of the wine and spirits products we import from other countries contain an alcoholic strength of not more than 30% by volume measured at a temperature of 20 Celsius, as a result, no import duties have been paid by us on wine and spirits products during the Track Record Period. Some of our spirits, namely whisky and cognac, have an alcoholic strength of over 30%, but we purchase such spirits locally in Hong Kong from the local distributors and we do not import such spirits into Hong Kong from other countries. However, any increase in import and excise duties may reduce overall consumption of the wine and spirits products and reduce our profitability, which may adversely affect our business, financial condition and results of operations.

Regulatory decisions and changes in the legal and regulatory environment of the alcoholic beverages could materially and adversely affect our business activities.

As a retailer of a wide range of premium wine and spirits products and the provision of personalised wine services in Hong Kong, our business is subject to various regulations regarding import and export, distribution and storage of wine and spirits products in Hong Kong. Under the Dutiable Commodities Ordinance, no licence is required for the import and export of wine and liquor with an alcoholic strength of more than 30% by volume measured at a temperature of 20 Celsius into and out of Hong Kong. No removal permit is required for the removal or transportation of such wine and liquor from the importing conveyances to their destinations in Hong Kong under any circumstance. If additional licences and removal permits relating to the import and export of wine and spirits products are required in Hong Kong, we cannot assure that such licences and removal permits can be obtained. Failure to obtain such licences and removal permit could have a material and adverse effect on our business operation.

Demand for wine and spirits products generally may be affected by adverse public opinion and perception about wine and spirits products and changes in consumer preferences and/or spending habits, which could materially and adversely impact our profitability.

Unfavourable report(s) on the health effects of alcohol consumption and adverse public opinion about wine and spirits products could affect consumer perception of, and cause a reduction in the consumption of wine and spirits products generally, which would materially and adversely impact our profitability.

Our wine and spirits products are consumables and we rely on the continued demand for our wine and spirits products, in particular, our Fine Red Wine. Consumer preferences, perception and/or

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spending habits may change over time due to various factors, including changes in social trends that impact travel, vacation or leisure activity patterns, changes in weather pattern or seasonal consumption cycle, an economic downturn, or taxes that would increase the cost of sales of our products to consumers. Any of these changes may reduce consumers' willingness to purchase our wine and spirits products.

Natural disasters, occurrence of epidemics, and other disasters could affect our business.

Natural disasters, epidemics, acts of God and other disasters that are beyond our control may materially and adversely affect the economy, infrastructure and livelihood of the people of Hong Kong or such other jurisdictions. Our business, financial condition and results of operations may be affected if these natural disasters occur.

The outbreak of Severe Acute Respiratory Syndrome (“SARS”), a deadly atypical pneumonia that became publicly recognised in February 2003, which first appeared in the Guangdong province in the PRC and spread to Hong Kong, had severely disrupted the economy in Hong Kong and all levels of businesses in Hong Kong were materially and adversely affected. Most notably, SARS caused a significant decline in the consumption expenditure, consumption of service and travel volumes. The occurrence of another outbreak of SARS or of another highly contagious disease may result in another economic downturn and may have an adverse effect on the overall level of business and travel in the affected areas. It may also disrupt our Group's business operations and consequently have an adverse effect on its financial condition and operating results. There can be no assurance that there will not be a serious outbreak of another contagious disease in Hong Kong in the future. If such outbreak occurs, it may have a material adverse impact on the business, financial condition or results of operations of our Group.

Any significant economic downturn in Hong Kong will adversely affect our business in Hong Kong.

Our core business is the sale of a wide range of premium wine and spirits products and the provision of personalised wine service in Hong Kong, the performance of which is in turn closely correlated with the economic performance of Hong Kong. Market demand for wine, in particular, Fine Red Wine, is very sensitive to broader economic trends. Purchases of Fine Red Wine tend to decline during recessionary periods. A recession in the economy of Hong Kong, or uncertainties regarding future economic prospects of Hong Kong, could affect consumer spending habits in Hong Kong, including a reduction in their spending, and have an adverse effect on our business. A sustained economic downturn would likely have an adverse effect on our business, financial condition and results of operations. Factors such as the deterioration of the economy, decrease in disposable consumer income, fear of recession and changes in consumer confidence, may affect consumer preferences and spending. There can be no assurance that we will be able to maintain its historical growth in earnings or revenues, or remain profitable in the future. If consumer demand for our wine and spirits products is reduced or if there occurs any significant economic downturn in Hong Kong, our revenue, profitability and business prospects will be materially affected.

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RISKS RELATING TO CONDUCTING BUSINESS IN HONG KONG

Devaluation of the Hong Kong dollars could affect our financial conditions and results of operations.

Since 17 October 1983, Hong Kong dollars have been pegged to the U.S. dollars at a rate of HK\$7.80 to US\$1.00. There is no indication that the Hong Kong Government intends to cancel or change the pegged exchange rate arrangements. However, in the event that such arrangements shall change or the valuation of U.S. dollars shall become volatile in the international currency markets, the valuation of Hong Kong dollars may be significantly affected or may even experience devaluation. At present, all of our revenue is generated in Hong Kong dollars whereas a substantial part of our purchase is incurred in a currency other than Hong Kong dollars. In case of devaluation of Hong Kong dollars by whatever reason, our financial condition and performance and liquidity positions may be adversely affected and our purchase incurred may drastically increase as a result.

The state of economic, political and legal environment in Hong Kong may adversely affect our business, performance and financial condition.

All of our business operations are based in Hong Kong. Accordingly, our operating results, financial position and prospects could be adversely affected by the economic, political and legal developments in Hong Kong. Since 1 July 1997, Hong Kong has become a special administrative region of the PRC when the PRC resumed exercise of sovereignty over Hong Kong. The basic policies of the PRC regarding Hong Kong are embodied in the Basic Law of Hong Kong, which provides that Hong Kong shall have a high degree of autonomy and enjoy executive, legislative and independent judicial power, including that of final adjudication under the principle of “one country, two systems”. However, there is no assurance that the economic, political and legal developments in Hong Kong will not be adversely affected as a result of the exercise of sovereignty by the PRC over Hong Kong. If there is any material adverse change in the general economic, political and legal developments in Hong Kong, our operations and financial position may be adversely affected.

RISKS RELATING TO THE PLACING

There has been no prior public market for our Shares and an active or liquid trading market for our Shares may not develop after the Listing.

Prior to the Listing, there has been no public market for our Shares. Upon the Listing, GEM will be the only market for trading of our Shares. The Placing Price for our Shares is expected to be fixed by agreement between our Company and the Sole Lead Manager (for itself and on behalf of the Underwriters) and may not be indicative of the market price of our Shares. We have applied to the Listing Division for the listing of, and permission to deal in, our Shares. However, there is no assurance that the Listing will result in the development of an active and liquid public trading market for our Shares following the Listing or in the future.

The market price and liquidity of our Shares following the Placing may be volatile.

The market price, liquidity and trading volume of our Shares may be highly volatile. There are no assurance as to the ability of our Shareholders to sell their Shares or the price at which the Shares can be sold. As a result, Shareholders may not be able to sell their Shares at prices equal to or greater than the Placing Price under the Placing.

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The price at which our Shares will trade after this Placing may fluctuate substantially as a result of many factors some of which are beyond our control, including:

- actual or anticipated fluctuations in our results of operations;
- changes in securities analysts' estimates, if any, of our financial performance;
- announcements by us or our competitors of new products, acquisitions, strategic partnerships, joint ventures or capital commitments; and
- general market conditions or other developments affecting us or our industry.

The Stock Exchange has from time to time experienced significant price and trading volume fluctuations which are not related to the operating performance of companies. As a result, investors in our Shares may experience volatility in the market price of their Shares and a decrease in the value of our Shares regardless of our operating performance or prospects.

The industry statistics and forward-looking information contained in this prospectus may not be accurate, reliable and fair.

This prospectus contains information and statistics, including but not limited to information and statistics relating to Hong Kong and the industry and markets. Statistical and other information relating to Hong Kong and our industry have been extracted partly from various publicly available official publications as well as industry report which is not commissioned by us. We believe that the sources of such information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. However, we cannot guarantee the quality of such source materials. Moreover, statistics derived from multiple sources may not be prepared on a comparable basis. Neither the Underwriters nor any of their affiliates or advisers, nor we or any of our affiliates or advisers have verified the accuracy of the information contained in such sources. We make no representation as to the accuracy of the information contained in such sources, which may not be consistent with other information compiled by other available sources. Accordingly, the industry information and statistics contained herein may not be accurate and should not be unduly relied upon for your investment in our Company or otherwise.

This prospectus also contains certain forward-looking statements and information relating to us that are not historical facts but relate to our intentions, beliefs, expectations or predictions for future events and conditions which may not occur. Even though these statements have been made by our Directors after due and careful consideration and on bases and assumptions fair and reasonable at the time, they nevertheless involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Accordingly, you should not place undue reliance on any forward-looking information. See the section headed "Forward-looking Statements" for further details.

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The costs of share options to be granted under the Share Option Scheme will materially and adversely affect our results of operations and any further issuance of Shares may result in a dilution of Shareholders' percentage shareholdings.

Pursuant to the Share Option Scheme, options may be granted after completion of the Placing and the Qualified Participants (as defined in the Share Option Scheme) may be granted options to subscribe for an aggregate of up to 12,000,000 Shares. Such options, if exercised in full, represent approximately 10% of our enlarged issued share capital immediately after completion of the Placing (without taking into account any Shares which may be allotted and issued upon the exercise of any options that may be granted under the Share Option Scheme).

Any issue of Shares upon exercise of the options to be granted under the Share Option Scheme in the future will result in a reduction in the percentage ownership of the Shareholders and may result in a dilution in the earnings per Share and net assets per Share, as a result of the increase in the number of Shares outstanding after the issuance.

We may need to raise additional funds in the future to finance new developments relating to our existing operations or new acquisitions. If additional funds are raised through the issuance of new equity or equity-linked securities other than on a pro rata basis to the existing Shareholders, the percentage ownership of the Shareholders may be diluted, and such securities may have preferred rights, options and pre-emptive rights senior to the Shares.

Future sales by our Controlling Shareholders of a substantial number of the Shares in the public market could materially and adversely affect the prevailing market price of the Shares.

Future sales of a substantial number of the Shares by our Controlling Shareholders, or the possibility of such sales, could adversely affect the market price of the Shares in Hong Kong and our ability to raise equity capital in the future at a time and price that we deem appropriate. The Shares held by our Controlling Shareholders are subject to certain lock-up undertakings, details of which are set out in the section headed "Underwriting" in this prospectus. We are not in a position to give any assurance that our Controlling Shareholders will not dispose of any Shares they may own now or in the future.

Our Controlling Shareholders may take actions that are not in, or may conflict with, public Shareholders' best interests.

Our Controlling Shareholders together will control the exercise of 75% voting rights in the general meeting of our Company immediately after the Listing and the Capitalisation Issue. Therefore, our Controlling Shareholders will continue to be able to exercise controlling influence over our business through their ability to take actions which do not require the approval of independent Shareholders. As such, our Controlling Shareholders have substantial influence over our business, including decisions regarding mergers, consolidations and the sale of all or substantially all of our assets, election of directors, timing and amount of dividends, if any, and other significant corporate actions. In the case where the interest of our Controlling Shareholders conflict with other

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Shareholders, or if our Controlling Shareholders choose to cause us to pursue objectives that would conflict with the interest of other Shareholders, such Shareholders could be left in a disadvantageous position by such actions caused by our Controlling Shareholders and the price of our Shares could be adversely affected.

Dilution of Shareholders' equity interests

We may need to raise additional funds to finance the future expansion of our existing operations or new acquisitions. We will comply with Rule 17.29 of the GEM Listing Rules, which specifies that no further Shares or securities convertible into equity securities of our Company (subject to certain exceptions) may be issued or form the subject of any agreement to be issued within six months from the Listing Date. We may raise such funds by way of issue of new equity or equity-linked securities of our Company other than on a pro-rata basis to existing Shareholders after six months from the Listing Date, in which case the percentage shareholding of the then Shareholders may be diluted or reduced or such new securities may have rights, preferences or privileges superior to those of the Shares of the existing Shareholders.

INFORMATION ABOUT THIS PROSPECTUS AND THE PLACING

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

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

INFORMATION ON THE PLACING

The Placing Shares are offered solely on the basis of the information contained and representations made in this prospectus, and on the terms and subject to the conditions set out herein. No person is authorised to give any information in connection with the Placing or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorised by our Company, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager, any of the Underwriters, and any of our or their respective affiliates, directors, officers, employees, agents or representatives, or any other person or party involved in the Placing.

PLACING SHARES ARE FULLY UNDERWRITTEN

This prospectus is published solely in connection with the Placing. The listing of the Shares on GEM is sponsored by China Everbright and managed by China Everbright Securities. The Placing is fully underwritten by the Underwriters pursuant to the Underwriting Agreement, subject to the terms and conditions of the Underwriting Agreement and that the Placing Price will be determined by agreement between our Company and the Sole Lead Manager (for itself and on behalf of the Underwriters) on the Price Determination Price. Details about the Underwriters and the underwriting arrangements are set out in the section headed "Underwriting" in this prospectus.

PLACING PRICE

The Placing Shares are being offered at the Placing Price which will be determined by our Company and the Sole Lead Manager (for itself and on behalf of the Underwriters) on the Price Determination Date. The Placing Price will not be more than HK\$1.40 per Placing Share and will not be less than HK\$1.00 per Placing Share. Placees, must pay, on application, the maximum Placing Price of HK\$1.40 per Placing Share plus 1.0% brokerage fee, 0.003% SFC transaction levy and 0.005% Stock Exchange trading fee, amounting to a total of HK\$2,828.22 for one board lot of 2,000 Placing Shares. Details about the Placing Price are set out in the section headed "Structure and Conditions of the Placing" in this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE PLACING

PLACING SHARES TO BE OFFERED IN HONG KONG ONLY

Each person acquiring the Placing Shares will be required to confirm, or be deemed by his/her/its acquisition of the Placing Shares to confirm, that he/she/it is aware of the restrictions on placing and sales of the Placing Shares described in this prospectus.

No action has been taken to permit the offering of the Placing Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purposes of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation.

Prospective investors for the Placing Shares should consult their financial advisers and take legal advice, as appropriate, to inform themselves of, and to observe, the applicable laws, rules and regulations of any relevant jurisdictions.

STRUCTURE AND CONDITIONS OF THE PLACING

Details of the structure and conditions of the Placing are set out in the section headed “Structure and Conditions of the Placing” in this prospectus.

APPLICATION FOR LISTING ON GEM

We have applied to the Listing Division for the listing of, and permission to deal in, our Shares in issue and to be issued as mentioned in this prospectus (including any Shares which may fall to be issued pursuant to the Capitalisation Issue and exercise of the options that have been granted under the Share Option Scheme).

Under section 44B(1) of the Companies Ordinance, if the permission for the Shares offered under this prospectus to be listed on GEM has been refused before the expiration of three weeks from the date of the closing of the Placing or such longer period not exceeding six weeks as may, within the said three weeks, be notified to our Company for permission by or on behalf of the Listing Division, then any allotment made on an application in pursuance of this prospectus shall, whenever made, be void.

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at the time of listing and at all times thereafter, our Company must maintain the minimum prescribed percentage of 25% of the issued share capital of our Company in the hands of the public. A total of 30,000,000 Placing Shares representing 25% of our Company’s enlarged issued share capital will be in the hands of the public immediately following the completion of the Placing, the Capitalisation Issue and upon Listing (the options that may be granted under the Share Option Scheme are not exercised).

None of our Shares or loan capital of our Company is listed on or dealt in on any other stock exchange. At present, we are not seeking or proposing to seek such listing or permission to deal in our Shares on any other stock exchange.

INFORMATION ABOUT THIS PROSPECTUS AND THE PLACING

OUR SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the Stock Exchange granting the listing of, and permission to deal in, our Shares on GEM and our compliance with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC.

Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. You should seek advice from your stockbroker or other professional advisers for details of such settlement arrangements as such arrangements will affect your rights and interests.

We have made all necessary arrangements for our Shares to be admitted into CCASS. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

PROFESSIONAL TAX ADVICE RECOMMENDED

You should consult your professional advisers if you are in any doubt as to the taxation implications of the subscription for, purchase, holding or disposing of, dealings in, or exercise of any rights in relation to the Placing Shares.

It is emphasised that none of our Company, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager, the Underwriters, and our or their respective affiliates, directors, officers, employees, agents or representatives or any other person or party involved in the Placing accepts responsibility for your tax effects or liabilities resulting from your subscription for, purchase, holding or disposing of, dealings in, or exercise of any rights in relation to the Placing Shares.

HONG KONG REGISTER OF MEMBERS AND STAMP DUTY

Our Company's principal register of members will be maintained in the Cayman Islands by our Company's principal share registrar, Codan Trust Company (Cayman) Limited, and our Company's Hong Kong register of members will be maintained in Hong Kong by our Hong Kong Share Registrar, Tricor Investor Services Limited.

All Placing Shares issued by our Company pursuant to applications made in the Placing will be registered on our branch register of members to be maintained in Hong Kong. Only Shares registered on our branch register of members maintained in Hong Kong may be traded on GEM, unless the Stock Exchange otherwise agrees.

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

INFORMATION ABOUT THIS PROSPECTUS AND THE PLACING

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on GEM is expected to commence at 9:00 a.m. on Friday, 10 January 2014. Shares will be traded in board lots of 2,000 Shares each. The stock code for our Shares is 8209.

We will not issue any temporary documents of title.

ROUNDING

Any discrepancies in any table between totals and sums of amounts and percentages listed therein are due to rounding.

DIRECTORS AND PARTIES INVOLVED IN THE PLACING

DIRECTORS

Name	Address	Nationality
<i>Executive Directors</i>		
Mr. Cheung Chun To	Flat B, 2/F One LaSalle 1 La Salle Road Kowloon Tong Kowloon Hong Kong	Chinese
Mr. Leung Chi Kin Joseph	Flat A, 18/F, Block 3 King's Park Rise I King's Park Villa King's Park Kowloon Hong Kong	Chinese
Mr. Cheung Chun Pang	Flat D, 15/F, Block 5 11 Tak On Street Site 7 Whampoa Garden Cotton Tree Mansions Hung Hom Kowloon Hong Kong	Chinese
Ms. Cheung Wing Shun	Flat G, 16/F, Block 5 Harbour Place 8 Oi King Street Hung Hom Kowloon Hong Kong	Chinese
<i>Independent non-executive Directors</i>		
Mr. Wong Siu Ki	Flat G, 33/F Block 3 69 Siu Lek Yuen Road Castello Shatin New Territories Hong Kong	Chinese

DIRECTORS AND PARTIES INVOLVED IN THE PLACING

Name	Address	Nationality
Mr. Ngai Hoi Ying	71/F, Flat C Tower 3 Sorrento Union Square 1 Austin Road West Kowloon Hong Kong	Chinese
Mr. Yue Kwai Wa Ken	No. 21, 3rd Floor Yik Yam Street Happy Valley Hong Kong	Chinese

PARTIES INVOLVED IN THE PLACING

Sole Sponsor	China Everbright Capital Limited 17/F, Far East Finance Centre 16 Harcourt Road Hong Kong
Sole Bookrunner and Sole Lead Manager	China Everbright Securities (HK) Limited 36/F, Far East Finance Centre 16 Harcourt Road Hong Kong
Co-Manager	Pacific Foundation Securities Limited 11th Floor New World Tower II 16-18 Queen's Road Central Hong Kong
Auditors and reporting accountants	Deloitte Touche Tohmatsu 35/F One Pacific Place 88 Queensway Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE PLACING

Legal advisers to our Company	<i>As to Hong Kong law</i> Robertsons 57/F., The Center 99 Queen's Road Central Hong Kong
	<i>As to Cayman Islands law</i> Conyers Dill & Pearman (Cayman) Limited Cricket Square Hutchins Drive PO Box 2681 Grand Cayman KY1-1111 Cayman Islands
Legal advisers to the Sole Sponsor and the Underwriters as to Hong Kong law	Sidley Austin Level 39 Two International Finance Centre 8 Finance Street Central Hong Kong
Property valuer	Avista Valuation Advisory Limited Suite 807, AXA Centre 151 Gloucester Road Wanchai Hong Kong

CORPORATE INFORMATION

Registered office	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Headquarter, head office and principal place of business in Hong Kong	Suite 822 Ocean Centre Harbour City 5 Canton Road Kowloon Hong Kong
Company's website	<u>www.majorcellar.com</u> <i>(information contained in this website does not form part of this prospectus)</i>
Company secretary	Mr. Lee Kwok Wan (<i>HKICPA</i>)
Compliance officer	Ms. Cheung Wing Shun
Authorised representatives (for the purpose of the GEM Listing Rules)	Mr. Cheung Chun To Flat B, 2/F One LaSalle 1 La Salle Road Kowloon Tong Kowloon Hong Kong Mr. Leung Chi Kin Joseph Flat A, 18/F, Block 3 King's Park Rise I King's Park Villa King's Park Kowloon Hong Kong
Audit committee	Mr. Wong Siu Ki (<i>Chairman</i>) Mr. Yue Kwai Wa Ken Mr. Ngai Hoi Ying
Remuneration committee	Mr. Yue Kwai Wa Ken (<i>Chairman</i>) Mr. Wong Siu Ki Mr. Ngai Hoi Ying

CORPORATE INFORMATION

Nomination committee	Mr. Ngai Hoi Ying (<i>Chairman</i>) Mr. Yue Kwai Wa Ken Mr. Wong Siu Ki
Compliance adviser	Ample Capital Limited Unit A, 14/F. Two Chinachem Plaza 135 Des Voeux Road Central Hong Kong
Principal share registrar and transfer office in the Cayman Islands	Codan 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	Tricor Investor Services Limited 26/F., Tesbury Centre 28 Queen's Road East Hong Kong
Principal banker(s)	Hang Seng Bank Limited 83 Des Voeux Road Central Hong Kong Fubon Bank (Hong Kong) Limited Fubon Bank Building 38 Des Voeux Road Central Hong Kong Shanghai Commercial Bank Limited 12 Queen's Road Central Hong Kong

INDUSTRY OVERVIEW

We have extracted and derived the information and statistics in the section below, in part, from various official government publications or other sources, including certain articles, reports and publication, the preparation of which were not commissioned by us. We believe that the sources of the information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We and the Sole Sponsor have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information has not been independently verified by us, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager, the Underwriters or any other party involved in the Placing and no representation is given as to its accuracy.

For a discussion of the risks and uncertainties relating our industry, please refer to the section headed “Risk Factors” in this prospectus.

OVERVIEW OF THE HONG KONG ECONOMY

Key economic indicators of Hong Kong

Apart from the economic downturn resulting from the global financial crisis in 2009, the economy in Hong Kong has maintained steady growth since 2007. According to International Monetary Fund (the “IMF”), nominal GDP in Hong Kong grew from approximately HK\$1,642 billion in 2007 to approximately HK\$2,040 billion in 2012, representing a CAGR of over 4% from 2007 to 2012. Nominal GDP in Hong Kong is expected to reach approximately HK\$2,773 billion in 2016, representing a CAGR of approximately 8% from 2012 to 2016, due in part to its increasing integration with mainland China through trade, tourism and financial links.

According to IMF, per capita GDP in Hong Kong increased from approximately HK\$236,350 in 2007 to approximately HK\$284,170 in 2012, representing a CAGR of approximately 4% from 2007 to 2012. Per capita GDP in Hong Kong is expected to amount to approximately HK\$373,637 in 2016, representing a CAGR of approximately 7% from 2012 to 2016.

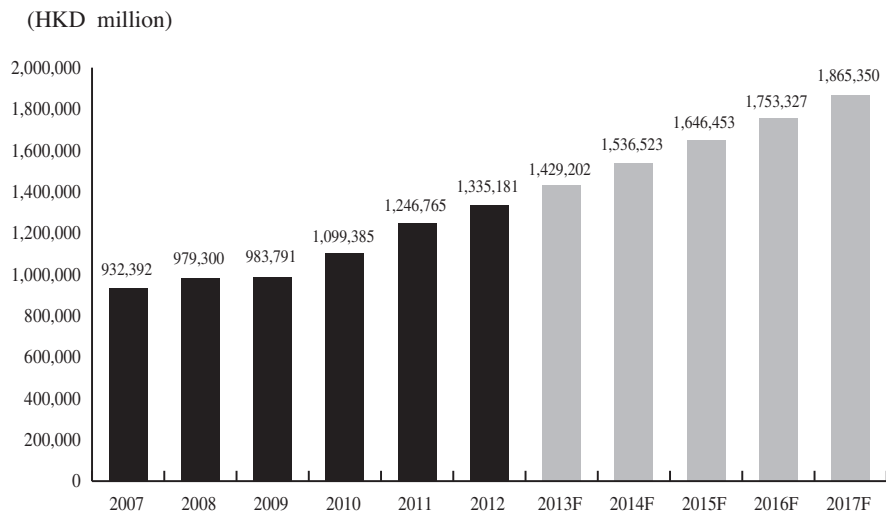
Sustained Growth in Disposable Income and Consumption Expenditure in Hong Kong

Based on the data from the Economist Intelligence Unit (the “EIU”), annual disposable income per capita in Hong Kong has increased from approximately HK\$169,614 in 2007 to approximately HK\$196,278 in 2012, representing a CAGR of approximately 3% per annum. Annual disposable income per capita in Hong Kong is expected to reach approximately HK\$234,057 in 2016, representing CAGR of approximately 5% from 2012 to 2016.

According to Euromonitor, along with the general growth in annual disposable income per capita, annual consumer expenditure in Hong Kong also grew at a CAGR of over 7% from approximately HK\$932 billion in 2007 to approximately HK\$1,335 billion in 2012, and is estimated to reach approximately HK\$1,753 billion in 2016, representing a CAGR of approximately 7% from 2012 to 2016. The following graph sets forth annual consumer expenditure and its growth in Hong Kong both on a historical and forecast basis.

INDUSTRY OVERVIEW

Hong Kong Annual Consumer Expenditure 2010-2016F



Source: Euromonitor

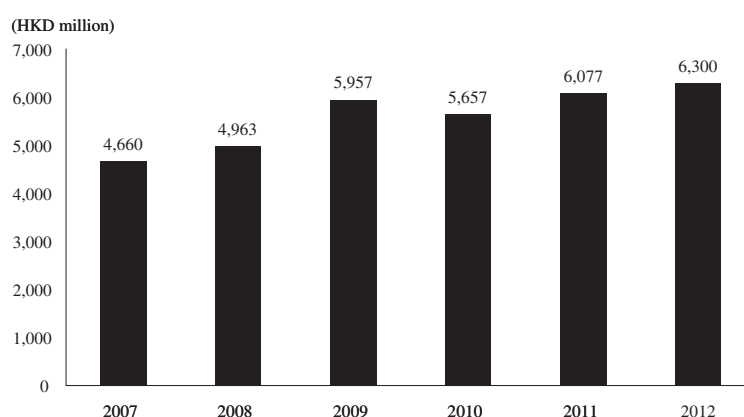
THE HONG KONG WINE AND SPIRITS MARKET

Overview

In general, alcoholic drinks posted healthy volume and value growth rates that were attributed to the higher disposable incomes of customers in Hong Kong, which allowed them to dine out more often, engage in social drinking and trade up to premium quality products. According to Euromonitor, the retail customer expenditure on alcoholic drinks has increased from approximately HK\$4,660 million in 2007 to approximately HK\$6,300 million in 2012, representing a CAGR of over 6% per annum. Both on-trade channels such as bars, restaurants and private clubs and off-trade channels such as supermarkets, specialty stores and convenience stores saw high value growth compared with volume growth, indicating the customers were spending on more expensive alcoholic drinks.

INDUSTRY OVERVIEW

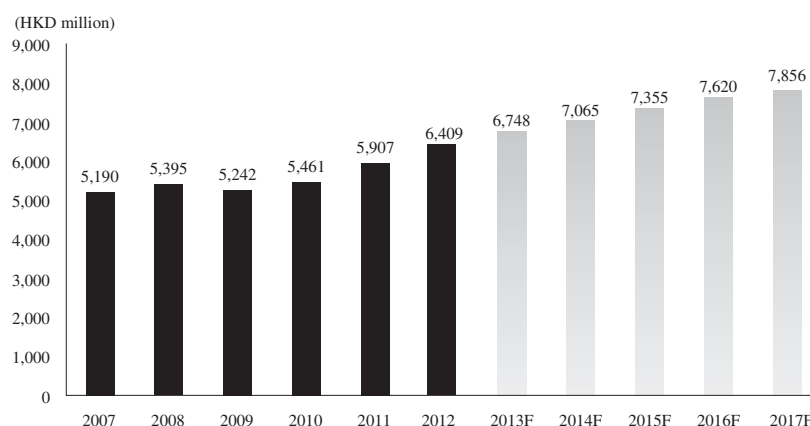
Retail Consumer Expenditure on Alcoholic Drinks 2007-2012



Source: Euromonitor

According to Euromonitor, wine and spirits products accounted for a significant portion of the retail customer expenditure on alcoholic drinks in Hong Kong. Since the abolition of duties on certain wine and spirits products in 2008, Hong Kong has seen sustained robust growth in wine and spirits market, showing strong demand for wine and spirits products. According to Euromonitor, the total sales value of the Hong Kong wine and spirits market grew at a historical CAGR of over 4%, from approximately HK\$5,190 million in 2007 to approximately HK\$6,409 million in 2012, and is estimated to continue to enjoy the high level of growth in the near future, with a forecast CAGR of over 3% from 2013 to 2017, by which time the total sales value of wine and spirits products is estimated to be approximately HK\$7,856 million.

Hong Kong Wine and Spirits Market 2007-2017F

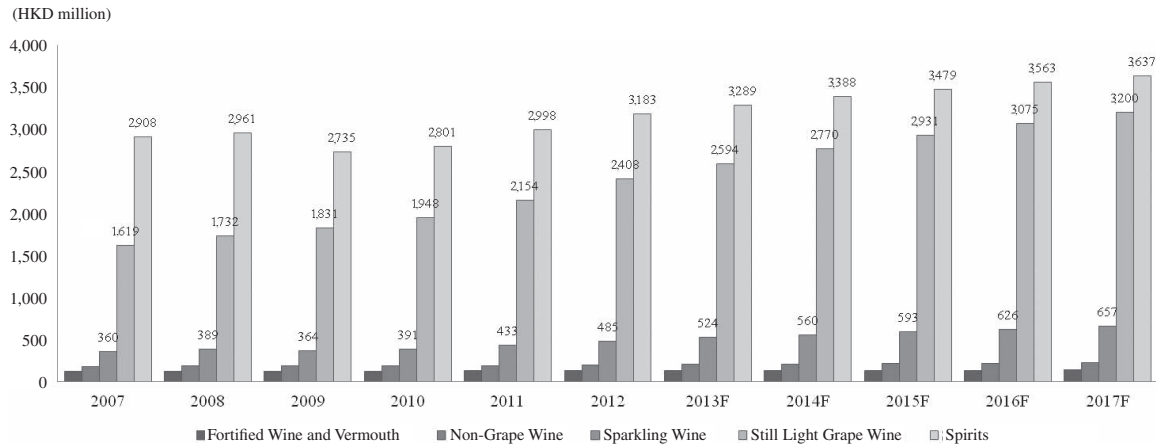


Source: Euromonitor

Notes: Based on the report prepared by Euromonitor, the Hong Kong wine and spirits market includes wine products such as fortified wine and vermouth, non-grape wine such as rice wine and sake, sparkling wine such as champagne and other sparkling wine and still light grape wine such as still red wine, still rose wine and still white wine, and spirits products such as brandy and cognac, liqueurs, rum, whiskies and white spirits and other spirits.

INDUSTRY OVERVIEW

According to Euromonitor, a significant proportion of the total sales value of the Hong Kong wine and spirits market are generated from the sales of still light grape wine and sparkling wine and spirits. The following chart shows a breakdown of the total sales value of the Hong Kong wine and spirits market from 2007 to 2012 and the estimation of total sales value of the Hong Kong wine and spirits market from 2013 to 2017:



Source: Euromonitor

Benefiting from improving of standard of living, change demographics and increasingly sophisticated demand in Hong Kong, the total sales value of the still light grape wine have enjoyed high growth at a CAGR of over 8% from 2007 to 2012 and the total value sales of spirits also saw good growth at a CAGR of approximately 2% during the same period.

With Hong Kong's economy expected to see steady growth over the forecast period, standard of living will continue to improve, local consumer sentiment will remain healthy. Euromonitor estimated that by 2017, the total sales value of still light grape wine and spirits will reach approximately HK\$3,200 million and HK\$3,637 million, with a CAGR of approximately 5% and 3% from 2013 to 2017, respectively.

Key Features of the Hong Kong Wine and Spirits Market

No duty on wine and liquor with less than 30% alcohol content

As a non-grape-growing area, all wine and spirits products in Hong Kong are imported by local distributors and subsidiaries of global companies from all over the world. Amid the growing demand for wine and spirits in Asia, the Hong Kong Government removed all duty-related customs and administrative controls for wine and liquor with less than 30% alcohol content in February 2008 to facilitate the development of Hong Kong as a wine and spirits trading and distribution centre for the region. Hong Kong is thus a free port with no tariffs on general wine and spirits imports and exports, which makes it a very attractive and popular choice with many wine and spirits companies from other countries looking to expand their networks. Local wine and spirits retailers and distributors have also

INDUSTRY OVERVIEW

benefited from not having to go through too much hassle in order to import and distribute wine and spirits products in Hong Kong. According to Euromonitor, since the duty exemption, the total value of wine and spirits imports into Hong Kong has increased by approximately 60% and 33% in 2010 and 2011, respectively, amounting to approximately HK\$13,313 million in 2011.

Supportive governmental activities to develop Hong Kong wine and spirits market

According to the Hong Kong Trade Development Council publication, the Hong Kong Government has signed a memorandum of understanding (the “**MOU**”) on co-operation in wine-related business with 13 major wine-producing countries or regions, including France (and its Bordeaux and Burgundy regions), Spain, Australia, Italy, Hungary, New Zealand, the United States (and its Washington and Oregon states), Portugal, Chile and Germany to strengthen promotional activities in areas including wine and spirits related trade and investment. Our Directors are of the view that the MOU will not have a material impact on our Group. The MOU also embraces economic activities that would have synergy with wine trading and distribution, such as wine-related food promotion, meetings, incentives, conferences and exhibitions events, tourism, wine education and training, as well as co-operation in the fight against counterfeits.

Demand for premium wine and spirits products grows as customers become more sophisticated

With the growing availability of various brands and vintages of wine and spirits products in the market, the customers are becoming more discriminating and knowledgeable regarding the different wine and spirits products. This drives up demand for increased wine and spirits product diversity that also takes local tastes and preferences into account. As a result, more wine and spirits specialist retailers have set up shops in Hong Kong. Customers who are more sophisticated become attracted to such specialist retailers rather than mass market retailers such as supermarkets because they can obtain professional advice on product selections. In order to compete with specialist retailers, the existing wine and spirits mass market retailers have also gone to great lengths to expand their portfolio of wine and spirits products. Hence, there is a wide range of wine and spirits brands available in Hong Kong, with new products introduced regularly.

New products launched targeting different income level of customers

As consumer expenditure on alcoholic drinks grows, many wine and spirits companies launched products targeting different income level of customers in an effort to reach as broad a consumer spectrum as possible. A number of premium quality still red wine, champagne and spirits products were launched in 2011 to take advantage of the fact that affluent customers were on the constant lookout for such products. At the same time, products which were traditionally more expensive also made an entrance with economy price tags, and were targeted at entry-level tasters as well as lower-to middle-income earners, who were interested to try out wine and spirits products for the first time at an affordable price.

INDUSTRY OVERVIEW

Key Growth Drivers of the Hong Kong Wine and Spirits Market

Due to the growing demand for wine and spirits products in Asia and the elimination of all duty-related customs and administrative controls for wine and liquor with less than 30% alcohol content by the Hong Kong Government, wine and spirits business has boomed in Hong Kong. We anticipate the demand in Hong Kong for wine and spirits products will remain strong, which are driven by the following factors:

Rising affluence drives wine and spirits consumption growth

Sustained increase in disposable income has enabled more customers to consume more or trade up to premium wine and spirits products. As the consumption of these products are often associated with a more sophisticated status, the wine and spirits consumption has experienced strong demands especially from affluent customers who have shown strong interest in rare wine and spirits.

Increase in average unit price of wine and spirits products

As the global wine consumption remains steady, unit price of wine products is set to rise because of low level of wine production especially in Europe, caused by low grapes production due to the decline of vineyard surface areas and poor harvests. According to the International Organisation of Vine and Wine (the “OIV”), the world grape production has decreased from 714 millions of quintals in 2011 to 691 millions of quintals in 2012. The worldwide wine production was down by 6.1%, surged from 246.2 million hectolitres in 2011 to 248.4 million hectolitres in 2012, representing the lowest level since 1975. As a result, the world trade of wine increased in 2012 by 8.3% in terms of value, up to HK\$257 billion, but surged by 1.7% in volume, to 102.2 million hectolitres, with an average price up by HK\$26 per litre. According to Euromonitor, unit price of spirits products is set to rise as well because of the increasing production costs caused by the drop in global supply of cereal grains due to poor harvests. Discounting and price competition would have little impact on sales of premium wine and spirits products since the targeted customers are typically affluent and therefore willing to pay. Therefore, unit price across wine and spirits products is set to rise over the forecast period.

Wine and spirits consumptions appeal to the younger crowd

A growing number of younger consumers have entered the social drinking scene and they tend to be brand conscious and have a youthful sense of adventure in trying out new products such as wine and spirits. A growing amount of young adults also possess the means to partake in expensive social events such as clubbing and fine dining where expensive wine and spirits are commonly consumed in such settings. The rise of consumption from the younger crowd contributed significantly to the growth of wine and spirits products.

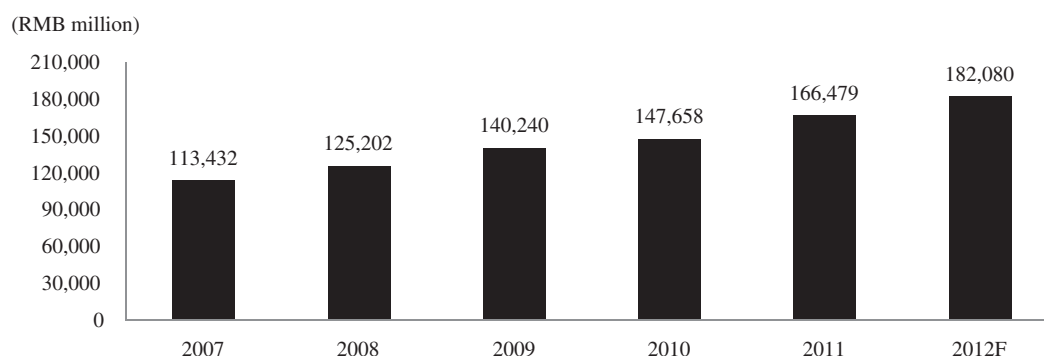
INDUSTRY OVERVIEW

THE PRC WINE AND SPIRITS MARKET

Overview

In spite of the decelerating economy growth and government's ban on public funds for wining and dining in the PRC in 2012, the PRC wine and spirits market has enjoyed strong growth in recent years. According to Euromonitor, the retail customer expenditure on alcoholic drinks in the PRC has increased from approximately RMB113,432 million in 2007 to approximately RMB166,479 million in 2011, representing a CAGR of approximately 10% per annum, and is expected to reach RMB182,080 million in 2012.

Retail Consumer Expenditure on Alcoholic Drinks in the PRC 2007-2012F

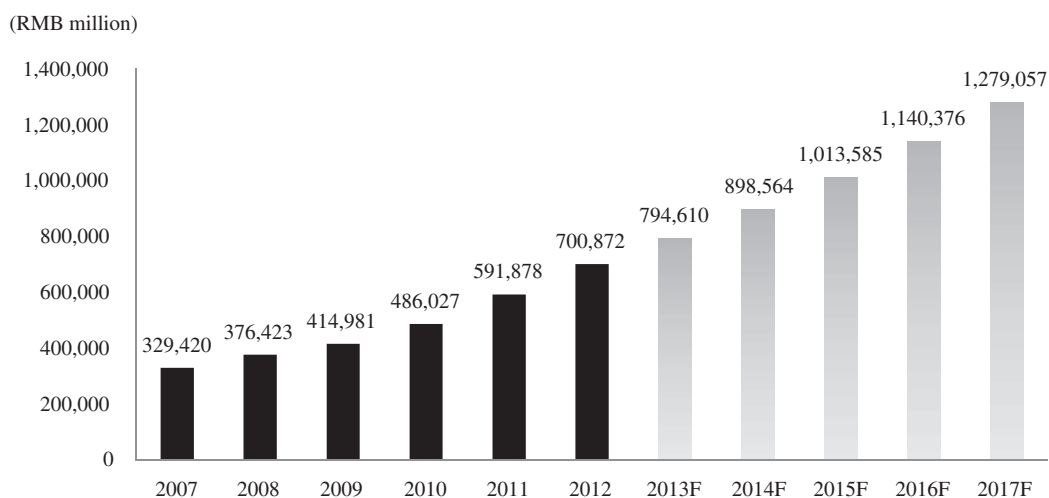


Source: Euromonitor

According to Euromonitor, the total value sales of the PRC wine and spirits market recorded a double-digit CAGR of approximately 16% during the period from 2007 to 2012. The total value sales of the PRC wine and spirits market grew from approximately RMB329,420 million in 2007 to approximately RMB700,872 million in 2012, and is estimated to continue to grow at a forecast CAGR of approximately 12% from 2013 to 2017, by which time the total sales value of wine and spirits products is estimated to be approximately RMB1,279,057 million, according to Euromonitor.

INDUSTRY OVERVIEW

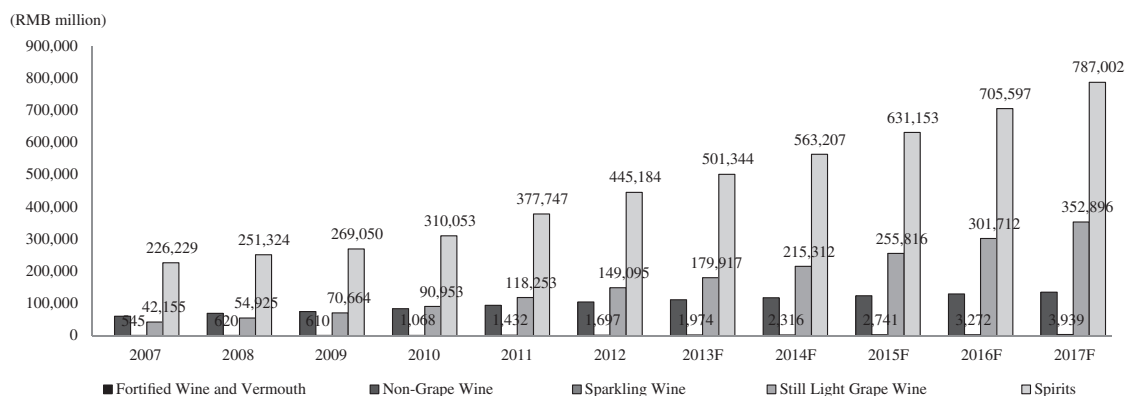
The PRC Wine and Spirits Market 2007-2017F



Source: Euromonitor

Notes: Based on the report prepared by Euromonitor, the PRC wine and spirits market includes wine products such as fortified wine and vermouth, non-grape wine such as rice wine and sake, sparkling wine such as champagne and other sparkling wine and still light grape wine such as still red wine, still rose wine and still white wine, and spirits products such as brandy and cognac, liqueurs, rum, whiskies and white spirits and other spirits.

According to Euromonitor, there is no sale of fortified wine and vermouth in the PRC wine and spirits market. A significant proportion of the total sales value of the PRC wine and spirits market are generated from the sales of still light grape wine and spirits. The following chart shows a breakdown of the total sales value of the PRC wine and spirits market from 2007 to 2012 and the estimation of total sales value of the PRC wine and spirits market from 2013 to 2017:



Source: Euromonitor

INDUSTRY OVERVIEW

Owing to the rising disposable income, the growing knowledge in wine products and the increasing acceptance of its health benefits among Chinese customers, the total sales value of still light grape wine has enjoyed a robust rate of growth at a CAGR of over 28% from 2007 to 2012. According to Euromonitor, still red wine, representing over 70% of the total still light grape wine, recorded the fastest value and volume growth during the same period, due to its claimed health benefits as well as the auspicious red colour, a must-have colour during most Chinese festivals and celebrations. The total sales value of spirits also saw good growth at a CAGR of approximately 15% from 2007 to 2012, according to Euromonitor.

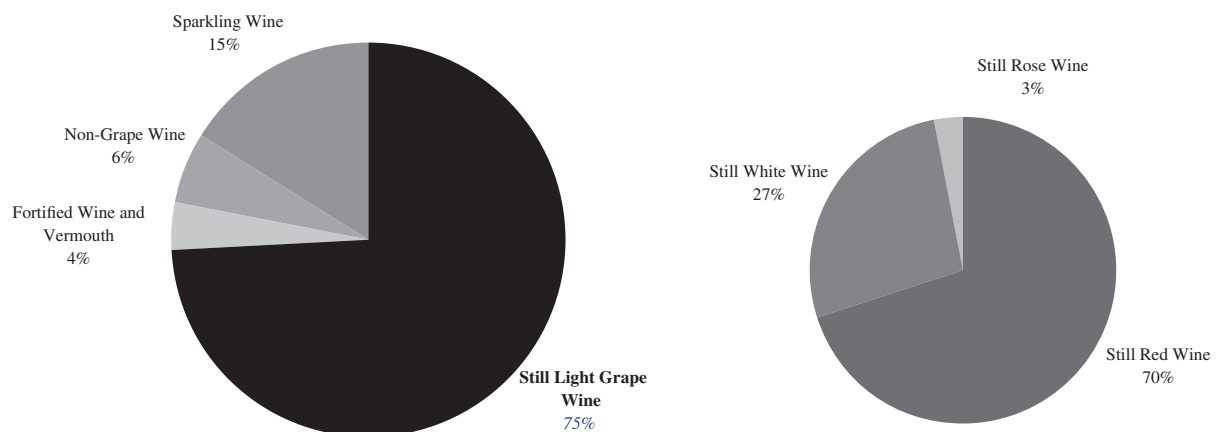
With improving of standard of living in the PRC, an increasing number of Chinese customers have developed a preference for imported alcoholic drinks, especially high-end imported wine and spirits. According to Euromonitor, the total sales value of imported wine and spirits in the PRC grew from approximately RMB5,957 million in 2007 to approximately RMB15,287 million in 2011, representing a historical CAGR of over 27% per annum.

Euromonitor estimated that by 2017, the total sales value of still light grape wine and spirits in the PRC will reach approximately RMB352,896 million and RMB787,002 million, with a CAGR of approximately 18% and 12% from 2013 to 2017, respectively,

Market segmentation in the Hong Kong Wine and Spirits Market

Wine by category

The following pie chart shows the market segmentation for wine products by category in Hong Kong for 2012:



Source: Euromonitor

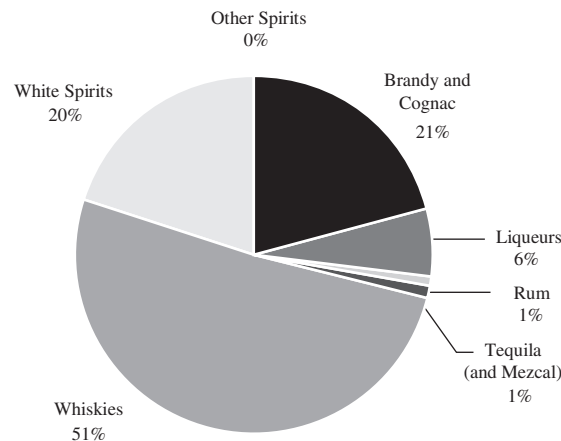
INDUSTRY OVERVIEW

According to Euromonitor, wine products include fortified wine and vermouth, non-grape wine such as rice wine and sake, sparkling wine such as champagne and other sparkling wine, and still light grape white such as still red wine, still rose wine and still white wine.

The best selling type of wine is still light grape wine which includes still red wine, still rose wine and still white wine, which accounts for approximately 75% of the total Hong Kong wine market share in 2012, followed by sparkling wine at approximately 15%. According to Euromonitor, still red wine accounted for approximately 70% of the total Hong Kong still grape wine market share, and saw the highest value growth at approximately 13% in 2012, in part due to its unique appeal to customers in Hong Kong and the PRC. Its red colour is seen as auspicious in Chinese culture, making it a popular choice of gift especially during Chinese festivals. Health-conscious consumers also prefer still red wine due to its widely-reported health benefits such as aiding in cancer prevention and reducing the risk of heart diseases.

Spirits by category

The following pie chart shows the market segmentation for spirits products by category in Hong Kong for 2012:



Source: Euromonitor

Notes: Based on the report prepared by Euromonitor, spirits products include brandy, cognac, liqueurs such as bitters, cream-based liqueurs and other liqueurs, rum such as dark rum and white rum, tequila and mezcal, whiskies such as bourbon/US whisky, Canadian whisky, Irish whisky, Japanese whisky, Blended Scotch whisky, single malt scotch whisky and other whiskies, white spirits such as gin and vodka, and other spirits such as Chinese spirits.

The best selling types of spirits are whiskies and brandy and cognac, which accounted for approximately 72% of the total Hong Kong market share in 2012, followed by white spirits at approximately 20% of spirits products. According to Euromonitor, whiskies saw the high value growth at approximately 7% in 2012. Among all the whiskies, single malt scotch and blended scotch are the highest growth sub-categories in 2012 with approximately 8% growth in value. Being the most expensive types of scotch whiskies, this reflected a growing number of consumers who were willing to splurge on higher-end spirits products.

INDUSTRY OVERVIEW

COMPETITIVE LANDSCAPE OF WINE AND SPIRITS IN HONG KONG

Competition in the wine and spirits market in Hong Kong has increased significantly since the removal of all duty-related customs and administrative controls for wine and liquor with less than 30% alcohol content in February 2008, and is categorised by a small number of specialised retailers and a large number of small players, each presenting their own wine and spirits product list varying in terms of product category and product range, and each targeted at their own specific market segment.

Barriers to entry in the wine and spirits markets are high primarily due to, among others, high capital requirements in order to build a wine and spirits products portfolio competitive in terms of price, product range and sufficient stock inventories, high requirements of industry and product specific knowledge and well-established relationships with suppliers to ensure steady supply, quality, and price competitiveness of wine and spirits products sourced. Despite the high barriers to entry, certain specialist retailers for wine and spirits have entered the market and gained considerable market share. In order to differentiate themselves from their competitors, specialist retailers have utilised various methods such as exclusive membership scheme and strategic placements of outlets to enhance the customer experience and build customer loyalty.

Our Directors consider that our primary competitors are other retailers who sell similar premium wine and spirits products which we currently sell, including our primary products, Fine Red Wine, Rare and Collectible Red Wine and Value Red Wine, and provide similar wine related services, such as wine appreciation consultation services. To the best knowledge of our Directors, the following two companies are also primarily engaging in the distribution of similar premium wine and spirits products:

- a wholesaler company of wine and spirits products (“Competitor A”). Competitor A, through its retail shops in Hong Kong, is principally engaged in the distribution of wine and spirits products, as well as provision of catering and wine appreciation consultation services. Competitor A’s collection of wine and spirits products covers brands from Burgundy, Alsace, Rhone Valley, Italy, New Zealand, Australia, South Africa, Austria, and the United States. Competitor A is not a customer of our Group.
- an importer, retailer and wholesaler of wine and spirits products (“Competitor B”). Competitor B, through its retail shops in Hong Kong, is principally engaged in the import and sale of wine and spirits products, as well as the provision of wine appreciation consultation services. Competitor B’s collection of wine and spirits products covers brands primarily from Bordeaux, Burgundy, Alsace, Rhone Valley and Champagne. Competitor B is not a customer of our Group.

To the best knowledge of our Directors, due to the lack of official industrial statistics and information on retailers and distributors of the premium wine and spirits products, it is difficult to accurately estimate our market share and market position. However, the future growth and prospects of our business depends on the consumer markets for wine and spirits products.

INDUSTRY OVERVIEW

SOURCES OF INFORMATION

To the best knowledge of our Directors, there is no publicly available information to prepare an overview of the price trend of wine and spirits products in Hong Kong and our Directors are unable to locate any overall price trend of red wine from authoritative industry sources.

We have extracted certain data and information on the wine and spirits market in Hong Kong from a report prepared by Euromonitor, an independent market research company. Euromonitor is a global provider of market intelligence with a network of analysts in 80 countries specialising in the provision of market research for consumer market. Information disclosed in this section is extracted from Euromonitor Report which was not commissioned by us or the Sole Sponsor.

Investors should note that the reports prepared by Euromonitor are based on its in-house databases, independent third party reports, publicly available data from government or industry publications. The information contained in the Euromonitor Report has been obtained from sources believed by Euromonitor to be reliable, certain information from government or industry publications is unavoidably subject to assumptions and estimates made by third parties and such information has not been independently verified by Euromonitor. The information contained in the Euromonitor Report (HK) and Euromonitor Report (PRC) are also subject to assumptions that no significant economic depression or financial crisis, global political or environmental events would take place in the next few years. The information extracted from the Euromonitor Report (HK) and Euromonitor Report (PRC) reflect an estimate of the market conditions based on Euromonitor's research and analysis at the time of preparation of the Euromonitor Report (HK) and Euromonitor Report (PRC). The information extracted from the Euromonitor Report (HK) and Euromonitor Report (PRC) should not be viewed as a basis for investments provided by Euromonitor and references to the Euromonitor Report (HK) and Euromonitor Report (PRC) should not be considered as its opinion as to the value of any security or the advisability of investing in our Company. In no event will Euromonitor be liable for indirect, special, punitive or consequential damages of any kind or nature whatsoever, suffered by the other party.

REGULATORY OVERVIEW

GENERAL

Occupational Safety and Health

The Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong) provides for the safety and health protection to employees in workplaces, both industrial and non-industrial.

Employers shall as far as reasonably practicable ensure the safety and health in their workplaces by:-

- providing and maintaining plant and work systems that do not endanger safety or health;
- making arrangement for ensuring safety and health in connection with the use, handling, storage or transport of plant or substances;
- providing all necessary information, instruction, training and supervision to employees for ensuring safety and health;
- providing and maintaining safe access to and egress from the workplaces; and
- providing and maintaining a safe and health work environment.

Mandatory Provident Fund Schemes

The MPF schemes are defined contribution retirement scheme managed by authorised independent trustees. The Mandatory Provident Fund Schemes Ordinance provides that an employer shall participate in a MPF scheme and make contributions for its employee who is aged between 18 to 65. Under the MPF scheme, an employer and its employee are both required to contribute 5% of the employee's monthly relevant income as mandatory contribution for and in respect of the employee, subject to the minimum and maximum relevant income levels for contribution purposes. The maximum level of relevant income for contribution purpose is currently HK\$25,000 per month or HK\$300,000 per year.

Employees' Compensation

The Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong) lays down the rights and obligations of employers and employees in respect of injuries or death caused by accidents arising out of and in the course of employment, or by prescribed occupational diseases under the Employees' Compensation Ordinance. The Employees' Compensation Ordinance applies equally to full-time and part-time employees who are employed under service contracts or apprenticeships.

If an employee sustains an injury or dies as a result of an accident arising out of and in the course of his employment, his employer is generally liable to pay compensation under the Employees' Compensation Ordinance even if the employee might have contributed to the accident occurred.

REGULATORY OVERVIEW

Pursuant to the Employees' Compensation Ordinance, all employers (including contractors and subcontractors) are obliged to take out insurance policies to cover their liabilities arising from the Employees' Compensation Ordinance and the common law as a result of injuries sustained by their employees in the course of their employments.

Minimum Wage

With effective from 1 May 2013, the Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong) provides for a prescribed minimum hourly wage rate at HK\$30 per hour for every employee employed under the Employment Ordinance (Chapter 57 of the Laws of Hong Kong). Any provision of the employment contract which purports to extinguish or reduce the right, benefit or protection conferred on the employee by the Minimum Wage Ordinance is void.

Occupiers Liability

The Occupiers Liability Ordinance (Chapter 314 of the Laws of Hong Kong) imposes a common duty of care on an occupier of a premise to take reasonable care of the premise in all circumstances so as to ensure that his visitor will be reasonably safe in using the premises for the purposes for which he is invited or permitted by the occupier to be there.

INDUSTRY SPECIFIC

Overview

In the Budget for the year of 2008 - 2009, the Hong Kong government announced a series of favourable legislations to facilitate the development of the wine import, export and storage business in Hong Kong with immediate effect.

The laws and regulations in relation to the import, export and the sale of wines and liquors in Hong Kong are mainly governed by the Dutiable Commodities Ordinance, the Dutiable Commodities Regulations and the Dutiable Commodities (Liquor) Regulations. The Dutiable Commodities Ordinance defines liquor as any liquid which contains more than 1.2% of ethyl alcohol by volume except denatured spirits; any liquid that is an ingredient in any goods, if that liquid cannot be converted to pure ethyl alcohol or to an intoxicating liquor or if such a conversion would not be economical ("Liquor") and identifies the following three types of wines and liquors in broad:-

Type 1 - Liquors with an alcoholic strength of more than 30% by volume measured at temperature of 20 Celsius

Type 2 - Liquors, other than wine, with an alcoholic strength of not more than 30% by volume measured at a temperature of 20 Celsius

Type 3 - Wine, which is a liquor with an alcoholic strength of not more than 30% by volume measured at a temperature of 20 Celsius, which is obtained from the fermentation of fresh grapes

REGULATORY OVERVIEW

The following sets out the laws and regulations in relation to and the licences required for the operation of our business:-

Licence to Import and Export

The Dutiable Commodities Ordinance provides that no licence is required for the import and export of Type 2 and Type 3 wines and liquors into and out of Hong Kong.

As for the import of Type 1 liquors into Hong Kong, only licensed importers under the authority of an effective import licence issued by the Customs and Excise Department may import such liquors into Hong Kong. The export of Type 1 liquors out of Hong Kong is not regulated so long as such liquors are duty-paid within Hong Kong.

Duty

With effect from 27 February 2008, the Hong Kong government amended the Dutiable Commodities Ordinance to remove all custom duties on Type 2 and Type 3 wines and liquors. Type 1 liquors remains subject to an import duty rate at 100% unless such liquors are to be re-exported and not to be consumed in Hong Kong.

Certificate of Origin

Under the Dutiable Commodities Regulations, any imported liquors for which a specific feature or characteristic is prescribed to that particular type of liquor, such as aroma, chemical properties, place of origin, production method etc., a Certificate of Origin shall accompany such liquor to certify the type, nature and quality of that liquor. In particular, the Certificates of Origin of Brandy, Whisky and Rum shall contain all such information to enable the liquor to be readily identified.

Removal Permit

Under the Dutiable Commodities Ordinance, upon the arrival of Type 2 and Type 3 wines and liquors in Hong Kong, no removal permit is required for the removal or transportation of these wines and liquors from the importing conveyances to their destinations in Hong Kong under any circumstance; however, the Dutiable Commodities Ordinance provides that Type 1 liquors shall only be removed or transported from any importing conveyances by a holder of a valid removal permit issued by the Custom and Excise Department.

Import and Export Declaration

The Import and Export (Registration) Regulations (Chapter 60E of the Laws of Hong Kong) provides that when importing or exporting any articles, including wines and liquors into or out of Hong Kong, the importer or exporter must lodge an accurate and complete import or export declaration with the Custom and Excise Department.

REGULATORY OVERVIEW

Labelling

Under the Food and Drugs (Composition and Labelling) Regulations (Chapter 132W of the Laws of Hong Kong), all pre-packed foods must legibly state on their packaging the following information:-

- The food name or destination;
- the list of ingredients;
- the durability period;
- statement of special conditions for storage or instruction for use;
- name and address of manufacturer or packer; and
- count, weight or volume.

These Regulations, however, exempted the above labelling requirements for wines and other drinks with an alcoholic strength by volume of 10% or above. As for drinks with an alcoholic strength by volume of more than 1.2% but less than 10%, the durability period must be stated on the packaging.

Under the Dutiable Commodities Regulation, all liquors imported into Hong Kong for local consumption must bear a label indicating the alcoholic strength of the liquors.

Storage

The Dangerous Goods Ordinance (Chapter 295 of the Laws of Hong Kong) and its subordinate regulations identify 11 categories of dangerous goods; they together control the usage, storage, manufacturing and conveyance of these 11 categories of dangerous goods and provide for the licensing requirements in relation to their activities.

Pursuant to the Dangerous Goods (General) Regulations (Chapter 295B of the Laws of Hong Kong), it is expressly provided that the storage of any beer, spirits, wines or liquors is not subject to any restriction or licence; however, portable spirits, being spirits containing more than 35% of ethyl alcohol by volume and having a flash point of or exceeding 23 Celsius but not exceeding 66 Celsius, are categories as Category 5 dangerous goods and their activities are subject to the restriction under the Dangerous Goods Ordinance.

Licence to Sell Wines and Liquors

There is at present no specific legislation governing the sale of alcoholic beverages for off-premises consumption in Hong Kong; however, under the Dutiable Commodities Ordinance and the Dutiable Commodities (Liquor) Regulations it is a criminal offence to sell liquors at any premises for on-premises consumption, or at a place of public entertainment or a public occasion for consumption at that place or occasion unless the seller is on authority of a liquor licence or a temporary liquor licence issued by the Liquor Licensing Board or the Commissioner of Police.

REGULATORY OVERVIEW

There is currently no restriction on the minimum age for off-premises sale of alcoholic beverages in Hong Kong; however, under the Dutiable Commodities (Liquor) Regulations, it is a criminal offence to permit any person under the age of 18 years to consume any intoxicating liquors on the premises of the sale alcoholic beverages.

As regards the licencing requirement for holding wine tasting events in Hong Kong, the Dutiable Commodities Ordinance and the Dutiable Commodities (Liquor) Regulations provide that a temporary liquor licence will be required for holding such event at a place where a permanent liquor licence does not cover, or if an admission fee is charged for the participation of the event, or if wines and liquors are sold for on-premises consumption.

Sale of Tobacco Products

The conditions for the sale of tobacco products, including cigars, are governed by the Smoking (Public Health) Ordinance (Chapter 371 of the Laws of Hong Kong). Currently, no licence is required for the retail sale of tobacco products in Hong Kong; however, no tobacco products shall be sold to any person under the age of 18 years and the Smoking (Public Health) Ordinance requires that any cigars offered for retail sale in Hong Kong must bear a health warning on the retail container in the form and manner prescribed by the Smoking (Public Health) Ordinance.

Product liability

The Sale of Goods Ordinance (Chapter 26 of the Laws of Hong Kong) provides that the seller of goods shall have an implied right to sell the goods. If the goods are sold by description, they shall correspond with the description and shall be of merchantable quality.

PRC Government Initiatives

In 2012 to 2013, the Communist Party of China announced a series of policies to reform the culture of the government system.

On 26 March 2012, Wen Jiabao, the then Premier of the State Council of the PRC, gave a speech at the Fifth Conference of Anti-corruption of State Council. He mainly emphasised on constraining three types of public expenses which included the cost on overseas trips, vehicle purchasing and maintenance and official receptions. During this meeting, he prohibited, inter alia, the use of public expenses on upscale wines.

In January 2013, the Communist Party of China announced the “Six-point Prohibition” which includes: 1. Prohibition on use of public expenses on visits, gifts, social activities such as new year functions; 2. Prohibition on gifts to supervisors; 3. Prohibition of contravention of regulations by receiving and providing gifts, money, securities, payment voucher and pre-paid cards; 4. Prohibition on random distribution of property, ostentatious and extravagant behaviour; 5. Prohibition on excessive hospitality; 6. Prohibition on organising and participating in gambling activities.

REGULATORY OVERVIEW

On 26 March 2013, Li Keqiang, the current Premier of the State Council of the PRC, organised the First Conference of Anti-corruption of State Council. He reiterated that all three types of public expenses should be disclosed eventually and the governments at all levels should do their best to implement frugal policy with a view to reduce governmental expense.

On 25 November 2013, the General Office of the Communist Party of China, the General Office of the State Council of PRC announced 《Rules of the Communist Party and the Government of China on Strict Saving and Prohibition of Waste》(《黨政機關厲行節約反對浪費條例》), which set out comprehensive rules regulating the management of funds of the Communist Party and the Government of China, local business trips, temporary business trips abroad, official reception, official use of vehicle, meetings, rooms in the office and the saving of resources.

On 4 December 2013, Xi Jinping, the General Secretary of the Communist Party of China, chaired the meeting of the Political Bureau, and resolved to implement the “Eight-point Code”. It includes: 1. Improvement of investigation and research, the understanding of the circumstances of the grass root levels; simplification of hospitality, elimination of social function arrangement etc.; 2. Simplification of meetings and enhancement of efficiency; 3. Simplification of documentation report; 4. Regulation and standardisation of visits, control of accompanying personnel and welcoming activities; 5. Improvement of security work and reduction of traffic control; 6. Improvement of news report; 7. Regulation of leaders’ speech and publications; 8. Implementation of the strict-saving policy, strict compliance with relevant anti-bribery regulations, strict implementation of regulations in relation to work and lifestyle including housing, vehicle allocation etc.

On 8 December 2013, the General Office of the Communist Party of China, the General Office of the State Council of PRC announced 《Regulations of the Communist Party and the Government of China on Official Local Hospitality》(《黨政機關國內公務接待管理規定》), which impose regulations on the use of public expenses for official reception, including the applicable scope, the receiving units, the receiving party, the relevant projects, and ancillary reform. It also regulates the prior review and approval process, regulations during the activities and post monitoring process and introduces the concept of accountability. In particular, article 10 of the said Regulations provides, inter alia, that “simple dishes should be served in business meal while upscale cigarette and wine are prohibited to be offered”.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

BUSINESS DEVELOPMENT

Introduction

Our history can be traced back to December 2007 when Mr. Leung, using his personal funding, established Rouge & Blanc in Hong Kong for the sale of wines, predominantly red and white wines under the business name “Major Cellar”. Prior to establishing Rouge & Blanc, Mr. Leung worked for Gi-Go Toys Factory Limited and was responsible for promotional campaigns and sales budgeting in Hong Kong and China. Based on his experience and exposure, he believed the demand for luxurious goods by individuals (in particular, PRC individuals) to be a good niche market to develop. Therefore, when the government of Hong Kong imposed a policy to reduce the wine duty from 80% to 40% in 2007, Mr. Leung believed that it would be a good opportunity to enter into the wine and spirits business in Hong Kong in light of its high demand in Asia.

In view of the complete removal of wine duty in Hong Kong by the government of Hong Kong, in June 2008, Mr. Cheung joined Rouge & Blanc as a shareholder. Our first-street level retail showroom under the business name “Major Cellar” was opened in Tsim Sha Tsui in September 2008.

Rouge & Blanc had pursuant to its business registration certificate, conducted its business under the trading name of “Major Cellar”. In September 2009, Mr. Leung and Mr. Cheung decided to incorporate Major Cellar in Hong Kong to avoid confusion between the two and also believed that the name “Major Cellar” was more appealing to customers. Rouge & Blanc ceased its wine and spirits products related business in early 2010.

In November 2009, jointly with a joint venture partner, we established Major Aim to expand the wine business in Yuen Long which we believe its proximity to the PRC would attract PRC travellers and therefore established a retail showroom under the business name “Major Cellar” in Yuen Long in December 2010. Our retail showroom in Yuen Long was closed down in November 2011 due to mismatch of the customers in the area and our Group’s business.

In January 2011, in order to accommodate the increased number of staff, we moved our office to the current premises at Ocean Centre, Tsim Sha Tsui with a showroom with the total area of approximately 4,000 sq. ft. for carrying out sales of wine and spirits products to our wholesale customers.

In July 2010, we opened a retail showroom in a commercial building in Central which was subsequently closed down in May 2011 because the then directors believed the store was inconveniently located as it was situated within an office building and not easily accessible or seen.

After the closing down of the retail stores in Yuen Long and Central, we considered that the retail showroom in Tsim Sha Tsui was the most suitable for our Group’s business model; accordingly, we focused our business and resources in the Tsim Sha Tsui retail showroom which catered for the retail sale of premium wine and spirits products and the provision of personalised wine services.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Business Milestone

September 2008	The first street-level retail showroom in Tsim Sha Tsui opened.
November 2009	Major Cellar participated in the Hong Kong International Wine & Spirits Fair for the first time.
June 2011	Major Cellar sold a 15 l. bottle of 2000 Chateau Mouton Rothschild, which was 1 of the 69 bottles available in the world, for approximately HK\$1,700,000.
January 2013	Major Cellar sold three bottles of 6 l. Romanee Conti 1988-1990 for approximately HK\$5,200,000.

CORPORATE HISTORY

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 2 April 2013. Our Company was registered as a non-Hong Kong company under Part XI of the Companies Ordinance on 15 May 2013. As at the Latest Practicable Date, our Company had an authorised share capital of HK\$10,000,000 divided into 1,000,000,000 Shares of HK\$0.01 each.

For details of changes in the share capital of our Group, please refer to the paragraphs headed “Changes in authorised and issued share capital of our Company” and “Changes in share capital of subsidiaries” in Appendix IV to this prospectus.

A summary of the corporate history of our subsidiaries is set out below:-

Beyond Elite

Beyond Elite is an investment holding company and a wholly owned subsidiary of our Company. On 21 March 2013, Beyond Elite was incorporated in the BVI under the British Virgin Islands Business Companies Act 2004 with an authorised share capital of US\$50,000 divided into 50,000 ordinary shares of US\$1.00 each and 1 share was issued to our Company credited as fully paid.

Major Cellar

Major Cellar is the principle operating subsidiary of our Group. On 25 September 2009, Major Cellar was incorporated in Hong Kong with an authorised capital of HK\$10,000 divided into 10,000 ordinary shares of HK\$1.00 each. Mr. Leung and Mr. Cheung were the founders of Major Cellar; they have at all times during the Track Record Period in concert owned and controlled 100% of Major Cellar. During the Track Record Period, Mr. Cheung and Mr. Leung have mutually agreed to manage and control Major Cellar in the same manner and with the same mission. They have on all occasions, whether in shareholders’ or board’s meetings, voted in the same manner and there is not a single occasion where Mr. Cheung or Mr. Leung has vetoed the other. Therefore, Mr. Cheung and Mr. Leung could be regarded as “acting in concert” for the purposes of the Takeovers Code.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

On 6 November 2013, Mr. Cheung and Mr. Leung executed a confirmation whereby:

- (i) they confirmed that they are business partners and together ran and managed our Group from the time Mr. Cheung became a shareholder of Rouge & Blanc in June 2008 and up to the Latest Practicable Date (the “**Relevant Period**”);
- (ii) during the Relevant Period, they had been running and managing our Group in concert, whether by themselves or via any viable corporate vehicles;
- (iii) during the Relevant Period, in respect of all material management matters, voting decision and/or business decision (including financial and operation policy), implementation of proposal and/or agreement to be reached after negotiation concerning our Company, as well as the making of decision by the associated companies in relation to the associated companies’ business related material matters and decision, they would first communicate, discuss and negotiate to come to an unanimous decision, and in all related meetings Mr. Cheung would lead to make the unanimous decision and resolution;
- (iv) during the Relevant Period, they had voted unanimously in all shareholders’ meetings and/or board meetings of our Company and its associated companies, whether by themselves or via any viable corporate vehicles, in respect of all matters concerning the operational and/or financial decisions of our Group;
- (v) during the Relevant Period, they had shared the profit and loss of our Group as a whole in accordance with their respective shareholdings in our Group; and
- (vi) they confirmed that following the Relevant Period and for a period of at least one year after the Listing Date, they will continue to act in concert as they did during the Relevant Period.

Upon the incorporation of Major Cellar, Mr. Leung and Mr. Cheung each subscribed 7,000 and 3,000 ordinary shares, respectively, representing 70% and 30% of the entire issued capital of Major Cellar.

On 20 November 2009, Mr. Leung transferred 1,500 ordinary shares to Mr. Cheung at par value per share. As at 20 November 2009, Mr. Leung and Mr. Cheung each held 5,500 and 4,500 ordinary shares, respectively, representing 55% and 45% of the entire issued share capital of Major Cellar.

In the early stage of Major Cellar and until shortly before the transfer of Mr. Leung’s equity interest in Major Cellar to Mr. Cheung in 23 May 2012, there was no clear division of responsibilities between Mr. Leung and Mr. Cheung. Mr. Leung and Mr. Cheung were both responsible for the overall management and operation of Major Cellar.

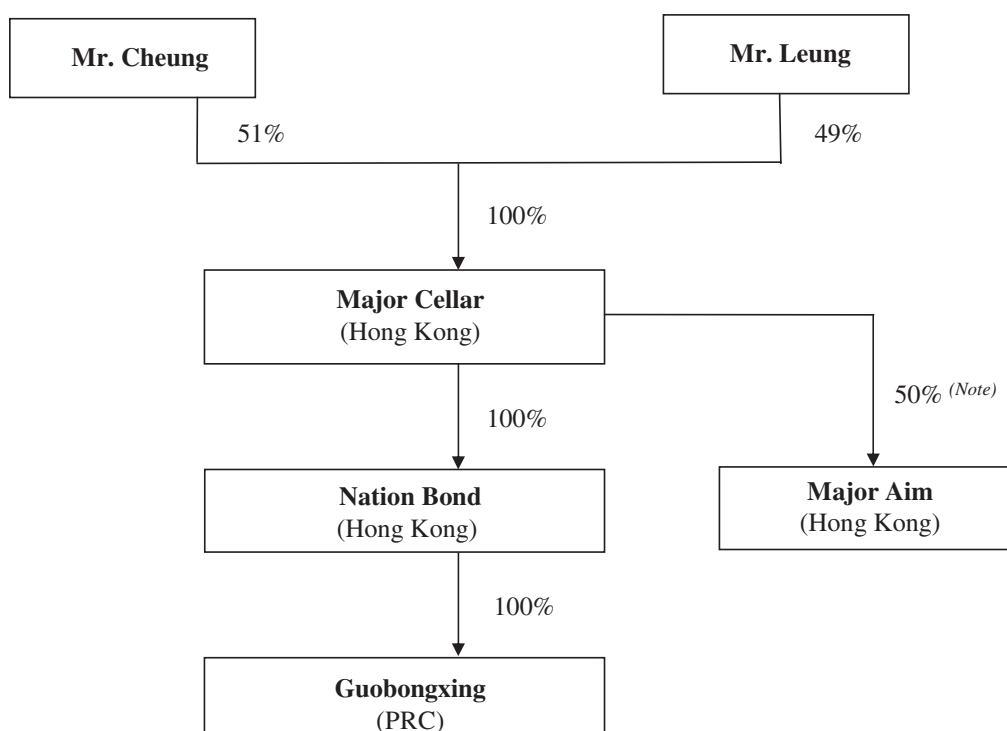
As the business of Major Cellar fostered, Mr. Leung and Mr. Cheung mutually agreed that it was necessary to manage and to operate Major Cellar more efficiently and systematically. Throughout the time Mr. Leung spent in the operation of the business, he realised that his expertise rest in his knowledge in the wine and spirits products. He gradually focused more on the product sourcing and pricing aspect of the business and had relied more on Mr. Cheung to manage Major Cellar. As such,

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

after prudent consideration, Mr. Leung and Mr. Cheung had agreed that Mr. Cheung would be responsible for overseeing the overall management and operation of Major Cellar while Mr. Leung would focus on managing the product sourcing and pricing and the sales pillar of the business. Subsequently, in order to fairly reflect their contribution, on 23 May 2012, Mr. Leung transferred 600 ordinary shares, representing 6% of the entire issued share capital of Major Cellar, to Mr. Cheung for a consideration of HK\$600, which was valued at par. No agreements had been entered into between Mr. Cheung and Mr. Leung regarding the ownership and management of Major Cellar or our Group. Subsequent to the transfer, Mr. Cheung and Mr. Leung held 5,100 and 4,900 ordinary shares, respectively, representing 51% and 49% of the entire issued share capital of Major Cellar, respectively. Accordingly, Mr. Cheung became the majority shareholder of Major Cellar.

On 28 August 2013, Mr. Cheung and Mr. Leung disposed of their respective entire shareholding interests in Major Cellar to Beyond Elite in consideration of our allotment and issue of 51 and 49 Shares to Silver Tycoon, a company directly owned by Mr. Cheung and High State Investments, a company directly owned by Mr. Leung, respectively, credited as fully paid.

The following is the shareholding structure of our Group immediately before the implementation of the Reorganisation:



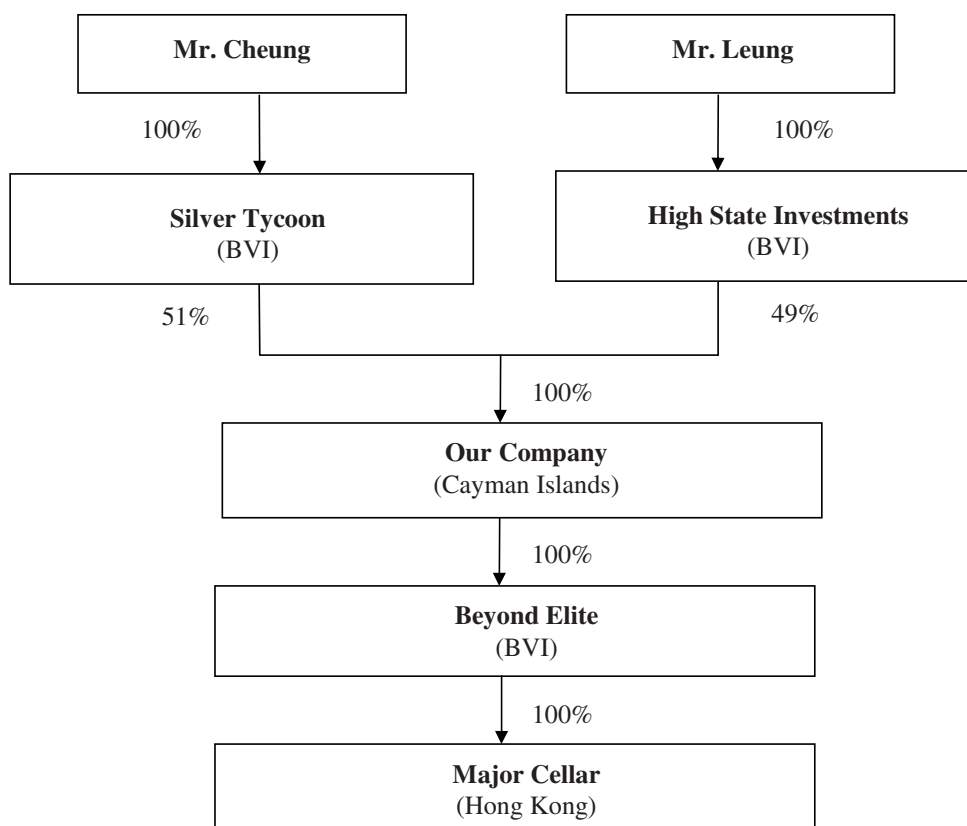
Note: 50% of the legal ownership of Major Aim was held by Mr. Leung on trust for Major Cellar and the remaining 50% of the legal ownership was held by Mr. Shum Man Kit, an independent third party.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Reorganisation

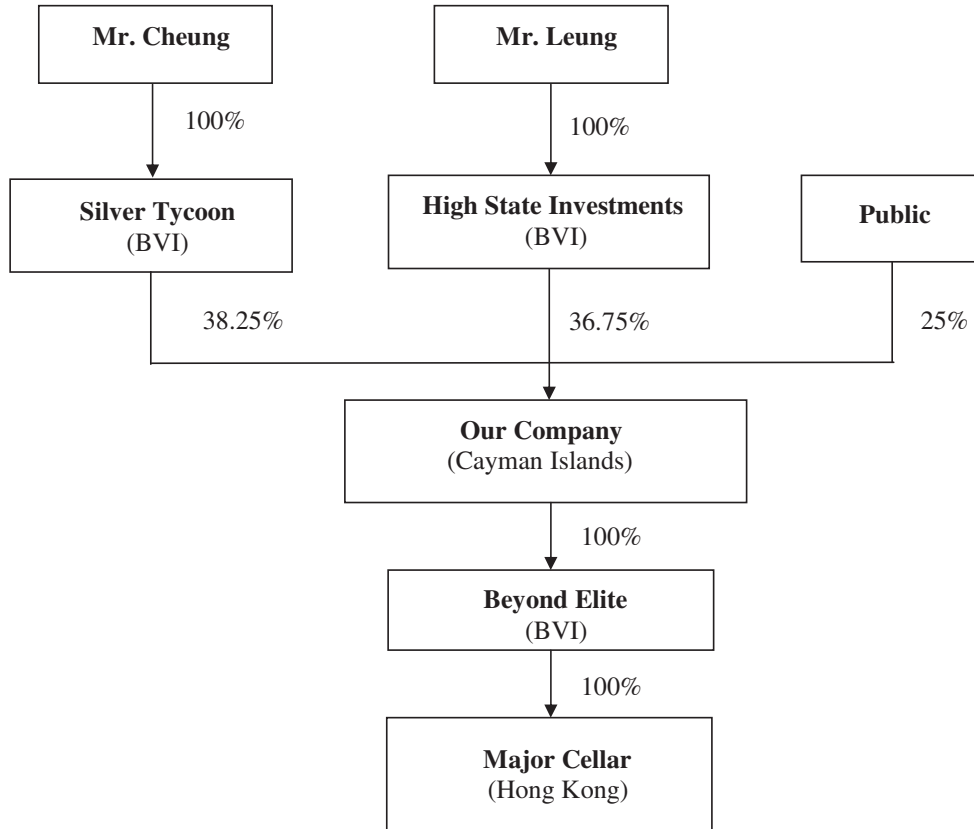
As part of the Reorganisation, (i) Major Cellar disposed of its entire shareholding interests in Nation Bond to Mr. Cheng Kat Ho and Major Investment at par value per share, which was determined by reference to the par value of the shares. Nation Bond is a holding company of Guobongxing whose business licence is stated to carry on the business of garment manufacturing. As our Group does not carry on any such business activities and Guobongxing had never commenced any business, Major Cellar disposed of its entire shareholding interests in Nation Bond to Mr. Cheng Kat Ho and Major Investment; (ii) Mr. Cheung and Mr. Leung transferred their initial shareholdings in our Company to Silver Tycoon and High State Investments, respectively, for cash at par value per share; (iii) Major Cellar disposed of its entire shareholding interests in Major Aim to Mr. Leung. Major Aim has no material business activities following the closure of our retail store in Yuen Long in 2011 and as to simplify our Group structure, we determined to dispose of our interest in Major Aim so Major Aim shall be excluded from our Group; and (iv) Mr. Cheung and Mr. Leung disposed of their entire shareholding interests in Major Cellar to Beyond Elite, a wholly-owned subsidiary of our Company, in consideration of the allotment and issue of 51 and 49 Shares respectively to Silver Tycoon (as Mr. Cheung's nominee) and High State Investments (as Mr. Leung's nominee) credited as fully paid. Further details of the Reorganisation are set out in the paragraph headed "Group reorganisation" in Appendix IV to this prospectus.

The following is the shareholding structure of our Group immediately after completion of the Reorganisation:



HISTORY, REORGANISATION AND CORPORATE STRUCTURE

The following is the shareholding structure of our Group immediately after the Placing and Capitalisation Issue but taking no account of Shares that may be allotted and issued upon the exercise of options to be granted under the Share Option Scheme:



BUSINESS

OVERVIEW

We are a retailer of a wide range of premium wine and spirits products and a personalised wine services provider in Hong Kong. We have approximately five years of operating experience in the sale of (i) wine and spirits products such as Fine Red Wine, Rare and Collectible Red Wine, Value Red Wine, Fine White Wine, Value White Wine, sparkling wine and spirits as well as (ii) wine accessory products such as decanters, wine glasses, wine cellars, wine openers, wine books and other wine related products, and (iii) other products such as cigars and other cigars related products in Hong Kong. As part of our after-sales customer services, we also provide complimentary wine appreciation consultation services and wine storage consultation services to our customers.

Our wine and spirits products portfolio spans approximately 30 vintages, from over 15 countries of origin, including wine and spirits products across different Appellations of France, namely, Margaux, Pessac Leognan, St. Julien, Pauillac, St. Estephe, St. Emilion, Pomerol, Sauternes, Burgundy, Champagne, Alsace, Loire Valley, Cognac, etc., and the United States, Australia, Italy, Spain, Germany, New Zealand, Chile, Argentina, Hungary, South Africa, Canada and the United Kingdom. Out of our wine and spirits products, red wine has been the largest product type sold by us, representing approximately 96.6%, 94.7% and 93.3% of our total revenue for the years ended 31 March 2012 and 31 March 2013 and the five months ended 31 August 2013, respectively.

We differentiate our customers by reference to end-consumers. We classify end-consumers who purchase our wine and spirits products for personal consumption as our retail customers and third party retailers who will re-sell our wine and spirits products in the course of their businesses as our wholesale customers. Similarly, all sales to our retail customers are retail sales and all sales to our wholesale customers are wholesales. We have a solid and broad client base comprising retail customers such as individual wine collectors and business corporations, and wholesale customers such as restaurants, hotels and private clubs. Our relationships with our customers place us in a favourable position to enjoy a level of recurring business. Our ability to maintain such relationships with our customers is mainly attributable to our integrity and professionalism in customer services.

As at the Latest Practicable Date, we operated in Hong Kong (i) one retail showroom, which serves as our retail store for walk-in customers and our showroom where we display some of our most prestigious wine and spirits products, and (ii) one office premises, which serves as our headquarters to oversee our overall business operations, and handles all of our administrative matters, including liaisons with regards customers purchase orders and signing of purchase contracts that are not executed at our retail showroom. We had conducted both retail sales and wholesales at our retail showroom and our office premises.

For the years ended 31 March 2012 and 31 March 2013 and the five months ended 31 August 2013, our total revenue was approximately HK\$333.4 million, HK\$266.8 million and HK\$117.3 million, respectively, and our profit and total comprehensive income was approximately HK\$7.4 million, HK\$23.5 million and HK\$2.6 million, respectively, for the same periods indicated.

BUSINESS

OUR COMPETITIVE STRENGTHS

We believe our success is attributed to, among other things, the following competitive strengths:

We provide one-stop services for a vast array of wine and spirits related products.

Our retail showroom serves as a one-stop shop for our customers and a showroom of our comprehensive collection of wine and spirits products, offering a wide range of wine and spirits products as well as wine accessory products such as decanters, wine glasses, wine cellars, wine openers, wine books, other wine related products, and other products such as cigars and other cigars related products. We also provide complimentary wine appreciation consultation services and wine consultation services, which are offered by our wine consultants to our customers as part of our after-sales customer services. We believe our diversified products portfolio offers our customers the convenience of one-stop shop and related customer services, while broadening our marketing reach in the wine and spirits market in Hong Kong in different dimensions and offering us opportunities to gather market updates from various perspectives, altogether equipping us with the knowledge and flexibility to react to the changing needs of our customers quickly and effectively.

We have a strong management team with a proven track record and a multi-functional sales team comprising 14 wine consultants.

We are under the management of our experienced and dedicated management team who has operational expertise and in-depth understanding in the wine and spirits industry in Hong Kong. Each of our executive Directors, Mr. Cheung and Mr. Leung, possesses six years and nine years of management experience, respectively, and five years and five years of experience in the wine and spirits industry in Hong Kong, respectively.

Our multi-functional sales team consists of 14 wine consultants, most of whom possess in-depth industry knowledge and wine and spirits products knowledge including but not limited to our Fine Red Wine, Rare and Collectible Red Wine and Fine White Wine, and other aspects of the wine and spirits industry. We believe the extensive management and industry experience of Mr. Cheung and Mr. Leung, coupled with our sales team's in-depth product and industry knowledge, business network and strong management capabilities, are vital to the continued growth and future development of our business.

We have well-established and stable relationships with our major suppliers forming our extensive supply network.

We have well-established and stable business relationships with our suppliers of wine and spirits products, which create an extensive supply network enabling us to source certain wine and spirits products that are rare or otherwise not widely available in the open market and certain wine and spirits products that are highly sought after. In view of our well-established relationships with our suppliers and our extensive supply network, we have not entered into any long-term supply agreements with any of our suppliers, which would typically include minimum purchase requirements and other restrictive

BUSINESS

terms of supply and thereby restrict our flexibility in sourcing wine and spirits products. We therefore retain our flexibility in sourcing our products, which enables us to select our suppliers on a case-by-case basis based on their respective reputation and industry recognition for product quality, supply reliability, and market demand of the wine and spirits products.

We sell a broad variety of brands of wine and spirits products targeting at different customers.

We believe our comprehensive collection of wine and spirits products, which consists of red wine, white wine, sparkling wine and spirits, is well equipped to satisfy the diverse demands of our customers in the fast-growing wine and spirits industry in Hong Kong. Our red wine portfolio consists of approximately 6,000 types of Fine Red Wine, Rare and Collectible Red Wine and Value Red Wine, which spans across approximately 30 vintages and includes selected old vintages such as Latour 1899. We sell red wine from various countries of origin, including France, the United States, Italy and Spain, Chile, and across various Appellations, including Margaux and Pessac Leognan of France. We source red wine of various classifications including Premier cru and Grand cru and of different volumes ranging from 375 *ml.* to 27 *l.*. Our white wine portfolio consists of approximately 600 types of Fine White Wine and Value White Wine, which spans across approximately 30 vintages and includes selected old vintages such as Leroy Montrachet Blanc 1966. We sell white wine from various countries of origin, including France, the United States, Australia and Italy. We source white wine of various classifications including Premier cru and Grand cru and of different volume ranging from 375 *ml.* to 6 *l.*.

Apart from Fine Red Wine and Rare and Collectible Red Wine, which are the main products we sell, we also offer wine and spirits products with retail prices below HK\$800 for a regular 750 *ml.* bottle. We believe that our strategy to offer wine and spirits products of a wide selling price range will broaden our collection of wine and spirits products available to our customers, thereby allowing us to capture additional market share.

We have an established presence in the fast-growing wine and spirits industry in Hong Kong, and we have maintained a broad and loyal customer base.

Through the quality and the diversity of our wine and spirits products and the after-sales customer services we provide, we have developed a corporate image in the wine and spirits industry in Hong Kong. We have utilised our established presence in the wine and spirits industry in Hong Kong in marketing our wine and spirits products to our new and existing customers. Over the years through sustained course of dealings, we have built stable and recurring business relationships with our customers, thereby forming our solid and broad customer base comprising individual wine collectors, retail consumers, restaurants, hotels, private clubs, business corporations and wine traders. We believe our solid and broad customer base is mainly attributable to our experienced and knowledgeable sales team offering personalised wine and spirits products to each individual customer which matches each of their respective preferences, needs and requirements.

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OUR BUSINESS STRATEGIES

We intend to continue our business diversification and strive to obtain a leading position in the wine and spirits industry in Hong Kong. We intend to achieve these goals by pursuing the following business strategies:

We plan to expand our existing supply arrangements and diversify our existing wine products portfolio with the objectives of broadening our existing customer base and our existing market share and position in the wine and spirits industry in Hong Kong.

We plan to expand our existing supply arrangements by entering into new supply agreements, with new wineries and vineyards from across the world, including countries where we have not sourced wine previously. With our expanded supply arrangements, we aim to provide a broader range of wine products, including certain wine products with limited authorised distributors in Hong Kong, in addition to the existing products and vineyards to cater a wider range of customer tastes and preferences, thus enabling us to capture an even wider range of customers. Pursuant to our supply arrangements, we are authorised by Domaine de Bellene and Amuse Bouche Winery to sell certain wine products of Domaine de Bellene and Amuse Bouche Winery in Hong Kong. As at the Latest Practicable Date, we were one of the two authorised sellers of Domaine de Bellene in Hong Kong authorised to sell certain wine products of Domaine de Bellene in Hong Kong. As such, we gain a competitive advantage over our competitors who are not authorised by Domaine de Bellene to sell the wine products of Domaine de Bellene in Hong Kong. However, we do not place heavy reliance on our supply arrangements in compiling our wine products portfolio as internal sourcing remains to be our key sourcing means. We believe expansion of the existing supply arrangements will further diversify our wine products portfolio and differentiate our Group from our competitors. We will continue to adopt internal sourcing as our key sourcing means and the proposed expansion of supply arrangements will not change our existing business model. In addition, we plan to expand our existing collection of Fine Red Wine and Rare and Collectible Red Wine by increasing our vintage spectrum from the existing 30 vintages to 50 vintages and by increasing our levels of stock inventories. We believe the expanded products portfolio will give us a competitive advantage to expand our market reach to a wider range of customers by addressing a wider range of customer tastes and preferences, thereby strengthening our existing market share and position in the wine and spirits industry in Hong Kong.

Furthermore, we plan to expand our market reach by expanding our wine and spirits products portfolio, in particular, by expanding our Value Red Wine and Value White Wine portfolio, with an aim to capturing the vast and growing mass market demand for value wine and spirits products.

Please also refer to the section headed “Statement of Business Objectives and Use of Proceeds”.

We will continue to enhance consumer awareness of our wine and spirits products and promote our corporate image, recognition and brand reputation.

We believe that our corporate image and brand recognition are fundamental to our continued success and we intend to foster our corporate image, recognition and brand reputation and enhance consumer awareness of our wine and spirits products by increasing advertising, marketing and other

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promotional activities. We had implemented various publicity campaigns such as advertising in magazines, organising wine tasting events, participating in wine and spirits fairs and other promotional activities. We will continue to strategically conduct advertising, marketing and promotional activities to boost sales of our products, as well as our own corporate image. We will also continue to organise other public relations activities such as wine tasting gatherings with a view to creating a community for wine appreciation among our customers and us, and hence strengthening our existing relationships with our customers. We plan to continue to participate in wine and spirits industry trade shows such as the Hong Kong International Wine & Spirits Fair to further promote our corporate image and brand as well as to increase awareness and recognition of our wine and spirits products in the wine and spirits industry in Hong Kong, thereby attracting new customers and expanding our customer base.

We will continue to develop and enhance our customer communication and interaction, strengthening our sale of wine and spirits products in Hong Kong, and thereby maintaining our market position in the wine and spirits industry in Hong Kong.

We believe it is crucial to our continued growth and development to maintain and strengthen our market position in the wine and spirits industry in Hong Kong by broadening our customer base through attracting new customers and retaining existing customers as wine appreciation and the wine culture in Hong Kong are becoming increasingly popular. We plan to open an additional one-stop retail showroom in Hong Kong as an additional integrated platform for a more effective and direct exchange of communication and interaction between our customers and us.

Throughout our course of dealings in the past years, we have established our customer base and recurring customers who visit our retail showroom. To further expand the size of our operations, we have decided to expand our point of sales thereby attracting more new customers as well as increasing public awareness of our Company. In relation to the proposed expansion of a new point of sale, we plan to open a new retail showroom of a gross floor area of approximately 1,000 sq. m., which will be situated on the street level within prime shopping areas or near luxury hotels in Causeway Bay or Tsim Sha Tsui. Taking into account our previous experience with the retail showrooms in Yuen Long and Central, our Directors are of the view that the location of the new retail showroom should be located in a prime shopping area and on the street level as accessibility and influx of passersby are crucial to attracting new customers. It is currently contemplated that the new retail showroom will be operated and managed by two to three employees. It is currently expected that a new lease will be entered into on or before 31 March 2014. We expect to incur a total capital expenditure of HK\$500,000 for the renovation and monthly working capital requirements of approximately HK\$150,000 to HK\$300,000, covering our costs of operations of our new retail showroom including monthly rental payments. Based on the estimated total capital expenditure and working capital requirements, we anticipate that the estimated investment payback period will be approximately six months. As at the Latest Practicable Date, no lease agreement had been entered into in respect of the new retail showroom.

We will continue to expand and explore additional products and services to amplify our one-stop services to our customers.

We believe that providing customers with comprehensive products and proactive services is the key to differentiate ourselves from our competitors in the wine and spirits industry in Hong Kong. In

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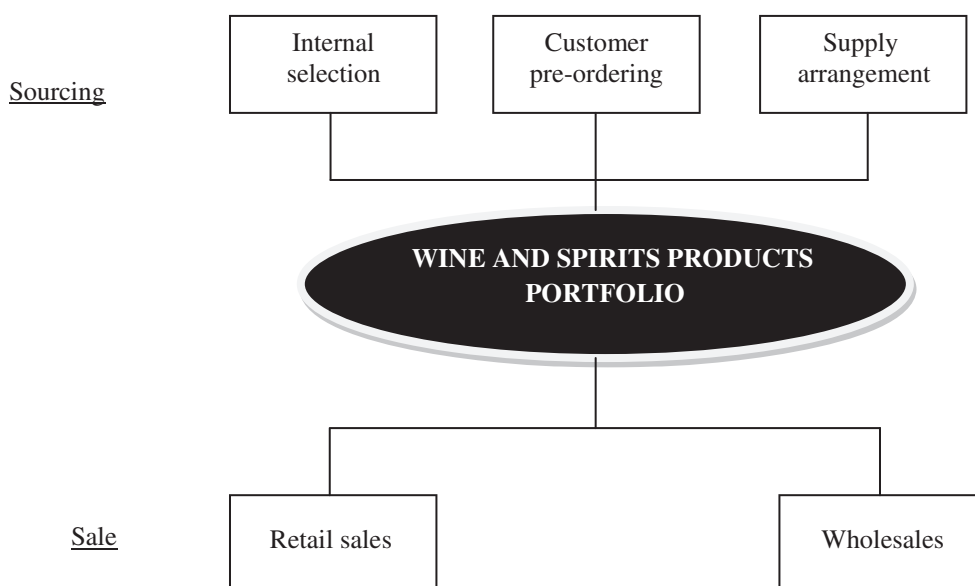
In addition to our wine and spirits products, we will continue to offer one-stop services to our customers by offering wine and spirits related products, such as wine accessory products including decanters, wine glasses, wine cellars, wine openers, wine books, cigars and other cigar related products and provision of after-sales customer services including complimentary wine appreciation consultation and wine storage advisory and consultation services. To further amplify our one-stop services and enhance our customers' shopping experience with us, we intend to expand and explore additional wine and spirits products and services to supplement our current wine and spirits products portfolio.

We will retain, develop and attract high-quality talents.

We focus on management quality, product and industry knowledge and personalised sales as key elements of our growth strategy and will remain committed to the training and development of our experienced and dedicated team at all levels to achieve this end. We also plan to further expand our team through the recruitment, training and retention of qualified, skilled and experienced personnel in all aspects to assist our expansion and growth plans. Furthermore, in order to enhance our current sale capabilities and network, we plan to recruit additional wine consultants to strengthen our sales team and we intend to attract additional sales and marketing talents by offering competitive compensation packages including bonus programs, performance incentives, share options and education and training allowances.

OUR BUSINESS MODEL

Our business focuses on the sale of a wide range of premium wine and spirits products and the provision of personalised wine services in Hong Kong. Predominantly, we operate on a business model consisting of sourcing and sale, whereby our wine and spirits products portfolio plays a central and critical role. In establishing our wine and spirits portfolio, we have utilised various means in sourcing our wine and spirits products, which then become available for sale to our retail and wholesale customers via our retail showroom and office premises.



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Sourcing

Sourcing is the process whereby we compile our wine and spirits products portfolio, which is conducted by means of internal selection, customer pre-ordering and supply arrangements. Wine and spirits products sourced from our internal selection is our primary means to compile our wine and spirits portfolio and presents the wine and spirits products that meets our target customers' preferences, our customer pre-ordering sourcing method is a personalised service aiming to source the specific wine and spirits products to meet certain customers' specific requests and our supply arrangements enables us to pre-determine the purchase prices and logistics arrangements of certain wine products. Wine and spirits products sourced under our internal selection and our supply arrangements are available for sale to all of our customers, including our retail customers and our wholesale customers, while wine and spirits products sourced under customer pre-ordering are order-by-order and are available to the designated customer only.

Internal selection

Internal selection includes (i) a selection process, whereby our sales team will identify selected wine and spirits products to be included in our wine and spirits products portfolio, and (ii) a purchasing process, whereby our purchasing team will source the selected wine and spirits products from our selected list of suppliers. See “— Our suppliers — Product sourcing — Internal selection” for further details.

Customer pre-ordering

Customer pre-ordering is the process whereby our customers approach us with a specific purchase order setting out the specifications of wine and spirits products, which may include wine and spirits products that are not contained in our wine and spirits portfolio. Thereafter, our purchasing team will source the specific wine and spirits products from our selected list of suppliers. See “— Our suppliers — Product sourcing — Customer pre-ordering” for further details.

Supply arrangement

To distinguish us from our competitors in the wine and spirits industry, we have entered into four supply agreements with two vineyards, whereby we have been authorised to sell in Hong Kong, non-exclusively, certain wine products of Domaine de Bellene and Amuse Bouche Winery. As at the Latest Practicable Date, we are one of the two authorised sellers of Domaine de Bellene in Hong Kong authorised to sell certain wine products of Domaine de Bellene in Hong Kong. See “— Our suppliers — Product sourcing — Supply arrangement” for the major terms of the supply agreements.

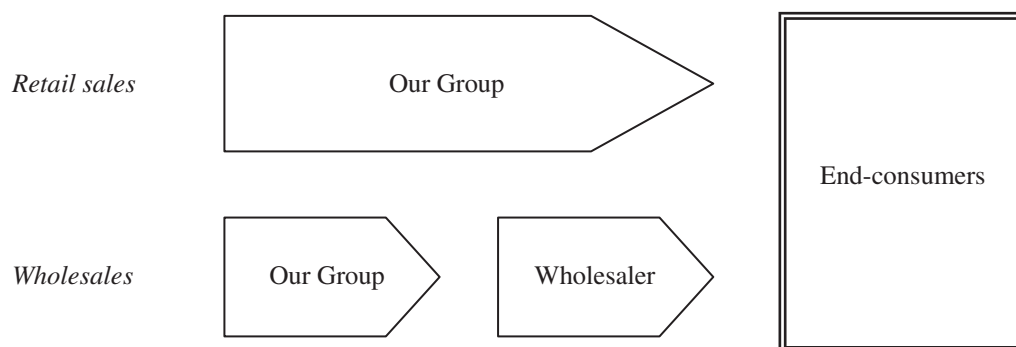
Sale

We classify sales to our retail customers, being the end-consumers, as retail sales, and sales to our wholesale customers, being third party retailers who will re-sell our products in the course of their businesses, as wholesales. Our primary retail customers comprise individual wine collectors, retail consumers and business corporations and our primary wholesale customers comprise wine cellars and wine traders, or catering businesses, such as hotels, restaurants and private clubs. See “— Our

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Customers” below. All of our wine and spirits products are offered for retail sales and wholesales at our retail showroom and office premises at retail prices to our retail customers, subject to applicable discounts, and at wholesale prices to our wholesale customers. Both retail prices and wholesale prices which are determined on a cost-plus basis.

The table below illustrates the flow of our wine and spirits products from our Group to the end-consumers under our business model:



The table below sets forth the approximate revenue attributable to our retail sales and wholesales during the Track Record Period:

	Year ended 31 March		Five months ended 31 August	
	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000
Retail sales	297,242	248,204	103,254	109,358
Wholesales	<u>36,125</u>	<u>18,629</u>	<u>4,841</u>	<u>7,948</u>
Total	<u><u>333,367</u></u>	<u><u>266,833</u></u>	<u><u>108,095</u></u>	<u><u>117,306</u></u>

OUR PRODUCTS PORTFOLIO

We believe that provision of a comprehensive one-stop shopping experience to our customers is vital in distinguishing us from our competitors in the wine and spirits industry in Hong Kong. Building on our one-stop shop concept, we offer a full range of wine and spirits products as well as wine accessory products and other products. Furthermore, in order to enhance our customers' overall shopping experience, we also provide complimentary wine appreciation consultation services and wine storage consultation services as part of our after-sales customer services.

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For the years ended 31 March 2012 and 31 March 2013 and the five months ended 31 August 2013, our wine and spirits products comprising red wine, white wine, sparkling wine and spirits are our main products, which accounted for approximately 99.5%, 99.7% and 99.5% of our total revenue, respectively. Our wine accessory products and other products are products ancillary to our wine and spirits products and are primarily offered to enhance the one-stop shopping experience for our customers.

The table below sets out a breakdown of our revenue by product category and product range during the Track Record Period:

Product category	Product range	
Wine and spirits products	<u>Red wine</u>	
	• Fine Red Wine	
	• Rare and Collectible Red Wine	
	• Value Red Wine	
	<u>White wine</u>	
	• Fine White Wine	
	• Value White Wine	
	<u>Sparkling wine</u>	
	<u>Spirits</u>	
	Wine accessory products	• Decanters
		• Wine glasses
		• Wine cellars
• Wine openers		
• Wine books		
• Other wine related products		
Other products	• Cigars	
	• Other cigars related products	

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Wine and Spirits Products

Our wine and spirits products accounted for approximately 99.5%, 99.7% and 99.5% of our total revenue for the years ended 31 March 2012 and 31 March 2013 and the five months ended 31 August 2013, respectively, and comprise red wine, white wine, sparkling wine and spirits. We categorise our red wine into Fine Red Wine, Rare and Collectible Red Wine and Value Red Wine, which is in line with the categorisations commonly adopted in respect of red wine within the wine and spirits industry. We categorise our white wine products into Fine White Wine and Value White Wine, which is in line with the categorisations commonly adopted in respect of white wine in the wine and spirits industry. Our sparkling wine portfolio comprises mostly champagne and consists of approximately 100 types of champagne and includes selected old vintages such as Dom Perignon Oenotheque 1962. Our spirits portfolio comprises mostly cognac and whisky.

A significant proportion of our revenue are generated from the sale of red wine, which accounted for approximately 96.6%, 94.7% and 93.3% of our total revenue for the years ended 31 March 2012 and 31 March 2013 and the five months ended 31 August 2013, respectively. The table below sets forth a breakdown of our revenue among the four wine and spirits products during the Track Record Period:

Our wine and spirits products	Year ended 31 March 2012		Year ended 31 March 2013		Five months ended 31 August 2013	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Red wine	321,891	97.1	252,666	95.0	109,467	93.8
White wine	5,393	1.6	7,606	2.8	2,686	2.3
Sparkling wine	2,443	0.7	2,549	1.0	805	0.7
Spirits	<u>2,028</u>	<u>0.6</u>	<u>3,198</u>	<u>1.2</u>	<u>3,744</u>	<u>3.2</u>
Total	<u>331,755</u>	<u>100%</u>	<u>266,019</u>	<u>100%</u>	<u>116,702</u>	<u>100%</u>

Red Wine

Through our sustained course of dealings over the years, we have established a red wine portfolio of approximately 6,000 types of red wine, which spans across approximately 30 vintages and includes selected old vintages such as Latour 1899. We sell red wine from various countries of origin, including France, the United States, Italy, Spain, Chile and Argentina, and across various Appellations, including Margaux and Pessac Leognan of France. We source red wine of various classifications including Premier cru and Grand cru and of different volumes ranging from 375 ml. to 27 l.. The retail prices of our red wine range from approximately HK\$50 to HK\$388,000 for a regular 750 ml. bottle.

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Our red wine portfolio can be categorised into three categories, namely Fine Red Wine, Rare and Collectible Red Wine and Value Red Wine. The table below sets out a breakdown of our revenue among Fine Red Wine, Rare and Collectible Red Wine and Value Red Wine during the Track Record Period:

Red wine	Year ended 31 March 2012		Year ended 31 March 2013		Five months ended 31 August 2013	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Fine Red Wine	220,332	68.4	161,676	64.0	90,954	83.1
Rare and Collectible Red Wine	88,187	27.4	75,627	29.9	13,845	12.6
Value Red Wine	<u>13,372</u>	<u>4.2</u>	<u>15,363</u>	<u>6.1</u>	<u>4,668</u>	<u>4.3</u>
Total	<u>321,891</u>	<u>100%</u>	<u>252,666</u>	<u>100%</u>	<u>109,467</u>	<u>100%</u>

Fine Red Wine

Based on our own categorisation, Fine Red Wine refers to red wine with retail prices ranging from HK\$800 to HK\$20,000 for a regular 750 ml. bottle. Some common characteristics of Fine Red Wine include production by reputable vineyards, origin of France and specifically from Burgundy and Bordeaux, and a consensus among wine critics as to the quality of such red wine. The retail prices of our Fine Red Wine depend on factors such as brand, vintage and market demand. The target customers of our Fine Red Wine are primarily high-end spending class corporate and individual retail and wholesale customers, hotels, upper-scale restaurants and private clubs.

Rare and Collectible Red Wine

Based on our own categorisation, Rare and Collectible Red Wine refers to red wine with retail prices of above HK\$20,000 for a regular 750 ml. bottle. Some common characteristics of Rare and Collectible Red Wine include rarity or otherwise not readily available in the market, limited production and typically of Premier cru or Grand cru, a proven track record of holding well over time, a long drinking-window plateau, and a consensus among wine critics as to the quality of such red wine. The retail prices of our Rare and Collectible Red Wine depend on factors such as the rarity, brand, vineyard, vintage, country and region of origin and growth. The target customers of our Rare and Collectible Red Wine are red wine collectors who are high-end spending class individual customers.

Value Red Wine

Based on our own classification, Value Red Wine refers to red wine with retail prices of below HK\$800 for a regular 750 ml. bottle. The retail prices of our Value Red Wine depend on factors such as brand and vintage. The target customers of our Value Red Wine are primarily mid-end spending class corporate and individual retail and wholesale customers.

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White Wine

Over the years, we have established a white wine portfolio of approximately 600 types of white wine, which spans across approximately 30 vintages and includes selected old vintages such as Leroy Montrachet Blanc 1966. We sell white wine from various countries of origin, including France, the United States, Australia, Argentina, Chile, Germany, Italy, Spain and New Zealand. We source white wine of various classifications including Premier cru and Grand cru and of different volumes ranging from 375 *ml.* to 6 *l.*. The retail prices of our white wine range from approximately HK\$60 to HK\$70,000 for a regular 750 *ml.* bottle. Our white wine portfolio can be categorised into two categories, namely, Fine White Wine and Value White Wine.

Fine White Wine

Based on our own categorisation, Fine White Wine refers to white wine with retail prices of above HK\$800 for a regular 750 *ml.* bottle. The retail prices of our Fine White Wine depend on factors such as brand and vintage. The target customers of our Fine White Wine are primarily high-end spending class corporate and individual retail and wholesale customers.

Value White Wine

Based on our own categorisation, Value White Wine refers to white wine with retail prices of below HK\$800 for a regular 750 *ml.* bottle. The retail prices of our Value White Wine depend on factors such as brand and vintage. The target customers of our Value White Wine are mid-end spending class corporate and individual retail and wholesale customers.

Sparkling wine

Our sparkling wine portfolio comprises mostly champagne which consists of approximately 100 types of champagne and includes selected old vintages such as Dom Perignon Oenotheque 1962. Our sparkling wine products are of different volumes ranging from 375 *ml.* to 12 *l.*. The retail prices of our sparkling wine range from HK\$60 to HK\$40,000 for a regular 750 *ml.* bottle. Though we sell our sparkling wine to mid-end spending class, our primary target customers of our sparkling wine are primarily high-end spending class corporate and individual retail and wholesale customers.

Spirits

Our spirits portfolio comprises mostly cognac and whisky with retail prices ranging from approximately HK\$500 to HK\$238,000 for a regular 750 *ml.* bottle. The target customers of our spirits ranging from mid-end to high-end spending class corporate and individual retail and wholesale customers.

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Wine accessory products

Decanters, wine glasses, wine cellars, wine openers, wine books and other wine related products

Our wine accessory products are products ancillary to our wine and spirits products and are primarily offered to enhance the one-stop shopping experience for our customers. We offer decanters, wine glasses, wine cellars, wine openers and other wine related products for the convenience of our customers as such products promote the better enjoyment of wine and spirits products, while we offer wine books for educational purposes to further promote the wine and spirits culture and knowledge of our customers. Most of our wine accessory products are sold at a flat rate applicable to our retail and wholesale customers. For the years ended 31 March 2012 and 31 March 2013 and the five months ended 31 August 2013, we recorded revenue in the amount of approximately HK\$1.5 million, HK\$0.8 million and HK\$0.6 million from the sales of wine accessory products, respectively, which accounted for approximately 0.5%, 0.3% and 0.5% of our total revenue for the same periods indicated, respectively.

Other products

Cigars and other cigars related products

We offer cigars and other cigars related products such as cigar cutters principally for the convenience of our customers who enjoy the combination of cigars and wine and spirits products. The total revenue generated from the sale of cigars and other cigars related products accounted for approximately 0.03%, 0.02% and 0.01% of our total revenue during the Track Record Period.

SALE

All of our products purchased from our suppliers, including our wine and spirits products, are offered for sale and we do not purchase any products for speculation purposes. Our products are offered for sale in Hong Kong only and all transactions are conducted, delivered and concluded in Hong Kong, by means of retail sales and wholesales. We classify sales to our retail customers, being the end-consumers, as retail sales, and sales to our wholesale customers, being third party retailers who will re-sell our products in the course of their businesses, as wholesales. During the Track Record Period, we have been selling our products to our retail and wholesale customers through (i) our retail showroom, which serves as our retail store for walk-in customers and our showroom where we display some of our most prestigious wine and spirits products; and (ii) our office premises, which serves as our headquarters to oversee our overall business operations, and handles all of our administrative matters, including liaisons with regards customers purchase orders and signing of purchase contracts that are not executed at our retail showroom.

Our Directors believe the combination of retail sales and wholesales has facilitated us in expanding our commercial presence and market coverage in the wine and spirits industry in Hong Kong, thereby enabling us to market and offer for sale our products to a diverse range of customers spanning across high to mid-end spending class corporate and individual retail and wholesale customers, hotels, restaurants, private clubs and individual wine collectors.

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Sale channels

Predominantly, we sell our products to end-consumers through two sale channels comprising retail sales and wholesales. During the Track Record Period, we have generated an aggregate revenue of approximately HK\$654.8 million and HK\$62.7 million from our retail sales and wholesales, respectively, which accounted for approximately 91.3% and 8.7% of our Group's aggregate revenue during the Track Record Period.

Retail sales of wine and spirits products

We classify direct sales of wine and spirits products to end-consumers, which is commonly adopted within the wine and spirits industry in Hong Kong, as retail sales. Our primary retail customers for our wine and spirits products comprise individual wine collectors, retail consumers and business corporations. See “— Sale — Sale channels — Our customers” for further details.

We conduct our retail sales at our two point of sales, being our retail showroom and our office premises. See “— Our point of sales” for further details.

All wine and spirits products sold to our retail customers regardless of our point of sales are offered at retail prices, and subject to applicable discounts in accordance with our discount policy. See “— Pricing strategy — Retail price” for further details.

Wholesales of wine and spirits products

Under our wholesales, our wine and spirits products are sold to third party retailers who will re-sell our products in the course of their businesses, such as wine traders and catering businesses, such as hotels, restaurants and private clubs. See “— Our customers” for further details.

We conduct our wholesales at our two point of sales, being our retail showroom and our office premises. See “— Sale — Our point of sales” for further details.

All wine and spirits products sold to our wholesale customers regardless of our point of sales are offered at wholesale prices. See “— Pricing strategy — Wholesale price” for further details.

Sales of wine accessory products and other products

Our primary customers of our wine accessory products and other products are retail and wholesale customers who visit our retail showroom and a substantial amount of our sales of wine accessory products and other products are conducted at our retail showroom. Most of our wine accessory products and other products available for sale at our retail showroom or office premises are sold at a flat rate to our retail and wholesale customers.

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Our point of sales

We conduct sales of our products through our two points of sales comprising our retail showroom and our office premises. Both retail sales and wholesales conducted at our retail showroom are by face-to-face transactions, and our walk-in customers attending our retail showroom are served by our sales team at our retail showroom; while retail sales and wholesales conducted at our office premises are transacted by way of: (i) face-to-face transactions; (ii) electronic transactions, such as email; (iii) telephone orders; and (iv) fax orders. Our customers attending our office premises are served by our sales team at our office premises. We believe the combination of our retail showroom and our office premises would assist us in developing a close relationship with our customers and facilitating communication of our wine and spirits products with our customers.

In November 2009, jointly with a joint venture partner, we established Major Aim to expand the wine business which we believe, given its proximity to the PRC, would attract PRC travellers and established a retail showroom under the business name “Major Cellar” in Yuen Long in December 2010. Our retail showroom in Yuen Long was closed down in November 2011 due to mismatch of the customers in the area and our Group’s business. In July 2010, we opened a retail showroom in a commercial building in Central which was subsequently closed down in May 2011 because the then directors believed the store was inconveniently located as it was situated within an office building and not easily accessible or seen.

After the closing down of the retail stores in Yuen Long and Central, we considered that the retail showroom in Tsim Sha Tsui is the most suitable for our Group’s business model. Accordingly, we focused our business and resources in the Tsim Sha Tsui retail showroom which catered for the retail sale of premium wine and spirits products and the provision of personalised wine services.

As we conduct both retail sales and wholesales at all of our points of sales, sales revenue generated at the retail showroom comprise both retail sales and wholesales and similarly, sales revenue generated at the office premises comprise both retail sales and wholesales. The table below sets out a breakdown of our revenue generated from retail sales and wholesales transacted at each of our retail showrooms in Tsim Sha Tsui, Central and our office premises during the Track Record Period:

	Year ended		Year ended		Five months ended	
	31 March 2012		31 March 2013		31 August 2013	
	<i>HK\$’000</i>	%	<i>HK\$’000</i>	%	<i>HK\$’000</i>	%
Retail showroom						
Tsim Sha Tsui	96,540	29.0	73,672	27.6	34,053	29.0
Central	96	0.0	—	—	—	—
Office premises	236,731	71.0	193,161	72.4	83,253	71.0

In addition, we had a retail showroom which was operated through a joint venture in Yuen Long during the year ended 31 March 2012 and the revenue of such joint venture generated from its retail showroom related to our Group’s interest was HK\$1.192 million during the year ended 31 March 2012.

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Our retail showroom

Our retail showroom is currently situated in Tsim Sha Tsui, a prime shopping area in Hong Kong, with an area of approximately 700 sq. ft., which is primarily targeted at walk-in customers, and is our principal gateway to attract new retail customers. See “— Property” for further details. At all times, our retail showroom is managed by a shop manager together with at least four wine consultants. See “— Sale — Our sales and marketing team” for further details.

We offer our wine and spirits products, wine accessory products and other products at our retail showroom to all of our customers, including our retail and wholesale customers. In respect of all retail sales conducted at our retail showroom, we require customers to pay in full for merchandises at the time of purchase, and all purchases are settled in Hong Kong dollars only. In respect of wholesales with our long-term wholesale customers, we customarily offer a credit period in accordance with our credit policy in line with past dealings with the relevant wholesale customers. During the Track Record Period, a majority of our retail sales have been settled through non-cash payments including payments by bank debit and credit cards, with the remainder settled by cash payments and occasionally, bank-in payments.

Our office premises

Our office premises is currently situated in Tsim Sha Tsui, which is a prime shopping area in Hong Kong, with an area of approximately 4,000 sq. ft., serving as our headquarters to oversee our overall business operations, and handles all of our administrative matters, including liaisons with regards customers’ purchase orders and signing of purchase contracts that are not conducted at our retail showroom. At all times at our office premises, we have a sales and marketing team of at least six wine consultants. See “— Sale — Our sales and marketing team” for further details.

We offer all of our products to retail and wholesale customers at our office premises, which serves as our headquarters to oversee our overall business operations, and handles all of our administrative matters, including liaisons with regards to customers’ purchase orders and signing of purchase contracts that are not executed at our retail showroom. During the Track Record Period, transactions concluded in the office premises were made by way of: (i) face-to-face transactions; (ii) electronic transactions, such as email; (iii) telephone orders; and (iv) fax orders. As for face-to-face transactions, none of the our customers attending the office premises could place purchase orders and take their purchases at the same time even after payment of their purchases as we did not hold any stock inventories at the office premises. As for electronic transactions, telephone orders and fax orders, after orders were placed by our customers, we would arrange for delivery or pick-up of such purchases separately after payments had been made. During the Track Record Period, a majority of our sales transacted at our office premises have been settled through non-cash payments including payments by bank-in and cheque payments, with the remainder settled by cash payments, bank-in or cheque payments. However, we only accept cheque payments from existing customers, which we have maintained a record and all cheque payments exceeding HK\$10,000 received at our office premises require the prior approval of our sales manager or our Directors. In the case of cheque payments from new customers, we will only arrange to deliver the purchases to our customers after the clearance of the relevant cheque payments with our banks.

BUSINESS

As advised by our legal advisers as to Hong Kong law, the current usage of the office premises is in compliance with its tenancy agreement and the applicable laws and regulations in Hong Kong.

Our sales and marketing team

As at the Latest Practicable Date, our sales and marketing team consists of 14 wine consultants, who are stationed in our retail showroom or our office premises. Most of our wine consultants possess various levels of the certificate in wines and spirits awarded by WSET ranging from level one foundation certificate in wines to level three advance certificate in wines and spirits.

Primarily, most of the customers attending our retail showroom or at our office premises are served by any one of our wine consultants stationed in our retail showroom or at our office premises.

Incentive schemes

In order to enhance our sales performance, we have implemented a commission and bonus scheme, which provides a commission at the rate of up to 1.5% monthly to our sales staff who have attained the designated target sales volume. The designated target sales volume and the commission and bonus scheme are reviewed and determined by our Directors.

Marketing and promotion

Our Directors consider that it is important for us to continue to promote our corporate image and maintain our brand recognition amongst our customers. We strive to attract customers by deploying different advertising and promotional strategies. For the years ended 31 March 2012 and 31 March 2013 and the five months ended 31 August 2013, the promotion, selling and distribution expenses incurred by us were approximately HK\$15.4 million, HK\$14.5 million and HK\$6.8 million, respectively, and accounted for approximately 4.6%, 5.4% and 5.8% of our total revenue for the same periods indicated, respectively. The following are our key marketing strategies to promote our business:

Advertisements and promotional materials

From time to time, we publish brochures and promotional leaflets for distribution to our existing and potential customers for promoting our corporate image and brand and our wine and spirits business. We also market ourselves through paid advertising campaigns in some wine magazines and we accept requests for interviews and publications of our wine and spirits products from the press media such as newspapers and magazines.

Participating in wine fairs

Historically and during the Track Record Period, we have participated in the Hong Kong International Wine & Spirits Fair organised by the HKTDC in November annually to acquire latest market intelligence and promote our wine and spirits products.

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Organising wine tasting events

From time to time, we host a variety of tasting events for our wine and spirits products such as red wine and whisky tasting. Historically, we organised tasting events which were exclusive to our customers, tasting events available to the public, as well as tasting events organised in collaboration with certain vineyards or wine critics. Our Directors believe that tasting events assist to maintain and enhance our relationships with our customers and broaden our customer base by increasing our commercial presence in Hong Kong while providing an opportunity for us to introduce our wine and spirits products portfolio to existing and potential customers.

Website

Our website, www.majorcellar.com, is an online platform established by us to provide all of our customers with the convenience of viewing our products online and a platform for anyone to make online enquiries. All of our products, including wine and spirits products and wine accessory products that are contained in our online catalogue are offered for sale to public on our online store. Our electronic wine and spirits products catalogue is automatically updated and therefore is up-to-date and consistent with our database.

To increase our profile on the internet, we maintain a website at www.majorcellar.com, on which we make available information in respect of our wine and spirits products and other marketing and promotional activities such as wine tasting events, wine dinners and information on wine exhibitions. Our Directors believe the use of online marketing plays a vital role in expanding our market coverage by attracting new customers and promoting our commercial presence in Hong Kong.

Sponsorship

As part of our marketing and promotional strategies, we sponsor selected events which our Directors consider appropriate for the promotion of our corporate image, recognition and brand reputation. We typically sponsor such events by providing selected wine and spirits products on a complimentary basis. Historically and during the Track Record Period, we have sponsored the marketing for certain arts exhibition. Through such cross-channel marketing, we believe we have increased consumer awareness of our wine and spirits products.

Seasonality

Historically, we experienced higher sales of wine and spirits products as a result of increased local consumption during holiday seasons such as Christmas, New Year and Chinese New Year, which are typically in the last quarter of our financial year. In anticipation of the increased sales and as a common practice among the wine and spirits industry, we increase our levels of inventories in advance of the holiday seasons. See “— Inventory control” for further details.

See “Risk Factors — Risks relating to our business — Sales of our wine and spirits products are subject to seasonality, and success of our sales during particular seasons depends on our selection of the right product mix.” for further details.

BUSINESS

AFTER-SALES SERVICES

Customer service has always been important to us and the success of our business. To distinguish ourselves from our competitors and to promote customer satisfaction with their purchases with us, we have implemented wine appreciation consultation services and wine storage advisory and consultation services as our complimentary after-sales customer services to our customers. Our Directors believe that well-established after-sales customer services will enhance our relationships with our customers thereby creating customer loyalty and expanding our existing customer base through the goodwill of our existing customers.

After the conclusion of a sale to our customers, a member of our sales team will give our customers brief introductions explaining the basic information on wine appreciation and guidance to the full enjoyment of their purchases, such as breathing time, as well as wine storage advisory and consultation, to provide guidance to our customers in respect of the requirements of storage, hence minimising the risks of damaged products due to storage and reducing the possibility of returned products.

DELIVERY SERVICES

In relation to our retail sales, we provide complimentary delivery services to a single designated place of delivery in Hong Kong for any purchase of wine and spirits products of HK\$3,000 or more and for any purchase of 12 bottles or more of wine and spirits products, and an additional HK\$80 is chargeable for delivery of wine and spirits products below our prescribed minimum purchase. In relation to our wholesales, we also provide complimentary delivery services to a single designated place of delivery in Hong Kong for any purchase of wine and spirits products of HK\$3,000 or more and for any purchase of 24 bottles or more of wine and spirits products, and an additional HK\$80 is chargeable for delivery of wine and spirits products below our prescribed minimum purchase. We do not provide delivery service outside Hong Kong.

Alternatively, our customers may choose to pick up their purchases physically at our retail showroom or our office premises upon presentation of a valid receipt.

PRICING STRATEGY

All of our wine and spirits products for retail sales and wholesales are initially priced based on a cost-plus basis, which allows us to maintain a satisfactory profit margin ranging from 5% to 50%. We have adopted and adhered to a set of internal pricing policies and procedures to control and monitor the costs, the retail prices and the wholesale prices of our wine and spirits products. Typically, retail price of our wine and spirit products is approximately 20% to 40% higher than our wholesale price of the same products and therefore the profit margin of our retail sales is higher than our wholesales. From time to time, we review our pricing and make necessary adjustments to maintain our price competitiveness. Our Directors believe that the pricing of our wine and spirits products on a cost-plus basis, which is reviewed from time to time and at such other times and circumstances as our Directors deem necessary, is an efficient means to control, monitor and limit our cost of sales, while ensuring our profit margins and maintaining the pricing of our wine and spirits products competitive and in line with the changing market demands and industry trends.

BUSINESS

During the Track Record Period, we maintained a gross profit margin of 18.9%, 25.5%, 23.1% and 37.1% for our red wine, white wine, sparkling wine and spirits, respectively.

Retail price

All wine and spirits products sold to our retail customers are offered for sale at retail prices, subject to applicable discounts in accordance with our discount policy. In determining our retail prices, we take into account various factors including the retail prices of similar products of our competitors and the retail prices in the open market, income level of our target customers and historical sales performance of similar products, recent market trends, reviews of the particular wine and spirits product by wine critics or grading by other industry authoritative magazines and the liquidity and availability of the particular wine and spirits products. As a general guideline, we typically set our profit margin at a level which is comparable to our competitors in Hong Kong.

Wholesale price

All wine and spirits products sold to our wholesale customers are offered for sale at wholesale prices. No further discounts are offered on our wine and spirits products under our wholesales, save for occasional special offers which are only considered by our Directors on a case-by-case basis. Wholesale prices are also offered to our long-term customers in consideration of our past dealings with such customers, and to our wholesale customers who place bulk purchase orders with us. In determining our wholesale prices, we take into account various factors including the retail prices of similar products of our competitors, the retail prices in the open market, income level of our target customers, historical sales performance of similar products, business nature of our customers, recent market trends, reviews on the particular wine and spirits product by wine critics or grading by other industry authoritative magazines, the liquidity and availability of the particular wine and spirits product, and our stock inventory levels.

Discounts

Discounts are only offered to our retail customers on our wine and spirits products and some of our wine accessory products. All discounts offered to our customers must adhere to our discount policy, which is reviewed and approved by our Directors from time to time. In setting our discount policies, our Directors take into account factors including the quantity of products purchased, the total purchase price of the purchase order, the retail prices of the wine and spirits products, the retail prices of similar products of our competitors, record of past-dealings, our relationship with the customer and the level of obsolete and slow-moving inventories. Our sales team members are given discretion to offer discounts of up to 15% off our retail prices, to our retail customers as permitted under our discount policy, and all discounts proposed by our sales team members which exceed the approved discount limit will require special approval from our Directors.

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In addition to our discount policy, we also offer staff discounts to all of our employees for purchase of wine and spirits products for their personal enjoyment subject to a maximum monthly quota of a discounted price of HK\$3,000. We believe offering staff discounts to our employees will enhance their individual product knowledge and acquaintance with our product range and diversity as well as forming part of our remuneration package to retain our experienced and dedicated employees.

Special promotions

Depending on the turnover rate and level of inventories of our wine and spirits products, we may from time to time offer our retail or wholesale customers with special offers in respect of slow-moving wine and spirits products, which may not be in line with our pricing policy. For more information, please refer to the paragraph headed “— Inventory control — Inventory management” in this section.

OUR CUSTOMERS

With our diversified wine and spirits products portfolio, our Directors believe that we are well-positioned to target a broad range of customers. We differentiate our customers by reference to end-consumers and we classify end-consumers of our wine and spirits products as our retail customers and third party retailers who will re-sell our wine and spirits products in the course of their businesses as wholesale customers.

In relation to any single purchase order of HK\$300,000 or above or customers who purchase 10 cases or more of a single type of wine, our wine consultant will request such customer for details relating to the proposed usage of such wine and spirits products and such information will be used for our internal purposes to classify such customer as retail or wholesale customer. Also, if any of our customer describes himself as a wholesale customer, our wine consultants will refer such sales to our wholesale consultant for follow up, whereafter our wholesale consultant will obtain further details of such wholesale customer, by means of phone interview, face to face interview, or by conducting an internet background search before we conclude the transaction.

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Year ended 31 March 2012

For the year ended 31 March 2012, the total sales to our five largest customers represented approximately 29.3% of our total revenue, the total sales to our 10 largest customers represented approximately 37.1% of our total revenue and the total sales to our single largest customer represented approximately 17.2% of our total revenue. The table below sets out details of our five largest customers for the year ended 31 March 2012:

Rank	Customer	Principal business	Location	Size of operation	Year(s) of business relationship with our Group	Percentage of revenue attributed	Place of delivery during the Track Record Period
1	A	Import of food oil for processing and property development	PRC	Private company	4	17.2%	Logistics companies, office premises, residential address and restaurants in Hong Kong
2	B	Restaurant, electricity production and property development	PRC	Private company	1	4.4%	Logistics companies and residential address in Hong Kong
3	C	Individual customer engaged in the business of property development	PRC	Not applicable	3	3.1%	Logistics companies and residential address in Hong Kong
4	D	Property development and logistics	PRC	Private company	1	2.4%	Logistics companies and office premises in Hong Kong
5	E	Property development	PRC	Private company	1	2.2%	Logistics companies in Hong Kong

BUSINESS

Year ended 31 March 2013

For the year ended 31 March 2013, the total sales to our five largest customers represented approximately 34.6% of our total revenue, the total sales to our 10 largest customers represented approximately 39.5% of our total revenue and the total sales to our single largest customer represented approximately 15.6% of our total revenue. The table below sets out details of our five largest customers for the year ended 31 March 2013:

Rank	Customer	Principal business	Location	Size of operation	Year(s) of business relationship with our Group	Percentage of revenue attributed	Place of delivery during the Track Record Period
1	A	Import of food oil for processing and property development	PRC	Private company	4	15.6%	Logistics companies, office premises, residential address and restaurants in Hong Kong
2	C	Individual customer engaged in the business of property development	PRC	Not applicable	3	6.8%	Logistics companies and residential address in Hong Kong
3	F	Individual customer engaged in the business of property development and food trading	Hong Kong and PRC	Not applicable	3	6.1%	Logistics companies and residential address in Hong Kong
4	G	Hotel and property development	PRC	Private company	3	4.4%	Hotels, office premises, service apartments, residential address and restaurants in Hong Kong
5	H	Property development and financial industry	Hong Kong and PRC	Private company	2	1.7%	Office premises in Hong Kong

BUSINESS

Five months ended 31 August 2013

For the five months ended 31 August 2013, the total sales to our five largest customers represented approximately 40.2% of our total revenue, the total sales to our 10 largest customers represented approximately 47.9% of our total revenue and the total sales to our single largest customer represented approximately 30.7% of our total revenue. The table below sets out details of our five largest customers for the five months ended 31 August 2013:

Rank	Customer	Principal business	Location	Size of operation	Year(s) of business relationship with our Group	Percentage of revenue attributed	Place of delivery during the Track Record Period
1	A	Import of food oil for processing and property development	PRC	Private company	4	30.7%	Logistics companies, office premises, residential address and restaurants in Hong Kong
2	I	Coal business/ Property development	PRC	Private company	0.5	3.5%	Hotel, logistics companies and office premises in Hong Kong
3	C	Individual customer engaged in the business of property development	PRC	Not applicable	3	2.1%	Logistics companies and residential address in Hong Kong
4	J	Individual customer	PRC	Not applicable	1	2.0%	Car park in a commercial building and logistics company in Hong Kong
5	K	Property development	Hong Kong	Private company	3	1.9%	Residential address and restaurants in Hong Kong

Sales to our customers

To the best knowledge of our Directors and based on information available to our Directors, save for customer B, being the second largest customer for the year ended 31 March 2012, none of our five largest customers during the Track Record Period was engaged in any business relating to the wine and spirits industry and resold any wine and spirits products purchased from our Group in Hong Kong or elsewhere. As such, sales to such customers were classified as retail sales.

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A majority of our largest customers during the Track Record Period are PRC nationals or entities, which may be attributable to the location of our retail showroom, which is situated in Tsim Sha Tsui, a prime shopping area enjoying a high influx of PRC tourists that is conveniently accessible by the train connecting Hong Kong and the PRC. Through our course of dealings with the PRC nationals, we have, in addition to our other customers, established a PRC nationals and entities clientele, which we believe has expanded through referrals from existing PRC nationals customers.

Based on general enquiry made with the Hong Kong Customs and Excise Department, no clearance or declarations are required for the purposes of bringing wine and spirits products outside Hong Kong regardless of the means of departure. As advised by our legal advisers as to PRC law based on general enquiry made with the General Administration of Customs of the PRC, person(s) or corporation(s) bringing or importing wine and spirits products into the PRC, whether for business or self consumption purposes, is solely responsible for making the relevant customs clearance. Accordingly, our Group is under no obligation to make any filing, clearance or declarations in respect of any wine and spirits products brought to the PRC from Hong Kong by any of our customers.

To the best knowledge of our Directors and based on information available to our Directors, all of our five largest customers who subsequently bring the wine from Hong Kong to the PRC had complied with all applicable laws, regulations and policies.

To the best knowledge of our Directors, a substantial number of PRC nationals or entities come to Hong Kong to purchase wine and spirits products due to the combined effects of, among others, the presence of counterfeit wine and spirits products in the PRC and higher consumer confidence in wine and spirits products sold in Hong Kong than in the PRC as well as the more competitive price of wine and spirits products in Hong Kong as a result of the reduced levy on alcoholic beverage in Hong Kong. Also, to the best knowledge of our Directors' knowledge and based on information available to our Directors, (i) the selling prices of wine and spirits products are typically higher in the PRC than in Hong Kong due to various reasons, such as the reduced levy on alcoholic beverages in Hong Kong and the presence of higher competition in the wine and spirits market in Hong Kong, and (ii) purchase of alcoholic beverages in Hong Kong are free from the consumption tax of approximately 10%, the value-added tax of approximately 17% and the import customs levy, which varies from 14% to 180%, depending on the bottle size and the origin of the alcoholic beverage, which are chargeable on alcoholic beverages in the PRC. Nonetheless, our Directors do not consider the price advantages the key factor attracting PRC nationals or entities to purchase wine and spirits in Hong Kong, taking into account of the increased disposable income and purchasing power of PRC nationals or entities. Our Directors consider the presence of counterfeit wine and spirits products in the PRC, the limited varieties of wine and spirits products in the PRC and higher consumer confidence in consumables sold in Hong Kong are the key reasons attracting PRC nationals or entities to purchase wine and spirits in Hong Kong. Accordingly, in order to secure the revenue stream from the PRC nationals or entities, we will uphold the quality of our products by adhering and maintaining our quality control measures as well as maintaining the competitiveness of the selling prices of our products within the wine and spirits market in Hong Kong.

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To the best knowledge of our Directors, none of our 10 largest customers during the Track Record Period were PRC government officials or PRC government entities and we did not experience any significant decrease in purchase orders from any of our top 10 largest customers as a result of the PRC Government Initiatives. As such, our Directors are of the view that the PRC Government Initiatives did not affect our financial performance during the Track Record Period. As at the Latest Practicable Date, our Directors were not aware of any circumstances as a result of which, our financial performance or the prospects of our financial performance will be adversely affected by the PRC Government Initiatives.

As advised by our legal advisers as to Hong Kong law, sales of wine and spirit products to PRC customers will not cause any breach on the part of our Group of any of the terms of the existing supply agreements in respect of geographical coverage as our business and conclusion thereof take place in Hong Kong only.

For the years ended 31 March 2012 and 31 March 2013 and the five months ended 31 August 2013, to the best knowledge of our Directors, none of our Directors or executive officers, or our Controlling Shareholders or our subsidiaries, or any of their respective associates held any interest, directly or indirectly, in any of our five largest customers.

As a general guideline, we do not grant any credit period to walk-in customers at our retail showroom and all payments for all retail purchase orders are settled at the time of purchase prior to pick up or delivery of the products. We only offer credit periods ranging of up to 90 days to our long-term customers and wholesale customers depending on various factors, such as record of past dealings with the customer and our relationships with the relevant customer. For more information, please refer to the section headed “Financial Information — Net Current Assets and Selected Items of Consolidated Statements of Financial Position — Trade and other receivables, deposits and prepayments” in this prospectus.

OUR SUPPLIERS

As part of our quality control measures and in order to preserve our brand reputation, we have established a set of strict guidelines in our selection of suppliers including supplier background assessment procedures before we source from such new suppliers. We typically select our suppliers of wine and spirits products based on their reputation for product quality and supply reliability, history of operations, size of business, overall reputation, ability to procure delivery on a timely basis, products portfolio, stock inventories, market demand of the wine and spirits products supplied by such suppliers, and promotions offered by the suppliers. In order to mitigate the counterparty risk and credit risk on purchases of wine and spirits products from overseas suppliers, in addition to our typical supplier selection procedures, we limit the amount of our first purchase order to an aggregate amount of not more than HK\$300,000 for all new overseas suppliers.

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Over the years, we have established stable business relationships with most of our suppliers of wine and spirits products. In view of our well-established relationship with our suppliers, we have not entered into any long-term supply agreements with them, which would restrict our flexibility in sourcing wine and spirits products. Instead, we source from our suppliers, including our major suppliers, on an order-by-order basis.

As part of our measures to ensure that the procured wine and spirits products are not counterfeits and are of merchantable quality, we source from suppliers which we consider reputable and we conduct supplier background assessment procedures on new suppliers to ensure the above criteria before we purchase wine and spirits products from them. See “— Quality control of our wine and spirits products” for further details.

We do not conduct any additional measures to ensure our suppliers have the ability to honour our purchase orders. Nonetheless, as we do not provide refund to our customers due to delays in delivery, unexpected delays in delivery of wine and spirits products from our supplier will not have a material operational or financial impact on us. To avoid shortage of wine and spirits products, we maintain an optimal level of stock inventories. In the event of default by our suppliers, we may terminate the existing purchase order and source wine and spirits products from alternative suppliers or we may choose to wait for the wine and spirits products. Our Directors will consider the appropriate remedial measures taking into consideration the urgency for the wine and spirits products and the quality of the wine and spirits products. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any default by our suppliers in delivering purchase orders placed by us. While we are usually requested to settle payments for our sales orders from our suppliers in full prior to pick up at our suppliers' warehouses, some of our major suppliers, whom we have developed a relationship through our past dealings, offer us a credit period of up to 60 days.

We have sourced from our five largest suppliers of wine and spirits products representing a total of approximately 38.1%, 37.6% and 42.3% of our total purchase for the years ended 31 March 2012 and 31 March 2013 and the five months ended 31 August 2013, respectively, and we have sourced from our 10 largest suppliers of wine and spirits products representing a total of approximately 56.5%, 55.2% and 57.9% of our total purchase for the same periods indicated, respectively. Purchases from our single largest supplier represented approximately 11.2%, 11.1% and 13.3% of our total purchase for the same periods indicated, respectively. Based on the information available to our Directors, our five largest suppliers are wholesalers and auction house. Most of these top suppliers require payment settlement in full by way of telegraphic transfers in their local currencies prior to delivery of the products and save for supplier B who grants us a credit period of up to 60 days, none of our five largest suppliers offer a credit period to us.

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For the year ended 31 March 2012, the total purchase attributable to our five largest suppliers represented approximately 38.1% of our total purchase, the total purchase attributable to our 10 largest suppliers represented approximately 56.5% of our total purchase and the total purchase to our single largest supplier represented approximately 11.2% of our total purchase. The table below sets out details of our five largest suppliers for the year ended 31 March 2012:

Rank	Supplier	Principal business	Location	Size of operation	Year(s) of business relationship with our Group	Percentage of purchase attributed
1	A	Auction house	United States	Private company	5	11.2%
2	B	Fine wine trading	Switzerland	Private company	5	10.6%
3	C	Fine wine trading	Britain	Private company	4	5.5%
4	D	Burgundy specialist	Hong Kong	Private company	3	5.5%
5	E	Auction house	International	Private company	2	5.2%

For the year ended 31 March 2013, the total purchase attributable to our five largest suppliers represented approximately 37.6% of our total purchase, the total purchase attributable to our 10 largest suppliers represented approximately 55.2% of our total purchase and the total purchase to our single largest supplier represented approximately 11.1% of our total purchase. The table below sets out details of our five largest suppliers for the year ended 31 March 2013:

Rank	Supplier	Principal business	Location	Size of operation	Year(s) of business relationship with our Group	Percentage of purchase attributed
1	B	Fine wine trading	Switzerland	Private company	5	11.1%
2	A	Auction house	United States	Private company	5	10.3%
3	E	Auction house	International	Private company	2	5.9%
4	D	Burgundy specialist	Hong Kong	Private company	3	5.2%
5	F	Fine wine trading	Hong Kong	Private company	2	5.1%

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For the five months ended 31 August 2013, the total purchase attributable to our five largest suppliers represented approximately 42.3% of our total purchase, the total purchase attributable to our 10 largest suppliers represented approximately 57.9% of our total purchase and the total purchase to our single largest supplier represented approximately 13.3% of our total purchase. The table below sets out details of our five largest suppliers for the five months ended 31 August 2013:

Rank	Supplier	Principal business	Location	Size of operation	Year(s) of business relationship with our Group	Percentage of purchase attributed
1	A	Auction house	United States	Private company	5	13.3%
2	B	Fine wine trading	Switzerland	Private company	5	12.0%
3	G	Fine wine trading	Hong Kong	Private company	0.5	7.3%
4	H	Auction house	United States	Private company	2	4.9%
5	I	Fine wine trading	United Kingdom	Private company	2.5	4.8%

As at 31 August 2013, the total contract value of wine and spirits products for which our Group had paid trade deposits was approximately HK\$50.2 million, of which approximately HK\$36.0 million had been paid to our suppliers.

For the years ended 31 March 2012 and 31 March 2013 and the five months ended 31 August 2013, to the best knowledge of our Directors, none of our Directors or executive officers, or our Controlling Shareholders or our subsidiaries, or any of their respective associates held any interest, directly or indirectly, in any of our five largest suppliers.

Product sourcing

Internal selection

During our internal selection, we typically select our suppliers, and place and conclude purchase orders with our suppliers before any customers place any matching purchase orders. Our sales team, which is led by our Directors, will conduct weekly market updates and identify selected wine and spirits products to be included in our wine and spirits products portfolio. In considering additional wine and spirits products to be included in our wine and spirits products portfolio and evaluating any proposed purchase orders, our Directors take into account various factors, including the prevailing market demand, current market trends, consumer preferences, the promotions offered by our suppliers, our levels of stock inventories and historical sales of such wine and spirits products. As a guiding principle, we place purchase orders for wine and spirits products which, in the opinion of our

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Directors, are at the relevant time being highly sought-after, or that our Directors see a growing consumer preference or expanding market share and are at the relevant time undervalued, or that we are at the relevant time low on stock inventories and our Directors consider necessary to replenish stock inventories in view of historical sales and inventory turnover.

Our Directors take into account of the following criteria for the procurement of our red wine products, white wine products, sparkling wine products and spirits products:

Fine Red Wine

- the location of the vineyard
- cost of procurement, proposed retail and wholesale prices and profit margin
- the outlook of the wine and overall packaging
- annual capacity of the wine
- market demand and our customers' preferences
- ratings from wine critics
- our existing stock inventories

Rare and Collectible Red Wine

- fame, history and reputation of the brand
- ratings from wine critics
- market trend and demand
- cost of procurement

Value Red Wine

- the location of the vineyard and its potential
- the outlook of the wine and overall packaging
- annual capacity of the wine
- market demand and our customers' preferences
- our existing stock inventories and portfolio

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Fine White Wine

- the location of the vineyard
- cost of procurement, proposed retail and wholesale prices and profit margin
- the outlook of the wine and overall packaging
- annual capacity of the wine
- market demand and our customers' preferences
- ratings from wine critics
- our existing stock inventories

Value White Wine

- the location of the vineyard and its potential
- the outlook of the wine and overall packaging
- annual capacity of the wine
- market demand and our customers' preferences
- our existing stock inventories and portfolio

Sparkling wine

- the location of the vineyard and its potential
- the outlook of the wine and overall packaging
- annual capacity of the wine
- market demand and our customers' preferences
- our existing stock inventories and portfolio

Spirits

- fame, history and reputation of the brand
- market trend and demand

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- whether the spirits is a limited edition or a limited production
- price of the spirits
- packaging of the spirits

Once a selected wine and spirits product has been identified, our purchasing team will select a list of suppliers and obtain purchase order quotations in respect of the selected wine and spirits products. Our Directors will then consider and approve the selected supplier and other material terms of such purchase order. Thereafter our purchasing team will proceed to confirm our purchase order. See “— Logistics and warehousing” for further details.

All purchase orders will, upon arrival at our warehouse in Hung Hom, be subject to our quality control policies and procedures and inspections. Non-defective wine and spirits products will thereafter be stored at our warehouse in Hung Hom as stock inventories or transported to our retail showroom for sale or display, as determined by our sales team.

Customer pre-ordering

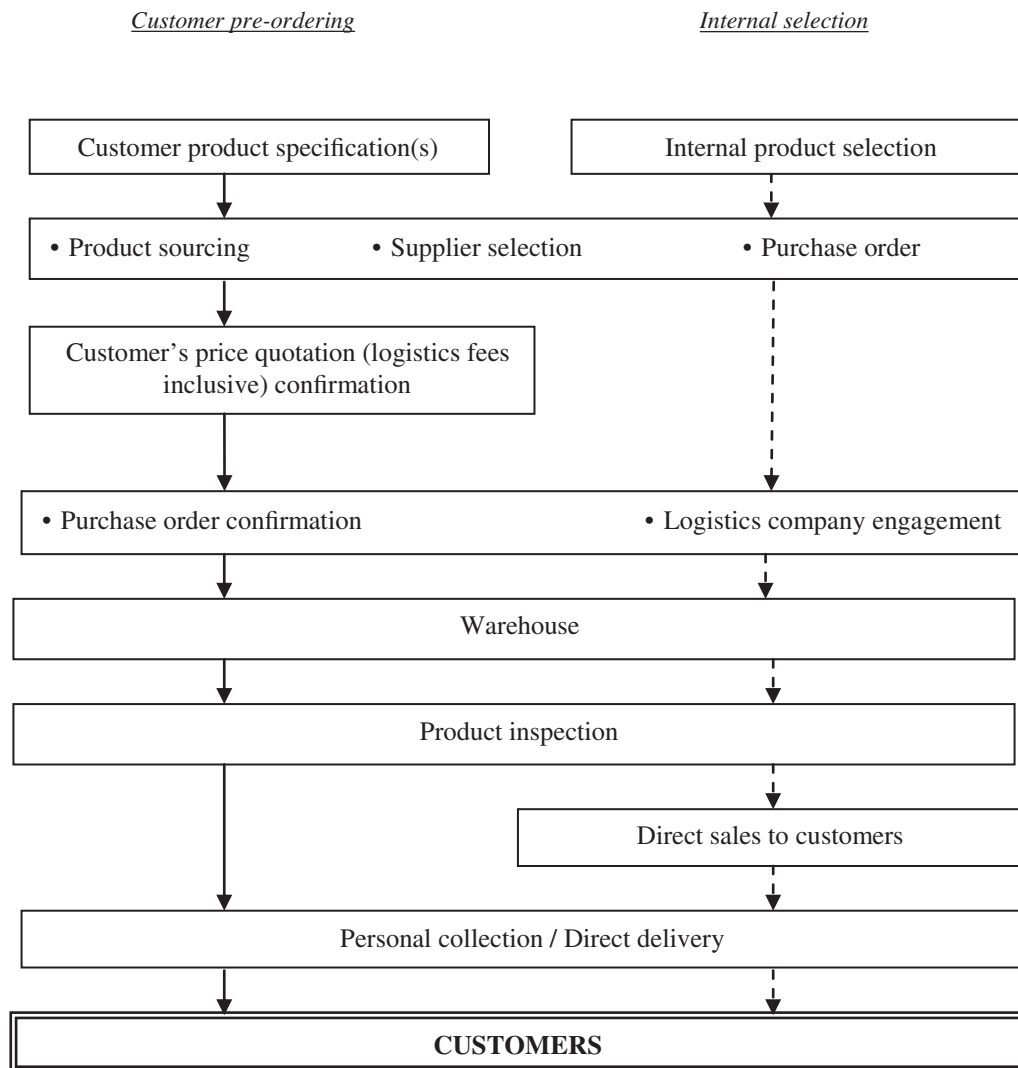
In addition to our wine and spirits products as contained in our stock inventories for sale at our retail showroom and our office premises, we also offer to all of our retail customers and wholesale customers other wine and spirits products which are not contained in our wine and spirits products portfolio upon specific purchase order requests. This model supplements our wine and spirits products portfolio and enables us to broaden our wine and spirits products portfolio beyond our stock inventories limitations to cover wine and spirits products of most vintages, brands, countries and regions while providing the benefits of risk-averse sales and reducing our burdens of stock inventories, which is highly capital intensive, thereby promoting a healthy financial structure.

Any customer may approach us with specific purchase order in respect of wine and spirits products of any specifications such as brand and vintage. Historically, we were approached for wine and spirits products of various product range, brands and/or vintages.

Once we receive a request for a specific wine and spirits product which we do not carry stock inventories to match such specific purchase order request, our purchasing team will proceed to source the specific wine and spirits product based on the specifications provided. Typically, our purchasing team will approach our suppliers whom we have well-established relationships with and obtain from each of them photographs of the specific product and price quotations. Upon receipt of such photographs and price quotations, our wine consultants will select the most appropriate product, and the selected price quotation, which is determined by us, subject to applicable discounts, as the case may be, will then be submitted to our Directors for approval, and if approved, our sales team will contact the customer and provide the customer with a quotation in respect of the specific purchase order. Upon receipt of the confirmation of the purchase order from our customer by our sales team, we will place the purchase order. When we receive the specific wine and spirits product from our selected supplier, our wine consultants will inspect the product in accordance with our quality control policies and procedures. Once our wine consultants determined that the product fulfills our requirements as to product quality, our sales team will inform the customer, and the product may be delivered to the address in Hong Kong as directed by the customer or delivered to our retail showroom or office premises for personal collection, as appropriate.

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The following diagram illustrates the flow of operations of our customer pre-ordering and internal selection of wine and spirits products:



Supply arrangements

To distinguish us from our competitors in the wine and spirits industry, we have entered into four supply agreements with two vineyards. Historically, we received certain wine samples from certain vineyards, which our Directors consider suitable to be included in our wine portfolio after considering various factors including the procurement cost, the quality and the country of origin. Thereafter, we entered into the supply agreements with such vineyards, including the four supply agreements. Pursuant to our supply arrangements, we are the authorised seller of Domaine de Bellene and Amuse Bouche Winery to sell certain wine products of Domaine de Bellene and Amuse Bouche Winery in Hong Kong. As at the Latest Practicable Date, we were one of the two authorised sellers of Domaine de Bellene in Hong Kong authorised to sell certain wine products of Domaine de Bellene in Hong Kong. As such, we gain a competitive advantage over our competitors who are not authorised by

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Domaine de Bellene to sell the wine products of Domaine de Bellene in Hong Kong, and therefore we are assured of the genuineness of such wine products and we are not exposed to risks of counterfeit in respect of such products. However, we do not place heavy reliance on our supply arrangements in compiling our wine products portfolio as internal sourcing remains to be our key sourcing means and the main purpose of our supply arrangements is to further diversify our wine products portfolio and to differentiate our Group from our competitors. We will continue to adopt internal sourcing as our key sourcing means and the proposed expansion of supply arrangements will not change our existing business model. In the event that our existing supply arrangements are terminated, our Directors are of the view that we will be able to source alternatives within a reasonable time. We set out below the major terms of the supply agreements:

Supply agreements	Background of winery / vineyard	Types of wine and spirits products	Duration	Prices	Geographical coverage	Exclusivity	Rights and obligations of the parties	Restrictive covenants (if any)	Year(s) of business relationship with our Group
Non-exclusive supply agreement A with Domaine de Bellene	Domaine de Bellene, a vineyard located in the Burgundy region of France	Burgundy red wine	1 year from 1 July 2013, subject to automatic renewal unless terminated by a three-month notice	According to the price list of the agreement	Hong Kong	Non-exclusive	The supplier will, at its own expenses, arrange and obtain all governmental permits, licences or any such necessary documents and pay all charges, duties, fees, levies, tariffs or taxes imposed by the government of the place of origin in relation to the exportation of the products	Nil	3
Non-exclusive supply agreement B with Domaine de Bellene	As above	Burgundy red wine	As above	As above	As above	As above	As above	As above	3
Non-exclusive supply agreement C with Domaine de Bellene	As above	Burgundy red wine	1 year from 1 August 2012, subject to automatic renewal unless terminated by a three-month notice	As above	As above	As above	As above	As above	3
Non-exclusive supply agreement D with Amuse Bouche Winery	Amuse Bouche Winery, a vineyard located in Napa Valley of the United States	Napa valley wine	1 year from 4 October 2012, subject to automatic renewal unless terminated by a three-month notice	As above	As above	As above	As above	As above	3

Under the existing supply arrangements, there are no price adjustment provisions as it was the intention of our Group to fix the prices of the products and the supply arrangements would have to be terminated if any party wishes to adjust the price. None of the existing supply arrangements impose minimum purchase commitments on us.

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During the Track Record Period, we have sold 2,462 bottles of red wine from our supply arrangements at a total cost of sales of approximately HK\$0.9 million and generated sales revenue of approximately HK\$1.3 million.

During the Track Record Period and up to the Latest Practicable Date, we had not been alleged of any material breach of our supply agreements and our Directors are not aware of any factors which may affect our existing supply arrangements.

Costs of procurement

Costs of procurement for wine and spirits products generally vary depending on, among others, the vintage, the reputation of the vineyard and brand, market demand and supply, grading and reviews by wine critics. All procurement prices obtained from our suppliers are subject to preliminary review by our purchasing team, and all procurement prices must be approved by at least one of our Directors prior to confirmation.

Policy on return of products to suppliers

We obtain from our suppliers of wine and spirits products full refund guarantee policy on all of our purchase orders of wine and spirits products on the basis of defective products to match our three-day full refund guarantee policy granted by us to our customers on all of our wine and spirits products within 10 years vintage and below HK\$700 per bottle.

Pursuant to the terms of our purchase invoice with our suppliers of wine and spirits products, we may request for refund in the event that our Directors conclude that the product is defective after conducting our quality control inspections. Under such circumstances, our purchasing team will liaise with the relevant supplier informing them of such defects with photograph images in support of our complaint, and will arrange for return of the defective product, and subsequently, refund of our purchase order.

Under the existing supply arrangements, there are no return policies, so as to enable a flexible return arrangements to be determined by our Group and our suppliers on a case-by-case basis with reference to the quantity and the transportation and other costs associated with the return. In the event that we received damaged products, we may choose to request for a discount on the products, instead of returning the damaged products to our suppliers if the costs associated with the return of such products are too high, and in such cases, we will sell such products at discount.

We have not obtained any refund guarantee on our purchase orders of wine accessory products from our suppliers of wine accessory products.

During the Track Record Period and up to the Latest Practicable Date, we had not made any product recalls.

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LOGISTICS AND WAREHOUSING

Our wine and spirits products are stored mainly at a leased warehouse located at Hung Hom, Kowloon, with some of our wine and spirits products stored at a warehouse located in Kwai Chung, which is maintained and managed by an independent logistics and management company. To ensure our inventories are free from contamination and properly stored, the temperature and humidity level at our warehouses in Hung Hom and Kwai Chung are strictly between 15 to 19 Celsius and 55% to 70%, respectively. Our warehouse and logistics team monitors and records the conditions of the warehouse on a daily basis. There is also a security system to safeguard our inventories in our warehouse in Hung Hom, while security at our warehouse in Kwai Chung is monitored by our independent logistics and management company. See “— Inventory control — Inventory management — Outsourced warehousing and inventory management” for further information on the inventory management services provided to us at our warehouse in Kwai Chung.

During the Track Record Period and up to Latest Practicable Date, we had not experienced any material loss due to the inappropriate storage of our products and we had not encountered any material theft, misappropriation, embezzlement or loss of cash or inventories.

At present, we have engaged independent third party logistics service providers for the pick up and delivery of the wine and spirits products that we purchased from our suppliers to our warehouse in Hung Hom, who would assume all risks from our suppliers’ warehouse to our warehouse in Hung Hom. We rely solely on our logistics service providers to ensure that our wine and spirits products are stored in temperature controlled containers during the transportation process. As part of our measures to ensure that the procured wine and spirits products are not contaminated during its shipment to our warehouse and are in merchantable quality upon arrival, we engage logistics companies which we consider reputable and experienced in the shipment of wine and spirits products. It is our common practice, and as part of our quality control measures, to arrange for delivery of our wine and spirits products by air freight as the transportation time is minimised, thereby reducing the potential risks of damage to the quality of the wine during transportation. We would adopt delivery by ship as a low-cost alternative under exceptional circumstances in which our Directors, taking into account factors such as the aggregate amount of our purchase order, consider that the purchase order does not justify the high logistics costs of delivery by air.

The wine and spirits products that we purchased from our suppliers are generally delivered to us at our own costs and risks. The fees that we pay to the logistics service providers typically cover all the expenses to be incurred by the logistics service providers, including taxes and any other handling fees.

We will assume the risk and liability of our products upon arrival at our warehouse in Hung Hom until our products are delivered to our customers. In respect of products that are collected by our customers personally at our retail showroom or our office premises, we have no liability to our customers once the relevant customer collected the products and left our retail showroom or our office premises, and in respect of products that are delivered to our customers, we will assume liability until the delivery to and pick-up by our customer at the designated point of pick-up in Hong Kong. In both instances, we have obtained insurance to cover the risk on our products. See “— Insurance” for further details.

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During the Track Record Period, we have not experienced any material loss in relation to the delivery of our wine and spirits products.

QUALITY CONTROL OF OUR WINE AND SPIRITS PRODUCTS

Due to inherent limitations to conduct product sampling of our wine and spirits products, we adopt and adhere to a set of strict quality control guidelines comprising a combination of restrictive selection process for our suppliers and multiple physical inspections to be conducted by various wine consultants. See “— Our suppliers” for further information on our selection criteria and process in respect of our suppliers, and see “— Logistics and warehousing” for further information on our delivery logistics.

Upon the arrival of the wine and spirits products at our warehouse in Hung Hom, a member of our logistics team will inspect the product by examining the physical appearance of the product based on its labelling, wine level, sealing and its overall packaging.

In relation to certain wine and spirits products which are prone to counterfeiting, we adhere a sticker bearing an unique bar-code to such wine and spirits products for our internal identification purposes to prevent counterfeiting. We also procure wine and spirits products from suppliers which we consider reputable and conduct assessment procedures on new suppliers. During our inspection process to ascertain whether a bottle of wine is a suspected counterfeit, we examine the wooden case, the exterior design of the wine bottle, carvings at the bottom of the wine bottle, the label (such as the graphics, quality of the label, and whether the label is too new or too old with reference to the vintage of the wine), the capsule (such as the colour and the aluminum foil’s design, and whether there is any hologram/anti-counterfeit sticker) and whether there are any special designs. During the Track Record Period and up to the Latest Practicable Date, no counterfeit product had been found and identified.

During the inspection process, should our logistics team consider the product defective for any reason such as defective labelling, inadequate wine level, broken-seals or unacceptable overall packaging and appearance, our logistics team will inform our purchasing team, who would then liaise with the relevant supplier informing them of such defects with supporting photograph images and arrange for return of the product, and subsequently, refund of our purchase order. Thereafter, our suppliers will deliver another batch of the same product to us. Depending on the circumstances of each case, costs incurred by us for the return of products may be borne by our suppliers or alternatively, our suppliers will grant us a special discounts on our subsequent orders to cover the additional costs incurred by us.

COMPLAINT HANDLING POLICY

We have implemented complaint handling policy, and all of the complaints lodged by our customers in respect of our wine and spirits products will be handled by a member of our sales team and considered by our Directors, who will, depending on the circumstances of the complaint and other factors such as our relationship with the complainant, consider appropriate remedial actions for our customers. Once appropriate remedial actions have been determined, a member of our sales team will follow up with the relevant customer in respect of remedial arrangements, including arranging for refund of the relevant product in dispute.

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During the Track Record Period and up to the Latest Practicable Date, we had not received any material complaints relating to our wine and spirits products.

PRODUCT RETURN POLICY

We offer a three-day full refund guarantee policy to our customers on all of our wine and spirits products within 10 years vintage and below \$700 per bottle sold by us on the basis of defective products.

Under the terms of our sales invoice, customers have the right to request for full refund within three days starting from (and including) the date of purchase on defective products purchased from our retail showroom or our office premises in respect of wine and spirits products within 10 years vintage and below HK\$700 per bottle. We will arrange refund of the full purchase price using the same means of settlement as adopted at the time of purchase. Upon receipt of the return products, with or without our anti-counterfeit sticker (depending on the product), all acclaimed defective products would be examined and inspected by our sales team. Our purchasing staff would then liaise with the relevant supplier and logistics service provider for refund and return of the products if they are found to be defective. We only provide refund after the expiration of the three-day full refund guarantee period in exceptional cases, which are reviewed on a case-by-case basis, as determined at our sole discretion, and at such amount as we deem appropriate.

During the Track Record Period and up to the Latest Practicable Date, we had not received any material requests for return of our products.

INVENTORY CONTROL

Maintaining an optimal level of inventories is important to our business, and our inventory comprises primarily wine and spirits products. Excessive levels of inventories will result in increased working capital and consequently, we may incur additional inventory costs. Conversely, inadequate levels of inventories may affect our ability to meet our customers' demand, which will adversely affect our operating results. In general, our level of inventories at our retail showroom carries a balanced levels of Rare and Collectible Red Wine and Fine Red Wine with selected Value Red Wine, while the level of inventories at our warehouse in Hung Hom is focused on Fine Red Wine and Value Red Wine.

During the Track Record Period and up to the Latest Practicable Date, we had not encountered any material theft, misappropriation, embezzlement or loss of cash and inventory.

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To ensure the security at our retail showroom, we have implemented the following measures:

- our night-shift staff will calculate the amount of cash in the till every night after the retail showroom is closed. In the event that there is a discrepancy between the amount of cash in the till and the amount shown on the point of sale system, the responsible staff will report to our management immediately;
- we keep most of our cash in a safe deposit box and we only retain cash in the amount of HK\$3,000 in our till for next day's operations;
- each day prior to the open of business, we will recount the amount of cash in the till and in the safe deposit box and arrange to deposit all the cash at our bank account. If the amount of cash to be deposited at the bank exceeds HK\$100,000, we will arrange at least two staff to make the deposit for security and safety reasons. All bank-in receipts are kept by our finance department;
- a lock is attached to each of our wine and spirits products with a retail price of more than HK\$3,000, which will only be unlocked upon purchase;
- we have installed 6 closed-circuit televisions to monitor the retail showroom at all times; and
- we have installed an infrared security system, which is connected to an external security company and is turned on every night after all staff are left. In the event that the security system has been triggered, our security company will contact our Directors immediately and if our Directors could not be reached, the security company would make a report to the police.

To ensure the security at our office premises, we have implemented the following measures:

- all cash received at our office premises are passed on to our finance department on the same day and the staff receiving the cash from our customers are required to prepare a report confirming the amount of cash. All cash received at our office premises are kept in our safe deposit box; and
- we only retain limited cash of not more than HK\$20,000 at our office premises.

Inventory management

Electronic point of sale system ("EPOS system")

We have installed an EPOS system at our retail showroom, office premises and warehouse to monitor the level of our inventories electronically as the level of inventories will be updated automatically upon registration of a sale at the cashier at our retail showroom and office premises. Information generated from the system enables us to closely monitor our level of inventories. Furthermore, we carry out weekly stock-take and prepare weekly reports for our internal records to

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ensure the number of actual physical inventories is consistent with our record in the EPOS system. Our Directors will review and analyse the levels of our inventories annually and consider implementation of appropriate actions to be taken against accumulation of slow-moving inventories, such as offering special discounts and, if necessary, conducting stock clearance sale to promote sales or temporarily suspending further intake of slow-moving items.

Outsourced warehousing and inventory management

During the Track Record Period, we have engaged an independent logistics company to provide for certain warehousing and inventory management services to us. Some of our stock inventories, which are mostly Value Red Wine or Value White Wine are kept at our warehouse in Kwai Chung. See “— Logistics and warehousing” for further information about the warehousing services at our warehouse in Kwai Chung. In addition to the warehousing services, our independent logistics and management company also provide certain inventory management services to us and arrange for warehouse management system, inventory control and stock movement reports, including daily receiving, stock take variance, weekly and monthly transaction summary and stock list.

Inventory turnover days

For the years ended 31 March 2012 and 31 March 2013 and the five months ended 31 August 2013, our inventory turnover days were 126 days, 160 days and 134 days, respectively, while the average balance of our inventory was approximately HK\$96.6 million, HK\$90.5 million and HK\$81.6 million, respectively. See “Financial Information — Summary of key financial ratios — Capital adequacy ratios — Inventory turnover days” for further details.

Policy for provisions for inventories

At the end of each year, we identify and make provision for inventories which our Directors consider appropriate taking into account various factors such as historical and forecast revenue and marketability of such products. Historically, we made full provisions for selected inventories that we considered low in marketability.

For the year ended 31 March 2012 and the five months ended 31 August 2013, we had made allowance for inventories with net realisable value estimated to be below the cost of approximately HK\$0.1 million and HK\$0.4 million, respectively, and for the year ended 31 March 2013, we have a reversal of approximately HK\$2.4 million for inventories. The reversal of inventories represents the reversal of the relevant inventory provisions, which had been made in prior years with subsequent sales of such inventories at cost or above during the year ended 31 March 2013.

In considering whether provisions for inventories should be made, at the end of each reporting period, our finance department, which consists of our chief financial officer and our accounting staff, will carry out an inventory review whereby we generate an inventory aging report, and we will compare the latest selling prices at the date of the inventory assessment against the costs of inventories as at the end of the reporting period. In respect of products which are either aged over one year or carry an inventory value which is lower than the latest selling price, our finance department will discuss with our Directors to consider if impairment is considered necessary.

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If our management considers it necessary to make provisions, we will estimate the net realisable value for such inventories. To ensure the fairness of the inventory valuation, we estimate the net realisable value of our inventories with reference to the latest market prices and current market conditions, taking into account of various factors, including but not limited to, the retail prices of similar products of some of our competitors, the retail prices in the open market, the historical sales performance of similar products, recent market trends, reviews of the particular wine and spirits products by wine critics or grading by other industry authoritative magazines, if any. Under the HKFRSs, the net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale, and refers to the net amount, which an entity expects to realise from the sale of inventory in the ordinary course of business. We expect the net realisable value to reflect latest market prices and current market conditions set out above and we expect the net realisable value to be the market value of our inventories.

As the net realisable value is estimated to be above the cost, our Directors consider that the inventory provision made is adequate. See “Financial Information — Descriptions of certain income statement items — Cost of sales” for further details.

COMPETITION

Competition in the wine and spirits market in Hong Kong has increased significantly since the removal of all duty-related customs and administrative controls for wine and liquor with less than 30% alcohol content in February 2008, and is categorised by a small number of specialised retailers and a large number of small players, each presenting their own wine and spirits products list varying in terms of product category and product range, and each targeting at their own specific market segment.

The principal bases of competition in the wine and spirits market in Hong Kong include, among other things, product range and sufficient stock inventories, relationships with suppliers to ensure steady supply, responsiveness to changing consumer and market trends, strength and breadth of sales network and competitive price. Our Directors believe that we have distinguished ourselves from our competitors on the basis of the following characteristics:

- our ability to select, manage and sell our wine and spirits products;
- our wide range of premium wine and spirits products portfolio;
- our well-established relationship with our suppliers and our customers;
- our emphasis on product quality and personalised services; and
- our ability to adapt and respond to customer preferences and market trends.

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CORPORATE GOVERNANCE

Corporate Governance Measures

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

- (1) the Articles provide that a Director shall abstain from participating in Board meetings (nor shall he/she be counted in the quorum) and voting on any resolution of the Board approving any contract or arrangement or other proposal in which he/she or any of his/her associates is materially interested unless a majority of the independent non-executive Directors expressly requested him/her to attend;
- (2) the independent non-executive Directors will review and disclose decisions with basis, on an annual basis, the compliance with the non-competition undertaking by our Controlling Shareholders;
- (3) our Controlling Shareholders undertake to provide all information requested by our Company which is necessary for the annual review by the independent non-executive Directors and the enforcement of the non-competition undertaking;
- (4) our Company will disclose decisions with basis on matters reviewed by the independent non-executive Directors relating to compliance with and enforcement of the non-competition undertaking of our Controlling Shareholders in the annual reports of our Company;
- (5) our Controlling Shareholders will make an annual declaration on compliance with their non-competition undertaking in the annual report of our Company; and
- (6) the independent non-executive Directors may appoint independent financial advisers and other professional advisers as they consider appropriate to advise them on any matter relating to the non-competition undertaking or connected transaction(s) at the cost of our Company.

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

None of the members of our Group has experienced any dispute with its shareholders or among its shareholders themselves and our Directors believe that each member of our Group has maintained positive relationship with its shareholders. With the corporate governance measures including the measures set out above in place, our Directors believe that the interest of our Shareholders will be protected.

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EMPLOYEES

As at the Latest Practicable Date, we had a total of 36 employees. The table below sets forth a breakdown of our employees by function as at 31 August 2013:

Function	Number of employees
Directors	3
Senior management	4
Accounts	2
Purchase officers	2
Sales and marketing	16
Warehouse and logistics	5
Human resources & administration	4
Total	36

Our standard remuneration package includes base salary, discretionary bonuses, sales commission and medical insurance. Each of our employee's remuneration package is determined in light of his/her qualification, position and seniority. To ensure our remuneration package remains competitive, we conduct annual assessment on each employee's remuneration package.

The total amount paid by our Group for our staff costs during the years ended 31 March 2012 and 31 March 2013 and the five months ended 31 August 2013 were approximately HK\$18.8 million, HK\$9.0 million and HK\$4.8 million, respectively. Our staff costs of approximately HK\$5.7 million, HK\$3.6 million and HK\$2.1 million were included in promotion, selling and distribution expenses, representing 37.0%, 24.8% and 31.8% of our total promotion, selling and distribution expenses for the corresponding periods. Remaining staff costs of approximately HK\$13.1 million, HK\$5.4 million and HK\$2.7 million were included in administrative expenses, representing 57.2%, 26.1% and 40.9% of our total administrative expenses for the corresponding periods.

Staff training

We provide induction programmes and continuous regular trainings to our employees to enhance their industry, technical and product knowledge, as well as their familiarity with work safety standards. We place particular emphasis on the training of our wine consultants in order to promote a high quality of customer service to our customers, and we also arrange training sessions with our suppliers to further enhance our employees' product knowledge on selected wine and spirits products.

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PROPERTY

Our operation is carried out on leased premises. As at the Latest Practicable Date, we had leased the following properties, a summary of which is set forth in the table below:

Property	Location	Expiry date of contract period	Monthly rental <i>HK\$</i>	Total floor area <i>sq. ft.</i>
Retail showroom	Shop G6 Hankow Centre Nos.5-15 Hankow Road Tsim Sha Tsui Kowloon	14 August 2014	328,000 (exclusive of charges and government rates)	668 (saleable)
Office premises	Suite 822 Ocean Centre Harbour City Tsim Sha Tsui Kowloon	31 Jan 2015	160,488.5	4,063 (lettable)
Warehouse	Hung Hom Kowloon	31 March 2014	25,000	2,090 (saleable)

The retail showroom and the office premises are leased from independent third parties at prevailing market rates. Our warehouse in Hung Hom is leased from Mr. Leung, one of our Controlling Shareholders. We have been advised by our property valuer that our warehouse in Hung Hom is leased from Mr. Leung at a fair and reasonable price which is consistent with the market rent for similar premises in similar locations. See the section headed “Connected Transactions” for further details.

Unauthorised building works

A cockloft had been erected in each of our retail showroom and warehouse in Hung Hom leased by Major Cellar. As advised by the registered structural engineer, no formal approval had been granted for such addition/alteration by the relevant government authorities. Such cocklofts may be subject to a closure order imposed by the relevant government authority on the landlords in the event that the cocklofts are declared unfit for use and occupation. In the event that any closure order is imposed by the relevant government authority on our retail showroom and warehouse in Hung Hom, the landlords of such premises may be required to remove the cocklofts at the expense of Major Cellar. The total revenue generated from our retail showroom had accounted for approximately 29.0%, 27.6% and 29.0% of our total revenue for the years ended 31 March 2012 and 31 March 2013 and the five months ended 31 August 2013, respectively, and whereas our warehouse in Hung Hom has made no contribution to our revenue during the years ended 31 March 2012 and 31 March 2013 and the five months ended 31 August 2013.

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Pursuant to the tenancy agreements in respect of our retail showroom and warehouse in Hung Hom, the erection of the cocklofts in each of our retail showroom and warehouse in Hung Hom by Major Cellar may lead to a breach of the respective tenancy agreements and accordingly, the landlords have the right to (i) request Major Cellar to remove the cocklofts at its own expenses and (ii) forfeit the lease and claim damages from Major Cellar. As advised by our legal advisers as to Hong Kong law, notwithstanding the existence of the unauthorised building work, the tenancy agreement for the warehouse in Hung Hom continues to be valid and subsisting and in full force. As at the Latest Practicable Date, no termination of the tenancy agreements by the landlords has taken place.

In the event that the landlord of our retail showroom exercises its rights of re-entry under the tenancy agreement, we will have to close down our retail showroom at once and relocate elsewhere. The closure of our retail showroom may result in an estimated daily loss of revenue of approximately HK\$180,000, which is calculated by reference to the average daily revenue generated from our retail showroom during the Track Record Period. We will seek to relocate our retail showroom within the proximity of our existing retail showroom or, failing which, within the same district, Tsim Sha Tsui, as we have established our client base and a proven record in the district, and taking into account the failure of our shop in Central, which was located in a commercial building, we will also look for a property which is located on the ground floor, as it will be easily accessible by the public. As we have established a customer base with recurring customers, our Directors believe that the new retail showroom will provide further convenience to our existing customers as well as attracting new customers, thereby generating the targeted level of revenue.

In respect of our warehouse in Hung Hom, Major Cellar and Mr. Leung entered into a supplemental tenancy agreement on 20 May 2013 in which Mr. Leung irrevocably and unconditionally waived his right to take action against Major Cellar and the right to re-enter our warehouse in Hung Hom, and confirmed that in any event the tenancy agreement of our warehouse in Hung Hom shall be valid and subsisting notwithstanding the previous unapproved erection of the cockloft. Based on verbal communication with the landlord of our retail showroom, the landlord had indicated that it has no intention to forfeit the lease of our retail showroom by reason of Major Cellar's historical erection of the unauthorised addition/alteration in our retail showroom so long as Major Cellar undertakes to remove the cockloft within a reasonable period of time.

The demolition works in respect of the retail showroom and the warehouse in Hung Hom were completed on 28 July 2013 and 24 July 2013, respectively. The costs and expenses incurred in relation to the demolition of the unauthorised building works at the retail showroom and the warehouse in Hung Hom amounted to approximately HK\$110,000 and HK\$9,000, respectively. We did not incur any loss of revenue as we had continued the business operations at our retail showroom during the demolition period and we did not incur any additional costs for the storage of our inventories as we had relocated some of our stock inventories from the warehouse in Hung Hom to our office premises prior to the demolition. Subsequent to the demolition, we further engaged an Authorised Person to issue a report on each of the retail showroom and the warehouse in Hung Hom, which confirmed that the retail showroom and the warehouse in Hung Hom no longer contain any unauthorised building works.

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Our Controlling Shareholders have agreed to indemnify us against all claims, actions, demands, proceedings, judgments, losses, liabilities, damages, costs, charges, fees, expenses and fines of whatever nature suffered by or incurred by us, whether directly or indirectly, in connection with the unauthorised addition/alteration in our retail showroom and warehouse in Hung Hom, including the losses incurred as a result of any disruption to the daily operation of our retail showroom and warehouse in Hung Hom resulting from the removal of the unauthorised addition/alteration or closure order imposed by the relevant government authority.

INTELLECTUAL PROPERTY

As at the Latest Practicable Date, we had registered three trademarks and had applied for the registration of one trademark in Hong Kong and one domain name. See “Appendix IV - Statutory and General Information — Intellectual property rights of our Group” for further details. Our Directors believe that we have taken all reasonable measures to prevent infringement of our own intellectual property rights.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any infringement of our intellectual property rights and we were not aware of any pending or threatened claims against us in relation to the infringement of any intellectual property rights of third parties.

INSURANCE

We had taken insurance policies to protect us against a range of contingencies including damages to our stock inventories at our retail showroom, warehouse in Hung Hom and warehouse in Kwai Chung, which covers substantially all of our stock inventories, destruction or damage to the property and public liability insurance in respect of our retail showroom, warehouse in Hung Hom and warehouse in Kwai Chung, general insurance covering risks and liabilities in connection with our retail showroom, warehouse in Hung Hom, warehouse in Kwai Chung and office premises and inland transit insurance in respect of the delivery of our products from our retail showroom, office premises or warehouses to our customers’ designated point of pick-up in Hong Kong. We have also taken out medical insurance for all of our full-time employees. We do not maintain product liability insurance and no material product liability claims have been made against us in the past.

The total amount paid by our Group for our insurance premiums during the years ended 31 March 2012 and 31 March 2013 and the five months ended 31 August 2013 were HK\$192,000, HK\$202,000 and HK\$52,000, respectively, representing approximately 0.1%, 0.1% and 0.04% of our total revenue for the corresponding periods.

During the Track Record Period, we did not submit any material insurance claims. Our Directors believe that the insurance coverage taken by us over our assets, properties and employees is adequate and sufficient for our operations.

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LEGAL PROCEEDINGS AND REGULATORY MATTERS

Legal Proceedings

During the Track Record Period and up to the Latest Practicable Date, we had not been involved in any material arbitration, litigation or administrative proceedings which had or could be expected to have a material and adverse effect on our business or results of operations.

Laws and Regulation

As a retailer of consumer products, our business and operations are subject to laws and regulations on general consumer protection. Compliance with the applicable laws and regulations is monitored by governmental and regulatory authorities. See the section headed “Regulatory Overview” for further details. As at the Latest Practicable Date, we had not been involved in any product liability claims.

MATERIAL NON-COMPLIANCE INCIDENTS

We set out below our material non-compliance incidents with applicable laws and regulations during the Track Record Period. Our Directors are of the view that (i) adequate provisions had been made in respect of the non-compliance incidents and (ii) these incidents of non-compliance, whether individually or collectively, will not have a material operational or financial impact on us.

1. Historical Statutory Financial Statements and Tax Computation Containing Incorrect Information and Filing of Incorrect Tax Returns

The audited financial statements of Major Cellar for the period ended 31 March 2011 and for the year ended 31 March 2012 (the “**Historical Statutory Financial Statements**”) and the tax computation for the year of assessment 2011/12 (the “**Tax Computation**”) previously filed with the Inland Revenue Department contained certain incorrect information. As a result, the assessable profits as set out in the tax return for the year of assessment 2010/11 was understated by approximately HK\$22.1 million and consequently, the tax return for the year of assessment 2011/12 was overstated by approximately HK\$14.9 million. Accordingly, the additional tax provision for the year of assessment 2010/11 is approximately HK\$3.6 million and the tax refund for the year of assessment 2011/12 is approximately HK\$2.5 million.

Details of the Incorrect Information

The Historical Statutory Financial Statements and the Tax Computation contained the following incorrect information (the “**Incorrect Information**”):

- the impairment loss of inventories (which is included in the cost of sales) for the year ended 31 March 2011 was overstated by approximately HK\$22.1 million. During the period ended 31 March 2011, a general provision on inventories of approximately HK\$28.7 million was made by our Group. Our chief financial officer revisited the net realisable value of our inventories based on the market prices and market conditions as at 31 March 2011 and

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carried out an inventory review on a product-by-product basis as at 31 March 2011 and considered that the net realisable value of our inventories was higher than the cost of such inventories. Accordingly, the impairment loss of inventories in the amount of approximately HK\$22.1 million made on the basis that the net realisable value of such inventories is estimated to be below the cost was incorrect.

- the costs of sales for the year ended 31 March 2012 was understated by approximately HK\$22.1 million. As allowances were made during the year ended 31 March 2011 for our inventories in the amount of approximately HK\$22.1 million were sold during the year ended 31 March 2012, the respective cost of inventories recognised as cost of sales would be reduced by approximately HK\$22.1 million during the year ended 31 March 2012. Accordingly, the overstatement of the impairment loss of inventories for the year ended 31 March 2011 would result in the understatement of the costs of sales for the year ended 31 March 2012.
- the impairment loss of inventories for the year ended 31 March 2012 was understated by approximately HK\$1.2 million when our chief financial officer revisited the net realisable value of our inventories as at 31 March 2012 which was estimated to be lower than the cost of inventories by approximately HK\$1.2 million.
- the impairment loss recognised on trade deposits paid in the amount of approximately HK\$8.7 million for the year ended 31 March 2012 was overstated. Trade deposits paid represented the deposits paid by us to our suppliers for our purchase of inventories. During the year ended 31 March 2012, an impairment loss on trade deposits paid in the amount of approximately HK\$8.7 million was made in view of the decrease in the market values of certain wine products, resulting in the selling prices of certain wine products at the relevant time to fall below our purchase prices agreed with our suppliers. However, while the subject matter wine products were not delivered by our suppliers to us as at 31 March 2012, we had received purchase orders from our customers in respect of the subject matter wine products with agreed selling prices above our purchase prices agreed with our suppliers and we had obtained deposits from such customers as at 31 March 2012. Accordingly, the impairment losses on the trade deposits paid in the amount of approximately HK\$8.7 million was incorrect.

In addition, the Tax Computation contained the following incorrect information:

- the deduction claim in the amount of approximately HK\$0.3 million in the tax computation for the year of assessment 2011/12 was understated due to arithmetical error.

As the tax returns for the years of assessment 2010/2011 and 2011/2012 were prepared based on the Historical Statutory Financial Statements containing the Incorrect Information, the assessable profits as set out in the tax return for the year of assessment 2010/2011 was understated by approximately HK\$22.1 million and consequently the assessable profits for the year of assessment 2011/2012 was overstated by approximately HK\$14.9 million.

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Circumstances leading to the non-compliance incident

In the early stage of development of Major Cellar, the finance department, which was responsible for, among other matters, the internal book keeping and the preparation of the management accounts, consisted of two accounting personnel, both of whom possessed prior experience in accounting but both accounting personnel were not qualified accountants. In addition, Major Cellar had engaged an independent audit firm (the “**local auditor**”) to conduct the audit of its financial statements for each of the financial years ended 31 March 2011 and 31 March 2012 and the local auditor was also appointed as the tax representative of Major Cellar in respect of its tax submission for each of the years of assessment 2010/11 and 2011/12. In connection with the Historical Statutory Financial Statements and the Tax Computation previously filed with the Inland Revenue Department, which were audited/prepared by the local auditor, the finance department of Major Cellar was involved in preparing the management accounts and related supporting information used by the local auditor during its audit process. Prior to the filing with the Inland Revenue Department, the Historical Statutory Financial Statements and the Tax Computation were considered and approved by the directors of Major Cellar at the relevant time, Mr. Cheung and Mr. Leung, taking into account of, among others, the professional advice and judgement of the local auditor at the relevant time in relation to the adoption of the accounting policies and the computation of the assessable profits.

In preparation for the Listing, our Group’s newly employed chief financial officer discovered the Incorrect Information. Upon identification of the Incorrect Information, Mr. Cheung and Mr. Leung, being the directors of Major Cellar at the relevant time, had reviewed the Historical Statutory Financial Statements and the Tax Computation and had discussions with the local auditors to understand the contents (including accounting treatments adopted) thereof. To the best knowledge of each of Mr. Cheung and Mr. Leung, the relevant impairment loss of inventories and trade deposits paid and the understatement of costs of sales had not been properly accounted for in the Historical Statutory Financial Statements and the Tax Computation due to various reasons, including the lack of experience of the members of the finance department of Major Cellar at the relevant time and the misjudgement made by the local auditor on the adoption of the accounting treatment.

Maximum legal liabilities and consequences on our Group and our Directors

In relation to (i) the Historical Statutory Financial Statements and the Tax Computation containing Incorrect Information and (ii) the filing of incorrect tax return, each of Major Cellar and its directors are in breach of section 51 (returns and information to be furnished) of the Inland Revenue Ordinance, accordingly, each of Major Cellar and its directors may be subject to (a) prosecutions under section 80 (penalties for failure to make returns, making incorrect returns, etc.) and section 82 (penal provisions relating to fraud, etc.), or (b) prosecutions under section 82A (additional tax in certain cases) of the Inland Revenue Ordinance.

Pursuant to section 57 of the Inland Revenue Ordinance, the director and principal officer of a body of persons shall be answerable for doing all such acts, matters, or things as are required to be done under the provisions of the Inland Revenue Ordinance by such corporation or body of persons. Accordingly, each of Major Cellar and its directors may be subject to the same liabilities for the breaches of the Inland Revenue Ordinance.

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Prosecutions under sections 80 and 82 of the Inland Revenue Ordinance

Pursuant to section 80(2) of the Inland Revenue Ordinance, the maximum penalty which may be imposed by the Inland Revenue Department on or payable by Major Cellar and/or its directors in relation to the Incorrect Information is a fine at level 3, being HK\$10,000, plus treble the amount of tax which has been undercharged as a result of the incorrect return, statement or information, or would have been so undercharged if the return, statement or information had been accepted as correct, or which has been undercharged in consequence of the failure to comply with a notice under section 51(1) or (2A) of the Inland Revenue Ordinance or a failure to comply with section 51(2) of the Inland Revenue Ordinance, or which would have been undercharged if such failure had not been detected. Furthermore, no person shall be liable to any penalty under this section unless the complaint concerning such offence was made in the year of assessment in respect of or during which the offence was committed or within 6 years after the expiration thereof. Accordingly, our tax legal advisers are of the view that, subject to the confirmation of the tax undercharged on Major Cellar for the year of assessment 2010/11, the potential maximum penalty chargeable against Major Cellar and its directors under section 80(2) of the Inland Revenue Ordinance with respect to the Incorrect Information is HK\$10,000 plus HK\$10,914,807, being treble the amount of tax undercharged.

Pursuant to section 82 of the Inland Revenue Ordinance, the maximum penalty which may be imposed by the Inland Revenue Department on or payable by Major Cellar and/or its directors in relation to the Incorrect Information is:

- on summary conviction, a fine at level 3, being HK\$10,000 plus treble the amount of tax which has been undercharged in consequence of the offence or which would have been undercharged if the offence has not been detected, and to imprisonment for 6 months; or
- on indictment, the penalty is a fine at level 5, being HK\$50,000, plus treble the amount of tax so undercharged or which would have been so undercharged, and to imprisonment for 3 years.

Accordingly, our tax legal advisers are of the view that, subject to the confirmation of the tax undercharged for the year of assessment 2010/11, with respect to the Incorrect Information, the maximum penalty may amount to HK\$50,000 plus HKD10,914,807, being treble the amount of tax undercharged plus imprisonment for 3 years.

In contrast, there is no limitation period for an offence committed under section 82 of the Inland Revenue Ordinance as stated under the Inland Revenue Ordinance. With respect to additional tax under section 82A of the Inland Revenue Ordinance, there is no limitation period expressed in the Ordinance for the raising of such additional tax. For the sake of completeness, the additional tax in this section may be regarded as penalty, and according to the Limitation Ordinance (Cap. 347 of the laws of Hong Kong), an action to recover any penalty shall not be brought after the expiration of two years from the date on which the cause of action accrued, which commences on the date of the issue of the penalty assessment or at the latest from the date when payment under the assessment is required to be made.

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As advised by our tax legal advisers, based on the assumptions and qualifications set out in their legal opinion, the chances of Major Cellar and/or its directors being prosecuted for a criminal offence under sections 80 and 82 of the Inland Revenue Ordinance for the Incorrect Information are remote. The legal opinion of our tax legal advisers, together with the assumptions and qualifications in coming to their advice, will be available for inspection as referred to in paragraph (l) under the section headed “Documents Available for Inspection” in Appendix V to this prospectus.

Prosecutions under section 82A of the Inland Revenue Ordinance

Pursuant to section 82A of the Inland Revenue Ordinance, the maximum penalty which may be imposed by the Inland Revenue Department on or payable by Major Cellar and/or its directors in relation to the Incorrect Information is treble the amount of tax which has been undercharged as a result of the incorrect return, statement or information, or would have been so undercharged if the return, statement or information had been accepted as correct, or which has been undercharged in consequence of the failure to comply with a notice under section 51(1) or (2A) of the Inland Revenue Ordinance or a failure to comply with section 51(2) of the Inland Revenue Ordinance, or which would have been undercharged if such failure had not been detected. There is no limitation period for an offence committed under section 82A of the Inland Revenue Ordinance. Accordingly, our tax legal advisers are of the view that, subject to the confirmation of the tax undercharged for the year of assessment 2010/11, with respect to the Incorrect Information, the maximum additional tax as penalty may amount to HKD10,914,807 (treble the amount of tax undercharged).

Under the Limitation Ordinance (Chapter 347 of the laws of Hong Kong), an action to recover any penalty shall not be brought after the expiration of 2 years from the date on which the cause of action accrued. On this basis, our tax legal advisers are of the view that the Inland Revenue Department may take actions against Major Cellar and/or its directors within a two-year period commencing from the date of the issue of the penalty assessment or at the latest from the date when payment under the assessment is required to be made.

As advised by our tax legal advisers, based on the assumptions and qualifications set out in their legal opinion, the risk for penalty under section 82A of the Inland Revenue Ordinance to be imposed on Major Cellar and/or its directors with respect to the Incorrect Information is remote. The legal opinion of our tax legal advisers, together with the assumptions and qualifications in coming to their advice, will be available for inspection as referred to in paragraph (m) under the section headed “Documents Delivered to the Registrar of Companies and Available for Inspection” in Appendix V to this prospectus.

Remedial / Rectification actions taken and updated status

We had made the prior year adjustments in the financial statements of Major Cellar for the year ended 31 March 2013 to rectify the Incorrect Information contained in the Historical Statutory Financial Statements and the Tax Computation.

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Details of the prior year adjustments made in the financial statements of Major Cellar for the year ended 31 March 2013 are as follows:

- 1) Adjustments on increasing cost of sales and decreasing accumulated profits by approximately HK\$22.1 million due to the overstatement of the impairment loss of the relevant inventories for the year ended 31 March 2011;
- 2) Adjustments on increasing impairment loss of inventories and decreasing inventories by approximately HK\$1.2 million due to the revised estimate of net realisable value of the inventories was lower than the cost of inventories, by the same amount as of 31 March 2012;
- 3) Adjustments on decreasing cost of sales and increasing trade deposits paid by approximately HK\$8.7 million due to the overstatement of the impairment loss on trade deposits paid to a supplier of HK\$8.7 million;
- 4) Adjustments on decreasing depreciation expense and increasing property, plant and equipment by approximately HK\$0.8 million due to adoption of wrong depreciation rate and depreciation period in the calculation of depreciation on certain property, plant and equipment;
- 5) Adjustments on decreasing income tax expenses by approximately HK\$2.4 million, increasing tax liabilities by approximately HK\$1.3 million and decreasing accumulated profits by approximately HK\$3.7 million due to the above adjustments on profit or loss for the year ended 31 March 2012;
- 6) Adjustments on increasing deferred tax expenses by approximately HK\$0.2 million, decreasing accumulated profits by HK\$0.2 million and increasing deferred tax liabilities by approximately HK\$0.4 million due to no deferred tax liabilities recognised in respect of the temporary taxable difference arising from the accelerated depreciation allowance in prior periods;
- 7) Reclassifications on certain financial position items as at 31 March 2012 have been made due to misclassifications of certain related parties balances, receivables, payables and wrong classifications among current assets/liabilities and non-current assets/liabilities.

We had on a voluntary basis submitted the rectified tax submission and reported the Incorrect Information relating to the audited financial statements of Major Cellar for the years ended 31 March 2011 and 31 March 2012 to the Commissioner on 7 June 2013. Subsequent to our submission of the rectified tax submission, we received a letter dated 19 July 2013 from the Inland Revenue Department requiring additional information on the rectified tax submission. We had submitted the additional information required by the Commissioner on 13 August 2013.

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On 28 August 2013, our tax representative submitted a combined revised tax computation to the Inland Revenue Department (the “**Combined Revised Tax Computation**”). Under the Combined Revised Tax Computation, there is no adjustment to the year of assessment 2010/11, and the assessable profits for the year of assessment 2011/12 had been revised to approximately HK\$31.0 million, resulting in a net tax payable of approximately HK\$1.4 million for the year of assessment 2011/12. On 5 September 2013, the Inland Revenue Department issued an additional assessment for the year of 2011/12 to Major Cellar demanding approximately HK\$1.4 million, being the additional amount of tax chargeable based on the Combined Revised Tax Computation (the “**Additional Tax Demand**”). Major Cellar had settled the Additional Tax Demand on 10 September 2013.

On 24 October 2013, our tax representatives and our tax legal advisers conducted a telephone enquiry with the assessor in charge at the Inland Revenue Department (the “**Assessor**”) and had been verbally confirmed by the Assessor that the Additional Tax Demand had been fully settled and the case in relation to the Incorrect Information had been settled and was closed. Furthermore, our tax representatives and tax legal advisers had been informed by the Assessor that he was of the view that the Incorrect Information did not constitute a breach of section 82A of the Inland Revenue Ordinance relating to the filing of incorrect return, incorrect statement or incorrect information without reasonable excuse and he had not and would not consider imposing further additional tax/penalty in this regard.

We had made a reversal of approximately HK\$2.1 million to the income tax expense in respect of the Incorrect Information which had been recorded in our combined financial statements for the year ended 31 March 2012. Based on the revised tax computation performed by our chief financial officer and based on the telephone enquiry conducted between our Company’s tax representatives and the Inland Revenue Department assessor in charge on 24 October 2013, our Directors are of the view that the provisions are adequate and our Directors believe that the risk of further additional tax/penalty to be assessed by the Inland Revenue Department for Incorrect Information without reasonable excuse is remote. Accordingly, our Directors are of the view that the non-compliances in connection with the Incorrect Information will not have a material financial impact on our Group.

Furthermore, as we have been advised by our tax legal advisers that the likelihood of prosecutions against Major Cellar and/or its directors is low, our Directors are of the view that the non-compliances in connection with the Incorrect Information will not have a material operational and financial impact on our Group.

As at the Latest Practicable Date, no demand notice or penalties or charges had been made against Major Cellar and its directors in connection with the Incorrect Information.

To avoid the reoccurrence of statutory financial statements and tax computation containing incorrect information, our Group had employed the chief financial officer to handle all accounting matters of our Group since 19 March 2013. See “Directors and Senior Management — Senior management” for further details of the biography of our chief financial officer.

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The following table sets out a summary of the non-compliance incidents:

Details of the non-compliance	Legal consequences including potential maximum penalties and other financial liabilities	Remedial / rectification actions taken
<p>The Historical Statutory Financial Statements and the Tax Computation of Major Cellar contained Incorrect Information relating to:</p> <ul style="list-style-type: none"> • impairment loss of inventories (which is recognised in the cost of sales) for the year ended 31 March 2011 was overstated by approximately HK\$22.1 million due to the revised estimate of the net realisable value of our inventories as at 31 March 2011 was higher than the cost of such inventories; • costs of sales for the year ended 31 March 2012 was understated by approximately HK\$22.1 million due to the overstatement of the impairment loss of the relevant inventories for the year ended 31 March 2011; • impairment loss of inventories for the year ended 31 March 2012 was understated by approximately HK\$1.2 million due to the revised estimate of net realisable value of our inventories was lower than the cost of inventories, by the same amount as of 31 March 2012; 	<p>In relation to (i) the Historical Statutory Financial Statements and the Tax Computation containing the Incorrect Information and (ii) the filing of the incorrect tax return containing the Incorrect Information, each of Major Cellar and/or its directors may be subject to:</p> <ul style="list-style-type: none"> • prosecutions under sections 80 and 82 of the Inland Revenue Ordinance; or • prosecutions under section 82A of the Inland Revenue Ordinance. <p>• Any person who without reasonable excuse in breach of section 80(2) of the Inland Revenue Ordinance commits an offence and is liable on conviction to a fine at level 3 (i.e. HK\$10,000) and a further fine of treble the amount of tax which has been undercharged as a result of the incorrect return, statement or information, or would have been so undercharged if the return, statement or information had been accepted as correct.</p>	<p>We had made the prior year adjustments in the financial statements of Major Cellar for the year ended 31 March 2013.</p> <p>We had on a voluntary basis submitted the rectified tax submission and reported the Incorrect Information relating to the audited financial statements of Major Cellar for the years ended 31 March 2011 and 2012 and the tax computation for the year of assessment 2011/2012 to the Commissioner of the Inland Revenue Department on 7 June 2013.</p> <p>On 5 September 2013, the Inland Revenue Department issued an additional assessment for the year of 2011/2012 to Major Cellar demanding an additional amount of tax of approximately HK\$1.4 million, which had been fully settled by Major Cellar on 10 September 2013.</p>

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Details of the non-compliance	Legal consequences including potential maximum penalties and other financial liabilities	Remedial / rectification actions taken
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- impairment loss recognised on trade deposits paid for the year ended 31 March 2012 was overstated by approximately HK\$8.7 million due to the oversight of the purchase orders from our customers in respect of the subject matter wine products with agreed selling prices above our agreed purchase prices with suppliers; and

The Tax Computation contained the following incorrect information:

- deduction claim in the amount of approximately HK\$0.3 million in the tax computation for the year of assessment 2011/2012 was understated due to arithmetical error.

The assessable profits for the year of assessment 2010/2011 was understated and the assessable profits for the year of assessment 2011/2012 was overstated.

- Any person who commits an offence under section 82(1) of the Inland Revenue Ordinance is liable —

(a) on summary conviction to a fine at level 3 (i.e. HK\$10,000), a further fine of treble the amount of tax which has been undercharged in consequence of the offence or which would have been undercharged if the offence has not been detected and imprisonment for 6 months; and

(b) on indictment to a fine at level 5 (i.e. HK\$50,000), a further fine of treble the amount of tax which has been undercharged in consequence of the offence or which would have been undercharged if the offence has not been detected and imprisonment for 3 years.

Under section 82A of the Inland Revenue Ordinance, any person who without reasonable excuse and no prosecution under section 80(2) or 82(1) has been instituted in respect of the same facts, shall be liable to be assessed to additional tax of an amount not exceeding treble the amount of tax undercharged as a result of the filing of the incorrect tax return.

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2. Historical Non-compliance with the Companies Ordinance

Since the incorporation of Major Cellar and Major Aim, they had failed to comply with certain regulatory requirements under the Companies Ordinances including (i) failure to hold an annual general meeting in addition to any other meetings in that year, and specify the meeting as such in the notices calling it under section 111 of the Companies Ordinance, (ii) failure to lay before the annual general meeting, financial statements made up to a date being not more than nine months before the date of the annual general meeting under section 122 of the Companies Ordinance and (iii) failure to make timely filings in relation to certain company secretarial matters with the Companies Registry of Hong Kong under sections 13 and 92 of the Companies Ordinance.

Details of the non-compliance incident

Members of our Group have failed to comply with section 111 of the Companies Ordinance in the following manner (the “**convention of annual general meeting**”):

- the annual general meeting for the years of 2010 and 2011 of Major Cellar had not been validly convened; and
- the annual general meeting for the years of 2011 and 2012 of Major Aim had not been validly convened.

Members of our Group have failed to comply with section 122 of the Companies Ordinance in the following manner (the “**proper adoption of financial statements**”):

- the financial statements of Major Cellar for the financial years ended 31 March 2011 and 2012 had not been properly adopted in an annual general meeting; and
- the financial statements of Major Aim for the financial years ended 31 March 2011 and 2012 had not been properly adopted in an annual general meeting.

Major Cellar failed to make timely filings of a printed copy of its certified amended memorandum and articles of association on or before 21 January 2010 in accordance with section 13 of the Companies Ordinance (the “**filing of amended memorandum and articles of association**”).

Members of our Group had failed to comply with section 92 of the Companies Ordinance in the following manner (the “**notification of change of registered office**”):

- Major Aim failed to make timely filings of the notice of change of registered office at the Companies Registry on or before 10 February 2011; and
- Major Cellar failed to make timely filings of the notice of change of registered office at the Companies Registry on or before 10 February 2011.

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Circumstances leading to the non-compliance

Since the incorporation of Major Cellar and Major Aim, our management had engaged independent third party service providers to handle all corporate secretarial matters relating to Major Cellar and Major Aim. The failures to comply with the Companies Ordinance were unintended and due to inadvertent oversights of and the mistakes as to the necessity of compliance with the time limit requirements under the relevant sections of the Companies Ordinance. Our management was not familiar with, and was not made aware of the statutory requirements under the Companies Ordinance at the relevant time.

Maximum legal liabilities and consequences on our Group and our Directors

Pursuant to section 111(5) and schedule 12 of the Companies Ordinance, the non-compliant company and every officer of the company who failed to hold an annual general meeting at all or in the prescribed manner as required under sections 111(1) and 111(6) of the Companies Ordinance may face a maximum fine of HK\$50,000.

Pursuant to section 122(1) and schedule 12 of the Companies Ordinance, the maximum penalty that may be imposed on the directors of a company for failing to approve the company's annual financial statements in an annual general meeting as required under section 122(1) of the Companies Ordinance is a fine of HK\$300,000. Under the Companies Ordinance, no reference is made as to the penalty for the non-compliant company for non-compliance with section 122(1) of the Companies Ordinance.

Pursuant to section 13 and schedule 12 of the Companies Ordinance, the maximum penalty that may be imposed on the company and the responsible officer for failing to send a copy of the certified amended Memorandum and Articles of Association to the Companies Registry within 15 days of its adoption is a fine of HK\$10,000 and a daily fine of HK\$300 if the offence remains ongoing.

Pursuant to section 92 and schedule 12 of the Companies Ordinance, the maximum penalty that may be imposed on the company and the responsible officer for failing to notify the Companies Registry of the changing of the company's registered address within 14 days from the date of the change is a fine of HK\$10,000 and a daily fine of HK\$300 if the offence remains ongoing.

As advised by our legal advisers as to Hong Kong law, in the event that a non-compliant company had rectified its non-compliances under the Companies Ordinance, the chance of prosecution against the non-compliant company or its officer by the Companies Registry is low and thus the chance of the Company and / or its officer, including the directors of Major Cellar and Major Aim, being fined up to the maximum is remote. In addition, by reference to the conviction record of companies being prosecuted under the Companies Ordinance in 2011 and 2012 published by the Companies Registry on its official website at www.cr.gov.hk, the maximum penalty for non-compliance with the Companies Ordinance did not exceed HK\$55,000. Therefore, our legal advisers as to Hong Kong law are of the view that in the event that the Company and/or its officers, including the directors of Major Cellar and Major Aim, are prosecuted for the non-compliances with sections 111, 122, 13 or 92 of the Companies Ordinance, the penalty that may be imposed on the Company and/or its officers, including the directors of Major Cellar and Major Aim, would likely to fall below HK\$55,000.

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Rectifications taken and updated status

Orders were sought from the High Court for the rectifications of the non-compliances with sections 111 and 122 of the Companies Ordinance by Major Cellar and Major Aim on 4 June 2013 and court orders were made by the High Court on 24 June 2013 (the “**Court Orders**”). Pursuant to the Court Orders, the prescribed time limit for holding the annual general meetings to approve the financial statements for the financial years ended 31 March 2010, 31 March 2011 and 31 March 2012 of each of Major Cellar and Major Aim was extended to 7 July 2013. Each of Major Cellar and Major Aim had held their deemed annual general meetings on 5 July 2013 and approved their financial statements for the financial years ended 31 March 2010, 31 March 2011 and 31 March 2012 on the same day and accordingly, each of Major Cellar and Major Aim had complied with the Court Orders and rectified the non-compliances of sections 111 and 122 of the Companies Ordinance.

In respect of the failures to make timely corporate filings with the Companies Registry of Hong Kong under sections 13 and 92 of the Companies Ordinance, Major Cellar and Major Aim had notified the Companies Registry of the change of their registered addresses on 24 February 2011 and Major Cellar had sent a copy of its certified amended Memorandum and Articles of Association to the Companies Registry on 7 August 2013.

Our legal advisers as to Hong Kong law made a telephone enquiry with the Companies Registry on 17 October 2013 as to whether Major Cellar and Major Aim had been prosecuted by the Companies Registry for non-compliance with sections 13 and 92 of the Companies Ordinance and was informed that there were no records of any prosecutions by the Companies Registry against Major Cellar or Major Aim as at 17 October 2013.

No provisions had been made as the non-compliances with the Companies Ordinance had been rectified. As advised by our legal advisers as to Hong Kong law, the likelihood of prosecutions taken against Major Cellar and Major Aim and/or their respective directors are low, our Directors are of the view that such non-compliances will not have a material financial or operational impact on us.

As at the Latest Practicable Date, no notice, demand notice, penalties, charges or other legal documents had been served on / made against Major Cellar, Major Aim and their directors in connection with the non-compliance with Companies Ordinance from the Companies Registry.

To avoid the reoccurrence of the non-compliance, we employed Mr. Lee Kwok Wan as our company secretary on 10 December 2013. Mr. Lee is a member of the Hong Kong Institute of Chartered Secretaries, and is responsible for, among other duties, handling the secretarial matters of our Group. See “Directors and Senior Management — Senior management — Company secretary” for further details of the biography of our company secretary. In addition, we will appoint an external Hong Kong legal counsel to advise us on compliance with the GEM Listing Rules and the applicable laws and regulations. See “— Material non-compliance incidents — Internal control measures to prevent future non-compliance” for further details.

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The following table sets out a summary of the non-compliance incident:

Details of the non-compliance incidents	Legal consequences including potential maximum penalties and other financial liabilities	Remedial / rectification actions taken / to be taken
<ul style="list-style-type: none">The annual general meeting for the years of 2010 and 2011 of Major Cellar had not been validly convened in accordance with section 111 of the Companies OrdinanceThe annual general meeting for the years of 2011 and 2012 of Major Aim had not been validly convened in accordance with section 111 of the Companies Ordinance	<p>The non-compliant company and the responsible officer who failed to hold an annual general meeting at all or in the prescribed manner as required by section 111 of the Companies Ordinance may be fined up to \$50,000.</p>	<p>Orders were sought from the High Court of Hong Kong for rectifying the non-compliances with sections 111 and 122 of the Companies Ordinance on 4 June 2013 and the court orders were granted by the High Court of Hong Kong on 24 June 2013. Pursuant to which, the time limit for holding the deemed annual general meetings and approving the financial statements of Major Cellar and Major Aim for the financial years ended 31 March 2010, 31 March 2011 and 31 March 2012 was extended to 7 July 2013.</p>
<ul style="list-style-type: none">The financial statements of Major Cellar and Major Aim for the financial years ended 31 March 2011 and 31 March 2012 had not been properly adopted in an annual general meeting in accordance with section 122 of the Companies Ordinance	<p>A director of the non-compliant company who failed to comply with section 122 of the Companies Ordinance may be imprisoned and fined up to HK\$300,000.</p>	<p>Subsequently, Major Cellar and Major Aim had held their deemed annual general meetings on 5 July 2013 and approved their financial statements for the financial years ended 30 March 2010, 31 March 2011 and 31 March 2012.</p>
<ul style="list-style-type: none">Failure to make timely filing of a printed copy of its amended Memorandum of Association and Articles in accordance with section 13 of the Companies Ordinance	<p>The non-compliant company and its responsible officers who failed to make timely filings for the company secretarial matters with the Companies Registry may face a maximum penalty of HK10,000 and a daily fine of HK\$300 if the offence remains ongoing.</p>	<p>Major Cellar had sent a copy of its certified amended Memorandum and Articles of Association to the Companies Registry on 7 August 2013.</p>
<ul style="list-style-type: none">Failure to make timely filing of the notice of the change of registered office in accordance with section 92 of the Companies Ordinance		<p>Major Cellar and Major Aim had notified the Companies Registry of the change of their registered addresses on 24 February 2011.</p>

3. Non-compliance with the Mandatory Provident Fund Scheme Ordinance

During the period between October 2009 and March 2013, Major Cellar had failed to make adequate MPF contributions for its employees, which was discovered by our Group's chief financial officer in May 2013.

Details of the non-compliance incident

Major Cellar had not included the commissions of its employees into their "relevant incomes" during the period between October 2009 and March 2013 (the "**Defaulted Period**") as a result of which, Major Cellar had made an inadequate amount of MPF contributions for it and its employees during the Defaulted Period under sections 7A(2) and / or 7A(8) of the Mandatory Provident Fund Schemes Ordinance ("**MPFSO**"). The total outstanding MPF contributions payable by Major Cellar and its employees and the 5% surcharge thereon amount to HK\$308,123.02.

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Circumstances leading to the non-compliance

As part of its remuneration package and to provide incentives to its employees, Major Cellar had, in addition to the basic salary payable to its employees, implemented a monthly-commission policy based on the sales performances of each employee with reference to a designated monthly sales target. Accordingly, employees would receive a commission if they could meet the designated monthly sales target, which is payable monthly but separately with their basic salary.

Matters relating to Major Cellar's payroll and MPF contributions were prepared and handled by Major Cellar's finance department, which consisted of two personnel. At the end of each month, the sales department would send a breakdown of the sales performance of the employees to the finance department for the computation of the commission entitlements of each employee (if any). As it takes time for both the sales department and the finance department to calculate the employees' commission entitlements, the commission and the basic salary are not paid to the employees at the same time. Upon enquiry with the finance department, our Directors are of the view that the staff responsible for computing and making the MPF contributions, who is no longer in employment with our Company, oversaw the MPF contributions payable in respect of the employees' commission entitlements due to the different timing of the payments of the basic salary and the commissions. Although the relevant monthly commission report and the MPF contributions payment reports were reviewed and approved by the directors of Major Cellar at the relevant time, being Mr. Cheung, Mr. Leung and Mr. Cheung Chun Pang, the omission in an average amount of HK\$3,484 payable monthly during the period between October 2009 and March 2013 was too insignificant for the directors to realise or raise any queries thereon.

On 16 July 2013, the Mandatory Provident Fund Schemes Authority ("**MPF Authority**") issued a Payment Notice for Outstanding Mandatory Provident Fund Contributions and Contribution Surcharge (the "**Notice**") to Major Cellar regarding its failure to make adequate amount of MPF contributions under sections 7A(2) and/or 7A(8) of the MPFSO and demanded payment for outstanding contribution and surcharge by 30 July 2013. The Notice provides that Major Cellar shall pay all outstanding contributions and surcharges, being 5% of the amount in arrears, for the periods of November 2009 to December 2009, May 2010, July 2010, September 2010, April 2011 and August 2011 to March 2013 to its MPF trustee on or before 30 July 2013. Pursuant to a confirmation from our Group's MPF trustee dated 5 August 2013, the total amount of the outstanding contributions payable by Major Cellar and its employees and the surcharges thereon, being HK\$308,123.02, had been fully settled. To the best knowledge of our Directors, the Notice was issued by the MPF Authority to Major Cellar in July 2013 despite the voluntary payment by Major Cellar to the MPF trustee as a result of the delays in processing the report of non-compliance and the confirmation of settlement of outstanding contribution filed by the MPF trustee to the MPF Authority.

Maximum legal liabilities and consequences on our Group and our Directors

Pursuant to section 43B(1B) of the MPFSO, the maximum legal penalty that may be imposed on the non-compliant employer (including a company and / or its director) for failing to make an adequate amount of MPF contribution for its employee under section 7A(2) of the MPFSO is a maximum fine of HK\$100,000 and to imprisonment for 6 months on first conviction of the offence; and a maximum fine of HK\$200,000 and to imprisonment for 12 months on each subsequent conviction of the offence.

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Pursuant to section 43B(1C)(b) of the MPFSO, the maximum penalty that may be imposed on the non-compliant employer (including a company and / or its director) for failing to make an adequate MPF contribution for its employee to an approved trustee in the manner required under section 7A(8) of the MPFSO is a maximum fine of HK\$350,000 and to imprisonment for 3 years; and a daily fine of HK\$500 for each day if the offence remains ongoing.

As advised by our legal advisers as to Hong Kong law, it is unlikely that Major Cellar and / or its directors would be prosecuted, penalised or fined at the maximum level in respect of the non-compliance with the MPFSO and the chance of prosecution against Major Cellar and/or its directors is remote as Major Cellar had initiated to rectify its incorrect contribution and had paid the relevant surcharge as required under the MPFSO.

Remedial or rectification actions taken / to be taken and updated status

As soon as the non-compliance incident had been discovered by Major Cellar, Major Cellar immediately made a verbal report about the non-compliance incident to the branch manager of its MPF trustee on a voluntary basis. On 24 May 2013, Major Cellar made a voluntary payment to its MPF trustee in the amount of HK\$319,491.15, being the total amount of outstanding MPF contributions payable by it and its employees and surcharges thereon, computed based on Major Cellar's internal calculations. The amount was finalised upon liaison with the MPF trustee and total MPF contributions made by Major Cellar and its employees and the 5% surcharge thereon amount to HK\$308,123.02.

On 25 July 2013, our legal advisers as to Hong Kong law made a telephone report to an officer of the MPF Authority about the non-compliance incident and enquired on the possibility of the MPF Authority taking any action against Major Cellar and its directors after all the outstanding payments had been settled by Major Cellar with its MPF trustee in accordance with the Notice. We had been advised by our legal advisers as to Hong Kong law that so long as the Notice had been fully complied with, the MPF Authority will not take any further actions against Major Cellar in connection with the non-compliance incident. As advised by our legal advisers as to Hong Kong law, the officer of the MPF Authority who provided the information mentioned above is the appropriate source for seeking clarification on the contents of the Letter, has the relevant authority and is authorised to give such advice regarding the MPF matters.

On 12 August 2013, we sent a letter (the "**Letter**") to the MPF Authority seeking its confirmation that (i) the non-compliance incident had been fully settled; (ii) the MPF Authority has not initiated any legal proceedings against Major Cellar in relation to the non-compliance incident; and (iii) the MPF Authority will not initiate any legal proceedings against Major Cellar in relation to the non-compliance incident as the non-compliance incident has been fully settled.

In response to the Letter, on 15 August 2013, the MPF Authority issued an Acknowledgment of Receipt of Objection to Imposition of Contribution Surcharge to Major Cellar (the "**Acknowledgement**"). On 3 September 2013, our legal advisers as to Hong Kong law spoke with an officer of the MPF Authority to clarify that Major Cellar had no objection to the imposition of contribution and surcharge and all the outstanding contribution and surcharge as stated in the Letter had already been settled. The relevant officer informed our legal advisers as to Hong Kong law that the Acknowledgement was a standard form which would be sent out to any non-compliant employers

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who replied to the Notice for Outstanding Mandatory Provident Fund Contributions and Contribution Surcharge in writing regardless of the contents of their replies. Our legal advisers as to Hong Kong law further enquired whether the MPF Authority would issue any formal written reply to Major Cellar and whether the MPF Authority has initiated any legal proceedings against Major Cellar in respect of the Notice and was subsequently informed by an officer of the MPF Authority on 5 September 2013 that the MPF Authority was in the process of preparing a formal written reply to Major Cellar and the same would be issued to Major Cellar in or around late-September 2013. In respect of the question regarding whether the MPF Authority had taken any legal action against Major Cellar, the officer of the MPF Authority informed our legal advisers as to Hong Kong that the MPF Authority would have informed or contacted Major Cellar if any legal action has been taken against Major Cellar.

On 9 September 2013, the manager of the Policy and Services Department of the MPF Authority on behalf of the MPF Authority issued a confirmation letter in reply to the Letter which confirms that Major Cellar has settled all the outstanding contributions and surcharges incurred during the Defaulted Period and the matters have been resolved.

As at the Latest Practicable Date, no notice, demand notice, penalties, charges or other legal documents had been served on or made against Major Cellar and its directors in connection with the non-compliance with MPFSO from the MPF Authority.

No provisions had been made as the non-compliance incidents had been rectified. As advised by our legal advisers as to Hong Kong law, the likelihood of prosecutions taken against our Company and/or our Directors is low, our Directors are of the view that the non-compliances with the MPFSO will not have a material financial or operational impact on us.

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The following table sets out a summary of the non-compliance incidents:

Details of the non-compliance incidents	Legal consequences including potential maximum penalties and other financial liabilities	Remedial / rectification actions taken / to be taken
<ul style="list-style-type: none">During the period between October 2009 and March 2013, Major Cellar had not included the commissions paid to its employees into their relevant incomes, as a result of which, Major Cellar had made inadequate MPF contributions for its employees during that period. The total amount of outstanding contribution payable by it and its employees and the surcharge thereon was HK\$308,123.02.	<p>Pursuant to section 43B(1B) of the MPFSO, the maximum penalty that may be imposed on a non-compliant employer (including a person and a company and/or the director of the company) who failed to make an adequate amount of MPF contribution for its employee under section 7A(2) of the MPFSO is a maximum fine of HK\$100,000 and to imprisonment for 6 months on first conviction of the offence; and to a fine of HK\$200,000 and to imprisonment for 12 months on each subsequent conviction of the offence.</p> <p>Pursuant to section 45B(2)(c) of the MPFSO, the maximum penalty that may be imposed on a non-compliant employer (including a person and a company and/or the director of the company) who failed to make an adequate amount of MPF contribution for its employee to an approved trustee in the prescribed manner as required under section 7A(8) of the MPFSO is a maximum fine of HK\$350,000 and to imprisonment for 3 years and a daily fine of HK\$500 if the offence remains ongoing.</p> <p>Our legal advisers as to Hong Kong law had advised that the MPF Authority may impose an administrative financial penalty of HK\$5,000 or 10 per cent of the total amount to be paid, whichever is the greater, on the non-compliant employer (including a company and/or its directors) for the first non-compliance with section 7A(8) of MPFSO. In the circumstances, the total outstanding amount paid was HK\$30,812.30. Therefore, the maximum penalty that may be imposed on Major Cellar and/or its directors by the MPFA is HK\$30,812,30. Our legal advisers as to Hong Kong law further advised that in the event that MPF Authority imposes a fine on the non-compliant employer; the MPF Authority may not prosecute the non-compliant employer if such fine had been paid.</p>	<p>On 24 May 2013, Major Cellar on a voluntary basis made a lump sum payment to its MPF trustee which covered the total outstanding MPF contribution payable by Major Cellar and its employees and the 5% surcharge thereon based on its internal calculation.</p>

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4. Historical Unauthorised Building Works

A cockloft structure had been erected in each of our retail showroom and the warehouse in Hung Hom leased by Major Cellar. As advised by the registered structural engineer, the cockloft structures in each of our retail showroom and the warehouse in Hung Hom were considered unauthorised building works.

Details of the non-compliance incident

A cockloft structure of approximately 91 sq. m. flooring area was erected at the warehouse in Hung Hom and a cockloft structure of approximately 14 sq. m. flooring area was erected at our retail showroom (collectively, the “**Cockloft Structures**”).

As advised by the registered structural engineer, the Cockloft Structures were not part of the building works approved by the Buildings Department, and the Cockloft Structures were considered to be unauthorised building works pursuant to section 14 of the Buildings Ordinance. The Cockloft Structures may be subject to a closure order imposed by the Buildings Department on the landlords in the event that the Cockloft Structures are declared unfit for use and occupation. In such circumstances, the landlords may be required to remove the cocklofts at the expense of Major Cellar.

Circumstances leading to the non-compliance incident

After the execution of the tenancy agreements with the landlords of the retail showroom and the warehouse in Hung Hom, Major Cellar engaged two design and renovation service providers to provide design and renovation services in respect of each of the retail showroom and the warehouse in Hung Hom. Upon consultations with each of the design and renovation service provider, the directors of Major Cellar at the relevant time, being Mr. Leung and Mr. Cheung, had been informed that the creation of a cockloft and a stairway at each of the retail showroom and the warehouse in Hung Hom would create additional storage space and provide storage convenience for Major Cellar. Accordingly, Major Cellar engaged the design and renovation service providers to erect the cocklofts and stairways at the retail showroom and the warehouse in Hung Hom, respectively. At all times during the consultations with the design and renovation service providers and the erection of the cocklofts and the stairways, Major Cellar was not aware that the proposed erection of the cocklofts and the stairways would be considered as unauthorised building works under the Buildings Ordinance. In the course of preparation for the Listing, Major Cellar engaged a property valuer and during the site visits, the property valuer informed our Directors that the Cockloft Structures may be considered as unauthorised building works, thereafter Major Cellar engaged a registered structural engineer who confirmed that the Cockloft Structures were unauthorised building works.

Maximum legal liabilities and consequences on our Group and our Directors

Pursuant to section 40 of the Buildings Ordinance, the maximum penalty that may be imposed on any person (including a company and / or its directors) who knowingly erected any building works without prior consent of the Buildings Department in contravention of section 14(1) of the Buildings Ordinance is a maximum fine of HK\$400,000 and to imprisonment for 2 years.

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As advised by our legal advisers as to Hong Kong law, it is remote that Major Cellar and / or its directors would be prosecuted, penalised or fined at the maximum level in respect of the Cockloft Structures as Major Cellar had already demolished the unauthorised building works and there was no breach or non-compliant of any demolition notice by Major Cellar as at the Latest Practicable Date.

Breach of Tenancy Agreements

The erection of the Cockloft Structures in the retail showroom and the warehouse in Hung Hom without the approval of the landlords constituted a breach of the respective tenancy agreements. As a result of which, the landlords of the premises may terminate the tenancy agreements, re-enter the premises and bring legal action against Major Cellar for damages arising from the erection of the Cockloft Structures.

As advised by our legal advisers as to Hong Kong law, since the Cockloft Structures in the retail showroom and the warehouse in Hung Hom had already been removed, the actual damages purported to be suffered by the landlord would be minimal, if any.

Breach of Deed of Mutual Covenants

The erection of the Cockloft Structures in the retail showroom and the warehouse in Hung Hom constituted a breach of the respective deed of mutual covenants. As a result of which, the property manager of the retail showroom and the warehouse in Hung Hom may remove the Cockloft Structures in the premises at Major Cellar's expense.

As advised by our legal advisers as to Hong Kong law, since the Cockloft Structures in the retail showroom and the warehouse in Hung Hom had already been removed, the likelihood of the manager of the premises taking legal action against us or demanding any removal fee, costs or damages from us would be slim.

Rectifications taken and updated status

Upon confirmation from the Authorised Person that the Cocklofts Structures were unauthorised building works, Major Cellar had notified the landlords of the retail showroom and the warehouse in Hung Hom, respectively.

On 20 May 2013, Major Cellar and the landlord of the warehouse in Hung Hom have entered into a supplemental tenancy agreement in which the landlord has irrevocably and unconditionally waived its right to bring any action against Major Cellar and the right to re-enter the warehouse in Hung Hom and confirmed that the tenancy agreement in respect of the warehouse in Hung Hom remains valid and subsisting.

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To rectify our non-compliance with the Buildings Ordinance, we engaged an independent contractor, which was a registered minor works contractor as required under the Buildings Ordinance, to demolish the Cockloft Structures. The demolition works of the unauthorised building works at the retail showroom and the warehouse in Hung Hom were completed on 28 July 2013 and 24 July 2013, respectively. Subsequent to the demolitions, we had engaged an Authorised Person to issue a report on each of the retail showroom and the warehouse in Hung Hom, which confirmed that as at 8 August 2013, the retail showroom and the warehouse in Hung Hom are free of unauthorised building works.

On 29 July 2013, our legal advisers as to Hong Kong law verbally notified the Buildings Department of the past existence of the Cockloft Structures and on 4 September 2013, our legal advisers as to Hong Kong law verbally notified the Buildings Department that subsequent to the demolition of the Cockloft Structures at the retail showroom and the warehouse in Hung Hom, an Authorised Person had issued two reports on 15 August 2013 which confirmed that as at 8 August 2013, the retail showroom and the warehouse in Hung Hom are free of unauthorised building works. Our legal advisers as to Hong Kong law further enquired whether any action would generally be taken by the Buildings Department in such cases and had been informed by a building surveyor of the Buildings Department (the “**Building Surveyor of the Buildings Department**”) that prosecution would be initiated against the owner of the premises if the owner failed to comply with a demolition notice issued by the Buildings Department. The Building Surveyor of the Buildings Department further stated that since Major Cellar had taken all steps to rectify the non-compliance by demolishing the unauthorised building works at the retail showroom and the warehouse in Hung Hom and had engaged an Authorised Person to confirm the same in writing, the chance of prosecution against Major Cellar in respect of the past erection of the unauthorised building works would be very remote. Based on the verbal enquiry made by our legal advisers as to Hong Kong law with the Buildings Department on 16 October 2013, the Building Surveyor of the Buildings Department confirmed that the Buildings Department’s view remained the same as the verbal reply given to our legal advisers as to Hong Kong law on 4 September 2013. As at the Latest Practicable Date, no demolition notice had been issued to Major Cellar or the respective owners of the retail showroom and the warehouse in Hung Hom.

No provisions had been made as our Directors consider the likelihood of our Group being fined a heavy penalty is slim. As advised by our legal advisers as to Hong Kong law, the likelihood of prosecutions taken against Major Cellar and/or its directors are low, our Directors are of the view that the non-compliances with the Buildings Ordinance will not have a material financial or operational impact on us.

As advised by our legal advisers as to Hong Kong law, the officer of the Buildings Department who provided the information mentioned above is the appropriate source for seeking clarification on the cockloft structure issue described above, has the relevant authority and is authorised to give such advice regarding such unauthorised building works.

During the Track Record Period and up to the Latest Practicable Date, no notice, warning or legal documents in relation to the erection of the unauthorised building works had been served on the owners of the retail showroom and the warehouse in Hung Hom or Major Cellar from the Buildings Department.

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The following table sets out a summary of the non-compliance incidents:

Details of the non-compliance incidents	Legal consequences including potential maximum penalties and other financial liabilities	Remedial / rectification actions taken / to be taken
<ul style="list-style-type: none"> A cockloft structure had been erected at our retail showroom with a flooring area of approximately 14 sq. m. without the prior approval of the Buildings Department and the landlord as our management relied on a design and renovation service provider's suggestion to create the cockloft structure for extra storage space without realising that the cockloft structure is an unauthorised building work under the Building Ordinance. 	<p>Pursuant to section 40 of the Buildings Ordinance the maximum penalty that may be imposed on any person who knowingly erected any building works without prior consent of the Buildings Department in contravention of section 14(1) of the Buildings Ordinance is a maximum fine of HK\$400,000 and to imprisonment for 2 years.</p> <p>As advised by our legal advisers as to Hong Kong law, it is unlikely that Major Cellar would be penalised or fined at the maximum level as Major Cellar had voluntarily initiated and completed the demolition of unauthorised building works.</p>	<p>The demolition works in respect of the Cockloft Structures at the retail showroom and the warehouse in Hung Hom were completed on 28 July 2013 and 24 July 2013, respectively.</p>
<ul style="list-style-type: none"> A cockloft structure had been erected at our warehouse in Hung Hom with a flooring area of approximately 91 sq. m. without the prior approval of the Buildings Department and the landlord as our management relied on a design and renovation service provider's suggestion to create the cockloft structure for extra storage space without realising that the cockloft structure is an unauthorised building work under the Building Ordinance. 	<p>The landlords of retail showroom and the warehouse in Hung Hom may terminate the tenancy agreements, re-enter the premises and bring legal action against Major Cellar for damages arising from the erection of the Cockloft Structures.</p> <p>As advised by our legal advisers as to Hong Kong law, since the Cockloft Structures in the retail showroom and the warehouse in Hung Hom had already been removed, the actual damages purported to be suffered by the landlord would be minimal if any.</p>	<p>On 20 May 2013, Major Cellar and the landlord of the warehouse in Hung Hom have entered into a supplemental tenancy agreement in which the landlord has irrevocably and unconditionally waived its right to bring any action against Major Cellar and the right to re-enter the warehouse in Hung Hom and confirmed that the tenancy agreement in respect of the warehouse in Hung Hom remains valid and subsisting.</p>
	<p>The property manager of the retail showroom and the warehouse in Hung Hom may remove the Cockloft Structures in the premises at Major Cellar's expense.</p>	<p>Our management had also notified the landlords of the respective premises regarding the erection and the demolition of the Cockloft Structures.</p>
	<p>As advised by our legal advisers as to Hong Kong law, since the Cockloft Structures in the retail showroom and the warehouse in Hung Hom had already been removed, the likelihood of the manager of the premises taking legal action against us or demanding any removal fee, costs or damages from us would be slim.</p>	<p>As at the Latest Practicable Date, neither did Major Cellar nor the landlords of the premises receive any demolition order nor has it been prosecuted for the erection of the unauthorised building works.</p>

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Indemnity from our Controlling Shareholders in relation to the non-compliance

Our Controlling Shareholders have executed the Deed of Indemnity in favour of our Group pursuant to which they will jointly and severally indemnify each member of our Group against all claims, actions, demands, proceedings, judgments, losses, liabilities, damages, costs, charges, fees, expenses and fines of whatever nature suffered by or incurred by our Group as a result of directly or indirectly or in connection with the following:

- losses incurred by us relating to the unauthorised building works at our retail showroom and warehouse in Hung Hom including but not limited to fines and penalties imposed by the relevant government authority, losses suffered by us as a result of any disruption to the daily operations of the retail showroom resulting from the demolition of the unauthorised building works and relocation costs and expenses, when applicable;
- fines and penalties imposed by the relevant government authority relating to the incorrect information and errors in respect of the audited financial statements of Major Cellar for the years of assessment 2010/2011 and 2011/2012;
- fines and penalties imposed by the relevant government authority relating to the failure to comply with sections 111 and 122 of the Companies Ordinance; and
- fines and penalties imposed by the relevant government authority relating to the failure to make adequate mandatory provident scheme contributions under the Mandatory Provident Fund Schemes Ordinance.

See “Appendix IV - Statutory and General Information — Deed of indemnity” for further details.

Internal control measures to prevent future non-compliance

In order to continuously improve our corporate governance and to prevent future non-compliance, we intend to adopt or have adopted the following measures:

- (i) We have established an internal control committee (the “**Internal Control Committee**”) on 30 December 2013, comprising our chairman and executive Director, Mr. Cheung, our compliance officer and executive Director, Ms. Cheung Wing Shun, an external Hong Kong legal counsel to be engaged by us after the Listing, and Mr. Wong Siu Ki, one of our independent non-executive Directors who was admitted as a fellow member of the Association of Chartered Certified Accountants in September 2006 and possesses relevant experience to review and assess the effectiveness and adequacy of our internal control measures on a semi-annual basis. Our Internal Control Committee is also responsible for the implementation of the remedial plans recommended by our internal audit department, so as to ensure our compliance with the GEM Listing Rules and the relevant Hong Kong laws and regulations. Any deficiencies noted during the review process will be brought to the attention of our Board and our Audit Committee for further action, where necessary.

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- (ii) We will also establish an internal audit department on or before 31 March 2014, which consists of a head of internal audit department who will be responsible for monitoring and overseeing daily operation of internal control matters and two other members, namely, our chief financial officer who has approximately 10 years of experience in the accounting and finance field and our internal audit manager, who possesses approximately four years of relevant auditing experience, to assist the head of internal audit department in the daily operation of the department. See “Directors and Senior Management — Senior management” for further details of the biography of our chief financial officer. The internal audit department will report to our Audit Committee directly on a semi-annual basis to ensure that our Group’s operations are in compliance with the applicable laws, rules and regulations, and recommend remedial plans to our Audit Committee, and our Audit Committee will give instruction to our Internal Control Committee for the implementation of any remedial plans should there be any internal control deficiencies, and our Internal Control Committee will ensure all the remedial plans are implemented.
- (iii) We will engage independent internal control advisers after the Listing to conduct semi-annual review for at least one year after Listing. The review will focus on the status of implementation of the recommended remedial actions in areas where deficiencies and weaknesses were identified, the effectiveness of our internal control measures implemented, and the standards and effectiveness of our corporate governance, operations and management to ensure our compliance with the GEM Listing Rules and the applicable Hong Kong laws and regulations. We will disclose any material irregularities identified during such review in our interim and annual reports.
- (iv) We have established an audit committee on 30 December 2013, which will establish formal and transparent arrangements to apply financial reporting and internal control principles in accounting and financial matters to ensure compliance with the GEM Listing Rules and all relevant laws and regulations, including timely preparation and laying of accounts.
- (v) We have appointed appoint a compliance adviser with effect from the Listing to provide advice to our Directors and management team regarding matters relating to the GEM Listing Rules.
- (vi) We will appoint an external Hong Kong legal counsel after the Listing to advise us on compliance with the GEM Listing Rules and the applicable Hong Kong laws and regulations.
- (vii) In preparation for the Listing, we have engaged an independent internal control adviser to undertake an evaluation of our internal control on financial reporting and to recommend action plans for improvements. Having considered the internal control review report prepared by our internal control advisers, our Board considers that it is necessary to enhance our current internal control measures. As such, we have established the Internal Control Committee, which is responsible for reviewing and monitoring compliance of the GEM Listing Rules and the relevant Hong Kong laws and regulations, and we will further implement certain internal control measures as stated above to ensure compliance with the GEM Listing Rules and the relevant Hong Kong laws and regulations.

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(viii) We will develop various internal approval policies and procedures on or before 31 March 2014. In order to further enhance the current internal control measures, policies and procedures will be codified in our new internal operational manual, which will be adopted and implemented by us, after taking into account the comments from our internal control advisers. Further, such internal approval policies and procedures will be reviewed by our Internal Control Committee on a semi-annual basis, and we will further implement the following internal control measures to ensure compliance with the GEM Listing Rules and the relevant Hong Kong laws and regulations:

Issues

Measures to ensure compliance

Properties

- (a) All lease or tenancy agreements will need to be reviewed by our human resources and administration department, and will obtain legal opinion from our external legal counsels before entering into or varying the terms of any lease agreement.
- (b) Our human resources and administration department will report to our Internal Control Committee on a semi-annual basis, which shall be responsible for ensuring that all lease or tenancy agreements entered into by us have complied with the relevant Hong Kong laws and regulations.
- (c) All addition/alteration in any leased and/or owned properties will require confirmation from an Authorised Person under the Buildings Ordinance that such addition/alteration does not constitute an unauthorised building works or breach of the Buildings Ordinance before such addition/alteration is carried out.

Accounting and Taxation

- (a) All tax related matters of our Group will be handled by our finance department, which consists of our chief financial officer and our accounting staff. See “Directors and Senior Management — Senior management” for further details. Our internal audit department will, on a semi-annual basis, report to our Internal Control Committee on the compliance of the tax laws and regulations.
- (b) We will implement the following measures to ensure the compliance with the relevant Hong Kong tax laws and regulations:
 - (1) assign designated staff to handle all tax related matters to ensure all tax returns have been properly and correctly filed; and

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- (2) engage a tax representative to review all tax returns before filing. We have engaged a tax representative for the year of assessment 2012/2013 and as at the Latest Practicable Date, we have not entered into any formal engagement in respect of our tax representative for the year of assessment 2013/2014.
 - (c) Establish comprehensive policies and procedures for the financial reporting and disclosure processes and related checklists, period-end accrual procedures and maintenance of chart of accounts.
 - (d) Conduct independent review of journal vouchers.
 - (e) Establish formal corporate planning and budgetary control process.
- MPF
- (a) All MPF related matters of our Group will be handled by our designated staff, who joined us in February 2013 possess certificate in business administration and over eight years of relevant working experience. In addition, with the support and assistance of our external Hong Kong legal counsels, our human resources and administration department will, on a semi-annual basis, report to our Internal Control Committee on the compliance with the MPF laws and regulations.
 - (b) We will implement the following measures to ensure the compliance with the relevant Hong Kong MPF laws and regulations:
 - (1) assign our designated staff, being our human resources and administration officer who possess certificate in business administration and over eight years of relevant working experience, to handle all MPF related matters to ensure all MPF payments have been properly and timely made;
 - (2) liaise with our MPF service provider from time to time to obtain updated rules and regulations on MPF schemes and related regulations.

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Corporate Governance

- (a) We will further implement various training programs, including training conducted by our external Hong Kong legal counsel on an annual basis, to update our employees on the relevant Hong Kong laws and regulations including the Companies Ordinance, which are relevant to the compliance of our Company as a public company.
- (b) We have appointed a company secretary, who is familiar with the GEM Listing Rules, Companies Ordinance and related matters to advise us on matters relating to our Company's and our Directors' obligations.

In connection with the Listing, we have engaged an independent internal control adviser to, among others, evaluate the adequacy and effectiveness of our internal control and provide guidance and advice to us on the implementation of the internal control policies. When the proposed internal control measures had been adopted, our internal control will be monitored and reviewed internally by (i) an internal audit department, which will report to our Audit Committee and will monitor and oversee the daily operation of internal control matters, (ii) an Internal Control Committee, which will review and assess the effectiveness and adequacy of our internal control measures, (iii) an Audit Committee, and (iv) a compliance adviser, and will also be reviewed externally by an independent internal control adviser, which will conduct semi-annual review for at least one year after Listing and by the external Hong Kong legal advisers to advise on the compliance with GEM Listing Rules and the applicable laws and regulations. Also, the independent internal control adviser had also performed follow-up checks on the rectifying measures set out above in December 2013 and have not identified any significant exception based on the information provided by us. Taking into account the expertise of the relevant internal staff of our Company, the external advisers and our independent internal control advisers, our Directors and the Sole Sponsor are of the view that the proposed internal control measures, when implemented, will be adequate and effective despite the previous non-compliant incidents of our Group.

INTERNAL CONTROL

In preparation for the Listing, we have engaged an independent internal control advisers, and the first internal control review commenced in March 2013 to review and to provide recommendations on our internal control procedures. We had adopted various recommendations by the internal control advisers to enhance our internal control measures. We set out below a summary of the recommendations from our independent internal control advisers:

- **Control Environment**, including recommendations to, among others, (i) establish a number of corporate governance and other comprehensive internal policies and procedures governing, among others, director's dealings, evaluation and approval of investment projects, evaluation of departure of management and supervisory personnel, evaluation of reliability and timeliness of external information used for decisions making, training development, govern the risk assessment and risk management process and to monitor the effectiveness of the internal controls system, external communication, formal information technology policies and procedures manual; (ii) establish key committees and appointment

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of independent non-executive Directors to the Board; (iii) develop mechanisms to identify and monitor notifiable and connected transactions and independent whistle-blowing mechanism; and (iv) enhance the general computer controls, including security, user access, change management, backup and retention of data and disaster recovery plan;

- **Financial Reporting and Disclosure Controls**, including recommendations to, among others, (i) establish comprehensive policies and procedures for the financial reporting and disclosure processes and related checklists, period-end accrual procedures and maintenance of chart of accounts; (ii) employ accounting personnel with appropriate qualifications; (iii) conduct independent review of journal vouchers; and (iv) establish formal corporate planning and budgetary control process;
- **Revenue Management**, including recommendations to, among others, (i) establish comprehensive policies and procedures for revenue management, consignment sales management process, proper recording, the background and credibility check on credit customers; (ii) develop sales contract register; and (iii) conduct independent review of the price list;
- **Expenditure Management**, including recommendations to, among others, (i) establish comprehensive policies and procedures for expenditure management, timely recording for receipt of products; (ii) maintain proper documentation and evaluation mechanism for the assessment performed for vendor selection and maintenance of vendor master file; (iii) develop monitoring mechanism to monitor vendor performance, deposits paid to vendors; and (iv) enhance approval controls for payments and establish authorisation thresholds;
- **Inventory Management**, including recommendations to, among others, (i) establish comprehensive policies and procedures for the inventory management processes; (ii) conduct independent review of inventory movements; (iii) adopt various measures to enhance security at the warehouse in Hung Hom; and (iv) establish formal mechanism to assess the net realisable value of inventory balance;
- **Fixed Assets Management**, including recommendations to, among others, (i) establish comprehensive policies and procedures for the fixed assets management processes; (ii) proper documentation and recording for acquisition of fixed assets, formal purchase requisition documentation and fixed asset count results; and (iii) preparation of depreciation schedule on regular basis;
- **Human Resources and Payroll Management**, including recommendations to, among others, (i) establish comprehensive policies and procedures for human resources and payroll management process; (ii) proper documentation through hiring process; (iii) maintenance of employee master file; and (iv) enter into formal agreements with part-time employees;
- **Treasury Management**, including recommendations to, among others, (i) establish comprehensive policies and procedures for treasury management, (ii) proper documentation

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of approvals for bank account opening and bank loan arrangements; (iii) conduct regular reviews of cash liquidity; (iv) enter into formal loan agreements in respect of directors' loans; and (v) appointment of additional authorised bank signatory and impose thresholds;

- **Taxation Management**, including recommendations to establish comprehensive policies and procedures for taxation management process;
- **Business Continuity Plan**, including recommendations to establish formal business continuity plan;
- **Directors' Loan Management**, including recommendations to, among others, (i) establish comprehensive policies and procedures for the directors' loan management, and (ii) proper documentation of loan arrangements;
- **Insurance Management**, including recommendations to, among others, (i) establish comprehensive policies and procedures for insurance management processes, and (ii) proper documentation of insurance management processes;
- **Product Quality Control and Product Recall**, including recommendations to, among others, (i) proper daily recording of storage temperatures and humidity levels, and (ii) establish comprehensive policies and procedures for product recall plans;

We set out below a summary of the key issues identified by our independent internal control advisers and the results of the follow-up assessment:

- **Corporate Controls Mechanism:** In relation to our corporate controls mechanism, it was noted that (i) we lacked on-going monitoring mechanism on the effectiveness of internal control system to ensure internal controls breakdowns can be timely detected and remediated; (ii) we lacked a formal risk assessment and management mechanism to, among others, identify risks that hinder the achievement of our business objectives and to assess the likelihood of such risks and their potential impact; and (iii) we lacked policies and procedures for handling certain GEM Listing Rules requirements. Based on the results of the follow-up assessment conducted by our independent internal control advisers in December 2013, policies and procedures had been established by our Company regarding the deficiencies in our corporate controls mechanism.
- **Financial Reporting and Operational Processes:** In relation to our financial reporting and operational processes, it was noted that we lacked written policies and procedures for financial reporting and operational processes. Based on the results of the follow-up assessment conducted by our independent internal control advisers in December 2013, policies and procedures had been established regarding key operations of our Company in relation to, among others, financial reporting and disclosure, revenue management, expenditure management, inventory management, fixed assets management, save for wine futures management which we would not engage in.

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- **Evidence of Performance of Controls:** In relation to evidence of performance of controls, it was noted that there was a need to strength the documentation of monitoring controls performed such as reviews and approvals. Based on the results of the follow-up assessment conducted by our independent internal control advisers in December 2013, we had strengthened the documentation of monitoring controls performed.
- **Information Technology:** In relation to our information technology, it was noted that we did not establish certain general computer controls. Based on the results of the follow-up assessment conducted by our independent internal control advisers in December 2013, policies and procedures had been established by our Company regarding the deficiencies in our information technology and most of the security controls had been strengthened.

Save for the internal policies and procedures for the evaluation of reliability and timeliness of external information used for decisions making in relation to the control environment of our Group, which our Directors did not consider relevant for our operations and certain policies and procedures to take effect from the Listing, we had implemented or we are in the progress of implementing the recommendations from our independent internal control advisers. Save for certain remediation works to be conducted by our Company upon the occurrence of specified events, it is currently contemplated that the internal control measures recommended by the independent internal control advisers will be fully implemented before the Listing.

Subject to the full implementation of the internal control measures recommended by the independent internal control advisers, our Directors and the Sole Sponsor are of the view that our Group's enhanced internal control measures are adequate and effective.

TAXATION

As advised by our tax advisers, there are no tax benefits or special tax arrangements in Hong Kong in respect of our business operations.

LICENCES & PERMITS

As advised by our legal advisers as to Hong Kong laws, we have complied with all applicable laws and regulations in Hong Kong, and have obtained all material permits, certificates, licences and approvals necessary for us to conduct our business in Hong Kong during the Track Record Period and up to the Latest Practicable Date.

NO SIGNIFICANT INTERRUPTION

There have been no material interruption in our business that may have or have had a significant effect on our financial position in the 12 months preceding the date of this prospectus.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

Immediately after completion of the Placing and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme), our Controlling Shareholders, Mr. Cheung, Mr. Leung, Silver Tycoon and High State Investments will hold 90,000,000 Shares, representing approximately 75% in aggregate of the total issued share capital of our Company.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Our Directors are satisfied that we can operate independently of our Controlling Shareholders and after Listing on the basis of the following information:

Other Business of our Controlling Shareholder

As at the Latest Practicable Date, apart from their respective interests in our Group, Mr. Cheung, being a Controlling Shareholder and an executive Director of our Company holds the entire issued share capital of Major Investment, a company which, through wholly-owned subsidiaries, carries on the business of trading of watch and precious metals and holding of real properties. Major Investment is not in competition with our Group's business as it engages in a complete different line of business.

Management independence

Although our Controlling Shareholders will retain controlling interests in our Company upon completion of the Placing, the day-to-day management and operation of the business of our Group will be the responsibility of all our executive Directors and senior management of our Company. Our Board has seven Directors comprising four executive Directors and three independent non-executive Directors. None of our Directors had any interest in any business which competes or its likely to compete with our business. Our Board and senior management operate as a matter of fact independently of our Controlling Shareholders and they are in a position to fully discharge their duties to the Shareholders as a whole after Listing without reference to our Controlling Shareholders.

Each of our Directors is aware of his or her fiduciary duties as a Director which require, among other things, that he/she acts for the benefit of and in the best interests of our Company and does not allow any conflict between his or her duties as a Director and his or her personal interest. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) will abstain from voting at the relevant board meetings of our Company in respect of such transactions and will not be counted in the quorum. In addition, our Company has an independent senior management team to carry out the business decisions of our Group independently.

Having considered the above factors, our Directors are satisfied that they are able to perform their roles in our Company independently, and our Directors are of the view that our Company is capable of managing our Group's business independently from our Controlling Shareholders.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Operational independence

Our Group has established our own organisational structure made up of individual departments, each with specific areas of responsibilities. Save for the leasing of a warehouse premises from Mr. Leung as detailed in the section headed “Connected Transactions” herein and which will continue after Listing, our Group has not shared any operational resources, such as office premises, sales and marketing and general administration resources with our Controlling Shareholders and its associates, during the Track Record Period. Our Group has also established a set of internal controls to facilitate the effective operation of its business.

Our suppliers are all independent from our Controlling Shareholders. We do not rely on our Controlling Shareholders or their associates and have our independent access to our suppliers for the provision of services and materials.

Financial independence

During the Track Record Period, we had obtained bank loans secured by (i) a pledge of properties owned by Mr. Leung, (ii) a pledge of HK\$3,000,000 in cash placed by Mr. Leung and (iii) a personal guarantee from Mr. Leung. Our Directors confirmed that the abovementioned pledges and guarantee will be replaced on or before Listing with a guarantee to be provided by our Company. In addition, our retail showroom is guaranteed by Mr. Cheung and Mr. Leung. Such guarantee will be replaced on or before the Listing with a Corporate guarantee to be provided by our Company.

Notwithstanding the above, our Group has independent financial and accounting systems, independent treasury function for receiving cash and making payments and independent access to third party financing. Our Group makes financial decisions according to its own business needs.

In view of our Group’s internal resources and the estimated net proceeds from the Placing of New Shares, our Directors believe that our Group will have sufficient capital for its financial needs without dependence on our Controlling Shareholders. Our Directors further believe that, upon Listing, our Group is capable of obtaining financing from external sources independently without the support of our Controlling Shareholders.

REASONS FOR NON-INCLUSION OF MAJOR AIM AND NATION BOND IN OUR GROUP

We are a retailer of a wide range of premium wine and spirits products and the provision of personalised wines services in Hong Kong. We intend to continue to focus on this line of business after the Listing. Prior to our Group reorganisation, our Group had interests in a wholly-owned subsidiary, Nation Bond, and a joint venture, Major Aim. Major Aim had been established for the operation of our then retail store business in Yuen Long. However, since its closure in 2011, Major Aim has had no material business activities. Nation Bond is a holding company of a PRC entity, Guobangxing, whose business licence was stated to be the business of garment manufacturing. As this company had never commenced any such business and we have no business in the PRC, it was prudent to dispose of Major Aim and Nation Bond as part of our Reorganisation.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

NON-COMPETITION UNDERTAKING

Our Controlling Shareholders (each a “**Covenantor**” and collectively, the “**Covenantors**”) have entered into the Deed of Non-Competition in favour of our Company, under which each of the Covenantors have irrevocably and unconditionally, jointly and severally, warrants and undertakes to our Company (for ourselves and as trustee for each of its subsidiaries) that:

- (a) he/it will not, and will procure any Covenantor and his/its associates (each a “**Controlled Person**” and collectively, the “**Controlled Persons**”) and any company directly or indirectly controlled by the Covenantor (which for the purpose of the Deed of Non-Competition, shall not include any member of our Group) (the “**Controlled Company**”) not to, except through any member of the Group, directly or indirectly (whether as principal or agent, through any body corporate, partnership, joint venture or other contractual arrangement and whether for profit or otherwise), carry on, engage in, invest or be interested or otherwise involved in any business that is similar to or in competition with or is likely to be in competition with any business carried on by any member of our Group from time to time or in which any member of our Group is engaged or has invested or is otherwise involved in any territory that our Group carries on its business from time to time (“**Restricted Business**”);
- (b) when any Controlled Person and/or any Controlled Company is offered or become aware of any new project or business opportunity (“**New Business Opportunity**”) directly or indirectly to engage or become interested in a Restricted Business, he/it (i) shall promptly notify our Company of such New Business Opportunity in writing, refer the same to the Company for consideration first and provide such information as may be reasonably required by the Company to make an informed assessment of such New Business Opportunity; and (ii) shall not, and shall procure that the Controlled Persons or Controlled Company shall not, invest or participate in any such New Business Opportunity unless such New Business Opportunity shall have been declined by the Company and the principal terms of which he/it and/or his/its associates invest or participate in are no more favourable than those made available to the Company.

The restrictions which each of the Covenantors has agreed to undertake pursuant to the non-competition undertaking will not apply to such Covenantors in the circumstances where he/it has:

- (a) the holding of or interests in shares or other securities by any of the Convenantors and/or his/its associates in any company which conducts or is engaged in any Restricted Business, provided that, in the case of such shares, they are listed on a recognised stock exchange as specified under the SFO and either:
 - (i) the relevant Restricted Business (and assets relating thereto) accounts for less than 10% of the relevant consolidated turnover or consolidated assets of the company in question, as shown in the latest audited accounts of the company in question; or

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (ii) the total number of the shares held by any of the Convenantors and his/its associates or in which they are together interested does not amount to more than 5% of the issued shares of that class of the company in question, provided that any of the Convenantors and his/its associates, whether acting singly or jointly, are not entitled to appoint a majority of the directors of that company and that at all times there is a holder of such shares holding (together, where appropriate, with its associates) a larger percentage of the shares in question than the Convenantors and his/its associates together hold.

The non-competition undertaking will take effect from the date on which dealings in the Shares first commence on GEM and will cease to have any effect upon the earliest of the date on which (i) such Covenantor, being a Controlling Shareholder, individually or collectively with any other Covenantor(s) ceases to be interested, directly or indirectly, in 30% or more of the issued Shares, or otherwise ceased to be regarded as controlling shareholder (as defined under the GEM Listing Rules from time to time) of the Company; or (ii) the Shares cease to be listed and traded on GEM or other recognised stock exchange.

CORPORATE GOVERNANCE MEASURES

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

- (1) the Articles provide that a Director shall absent himself/herself from participating in Board meetings (nor shall he/she be counted in the quorum) and voting on any resolution of the Board approving any contract or arrangement or other proposal in which he/she or any of his/her associates is materially interested unless a majority of the independent non-executive Directors expressly requested him/her to attend;
- (2) the independent non-executive Directors will review and will disclose decisions with basis, on an annual basis, the compliance with the non-competition undertaking by the Controlling Shareholders;
- (3) our Controlling Shareholders undertake to provide all information requested by our Company which is necessary for the annual review by the independent non-executive Directors and the enforcement of the non-competition undertaking;
- (4) our Company will disclose decisions with basis on matters reviewed by the independent non-executive Directors relating to compliance and enforcement of the non-competition undertaking of the Controlling Shareholders in the annual reports of our Company;
- (5) our Controlling Shareholders will make an annual declaration on compliance with their non-competition undertaking in the annual report of our Company;

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (6) None of the members of our Group has experienced any dispute with its shareholders or among its shareholders themselves and our Directors believe that each member of our Group has maintained positive relationship with its shareholders. With the corporate governance measures including the measures set out above in place, our Directors believe that the interest of the Shareholders will be protected; and
- (7) the independent non-executive Directors may appoint independent financial adviser and other professional advisers as they consider appropriate to advise them on any matter relating to the non-competition undertaking or connected transaction(s) at the cost of our Company.

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

None of the members of our Group has experienced any dispute with its shareholders or among its shareholders themselves and our Directors believe that each member of our Group has maintained positive relationship with its shareholders. With the corporate governance measures including the measures set out above, our Directors believe that the interest of the Shareholders will be protected.

CONNECTED TRANSACTIONS

We entered into a transaction with Mr. Leung who has become a connected person (as defined in Chapter 20 the GEM Listing Rules) of our Company and such transaction will, continue after the Listing on a continuing basis and will therefore constitute a continuing connected transaction for our Company under the Listing Rules upon Listing.

Exempted Continuing Connected Transaction

Leasing of property owned by Mr. Leung to Major Cellar (the “Lease”)

(i) *Tenancy Agreement*

Pursuant to a tenancy agreement dated 13 May 2013 entered into between Mr. Leung and Major Cellar, Mr. Leung has agreed to lease and Major Cellar has agreed to take the lease of a premises situated at Hung Hom, Kowloon, Hong Kong for the purpose of a storage facility for our Group’s inventories.

(ii) *Rental term and amount*

The term of the lease was negotiated on an arm’s length commercial basis and commenced on 1 April 2011 and will expire on 31 March 2014. No rental was paid by our Group prior to the entering into of the formal tenancy agreement pursuant to the tenancy agreement, the monthly rental for the lease of the premises is HK\$25,000 per month (exclusive of rates, electricity charges, management fee and other outgoings). Avista Valuation Advisory Limited has reviewed the rental payable pursuant to the tenancy agreement and is of the view that the terms of the lease are fair and reasonable and consistent with market rates for comparable premises.

Listing Rules implications

Based on the aggregate expected annual consideration payable by our Group in respect of the above lease for the year ending 31 December, 2013, it is expected that the relevant percentage ratios as set out in Rule 20.31(2)(c) for the lease will be less than 5% and the total consideration is less than HK\$1,000,000 on an annual basis. In accordance with Rule 20.31(2)(c) of the GEM Listing Rules, the continuing connected transaction contemplated under the Lease is exempted from the reporting announcement and independent shareholders’ approval requirements.

Confirmation from our Directors

Our Directors (including the independent non-executive Directors) are of the view that the continuing connected transaction described above has been and will be entered into in the ordinary and usual course of business of our Group, on normal commercial terms that are fair and reasonable and in the interests of our Shareholders taken as a whole.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

The Board currently consists of seven Directors comprising four executive Directors and three independent non-executive Directors. The following table sets forth the information regarding the members of the Board.

Name	Age	Position	Date of appointment as Director
Mr. Cheung Chun To (張俊濤)	34	Chairman and Executive Director	2 April 2013
Mr. Leung Chi Kin Joseph (梁子健)	34	Executive Director	2 April 2013
Mr. Cheung Chun Pang (張俊鵬)	38	Executive Director	2 April 2013
Ms. Cheung Wing Shun (張詠純)	32	Executive Director	30 December 2013
Mr. Yue Kwai Wa Ken (余季華)	48	Independent non-executive Director	30 December 2013
Mr. Ngai Hoi Ying (魏海鷹)	56	Independent non-executive Director	30 December 2013
Mr. Wong Siu Ki (黃兆麒)	37	Independent non-executive Director	30 December 2013

Executive Directors

Mr. Cheung Chun To (張俊濤), aged 34, is our chairman and an Executive Director, was appointed to the Board on 2 April 2013. Mr. Cheung is the brother of Mr. Cheung Chun Pang and Ms. Cheung Wing Shun. Mr. Cheung is primarily responsible for overseeing and managing the overall operation of our Group, planning and executing the overall corporate strategies and developing and handling external relationship for our Group. Mr. Cheung graduated from Wilfrid Laurier University, Canada in June 2001, with a bachelor's degree in arts. From July 2001 to July 2002, Mr. Cheung worked at a property agency as a sales representative in Shanghai. From July 2002 to February 2005, Mr. Cheung worked at Hang Shing Jewellery Company Limited as a trainee, responsible for liaising with suppliers, meeting clients, implementing sales and marketing campaigns and conducting market research. From March 2005 to December 2008, Mr. Cheung worked at Shenzhen Henglong Electronic Company Limited (深圳市恆隆電子有限公司), responsible for leading and managing the sales team. In June 2008, Mr. Cheung became the shareholder of Rouge & Blanc. In September 2009, Mr. Cheung and Mr. Leung together founded Major Cellar and Mr. Cheung has been appointed a director of Major Cellar since November 2009.

Mr. Leung Chi Kin Joseph (梁子健), aged 34, is an Executive Director, was appointed to the Board on 2 April 2013. Mr. Leung is primarily responsible for sourcing and pricing wines and spirits products for our Group, expanding product range, establishing and maintaining relationship with wine agents and vineyards and overseeing the overall sales operation. Mr. Leung graduated from York University, Canada in November 2002, with a bachelor's degree in business administration. From

DIRECTORS AND SENIOR MANAGEMENT

December 2002 to 2007, Mr. Leung worked at Gi-Go Toys Factory Limited initially as a management trainee and thereafter as a sales manager responsible for promotional campaigns and sales budget. In December 2007, Mr. Leung began the business of distributing and selling wines by establishing Rouge & Blanc and was appointed a director at around the same time. In September 2009, Mr. Cheung and Mr. Leung together founded Major Cellar and Mr. Leung has been appointed a director of Major Cellar since the day of its incorporation.

Mr. Cheung Chun Pang (張俊鵬), aged 38, is an Executive Director, was appointed to the Board on 2 April 2013. Mr. Cheung Chun Pang is the brother of Mr. Cheung and Ms. Cheung Wing Shun. Mr. Cheung Chun Pang is responsible for providing business development advices to our Group. Mr. Cheung Chun Pang completed form 3 at Xin Lian Secondary School, Shan Tou, PRC. From 2001 to May 2012, Mr. Cheung Chun Pang was under full-time employment with Zhuhai Shopping Mall Co. Ltd. as a deputy director and deputy general manager, responsible for the management of its sales and operation department. In May 2012, Mr. Cheung Chun Pang joined our Group as a director of Major Cellar and at the same time employed by Zhuhai Shopping Mall Co. Ltd. on a part-time basis.

Ms. Cheung Wing Shun (張詠純), aged 32, is an Executive Director; she was appointed to the Board on 30 December 2013. Ms. Cheung Wing Shun is the sister of Mr. Cheung and Mr. Cheung Chun Pang. Ms. Cheung Wing Shun is responsible for the overall internal operation and marketing promotion of our Group. Ms. Cheung Wing Shun graduated from University of Western Ontario, Canada in June 2003, with a bachelor's degree in arts. Ms. Cheung Wing Shun also obtained a diploma in "SME Company Operations & Management" from the Hong Kong Productivity Council in June 2011 and the WSET level 2 intermediate certificate in 2010. From 2004 to 2006, Ms. Cheung Wing Shun worked at the Hong Kong Trade Development Council as a project assistant; her main responsibilities included organising events and exhibitions. From 2007 to 2009, Ms. Cheung Wing Shun worked at Gate Worldwide Limited as an account executive. In July 2009, Ms. Cheung Wing Shun joined Rouge & Blanc as a senior operation officer and in December 2010, she became an assistant to the directors of Major Cellar, responsible for assisting the Directors in the daily management of Major Cellar. In particular, Ms. Cheung Wing Shun had assisted in the change of the POS system for Major Cellar and implemented a series of policies to streamline the Group's operation and management.

Independent non-executive Directors

Mr. Wong Siu Ki (黃兆麒), aged 37, is an Independent Non-Executive Director. Mr. Wong was appointed to the Board on 30 December 2013. Mr. Wong graduated from the Hong Kong Polytechnic University with a bachelor's degree in accountancy with first class honours in November 1998. He was admitted as a fellow member of the Association of Chartered Certified Accountants in September 2006, an associate of the Institute of Chartered Accountants in England and Wales in October 2007 and a fellow member of the Hong Kong Institute of Certified Public Accountants in May 2010. Mr. Wong has more than 15 years of experiences in accounting, capital markets and the financial sector. Since 2010, Mr. Wong has been the chief financial officer and vice president of RH Mining Resources Ltd. From 1997 to 2003, Mr. Wong worked in an international accounting firm specialising in initial public offerings. From 2004 to 2007, Mr. Wong was appointed the designated finance director and company secretary of Eagle Brand Holdings Limited, a company listed in the Singapore Stock Exchange (Stock code: E04). From 2007 to 2010, Mr. Wong was appointed the chief financial officer and company secretary of Xingfa Aluminum Holdings Limited, a company listed in the Hong

DIRECTORS AND SENIOR MANAGEMENT

Kong Stock Exchange (Stock code: 98). From 2010 to 2012, Mr. Wong was appointed a non-executive director of Xingfa Aluminum Holdings Limited. Since December 2012, Mr. Wong has been appointed as an alternate director and an alternate authorised representative to an executive director and the chairman of the board of Xingfa Aluminum Holdings Limited.

Mr. Ngai Hoi Ying (魏海鷹), aged 56, is an Independent Non-Executive Director; he was appointed to the Board on 30 December 2013. Mr. Ngai obtained an executive master in business administration from Tsinghua University, PRC in June 2011. Mr. Ngai is currently the legal representative of Zhongshan City Golden Sun Aluminum Limited (中山市金日鋁業有限公司). Mr. Ngai was a member of the 10th and 11th National Committee of the Chinese People's Political Consultative Conference of the Guangdong Province, PRC. He was also appointed the honorary president of the Central District Junior Police Call in 2009.

Mr. Yue Kwai Wa Ken (余季華), aged 48, joined our Group on 30 December 2013. Mr. Yue has experience in accounting, auditing, corporate finance, business development, financial management, corporate advisory and valuation. Mr. Yue obtained a Diploma of Technology in Financial Management Accounting Option from the British Columbia Institute of Technology in Canada in June 1989. Mr. Yue also obtained a bachelor degree of science from Upper Iowa University of the United States in March 2005. Mr. Yue has been admitted as a member of the American Institute of Certificate Public Accountants in October 2005 and a fellow member of the Colorado Society of Certified Public Accountants in September 2005. Mr. Yue has been appointed as an executive director of Roma Group Limited (Stock Code: 8072) since 18 March 2011 and company secretary and chief financial officer of Roma Group Limited since 26 September 2011. Mr. Yue has been appointed as an independent non-executive director of China Starch Holdings Limited (Stock Code: 3838) since 5 September 2007.

SENIOR MANAGEMENT

Our senior management comprises our executive Directors, our company secretary and the following persons:

Name	Age	Position	Date of joining our Group
Ms. Cheng Wing Sze (鄭泳絲)	32	Chief financial officer	19 March 2013
Ms. Ho Sau Wan (何秀雲)	47	Shipping supervisor	2 July 2009
Mr. Ma Min To (馬棉濤)	32	Warehouse supervisor	4 October 2010
Mr. Lee Kwok Wan (李國雲)	45	Company secretary	10 December 2013
Ms. Cheung Wing Shun (張詠純)	32	Compliance officer	13 July 2009

Ms. Cheng Wing Sze (鄭泳絲), aged 32, is the chief financial officer of our Group. Ms. Cheng joined our Group on 19 March 2013; she is primarily responsible for supervising the account department, managing the overall cash flow and cash forecast and preparing financial reports for the Group. Ms. Cheng graduated from the Hong Kong Polytechnic University in 2003, with a bachelor's degree in accountancy. Ms. Cheng is currently a member of the Association of Chartered Certified

DIRECTORS AND SENIOR MANAGEMENT

Accountants. Prior to joining our Group, Ms. Cheng has approximately 10 years of experience in the accounting and finance field. Between 2003 and 2013, she worked at various C.P.A firms. In particular, from January 2007 to February 2013, Ms. Cheng worked at Deloitte Touche Tohmatsu; her last position was a manager.

Ms. Ho Sau Wan Ada (何秀雲), aged 47, is the shipping supervisor of our Group. Ms. Ho joined our Group on 2 July 2009 and is responsible for supervising shipping matters and carrying out inspection of goods. From May 1985 to April 1988, Ms. Ho worked at Kwun Wah Flower & Plant Manufactory Limited; her last position was a senior shipping clerk. From October 1990 to February 1994, Ms. Ho worked at Maersk Hong Kong Limited as a customer service representative. From February 1994 to September 2006, Ms. Ho worked at Bezalel Advertising Premiums Company as an assistant to director. From September 2006 to June 2009, Ms. Ho worked at Gartner Studio International Limited as a human resources manager.

Mr. Ma Min To (馬棉濤), aged 32, is the warehouse supervisor of our Group. Mr. Ma joined our Group on 4 October 2010 and is responsible for supervising logistic matters and the daily operation of the warehouse. From 2003 to 2010, Mr. Ma worked at Marathon Sports; his last position was a shop supervisor.

Company secretary

Mr. Lee Kwok Wan (李國雲), aged 45, is the company secretary of the Company. Mr. Lee joined our Group on 10 December 2013. He graduated from Curtin University of Technology, Australia, in April 1999 with a bachelor's degree in commerce accounting. Mr. Lee also obtained a master's degree in business administration from Deakin University, Australia, in August 2007. He was admitted as an associate member of the Hong Kong Institute of Certified Public Accountant in April 2004, Certified Practising Accountants of Australia in July 2003, Institute of Chartered Secretaries & Administrators in May and the Hong Kong Institute of Company Secretaries in May 2000. Prior to joining our Group, Mr. Lee had more than four years of experience as company secretary in three Hong Kong listed companies: from March 2007 to May 2008, Chung Tai Printing Holdings Limited, a company listed on the Hong Kong Stock Exchange (Stock code: 55); from May 2008 to October 2008, BEP International Holdings Company Limited, a company listed on the Hong Kong Stock Exchange (Stock code: 2326); and from March 2009 to December 2011, Mr. Lee worked at Kader Holdings Company Limited, a company listed on the Hong Kong Stock Exchange (Stock code: 180).

Compliance officer

Ms. Cheung Wing Shun (張詠純) is the compliance officer of the Group.

REMUNERATION POLICY

Our Directors and senior management receive compensation in the form of fixed monthly salaries in accordance with their respective employment contracts with our Group. Our Group also reimburses them for expenses which are necessarily and reasonably incurred for the provision of services to our Group or executing their functions in relation to the business operations. Our Board regularly reviews and determines the remuneration and compensation packages of its Directors and senior management,

DIRECTORS AND SENIOR MANAGEMENT

by reference to, among other things, market level of salaries paid by comparable companies, the respective responsibilities of our Directors and the performance of our Group. After Listing, our remuneration committee will review and determine the remuneration and compensation packages of our Directors with reference to their responsibilities, workload, the time devoted to our Group and the performance of our Group. Our Directors may also receive options to be granted under the Share Option Scheme.

During the Track Record Period, no remuneration was paid by us to, or received by, our Directors or the five highest paid individuals as an inducement to join or upon joining us or as compensation for loss of office. There was no arrangement under which a director waived or agreed to waive any remuneration during the Track Record Period.

The aggregate amounts of remuneration including fees, salaries, contributions to pension schemes, housing allowances and other allowances and benefits in kind and discretionary bonuses which were paid or payable to our Directors for the years ended 31 March 2012 and 31 March 2013 and the five months ended 31 August 2013 were approximately HK\$7.5 million, HK\$2.9 million and HK\$0.9 million, respectively of which, a directors' bonus of HK\$3 million, which was recognised during the year ended 31 March 2012 upon approval by our Board but remained unpaid, was subsequently forfeited by our Directors. See "Financial Information — Review of Historical Results of Operations — Year ended 31 March 2013 compared to year ended 31 March 2012 — Administrative expenses" and "— Review of Historical Results of Operations — Five months ended 31 August 2013 compared to five months ended 31 August 2012 — Administrative expenses".

The aggregate amounts of remuneration including fees, salaries, contributions to pension schemes, housing allowances and other allowances and benefits in kind and discretionary bonuses which were paid by our Group to our five highest paid individuals for the years ended 31 March 2012 and 2013 were approximately HK\$1.5 million and HK\$1.7 million, respectively.

For additional information on Directors' remuneration during the Track Record Period as well as information on the highest paid individuals, please refer to note 8 to our combined financial statements, included in the accountants report set out in Appendix I to this prospectus.

OUR GROUP'S RELATIONSHIP WITH STAFF

Our Group recognises the importance of a good relationship with its employees. The remuneration payable to the employees includes salaries and allowances.

CORPORATE GOVERNANCE

Our Directors recognise the importance of good corporate governance in management and internal procedures so as to achieve effective accountability. Our Group will comply with the revised Corporate Governance Code and the associated GEM Listing Rules which were effective in 2012.

DIRECTORS AND SENIOR MANAGEMENT

BOARD COMMITTEES

Audit committee

Our Company established an audit committee pursuant to a resolution of our Directors passed on 30 December 2013 in compliance with Rule 5.28 of the GEM Listing Rules. Written terms of reference in compliance with paragraph C3.3 of the Code on Corporate Governance Practices as set out in Appendix 15 to the GEM Listing Rules has been adopted. The primary duties of the audit committee are mainly to make recommendations to the Board on the appointment and removal of external auditor; review the financial statements and material advice in respect of financial reporting; and oversee internal control procedures of our Company. At present, the audit committee of our Company consists of three members who are Mr. Wong Siu Ki, Mr. Ngai Hoi Ying and Mr. Yue Kwai Wa Ken. Mr. Wong Siu Ki is the chairperson of the audit committee.

Remuneration committee

Our Company established a remuneration committee on 30 December 2013 with written terms of reference in compliance with paragraph B1.1 of the Code on Corporate Governance Practices as set out in Appendix 15 to the GEM Listing Rules. The primary duties of the remuneration committee are to make recommendation to the board on the overall remuneration policy and structure relating to all Directors and senior management of our Group; review performance based remuneration; and ensure none of our Directors determine their own remuneration. The remuneration committee consists of three members who are Mr. Wong Siu Ki, Mr. Ngai Hoi Ying and Mr. Yue Kwai Wa Ken. Mr. Yue Kwai Wa Ken is the chairperson of the remuneration committee.

Nomination committee

Our Company established a nomination committee on 30 December 2013 with written terms of reference. The primary duties of the nomination committee are to review the structure, size and composition of the Board on regular basis; identify individuals suitably qualified to become Board members; assess the independence of independent non-executive Directors; and make recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors. The nomination committee consists of three members who are Mr. Wong Siu Ki, Mr. Ngai Hoi Ying and Mr. Yue Kwai Wa Ken. Mr. Ngai Hoi Ying is the chairperson of the nomination committee.

COMPLIANCE ADVISER

In accordance with Rule 6A.19 of the GEM Listing Rules, the Company has appointed Ample Capital Limited to be the compliance adviser, who will have access to all relevant records and information relating to the Company that it may reasonably require to properly perform its duties. Pursuant to Rule 6A.23 of the GEM Listing Rules, the Company must consult with and, if necessary, seek advice from the compliance adviser on a timely basis in the following circumstances:

- (i) before the publication of any regulatory announcement, circular or financial report;

DIRECTORS AND SENIOR MANAGEMENT

- (ii) where a transaction, which might be a notifiable or connected transaction, is contemplated by the Company, including share issues and share repurchases;
- (iii) where the Company proposes to use the proceeds of the Placing in a manner different from that detailed in this prospectus or where the business activities, developments or results of the Company deviate from any forecast, estimate (if any) or other information in this prospectus; and
- (iv) where the Stock Exchange makes an inquiry of the Company under Rule 17.11 of the GEM Listing Rules. The terms of appointment shall commence on the Listing Date and end on the date on which the Company complies with Rule 18.03 of the GEM Listing Rules in respect of its financial results for the second full financial year commencing after the Listing Date, or until the agreement is terminated, whichever is the earlier.

The term of appointment of our compliance adviser shall commence on the Listing Date and end on the date of dispatch of our annual report in respect of our annual report of our financial results for the first full financial year commencing after the Listing Date.

SHARE OPTION SCHEME

We conditionally adopted the Share Option Scheme. The principal terms of the Share Option Scheme are summarised under the paragraph headed “Share Option Scheme” in Appendix IV to this prospectus.

SUBSTANTIAL AND SIGNIFICANT SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

Immediately following completion of the Placing and the Capitalisation Issue (without taking into account the Shares which may be allotted and issued pursuant to the exercise of options that may be granted under the Share Option Scheme), the following persons/entities will have an interest or a short position in the Shares or underlying Shares which would be required to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group:

Name	Capacity/ Nature of interest	Number of Shares held after the Placing	Percentage of shareholding after the Placing
Mr. Cheung	Interest in controlled corporation <i>Note 1</i>	45,900,000 Shares	38.25%
Mr. Leung	Interest in controlled corporation <i>Note 2</i>	44,100,000 Shares	36.75%
Silver Tycoon	Beneficial Owner	45,900,000 Shares	38.25%
High State Investments	Beneficial Owner	44,100,000 Shares	36.75%
Ms. Lin Shuk Shuen	Family Interest <i>Note 3</i>	45,900,000 Shares	38.25%
Ms. Ma Pui Ying	Family Interest <i>Note 4</i>	44,100,000 Shares	36.75%

Notes:

1. Mr. Cheung beneficially owns the entire shareholding interests in Silver Tycoon. Therefore, Mr. Cheung is deemed to be interested in the 45,900,000 Shares held by Silver Tycoon.
2. Mr. Leung beneficially owns the entire shareholding interests in High State Investments. Therefore, Mr. Leung is deemed to be interested in the 44,100,000 Shares held by High State Investments.
3. Ms. Lin Shuk Shuen is the spouse of Mr. Cheung and is therefore deemed to be interested in all the Shares held/owned by Mr. Cheung (by himself and through Silver Tycoon) by virtue of the SFO.
4. Ms. Ma Pui Ying is the spouse of Mr. Leung and is therefore deemed to be interested in all the Shares held/owned by Mr. Leung (by himself and through High State Investments) by virtue of the SFO.

SUBSTANTIAL AND SIGNIFICANT SHAREHOLDERS

Save as disclosed above, our Directors are not aware of any person who will, immediately following the Placing and the Capitalisation Issue (without taking into account the Shares which may be allotted and issued pursuant to the exercise of options that may be granted under the Share Option Scheme), have an interest or short position in the Shares or underlying Shares which would be required to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group.

SIGNIFICANT SHAREHOLDERS

So far as our Directors are aware, save for the persons disclosed under the paragraph headed “Substantial Shareholders” in this section, no persons individually and/or collectively will, immediately following completion of the Placing and the Capitalisation Issue (without taking into account the Shares which may be allotted and issued pursuant to the exercise of options that may be granted under the Share Option Scheme), be directly or indirectly interested in 5% or more of the voting power at the general meetings of our Company and are therefore regarded as significant shareholders under the GEM Listing Rules.

UNDERTAKINGS

Each of the Controlling Shareholders has given certain undertakings in respect of the Shares held by them to the Company, the Sponsor, the Lead Manager (for itself and on behalf of the Underwriters) and the Stock Exchange, details of which are set out under the section headed “Underwriting — Undertakings” below. The Controlling Shareholders have also given undertakings in respect of the Shares to the Company and the Stock Exchange as required by Rules 13.16A(1) and 13.19 of the GEM Listing Rules.

SHARE CAPITAL

SHARE CAPITAL

The tables as shown below assume the Placing and the Capitalisation Issue has become unconditional and the issue of Shares pursuant thereto is made as described herein. It does not take into account of any Shares which may be allotted and issued upon the exercise of options which may be granted under the Share Option Scheme.

The authorised and issued share capital of our Company before and following the completion of the Capitalisation Issue and Placing is as follows:

<i>Authorised share capital:</i>	<i>HK\$</i>
1,000,000,000 Shares	10,000,000
<i>Shares in issue or to be issued, fully paid or credited as fully paid:</i>	
200 Shares in issue as at the date of this prospectus	2
89,999,800 Shares to be issued pursuant to Capitalisation Issue (<i>Note</i>)	899,998
<u>30,000,000</u> New Shares to be issued pursuant to the Placing	<u>300,000</u>
<u>120,000,000</u> Total	<u>1,200,000</u>

Note: Pursuant to the written resolutions of the Shareholders passed on 30 December 2013, conditional upon the share premium account of the Company being credited as a result of the Placing, the Directors were authorised to capitalise the amount of HK\$899,998 from the amount standing to the credit of the share premium account of the Company and to appropriate such amount as to pay up in full at par 89,999,800 Shares for allotment and issue to the persons whose names appeared on the register of members of the Company at the close of business on 30 December 2013, in proportion (or as nearly as possible without involving fractions) to their respective shareholdings in the Company.

ASSUMPTIONS

The tables as shown above assume the Placing becoming unconditional and the allotment and issue of Shares pursuant thereto and under the Capitalisation Issue is made as described herein. It does not take into account any Shares which may be allotted and issued pursuant to the exercise of options which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by our Company pursuant to the general mandate given to our Directors to allot and issue or repurchase Shares referred to in the section headed “General Mandate to Issue Shares” or the section headed “General Mandate to Repurchase Shares” below, as the case may be.

RANKING

The Placing Shares will rank *pari passu* in all respects with all Shares in issue or to be issued as mentioned herein, and will qualify for all dividends or other distributions declared, made or paid after the date of this prospectus, save for entitlements under the Capitalisation Issue.

SHARE CAPITAL

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme. The principal terms of the Share Option Scheme are summarised in the paragraph headed “Share Option Scheme” in Appendix IV to this prospectus.

GENERAL MANDATE TO ISSUE SHARES

Conditional on the conditions as stated in the section headed “Structure and Conditions of the Placing — Conditions of the Placing” below being fulfilled, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares and to make or grant offers, agreements or options which might require such Shares to be allotted and issued or dealt with subject to the requirement that the aggregate nominal value of the Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued (otherwise than pursuant to a rights issue, or scrip dividend scheme or similar arrangements, or a specific authority granted by the Shareholders) shall not exceed:

- (a) 20% of the aggregate nominal value of the share capital of our Company in issue immediately following the completion of the Placing and the Capitalisation Issue; and
- (b) the aggregate nominal value of the share capital of our Company repurchased pursuant to the authority granted to our Directors as referred to in the paragraph headed “General Mandate to Repurchase Shares” below.

This mandate does not cover Shares to be allotted, issued, or dealt with under a rights issue or upon the exercise of any options which may be granted under the Share Option Scheme. This general mandate to issue Shares will remain in effect until:

- (a) the conclusion of our Company’s next annual general meeting;
- (b) the expiration of the period within which our Company’s next annual general meeting is required to be held by any applicable laws of the Cayman Islands or the Articles; or
- (c) it is varied or revoked by an ordinary resolution of the Shareholders in general meeting, whichever is the earliest.

For further details of this general mandate, please refer to the sections headed “Appendix IV — Statutory and General Information — Further Information about Our Company and its Subsidiaries — Resolutions in writing of all the Shareholders passed on 30 December 2013”.

GENERAL MANDATE TO REPURCHASE SHARES

Conditional on conditions as stated in the section headed “Structure and Conditions of the Placing — Conditions of the Placing” being fulfilled, our Directors have been granted a general unconditional mandate to exercise all the powers to repurchase Shares (Shares which may be listed on the Stock Exchange or on any other stock exchange which is recognised by the SFC and the Stock

SHARE CAPITAL

Exchange for this purpose) with an aggregate nominal value of not more than 10% of the aggregate nominal value of the Company's share capital in issue immediately following the completion of the Capitalisation Issue and the Placing (excluding Shares which may be allotted and issued pursuant to the exercise of the options which may be granted under the Share Option Scheme).

This mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which the Shares may be listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and made in connection with all applicable laws and regulations and the requirements of the GEM Listing Rules. A summary of the relevant GEM Listing Rules is set out in the paragraphs headed "Appendix IV — Statutory and General Information — Further Information about Our Company and its Subsidiaries — Repurchase by our Company of its own securities".

The general mandate to repurchase Shares will remain in effect until:

- (i) the conclusion of the Company's next annual general meeting;
- (ii) the expiration of the period within which the Company's next annual general meeting is required to be held by any applicable laws of the Cayman Islands or the Articles; or
- (iii) it is varied or revoked by an ordinary resolution of the Shareholders in general meeting, whichever is the earliest.

For further details of this general mandate, please refer to the section headed "Appendix IV — Statutory and General Information — Further Information about Our Company and its Subsidiaries — Resolutions in writing of all the Shareholders passed on 30 December 2013".

FINANCIAL INFORMATION

You should read this section in conjunction with our consolidated financial statements for the years ended 31 March 2012, 31 March 2013 and the five months ended 31 August 2013, including the notes thereto as set out in our Accountants' Report in Appendix I to this prospectus (the "Consolidated Financial Statements"). The Consolidated Financial Statements have been prepared in accordance with the HKFRS, which may differ in significant respects from generally accepted accounting principles in other jurisdictions.

The following discussion and analysis of our financial condition and results of operations is based on the financial information set out in the Consolidated Financial Statements and contains forward-looking statements that involve risks and uncertainties. These forward-looking statements are based on assumptions and analysis we made in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under "Risk Factors" and elsewhere in this prospectus.

OVERVIEW

We are a retailer of a wide range of premium wine and spirits products and a personalised wine services provider in Hong Kong. We have approximately five years of operating experience in Hong Kong, engaging in the sale of wine and spirits products, such as Fine Red Wine, Rare and Collectible Red Wine, Value Red Wine, Fine White Wine, Value White Wine, sparkling wine and spirits. Our wine and spirits products portfolio spans approximately 30 vintages, from over 15 countries of origin, including wine and spirits products across different appellations of France, namely, Margaux, Pessac Leognan, St. Julien, Pauillac, St. Estephe, St. Emilion, Pomerol, Sauternes, Burgundy, Champagne, Alsace, Loire Valley, Cognac, etc., and other countries such as the United States, Australia, Italy, Spain, Germany, New Zealand, Chile, Argentina, Hungary, South Africa, Canada and the United Kingdom. In addition to our wine and spirits products, we also offer for sale wine accessory products such as decanters, wine glasses, wine cellars, wine openers, wine books, other wine related products, and other products such as cigars and other cigars related products as well as complimentary wine appreciation consultation services and wine storage consultation services to our customers as part of our after-sales customer services.

Our wine and spirits products are primarily targeted at different market segments covering retail customers such as individual wine collectors, retail consumers, and business corporations and wholesale customers such as wine traders, restaurants, hotels and private clubs.

For the years ended 31 March 2012 and 31 March 2013 and the five months ended 31 August 2013, we recorded revenue of approximately HK\$333.4 million, HK\$266.8 million and HK\$117.3 million, respectively, and profit and total comprehensive income of approximately HK\$7.4 million, HK\$23.5 million and HK\$2.6 million, respectively.

For the years ended 31 March 2012 and 31 March 2013 and the five months ended 31 August 2013, our cost of sales was approximately HK\$279.1 million, HK\$206.2 million and HK\$93.0 million, respectively, and our gross profit was approximately HK\$54.2 million, HK\$60.6 million and HK\$24.3 million, respectively.

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The decrease in our revenue and our cost of sales in 2013 as compared to 2012 was mainly attributable to the decrease in our cost of inventories, which was a result of the fall in the market value of red wine in the second half of 2012. Nonetheless, as we did not fully reflect the effect of such changes in our cost of inventories into the adjusted selling prices of our wine and spirits products, our gross profit margin and our profit for the year increased significantly despite the decreased revenue recorded in the said period.

During the Track Record Period, we incurred expenses of approximately HK\$7.3 million in connection with the Listing. We estimated that the listing expenses of approximately HK\$10.1 million will be charged to consolidated statements of profit or loss and other comprehensive income for the year ending 31 March 2014 and approximately HK\$5.0 million (based on the Placing Price of HK\$1.20 per Placing Share, being the mid-point of the indicative range of the Placing Price) will be accounted for as a deduction from equity directly upon the Listing. The listing expenses of our Group is a current estimate for reference only and the final amount to be recognised to the consolidated statements of profit or loss and other comprehensive income of our Group for the year ending 31 March 2014 is subject to adjustments based on the actual amount incurred or to be incurred. Prospective investors should note that the financial performance of our Group for the year ending 31 March 2014 would be adversely affected by the estimated non-recurring listing expenses mentioned above, and may or may not be comparable to the financial performance of our Group in the past.

RECENT DEVELOPMENT

For the eight months ended 30 November 2013, we recorded revenue of approximately HK\$180.7 million, being approximately 19.6% higher than the revenue of approximately HK\$151.1 million for the same period in 2012. The increase was mainly attributable to the increase in the sales of Fine Red Wine during the eight months ended 30 November 2013. As at 30 November 2013, our net current assets amounted to approximately HK\$78.2 million, representing a decrease of approximately 19.7% compared to our audited net current assets as at 31 March 2013 of approximately HK\$97.4 million. The decrease was primarily attributable to the settlement of dividends declared in the amount of HK\$22.6 million during the five months ended 31 August 2013.

As at the Latest Practicable Date, we did not have any significant non-recurrent items in our income statement.

As at 30 November 2013, our Group had obtained banking facilities of approximately HK\$20.0 million, of which approximately HK\$0.1 million was unutilised. Taking into account of the financial resources available to our Group, including the expected cash to be generated from our operations, the available banking facilities and the estimated net proceeds from the Placing, our Directors consider that we have sufficient working capital for our operations for at least the next 12 months from the date of this prospectus.

FINANCIAL INFORMATION

The following table sets out the information on the balances as at 31 March 2013, subsequent utilisation or settlement up to 30 November 2013 and outstanding as at 30 November 2013 in respect of our inventories, trade receivables, trade deposits paid and trade deposits received :

	Balance as at 31 March 2013	Subsequent utilisation/ settlement up to 30 November 2013	Outstanding as at 30 November 2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Inventories	85,614	52,192	33,422
Trade receivables	12,565	12,344	221
Trade deposits paid	38,439	22,258	16,181
Trade deposits received	35,556	22,714	12,842

For the eight months ended 30 November 2013, (i) our gross profit margin amounted to approximately 20.0%, representing a slight decrease of approximately 0.4% compared to our gross profit margin amounted to approximately 20.4% for the same period in 2012; (ii) our average cost of sales of our wine and spirits products amounted to approximately HK\$1,850 per bottle, representing an increase of approximately 18.7% compared to our average cost of sales of our wine and spirits products of HK\$1,558 per bottle for the same period in 2012; and (iii) our average selling price of our wine and spirits products amounted to approximately HK\$2,312 per bottle, representing an increase of approximately 18.1% compared to our average selling price of our wine and spirits products of HK\$1,957 per bottle for the same period in 2012.

Our price trend during the Track Record Period was consistent with the trend that the market researchers forecasted. The gross profit margin for the eight months ended 30 November 2013 maintained at approximately 20.0% compared to the same period in 2012. In particular, the gross profit margin of our Fine Red Wine, which constituted a largest portion of our revenue during the Track Record Period, increased from approximately 13.6% for the year ended 31 March 2012 to approximately 17.9% for the year ended 31 March 2013. Such increase was attributable to the increase in average selling price of Fine Red Wine which reflected a higher mark-up on the selling prices and the average selling price of our Fine Red Wine during the eight months ended 30 November 2012 and 30 November 2013 were approximately HK\$2,900 per bottle and HK\$3,300 per bottle, respectively. The gross profit margin of our Fine Red Wine remained at approximately 17.6% for the eight months ended 30 November 2013.

FINANCIAL INFORMATION

For the eight months ended 30 November 2013, the sales volume of our wine and spirits products was approximately 77,000 bottles. The following table sets out a breakdown of the average cost per bottle/item and the average selling price per bottle/item for each of our product category for the eight months ended 30 November 2013:

Our Products	Average cost per bottle/item	Average Selling price per bottle/item
	<i>HK\$</i>	<i>HK\$</i>
<i>WINE & SPIRITS PRODUCTS</i>		
<i>Red wine</i>		
- Fine Red Wine	2,730	3,318
- Rare and Collectible Red Wine	46,231	60,503
- Value Red Wine	188	267
<i>White wine</i>		
- Fine White Wine	1,771	2,374
- Value White Wine	239	355
<i>Sparkling wine</i>	429	560
<i>Spirits</i>	4,129	6,413
 <i>WINE ACCESSORY PRODUCTS</i>		
<i>Decanters, wine glasses, wine cellars, wine openers, wine books and other wine related products</i>	454	596
 <i>OTHER PRODUCTS</i>		
<i>Cigars and other cigars related products</i>	126	192

During the eight months ended 30 November 2012, the average cost per bottle and the average selling price per bottle of our spirits were HK\$8,610 and HK\$13,299, respectively. During the eight months ended 30 November 2013, the average cost per bottle and the average selling price per bottle of our spirits products were HK\$4,129 and HK\$6,413, respectively. The fluctuations of the average cost per bottle and the average selling price per bottle in respect of spirits were attributable to the increase in the sale of lower-priced spirits during the eight months ended 30 November 2013. Except for spirits, our Directors confirm that there were no material fluctuations of the average cost per bottle/item and the average selling price per bottle/item in respect of each of our wine and spirits products, wine accessory products and other products between the periods comprising the eight months ended 30 November 2012 and 2013.

Our Directors confirm that (i) so far as they are aware, there are no material adverse changes in the market conditions or the industry and environment in which we operate that materially and adversely affect our financial or operating position since 31 August 2013 and up to the Latest Practicable Date, (ii) there has been no material adverse change in the trading and financial positions or prospects of our Group since 31 August 2013 and up to the date of this prospectus, and (iii) no event has occurred since 31 August 2013 and up to the Latest Practicable Date that would materially and adversely affect the information shown in the Accountants' Report set out in Appendix I to this prospectus.

FINANCIAL INFORMATION

KEY FACTORS AFFECTING OUR FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

Our business, financial position and results of operations are affected by a number of factors, many of which may not be within our control. The following factors discussed below are the key factors considered by our Directors:

- Fluctuations in the market value will affect our cost of inventories and selling prices of red wine;
- Expansion of our point of sales by opening a new retail showroom;
- Fluctuations in foreign currency exchange rate may affect our results of operations;
- Changes in consumer preferences and/or spending habits may affect our revenue;
- Seasonality fluctuations may affect our revenue and operating income; and
- A significant portion of our revenue is generated from our major customers.

Fluctuations in the market value will affect our cost of inventories and selling prices of red wine

The market value of red wine is affected by macroeconomic factors, of which the market value of Fine Red Wine is most sensitive to changes in broader economic trends.

Cost of inventories refers to our cost of sales and all of our inventories are purchased from third party suppliers. Due to the decrease in the market value of red wine in the second half of 2012, in particular, the decrease in the market value of Fine Red Wine, our cost of sales had decreased by approximately 26.1% from approximately HK\$279.1 million in the year ended 31 March 2012 to HK\$206.2 million in the year ended 31 March 2013. Consequently, we have also lowered the wholesale and retail prices of our wine and spirits products.

As a result, we experienced a drop in revenue of approximately HK\$66.6 million from approximately HK\$333.4 million for the year ended 31 March 2012 to HK\$266.8 million for the year ended 31 March 2013, representing a decrease of approximately 20.0% for the year ended 31 March 2013.

FINANCIAL INFORMATION

Expansion of our point of sales by opening a new retail showroom

We plan to open a new retail showroom, which is expected to be financed with the proceeds from the Placing and our cash flows from operations. The expansion of an additional retail showroom will increase our fixed cost, principally due to rental payment, renovation costs and other administrative costs such as personnel costs. If our revenue generated from our additional retail showroom is unable to offset our expenses, our profitability may be materially and adversely affected.

We intend to utilise approximately 20% of the total estimated net proceeds, or approximately HK\$3.9 million for the opening of the new retail showroom. The budgeted initial costs and working capital requirements for the new retail showroom are expected to be approximately HK\$150,000 to HK\$300,000 in respect of monthly rental payments and HK\$500,000 in respect of renovation costs. We plan to maintain an inventory in the total amount of approximately HK\$10 million. Based on the estimated total capital expenditure and working capital requirements, we anticipate that the estimated investment payback period will be approximately six months. See the section headed “Statement of Business Objectives and Use of Proceeds” for further details.

Fluctuations in foreign currency exchange rate may affect our results of operations

As we source and purchase our wine and spirits products internationally, our results of operations are subject to translation and transaction effects resulting from fluctuations in foreign currency exchange rates, namely GBP, USD, EUR and CHF. Most of our cost of inventories are denominated in GBP, USD, EUR and CHF, we have not entered into any hedging contracts.

As at 31 March 2012, we had trade payables of approximately HK\$0.9 million, HK\$0.8 million, HK\$0.4 million and HK\$0.3 million denominated in GBP, USD, EUR and CHF, respectively. As at 31 March 2013, we had trade payables of approximately HK\$0.5 million, HK\$1.5 million, HK\$0.3 million and HK\$1.0 million in GBP, USD, EUR and CHF, respectively. As at 31 August 2013, we had trade payables of approximately HK\$0.9 million, HK\$0.1 million, HK\$1.3 million and HK\$0.1 million denominated in GBP, USD, EUR and CHF, respectively.

During the Track Record Period, the fluctuation of foreign currencies exchange rates did not have any material impact on our Group’s profit margins and our Directors consider the impacts of the fluctuation immaterial to the financial performance of our Group.

Changes in consumer preferences and/or spending habits may affect our revenue

Sales of our products depend upon various factors affecting consumer spending patterns. Our customers are primarily individual wine collectors, retail consumers, restaurants, hotels, private clubs and business corporations as well as wholesale customers. The number of individuals and the growing middle class are factors that generally relate to the prevailing macroeconomic conditions, which will affect our business, financial condition and our results of operations. Our Directors believe that economic growth and consumer spending and demand for wine and spirits products are positively correlated. In particular, the growth of the number of individuals is an important driver of our sales.

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Seasonality fluctuations may affect our revenue and operating income

Our sales of wine and spirits products are subject to seasonality, which may affect our revenue and operating income. Historically, we experienced higher sales of wine and spirits products in anticipation of the increase in consumption during holidays seasons such as Christmas, New Year and Chinese New Year. During the year ended 31 March 2012, the highest revenue of approximately HK\$107.2 million was recorded during the three months between April 2011 and June 2011 and the lowest revenue of approximately HK\$66.1 million was recorded during the three months between January 2012 and March 2012. During the year ended 31 March 2013, the highest revenue of approximately HK\$83.6 million was recorded during the three months between January 2013 and March 2013 and the lowest revenue of approximately HK\$50.3 million was recorded during the three months between July 2012 and September 2012.

A significant portion of our revenue is generated from our major customers

Our Directors believe that our results of operations are also significantly affected by our ability to maintain our existing customers as our customer base is highly concentrated. The aggregate revenue generated from our five largest customers accounted for approximately 29.3%, 34.6% and 40.2% of our total revenue for the years ended 31 March 2012 and 31 March 2013 and the five months ended 31 August 2013, respectively, of which the revenue generated from our largest customer accounted for approximately 17.2%, 15.6% and 30.7% of our total revenue for the same periods indicated.

BASIS OF PRESENTATION OF OUR CONSOLIDATED FINANCIAL STATEMENTS

Our consolidated statements of profit or loss and other comprehensive income, consolidated statements of financial position, consolidated statements of changes in equity and consolidated statements of cash flows, as contained in the Consolidated Financial Statements set out in Appendix I to this prospectus, are prepared as if our Company has been the holding company of the companies comprising our Group throughout the Relevant Periods.

The consolidated financial statements of our Company and our subsidiaries have been prepared by our Directors in accordance with the accounting policies which are in conformity with HKFRSs issued by HKICPA, and have been independently audited by our reporting accountants in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

CRITICAL ACCOUNTING POLICIES, ASSUMPTIONS, ESTIMATES AND JUDGMENTS

The preparation of our Consolidated Financial Statements requires us to make assumptions, estimates and judgments that affect the application of certain accounting policies which may have a significant impact on our consolidated results. These assumptions and estimates are based on our historical experience and various other factors that we believe are reasonable under the circumstances. Actual results may differ from these estimates and assumptions. You should consider our selection of critical accounting policies, the judgments and other uncertainties affecting the application of such policies, and sensitivity of reported results to changes in the conditions and assumptions. Our significant accounting policies and key sources of estimation uncertainty are summarised in notes 3

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and 4 to our Consolidated Financial Statements as set out in our Accountants' Report in Appendix I to this prospectus. We believe that the following are the most significant estimates and judgments used in the preparation of our Consolidated Financial Statements. We review our estimates and underlying assumptions on an ongoing basis.

Critical Accounting Policies

Basis of consolidation

The Financial Information incorporates the financial information of our Company and entities controlled by our Company or our subsidiary. Control is achieved when our 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.

Our Company 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 with our Company obtains control over the subsidiary and ceases when our Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year/period are included in the consolidated statement of profit or loss and other comprehensive income from the date our Company gains until the date when our Company ceases to control the subsidiary.

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

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

Loss of control of a subsidiary

When our Group loses control of a subsidiary, we (i) derecognise the assets and liabilities of the subsidiary at its carrying amounts at the date when control is lost and (ii) recognise the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognised as a gain or loss in profit or loss attributable to our Group. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 "Financial Instruments: Recognition and Measurement" or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

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Investment in a subsidiary

Investment in a subsidiary is stated at cost less any identified impairment loss on the statements of financial position of our Company.

Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of discounts.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- we have transferred to the customer the significant risks and rewards of ownership of the goods;
- we retain neither continuing managerial involvement to the degree usually associated with ownership nor effective control over our products sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to us; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

We recognise interest income from a financial asset when it is probable that economic benefits will flow to us and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Inventories

We state inventories at the lower of cost and net realisable value. We calculate cost using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Taxation

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

The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from profit before taxation as reported in the consolidated statements of profit or loss and other

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comprehensive income as contained in the Consolidated Financial Statements because it excludes items of income or expense that are taxable or deductible in other periods, and it further excludes items that are never taxable or deductible. Our 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 base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other 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 and interest in a joint venture, except where we are 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 utilise 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 is realised, based on tax rate (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 we expect, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Current and deferred tax are recognised in profit or loss.

Foreign currencies

Our functional currency is Hong Kong dollar. Transactions in currencies other than Hong Kong dollar are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which we operate) at the rates of exchange prevailing on the dates of the transactions.

At the end of the reporting period, monetary items denominated in foreign currencies are retranslated to Hong Kong dollar at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

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The assets and liabilities of our foreign operations, as presented in the Consolidated Financial Statements, are translated into Hong Kong dollar using exchange rates prevailing at the end of each reporting period, while income and expenses items are translated at the average exchange rates for the year/period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading “translation reserve” in our Consolidated Financial Statements, and will be reclassified from equity to profit or loss upon disposal of the foreign operation.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Property, plant and equipment

Property, plant and equipment are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their residual values 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.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

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 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.

Key Sources of Estimation Uncertainty

Allowances for bad and doubtful debts

We estimate the allowance for bad and doubtful debts of our Group based on the evaluation of collectability and aging analysis of individual trade debts performed by our management. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of our customers were to deteriorate, resulting in an impairment of their ability to make

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payments, additional allowances may be required. We have made allowances for bad and doubtful debts of approximately HK\$0.5 million for the year ended 31 March 2012 and we have not made any allowances for bad and doubtful debts for the year ended 31 March 2013 and the five months ended 31 August 2013. The carrying amount of trade receivables is approximately HK\$7.9 million, HK\$12.6 million and HK\$22.6 million as at 31 March 2012, 31 March 2013 and 31 August 2013, respectively.

Allowances provided for inventories

We review the inventory aging analysis at the end of the reporting period in order to identify the slow-moving inventory items. We estimate the net realisable value for inventories based primarily on the latest market prices and current market conditions. In addition, we carry out an inventory review on a product-by-product basis at the end of each reporting period and provide necessary allowance if the net realisable value is estimated to be below the cost.

For the year ended 31 March 2012, we had made allowances for our inventories of approximately HK\$0.1 million in respect of inventories that are estimated to have a net realisable value below its cost. For the year ended 31 March 2013, we had a reversal of inventories of approximately HK\$2.4 million. The reversal of inventories was made as the inventories, which we had made allowances in prior years, were sold to our customers at cost or above during the year ended 31 March 2013. For the five months ended 31 August 2013, we had made allowances for our inventories of approximately HK\$0.4 million in respect of inventories that are estimated to have a net realisable value below its cost. As at 31 March 2012, 31 March 2013 and 31 August 2013, the carrying amounts of inventories amounted to approximately HK\$95.3 million, HK\$85.6 million and HK\$77.6 million, respectively.

We assess the net realisable value of inventories based primarily on the prevailing market prices and market conditions as at the end of each reporting period. In addition, we carry out an inventory review on a product-by-product basis at the end of each reporting period and provided necessary allowance if the net realisable value of the inventory is estimated to be below the cost. Our Directors consider that the inventory provision made is adequate. See “— Descriptions of certain income statement items — Cost of sales — Allowances provided for (or reversal of) inventories” for further details.

HISTORICAL STATUTORY FINANCIAL STATEMENTS AND TAX COMPUTATION CONTAINING INCORRECT INFORMATION

Historically, we had engaged a local audit firm to perform audit for the year ended 31 March 2011 and year ended 31 March 2012. Subsequently, we identified some accounting errors in respect of certain transactions and the audited financial statements of Major Cellar for the period ended 31 March 2011 and year ended 31 March 2012 previously filed with the Inland Revenue Department contained incorrect information. Consequently, the assessable profits for the year of assessment 2010/11 was understated by approximately HK\$22.1 million and the assessable profits for the year of assessment 2011/12 was overstated by approximately HK\$14.9 million. Accordingly, the additional tax provision for the year of assessment 2010/11 is approximately HK\$3.6 million and the tax refund for the year of assessment 2011/12 is approximately HK\$2.5 million. See “Business — Material non-compliance incidents — Historical statutory financial statements and tax computation containing incorrect information and filing of incorrect tax returns” for further details.

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SUMMARY OF CONSOLIDATED RESULTS OF OPERATIONS

We recorded revenue of approximately HK\$333.4 million, HK\$266.8 million and HK\$117.3 million for the years ended 31 March 2012 and 31 March 2013 and the five months ended 31 August 2013, respectively.

The table below sets out a summary of the consolidated statements of profit or loss and other comprehensive income for the years ended 31 March 2012 and 31 March 2013 and the five months ended 31 August 2013, and should be read in conjunction with the Accountants' Report in Appendix I to this prospectus.

	Year ended 31 March		Five months ended 31 August	
	2012	2013	2012	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(unaudited)</i>			
Revenue	333,367	266,833	108,095	117,306
Cost of sales	(279,136)	(206,187)	(86,252)	(93,021)
Gross profit	54,231	60,646	21,843	24,285
Promotion, selling and distribution expenses	(15,411)	(14,513)	(5,575)	(6,795)
Administrative expenses	(22,917)	(13,826)	(6,352)	(6,572)
Finance costs	(4,687)	(1,362)	(463)	(769)
Income tax expense	(1,623)	(5,362)	(1,608)	(1,849)

DESCRIPTIONS OF CERTAIN INCOME STATEMENT ITEMS

Revenue

All of our revenue is derived from Hong Kong as all transactions are conducted, delivered and concluded in Hong Kong and from the sale of our three product categories, namely (i) wine and spirits products, (ii) wine accessory products and (iii) cigars and other cigars related products. See "Business — Our products portfolio" for further details.

For the years ended 31 March 2012, 31 March 2013 and the five months ended 31 August 2012 (unaudited) and 31 August 2013, we generated revenue of approximately HK\$333.4 million, HK\$266.8 million, HK\$108.1 million and HK\$117.3 million, respectively. Our total revenue decreased by approximately 20.0% from approximately HK\$333.4 million for the year ended 31 March 2012 to approximately HK\$266.8 million for the year ended 31 March 2013. Our total revenue increased by approximately 8.5% from approximately HK\$108.1 million for the five months ended 31 August 2012 (unaudited) to approximately HK\$117.3 million for the five months ended 31 August 2013. For the years ended 31 March 2012 and 31 March 2013 and the five months ended 31 August 2013, the total sales to our five largest customers represented approximately 29.3%, 34.6% and 40.2% of our total revenue, respectively, and the total sales to our ten largest customers represented

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approximately 37.1%, 39.5% and 47.9% of our total revenue, respectively, and the total sales to each of our respective single largest customer represented approximately 17.2%, 15.6% and 30.7% of our total revenue, respectively. Based on information available to our Directors, our five largest customers for the years ended 31 March 2012 and 31 March 2013 and the five months ended 31 August 2013 are individual wine collectors, corporate customers, retail customers and restaurants, with whom we have developed business relationships for over a year.

The revenue generated from our single largest customer for the year ended 31 March 2012 and our single largest customer for the year ended 31 March 2013 were approximately HK\$57.3 million and HK\$41.5 million, respectively, representing a decrease of approximately 27.5%. The decrease was due to the shift of the purchases from such customer to lower priced red wine.

The revenue generated from our single largest customer accounted for 15.6% and 30.7% of our total revenue in the year ended 31 March 2013 and the five months ended 31 August 2013, respectively, representing an increase of approximately 96.8%. The increase was due to a substantial purchase order made in previous year in which the wine was delivered to our single largest customer during the five months ended 31 August 2013, the purchase order comprised approximately 7,200 bottles of red wine with an invoice amount of approximately HK\$34.2 million.

All of our wine and spirits products for retail sales and wholesales are initially priced based on a cost-plus basis, which allows us to maintain a profit margin over our cost of inventories, and the retail price of our wine and spirit products is approximately 20% to 40% higher than our wholesale price of the same products and therefore we typically record a higher profit margin for our retail sales.

We sell our products under our retail sales and wholesales. The table below sets forth the approximate revenue attributable to our retail sales and wholesales during the Track Record Period:

Sale channel	Year ended 31 March		Five months ended 31 August	
	2012	2013	2012	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			<i>(unaudited)</i>	
Retail sales	297,242	248,204	103,254	109,358
Wholesales	<u>36,125</u>	<u>18,629</u>	<u>4,841</u>	<u>7,948</u>
Total sales	<u>333,367</u>	<u>266,833</u>	<u>108,095</u>	<u>117,306</u>

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The following table sets out a breakdown of our revenue and our inventories by product category for the periods indicated:

	Revenue for		Revenue for		Revenue for	
	the year	Inventories	the year	Inventories	the five	Inventories
	ended	as at	ended	as at	months	as at
Our products	31 March 2012	31 March 2012	31 March 2013	31 March 2013	31 August 2013	31 August 2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
WINE & SPIRIT PRODUCTS						
<i>Red wine</i>						
- Fine Red Wine	220,332	62,806	161,676	50,170	90,954	41,940
- Rare and Collectible Red Wine	88,187	21,763	75,627	19,121	13,845	18,263
- Value Red Wine	13,372	4,538	15,363	7,955	4,668	8,305
Sub-total	<u>321,891</u>	<u>89,107</u>	<u>252,666</u>	<u>77,246</u>	<u>109,467</u>	<u>68,508</u>
<i>White wine</i>	5,393	2,557	7,606	2,195	2,686	4,109
<i>Sparkling wine</i>	2,443	1,255	2,549	1,411	805	1,626
<i>Spirits</i>	2,028	1,698	3,198	3,649	3,744	2,501
Sub-total	<u>331,755</u>	<u>94,617</u>	<u>266,019</u>	<u>84,501</u>	<u>116,702</u>	<u>76,744</u>
WINE ACCESSORY PRODUCTS						
<i>Decanters, wine glasses, wine cellars, wine openers, wine books and other wine related products</i>						
Sub-total	<u>1,515</u>	<u>631</u>	<u>750</u>	<u>1,088</u>	<u>588</u>	<u>890</u>
OTHER PRODUCTS						
<i>Cigars and other cigars related products</i>						
Sub-total	<u>97</u>	<u>42</u>	<u>64</u>	<u>25</u>	<u>16</u>	<u>15</u>
Total	<u>333,367</u>	<u>95,290</u>	<u>266,833</u>	<u>85,614</u>	<u>117,306</u>	<u>77,649</u>

As we generated a higher gross profit on Fine Red Wine during the year ended 31 March 2013 as compared to the year ended 31 March 2012, the inventory level of Fine Red Wine as at 31 March 2013 increased despite the decrease in sales during the year ended 31 March 2013.

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As we maintain a diverse collection of Rare and Collectible Red Wine, we did not record any significant decrease in the inventory level as at 31 March 2013 despite the significant decrease in sales of Rare and Collectible Red Wine during the year ended 31 March 2013 as compared to the year ended 31 March 2012.

Our inventory level of Value Red Wine level as at 31 March 2013 increased despite the decrease in the sales of Value Red Wine during the year ended 31 March 2013 as we had sourced Value Red Wine at reduced prices which led to a reduced average cost of Value Red Wine HK\$128 per bottle for the year ended 31 March 2013 as compared to the average cost of Value Red Wine HK\$130 per bottle for the year ended 31 March 2012.

In relation to our spirits products, we had sourced more limited edition spirits during the year ended 2013, which increased our inventory level of spirits as at 31 March 2013.

We derived our revenue primarily from red wine, including Fine Red Wine, Rare and Collectible Red Wine and Value Red Wine. We generated a significant portion of our revenue from the sale of wine and spirits products, accounting for approximately 99.5%, 99.7% and 99.5% of our total revenue for the years ended 31 March 2012 and 31 March 2013 and the five months ended 31 August 2013, respectively, in particular, revenue generated from the sales of Fine Red Wine accounted for approximately 66.1%, 60.6% and 77.5% of our total revenue for the respective periods indicated.

The following table sets out the number of bottles of red wine sold by product range for the periods indicated:

Our products	As at 31 March		As at 31 August	
	2012	2013	2012	2013
<i>Red wine</i>	<i>(bottles)</i>	<i>(bottles)</i>	<i>(bottles)</i>	<i>(bottles)</i>
- Fine Red Wine	61,078	55,385	20,960	26,703
- Rare and Collectible Red Wine	2,140	1,031	511	261
- Value Red Wine	58,857	67,967	21,781	17,957

Our revenue from Fine Red Wine for the year ended 31 March 2013 decreased by 26.6% as compared with the same for the year ended 31 March 2012 due to the decrease in the market value and subsequently the selling prices of our Fine Red Wine. Our revenue from Rare and Collectible Red Wine for the year ended 31 March 2013 decreased by 14.2% as compared with the same for the year ended 31 March 2012 due to the decrease in the sales volume from approximately 2,100 bottles during the year ended 31 March 2012 to approximately 1,000 bottles during the year ended 31 March 2013. Nonetheless, the decrease in the sales volume of Rare and Collectible Red Wine during the year ended 31 March 2013 did not have a material impact on the revenue for the year ended 31 March 2013 as there was an increase in the sales of the higher priced Rare and Collectible Red Wine. Our revenue from Value Red Wine for the year ended 31 March 2013 increased by 14.9% as compared with the same for the year ended 31 March 2012 due to the increase in our sales volume. See “— Review of historical results of operations — Year ended 31 March 2013 compared to year ended 31 March 2012 — Revenue” for further details.

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We experienced an increase in the sale a particular brand of wine in year 2012 due to an increased recognition in the brand. During the five months ended 31 August 2012 (unaudited), we sold approximately 278 bottles of Rare and Collectible Red Wine of such brand and during the five months ended 31 August 2013, we sold approximately 99 bottles of Rare and Collectible Red Wine of such brand. On the other hand, we experienced an increase in the sale of Fine Red Wine during the five months ended 31 August 2013 as a result of a substantial order made comprised of approximately 7,200 bottles of Fine Red Wine.

See “— Review of historical results of operations — Year ended 31 March 2013 compared to year ended 31 March 2012 — Revenue” and “— Review of historical results of operations — Five months ended 31 August 2013 compared to five months ended 31 August 2012 — Revenue” for further details.

Cost of sales

For the years ended 31 March 2012 and 31 March 2013 and the five months ended 31 August 2012 (unaudited) and 31 August 2013, our cost of sales was HK\$279.1 million, HK\$206.2 million, HK\$86.3 million and HK\$93.0 million, respectively.

Our cost of inventories, and, as a result, our cost of sales, for our wine and spirits products are affected by the respective market prices of the wine and spirits. Our cost of inventories refers to our purchase consideration for all of our wine and spirits products and wine accessory products including decanters, wine cellars, wine glasses, wine books, cigars and other cigar related products. Our inventories comprise primarily Fine Red Wine, Rare and Collectible Red Wine and Value Red Wine.

See “— Review of historical results of operations — Year ended 31 March 2013 compared to year ended 31 March 2012 — Cost of sales” and “— Review of historical results of operations — Five months ended 31 August 2013 compared to five months ended 31 August 2012 — Cost of sales” for further details.

Allowances provided for (or reversal of) inventories

For the year ended 31 March 2012, we made allowances for our inventories of approximately HK\$0.1 million, for the year ended 31 March 2013, we had a reversal of inventories of approximately HK\$2.4 million and for the five months ended 31 August 2013, we made allowances for our inventories of approximately HK\$0.4 million in respect of inventories that are estimated to have a net realisable value below its cost.

Gross profit and gross profit margin

Our gross profit is our revenue less cost of sales. For the years ended 31 March 2012 and 31 March 2013 and the five months ended 31 August 2012 (unaudited) and 31 August 2013, our gross profit were HK\$54.2 million, HK\$60.6 million, HK\$21.8 million and HK\$24.3 million, respectively and our gross profit margin were 16.3%, 22.7%, 20.2% and 20.7%, respectively.

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The table below sets out a breakdown of our gross profit and gross profit margin by product category for the periods indicated:

Our products	Year ended 31 March				Five months ended 31 August			
	2012		2013		2012		2013	
	Gross		Gross		Gross		Gross	
	Gross profit	profit margin	Gross profit	profit margin	Gross profit	profit margin	Gross profit	profit margin
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	<i>(unaudited)</i>							
WINE & SPIRITS PRODUCTS								
<i>Red wine</i>	51,052	16	56,808	22	20,312	20	21,756	20
- Fine Red Wine	29,917	14	28,887	18	10,401	16	17,168	19
- Rare and Collectible Red Wine	18,259	21	22,026	29	7,530	23	3,244	23
- Value Red Wine	2,876	22	5,895	38	2,381	38	1,344	29
<i>White wine</i>	1,375	25	1,925	25	833	31	700	26
<i>Sparkling wine</i>	551	23	562	22	334	31	224	28
<i>Spirits</i>	829	41	1,084	34	209	57	1,417	38
WINE ACCESSORY PRODUCTS								
<i>Decanters, wine glasses, wine cellars, wine openers, wine books and other wine related products</i>	383	25	242	32	139	45	175	30
OTHER PRODUCTS								
<i>Cigars and other cigar related products</i>	41	42	25	39	16	80	13	81

Our gross profit margin from our Fine Red Wine had increased from 14% for the year ended 31 March 2012 to 18% for the year ended 31 March 2013. Our gross profit margin for the year ended 31 March 2012 was lower due to the combined result of (i) increase in our costs of inventories, as our inventories were purchased prior to the drop in the market value of red wine in the second half of year 2012 and (ii) decrease in the selling prices of our Fine Red Wine as a result of the drop in the market value of red wine in the second half of year 2012. Our gross profit margin for the year ended 31 March 2013 returned to 18% as the selling prices of our Fine Red Wine was relatively stable during the year ended 31 March 2013. Our gross profit margin from our Rare and Collectible Red Wine had increased from 21% for the year ended 31 March 2012 to 29% for the year ended 31 March 2013 as a result of the increase in the sales of the higher priced Rare and Collectible Red Wine during the year ended 31 March 2013, which generated a higher profit margin. The average selling price of Rare and Collectible Red Wine for the year ended 31 March 2012 and 31 March 2013 were approximately HK\$41,000 and HK\$73,000, respectively. Our gross profit margin from our Value Red Wine had increased from 22% for the year ended 31 March 2012 to 38% for the year ended 31 March 2013 as a result of the increase in the sale of a particular brand which generates a higher profit margin. See “— Review of historical results of operations — Gross profit and gross profit margin” for further details.

Our gross profit margin from our Fine Red Wine increased from 16% during the five months ended 31 August 2012 (unaudited) to 19% during the five months ended 31 August 2013. Such increase was due to the increase in the sale of the higher priced Fine Red Wine and the average selling price of our Fine Red Wine during the five months ended 31 August 2012 (unaudited) and 31 August 2013 were approximately HK\$3,100 per bottle and HK\$3,400 per bottle, respectively.

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See “— Review of historical results of operations — Year ended 31 March 2013 compared to year ended 31 March 2012 — Gross profit and gross profit margin” and “— Review of historical results of operations — Five months ended 31 August 2013 compared to five months ended 31 August 2012 — Gross profit and gross profit margin” for further details.

Promotion, selling and distribution expenses

Our promotion, selling and distribution expenses consist of advertising and promotion fees, salaries and bonuses for sales personnel (including commissions), rental expenses, depreciation, transportation expenses and credit card surcharges. For the years ended 31 March 2012 and 31 March 2013 and the five months ended 31 August 2012 (unaudited) and 31 August 2013, our promotion, selling and distribution expenses amounted to approximately HK\$15.4 million, HK\$14.5 million, HK\$5.6 million and HK\$6.8 million, respectively.

See “— Review of historical results of operations — Year ended 31 March 2013 compared to year ended 31 March 2012 — Promotion, selling and distribution expenses” and “— Review of historical results of operations — Five months ended 31 August 2013 compared to five months ended 31 August 2012 — Promotion, selling and distribution expenses” for further details.

Administrative expenses

Our administrative expenses consist of directors’ remuneration, salaries and bonuses for administrative personnel, entertainment expenses for business development purposes, motor vehicle expenses, rental expenses, travelling expenses, depreciation, audit and consulting fees and other office expenses. For the years ended 31 March 2012 and 31 March 2013 and the five months ended 31 August 2012 (unaudited) and 31 August 2013, our administrative expenses amounted to approximately HK\$22.9 million, HK\$13.8 million, HK\$6.4 million and HK\$6.6 million, respectively.

See “— Review of historical results of operations — Year ended 31 March 2013 compared to year ended 31 March 2012 — Administrative expenses” and “— Review of historical results of operations — Five months ended 31 August 2013 compared to five months ended 31 August 2012 — Administrative expenses” for further details.

Finance costs

Our finance costs consist of (i) bank borrowings, (ii) amounts due to related parties, and (iii) obligations under finance leases.

For the years ended 31 March 2012 and 31 March 2013 and the five months ended 31 August 2012 (unaudited) and 31 August 2013, our finance costs amounted to approximately HK\$4.7 million, HK\$1.4 million, HK\$0.5 million and HK\$0.8 million, respectively. The decrease in our finance cost for the year ended 31 March 2013 compared to the year ended 31 March 2012 is primarily due to (i) the capitalisation of the principal and the associated finance costs in respect of the amount due to Rouge & Blanc of approximately HK\$30.5 million and (ii) the settlement of the amount due to Major Investment of approximately HK\$11.1 million.

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See “— Review of historical results of operations — Year ended 31 March 2013 compared to year ended 31 March 2012 — Finance costs” and “— Review of historical results of operations — Five months ended 31 August 2013 compared to five months ended 31 August 2012 — Finance costs” for further details.

Income tax expense

Profits tax in Hong Kong is calculated at 16.5% of the estimated assessable profits. For the years ended 31 March 2012 and 31 March 2013 and the five months ended 31 August 2012 (unaudited) and 31 August 2013, profits tax amounted to approximately HK\$1.6 million, HK\$5.4 million, HK\$1.6 million and HK\$1.8 million, respectively.

See “— Review of historical results of operations — Year ended 31 March 2013 compared to year ended 31 March 2012 — Income tax expenses” and “— Review of historical results of operations — Five months ended 31 August 2013 compared to five months ended 31 August 2012 — Income tax expense” for further details.

REVIEW OF HISTORICAL RESULTS OF OPERATIONS

Year ended 31 March 2013 compared to year ended 31 March 2012

Revenue

As set out in the paragraph headed “Descriptions of Certain Income Statement Items — Revenue” in this section, the revenue of our Group are primarily derived from Hong Kong and from the sale of our three products, namely (i) wine and spirits products, (ii) wine accessory products and (iii) other products.

Our total revenue decreased by approximately 20.0% from approximately HK\$333.4 million for the year ended 31 March 2012 to approximately HK\$266.8 million for the year ended 31 March 2013 primarily because:

- (i) Our revenue from Fine Red Wine decreased from approximately HK\$220.3 million for the year ended 31 March 2012 to HK\$161.7 million for the year ended 31 March 2013 due to the decrease in the market value and subsequently the selling prices of our Fine Red Wine;
- (ii) Our revenue from Rare and Collectible Red Wine decreased from approximately HK\$88.2 million for the year ended 31 March 2012 to approximately HK\$75.6 million for the year ended 31 March 2013 despite a significant decrease in the sales volume of Rare and Collectible Red Wine from approximately 2,100 bottles to approximately 1,000 bottles of approximately 52.9%, however, our revenue did not drop substantially as there was an increase in the sales of the higher priced Rare and Collectible Red Wine;
- (iii) Our revenue from Value Red Wine increased from approximately HK\$13.4 million for the year ended 31 March 2012 to HK\$15.4 million for the year ended 31 March 2013 as the sales volume of Value Red Wine increased from approximately 59,000 bottles to approximately 68,000 bottles;

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- (iv) Our revenue from white wine increased from approximately HK\$5.4 million for the year ended 31 March 2012 to approximately HK\$7.6 million for the year ended 31 March 2013 as the sales volume of white wine increased from approximately 5,000 bottles to approximately 12,000 bottles;
- (v) Our revenue from sparkling wine increased from approximately HK\$2.4 million for the year ended 31 March 2012 to approximately HK\$2.5 million for the year ended 31 March 2013; and
- (vi) Our revenue from spirits increased from approximately HK\$2.0 million for the year ended 31 March 2012 to approximately HK\$3.2 million for the year ended 31 March 2013.

Cost of sales

As set out in the paragraph headed “Descriptions of Certain Income Statement Items — Cost of sales”, our cost of sales mainly comprises cost of inventories for all our wine and spirits products and wine accessory products.

Our cost of sales decreased by approximately 26.1% from approximately HK\$279.1 million for the year ended 31 March 2012 to approximately HK\$206.2 million for the year ended 31 March 2013. The decrease was primarily due to the decrease in the cost of inventories, which mainly includes cost of inventories of our Fine Red Wine and Rare and Collectible Red Wine due to the decrease in the market value of red wine in the second half of 2012.

Gross profit and gross profit margin

Our gross profit increased by approximately 11.8% from approximately HK\$54.2 million for the year ended 31 March 2012 to approximately HK\$60.6 million for the year ended 31 March 2013, and our gross profit margin increased by approximately 7% from a gross profit margin of approximately 16% for the year ended 31 March 2012 to 23% for the year ended 31 March 2013. As we did not fully price in the effect of the decrease in cost of inventories into our adjusted selling prices of our products, our gross profit margin increased significantly in the said period. The changes in gross profit margins of our major products and the underlying reasons deriving such changes are set out as follows:

- (i) Our gross profit margin from our Fine Red Wine had increased from 14% for the year ended 31 March 2012 to 18% for the year ended 31 March 2013. Since the second half of 2012, the market value of red wine generally and the market value of Fine Red Wine in particular experienced a significant drop due to the deterioration of the global economy. While the drop in the market value caused us to adjust our selling prices in order to maintain our competitiveness, the drop in the market value of red wine and Fine Red Wine also resulted in lower costs of inventories from our suppliers. As we did not fully reflect the drop in the lowered costs of inventories in our adjusted selling prices, the profit margin of our Fine Red Wine increased.

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- (ii) Our gross profit margin from our Rare and Collectible Red Wine had increased from 21% for the year ended 31 March 2012 to 29% for the year ended 31 March 2013. The profit margin of our Rare and Collectible Red Wine had increased due to the increased sales of certain high-end Rare and Collectible Red Wine within our Rare and Collectible Red Wine portfolio; and
- (iii) Our gross profit margin from our Value Red Wine had increased from 22% for the year ended 31 March 2012 to 38% for the year ended 31 March 2013. The increase in the profit margin of our Value Red Wine was primarily due to our bulk purchases made with our suppliers, which enabled us to source certain Value Red Wine at reduced cost of inventories.

Promotion, selling and distribution expenses

Our promotion, selling and distribution expenses decreased by approximately 5.8% from approximately HK\$15.4 million for the year ended 31 March 2012 to approximately HK\$14.5 million for the year ended 31 March 2013.

The promotion, selling and distribution expenses for the year ended 31 March 2012 comprised advertising and promotion expenses of approximately HK\$1.4 million, transportation expenses of approximately HK\$3.7 million, staff costs of approximately HK\$2.3 million, commission expenses of approximately HK\$3.4 million, rents, rates and management fees of approximately HK\$2.6 million, depreciation of approximately HK\$0.1 million, bank charges of approximately HK\$1.1 million and other expenses of approximately HK\$0.8 million. The promotion, selling and distribution expenses for the year ended 31 March 2013 comprised advertising and promotion expenses of approximately HK\$2.1 million, transportation expenses of approximately HK\$3.3 million, staff costs of approximately HK\$2.3 million, commission expenses of approximately HK\$1.3 million, rents, rates and management fees of approximately HK\$3.7 million, depreciation of approximately HK\$0.4 million, bank charges of approximately HK\$0.6 million and other expenses of approximately HK\$0.8 million.

Administrative expenses

Our administrative expenses decreased by approximately 39.7% from approximately HK\$22.9 million for the year ended 31 March 2012 to approximately HK\$13.8 million for the year ended 31 March 2013. The decrease was primarily due to decrease in director's and chief executive's emoluments from approximately HK\$7.5 million for the year ended 31 March 2012 to approximately negative HK\$0.1 million for the year ended 31 March 2013. The basis of the emoluments of our Directors and chief executives were determined with reference to our Group's performance.

During the year ended 31 March 2012, a directors' bonus of HK\$3.0 million, which was recognised upon approval by our Board but remained unpaid, was subsequently forfeited by our Directors. Based on the profit before taxation of HK\$22.8 million as set out in the audited financial statements for the year ended 31 March 2012 containing the Incorrect Information, bonus in the amount of HK\$3.0 million was declared to our Directors for the year ended 31 March 2012. However, upon the identification of the Incorrect Information and based on the subsequent adjusted profit before taxation of HK\$9.0 million in the revised audited financial statements for the year ended 31 March 2012, our Directors had decided to waive their bonus payments, which had been provided as a reversal of Directors' bonuses accrual during the year ended 31 March 2013 in our Accountants' Report.

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The significant decrease in the short-term benefits paid to our Directors and key management was primarily attributable to the waiver of the bonus payments by our Directors and the reduction in the salaries and other benefits payable to our Directors for the year ended 31 March 2013. For the years ended 31 March 2012 and 31 March 2013, the total remuneration payable to our Directors amounted to approximately HK\$7.5 million and HK\$2.9 million, respectively. Save for the waiver of the bonus payments, there was no material fluctuations on the short-term benefits paid to the directors and key management personnel for the two years ended 31 March 2013.

Finance cost

Our finance cost decreased by approximately 70.9% from approximately HK\$4.7 million for the year ended 31 March 2012 to approximately HK\$1.4 million for the year ended 31 March 2013. The decrease was primarily due to a decrease of interest expense to related parties by 100% from approximately HK\$3.6 million to nil in 2013 as the amount due to related parties was settled or capitalised during 2013.

Income tax expense

Our income tax expense increased by approximately 230% from approximately HK\$1.6 million for the year ended 31 March 2012 to approximately HK\$5.4 million for the year ended 31 March 2013. The increase in the income tax is due to the increase in our assessable profit for the year ended 31 March 2013. Our effective tax rate for the years ended 31 March 2012 and 31 March 2013 were 18.0% and 18.5%, respectively. The increase was mainly due to the increase in non-deductible expenses in respect of the Listing which are considered as capital by its nature.

Profit and total comprehensive income for the year attributable to owners of the Company

In view of the foregoing items as described above, our profit and total comprehensive income for the year attributable to owners of the Company increased by approximately 218.1% from approximately HK\$7.4 million for the year ended 31 March 2012 to approximately HK\$23.5 million for the year ended 31 March 2013. Our net profit margin for the years ended 31 March 2012 and 31 March 2013 were 2.2% and 8.8%, respectively. The increase in the net profit margin was primarily attributable to the increase in our gross profit margin, together with a decrease in our expenses for the year ended 31 March 2013, being promotion, selling and distribution expenses, administrative expenses and finance costs.

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Five months ended 31 August 2013 compared to five months ended 31 August 2012 (unaudited)

Revenue

Our total revenue increased by approximately 8.5% from approximately HK\$108.1 million in the five months ended 31 August 2012 to approximately HK\$117.3 million in the five months ended 31 August 2013 primarily because our sales volume of Fine Red Wine increased from approximately 21,000 bottles in the five months ended 31 August 2012 to approximately 27,000 bottles five months ended 31 August 2013 and the average selling prices of the Fine Red Wine increased from approximately HK\$3,100 per bottle in the five months ended 31 August 2012 to approximately HK\$3,400 per bottle in the five months ended 31 August 2013. Such increase in the revenue was offset by the decrease in the sales of Rare and Collectible Red Wine.

Cost of sales

For the five months ended 31 August 2012 and 31 August 2013, our cost of sales was approximately HK\$86.3 million and HK\$93.0 million, respectively. The increase in our cost of sales was primarily due to the increase in our cost of sales for Fine Red Wine from approximately HK\$54.1 million in the five months ended 31 August 2012 to approximately HK\$73.8 million in the five months ended 31 August 2013. Such increase was offset by our reduced cost of sales for Rare and Collectible Red Wine, which decreased from approximately HK\$25.4 million in the five months ended 31 August 2012 to approximately HK\$10.6 million in the five months ended 31 August 2013 due to the decrease in the sales volume of Rare and Collectible Red Wine from 511 bottles for the five months ended 31 August 2012 to 261 bottles for the five months ended 31 August 2013.

Gross profit and gross profit margin

Our gross profit increased by approximately 11.5% from approximately HK\$21.8 million in the five months ended 31 August 2012 to approximately HK\$24.3 million in the five months ended 31 August 2013 and our gross profit margin increased from approximately 20.2% in the five months ended 31 August 2012 to approximately 20.7% in the five months ended 31 August 2013. The increase in gross profit and gross profit margin was primarily attributable to the increase in our gross profit from approximately HK\$10.4 million in the five months ended 31 August 2012 to approximately HK\$17.2 million in the five months ended 31 August 2013 as a result of the increase of sales volume of Fine Red Wine from approximately 21,000 bottles in the five months ended 31 August 2012 to approximately 27,000 bottles and an increase in the average selling prices which reflected a higher mark-up on the selling prices.

Promotion, selling and distribution expenses

For the five months ended 31 August 2012 and 31 August 2013, our promotion, selling and distribution expenses were approximately HK\$5.6 million and HK\$6.8 million, respectively, due to the increase in the rent and rates of approximately HK\$0.7 million as a result of the increased aggregate monthly rental from HK\$170,000 in the five months ended 31 August 2012 to approximately HK\$328,000 in the five months ended 31 August 2013, increase in staff commission of approximately

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HK\$0.3 million as a result of the increased revenue and the voluntary payment to our MPF trustee of approximately HK\$0.2 million in the five months ended 31 August 2013. See “Business — Material non-compliance incidents — Non-compliance with the Mandatory Provident Fund Scheme Ordinance” for further details.

Administrative expenses

For the five months ended 31 August 2012 and 31 August 2013, our administrative expenses were approximately HK\$6.4 million and HK\$6.6 million, respectively. The increase was attributable to the combined effect of the costs and expenses incurred in relation to the demolition of the unauthorised building works at the retail showroom and the warehouse in Hung Hom which amounted to approximately HK\$0.1 million and depreciation in respect of the motor vehicles in the amount of approximately HK\$0.4 million. See “Business — Property — Unauthorised building works” for further details.

Finance cost

For the five months ended 31 August 2012 and 31 August 2013, our finance cost was approximately HK\$0.5 million and HK\$0.8 million, respectively, due to two short term bank loans drawdown in March 2013. The increase was attributable to the increased cost of interest payments in relation to the drawdowns of loan in the amount of approximately HK\$14.0 million at the interest rates of approximately 4.5% during the five months ended 31 August 2013.

Income tax expense

For the five months ended 31 August 2012 and 31 August 2013, our income tax expenses were approximately HK\$1.6 million and HK\$1.8 million, respectively.

Profit and total comprehensive income for the period attributable to owners of the Company

Our profit and total comprehensive income for the period attributable to owners of the Company decreased by approximately 65% from approximately HK\$7.5 million for the five months ended 31 August 2012 to approximately HK\$2.6 million for the five months ended 31 August 2013. The decrease in profit and total comprehensive income for the period attributable to owners of the Company despite the increase in the total revenue in the five months ended 31 August 2013 was primarily attributable to the listing expenses incurred during the five months ended 31 August 2013 in the amount of HK\$5.7 million.

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NET CURRENT ASSETS AND SELECTED ITEMS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The following sets out our Group's current assets, current liabilities and selected items of the consolidated statements of financial position as at the respective financial position dates below.

	As at			
	As at 31 March		31 August	30 November
	2012	2013	2013	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Current assets				
Inventories	95,290	85,614	77,649	78,040
Trade and other receivables, deposits and prepayments	37,389	55,374	61,989	61,383
Amounts due from related parties	18	5,853	141	147
Amount due from a shareholder	—	3,033	—	—
Bank balances and cash	<u>2,283</u>	<u>27,772</u>	<u>8,087</u>	<u>9,179</u>
	<u>134,980</u>	<u>177,646</u>	<u>147,866</u>	<u>148,749</u>
Current liabilities				
Trade and other payables, accrued charges and deposits received	43,340	43,705	35,389	39,532
Amounts due to related parties	41,974	410	410	410
Amounts due to shareholders	1,957	107	—	—
Tax liabilities	9,717	2,480	4,316	2,932
Obligations under finance leases - due within one year	581	1,690	1,694	1,723
Bank borrowings	<u>14,443</u>	<u>31,825</u>	<u>28,195</u>	<u>25,954</u>
	<u>112,012</u>	<u>80,217</u>	<u>70,004</u>	<u>70,551</u>
Net current assets	<u>22,968</u>	<u>97,429</u>	<u>77,862</u>	<u>78,198</u>

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Inventories

The table below sets out a breakdown of our inventories by product categories as at 31 March 2012, 31 March 2013 and 31 August 2013, respectively:

Breakdown of inventories

	As at 31 March		As at 31 August
	2012	2013	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
WINE & SPIRITS PRODUCTS			
<i>Red wine</i>			
- <i>Fine Red Wine</i>	62,806	50,170	41,940
- <i>Rare and Collectible Red Wine</i>	21,763	19,121	18,263
- <i>Value Red Wine</i>	<u>4,538</u>	<u>7,955</u>	<u>8,305</u>
	<u>89,107</u>	<u>77,246</u>	<u>68,508</u>
<i>White wine</i>	2,557	2,195	4,109
<i>Sparkling wine</i>	1,255	1,411	1,626
<i>Spirits</i>	<u>1,698</u>	<u>3,649</u>	<u>2,501</u>
	94,617	84,501	76,744
WINE ACCESSORY PRODUCTS			
<i>Decanters, wine glasses, wine cellars, wine openers, wine books and other wine related products</i>			
	631	1,088	890
OTHER PRODUCTS			
<i>Cigars and other cigar related products</i>			
	<u>42</u>	<u>25</u>	<u>15</u>
	<u>95,290</u>	<u>85,614</u>	<u>77,649</u>

The following table sets out the number of bottles of red wine in our inventories by product range for the periods indicated:

Our products	As at 31 March		As at 31 August
	2012	2013	2013
	<i>(bottles)</i>	<i>(bottles)</i>	<i>(bottles)</i>
<i>Red wine</i>			
— Fine Red Wine	28,643	23,696	23,964
— Rare and Collectible Red Wine	602	731	500
— Value Red Wine	34,781	62,094	59,338

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Our inventories of Fine Red Wine decreased from approximately HK\$62.8 million as at 31 March 2012 to approximately HK\$50.2 million as at 31 March 2013 due to the fall in the market value of red wine in the second half of 2012 resulting in the lower cost of inventories for the year ended 31 March 2013. Similarly, our inventories of Rare and Collectible Red Wine decreased from approximately HK\$21.8 million as at 31 March 2012 to approximately HK\$19.1 million as at 31 March 2013 due to the fall in the market value of red wine in the second half of 2012. Our inventories of Value Red Wine increased from approximately HK\$4.5 million as at 31 March 2012 to approximately HK\$8.0 million as at 31 March 2013 due to the increase in our levels of inventories from approximately 35,000 bottles of Value Red Wine to approximately 62,000 bottles of Value Red Wine (irrespective of volume).

The table below sets out the aging analysis of our inventories:

Aging analysis on inventories	As at 31 March		As at 31 August
	2012	2013	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
0 to 90 days	63,921	54,165	45,039
91 to 180 days	18,181	13,899	13,301
181 to 240 days	4,634	5,375	7,264
241 to 360 days	8,520	4,776	8,225
over 360 days	34	7,399	3,820
	95,290	85,614	77,649

We experienced a substantial increase of inventories over 360 days from approximately HK\$34,000 as at 31 March 2012 to approximately HK\$7.4 million as at 31 March 2013 as we were awaiting delivery of all of our products under a substantial purchase order of 5,520 bottles of Fine Red Wine which were placed in prior year to be delivered to our customer upon receipt of the whole purchase order pending adhesion of the anti-counterfeit stick and liaison regarding logistics with our customers. The products were subsequently delivered to customers during the period between June 2013 to August 2013. See “— Summary of key financial ratios — Capital adequacy ratios — Inventory turnover days” for further details.

The fall in the market value of red wine in the second half of 2012 has impacted our net realisable value estimation as at 31 March 2012. The weighted average cost of inventories as at 31 March 2013 was also reduced since the cost of purchases of red wine from suppliers was also lowered as compared with the purchases of the same product before second half of 2012. We carried out an inventory review on a product-by-product basis at the end of each reporting period, which we compare the latest selling prices at the date of inventory assessment of a product against the weighted average costs of inventories of the same product as at the end of the reporting period, we would compare the weighted average cost of inventories with reference to latest market price and current market conditions of no

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subsequent sales on the particular product was noted up to the day of assessment and provide necessary allowance if the net realisable value is estimated to be below the weighted average cost. As at 31 March 2012, the net realisable value of the inventories were estimated to be approximately HK\$0.1 million lower than its weighted average cost, hence we made allowances for our inventories of approximately HK\$0.1 million. As at 31 March 2013 and 31 August 2013, the net realisable value of the inventories were estimated to be higher than its weighted average cost, therefore no allowances were made. Instead, we had a reversal of inventories of approximately HK\$2.4 million which represents the reversal of the relevant inventory provisions which had been made in prior years with subsequent sales of such inventories at cost or above during the year ended 31 March 2013. Allowances of approximately HK\$0.4 million was made during five months ended 31 August 2013 in respect of inventories which were considered as slow-moving and obsolete.

For the year ended 31 March 2012 and 31 March 2013 and five months ended 31 August 2013, our inventory turnover days were 126 days, 160 days and 134 days, respectively, while the average balance of our inventory was approximately HK\$96.6 million, HK\$90.5 million and HK\$81.6 million, respectively. See “— Summary of key financial ratio — Capital adequacy ratios — Inventory turnover days” for further details.

Up to 30 November 2013, 24% of the inventories in terms of quantity and 36% of the inventories in terms of value as at 31 August 2013 had been subsequently utilised. As at 31 March 2013, the inventories aged between 0 to 90 days, 91 to 180 days, 181 to 240 days, 241 to 360 days and over 360 days accounted for 63.3%, 16.2%, 6.3%, 5.6% and 8.6% of our total inventories, respectively. Taking into account that (i) the aggregate of the inventories aged between 181 to 240 days and 241 to 360 days accounted for approximately 12% of our total inventories only and (ii) our inventory turnover days was 160 days for the year ended 31 March 2013, the total inventories aged 241 days or more were insignificant. Out of our inventories aged between 181 days to 360 days, our Value Red Wine, Fine Red Wine, Rare and Collectible Red Wine and Spirits accounted for approximately 17%, 46%, 17% and 11% of the such inventories, respectively. These inventories represent a diverse wine and spirits products variety, which are intended to expand our wine and spirits portfolio for our customers' selection. Up to 30 November 2013, 49% in terms of quantity and 50% in terms of value of the inventories as at 31 March 2013 aged between 181 to 240 days had been subsequently utilised and 54% in terms of quantity and 48% in terms of value of the inventories as at 31 March 2013 aged between 241 to 360 days had been subsequently utilised. We have revisited the net realisable value of the unsold items and the net realisable value was higher than the weighted average cost of such inventories. Accordingly, no impairment loss of such inventories has been made.

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Trade and other receivables, deposits and prepayments

The following is an aging analysis of trade receivables from third parties net of allowance for doubtful debts presented based on the delivery date at the end of the reporting period, which approximated the respective revenue recognition dates:

Aging analysis on trade receivables	As at		
	31 March		31 August
	2012	2013	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
0 to 30 days	3,194	11,133	13,908
31 to 60 days	205	266	5,027
61 to 90 days	3,950	107	28
Over 90 days	553	1,059	3,598
	7,902	12,565	22,561

Our group generally offer credit period of up to 90 days.

Our trade receivables turnover were 19 days, 14 days and 23 days for the year ended 31 March 2012 and 31 March 2013 and five months ended 31 August 2013, respectively. See “— Summary of key financial ratios — Capital adequacy ratios — Trade receivables turnover days” for further details.

All the trade receivables that are neither past due nor impaired are due from customers with good settlement history and no default on settlement were noted.

As at 31 March 2012, 31 March 2013 and 31 August 2013, we have included in our trade receivables, debtors with a carrying amount of HK\$7.3 million, HK\$4.9 million and HK\$14.6 million, respectively, which are past the respective payment due dates as at the end of the respective reporting periods for which we have not provided for impairment loss as there were either subsequent settlement or no historical default of payments by the respective customers and the amounts are still considered recoverable. We do not hold any collateral over these balances.

Up to 30 November 2013, 50% of the outstanding trade receivable balance as at 31 August 2013 has been subsequently settled.

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Aging of trade receivables from third parties past due but not impaired

	As at		
	31 March		31 August
	2012	2013	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
0 to 30 days	2,589	3,438	5,944
31 to 60 days	205	266	5,027
61 to 90 days	3,950	107	28
Over 90 days	<u>553</u>	<u>1,059</u>	<u>3,598</u>
	<u>7,297</u>	<u>4,870</u>	<u>14,597</u>

Trade and other payables, accrued charges and deposits received

	As at		
	31 March		31 August
	2012	2013	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	3,673	6,438	4,043
Trade deposits received	36,167	35,556	27,349
Other payables and accrued charges	<u>6,782</u>	<u>1,711</u>	<u>3,997</u>
	<u>46,622</u>	<u>43,705</u>	<u>35,389</u>

The credit period for purchases of goods is 30 to 60 days. The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	As at		
	31 March		31 August
	2012	2013	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
0 to 30 days	1,186	3,328	880
31 to 60 days	1,014	697	1,335
61 to 90 days	271	1,365	844
Over 90 days	<u>1,202</u>	<u>1,048</u>	<u>984</u>
	<u>3,673</u>	<u>6,438</u>	<u>4,043</u>

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Up to 30 November 2013, 69% of the balance of trade payables as at 31 August 2013 has been subsequently settled.

Trade deposits paid represents the amount we paid to our suppliers for wine and spirits products orders. It is an industry norm that certain wine and spirits products are delivered more than 12 months after the payment of trade deposits as some wine and spirits products are available for sale while they are still in production stage. In relation to the purchases of such wine and spirits products, we pay a deposit within the range of approximately 70% to our suppliers and the remaining outstanding payments to be paid when the wine and spirits products are ready for delivery. We consider the wine and spirits products which are delivered more than 12 months with reference to our criteria for the procurement of our red wine products under our internal sourcing method. For the year ended 31 March 2012, the trade deposits paid relating to certain wine and spirits products to be delivered by our suppliers to our Group after 12 months amounted to approximately HK\$24.7 million and accordingly, such trade deposits paid were classified as our non-current assets as at 31 March 2012. Such classification is determined with reference to the timing of the expected delivery of inventories from our suppliers and is not an indication of the existence of any long-term supply agreements with the suppliers. Upon receipt of inventories from our suppliers, the respective trade deposits paid would be reclassified as inventories.

The following table sets out the aging analysis based on the payment dates of our trade deposits paid:

	As at		
	31 March		31 August
	2012	2013	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
0 to 90 days	10,062	15,928	10,534
91 to 180 days	2,728	984	11,011
181 to 365 days	31,416	5,523	1,567
Over 365 days	<u>5,293</u>	<u>16,004</u>	<u>12,897</u>
	<u>49,499</u>	<u>38,439</u>	<u>36,009</u>

Trade deposits received represents the amounts received from our customers for wine and spirits products orders. Customers are required to pay deposits of 50% to 100% of the total amount of the agreed purchase order. For the year ended 31 March 2012, the trade deposits received relating to wine and spirits products to be delivered after 12 months amounted to approximately HK\$3.3 million. Accordingly, such trade deposits received are classified as our non-current liabilities as at 31 March 2012. Upon delivery of such wine and spirits products to our customers, the respective trade deposits received would be recognised as our revenue.

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The following table sets out the aging analysis based on the receipt dates of our trade deposits received:

	As at		
	31 March		31 August
	2012	2013	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
0 to 90 days	1,045	1,676	13,319
91 to 180 days	50	2,719	640
181 to 365 days	23,040	676	189
Over 365 days	<u>12,032</u>	<u>30,485</u>	<u>13,201</u>
	<u>36,167</u>	<u>35,556</u>	<u>27,349</u>

The following table sets out the breakdown of other receivables, deposits and prepayments:

	As at		
	31 March		31 August
	2012	2013	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Rental and utility deposits	1,498	1,504	1,783
Other deposits	471	21	42
Staff advances	2,204	1,386	1,250
Other debtors	327	208	—
Prepayment to professionals	—	1,170	344
Other prepayment	<u>199</u>	<u>81</u>	<u>—</u>
	<u>4,699</u>	<u>4,370</u>	<u>3,419</u>

As at 31 March 2012, our other receivables, deposits and prepayments mainly consisted of the rental and utility deposits for our office premises and retail showroom and staff advances for business entertainment and marketing purposes. The decrease in the total amount of other receivables, deposits and prepayments as at 31 March 2013 was due to a consolidated effect of the decrease in staff advances despite an increase in prepayments for professional fees incurred as our Group was still in our early stage of business in the year ended 31 March 2012 and more advances were made to our sales representatives for business entertainment and travelling purposes. The amount of staff advances decreased as at 31 March 2013 due to the reduced business entertainment and the implementation of the cost control policy of our Group during the year ended 31 March 2013. Prepayments for professional fees incurred were made to various professional parties as at 31 March 2013 for the preparation of the Listing.

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The following table sets out the financial information on the balances of inventories, trade receivables, trade deposits paid and received as at 31 March 2013, the subsequent settlement up to 30 November 2013 and the outstanding as at 30 November 2013:

	Balance as at 31 March 2013	Subsequent utilisation/ settlement up to 30 November 2013	Outstanding as at 30 November 2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Inventories	85,614	52,192	33,422
Trade receivables	12,565	12,344	221
Trade deposits paid	38,439	22,258	16,181
Trade deposits received	35,556	22,714	12,842

Amounts due from related parties

The amounts due from related parties as at 31 March 2012, 31 March 2013 and 31 August 2013 were approximately HK\$18,000, HK\$5.9 million and HK\$141,000, respectively. The increase from HK\$18,000 as at 31 March 2012 to HK\$5.9 million as at 31 March 2013 was due to fund advance to a related party during the year ended 31 March 2013 and the subsequent decrease to HK\$141,000 as at 31 August 2013 was due to the assignment of the amount due to shareholders of our Company for the settlement of dividends payable. Our Directors confirm that all outstanding balances due from related parties will be settled prior to the Listing.

Amounts due from shareholders

The amounts due from shareholders as at 31 March 2012, 31 March 2013 and 31 August 2013 were nil, approximately HK\$3.0 million and nil, respectively. The increase from nil as at 31 March 2012 to HK\$3.0 million as at 31 March 2013 was due to the fund transfer to a shareholder during the year ended 31 March 2013 and the subsequent decrease to nil as at 31 August 2013 was due to the declaration of dividends during the five month period.

Amounts due to related parties

The amounts due to related parties as at 31 March 2012, 31 March 2013 and 31 August 2013 were approximately HK\$42.0 million, HK\$0.4 million and HK\$0.4 million, respectively. The amounts consists of (i) amount due to Rouge & Blanc which arose from the transfer of wine and spirits products and furnitures from Rouge & Blanc to Major Cellar on 31 March 2010, and (ii) amount due to Major Investment arose from settlements from customers received and settlements to suppliers made by Major Investment on behalf of our Group. The decrease was due to the capitalisation of the amount due to Rouge & Blanc and repayment to Major Investment. Our Directors confirm that all outstanding balances due to related parties will be settled prior to the Listing.

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Rouge & Blanc wine and spirits products

The consideration for the transfer of a total of 28,733 bottles of wine and spirits products from Rouge & Blanc to our Group (the “**Rouge & Blanc wine and spirits products**”) in the amount of HK\$28,646,000 was calculated based on the cost of the inventories, which was stated at lower of cost or net realisable value on the date of transfer, whereas the consideration for the transfer of furniture and fixtures from Rouge & Blanc to our Group was valued at a consideration of HK\$1,257,000, which was calculated based on the total carrying value of such furniture and fixtures as at the date of transfer.

Up to the Latest Practicable Date, 26,735 bottles out of the 28,733 bottles of Rouge & Blanc wine and spirits products had been sold by our Group before and during the Track Record Period. The total revenue / sales generated from the sales of the Rouge & Blanc wine and spirits products amounted to approximately HK\$34,349,000, of which approximately HK\$33,352,000 related to sales before the Track Record Period and approximately HK\$997,000 related to sales during the Track Record Period. The total purchase of the Rouge & Blanc wine and spirits products amounted to approximately HK\$28,190,000, of which approximately HK\$27,383,000 related to sales before the Track Record Period and approximately HK\$807,000 related to sales during the Track Record Period.

The transfer of the Rouge & Blanc wine and spirits products contributed to our profits and positive operating cash flows before movements in working capital of HK\$190,000 during the Track Record Period. Our Directors are of the view that the waiver of amount due to Rouge & Blanc wine and spirits products in the amount of HK\$30.5 million will only affect the item “increase (decrease) in amounts due to related parties”.

Amounts due to shareholders

The amounts due to shareholders in the year ended 31 March 2012 and 31 March 2013 and the five months ended 31 August 2013 were approximately HK\$2.0 million, HK\$0.1 million and nil, respectively. The decrease of amount due to shareholders from HK\$2.0 million in 2012 to HK\$0.1 million was due to the repayment to shareholders.

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LIQUIDITY AND CAPITAL RESOURCES

Cash flows

The table below sets out a summary of our cash flows for the periods indicated:

	Year ended 31 March		Five months ended
	2012	2013	31 August 2013
	HK\$'000	HK\$'000	HK\$'000
Net cash generated from (used in) operating activities	796	22,476	(669)
Net cash used in investing activities	(2,063)	(9,108)	(13,912)
Net cash (used in) from financing activities	(778)	12,121	(5,104)

Operating activities

We derive our cash inflow from operating activities primarily through the receipt of payments from the sale of our wine and spirits products. Our cash outflow from operating activities is primarily for the purchase of inventories, payment of operating lease rental, staff costs, transportation costs and advertising and promotion expenses. Our net cash flow generated from operating activities reflects our profit before income tax, as adjusted for non-cash items, and the effect of changes in inventories, trade and other receivables, deposits and prepayments, trade and other payables, accrued charges and deposits received and amounts due to related parties.

Year ended 31 March 2012

For the year ended 31 March 2012, we had net cash generated from operating activities of approximately HK\$0.8 million, which was primarily attributable to (i) profit before taxation of approximately HK\$9.0 million, (ii) depreciation of property, plant and equipment of approximately HK\$1.1 million, (iii) interest expenses of approximately HK\$4.7 million, (iv) allowance for inventories of approximately HK\$0.1 million, (v) allowance for bad and doubtful debt of approximately HK\$0.5 million, (vi) impairment on amount due from a joint venture of approximately HK\$0.8 million, (vii) loss on disposals/written off of property, plant and equipment of approximately HK\$0.6 million, (viii) decrease in inventories of approximately HK\$2.5 million, (ix) decrease in trade and other receivables, deposits and prepayments of approximately HK\$11.2 million, (x) decrease in trade and other payables, accrued charges and deposits received of approximately HK\$40.8 million, and (xi) increase in amounts due to related parties of HK\$11.1 million.

Despite the increase in the balance of inventories from HK\$2.5 million as at 31 March 2012 to approximately HK\$12.1 million as at 31 March 2013, there was no decrease in the quantity. The significant decrease in cash flow on inventories during the year ended 31 March 2013 was mainly due to the decrease in the market value of wine since the second half of 2012. In light of our past experience during the market fluctuation of wine and spirits products during the year ended 31 March

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2013 and the reduced purchase orders of Fine Red Wine from our customers, we reduced our purchase orders with our suppliers in relation to wine and spirits products that are not readily available. For the year ended 31 March 2013, our revenue decreased, as well as our receipts from trade and other receivables, deposits and prepayments. Similarly, our trade and other payables, accrued charges and deposits received for the year ended 31 March 2013 decreased as the purchase of wines and spirits products was demand driven and we reduced our purchase orders with our suppliers.

Year ended 31 March 2013

For the year ended 31 March 2013, we had net cash generated from operating activities in the amount of approximately HK\$22.5 million, which was primarily attributable to (i) profit before taxation of approximately HK\$28.9 million, (ii) depreciation of property, plant and equipment of approximately HK\$2.1 million, (iii) interest expenses of approximately HK\$1.4 million, (iv) reversal of inventories of approximately HK\$2.4 million, (v) decrease in inventories of approximately HK\$12.1 million, (vi) decrease in trade and other receivables, deposits and prepayments of approximately HK\$6.7 million, (vii) decrease in trade and other payables, accrued charges and deposits received of approximately HK\$2.9 million, and (viii) decrease in amounts due to related parties of approximately HK\$11.1 million.

Due to the fall in market value of red wine in the second half of 2012, the cash flows required in purchasing wine and spirit products for the year ended 31 March 2013 decreased. The increase in amounts due to related parties was due to the arrangement for the use of the standing credit facility of Major Investment, a company wholly-owned by Mr. Cheung, during the year ended 31 March 2012 for the settlements with our customers and suppliers (the “**Related Party Facility Arrangement**”). As Major Cellar had occasionally drawn-down certain amounts from the credit facility available to Major Investments to settle certain invoices, to simplify and expedite the repayment arrangements between Major Cellar and Major Investment in respect of these amounts, which involved receiving monies from customers by Major Cellar and subsequent transfers of monies from Major Cellar to Major Investment, Major Cellar had requested certain customers to deposit monies with Major Investment directly to net-off the credit balance. Subsequently, Mr. Cheung and Mr. Leung decided that it was more systematic to repay the amounts owing by Major Cellar to Major Investment for each draw-down made by Major Cellar from the credit facility of Major Investment as and when such credit facility becomes due and thereafter Major Cellar did not make any further requests to its customers to deposit monies with Major Investment.

Major Cellar had not experienced difficulty in obtaining credit facilities during the utilisation of Major Investment’s credit facilities as Major Cellar had been offered credit facilities with similar facility line on different terms, which Major Cellar did not take up as our Directors did not consider economical at the relevant time. During the Track Record Period and up to the Latest Practicable Date, Major Cellar did not experience any difficulty in obtaining credit facilities. As Major Investment entered into the arrangements as an agent of Major Cellar and all the related costs and business risks were borne by Major Cellar, there was no transfer of foreign exchange risk, credit risk or counterparty risks from our Group to Major Investment. Our Directors considered that the utilisation of Major Investment’s credit facility provided convenience as Major Cellar saved the need to complete the lengthy procedures for the credit facility line offered to Major Cellar. In view of the Listing, our Group had discontinued the Related Party Facility Arrangement in February 2013.

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Based on our aggregate operating cash flows before movements in working capital during the year ended 31 March 2012 and 31 March 2013 in the amount of HK\$46.7 million, we are still able to meet the minimum cash flow requirements for the purposes of Listing without the waiver of amount due to Rouge & Blanc amounted to HK\$30.5 million and the directors' bonuses of HK\$3.0 million. The cancellation of waiver of directors' bonuses in 2013 resulted in the aggregate operating cash flows before movements in working capital of HK\$43.7 million. The waiver of amount due to Rouge and Blanc will not have an effect on our operating cash flows before movements in working capital as such waiver only increase our other reserve and reduce our liability by HK\$30.5 million as at 31 March 2013. Should there be repayment demanded from Rouge & Blanc, the repayment of HK\$30.5 million would be included in the movement of working capital in the consolidated statement of cash flows, which will not affect the operating cash flows before movements in working capital.

Five months ended 31 August 2013

For the five months ended 31 August 2013, we had net cash used in operating activities in the amount of approximately HK\$0.7 million, which was primarily attributable to (i) profit before taxation of approximately HK\$4.4 million, (ii) depreciation of property, plant and equipment of approximately HK\$1.1 million, (iii) interest expenses of approximately HK\$0.8 million, (iv) allowance for inventories of approximately HK\$0.4 million, (v) decrease in inventories of approximately HK\$7.5 million, (vi) increase in trade and other receivables, deposits and prepayments of approximately HK\$6.6 million, (vii) decrease in trade and other payables, accrued charges and deposits received of approximately HK\$8.3 million.

Investing activities

Our investing activities consist primarily of purchases of property, plant and equipment, advances to and repayment from a joint venture, advance to a related party and advances to and repayments from shareholders.

Year ended 31 March 2012

For the year ended 31 March 2012, we had net cash used in investing activities in the amount of approximately HK\$2.1 million, which was primarily attributable to (i) purchases of property, plant and equipment of approximately HK\$3.3 million and (ii) advances to a joint venture of approximately HK\$1.9 million offset by repayment from a joint venture of approximately HK\$3.1 million.

Year ended 31 March 2013

For the year ended 31 March 2013, we had net cash used in investing activities in the amount of approximately HK\$9.1 million, which was primarily attributable to (i) purchases of property, plant and equipment of approximately HK\$0.2 million, (ii) advance to a related party of approximately HK\$5.8 million and (iii) advance to a shareholder of approximately HK\$3.0 million.

Five months ended 31 August 2013

For the five months ended 31 August 2013, we had net cash used in investing activities in the amount of approximately HK\$13.9 million, which was primarily attributable to advance to a related party of approximately HK\$7.0 million, advances to shareholders of approximately HK\$7.9 million, which were offset by repayment from a shareholder of approximately HK\$1.0 million.

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Financing activities

Our financing activities consist primarily of cash flows related to bank borrowings and finance leases, advances received from related parties and repayment to related parties and shareholders.

Year ended 31 March 2012

For the year ended 31 March 2012, we had net cash used in financing activities in the amount of approximately HK\$0.8 million, which was primarily attributable to (i) interest payments of approximately HK\$2.0 million, (ii) repayment of bank borrowings of approximately HK\$47.6 million, (iii) repayment of obligations under finance leases of approximately HK\$0.5 million, (iv) repayment to related parties of approximately HK\$0.5 million and (v) repayment to shareholders of approximately HK\$4.4 million, which were offset by (i) new bank borrowings raised of approximately HK\$49.3 million and (ii) advances from shareholders of approximately HK\$4.8 million.

Year ended 31 March 2013

For the year ended 31 March 2013, we had net cash generated from financing activities in the amount of approximately HK\$12.1 million, which was primarily attributable to (i) new bank borrowings raised of approximately HK\$74.7 million and (ii) advances received from shareholders of approximately HK\$0.1 million, which were offset by (i) interest payments of approximately HK\$1.4 million, (ii) repayment of bank borrowings of approximately HK\$57.4 million, (iii) repayment of obligations under finance leases of approximately HK\$2.0 million and (iv) repayment to shareholders of approximately HK\$2.0 million.

Five months ended 31 August 2013

For the five months ended 31 August 2013, we had net cash used in financing activities in the amount of approximately HK\$5.1 million, which was primarily attributable to (i) interest payments of approximately HK\$0.8 million, (ii) repayment of bank borrowings of approximately of HK\$34.0 million and (iii) repayment of obligations under finance leases of approximately HK\$0.7 million, which were offset by new bank borrowings raised of approximately HK\$30.4 million.

Working Capital

Our Directors confirm that, taking into account of the financial resources available to us, including internally generated funds, banking facilities available to us and the estimated net proceeds from the Placing, our working capital is sufficient for our present requirements, including the estimated capital expenditures, that is, for at least the next 12 months commencing from the date of this prospectus.

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Indebtedness

The table below sets out our bank borrowings as at the dates indicated:

	As at			
	31 March		31 August	30 November
	2012	2013	2013	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Secured import loans	11,653	16,268	18,605	19,949
Secured bank loans	<u>2,790</u>	<u>15,557</u>	<u>9,590</u>	<u>6,005</u>
	<u>14,443</u>	<u>31,825</u>	<u>28,195</u>	<u>25,954</u>

As at 31 March 2012, 31 March 2013, 31 August 2013 and 30 November 2013, all the bank borrowings contain a repayment on demand clause.

The table below sets out the composition of our bank borrowings and the ranges of effective interest rates, which are equal to the contracted interest rates on our borrowings:

Borrowings comprise:	As at	Year ended	As at	Year ended	As at	Five months ended	As at 30	Eight months ended
	31 March	31 March	31 March	31 March	31 August	31 August	November	30 November
	2012	2012	2013	2013	2013	2013	2013	2013
	<i>HK\$'000</i>	Effective interest rate <i>(per annum)</i>	<i>HK\$'000</i>	Effective interest rate <i>(per annum)</i>	<i>HK\$'000</i>	Effective interest rate <i>(per annum)</i>	Effective interest rate <i>(per annum)</i>	<i>HK\$'000</i>
Fixed-rate borrowings	2,790	3.25%-7.75%	15,557	3.25%-7.75%	9,590	3.5%-4.5%	6,005	3.5%-4.5%
Floating-rate borrowings	<u>11,653</u>	4.25%-6.50%	<u>16,268</u>	5.25%-6.50%	<u>18,605</u>	5.25%	<u>19,949</u>	5.25%
	<u>14,443</u>		<u>31,825</u>		<u>28,195</u>		<u>25,954</u>	

As at 30 November 2013, our Group had outstanding amount due to a related party of approximately HK\$0.4 million and bank borrowings of approximately HK\$25.9 million (all of the bank borrowings were secured by properties of Mr. Leung, personal guarantee from Mr. Cheung and Mr. Leung and a close family member of Mr. Leung). In addition, our Group had outstanding obligations under finance leases of approximately HK\$6.0 million.

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All of the bank borrowings are secured by personal guarantees given by certain directors. It is expected that the guarantees will be released and will be replaced by guarantees from our Company upon Listing.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, our Group did not have outstanding as at the close of business on 30 November 2013, any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptable credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities.

As at 30 November 2013, our Group had obtained banking facilities of HK\$20.0 million, of which approximately HK\$0.1 million was unutilised. Taking into account of the financial resources available to our Group, including the expected cash to be generated from our operations, the available banking facilities and the estimated net proceeds from the Placing, our Directors consider that we have sufficient working capital for our operations for at least the next 12 months from the date of this prospectus.

Our Directors confirm that there had been no delay or default in repayment of bank borrowings or material non-compliance with the covenants contained in our banking facilities throughout the Track Record Period and as at the Latest Practicable Date.

Our Directors confirm that there was no material adverse change in our Group's indebtedness and contingent liabilities since 30 November 2013, being the date for determining our Group's indebtedness.

Contingent Liabilities

As at 31 March 2012, 31 March 2013, 31 August 2013 and 30 November 2013, we did not have any material contingent liabilities.

Capital Commitments

As at 31 March 2012, 31 March 2013, 31 August 2013 and 30 November 2013, we did not have capital commitments.

Property Interests

During the Track Record Period and up to the Latest Practicable Date, we did not own any properties. See "Business — Property" for further details.

Commitments

Obligations under finance leases

We had leased some of our motor vehicles under finance leases, with lease terms ranging from three years to five years. For the years ended 31 March 2012 and 31 March 2013 and the five months

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ended 31 August 2013, the average borrowing rates were 4.07%, 3.27% and 3.26% per annum, respectively, and the interest rate were fixed at the date of contract. Our leases were entered into a fixed repayment basis and we had not entered into any arrangement for contingent rental payments. All of our obligations under finance leases were secured by a charge over the leased assets. The table below sets out a summary of our obligations under the finance leases for the periods indicated:

	Minimum lease			Present value of		
	payments			minimum lease		
	As at 31 March		As at	payments		As at
	2012	2013	31 August	As at 31 March	31 August	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Amounts payable under finance leases:						
Within one year	647	1,956	1,939	581	1,690	1,694
In the second to fifth year inclusive	<u>1,970</u>	<u>6,011</u>	<u>5,203</u>	<u>1,615</u>	<u>5,392</u>	<u>4,683</u>
	2,617	7,967	7,142	2,196	7,082	6,377
Less: future finance charges	<u>(421)</u>	<u>(885)</u>	<u>(765)</u>	<u>—</u>	<u>—</u>	<u>—</u>
Present value of lease obligations	<u>2,196</u>	<u>7,082</u>	<u>6,377</u>	2,196	7,082	6,377
Less: Amounts due for settlement within one year (shown as current liabilities)				<u>(581)</u>	<u>(1,690)</u>	<u>(1,694)</u>
Amounts due for settlement after one year				<u>1,615</u>	<u>5,392</u>	<u>4,683</u>

We will dispose of two of our luxurious motor vehicles before the Listing. Subsequent to the disposal, all of our motor vehicles would be used for business purposes, including provision of transportation arrangements for our Group's major customers.

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OFF-BALANCE SHEET ARRANGEMENTS

We did not have any outstanding off-balance sheet guarantees, interest rate swap transactions, foreign currency and commodity forward contracts or other off-balance sheet arrangements during the Track Record Period. We do not engage in trading activities involving non-exchange traded contracts. In the course of our normal business, we do not enter into transactions involving, or otherwise form relationships with, unconsolidated entities or financial partnerships that are established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

SUMMARY OF KEY FINANCIAL RATIOS

The table below sets out a summary of our key financial ratios for the years ended 31 March 2012, 31 March 2013 and the five months ended 31 August 2012 and 31 August 2013 and should be read in conjunction with the Accountants' Report in Appendix I to this prospectus.

	<i>Notes</i>	Year ended 31 March		Five months ended 31 August	
		2012	2013	2012	2013
PROFITABILITY RATIOS					
Gross profit margin	1	16.3%	22.7%	20.2%	20.7%
Net profit margin	2	2.2%	8.8%	6.9%	2.2%
Return on equity	3	14.8%	22.7%	N/A	3.1%
LIQUIDITY RATIOS					
Current ratio	4	1.2	2.2	N/A	2.1
Quick ratio	5	0.4	1.1	N/A	1.0
CAPITAL ADEQUACY RATIOS					
Gearing ratio	6	99.3%	38.0%	N/A	41.7%
Inventory turnover days	7	126 days	160 days	N/A	134 days
Trade receivables turnover days	8	19 days	14 days	N/A	23 days
Trade payables turnover days	9	13 days	9 days	N/A	9 days

Notes:

1. Gross profit margin is calculated based on the gross profit for the year/period divided by revenue and multiplied by 100%.
2. Net profit margin is calculated based on the profit for the year/period of our Group divided by revenue and multiplied by 100%.
3. Return on equity is calculated based on the profit for the year/period of our Group divided by total equity at the end of the year/period and multiplied by 100%.

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4. Current ratio is calculated based on the total current assets divided by the total current liabilities as at the end of the year/period.
5. Quick ratio is calculated based on the total current assets minus inventories divided by the total current liabilities as at the end of the year/period.
6. Gearing ratio is calculated based on the borrowings including interest-bearing bank borrowings, amounts due to shareholders, amounts due to related parties which is non-trade nature and obligations under finance leases divided by total equity at the end of the year/period and multiplied by 100%.
7. Inventory turnover days is calculated based on the average of opening and closing inventory balances for the year/period, divided by the total cost of sales during the year/period multiplied by 365 days/153 days.
8. Trade receivables turnover days is calculated based on the average of opening and closing trade receivable balances for the year/period, divided by total revenue during the year/period multiplied by 365 days/153 days.
9. Trade payables turnover days is calculated based on the average of opening and closing trade payables balances for the year/period, divided by total cost of sales for the year/period multiplied by 365 days/153 days.

Profitability ratios

Gross profit margin

For the years ended 31 March 2012 and 31 March 2013, our gross profit margin amounted to approximately 16.3% and 22.7%, respectively. For the five months ended 31 August 2012 and 31 August 2013, our gross profit margin amounted to approximately 20.2% and 20.7%, respectively. Our gross profit margin in the five months ended 31 August 2013 increased primarily due to increase in the average selling prices which reflected a higher mark-up on the selling prices. During the five months ended 31 August 2013, the gross profit margin of the Fine Red Wine increased from approximately 16% in the five months ended 31 August 2012 to approximately 19% in the five months ended 31 August 2013. See “— Review of historical results of operations — Year ended 31 March 2013 compared to year ended 31 March 2012 — Gross profit and gross profit margin” and “— Review of historical results of operations — Five months ended 31 August 2013 compared to five months ended 31 August 2012 — Gross profit and gross profit margin” for further details.

Net profit margin

For the years ended 31 March 2012 and 31 March 2013, our net profit margin amounted to approximately 2.2% and 8.8%, respectively. The increase from 2.2% as at 31 March 2012 to 8.8% as at 31 March 2013 was primarily due to the increase in our gross profit and the decrease in our expenses in 2013. For the five months ended 31 August 2012 and 31 August 2013, our net profit margin amounted to approximately 6.9% and 2.2%, respectively. The decrease in our net profit margin from 6.9% in the five months ended 31 August 2012 to 2.2% in the five months ended 31 August in 2013 was due to the increase in the listing expenses of HK\$5.7 million during the five months ended 31 August 2013.

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Return on equity

For the years ended 31 March 2012 and 31 March 2013 and five months ended 31 August 2013, our return on equity amounted to approximately 14.8%, 22.7% and 3.1%, respectively. The increase from 14.8% in the year ended 31 March 2012 to 22.7% in the year ended 31 March 2013 is primarily due to the increase in the profit and total comprehensive income for the year attributable to the owners of the Company by approximately 218.1% in 2013 and the decrease to 3.1% in the five months ended 31 August 2013 was due to the combined effect of the decrease in the profit and total comprehensive income for the period attributable to the owners of the Company as a result of the increase in listing expenses of HK\$5.7 million during the five months ended 31 August 2013 and the declaration of dividends in the amount of HK\$22.6 million during the five months ended 31 August 2013.

Liquidity ratios

Current ratio

As at 31 March 2012, 31 March 2013 and 31 August 2013, our current ratio amounted to approximately 1.2, 2.2 and 2.1, respectively. The increase in our current ratio from 1.2 as at 31 March 2012 to 2.2 as at 31 March 2013 is primarily due to the capitalisation of the amount due from Rouge & Blanc of HK\$30.5 million and the reclassification of certain long term trade deposits (which mature within a year) from non-current assets/liabilities to assets/liabilities current as at 31 March 2013. The decrease in our current ratio from 2.2 as at 31 March 2013 to 2.1 as at 31 August 2013 was due to the settlement of dividends declared of HK\$22.6 million during the five months ended 31 August 2013.

Quick ratio

As at 31 March 2012, 31 March 2013 and 31 August 2013, our quick ratio amounted to approximately 0.4, 1.1 and 1.0, respectively. The increase in our quick ratio from 0.4 as at 31 March 2012 to 1.1 as at 31 March 2013 is primarily due to the capitalisation of the amount due from Rouge & Blanc of HK\$30.5 million and the reclassification of the long term trade deposits from non-current assets/liabilities to current assets/liabilities as at 31 March 2013. The decrease in our quick ratio from 1.1 as at 31 March 2013 to 1.0 as at 31 August 2013 was due to the settlement of dividends declared of HK\$22.6 million during the five months ended 31 August 2013.

Capital adequacy ratios

Gearing ratio

As at 31 March 2012, 31 March 2013 and 31 August 2013, our gearing ratio amounted to approximately 99.3%, 38.0% and 41.7%, respectively. The decrease in our gearing ratio from 99.3% as at 31 March 2012 to 38.0% as at 31 March 2013 is primarily due to the capitalisation of the amount due from Rouge & Blanc of HK\$30.5 million. The increase in our gearing ratio to 41.7% was due to declaration of the dividends in the amount of HK\$22.55 million during the five months ended 31 August 2013.

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Inventory turnover days

For the years ended 31 March 2012 and 31 March 2013 and five months ended 31 August 2013, our inventory turnover days amounted to approximately 126 days, 160 days and 134 days, respectively. The increase in our inventory turnover days from 126 days in the year ended 31 March 2012 to 160 days in the year ended 31 March 2013 is mainly due to the increase in the inventory turnover days in respect of Fine Red Wine and Rare and Collectible Red Wine. The inventory turnover days in respect of Fine Red Wine in the year ended 31 March 2013 increased due to certain purchase orders by our customer, which were delivered to our Group pending delivery to our customers as at 31 March 2013. The inventory turnover days in respect of Rare and Collectible Red Wine in the year ended 31 March 2013 increased due to the decrease in the sales of Rare and Collectible Red Wine from 2,140 bottles sold in the year ended 31 March 2012 to 1,031 bottles sold in the year ended 31 March 2013. The decrease in our inventory turnover days in the five months ended 31 August 2013 was due to the delivery of 5,520 bottles of Fine Red Wine to our customers, which purchase orders had been placed with us and the inventories had been delivered to us before 31 March 2013. See “— Net current assets and selected items of consolidated statements of financial positions — Inventories” for further details.

Trade receivables turnover days

For the years ended 31 March 2012 and 31 March 2013 and five months ended 31 August 2013, our trade receivables turnover days amounted to approximately 19 days, 14 days and 23 days, respectively. The decrease in our trade receivables turnover days from 19 days in the year ended 31 March 2012 to 14 days in the year ended 31 March 2013 is due to the increased efficiency in our collection efforts from our customers. The increase in the trade receivables turnover days from 14 days in the year ended 31 March 2013 to 23 days in the five months ended 31 August 2013 was due to increase in the sales to one of our largest customers during the five months ended 31 August 2013.

Trade payables turnover days

For the years ended 31 March 2012 and 31 March 2013 and five months ended 31 August 2013, our trade payables turnover days amounted to approximately 13 days, 9 days and 9 days, respectively. The decrease in our trade payables turnover days from 13 days in the year ended 31 March 2012 to 9 days in the year ended 31 March 2013 is due to the improved cash flow from operating activities.

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT FINANCIAL RISK

During our normal course of business, we are exposed to various financial risks, including currency risks, liquidity risks, credit risks and fair value interest rate risks.

Currency risks

Our Company does not have any exposure on currency risk.

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We have foreign currency purchases, which expose us to foreign currency risk. In addition, certain bank balances and cash and trade payables of our Group are denominated in foreign currencies. The carrying amounts of our Group's bank balances and cash and trade payables denominated in foreign currencies are as follows:

Currency	Bank balances and cash			Trade payables		
	As at 31 March		As at 31 August	As at 31 March		As at 31 August
	2012	2013	2013	2012	2013	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
EUR	30	2	242	448	276	1,290
GBP	22	6	17	940	452	895
CHF	—	3	2	345	982	131
USD	123	28	27	767	1,492	115

We currently do not have a foreign currency hedging policy. However, our Directors monitor foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises. For the mitigation of the risks from foreign exchange exposure, our management takes into account the effect of the foreign exchange fluctuation before we determine the selling price of our products.

No sensitivity analysis is presented as in our Directors' opinion, the expected change in foreign currency rates will not have significant impact on the profit for the year during the Track Record Period.

Liquidity risks

In the management of the liquidity risks, we monitor and maintain a level of cash and cash equivalents, as determined by our Directors adequate to finance our operations and to mitigate the effects of unexpected fluctuations in cash flows at our Group level and at our Company level.

The table below sets out details of our remaining contractual maturity for our non-derivative financial liabilities at our Group level and Company level, and has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which we are required to pay. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates. The table includes both interest and principal cash flows.

FINANCIAL INFORMATION

Our Group — as at 31 March 2012

	Weighted average effective interest rate %	Repayable on demand or within 1 year HK\$'000	1 - 2 years HK\$'000	Over 2 years HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amount HK\$'000
Non-derivative financial liabilities						
Trade and other payables and accrued charges	N/A	10,455	—	—	10,455	10,455
Amounts due to related parties						
- interest bearing	9.13	41,564	—	—	41,564	41,564
- non-interest bearing	N/A	410	—	—	410	410
Amounts due to shareholders	N/A	1,957	—	—	1,957	1,957
Obligations under finance leases	4.07	647	562	1,408	2,617	2,196
Bank borrowings						
- fixed-rate	5.11	2,790	—	—	2,790	2,790
- floating-rate	5.50	<u>11,653</u>	<u>—</u>	<u>—</u>	<u>11,653</u>	<u>11,653</u>
		<u>69,476</u>	<u>562</u>	<u>1,408</u>	<u>71,446</u>	<u>71,025</u>

FINANCIAL INFORMATION

Our Group — as at 31 March 2013

	Weighted average effective interest rate %	Repayable on demand or within 1 year HK\$'000	1 - 2 years HK\$'000	Over 2 years HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amount HK\$'000
Non-derivative financial liabilities						
Trade and other payables and accrued charges	N/A	8,149	—	—	8,149	8,149
Amounts due to related parties	N/A	410	—	—	410	410
Amounts due to shareholders	N/A	107	—	—	107	107
Obligations under finance leases	3.27	1,956	1,939	4,072	7,967	7,082
Bank borrowings						
- fixed-rate	4.40	15,557	—	—	15,557	15,557
- floating-rate	5.85	16,268	—	—	16,268	16,268
Financial guarantee contract	N/A	<u>85,000</u>	<u>—</u>	<u>—</u>	<u>85,000</u>	<u>—</u>
		<u>127,447</u>	<u>1,939</u>	<u>4,072</u>	<u>133,458</u>	<u>47,573</u>

FINANCIAL INFORMATION

Our Group — as at 31 August 2013

	Weighted average effective interest rate %	Repayable on demand or within 1 year HK\$'000	1 - 2 years HK\$'000	Over 2 years HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amount HK\$'000
Non-derivative financial liabilities						
Trade and other payables and accrued charges	N/A	8,040	—	—	8,040	8,040
Amount due to a related party	N/A	410	—	—	410	410
Obligations under finance leases	3.26	1,939	1,939	3,264	7,142	6,377
Bank borrowings						
- fixed-rate	4.36	9,590	—	—	9,590	9,590
- floating-rate	5.25	<u>18,605</u>	<u>—</u>	<u>—</u>	<u>18,605</u>	<u>18,605</u>
		<u>38,584</u>	<u>1,939</u>	<u>3,264</u>	<u>43,787</u>	<u>43,022</u>

The amounts included above for financial guarantee contract are the maximum amount our Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, we consider that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

Bank borrowings with a repayment on demand clause are included in the “repayable on demand” time band in the above maturity analysis. As at 31 March 2012, 31 March 2013 and 31 August 2013, the aggregate carrying amounts of these bank borrowings amounted to approximately HK\$14.4 million, HK\$31.8 million and HK\$28.2 million, respectively. Taking into account of our financial position, our Directors consider it not probable that the banks will exercise their discretionary rights to demand immediate repayment. Our directors are of the view that such bank borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows for bank borrowings as at 31 March 2012, 31 March 2013 and 31 August 2013 would amount to HK\$15.4 million, HK\$33.2 million and HK\$29.4 million, respectively. To the extent that interest rates are floating rate, the undiscounted amount is derived from the interest rate curve at the end of the reporting period.

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We set out details of our Group's bank borrowings based on the scheduled repayment dates under the bank borrowings agreements in the table below:

Our Group

	Weighted average effective interest rate %	Less than 1 year HK\$'000	1 - 2 years HK\$'000	Over 2 years HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amount HK\$'000
Bank borrowings:						
<i>As at 31 March 2012</i>						
- fixed-rate	5.11	1,363	329	1,388	3,080	2,790
- floating-rate	5.50	<u>12,278</u>	<u>—</u>	<u>—</u>	<u>12,278</u>	<u>11,653</u>
		<u>13,641</u>	<u>329</u>	<u>1,388</u>	<u>15,358</u>	<u>14,443</u>
<i>As at 31 March 2013</i>						
- fixed-rate	4.40	14,700	235	1,153	16,088	15,557
- floating-rate	5.85	<u>17,107</u>	<u>—</u>	<u>—</u>	<u>17,107</u>	<u>16,268</u>
		<u>31,807</u>	<u>235</u>	<u>1,153</u>	<u>33,195</u>	<u>31,825</u>
<i>As at 31 August 2013</i>						
- fixed-rate	4.36	8,576	235	1,055	9,866	9,590
- floating-rate	5.25	<u>19,582</u>	<u>—</u>	<u>—</u>	<u>19,582</u>	<u>18,605</u>
		<u>28,158</u>	<u>235</u>	<u>1,055</u>	<u>29,448</u>	<u>28,195</u>

FINANCIAL INFORMATION

Our Company - as at 31 August 2013

	Weighted average effective interest rate %	Repayable on demand or within 1 year HK\$'000	1 - 2 years HK\$'000	Over 2 years HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amount HK\$'000
Non-derivative financial liabilities						
Other payables and accrued charges	N/A	2,469	—	—	2,469	2,469
Amount due to a subsidiary	N/A	<u>3,380</u>	<u>—</u>	<u>—</u>	<u>3,380</u>	<u>3,380</u>
		<u>5,849</u>	<u>—</u>	<u>—</u>	<u>5,849</u>	<u>5,849</u>

Credit risks

Our credit risks is primarily attributable to trade receivables, amount due from a related party, amounts due from shareholders and bank balances.

Our maximum exposure to credit risk which will cause a financial loss to our Group due to failure to discharge the obligations by counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statements of financial position at the end of the reporting period and financial guarantee provided by our Group to a related party.

As at 31 March 2012, 31 March 2013 and 31 August 2013, we had concentration of credit risk as approximately 41%, 46% and 70% of the total trade receivables, respectively, which were: (i) as at 31 March 2012 and 31 August 2013, due from our major customer, which is a private entity operating in Hong Kong and the PRC, and (ii) as at 31 March 2013, an individual wine collector. Taking into account of the credit quality and financial ability of these customers, our Directors considered the credit risks of these trade receivables are insignificant.

As at 31 March 2012, 31 March 2013 and 31 August 2013, we had concentrations of credit risk of 67%, 54% and 46% of the total trade deposits, respectively, which were placed to our largest supplier. Taking into account of the good trading relationship with such supplier and the long history business development of such supplier, our Directors considered that the credit risks of these trade deposits placed insignificant.

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In order to minimise the credit risk, we have dedicated a team responsible for the determination and assessment of credit limits, credit approvals and other monitoring procedures to ensure that appropriate actions are undertaken to recover overdue debts. In addition, we will review the amounts due under each individual debt at the end of each financial year to ensure adequate impairment losses are made for irrecoverable amounts. For the financial guarantee provided by our Group to a related party, we continuously monitor the credit quality and financial condition of the guaranteed party to whom we have granted the financial guarantee contract to ensure that we will not suffer significant credit losses as a result of the failure of the guaranteed party on the repayment of the relevant loans. In addition the guarantee loan is secured by a property. In this regard, our Directors consider that our credit risk is significantly reduced.

As at 31 March 2013, we had significant concentrations of credit risk on amount due from a related party of HK\$5.8 million and amount due from a shareholder of HK\$3.0 million. The amounts were substantially settled by net settlement agreements executed on 27 August 2013.

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings and on balances mentioned above, we do not have significant concentration of credit risk.

Interest rate risks

We are exposed to fair value interest rate risks in relation to its fixed rate amounts due to related parties, obligations under finance leases and fixed-rate bank borrowings.

Our cash flow interest rate risk primarily relates to the bank balances as well as floating-rate bank borrowings.

We have not used any interest rate swaps in order to mitigate the exposure associated with interest rate risk. However, our Directors monitor the interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

Our cash flow interest rate risk is mainly concentrated on the fluctuation of Hong Kong Prime Rate arising from our Hong Kong dollar denominated borrowings.

Sensitivity analysis

In our Directors' opinion, the expected change in interest rate on bank balances will not be significant in the near future, hence sensitivity analysis is not presented.

The sensitivity analysis below have been determined based on the exposure to interest rates of our Group's floating-rate bank borrowings at the end of the relevant reporting period. The analysis is prepared on the assumption that the amount of liability outstanding was outstanding for the whole year. A 100 basis points increase or decrease is used which represents our Directors' assessment of the

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reasonably possible change in interest rates. If interest rates had been 100 basis points higher/lower and all other variables were held constant, the impact on our post-tax profit for the years ended 31 March 2012, 31 March 2013 and the five months ended 31 August 2013 would be:

	Year ended 31 March		Five months ended
	2012	2013	31 August 2013
	HK\$'000	HK\$'000	HK\$'000
Decrease/increase in post-tax profit	97	136	65

RELATED PARTY TRANSACTIONS

During the Track Record Period, we had entered into certain related party transactions, details of which are set out in Note 34 headed “Related Party Transactions” to the Accountants’ Report set out in Appendix I to this prospectus. Our Directors are of the view that the related party transactions were conducted at arm’s length and on normal commercial terms.

LISTING EXPENSES

Our listing expenses mainly comprise professional fees paid to legal advisers and the reporting accountant for their services rendered in relation to the Placing. The estimated total listing expenses in relation to this Placing are approximately HK\$16.7 million (based on the Placing Price of HK\$1.20 per Placing Share, being the mid-point of the Placing price range stated in this prospectus), of which a sum of HK\$3.0 million is payable to the Sole Sponsor as the sponsor’s fee.

During the Track Record Period, we incurred expenses of approximately HK\$7.3 million in connection with the Listing. We estimated that the listing expenses of approximately HK\$10.1 million will be charged to consolidated statement of profit or loss and other comprehensive income for the year ending 31 March 2014 and approximately HK\$5.0 million (based on the Placing Price of HK\$1.20 per Placing Share, being the mid-point of the indicative range of the Placing Price) will be accounted for as a deduction from equity directly upon the Listing. The listing expenses of our Group is a current estimate for reference only and the final amount to be recognised to the consolidated statement of profit or loss and other comprehensive income of our Group for the year ending 31 March 2014 is subject to adjustments based on the actual amount incurred or to be incurred. Prospective investors should note that the financial performance of our Group for the year ending 31 March 2014 would be adversely affected by the estimated non-recurring listing expenses mentioned above, and may or may not be comparable to the financial performance of our Group in the past.

TAX

Our profits are subject to Hong Kong profits tax. Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising for each of the two years ended 31 March 2013.

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DISTRIBUTABLE RESERVE

As at 31 August 2013, the aggregate amount of distributable reserves available for distribution to our Shareholders was HK\$99.1 million.

DIVIDENDS AND DIVIDEND POLICY

We have not declared or paid any dividends for the years ended 31 March 2012 and 31 March 2013. During the five months ended 31 August 2013, Major Cellar declared dividends in the amount of HK\$22,550,000 to its then shareholders.

Any declaration and payment of dividends will be subject to our Articles of Association and the Companies Law. Pursuant to our Articles of Association and the Companies Law, we, through a general meeting, may declare dividends in any currency, but no dividend shall be declared in excess of the amount recommended by our Directors. Our Articles of Association provide that dividends may be declared and paid out of our profit, realised or unrealised, or from any reserve set aside from profits which our Directors determine is no longer needed. With the sanction of an ordinary resolution, dividends may also be declared and paid out of our share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

In addition, the declaration of dividends is subject to the discretion of our Directors, and the amounts of dividends actually declared and paid will also depend upon the following factors:

- our general business conditions;
- our financial results;
- our capital requirements;
- interests of our shareholders; and
- any other factors which our Directors may deem relevant.

Our Directors will declare dividends, if any, in Hong Kong dollars with respect to our Shares on a per share basis and will pay such dividends in Hong Kong dollars. Any final dividend for a fiscal year will be subject to our Shareholders' approval. Prospective investors should note that historical dividend distributions are not indicative of our future dividend distribution policy.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, up to the Latest Practicable Date, there has been no material adverse change in our financial or trading position since 31 August 2013, being the end of the period reported on in the Accountants' Report.

FINANCIAL INFORMATION

DISCLOSURE REQUIRED UNDER CHAPTER 17 OF THE GEM LISTING RULES

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

STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

BUSINESS OBJECTIVES

We have been a retailer for premium wine and spirits products in Hong Kong for approximately five years. We offer a full range of wine and spirits products as well as one-stop services for a vast array of wine and spirits related products to our customers. Through the premium quality wine and spirits products that we sell and the high quality services we provide, we are able to build stable and recurring business relationships with our customers.

We intend to continue our business diversification and strive to obtain a leading position in the wine and spirits industry in Hong Kong. We plan to, among others, (i) leverage our experience and expand the size of our operations by expanding our existing point of sales, thereby attracting more new customers and increasing public awareness of our Company; (ii) diversify our wine and spirits products portfolio by increasing our wine and spirits products available for sale, thereby broadening our existing customer base and our existing market share, and (iii) strengthen our sales and marketing team.

BUSINESS STRATEGIES

Please refer to “Business — Our business strategies” for a detailed description of our business objectives and strategies.

IMPLEMENTATION PLANS

We have drawn up an implementation plan for the period up to 30 June 2014 with a view to achieving the business objectives along with the strategies set out above. The detailed implementation plan and expected timetable are set out below.

Investors should note that the implementation plan is drawn up based on the current economic status and the assumptions as set out in the paragraph headed “Bases and Key Assumptions” below, which are inherently subject to uncertainties. Given that we operate in a dynamic market which is subject to rapid changes in the macroeconomic environments and consumer preferences, all of which are difficult to predict or are beyond our control, the implementation plans set out below only reflect our present intentions and may be adjusted in the future to reflect changes in market conditions. There is no assurance that our business plans will materialise in accordance with the estimated time frame and that our objectives will be accomplished at all. Our Directors will use their best endeavours to anticipate future changes in the market, take measures and be flexible so that we may stay ahead of or react timely and appropriately to such changes.

STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

For the period from the Latest Practicable Date to 31 March 2014:

- | | |
|---|---|
| Expansion of our point of sales | <ul style="list-style-type: none">• Identify potential location of a new retail showroom, which is expected to be to have a gross floor area of approximately 1,000 sq. m., and will be situated on the street level within prime shopping areas in Causeway Bay or Tsim Sha Tsui or nearby luxury hotels in Causeway Bay or Tsim Sha Tsui. It is currently expected that a new lease will be entered into on or before 31 March 2014. We expect to incur a total capital expenditure of HK\$500,000 for the renovation and monthly working capital requirements of approximately HK\$150,000 to HK\$300,000, covering our costs of operations of our new retail showroom including monthly rental payments. Based on the estimated total capital expenditure and working capital requirements, we anticipate that the estimated investment payback period will be approximately six months. As at the Latest Practicable Date, no lease agreement had been entered into in respect of the new retail showroom• Continue to conduct advertising, marketing and promotional activities to enhance consumer awareness of our wine and spirits products and attract new customers• Enhance our website by adding online purchase system for the convenience of our existing customers and to attract new customers |
| Expansion of our existing supply arrangements | <ul style="list-style-type: none">• Explore new supply arrangements and enter into supply arrangement with at least one new wineries or vineyards from overseas. As at the Latest Practicable Date, we were in discussions with a few vineyards in respect of the potential supply arrangements in Hong Kong |
| Broaden our wine and spirits products portfolio | <ul style="list-style-type: none">• Expand our existing collection of Fine Red Wine and Rare and Collectible Red Wine by increasing our vintage spectrum from the existing 30 vintages. Our Directors will take into account the following criteria for the procurement of additional wine and spirits products to be included for sale in our existing portfolio: |

STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

Fine Red Wine

- approximately HK\$3,780,000 to extend our existing vintages and collection of Fine Red Wine from Burgundy and Bordeaux, including vintages and brands that are not contained in our existing portfolio

Rare and Collectible Red Wine

- approximately HK\$3,780,000 to extend our existing collection, including vintages and brands that are not contained in our existing portfolio

Value Red Wine

- approximately HK\$1,890,000 to extend our existing collection in value red wine, including vintages and brands that are not contained in our existing portfolio

Spirits

- approximately HK\$2,700,000 to obtain more high-end brands, especially those that are made in great vintages, including vintages and brands that are not contained in our existing portfolio

White wine

- approximately HK\$1,350,000 to extend our existing vintages and collection of white wine from Burgundy and Bordeaux, including vintages and brands that are not contained in our existing portfolio

- Offer more mid-price wine and spirits products in addition to Fine Red Wine and Rare and Collectible Red Wine, with an aim to capture the increasing mid-end spending class customers

For the three months ending 30 June 2014:

Expansion of our point of sales

- Renovation of new retail showroom
- Enhance our existing EPOS system to support the online purchase system

Expansion of our sales and marketing team

- Recruit about two to four wine consultants

Expansion of our existing supply arrangement

- Identify, negotiate and conclude terms with potential suppliers regarding new supply arrangements

STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

BASES AND KEY ASSUMPTIONS

We have adopted the following principal assumptions in the preparation of the future plans up to 30 June 2014:

- there will be no material adverse change in the existing political, legal, fiscal, market or economic conditions in Hong Kong and the PRC in which we operate;
- we will have sufficient financial resources to meet the planned capital and business development requirements during the period to which the business objectives relate;
- there will be no material change in the bases or rates of taxation and duties in Hong Kong in which we operate and carry on business;
- the Placing will be completed in accordance with and as described in the section headed “Structure and Conditions of the Placing” in this prospectus;
- our Directors’ and key senior management’s continued involvement in the development of our existing and future development and we will be able to retain our key management personnel;
- we will be able to recruit additional key management personnel and staff when required;
- there will be no change in the funding requirement for each of the near term business objectives described in this prospectus from the amount as estimated by our Directors;
- we will not be materially and adversely affected by the risk factors as set out in the section headed “Risk Factors” in this prospectus; and
- we will be able to continue our operation in substantially the same manner as we have been operating during the Track Record Period and we will also be able to carry out our implementation plans without disruptions.

REASONS FOR THE PLACING AND USE OF PROCEEDS

We believe that the Placing will enhance our profile, strengthen our competitiveness and financial position, and provide us with additional working capital to implement our future plans set out in “Business — Our business strategies” and “— Implementation plans” in this prospectus. The net proceeds from the Placing, are estimated to be approximately HK\$19.3 million after deducting the underwriting commission and total listing expenses in the amount of approximately HK\$16.7 million, payable by our Company from the gross proceeds from the Placing, and based on the Placing Price of HK\$1.20 per Placing Share, being the mid-point of the Placing Price range stated in this prospectus.

STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

We intend to apply the aforesaid net proceeds in the following manner:

- (i) approximately 70% of the total estimated net proceeds, or approximately HK\$13.5 million, will be used to increase our wine and spirits stock inventory and to expand our existing collection of wine and spirits products. Based on the prevailing market demand, our Directors estimate that within the approximately HK\$13.5 million out of the total estimated net proceeds, approximately 28% will be utilised for purchase of Fine Red Wine, 28% will be utilised for purchase of Rare and Collectible Red Wine, 14% will be utilised for purchase of Value Red Wine, 20% will be utilised for purchase of spirits and 10% will be utilised for purchase of white wine, all of which will be offered for sale to our customers. Nonetheless, as the types of wine and spirits products to be purchased are market driven, we will adjust our proposed wine and spirits collection as are necessary with reference to the then prevailing market demand and the current estimation is subject to further changes;
- (ii) approximately 20% of the total estimated net proceeds, or approximately HK\$3.9 million, will be used for the expansion of our point of sales by opening one new retail showroom which will commence operation on or before 30 June 2014. The budgeted initial costs and working capital requirements for a new retail showroom, are expected to include deposits, setup costs and inventory, of which approximately HK\$150,000 to HK\$300,000 are expected to be utilised for monthly rental payments and HK\$500,000 are expected to be utilised for renovation costs. See “Business — our business strategies — we will continue to develop and enhance our customer communication and interaction, strengthening our sales of wine and spirits in Hong Kong, and thereby maintaining our market position in the wine and spirits industry in Hong Kong”; and
- (iii) the remaining 10% of the total estimated net proceeds, or approximately HK\$1.9 million, will be used for the funding of our working capital and other general corporate uses.

If the Placing Price is fixed at HK\$1.40 per Placing Share, being the high-end of the indicative Placing Price range, the net proceeds of the Placing will be approximately HK\$25.1 million. If the Placing Price is fixed at HK\$1.00 per Placing Share, being the low-end of the indicative Placing Price range, the net proceeds of the Placing will be approximately HK\$13.5 million.

To the extent that our net proceeds are either more or less than expected, for instance, in the event that the Placing Price is set at the high-end of the indicative Placing Price range or the Placing Price is set at the low-end of the indicative Placing Price range, we will adjust our allocation of the net proceeds for the above purposes on a pro rata basis.

The possible use of proceeds outlined above may change in light of our evolving business needs and conditions and management requirements. In the event of any material modification to the use of proceeds as described above, we will issue an announcement and make disclosure in our annual report for the relevant year as required by the Stock Exchange.

STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

To the extent that the net proceeds from the Placing are not immediately applied to the above purposes, we intend to deposit the proceeds into interest-bearing bank accounts with licensed banks and/or authorised financial institutions in Hong Kong so long as it is in our interest. Any deficiency in funding for the above-mentioned projects will be financed through internal funds and/or bank borrowings.

SOLE SPONSOR'S INTEREST

Save as provided for under the Underwriting Agreement and save as disclosed in this prospectus, neither the Sole Sponsor nor any of its associates has or may have, as a result of the Placing, any interest in any securities of our Company or any other member of our Group (including rights to subscribe for such securities).

Neither the Sole Sponsor nor any of its associates has accrued any material benefit as a result of the successful outcome of the Placing, other than the following:

- (a) by way of documentation and financial advisory fee to be paid to the Sole Sponsor for acting as the sponsor of the Placing;
- (b) certain associates of the Sole Sponsor whose usual and ordinary courses of business involve trading of and dealing in securities may derive commissions from the trading of and dealing in securities of our Company or provide margin financing in connection thereto or purchase or sell securities of our Company or hold securities of our Company for investment purposes after our Listing on GEM;
- (c) in taking up the underwriting obligation under the Underwriting Agreement; and
- (d) by way of an underwriting commission to be paid to the Sole Lead Manager for acting as the Underwriters to the Placing pursuant to the Underwriting Agreement.

None of the directors and employees of the Sole Sponsor has any directorship in our Company or any other companies comprising our Group.

UNDERWRITING

UNDERWRITERS

Sole Lead Manager

China Everbright Securities (HK) Limited

Co-Manager

Pacific Foundation Securities Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

The Underwriting Agreement

Pursuant to the Underwriting Agreement, our Company is offering the Placing Shares for subscription by way of placing to selected professional, institutional or other investors in Hong Kong at the Placing Price subject to the terms and conditions in the Underwriting Agreement and this prospectus.

Subject to, among other conditions, the Listing Division granting the listing of, and permission to deal in, our Shares in issue and to be issued as mentioned in this prospectus (including any Shares which may fall to be issued pursuant to the Capitalisation Issue and upon exercise of the options that may be granted under the Share Option Scheme) and to certain other conditions set out in the Underwriting Agreement being fulfilled or waived on or before the dates and times specified in the Underwriting Agreement, the Underwriters have severally agreed to subscribe for or purchase or procure subscribers for their respective applicable proportions of the Placing Shares on the terms and conditions of the Underwriting Agreement and this prospectus.

Grounds for termination

The Sole Lead Manager (for itself and on behalf of the Underwriters) shall have the absolute right to terminate the underwriting arrangements with immediate effect pursuant to the Underwriting Agreement by notice in writing given to our Company at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date (the “Termination Time”), if any of the following events shall occur prior to the Termination Time:-

- (a) there develops, occurs, exists or comes into force:
 - (i) any change or development involving a prospective change or development in, or any event or series of events resulting or likely to result in or representing any prospective change or development in, local, national, regional or international financial, political, military, industrial, legal, economic, currency market, credit, fiscal or regulatory or market matters or conditions (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets, credit markets, and inter-bank markets, a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States or a devaluation of the

UNDERWRITING

Renminbi against any foreign currencies) in or affecting Hong Kong, the PRC, the Cayman Islands, the BVI, the United States, the United Kingdom, the European Union (or any member thereof), or any other jurisdiction relevant to any member of our Group (each a “Relevant Jurisdiction”); or

- (ii) any new law or regulation or any change or development involving a prospective change in any existing law or regulation, or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in or affecting any Relevant Jurisdiction; or
- (iii) any event or series of events in the nature of force majeure (including, without limitation, acts of government, labour disputes, strikes, lock-outs, fire, explosion, flooding, earthquake, civil commotion, riots, public disorder, declaration of a national or international emergency, acts of war, riot, public disorder, acts of terrorism (whether or not responsibility has been claimed), acts of God, epidemic, pandemic, outbreak of disease (including without limitation Severe Acute Respiratory Syndromes (SARS), H5N1, H1N1, H7N9)), economic sanctions, in or affecting any of the Relevant Jurisdictions; or
- (iv) any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or calamity or crisis in or affecting any of the Relevant Jurisdictions; or
- (v) (A) any moratorium, suspension, restriction or limitation on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the American Stock Exchange, the London Stock Exchange, the Shanghai Stock Exchange, the Tokyo Stock Exchange, the Shenzhen Stock Exchange, or (B) a general moratorium on commercial banking activities in any of the Relevant Jurisdictions declared by the relevant authorities, or a disruption in commercial banking activities or foreign exchange trading or securities settlement or clearance services procedures or matters in or affecting any of the Relevant Jurisdictions; or
- (vi) any change or development or event involving a prospective change in taxation or exchange controls (or the implementation of any exchange control), currency exchange rates or foreign investment regulations in any of the Relevant Jurisdictions; or
- (vii) any imposition of economic sanction or withdrawal of trading privileges, in whatever form, directly or indirectly, by, or for, any of the Relevant Jurisdictions; or
- (viii) any adverse change or development or event or a prospective adverse change or development or event in our Group’s assets, liabilities, profit, losses, performance, condition, business, financial, earnings, trading position, prospects, properties, results

UNDERWRITING

of operations, general affairs, shareholders' equity, management, position or condition, financial or otherwise, whether or not arising in the ordinary course of business, as determined by the Sole Sponsor and the Sole Lead Manager in its sole and absolute discretion; or

- (ix) the commencement by any judicial, regulatory, governmental or political body or organisation of any action, claim or proceedings against any Director or an announcement by any judicial, regulatory, governmental or political body or organisation that it intends to take any such action; or
- (x) save as disclosed in this prospectus, a demand by any tax authority for payment for any tax liability for any member of our Group; or
- (xi) a Director being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company; or
- (xii) the chairman or chief executive officer of our Company vacating his office; or
- (xiii) an authority or a political body or organisation in any jurisdiction commencing any investigation or other action, or announcing an intention to investigate or take other action, against any Director; or
- (xiv) save as disclosed in this prospectus, a contravention by any member of our Group of the GEM Listing Rules or any applicable laws or regulations in the PRC, the Cayman Islands, Hong Kong and the BVI; or
- (xv) an order or petition is presented for the winding up or liquidation of our Company or any of our subsidiaries, or our Company or any of our subsidiaries make any compromise or arrangement with its creditors or enter into a scheme of arrangement or any resolution is passed for the winding-up of our Company or any of our subsidiaries or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of our Company or any of our subsidiaries or anything analogous thereto occurs in respect of our Company or any of our subsidiaries; or
- (xvi) a demand by any creditor for repayment or payment of any of our Company's indebtednesses or those of any of our subsidiaries or in respect of which our Company or any of our subsidiaries is liable prior to its stated maturity; or
- (xvii) any loss or damage sustained by our Company or any of our subsidiaries as a result of a breach of its respective obligations or non-compliance with the applicable laws and regulations (howsoever caused and whether or not the subject of any insurance or claim against any person); or

UNDERWRITING

- (xviii) any litigation or claim being threatened or instigated against our Company or any of our subsidiaries or the covenantors as defined in the Underwriting Agreement (the “Covenantors”); or
 - (xix) a prohibition on our Company for whatever reason from allotting the Placing Shares pursuant to the terms of the Placing; or
 - (xx) non-compliance by our Group or our Directors of this prospectus (of any other documents used in connection with the contemplated Placing of our Shares) or any aspect of the Placing with the GEM Listing Rules or any other applicable law or regulation; or
 - (xxi) other than with the approval of the Sole Sponsor, the issue or requirement to issue by our Company of any supplement or amendment to this prospectus (or to any other documents used in connection with the contemplated Placing of our Shares) pursuant to the Companies Ordinance or the GEM Listing Rules or any requirement or request of the Stock Exchange and/or the SFC; or
 - (xxii) any event which give rise or would give rise to liability on the part of our Company pursuant to the indemnity provisions in the Underwriting Agreement; or
 - (xxiii) any change or prospective change in, or a materialisation of, any of the risks set out in the section headed “Risk Factors” in this Prospectus, and which, individually or in the aggregate, in the sole opinion of the Sole Sponsor and the Sole Lead Manager (for itself and on behalf of the other Underwriters), (A) has or may have or will have or is likely to have a materially adverse effect, whether directly or indirectly, on the assets, liabilities, business, general affairs, management, shareholders’ equity, profits, losses, trading position, results of operation, prospects, position or condition, financial or otherwise, or performance of our Company or our subsidiaries as a whole; or (B) has or may have or will have or is likely to have a material adverse effect on the success or the level of indication of interest in the Placing; or (C) makes, may make or will or is likely to make it impracticable or inadvisable or in expedient for any part of the Underwriting Agreement or the Placing to proceed or to be performed or implemented as envisaged or to market the Placing; or (D) makes or may make or will or is likely to make it inadvisable or inexpedient to proceed with the Placing or the delivery of the Placing Shares on the terms and in the manner contemplated by this prospectus; or
- (b) there has come to the notice of the Sole Sponsor and the Sole Lead Manager or any of the Underwriters after the date of the Underwriting Agreement:
- (i) that any statement contained in this prospectus and other Placing Documents (as defined in the Underwriting Agreement), the formal notice or any announcements in the agreed form issued or used by or on behalf of our Company in connection with the Placing (including any supplement or amendment thereto) was, when it was issued, or

UNDERWRITING

has or may become untrue or incorrect or misleading in a material respect, or that any forecast, expression of opinion, intention or expectation contained therein is not fair and honest and based on reasonable assumptions with reference to the facts and circumstances then subsisting; or

- (ii) that any matter has arisen or has been discovered which, had it arisen or been discovered immediately before the date of this prospectus which would or might constitute a material omission from this prospectus and/or in any notices or announcements issued or used by or on behalf of our Company in connection with the Placing (including any supplement or amendment thereto); or
- (iii) that any of the warranties given by our Company or the Covenantors or the Underwriting Agreement is (or would when repeated be) untrue, inaccurate or misleading or having been breached; or
- (iv) that any matter, event, act or omission which gives or is likely to give rise to any liability of our Company or the Covenantors out of or in connection with any breach, inaccuracy and/or incorrectness of the warranties as set out in the Underwriting Agreement and/or pursuant to the indemnities given by our Company, the Covenantors or any of them under the Underwriting Agreement; or
- (v) that any breach of any of the obligations or undertakings of any party to the Underwriting Agreement (other than the Sole Sponsor, the Sole Lead Manager or the Underwriters); or
- (vi) that our Company withdraws this prospectus; or
- (vii) that approval by the Listing Division of the listing of, and permission to deal in, our Shares to be issued (including up to 10% of the Shares in issue as at the Listing Date, to be allotted and issued pursuant to the exercise of options that may be granted under the Share Option Scheme) under the Placing is refused or not granted, other than subject to customary conditions, on or before the date of approval of the listing, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
- (viii) that any of the experts described under the paragraph headed “Other Information — Qualifications and consents of experts” in Appendix IV to this prospectus has withdrawn its respective consent to the issue of this prospectus with the inclusion of its reports, letters, summaries of valuations and/or opinions (as the case may be) and references to its name included in the form and context in which it respectively appears.

UNDERWRITING

Undertakings

Under Rule 13.16A(1) of the GEM Listing Rules, no further Shares or securities convertible into our equity securities (whether or not a class already listed) may be issued by our Company or form the subject of any agreement to such an issue within six months from the Listing Date (whether or not such issue of Shares or our securities will be completed within six months from the Listing Date), except in the circumstances prescribed by Rule 13.16A(1) of the GEM Listing Rules.

We have undertaken to the Sole Lead Manager (for itself and on behalf of the Underwriters) under the Underwriting Agreement that, and our Controlling Shareholders have undertaken to the Sole Lead Manager (for itself and on behalf of the Underwriters) to procure, that except pursuant to the Placing and the exercise of the options granted under the Share Option Scheme and the allotment and issue of Shares pursuant to the exercise of the options so granted, (1) our Company will not without the prior written consent of the Sole Lead Manager and unless in compliance with the GEM Listing Rules, at any time after the date of the Underwriting Agreement up to and including the date falling six months after the Listing Date (the “**First Six-month Period**”), (i) offer, accept subscription for, pledge, charge, allot, issue, sell, lend, mortgage, assign, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, make any short sale, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, or repurchase, any of our share capital, debt capital or other securities of our Company or any interest therein or any voting right or any other right attaching thereto (including, but not limited to, any securities convertible into or exercisable or exchangeable for, or that represent the right to receive any such share capital or securities or any interest therein) save as pursuant to the repurchase mandate granted by our Shareholders to our Directors as described in Appendix IV to this prospectus, or (ii) enter into any swap or other arrangement that transfers to or in favour of any third party other than any member of our Group, in whole or in part, any of the economic consequences of ownership of such share capital or securities or interest therein or any voting right or any other right attaching thereto, or (iii) enter into any transaction with the same economic effect as any transaction described in (i) and (ii) above, or (iv) agree or contract to, or publicly announce any intention to enter into, any foregoing transaction described in (i), (ii) and (iii); whether any of the foregoing transactions described in (i), (ii) and (iii) is to be settled by delivery of Shares or such other securities, in cash or otherwise; and (2) in the event of an issue or disposal of any Shares or any interest therein or any voting right or any other right attaching thereto during the six-month period immediately following the First Six-month Period (the “**Second Six-month Period**”), we will take all reasonable steps to ensure that such issue or disposal will not create a disorderly or false market in the securities of our Company.

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Under Rule 13.16A(1) of the GEM Listing Rules, each of our Controlling Shareholders, namely Silver Tycoon, High State Investments, Mr. Cheung and Mr. Leung, has undertaken to the Stock Exchange that except pursuant to the Placing that they shall not, and shall procure that the relevant registered holder(s) shall not (i) at any time during the period commencing on the date by reference to which disclosure of the shareholding of our Controlling Shareholders is made in this prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interest or encumbrances in respect of, any of our securities in respect of which it is shown by this prospectus to be the beneficial owners; and (ii) at any time during the period of six months commencing on the date on which the period referred to in paragraph (i) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of our securities referred to in paragraph (i) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, they would then cease to be our Company's controlling shareholders (as defined under the GEM Listing Rules).

Note of Rule 13.16A(1) of the GEM Listing Rules provides that our Controlling Shareholders are free to purchase additional securities and dispose of securities thus purchased in the period commencing on the date by reference to which disclosure of the shareholding of the Controlling Shareholder is made in this prospectus and ending on the date which is 12 months from the Listing Date, subject to compliance with the requirements of Rule 11.23 of the GEM Listing Rules to maintain an open market in the securities and a sufficient public float.

Each of our Controlling Shareholders has jointly and severally undertaken to our Company and the Sole Lead Manager (for itself and on behalf of the Underwriters) under the Underwriting Agreement, that it will not without the prior written consent of the Sole Lead Manager and unless in compliance with the GEM Listing Rules, (i) at any time during the First Six-Month Period offer, pledge, charge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase for, lend or otherwise transfer or dispose of (nor enter into any agreement to transfer or dispose of or otherwise create any options, rights, interests or encumbrances in respect of), either directly or indirectly, conditionally or unconditionally, any of the share capital, debt capital or other securities of our Company or any interest therein held by him or it or any voting right or any other right attaching thereto (including, but not limited to any securities that are convertible into or exercisable or exchangeable for, or that represent the right to receive, any such share capital or other securities of our Company or any interest therein) whether currently held or enter into any swap or other arrangement that transfers, in whole or in part, any of the economic consequences of ownership of such share capital or securities or any interest therein or any voting right or any other right attaching thereto, whether any of the foregoing transactions is to be settled by delivery of share capital or such other securities, in cash or otherwise, or offer to or agree or contract to do any of the foregoing or announce any intention to do so, provided that the restriction shall not apply to any pledge or charge of Shares by our Controlling Shareholders in favour of an authorised institution as defined in the Banking Ordinances (Cap. 155 of the Laws of Hong Kong) for a bona fide commercial loan in accordance with the GEM Listing Rules; (ii) at any time during the Second Six-Month Period enter into any of the transactions described in (i) above if, immediately following such transaction, he or it would cease to be the controlling shareholder (as defined in the GEM Listing Rules) of our Company, provided that the restriction shall not apply to any pledge or charge of Shares by our Controlling Shareholders in favour of an authorised institution as

UNDERWRITING

defined in the Banking Ordinances (Cap. 155 of the Laws of Hong Kong) for a bona fide commercial loan in accordance with the GEM Listing Rules; and (iii) in the event of a disposal by him or it of any share capital or any interest therein or any voting right or any other right attaching thereto during the period referred to in (ii) above, he or it will take all reasonable steps to ensure that such a disposal will not create a disorderly or false market for our Shares or other securities of our Company.

Total commission, fee and expenses

In connection with the Placing, the Underwriters will receive an underwriting commission of 2.5% of the aggregate Placing Price of all Placing Shares, out of which they will pay any sub-underwriting commissions.

In connection with the Listing and the Placing, the total expenses, including the listing fees, the underwriting commission, the brokerage, the SFC transaction levy, the Stock Exchange trading fee, legal and other professional fees, printing and other expenses, to be borne by our Company are estimated to be approximately HK\$16.7 million.

Underwriters' interest in our Company

Save as provided for under the Underwriting Agreement and disclosed otherwise in this prospectus, none of the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager and the Underwriters has any shareholding interests in any member of our Group nor has any right or option to subscribe for or nominate persons to subscribe for any Shares.

STRUCTURE AND CONDITIONS OF THE PLACING

THE PLACING

Placing

Our Company is initially offering 30,000,000 Placing Shares for subscription by way of placing to selected professional, institutional or other investors in Hong Kong at the Placing Price subject to the terms and conditions in the Underwriting Agreement and this prospectus. The Placing Shares will represent 25% of our Company's enlarged issued share capital immediately after completion of the Placing and the Capitalisation Issue (but without taking into account of any Shares which may be allotted and issued upon the exercise of options to be granted under the Share Option Scheme). Subject to the terms of the Underwriting Agreement, the Placing is fully underwritten by the Underwriters.

Pursuant to the Placing, it is expected that the Underwriters or selling agents nominated by them, on behalf of our Company will conditionally place the Placing Shares at the Placing Price plus 1% brokerage fee, 0.003% SFC transaction levy and 0.005% Stock Exchange trading fee to selected professional, institutional or other investors in Hong Kong. Professional, institutional and other investors generally include brokers, dealers, high net worth individuals and companies (including fund managers) whose ordinary business involves dealing and investing in shares and other securities.

Placing Price

The Placing Price will not be more than HK\$1.40 per Placing Share and will not be less than HK\$1.00 per Placing Share. Subscribers, must pay on application, the maximum Placing Price of HK\$1.40 per Placing Share plus 1.0% brokerage fee, 0.003% SFC transaction levy and 0.005% Stock Exchange trading fee, amounting to a total of HK\$2,828.22 for one board lot of 2,000 Placing Shares.

The Placing Price is expected to be fixed by the Price Determination Agreement between our Company and the Sole Lead Manager (for itself and on behalf of the Underwriters) on the Price Determination Date, which is expected to be on or before Wednesday, 8 January 2014 (or such later date as may be agreed between our Company and the Sole Lead Manager). If our Company and the Sole Lead Manager (for itself and on behalf of the Underwriters) are unable to reach an agreement on the Placing Price by the Price Determination Date or such later date as may be agreed between our Company and the Sole Lead Manager (for itself and on behalf of the Underwriters), or the Underwriting Agreement is not signed, the Placing will not become unconditional and will not proceed. Prospective investors of the Placing Shares should be aware that the Placing Price to be determined on the Price Determination Date may be, but is currently not expected to be, lower than the indicative range of the Placing Price as stated in this prospectus.

If, the Sole Lead Manager (for itself and on behalf of the Underwriters) and with the consent of our Company consider it appropriate (for instance, if the level of interest is below the indicative Placing Price range), the indicative Placing Price range may be reduced below that stated in this prospectus at any time prior to the Price Determination Date. In such a case, our Company shall, as

STRUCTURE AND CONDITIONS OF THE PLACING

soon as practicable following the decision to make such reduction, and in any event not later than 9:00 a.m. on the Price Determination Date, publish an announcement on the reduction of the indicative Placing Price range on the website of the Stock Exchange at *www.hkexnews.hk* and our Company's website at *www.majorcellar.com*.

The level of indication of interest in the Placing and the basis of allocations of the Placing Shares will be announced on the website of the Stock Exchange at *www.hkexnews.hk* and our Company's website at *www.majorcellar.com* on or before Thursday, 9 January 2014.

Conditions of the Placing

The Placing is conditional upon, among other things:

- (a) the Listing Division granting the listing of, and permission to deal in, our Shares in issue and to be issued as mentioned in this prospectus; and
- (b) the obligations of the Underwriters under the Underwriting Agreement becoming unconditional (including, if relevant, as a result of the waiver of any condition(s) by the Sole Lead Manager (for itself and on behalf of the Underwriters)) and the Underwriting Agreement not being terminated in accordance with its terms and conditions or otherwise prior to 8:00 a.m. (Hong Kong time) on Friday, 10 January 2014. Details of the Underwriting Agreement, its conditions and grounds for termination, are set out in the section headed "Underwriting" in this prospectus,

in each case, on or before the dates and times specified in the Underwriting Agreement (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than Wednesday, 5 February 2014, being the date which is 30 days after the date of this prospectus.

If such conditions have not been fulfilled or waived prior to the times and dates specified, the Placing will lapse and Listing Division will be notified immediately. Notice of the lapse of the Placing will be published by our Company on the website of the Stock Exchange at *www.hkexnews.hk* and our Company's website at *www.majorcellar.com* on the next business day following such lapse.

Basis of Allocation

Allocation of the Placing Shares will be based on a number of factors, including the level and timing of demand and whether or not it is expected that the relevant investor is likely to purchase further Shares or hold or sell the Shares after the Listing of the Shares on GEM. Such allocation is intended to result in a distribution of the Placing Shares which would lead to the establishment of a solid professional, and institutional shareholder base to the benefit of our Company and the Shareholders as a whole. In particular, Placing Shares will be allocated pursuant to Rule 11.23(8) of the GEM Listing Rules, that no more than 50% of the Shares in public hands at the time of the Listing will be owned by the three largest public Shareholders.

STRUCTURE AND CONDITIONS OF THE PLACING

Save with the prior written consent of the Stock Exchange, no allocations of the Placing Shares will be permitted to nominee companies unless the name of the ultimate beneficiary is disclosed. There will not be any preferential treatment in the allocation of the Placing Shares to any persons.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on the Stock Exchange are expected to commence on Friday, 10 January 2014. The Shares will be traded in board lots of 2,000 Shares each. The GEM stock code for the Shares is 8209.

OUR SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the Stock Exchange granting the listing of, and permission to deal in, our Shares on GEM and our compliance with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC.

Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. You should seek advice from your stockbroker or other professional advisers for details of such settlement arrangements as such arrangements will affect your rights and interests.

We have made all necessary arrangements for our Shares to be admitted into CCASS. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.



德勤·關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

6 January 2014

The Directors
Major Holdings Limited
China Everbright Capital Limited

Dear Sirs,

We set out below our report on the financial information (the “Financial Information”) relating to Major Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) for each of the two years ended 31 March 2012 and 2013 and the five months ended 31 August 2013 (the “Relevant Periods”), for the inclusion in the prospectus of the Company dated 6 January 2014 in connection with the proposed listing of the Company’s shares on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Prospectus”).

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law (2007 Revision) Chapter 22 of the Cayman Islands on 2 April 2013. Through a group reorganisation as more fully explained in the paragraph headed “Group reorganisation” in Appendix IV to the Prospectus (the “Reorganisation”), the Company became the holding company of the Group on 28 August 2013.

Particulars of the Company’s subsidiaries and a joint venture at the end of each reporting period and at the date of this report are as follows:

Name of subsidiary	Country/place and date of incorporation/ establishment	Place of operation	Issued and fully paid share capital/ registered capital	Attributable equity interest of the Group as at				Principal activities
				31 March		31	Date	
				2012	2013	August 2013	report	
				%	%	%	%	
Beyond Elite Limited (“Beyond Elite”)	British Virgin Islands (“BVI”) 21 March 2013	Hong Kong	Ordinary United State dollar (“US\$”)1	—	—	100	100	Investment holding
Major Cellar Company Limited (“Major Cellar”)	Hong Kong 25 September 2009	Hong Kong	Ordinary HK\$10,000	100	100	100	100	Sale and distribution of premium wine and spirit products

	Country/place and date of incorporation/ establishment	Place of operation	Issued and fully paid share capital/ registered capital	Attributable equity interest of the Group as at			31 Date of this report	Principal activities
				31 March 2012	31 March 2013	31 August 2013		
				%	%	%		
Nation Bond Inc. Limited ("Nation Bond") (Note ii)	Hong Kong 10 March 2008	N/A	Ordinary HK\$100	100	100	—	—	Inactive
Shan Wei City Guobangxing Company Limited ("Guobangxing") 汕尾市國邦興服裝有限公司 (Note ii)	The People's Republic of China ("PRC") 17 June 2008	N/A	Registered capital HK\$7,900,000	100	100	—	—	Inactive
<u>Name of joint venture</u>								
Major Aim Limited ("Major Aim") (Note iii)	Hong Kong 22 October 2009	N/A	Ordinary HK\$10,000	50	50	—	—	Inactive

Notes:

- (i) Beyond Elite was incorporated by Offshore Incorporations Limited on 21 March 2013 and was activated by the Company on 22 April 2013 by subscribing one ordinary share capital of Beyond Elite for US\$1 in cash in full.
- (ii) Nation Bond and its wholly-owned subsidiary, Guobangxing, were disposed of on 31 May 2013. Details are set out in note 33.
- (iii) Major Aim engaged in sale and distribution of premium wine and spirits products before it became inactive. 50% equity interest was held by Mr. Leung Chi Kin Joseph ("Mr. Leung") on behalf of Major Cellar through a declaration of trust agreement. The declaration of trust agreement was terminated on 3 July 2013.

No audited financial statements have been prepared for the Company and Beyond Elite since their respective dates of incorporation as they were incorporated in jurisdictions where there are no statutory audit requirements. No audited financial statements have been prepared for Guobangxing since the date of its establishment.

We have acted as the statutory auditor of Major Cellar for the year ended 31 March 2013. The statutory consolidated financial statements of Major Cellar and its subsidiaries (the "2013 Financial Statements") are prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The statutory financial statements of Major Cellar for the year ended 31 March 2012 and the statutory financial statements of Nation Bond for the two years ended 31 March 2012 and 2013 were prepared in accordance with HKFRSs issued by the HKICPA and were audited by Michael Chan & Co., Certified Public Accountants registered in Hong Kong.

For the purpose of this report, the directors of the Company have prepared the consolidated financial statements of the Company and its subsidiaries for the Relevant Periods in accordance with HKFRSs issued by the HKICPA (the “Underlying Financial Statements”). We have undertaken an independent audit on the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Financial Information of the Group for the Relevant Periods set out in this report has been prepared from the Underlying Financial Statements on the basis set out in note 1 to Section A below. No adjustments has been made by us to the Underlying Financial Statements in the preparation of this report for inclusion in the Prospectus.

We have examined the Underlying Financial Statements in accordance with the Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” as recommended by the HKICPA.

The Underlying Financial Statements are the responsibility of the directors of the Company who approved their issue. The directors of the Company are also responsible for the contents of the Prospectus in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, on the basis of presentation set out in note 1 to Section A below, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of the Group as at 31 March 2012, 31 March 2013 and 31 August 2013, and of the Company as at 31 August 2013, and of the consolidated profits and cash flows of the Group for the Relevant Periods.

The comparative consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the five months ended 31 August 2012 together with the notes thereon have been extracted from the Group’s unaudited financial information for the same period (the “31 August 2012 Financial Information”) which was prepared by the directors of the Company solely for the purpose of this report. We have reviewed the 31 August 2012 Financial Information in accordance with the Hong Kong Standard on Review Engagements 2410 “Review of interim financial information performed by the independent auditor of the entity” issued by the HKICPA. Our review of the 31 August 2012 Financial Information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the 31 August 2012 Financial Information. Based on our review, nothing has come to our attention that causes us to believe that the 31 August 2012 Financial Information is not prepared, in all material respects, in accordance with the accounting policies consistent with those used in the preparation of the Financial Information which conform with HKFRSs.

(A) FINANCIAL INFORMATION

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	NOTES	The Group							
		Year ended 31 March		Five months ended					
		2012	2013	31 August	2013				
		HK\$'000	HK\$'000	HK\$'000	HK\$'000				
Revenue	7	333,367	266,833	108,095	117,306				
Cost of sales		<u>(279,136)</u>	<u>(206,187)</u>	<u>(86,252)</u>	<u>(93,021)</u>				
Gross profit		54,231	60,646	21,843	24,285				
Other income	9	1	3	1	—				
Other gains and losses, net	10	(2,192)	(227)	(100)	99				
Promotion, selling and distribution expenses		(15,411)	(14,513)	(5,575)	(6,795)				
Administrative expenses		(22,917)	(13,826)	(6,352)	(6,572)				
Other expenses	9	—	(1,815)	(235)	(5,802)				
Finance costs	11	<u>(4,687)</u>	<u>(1,362)</u>	<u>(463)</u>	<u>(769)</u>				
Profit before taxation		9,025	28,906	9,119	4,446				
Income tax expense	12	<u>(1,623)</u>	<u>(5,362)</u>	<u>(1,608)</u>	<u>(1,849)</u>				
Profit and total comprehensive income for the year/period attributable to owners of the Company	13	<u>7,402</u>	<u>23,544</u>	<u>7,511</u>	<u>2,597</u>				
Earnings per share, basic (HK cents)	15	<u>8.22</u>	<u>26.16</u>	<u>8.35</u>	<u>2.89</u>				

STATEMENTS OF FINANCIAL POSITION

	NOTES	THE GROUP		THE COMPANY	
		As at 31 March 2012 HK\$'000	As at 31 March 2013 HK\$'000	As at 31 August 2013 HK\$'000	As at 31 August 2013 HK\$'000
Non-current assets					
Property, plant and equipment	16	7,549	12,656	11,574	—
Interest in a joint venture	17	—	—	—	—
Investment in a subsidiary	18	—	—	—	104,912
Trade deposits paid	20	24,711	—	—	—
		<u>32,260</u>	<u>12,656</u>	<u>11,574</u>	<u>104,912</u>
Current assets					
Inventories	19	95,290	85,614	77,649	—
Trade and other receivables, deposits and prepayments	20	37,389	55,374	61,989	—
Amounts due from related parties	21	18	5,853	141	—
Amount due from a shareholder	22	—	3,033	—	—
Bank balances and cash	23	2,283	27,772	8,087	—
		<u>134,980</u>	<u>177,646</u>	<u>147,866</u>	<u>—</u>
Current liabilities					
Trade and other payables, accrued charges and deposits received	24	43,340	43,705	35,389	2,469
Amounts due to related parties	21	41,974	410	410	—
Amounts due to shareholders	22	1,957	107	—	—
Amount due to a subsidiary	18	—	—	—	3,380
Tax liabilities		9,717	2,480	4,316	—
Obligations under finance leases					
- due within one year	25	581	1,690	1,694	—
Bank borrowings	26	14,443	31,825	28,195	—
		<u>112,012</u>	<u>80,217</u>	<u>70,004</u>	<u>5,849</u>
Net current assets (liabilities)		<u>22,968</u>	<u>97,429</u>	<u>77,862</u>	<u>(5,849)</u>
Total assets less current liabilities		<u>55,228</u>	<u>110,085</u>	<u>89,436</u>	<u>99,063</u>

	NOTES	THE GROUP		THE COMPANY	
		As at 31 March		As at 31	As at 31
		2012	2013	August	August
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Capital and reserves					
Issued capital/share capital	28	10	10	—	—
Reserves	29	<u>49,839</u>	<u>103,866</u>	<u>83,923</u>	<u>99,063</u>
Total equity		<u>49,849</u>	<u>103,876</u>	<u>83,923</u>	<u>99,063</u>
Non-current liabilities					
Trade deposits received	24	3,282	—	—	—
Obligations under finance leases					
- due after one year	25	1,615	5,392	4,683	—
Deferred tax liability	27	<u>482</u>	<u>817</u>	<u>830</u>	<u>—</u>
		<u>5,379</u>	<u>6,209</u>	<u>5,513</u>	<u>—</u>
		<u>55,228</u>	<u>110,085</u>	<u>89,436</u>	<u>99,063</u>

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Issued capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000 (Note b)	Other reserve HK\$'000	Accumulated profits HK\$'000	Total HK\$'000
At 1 April 2011	10	—	—	—	42,437	42,447
Profit and total comprehensive income for the year	—	—	—	—	7,402	7,402
At 31 March 2012	10	—	—	—	49,839	49,849
Profit and total comprehensive income for the year	—	—	—	—	23,544	23,544
Deemed contribution from Rouge & Blanc Wines Limited ("Rouge & Blanc") (Note a)	—	—	—	30,483	—	30,483
At 31 March 2013	10	—	—	30,483	73,383	103,876
At 1 April 2013						
Profit and total comprehensive income for the period	—	—	—	—	2,597	2,597
Dividend declared (note 14)	—	—	—	—	(22,550)	(22,550)
Effect of Reorganisation	(10)	104,912	(104,902)	—	—	—
At 31 August 2013	—	104,912	(104,902)	30,483	53,430	83,923
At 1 April 2012	10	—	—	—	49,839	49,849
Profit and total comprehensive income for the period (unaudited)	—	—	—	—	7,511	7,511
Deemed contribution from Rouge and Blanc (Note a)	—	—	—	30,483	—	30,483
At 31 August 2012 (unaudited)	10	—	—	30,483	57,350	87,843

Notes:

- a Deemed contribution from Rouge & Blanc represents the waiver of amount due to Rouge & Blanc effective on 1 April 2012 which arose from the transfer of wine and spirit products and furniture and fixtures from Rouge & Blanc to Major Cellar on 31 March 2010. Rouge & Blanc is controlled by Mr. Cheung Chun To ("Mr. Cheung") and Mr. Leung, the shareholders of the Company.
- b The capital reserve represents the difference between the nominal value of the share capital of Major Cellar at the date on which it was acquired by Beyond Elite and the deemed consideration of HK\$104,912,000 settled by issuance of 100 shares by the Company pursuant to the Reorganisation.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 March		Five months ended 31 August	
	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000
			<i>(unaudited)</i>	
OPERATING ACTIVITIES				
Profit before taxation	9,025	28,906	9,119	4,446
Adjustments for:				
Depreciation of property, plant and equipment	1,052	2,061	652	1,082
Interest expenses	4,687	1,362	463	769
Interest income	(1)	(3)	(1)	—
Allowance provided for (reversal of) inventories	110	(2,399)	(568)	423
Allowance for bad and doubtful debts	492	—	—	—
Impairment on amount due from a joint venture	812	10	10	—
Loss on disposals/written off of property, plant and equipment	563	—	—	—
Loss on disposal of subsidiaries	—	—	—	19
Operating cash flows before movements in working capital	16,740	29,937	9,675	6,739
Decrease in inventories	2,500	12,075	9,594	7,542
Decrease (increase) in trade and other receivables, deposits and prepayments	11,232	6,726	(15,774)	(6,653)
Decrease in trade and other payables, accrued charges and deposits received	(40,757)	(2,917)	(3,109)	(8,297)
Increase (decrease) in amounts due to related parties	11,081	(11,081)	3,438	—
Cash generated from (used in) operations	796	34,740	3,824	(669)
Income tax paid	—	(12,264)	(1,390)	—
NET CASH GENERATED FROM (USED IN) OPERATING ACTIVITIES	<u>796</u>	<u>22,476</u>	<u>2,434</u>	<u>(669)</u>

	NOTE	Year ended 31 March		Five months ended 31 August	
		2012 HK\$'000	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000
<i>(unaudited)</i>					
INVESTING ACTIVITIES					
Interest received		1	3	1	—
Purchases of property, plant and equipment		(3,260)	(233)	(144)	—
Proceeds from disposal of property, plant and equipment		11	—	—	—
Net cash inflow arising from acquisition of subsidiaries	32	4	—	—	—
Advances to a joint venture		(1,903)	(10)	(10)	—
Repayment from a joint venture		3,084	—	—	—
Advance to a related party		—	(5,835)	—	(7,000)
Advances to shareholders		—	(3,033)	(3,033)	(7,877)
Repayment from a shareholder		—	—	—	954
Repayment from a related party		—	—	—	11
NET CASH USED IN INVESTING ACTIVITIES		<u>(2,063)</u>	<u>(9,108)</u>	<u>(3,186)</u>	<u>(13,912)</u>
FINANCING ACTIVITIES					
Interest paid		(1,987)	(1,362)	(463)	(769)
New bank borrowings raised		49,340	74,745	24,906	30,366
Repayment of bank borrowings		(47,613)	(57,363)	(23,184)	(33,996)
Repayment of obligations under finance leases		(515)	(2,049)	(353)	(705)
Repayment to related parties		(457)	—	—	—
Advances from shareholders		4,849	143	143	—
Repayment to shareholders		<u>(4,395)</u>	<u>(1,993)</u>	—	—
NET CASH (USED IN) FROM FINANCING ACTIVITIES		<u>(778)</u>	<u>12,121</u>	<u>1,049</u>	<u>(5,104)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(2,045)	25,489	297	(19,685)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/PERIOD		<u>4,328</u>	<u>2,283</u>	<u>2,283</u>	<u>27,772</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD, represented by bank balances and cash		<u>2,283</u>	<u>27,772</u>	<u>2,580</u>	<u>8,087</u>

NOTES TO FINANCIAL INFORMATION**1. GROUP REORGANISATION AND BASIS OF PRESENTATION OF FINANCIAL INFORMATION**

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law (2007 Revision) Chapter 22 of the Cayman Islands on 2 April 2013. The address of the Company's registered office and the principal place of business is disclosed in the paragraph headed "Corporate Information" in the Prospectus.

Before the completion of the Reorganisation, Major Cellar was ultimately owned by Mr. Cheung and Mr. Leung (collectively referred to as the "Shareholders") as to 51% and 49% respectively through two investment holding companies. Pursuant to the Reorganisation, which was completed by interspersing Beyond Elite and the Company between the Shareholders and Major Cellar, the Company became the holding company of the companies now comprising the Group on 28 August 2013. The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity, accordingly, the Financial Information has been prepared as if the Company had always been the holding company of the Group.

The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for the Relevant Periods and the consolidated statements of financial position as at 31 March 2012 and 2013 are prepared as if the current group structure (including Nation Bond and Guobangxing which were disposed of on 31 May 2013 as set out in note 33) had been in existence throughout the Relevant Periods, or since the date of incorporation of the relevant entity, where this is a shorter period.

The functional currency of the Company is Hong Kong dollar ("HK\$"), which is the same as the presentation currency of the Financial Information.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

For the purpose of preparing and presenting the Financial Information for the Relevant Periods, the Group has consistently adopted the Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs"), amendments and interpretations issued by the HKICPA that are effective for the Group's financial year beginning 1 April 2013 throughout the Relevant Periods.

At the date of this report, the HKICPA has issued the following new standard, amendments and interpretation which are not yet effective.

Amendments to HKFRS 9 and HKFRS 7	Mandatory effective date of HKFRS 9 and transition disclosures ¹
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities ²
HKFRS 9	Financial instruments ¹
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions ³
Amendments to HKAS 32	Offsetting financial assets and financial liabilities ²
Amendments to HKAS 36	Recoverable amount disclosures for non-financial assets ²
Amendments to HKAS 39	Novation of derivatives and continuation of hedge accounting ²
HK(IFRIC) - INT 21	Levies ²

¹ Available for application — the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised

² Effective for annual periods beginning on or after 1 January 2014

³ Effective for annual periods beginning on or after 1 July 2014

Management of the Group anticipates that the application of these new standard, amendments and interpretation will have no material impact on the Financial Information of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The Financial Information has been prepared in accordance with the following accounting policies which conform to Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the Financial Information includes the applicable disclosures required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange and by the Hong Kong Companies Ordinance.

The principal accounting policies adopted are set out below.

Basis of consolidation

The Financial Information incorporates the financial statements of the Company and entities controlled by the Company (its subsidiary). 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 Company 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 with the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year/period are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

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

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

Loss of control of a subsidiary

When the Group loses control of a subsidiary, it (i) derecognises the assets and liabilities of the subsidiary at their carrying amounts at the date when control is lost and (ii) recognises the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognised as a gain or loss in profit or loss attributable to the Group. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 "Financial Instruments: Recognition and Measurement" or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Investment in a subsidiary

Investment in a subsidiary is stated at cost less any identified impairment loss on the statement of financial position of the Company.

Interest in a joint venture

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of joint ventures are incorporated in the Financial Information using the equity method of accounting. Under the equity method, interest in a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture. When the Group's share of losses of a joint venture equals or exceeds its interest in that

joint venture (which includes any long-term interests that, in substance, form part of the Group's net interest in the joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that joint venture.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in a joint venture. When necessary, the entire carrying amount of the investment is tested for impairment in accordance with HKAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be a joint venture. The difference between the carrying amount of the joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing the interest in the joint venture is included in the determination of the gain or loss on disposal of the joint venture.

The financial statements of a joint venture used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances.

When a group entity transacts with its joint venture, profits and losses resulting from the transactions with the joint venture are recognised in the Financial Information only to the extent of interests in the joint venture that are not related to the Group.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of discounts.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and

- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest income from a financial asset is recognised when it is probable that economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Property, plant and equipment

Property, plant and equipment are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their residual values 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.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

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 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.

Leasing

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

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the 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, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see the accounting policy below).

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

For the purposes of presenting the Financial Information, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year/period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity, and will be reclassified from equity to profit or loss upon disposal of the foreign operation.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Retirement benefits costs

Payments to the Mandatory Provident Fund Scheme are recognised as expenses when employees have rendered service entitling them to the contributions.

Taxation

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

The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from profit before taxation as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other periods, and it further excludes 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 Financial Information and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other 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 and interest in a joint venture, 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 utilise 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 is realised, based on tax rate (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. Current and deferred tax are recognised in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Financial instruments

Financial assets and financial liabilities are recognised in the statements of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are classified into loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

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

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, amounts due from related parties and a shareholder and bank balances and cash) are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Impairment of loans and receivables

Loans and receivables of the Group are assessed for indicators of impairment at the end of the reporting period. Loans and receivables are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the loan and receivable, the estimated future cash flows of the loans and receivables have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or

- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the group entities are recognised at the proceeds received, net of direct issue costs.

Effective interest method

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

Interest expense is recognised on an effective interest basis for debt instruments.

Financial liabilities

Financial liabilities including trade and other payables and accrued charges, amounts due to related parties, shareholders and a subsidiary and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of obligation under the contract, as determined in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the revenue recognition policy.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

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

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Impairment losses on tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised in profit or loss.

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

Allowances provided for inventories

Management of the Group reviews the inventory aging analysis at the end of the reporting period in order to identify the slow-moving inventory items. Management estimates the net realisable value for inventories based primarily on the latest market prices and current market conditions. In addition, the Group carries out an inventory review on a product-by-product basis at the end of each reporting period and provides necessary allowance if the net realisable value is estimated to be below the cost.

Allowances of HK\$110,000, reversal of HK\$2,399,000, reversal of HK\$568,000 (unaudited) and allowances of HK\$423,000 were made for inventories for the years ended 31 March 2012, 31 March 2013 and for the five months ended 31 August 2012 and 31 August 2013 respectively. The carrying amount of inventories is HK\$95,290,000, HK\$85,614,000 and HK\$77,649,000 as at 31 March 2012, 31 March 2013 and 31 August 2013, respectively.

Allowances for bad and doubtful debts

The allowance for bad and doubtful debts of the Group is estimated based on the evaluation of collectability and aging analysis of individual trade debts performed by the management. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

Allowance for bad and doubtful debts of HK\$492,000 was made for the year ended 31 March 2012. The carrying amount of trade receivable is HK\$7,902,000, HK\$12,565,000 and HK\$22,561,000 as at 31 March 2012, 31 March 2013 and 31 August 2013, respectively.

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group 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 capital structure of the Group consists of debt, which includes amounts due to related parties and shareholders and bank borrowings as disclosed in notes 21, 22 and 26, respectively, and equity of the Group, comprising issued capital, share premium, capital reserve, other reserve and accumulated profits.

Management of the Group reviews the capital structure regularly taking into account the cost of capital and the risk associated with the capital. The Group will balance its overall capital structure through issuance of new shares and the raise of borrowings or the repayment of the existing borrowings.

6. FINANCIAL INSTRUMENTS**Categories of financial instruments**

	THE GROUP		THE
	As at 31 March 2012	As at 31 August 2013	COMPANY As at 31 August 2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Financial assets			
Loans and receivables (including cash and cash equivalents)	<u>12,773</u>	<u>50,817</u>	<u>—</u>
Financial liabilities			
Amortised cost	<u>68,829</u>	<u>40,491</u>	<u>5,849</u>

Financial risk management objectives and policies

The Group's financial instruments include trade and other receivables, amounts due from related parties and a shareholder, bank balances and cash, trade and other payables and accrued charges, amounts due to related parties and shareholders, obligations under finance leases and bank borrowings. The Company's financial instruments include other payables and accrual charges and amounts due to a subsidiary. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Currency risk

The Company does not have any exposure on currency risk.

The Group has foreign currency purchases, which expose the Group to foreign currency risk. Certain bank balances and cash and trade payables of the Group are denominated in foreign currencies.

The carrying amounts of the Group's bank balances and cash and trade payables denominated in foreign currencies at the end of each reporting period are as follows:

	Bank balances and cash			Trade payables		
	As at 31 March 2012 HK\$'000	As at 31 August 2013 HK\$'000	As at 31 August 2013 HK\$'000	As at 31 March 2012 HK\$'000	As at 31 August 2013 HK\$'000	As at 31 August 2013 HK\$'000
Euro ("EUR")	30	2	242	448	276	1,290
Great British Pound ("GBP")	22	6	17	940	452	895
Swiss Franc ("CHF")	—	3	2	345	982	131
United States Dollar ("USD")	<u>123</u>	<u>28</u>	<u>27</u>	<u>767</u>	<u>1,492</u>	<u>115</u>

The Group currently does not have a foreign currency hedging policy. However, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

No sensitivity analysis is presented as in the opinion of the management of the Group, the expected change in foreign exchange rates will not have significant impact on the profit for the year/period during the Relevant Periods.

Interest rate risk

The Company does not have any exposure on interest rate risk.

The Group is exposed to fair value interest rate risk in relation to its fixed-rate amounts due to related parties (note 21), obligations under finance leases (note 25) and fixed-rate bank borrowings (note 26).

The Group's cash flow interest rate risk primarily relates to the bank balances as well as floating-rate bank borrowings (note 26).

The Group has not used any interest rate swaps to mitigate its exposure associated with interest rate risk. However, the management of the Group monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The Group's exposures to interest rate risk on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Hong Kong Dollar Prime Rate quoted by Shanghai Commercial Bank arising from the Group's Hong Kong dollar denominated borrowings.

Sensitivity analysis

In the opinion of management of the Group, the expected change in interest rate on bank balances will not be significant in the near future, hence sensitivity analysis is not presented.

The sensitivity analyses below have been determined based on the exposure to interest rates of the Group's floating-rate bank borrowings at the end of each reporting period. The analysis is prepared assuming the amount of liability outstanding at the end of each reporting period was outstanding for the whole year/period. A 100 basis points increase or decrease is used which 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 impact on the Group's post-tax profit for the years ended 31 March 2012, 31 March 2013 and five months ended 31 August 2013 would be:

	Year ended 31 March		Five months ended
	2012	2013	31 August
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2013</i>
			<i>HK\$'000</i>
Decrease/increase in post-tax profit	<u>97</u>	<u>136</u>	<u>65</u>

Credit risk

The Company does not have any exposure on credit risk.

The Group's credit risk is primarily attributable to trade receivables, amount due from a related party, amount due from a shareholder and bank balances.

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge the obligations by counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position at the end of each reporting period and financial guarantee provided by the Group to a related party set out in note 36.

The Group has concentration of credit risk as 41%, 46% and 70% of the total trade receivables were due from the Group's major customer which are a private entity operating in both Hong Kong and the PRC as at 31 March 2012 and 31 August 2013, and an individual wine collector as at 31 March 2013. Management of the Group considered that the credit risks of trade receivables are insignificant after considering the credit quality and financial ability of these customers.

The Group has concentration of credit risk as 67%, 54% and 46% of the total trade deposits were placed to the Group's largest supplier as at 31 March 2012, 31 March 2013 and 31 August 2013, respectively. Management of the Group considered that the credit risks of trade deposits placed are low after considering the good trading relationship with this supplier and the long history of business development of this supplier.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. For the financial guarantee, the guarantee is provided to a related company and the management of the Group continuously monitors the credit quality and financial condition of the guaranteed party that the Group issued financial guarantee contract in favour of to ensure that the Group will not suffer significant credit losses as a result of the failure of the guaranteed party on the repayment of the relevant loans. In addition, the guaranteed loan is secured by a property. In this regard, the management of the Group considers that the Group's credit risk is significantly reduced. The guarantee has been released on 23 May 2013.

As at 31 March 2013, the Group had concentration of credit risk on amount due from a related party and amount due from a shareholder amounted to HK\$5,835,000 and HK\$3,033,000, respectively. The amounts were substantially settled by net settlement agreements executed on 27 August 2013. Details are set out in note 35.

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings and on balances mentioned above, the Group does not have significant concentration of credit risk.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of unexpected fluctuations in cash flows.

The directors of the Company monitor the liquidity position of the Company through financing provided by a subsidiary.

The following table details the Group's and the Company's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

THE GROUP

	Weighted average effective interest rate %	Repayable on demand or within 1 year HK\$'000	1 - 2 years HK\$'000	Over 2 years HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amount HK\$'000
As at 31 March 2012						
Non-derivative financial liabilities						
Trade and other payables and accrued charges	N/A	10,455	—	—	10,455	10,455
Amounts due to related parties						
- interest bearing	9.13	41,564	—	—	41,564	41,564
- non-interest bearing	N/A	410	—	—	410	410
Amounts due to shareholders	N/A	1,957	—	—	1,957	1,957
Obligations under finance leases	4.07	647	562	1,408	2,617	2,196
Bank borrowings						
- fixed-rate	5.11	2,790	—	—	2,790	2,790
- floating-rate	5.50	11,653	—	—	11,653	11,653
		<u>69,476</u>	<u>562</u>	<u>1,408</u>	<u>71,446</u>	<u>71,025</u>

	Weighted average effective interest rate %	Repayable on demand or within 1 year HK\$'000	1 - 2 years HK\$'000	Over 2 years HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amount HK\$'000
As at 31 March 2013						
Non-derivative financial liabilities						
Trade and other payables and accrued charges	N/A	8,149	—	—	8,149	8,149
Amounts due to related parties	N/A	410	—	—	410	410
Amounts due to shareholders	N/A	107	—	—	107	107
Obligations under finance leases	3.27	1,956	1,939	4,072	7,967	7,082
Bank borrowings						
- fixed-rate	4.40	15,557	—	—	15,557	15,557
- floating-rate	5.85	16,268	—	—	16,268	16,268
Financial guarantee contract	N/A	85,000	—	—	85,000	—
		<u>127,447</u>	<u>1,939</u>	<u>4,072</u>	<u>133,458</u>	<u>47,573</u>
As at 31 August 2013						
Non-derivative financial liabilities						
Trade and other payables and accrued charges	N/A	8,040	—	—	8,040	8,040
Amounts due to related parties	N/A	410	—	—	410	410
Obligations under finance leases	3.26	1,939	1,939	3,264	7,142	6,377
Bank borrowings						
- fixed-rate	4.36	9,590	—	—	9,590	9,590
- floating-rate	5.25	18,605	—	—	18,605	18,605
		<u>38,584</u>	<u>1,939</u>	<u>3,264</u>	<u>43,787</u>	<u>43,022</u>

Bank borrowings with a repayment on demand clause are included in the “repayable on demand or within 1 year” time band in the above maturity analysis. As at 31 March 2012, 31 March 2013 and 31 August 2013, the aggregate carrying amounts of these bank borrowings amounted to HK\$14,443,000, HK\$31,825,000 and HK\$28,195,000, respectively. Taking into account the Group’s financial position, the management do not believe that it is probable that the banks will exercise their

discretionary rights to demand immediate repayment. The management believes that such bank borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows would amount to HK\$15,358,000, HK\$33,195,000 and HK\$29,448,000, respectively for bank borrowings as at 31 March 2012, 31 March 2013 and 31 August 2013.

For the purpose of managing liquidity risk, management reviews the expected cash flows information of the Group's bank borrowings based on the scheduled repayment dates set out in the bank borrowings agreements and set out in the table below:

THE GROUP

	Weighted average effective interest rate	Less than 1 year	1 - 2 years	Over 2 years	Total undiscounted cash flows	Total carrying amount
	%	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Bank borrowings:						
As at 31 March 2012						
- fixed-rate	5.11	1,363	329	1,388	3,080	2,790
- floating-rate	5.50	<u>12,278</u>	<u>—</u>	<u>—</u>	<u>12,278</u>	<u>11,653</u>
		<u>13,641</u>	<u>329</u>	<u>1,388</u>	<u>15,358</u>	<u>14,443</u>
As at 31 March 2013						
- fixed-rate	4.40	14,700	235	1,153	16,088	15,557
- floating-rate	5.85	<u>17,107</u>	<u>—</u>	<u>—</u>	<u>17,107</u>	<u>16,268</u>
		<u>31,807</u>	<u>235</u>	<u>1,153</u>	<u>33,195</u>	<u>31,825</u>
As at 31 August 2013						
- fixed-rate	4.36	8,576	235	1,055	9,866	9,590
- floating-rate	5.25	<u>19,582</u>	<u>—</u>	<u>—</u>	<u>19,582</u>	<u>18,605</u>
		<u>28,158</u>	<u>235</u>	<u>1,055</u>	<u>29,448</u>	<u>28,195</u>

The amounts included above for financial guarantee contract are the maximum amount the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the

arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

THE COMPANY

	Weighted average effective interest rate %	Repayable on demand or within 1 year HK\$'000	1 - 2 years HK\$'000	Over 2 years HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amount HK\$'000
As at 31 August 2013						
Non-derivative financial liabilities						
Other payables and accrued charges	N/A	2,469	—	—	2,469	2,469
Amount due to a subsidiary	N/A	<u>3,380</u>	<u>—</u>	<u>—</u>	<u>3,380</u>	<u>3,380</u>
		<u>5,849</u>	<u>—</u>	<u>—</u>	<u>5,849</u>	<u>5,849</u>

Fair value of financial instruments

Fair value

The Group and the Company have no financial instruments measured at fair value subsequent to initial recognition on a recurring basis.

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis. Management of the Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Financial Information approximate their fair values.

7. REVENUE AND SEGMENT INFORMATION

Revenue represents the fair value of amounts received and receivable for goods sold by the Group to outside customers, less discount. The Group's operation is solely derived from sale and distribution of premium wine and spirit products and wine accessory products in Hong Kong during the Relevant Periods. For the purpose of resources allocation and performance assessment, the chief

operating decision maker (i.e. the chief executive officer of the Company) reviews the overall results and financial position of the Group as a whole prepared based on same accounting policies set out in note 3. Accordingly, the Group has only one single operating segment and no further analysis of this single segment is presented.

The following is an analysis of the Group's revenue from its major products:

	Year ended 31 March		Five months ended 31 August	
	2012	2013	2012	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			<i>(unaudited)</i>	
Red wine	321,891	252,666	103,607	109,467
White wine	5,393	7,606	2,727	2,686
Sparkling wine	2,443	2,549	1,066	805
Spirit	2,028	3,198	366	3,744
Wine accessory products	1,515	750	309	588
Other products	<u>97</u>	<u>64</u>	<u>20</u>	<u>16</u>
	<u>333,367</u>	<u>266,833</u>	<u>108,095</u>	<u>117,306</u>

Geographical information

No geographical segment information is presented as the Group's revenue are all derived from Hong Kong based on the location of goods delivered and the Group's property, plant and equipment and trade deposits paid amounting to HK\$32,260,000, HK\$12,656,000 and HK\$11,574,000 as at 31 March 2012, 31 March 2013 and 31 August 2013, respectively are all located in Hong Kong by physical location of assets.

Information about major customers

There is one customer contributing over 10% of total revenue of the Group for the Relevant Periods and as follows:

	Year ended 31 March		Five months ended 31 August	
	2012	2013	2012	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			<i>(unaudited)</i>	
Customer A	<u>57,281</u>	<u>41,529</u>	<u>26,975</u>	<u>36,009</u>

8. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

Directors' and chief executive's emoluments

During the Relevant Periods, the remuneration paid or payable to the Company's directors was as follows:

	Mr. Cheung HK\$'000	Mr. Leung HK\$'000	Mr. Cheung Chun Pang HK\$'000 (Note ii)	Total HK\$'000
For the year ended 31 March 2012				
Fee	—	—	—	—
Salaries and other benefits	2,036	2,432	—	4,468
Bonuses (Note i)	2,000	1,000	—	3,000
Contributions to retirement benefit scheme	12	12	—	24
Total remuneration	<u>4,048</u>	<u>3,444</u>	<u>—</u>	<u>7,492</u>
For the year ended 31 March 2013				
Fee	—	—	—	—
Salaries and other benefits	1,422	1,439	—	2,861
Contributions to retirement benefit scheme	15	15	—	30
Total remuneration	<u>1,437</u>	<u>1,454</u>	<u>—</u>	<u>2,891</u>
For the five months ended 31 August 2012 (unaudited)				
Fee	—	—	—	—
Salaries and other benefits	611	599	—	1,210
Contributions to retirement benefit scheme	6	6	—	12
	<u>617</u>	<u>605</u>	<u>—</u>	<u>1,222</u>
For the five months ended 31 August 2013				
Fee	—	—	—	—
Salaries and other benefits	420	435	—	855
Contributions to retirement benefit scheme	6	6	—	12
	<u>426</u>	<u>441</u>	<u>—</u>	<u>867</u>

Notes:

- (i) Incentive performance bonuses were determined by the board of directors of the Company having regard to the performance of directors and the Group's operating results.
- (ii) Mr. Cheung Chun Pang was appointed on 23 May 2012.

Mr. Cheung is also the Chief Executive of the Group and his emoluments disclosed above include those for services rendered by him as the Chief Executive.

During the Relevant Periods, no remuneration was paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors of the Company has waived any remuneration during the year ended 31 March 2012 and the five months ended 31 August 2012 and 2013. During the year ended 31 March 2013, Mr. Cheung and Mr. Leung waived the bonus payment of HK\$2,000,000 and HK\$1,000,000 for the year ended 31 March 2012, respectively.

Employees' emoluments

The five highest paid individuals included two directors of the Company for each of the years ended 31 March 2012, 31 March 2013 and five months ended 31 August 2012 and 2013. The emoluments of the remaining three individuals for each of the year ended 31 March 2012 and 2013 and five months ended 31 August 2012 and 2013, which was individually less than HK\$1,000,000, were as follows:

	Year ended 31 March		Five months ended 31 August	
	2012	2013	2012	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			<i>(unaudited)</i>	
Salaries and other benefits	980	1,322	541	625
Bonuses	515	321	—	—
Contributions to retirement benefit scheme	36	44	17	19
	<u>1,531</u>	<u>1,687</u>	<u>558</u>	<u>644</u>

During the Relevant Periods, no emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group.

9. OTHER INCOME/OTHER EXPENSES

	Year ended 31 March		Five months ended 31 August	
	2012	2013	2012	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	<i>(unaudited)</i>			
Other income				
Bank interest income	<u>1</u>	<u>3</u>	<u>1</u>	<u>—</u>
Other expenses				
Listing expenses	—	1,580	—	5,723
Others	<u>—</u>	<u>235</u>	<u>235</u>	<u>79</u>
	<u>—</u>	<u>1,815</u>	<u>235</u>	<u>5,802</u>

10. OTHER GAINS AND LOSSES, NET

	Year ended 31 March		Five months ended 31 August	
	2012	2013	2012	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	<i>(unaudited)</i>			
Loss on disposals/written off of property, plant and equipment	(563)	—	—	—
Loss on disposal of subsidiaries (note 33)	—	—	—	(19)
Net foreign exchange (losses) gains	(325)	(217)	(90)	118
Allowance for bad and doubtful debts	(492)	—	—	—
Impairment on amount due from a joint venture	<u>(812)</u>	<u>(10)</u>	<u>(10)</u>	<u>—</u>
	<u>(2,192)</u>	<u>(227)</u>	<u>(100)</u>	<u>99</u>

11. FINANCE COSTS

	Year ended 31 March		Five months ended 31 August	
	2012	2013	2012	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			<i>(unaudited)</i>	
Interests on:				
Bank borrowings wholly repayable within five years	951	1,146	395	649
Amounts due to related parties	3,649	—	—	—
Obligations under finance leases	87	216	68	120
	<u>4,687</u>	<u>1,362</u>	<u>463</u>	<u>769</u>

12. INCOME TAX EXPENSE

	Year ended 31 March		Five months ended 31 August	
	2012	2013	2012	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			<i>(unaudited)</i>	
Hong Kong Profits Tax:				
Current year	1,379	4,923	1,567	1,836
Underprovision in prior years	—	104	—	—
	1,379	5,027	1,567	1,836
Deferred tax (note 27)				
Current year	244	335	41	13
	<u>1,623</u>	<u>5,362</u>	<u>1,608</u>	<u>1,849</u>

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

No provision for PRC Enterprise Income Tax has been made as the subsidiary operating in the PRC did not have any assessable profit during the Relevant Periods.

The income tax expense for the year/period can be reconciled to the profit before taxation as follows:

	Year ended 31 March		Five months ended 31 August	
	2012	2013	2012	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	<i>(unaudited)</i>			
Profit before taxation	<u>9,025</u>	<u>28,906</u>	<u>9,119</u>	<u>4,446</u>
Tax at the profits tax rate of Hong Kong of 16.5%	1,489	4,769	1,505	734
Tax effect of expenses not deductible for tax purpose	178	499	51	1,087
Underprovision in respect of prior years	—	104	—	—
Others	<u>(44)</u>	<u>(10)</u>	<u>52</u>	<u>28</u>
Income tax expense for the year/period	<u>1,623</u>	<u>5,362</u>	<u>1,608</u>	<u>1,849</u>

13. PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD

	Year ended 31 March		Five months ended 31 August	
	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000
Profit and total comprehensive income for the year/period has been arrived at after charging (crediting):				
Auditor's remuneration	180	200	83	350
Directors' remuneration (note 8)				
Other emoluments	7,468	2,861	1,210	855
Retirement benefits scheme contributions	24	30	12	12
Less: bonuses waived	—	(3,000)	—	—
	7,492	(109)	1,222	867
Other staff costs:				
Salaries and other benefits	7,775	7,539	2,836	2,931
Sales commission	3,268	1,293	409	696
Retirement benefits scheme contributions	250	299	121	344
Total staff costs	18,785	9,022	4,276	4,838
Depreciation of property, plant and equipment	1,052	2,061	652	1,082
Cost of inventories recognised as cost of sales	279,136	206,187	86,252	93,021
Including: Allowance provided for (reversal of) inventories	110	(2,399)	(568)	423
Operating lease payments in respect of office premises, warehouses and retail shop	4,952	5,758	1,918	2,545

14. DIVIDEND

Prior to the Reorganisation, during the five months ended 31 August 2013, Major Cellar declared total dividends of HK\$22,550,000 to its then shareholders.

Other than disclosed above, no dividend was paid or declared by the Company since its incorporation or by other group entities during the Relevant Periods.

The rate of dividend and the number of shares ranking for dividend are not presented as such information is not meaningful having regard to the purpose of this report.

15. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the following data:

	Year ended 31 March		Five months ended 31 August	
	2012	2013	2012	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	<i>(unaudited)</i>			
Earnings:				
Earnings for the purpose of calculating basic earnings per share (profit for the year/period attributable to owners of the Company)	<u>7,402</u>	<u>23,544</u>	<u>7,511</u>	<u>2,597</u>
	'000	'000	'000	'000
Number of shares:				
Number of ordinary shares for the purpose of calculating basic earnings per share	<u>90,000</u>	<u>90,000</u>	<u>90,000</u>	<u>90,000</u>

The number of ordinary shares for the purpose of calculating basic earnings per share has been determined on the assumption that the Reorganisation and the capitalisation issue set out in Section B had been effective on 1 April 2011.

No diluted earnings per share for the Relevant Periods was presented as there were no potential ordinary shares in issue during the Relevant Periods.

16. PROPERTY, PLANT AND EQUIPMENT

THE GROUP

	Leasehold improvements	Office computers	Furniture, fixtures and equipment	Motor vehicles	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
COST					
At 1 April 2011	1,578	475	1,843	359	4,255
Additions	1,285	341	175	3,970	5,771
Disposals/written off	(423)	—	(295)	—	(718)
At 31 March 2012	2,440	816	1,723	4,329	9,308
Additions	181	24	28	6,935	7,168
At 31 March 2013 and 31 August 2013	2,621	840	1,751	11,264	16,476
DEPRECIATION					
At 1 April 2011	316	95	368	72	851
Provided for the year	244	163	345	300	1,052
Eliminated on disposals/ written off	(85)	—	(59)	—	(144)
At 31 March 2012	475	258	654	372	1,759
Provided for the year	511	167	348	1,035	2,061
At 31 March 2013	986	425	1,002	1,407	3,820
Provided for the period	227	78	177	600	1,082
At 31 August 2013	1,213	503	1,179	2,007	4,902
CARRYING VALUES					
At 31 March 2012	1,965	558	1,069	3,957	7,549
At 31 March 2013	1,635	415	749	9,857	12,656
At 31 August 2013	1,408	337	572	9,257	11,574

Depreciation is charged so as to write off the cost over their estimated useful lives, using the straight-line method, at the following rates per annum:

Leasehold improvements	Shorter of 20% and over the lease terms
Office computers	20%
Furniture, fixtures and equipment	20%
Motor vehicles	12.5%

At 31 March 2012, 31 March 2013 and 31 August 2013, the carrying values of motor vehicles included an amount of approximately HK\$3,473,000, HK\$9,441,000 and HK\$8,728,000, respectively in respect of assets held under finance leases.

17. INTEREST IN A JOINT VENTURE

THE GROUP

	As at 31 March 2012	2013	At 31 August 2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost of unlisted investment in a joint venture	5	5	—
Share of post-acquisition losses	<u>(5)</u>	<u>(5)</u>	<u>—</u>
	<u>—</u>	<u>—</u>	<u>—</u>

The summarised financial information in respect of the assets, liabilities, income, expenses and revenue related to the Group's interest in Major Aim, which is accounted for using equity method, are set out below:

	As at 31 March 2012	2013	At 31 August 2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Current assets	<u>9</u>	<u>—</u>	<u>—</u>
Current liabilities	<u>691</u>	<u>685</u>	<u>—</u>
Revenue recognised in profit or loss	<u>1,192</u>	<u>—</u>	<u>—</u>
Other income recognised in profit or loss	<u>10</u>	<u>—</u>	<u>—</u>
Expenses recognised in profit or loss	<u>1,749</u>	<u>3</u>	<u>—</u>

The Group has discontinued recognition of its share of losses of Major Aim. The amounts of unrecognised share of losses of Major Aim, during the Relevant Periods and cumulatively, are as follows:

	Year ended 31 March		Five months ended 31 August	
	2012	2013	2012	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Unrecognised share of losses of Major Aim for the year/period	<u>547</u>	<u>3</u>	<u>1</u>	<u>—</u>
Accumulated unrecognised share of losses of Major Aim	<u>682</u>	<u>685</u>	<u>683</u>	<u>—</u>

The Group's equity interest was held by Mr. Leung on behalf of Major Cellar through a declaration of trust which was terminated on 3 July 2013. No gain or loss arising from the loss of joint control of Major Aim.

18. INVESTMENT IN A SUBSIDIARY/AMOUNT DUE TO A SUBSIDIARY

THE COMPANY

	As at 31 August 2013 HK\$'000
Deemed investment cost	<u>104,912</u>

Amount represents the deemed investment cost in Beyond Elite.

Amount due to a subsidiary is unsecured, non-interest bearing and repayable on demand.

19. INVENTORIES

THE GROUP

	As at 31 March		As at
	2012	2013	31 August
	HK\$'000	HK\$'000	2013
Premium wines and spirit products	94,617	84,501	76,744
Wine accessory products	631	1,088	890
Other products	<u>42</u>	<u>25</u>	<u>15</u>
	<u>95,290</u>	<u>85,614</u>	<u>77,649</u>

A reversal of HK\$2,399,000 and HK\$568,000 (unaudited) have been recognised for the sales of inventories in which allowance has been made in prior years at cost or above during the year ended 31 March 2013 and five months ended 31 August 2012 respectively.

20. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

THE GROUP

	As at 31 March		As at
	2012	2013	31 August
	HK\$'000	HK\$'000	2013
Trade receivables from third parties	7,902	12,565	22,561
Trade deposits paid	49,499	38,439	36,009
Other receivables and prepayments	<u>4,699</u>	<u>4,370</u>	<u>3,419</u>
Total trade and other receivables, deposits and prepayments	<u>62,100</u>	<u>55,374</u>	<u>61,989</u>
Analysed as:			
Current	37,389	55,374	61,989
Non-current (Note)	<u>24,711</u>	<u>—</u>	<u>—</u>
	<u>62,100</u>	<u>55,374</u>	<u>61,989</u>

Note: Trade deposits paid of approximately HK\$24,711,000 is related to premium wines to be delivered to the Group after twelve months as at 31 March 2012.

Generally, no credit period is offered to walk-in customers at retail shop. The credit period granted to long term and wholesale customers with good business relationship with the Group ranged up to 90 days. Trade receivables from third parties mainly represent receivables from customers in relation to the sales of premium wine and spirit products to customers.

The following is an aged analysis of trade receivables from third parties net of allowance for doubtful debts presented based on the delivery date at the end of the reporting period, which approximated the respective revenue recognition dates:

	As at 31 March		As at
	2012	2013	31 August
	HK\$'000	HK\$'000	2013
0 to 30 days	3,194	11,133	13,908
31 to 60 days	205	266	5,027
61 to 90 days	3,950	107	28
Over 90 days	<u>553</u>	<u>1,059</u>	<u>3,598</u>
	<u>7,902</u>	<u>12,565</u>	<u>22,561</u>

All the trade receivables that are neither past due nor impaired are due from customers with good settlement history and no default on settlement had been noted.

As at 31 March 2012, 31 March 2013 and 31 August 2013, included in the Group's trade receivables are debtors with a carrying amount of HK\$7,297,000, HK\$4,870,000 and HK\$14,597,000, respectively, which are past due at the end of the reporting period for which the Group has not provided for impairment loss as there were subsequent settlement or no historical default of payments by the respective customers and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

Aging of trade receivables from third parties past due but not impaired

	As at 31 March		As at
	2012	2013	31 August
	HK\$'000	HK\$'000	2013
0 to 30 days	2,589	3,438	5,944
31 to 60 days	205	266	5,027
61 to 90 days	3,950	107	28
Over 90 days	<u>553</u>	<u>1,059</u>	<u>3,598</u>
	<u>7,297</u>	<u>4,870</u>	<u>14,597</u>

Movement in the allowance for doubtful debts

	As at 31 March		As at
	2012	2013	31 August
	HK\$'000	HK\$'000	2013
			HK\$'000
Balance at beginning of the year/period	—	—	—
Allowance for bad and doubtful debts	492	—	—
Amounts written off as uncollectible	<u>(492)</u>	<u>—</u>	<u>—</u>
Balance at end of the year/period	<u>—</u>	<u>—</u>	<u>—</u>

21. AMOUNTS DUE FROM/TO RELATED PARTIES

THE GROUP

	As at 31 March		As at
	2012	2013	31 August
	HK\$'000	HK\$'000	2013
			HK\$'000
Amounts due from related companies:			
Major Talent Limited (“Major Talent”) (Note i)	18	18	18
Major Investment Holding Limited (“Major Investment”) (Note ii)	<u>—</u>	<u>5,835</u>	<u>123</u>
	<u>18</u>	<u>5,853</u>	<u>141</u>

Notes:

- (i) Major Talent is controlled by Mr. Leung and Mr. Cheung, the Shareholders and Mr. Leung is the sole director of Major Talent. The balance is non-trade nature, unsecured, non-interest bearing and repayable on demand.
- (ii) Major Investment is controlled by Mr. Cheung, one of the Shareholders. The balance is non-trade nature, unsecured, non-interest bearing and repayable on demand.

Maximum amount of the non-trade balances outstanding during the respective year/period:

	Year ended 31 March		Five months ended
	2012	2013	31 August
	HK\$'000	HK\$'000	2013
			HK\$'000
Amounts due from related companies:			
Major Talent	18	18	18
Major Investment	—	5,835	12,835
	<u>18</u>	<u>5,853</u>	<u>12,853</u>
	As at 31 March		As at
	2012	2013	31 August
	HK\$'000	HK\$'000	2013
			HK\$'000
Amounts due to related companies:			
Rouge & Blanc (Note i)	30,483	—	—
Major Investment (Note ii)	11,081	—	—
Amount due to a close family member of Mr. Leung (Note iii)	410	410	410
	<u>41,974</u>	<u>410</u>	<u>410</u>

Notes:

- (i) Rouge & Blanc is controlled by Mr. Leung and Mr. Cheung, the Shareholders. The amount represents the remaining consideration payable amounting to HK\$27,783,000 and interest payable of HK\$2,700,000 for the transfer of wine and spirit products and furniture and fixtures on 31 March 2010, and is unsecured, interest bearing at 10% per annum and repayable on demand. On 1 April 2012, Mr. Leung, the sole director of Rouge & Blanc passed a resolution to waive the amount due to Rouge & Blanc. Accordingly, the amount of HK\$30,483,000 is treated as a deemed contribution from shareholders and recognised as other reserve during the year ended 31 March 2013.
- (ii) Major Investment is controlled by Mr. Cheung, one of the Shareholders. The balance represents settlements received from customers and settlements made to suppliers by Major Investment on behalf of the Group. The balance is unsecured, interest bearing at 6.74% per annum and repayable on demand. From 1 April 2012, the amount became non-interest bearing and fully settled in 2013.
- (iii) The amount is non-trade nature, unsecured, non-interest bearing and repayable on demand.

22. AMOUNTS DUE FROM/TO SHAREHOLDERS

THE GROUP

	As at 31 March		As at
	2012	2013	31 August
	HK\$'000	HK\$'000	2013
			HK\$'000
Amount due from a shareholder of the Company:			
Mr. Cheung (Note)	<u>—</u>	<u>3,033</u>	<u>—</u>
Amounts due to shareholders of the Company:			
Mr. Cheung (Note)	454	—	—
Mr. Leung (Note)	<u>1,503</u>	<u>107</u>	<u>—</u>
	<u>1,957</u>	<u>107</u>	<u>—</u>

Note: The amount is non-trade nature, unsecured, non-interest bearing and repayable on demand.

Maximum amount of the non-trade balances outstanding during the respective year/period.

	Year ended 31 March		Five months ended
	2012	2013	31 August
	HK\$'000	HK\$'000	2013
			HK\$'000
Amounts due from shareholders			
Mr. Cheung	—	3,033	3,033
Mr. Leung	<u>—</u>	<u>—</u>	<u>6,896</u>
	<u>—</u>	<u>3,033</u>	<u>9,929</u>

The balances due from/to shareholders as at 31 March 2013 were substantially settled by net settlement agreements executed on 27 August 2013. Details are set out in note 35.

23. BANK BALANCES AND CASH**THE GROUP**

The amounts comprise cash and bank balances carrying interest at average market rates of 0.01%, 0.02% and 0.02% per annum as at 31 March 2012, 31 March 2013 and 31 August 2013, respectively.

24. TRADE AND OTHER PAYABLES, ACCRUED CHARGES AND DEPOSITS RECEIVED**THE GROUP**

	As at 31 March		As at 31 August
	2012	2013	2013
	HK\$'000	HK\$'000	HK\$'000
Trade payables	3,673	6,438	4,043
Trade deposits received	36,167	35,556	27,349
Other payables and accrued charges	<u>6,782</u>	<u>1,711</u>	<u>3,997</u>
	<u>46,622</u>	<u>43,705</u>	<u>35,389</u>
Analysed as:			
Current	43,340	43,705	35,389
Non-current (Note)	<u>3,282</u>	<u>—</u>	<u>—</u>
	<u>46,622</u>	<u>43,705</u>	<u>35,389</u>

THE COMPANY

	As at 31 March		As at 31 August
	2012	2013	2013
	HK\$'000	HK\$'000	HK\$'000
Other payable and accrued charges	<u>—</u>	<u>—</u>	<u>2,469</u>

Note: Trade deposits received of approximately HK\$3,282,000 is related to premium wines to be delivered to customers after twelve months as at 31 March 2012.

Other than trade deposits paid, the credit period on purchases of goods is 30 to 60 days. The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

THE GROUP

	As at 31 March		As at
	2012	2013	31 August
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2013</i>
			<i>HK\$'000</i>
0 - 30 days	1,186	3,328	880
31 - 60 days	1,014	697	1,335
61 - 90 days	271	1,365	844
Over 90 days	<u>1,202</u>	<u>1,048</u>	<u>984</u>
	<u>3,673</u>	<u>6,438</u>	<u>4,043</u>

25. OBLIGATIONS UNDER FINANCE LEASES

THE GROUP

	Minimum lease payments			Present value of minimum lease payments		
	As at 31 March		As at 31 August	As at 31 March		As at 31 August
	2012	2013	2013	2012	2013	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amounts payable under finance leases:						
Within one year	647	1,956	1,939	581	1,690	1,694
In the second to fifth year inclusive						
	<u>1,970</u>	<u>6,011</u>	<u>5,203</u>	<u>1,615</u>	<u>5,392</u>	<u>4,683</u>
	2,617	7,967	7,142	2,196	7,082	6,377
Less: Future finance charges	<u>(421)</u>	<u>(885)</u>	<u>(765)</u>	<u>—</u>	<u>—</u>	<u>—</u>
Present value of lease obligations	<u>2,196</u>	<u>7,082</u>	<u>6,377</u>	2,196	7,082	6,377
Less: Amounts due for settlement within one year (shown as current liabilities)				<u>(581)</u>	<u>(1,690)</u>	<u>(1,694)</u>
Amounts due for settlement after one year				<u>1,615</u>	<u>5,392</u>	<u>4,683</u>

The Group leased certain of its motor vehicles under finance leases. The lease term was ranged from 3 years to 5 years. The average borrowing rates were 4.07%, 3.27% and 3.26% per annum as at 31 March 2012, 31 March 2013 and 31 August 2013, respectively. Interest rates were fixed at the contract date. All leases were on a fixed repayment basis and no arrangement was entered into for contingent rental payments.

The Group's obligations under finance leases were secured by the lessors' charge over the leased assets.

26. BANK BORROWINGS

THE GROUP

	As at 31 March		As at
	2012	2013	31 August
	HK\$'000	HK\$'000	2013
Secured import loans	11,653	16,268	18,605
Secured bank loans	<u>2,790</u>	<u>15,557</u>	<u>9,590</u>
	<u>14,443</u>	<u>31,825</u>	<u>28,195</u>
Carrying amount repayable*:			
Within one year	12,913	30,564	26,999
More than one year, but not exceeding two years	269	197	194
More than two years, but not more than five years	609	629	775
More than five years	<u>652</u>	<u>435</u>	<u>227</u>
	<u>14,443</u>	<u>31,825</u>	<u>28,195</u>

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

As at 31 March 2012, 31 March 2013 and 31 August 2013, all the bank borrowings contain a repayment on demand clause and accordingly are shown under current liabilities.

The bank borrowings are secured by the properties of Mr. Leung, one of the Shareholders, and personal guarantee from Mr. Cheung and Mr. Leung, the Shareholders and a close family member of Mr. Leung.

Borrowings comprise:

	As at 31 March		As at
	2012	2013	31 August
	HK\$'000	HK\$'000	2013
			HK\$'000
Fixed-rate borrowings	2,790	15,557	9,590
Floating-rate borrowings	<u>11,653</u>	<u>16,268</u>	<u>18,605</u>
	<u>14,443</u>	<u>31,825</u>	<u>28,195</u>

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings are as follows:

	Year ended 31 March		Five months
	2012	2013	ended
			31 August
			2013
Effective interest rate (per annum):			
Fixed-rate borrowings	3.25% - 7.75%	3.25% - 7.75%	3.5% - 4.5%
Floating-rate borrowings	4.25% - 6.5%	5.25% - 6.5%	5.25%

27. DEFERRED TAX LIABILITY

The following is the major deferred tax liability recognised and movements thereon during the Relevant Periods:

THE GROUP

	Accelerated tax depreciation <i>HK\$'000</i>
At 1 April 2011	238
Charge to profit or loss	<u>244</u>
At 31 March 2012	482
Charge to profit or loss	<u>335</u>
At 31 March 2013	817
Charge to profit or loss	<u>13</u>
At 31 August 2013	<u><u>830</u></u>

28. ISSUED CAPITAL/SHARE CAPITAL**THE GROUP**

The issued capital of the Group as at 1 April 2011, 31 March 2012 and 31 March 2013 represents the share capital of Major Cellar.

THE COMPANY

	Number of shares	Share capital HK\$'000
<i>Ordinary shares of HK\$0.01 each</i>		
<i>Authorised:</i>		
On date of incorporation and at 31 August 2013	<u>10,000,000</u>	<u>100</u>
<i>Issued:</i>		
1 share allotted and issued, nil-paid on the date of incorporation	1	—
Issue of shares for cash on 2 April 2013	99	—
Issue of shares on Reorganisation on 28 August 2013	<u>100</u>	<u>—</u>
At 31 August 2013	<u>200</u>	<u>—</u>

The Company was incorporated and registered as an exempted company in the Cayman Islands on 2 April 2013 with an authorised share capital of HK\$100,000 divided into 10,000,000 shares of HK\$0.01 each. Upon its incorporation, 1 subscriber share was allotted and issued to Mr. Cheung. On the same date, the Company allotted and issued 50 and 49 shares to Mr. Cheung and Mr. Leung respectively for cash at par. On 28 August 2013, to effect the Reorganisation (set out in note 1 to Section A), 51 and 49 shares were allotted, issued, credited as fully paid to Silver Tycoon Limited, a limited company wholly owned by Mr. Cheung, and High State Investments Limited, a limited company wholly owned by Mr. Leung, respectively.

29. RESERVE OF THE COMPANY

	Share premium	Accumulated loss	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 2 April 2013 (date of incorporation)	—	—	—
Issue of shares on Reorganisation	104,912	—	104,912
Loss and total comprehensive expense for the period	<u>—</u>	<u>(5,849)</u>	<u>(5,849)</u>
At 31 August 2013	<u>104,912</u>	<u>(5,849)</u>	<u>99,063</u>

30. OPERATING LEASE COMMITMENTS

At the end of each reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases falling due as follows:

THE GROUP

	As at 31 March		As at 31 August
	2012	2013	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	4,557	4,887	4,178
In the second to fifth year inclusive	<u>6,338</u>	<u>1,476</u>	<u>—</u>
	<u>10,895</u>	<u>6,363</u>	<u>4,178</u>

The Group leases its office premises, warehouses and retail shop under operating lease arrangements. Leases for office premises, warehouses and retail shop are negotiated for fixed terms ranged from 1 to 3 years.

31. RETIREMENT BENEFITS SCHEME

The Group operates defined contribution retirement benefit plan for all qualifying employees in Hong Kong. The Group and the employees shall make contributions based on a percentage of the employee's basic salary with a cap of HK\$1,250 per month starting from 1 June 2012 (prior to 1 June 2012: HK\$1,000) and charged to profit or loss as they become payable in accordance with the rules of Mandatory Provident Fund Scheme. The assets of the plan are held separately from those of the Group in funds under the control of trustees.

32. ACQUISITION OF SUBSIDIARIES

On 27 September 2011, the Group acquired the entire equity interest in Nation Bond with consideration of HK\$99. Nation Bond is an investment holding company and was inactive at the date of acquisition.

Assets and liabilities recognised by the Group at the date of acquisition:

	<i>HK\$'000</i>
Current assets	
Cash	4
Other receivables	38
Current liability	
Other payables	<u>(42)</u>
	<u>—</u>

Net cash inflow arising on acquisition

	<i>HK\$'000</i>
Cash consideration paid	—
Bank balances and cash acquired	<u>4</u>
	<u>4</u>

Included in the profit for the year is loss of HK\$6,000 attributable to the additional expenses incurred by Nation Bond. Nation Bond was inactive since the date of acquisition.

The financial impact on the Group is insignificant had the acquisition been completed on 1 April 2011. The pro forma information is for illustrative purposes only and is not necessarily an indication of results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 April 2011, nor is it intended to be a projection of future results.

33. DISPOSAL OF SUBSIDIARIES

On 31 May 2013, Major Cellar disposed of its 99% and 1% equity interests in Nation Bond to an independent third party and Major Investment for a consideration of HK\$99 and HK\$1 respectively. Guobangxing was wholly-owned by Nation Bond at the date of disposal. The net assets of Nation Bond and its subsidiary at the date of disposal were as follows:

Consideration transferred

	<i>HK\$'000</i>
Cash consideration	—

Analysis of assets and liabilities over which control was lost

	<i>HK\$'000</i>
Other receivables and prepayments	38
Accruals and other payables	<u>(19)</u>
Net assets disposed of	<u>19</u>

Loss on disposal of subsidiaries

	<i>HK\$'000</i>
Consideration received	—
Net assets disposed of	<u>(19)</u>
Loss on disposal	<u>(19)</u>

34. RELATED PARTY TRANSACTIONS

Other than the termination of the trust arrangement in relation to Major Aim, the balances with related parties and shareholders, security and guarantee provided by the Shareholders and a close family member of a shareholder for the Group's bank borrowings, disposal of subsidiaries, and guarantee provided to a related party as disclosed in notes 17, 21, 22, 26, 33 and 36, respectively, the Group had the following related party transactions during the Relevant Periods:

	Year ended 31 March		Five months ended 31 August	
	2012	2013	2012	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	<i>(unaudited)</i>			
Sales to Shareholders				
- Mr. Cheung	976	403	167	96
- Mr. Leung	75	349	277	897
	<u>1,051</u>	<u>752</u>	<u>444</u>	<u>993</u>
Sales to a joint venture				
- Major Aim	<u>1,281</u>	<u>—</u>	<u>—</u>	<u>—</u>
Interest expense to related companies				
- Rouge & Blanc	2,700	—	—	—
- Major Investment	<u>949</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>3,649</u>	<u>—</u>	<u>—</u>	<u>—</u>
Rental expense in respect of warehouse paid to Mr. Leung, one of the Shareholders	<u>300</u>	<u>300</u>	<u>125</u>	<u>125</u>
Settlement from customers received by a related party, Major Investment, on behalf of the Group	<u>81,680</u>	<u>30,722</u>	<u>13,095</u>	<u>—</u>
Settlement to suppliers paid by a related party, Major Investment, on behalf of the Group	<u>35,223</u>	<u>43,057</u>	<u>20,384</u>	<u>—</u>

Compensation of key management personnel

The remuneration of directors and other members of key management which were determined by reference to the Group's performance during the years ended 31 March 2012, 31 March 2013 and five months ended 31 August 2012 and 2013 were as follows:

	Year ended 31 March		Five months ended 31 August	
	2012	2013	2012	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Short-term benefits	8,714	4,040	1,577	1,480
Less: Bonus waived	—	(3,000)	—	—
Post-employment benefits	48	58	23	31
	<u>8,762</u>	<u>1,098</u>	<u>1,600</u>	<u>1,511</u>

During the year ended 31 March 2013, Mr. Cheung and Mr. Leung waived bonus payment of HK\$2,000,000 and HK\$1,000,000 for the year ended 31 March 2012, respectively.

35. MAJOR NON-CASH TRANSACTIONS

During the years ended 31 March 2012 and 2013, the Group entered into finance lease arrangements in respect of motor vehicles with a total capital value at the inception of the leases of HK\$2,511,000 and HK\$6,935,000, respectively.

A deemed contribution of HK\$30,483,000 was recognised in respect of the waiver of consideration payable to Rouge & Blanc for the transfer of wine and spirit products and furniture and fixtures as set out in note 21.

On 27 August 2013, Major Cellar, a subsidiary of the Group has entered into agreements with Mr. Cheung, Mr. Leung and Major Investment to net settle the balances among the Group, Mr. Cheung, Mr. Leung and Major Investment (the "Net Settlement Agreements"). Pursuant to the Net Settlement Agreements, the balances being net settled are summarised as follows:

- (a) The Group's dividend payable to Mr. Cheung of HK\$11,500,000
- (b) The Group's dividend payable to Mr. Leung of HK\$11,050,000
- (c) The Group's amount due from Major Investment of HK\$12,701,000
- (d) The Group's amount due from Mr. Cheung of HK\$2,953,000
- (e) The Group's amount due from Mr. Leung of HK\$6,896,000

Upon the completion of the net settlements mentioned above, amount due from a related party decreased by HK\$12,701,000 and amounts due to shareholders decreased by HK\$12,701,000.

36. CONTINGENT LIABILITIES

On 2 July 2012, Major Cellar provided corporate guarantee to a bank in respect of secured banking facilities granted to Major Investment for HK\$85,000,000 which is also secured by a property owned by Mr. Cheung, one of the Shareholders. The management of the Group considered that the fair value of the financial guarantee provided by Major Cellar is insignificant on initial recognition and as at 31 March 2013. On 23 May 2013, the corporate guarantee provided by Major Cellar was released by the bank.

(B) SUBSEQUENT EVENT

Subsequent to 31 August 2013, written resolutions of shareholders of the Company were passed on 30 December 2013 to approve:

- a. the authorised share capital of the Company was increased from HK\$100,000 to HK\$10,000,000 by the creation of 990,000,000 new shares of HK\$0.01 each; and
- b. conditional upon the share premium account of the Company being credited as a result of the placing of the Company's shares, the directors were authorised to capitalise the amount of HK\$899,998 from the amount standing to the credit of the share premium account of the Company and to apply such amount to pay up in full at par 89,999,800 shares for allotment and issue to the persons whose name appeared on the register of members of the Company at the close of business on 30 December 2013, in proportion (or as nearly as possible without involving fractions) to their then existing shareholders of the Company.

(C) DIRECTORS' EMOLUMENTS

Under the arrangement presently in force, the aggregate amount of the directors' remunerations for the year ending 31 March 2014 is estimated to be approximately HK\$1,950,000.

(D) SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of its subsidiaries in respect of any period subsequent to 31 August 2013.

Yours faithfully,
Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The information set out in this Appendix does not form part of the Accountants' Report on the financial information of the Group for the two years ended 31 March 2013 and the five months ended 31 August 2013 prepared by Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the Company's reporting accountants, as set out in "Appendix I — Accountants' Report" and is included herein for information only. The unaudited pro forma financial information should be read in conjunction with "Financial Information" and the Accountants' Report set out in "Appendix I Accountants' Report".

(A) UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The statement of unaudited pro forma adjusted consolidated net tangible assets of the Group prepared in accordance with Rule 7.31 of the GEM Listing Rules is set out below to illustrate the effect of the Placing on the audited consolidated net tangible assets of the Group as if the Placing had taken place on 31 August 2013.

The statement of unaudited pro forma adjusted consolidated net tangible assets of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, may not give a true picture of the financial position of the Group as at 31 August 2013 or any future date following the Placing.

The following statement of unaudited pro forma adjusted consolidated net tangible assets of the Group is based on the audited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 August 2013 as shown in the accountants' report on the financial information for each of the two years ended 31 March 2012 and 2013 and the five months ended 31 August 2013 of the Group (the "Accountants' Report"), the text of which is set out in Appendix I to this prospectus, and adjusted as follows:

	Audited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 August 2013	Estimated net proceeds from the Placing	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company	Unaudited pro forma adjusted consolidated net tangible asset of the Group attributable to owners of the Company per Share
	<i>HK\$'000</i> <i>(Note 1)</i>	<i>HK\$'000</i> <i>(Note 2)</i>	<i>HK\$'000</i> <i>(Note 3)</i>	<i>HK\$</i> <i>(Note 4)</i>
Based on the Placing Price of HK\$1.00 per Share	83,923	20,787	104,710	0.87
Based on the Placing Price of HK\$1.40 per Share	83,923	32,427	116,350	0.97

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

Notes:

1. The audited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 March 2013 is extracted from the Accountants' Report set out in "Appendix I — Accountants' Report".
2. The estimated net proceeds from the issue of the Shares pursuant to the Placing are based on 30,000,000 Shares at the Placing Price of lower limit and upper limit of HK\$1.00 and HK\$1.40 per Placing Share, respectively, after deduction of the underwriting commissions and fees and other related fees (excluding approximately HK\$7.3 million listing expenses which has been accounted for prior to 31 August 2013) paid/payable by the Company. It does not take into account any shares which may be allotted and issued pursuant to the exercise of options which may be granted under the Share Option Scheme or any shares which may be allotted and issued or repurchased by the Company pursuant to the general mandate given to the Directors to allot and issue or repurchase shares referred to in the section headed "General Mandate to Issue Shares" or the section headed "General Mandate to Repurchase Shares", as the case may be.
3. The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company does not take into account the effect of any trading result or other transaction of the Group entered into subsequent to 31 August 2013.
4. The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share is arrived at on the basis that 120,000,000 Shares were in issue assuming that the Placing and the Capitalisation Issue had been completed on 31 August 2013. It does not take into account any shares which may be allotted and issued pursuant to the exercise of options which may be granted under the Share Option Scheme or any shares which may be allotted and issued or repurchased by the Company pursuant to the general mandate given to the Directors to allot and issue or repurchase shares referred to in the section headed "General Mandate to Issue Shares" or the section headed "General Mandate to Repurchase Shares", as the case may be.

(B) REPORT FROM THE REPORTING ACCOUNTANTS ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, in respect of the Group's unaudited pro forma financial information for the purpose of incorporation in this prospectus.

Deloitte.
德勤

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太古廣場一座35樓

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

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

TO THE DIRECTORS OF MAJOR HOLDINGS LIMITED

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Major Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the statement of unaudited pro forma adjusted consolidated net tangible assets as at 31 August 2013 and related notes as set out on pages II-1 to II-2 of Appendix II to the prospectus issued by the Company dated 6 January 2014 (the "Prospectus"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages II-1 to II-2 of Appendix II to the Prospectus.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed placing (the "Placing") on the Group's financial position as at 31 August 2013 as if the Placing had taken place at 31 August 2013. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial information for the two years ended 31 March 2012 and 2013 and the five months ended 31 August 2013, on which an accountants' report set out in Appendix I to the Prospectus has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

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

Reporting Accountants' Responsibilities

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

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements (“HKSAE”) 3420 Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus issued by the HKICPA. This standard requires that the reporting accountants comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 7.31 of the GEM Rules and with reference to AG 7 issued by the HKICPA.

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

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Placing at 31 August 2013 would have been as presented.

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

- The related unaudited pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

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

Opinion

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 7.31(1) of the GEM Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

6 January 2014

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 2 April 2013 under the Companies Law. The Memorandum of Association and the Articles of Association comprise its constitution.

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the Shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on 30 December 2013 with effect from Listing. The following is a summary of certain provisions of the Articles:

(a) Directors

- (i) *Power to allot and issue shares and warrants*

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the board may determine). Subject to the Companies Law, the rules of any Designated Stock Exchange (as defined in the Articles) and the Memorandum and Articles, any share may be issued on terms that, at the option of the Company or the holder thereof, they are liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may from time to time determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of any Designated Stock Exchange (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) *Power to dispose of the assets of the Company or any subsidiary*

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iii) *Compensation or payments for loss of office*

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(iv) *Loans and provision of security for loans to Directors*

There are provisions in the Articles prohibiting the making of loans to Directors.

(v) *Disclosure of interests in contracts with the Company or any of its subsidiaries*

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and, subject to the Articles, upon such terms as the board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. Subject as otherwise provided by

the Articles, the board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

Subject to the Companies Law and the Articles, no Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his associates is materially interested, but this prohibition shall not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his associate(s) any security or indemnity in respect of money lent by him or any of his associates or obligations incurred or undertaken by him or any of his associates at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or
- (ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other

arrangement which relates both to Directors, his associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his associate(s) as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(vi) *Remuneration*

The ordinary remuneration of the Directors shall from time to time be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors shall also be entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vii) Retirement, appointment and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) will retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire in every year will be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot. There are no provisions relating to retirement of Directors upon reaching any age limit.

The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated:

- (aa) if he resigns his office by notice in writing delivered to the Company at the registered office of the Company for the time being or tendered at a meeting of the Board;
- (bb) becomes of unsound mind or dies;
- (cc) if, without special leave, he is absent from meetings of the board (unless an alternate director appointed by him attends) for six (6) consecutive months, and the board resolves that his office is vacated;
- (dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) if he is prohibited from being a director by law;
- (ff) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may from time to time appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(viii) *Borrowing powers*

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

Note: These provisions, in common with the Articles in general, can be varied with the sanction of a special resolution of the Company.

(ix) *Proceedings of the Board*

The board may meet for the despatch of business, adjourn and otherwise regulate their meetings as they think fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(x) *Register of Directors and Officers*

The Companies Law and the Articles provide that the Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

(b) Alterations to constitutional documents

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(c) Alteration of capital

The Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Companies Law:

- (i) increase its capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe;
- (ii) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;
- (iv) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares; or
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may subject to the provisions of the Companies Law reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(d) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy whatever the number of shares held by them shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(e) Special resolution-majority required

Pursuant to the Articles, a special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice of not less than twenty-one (21) clear days and not less than ten (10) clear business days specifying the intention to propose the resolution as a special resolution, has been duly given. Provided that if permitted by the Designated Stock Exchange (as defined in the Articles), except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than ninety-five per cent. (95%) in nominal value of the shares giving that right and, in the case of an annual general meeting, if so agreed by all Members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which notice of less than twenty-one (21) clear days and less than ten (10) clear business days has been given.

A copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles.

(f) Voting rights

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Articles, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorised representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Designated Stock Exchange (as defined in the Articles), required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(g) Requirements for annual general meetings

An annual general meeting of the Company must be held in each year, other than the year of adoption of the Articles (within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of any Designated Stock Exchange (as defined in the Articles)) at such time and place as may be determined by the board.

(h) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records shall be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting. However, an exempted company shall make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2009 Revision) of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual

general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions the Articles; however, subject to compliance with all applicable laws, including the rules of the Designated Stock Exchange (as defined in the Articles), the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

Auditors shall be appointed and the terms and tenure of such appointment and their duties at all times regulated in accordance with the provisions of the Articles. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor shall be submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than the Cayman Islands. If so, the financial statements and the report of the auditor should disclose this fact and name such country or jurisdiction.

(i) Notices of meetings and business to be conducted thereat

An annual general meeting shall be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days and any extraordinary general meeting at which it is proposed to pass a special resolution shall (save as set out in sub-paragraph (e) above) be called by notice of at least twenty-one (21) clear days and not less than ten (10) clear business days. All other extraordinary general meetings shall be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. In addition notice of every general meeting shall be given to all members of the Company other than such as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to the auditors for the time being of the Company.

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above if permitted by the rules of the Designated Stock Exchange, it shall be deemed to have been duly called if it is so agreed:

- (i) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than ninety-five per cent (95%) in nominal value of the issued shares giving that right.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

- (aa) the declaration and sanctioning of dividends;
- (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
- (cc) the election of directors in place of those retiring;
- (dd) the appointment of auditors and other officers;
- (ee) the fixing of the remuneration of the directors and of the auditors;
- (ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and
- (gg) the granting of any mandate or authority to the directors to repurchase securities of the Company.

(j) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange (as defined in the Articles) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit, in its discretion, to do so and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof. The board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

The board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor may shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in the Cayman Islands or such other place at which the principal register is kept in accordance with the Companies Law.

The board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The board may decline to recognise any instrument of transfer unless a fee of such maximum sum as any Designated Stock Exchange (as defined in the Articles) may determine to be payable or such lesser sum as the Directors may from time to time require is paid to the Company in respect thereof, the instrument of transfer, if applicable, is properly stamped, is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in a relevant newspaper and, where applicable, any other newspapers in accordance with the requirements of any Designated Stock Exchange (as defined in the Articles), at such times and for such periods as the board may determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole thirty (30) days in any year.

(k) Power for the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to purchase its own Shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by any Designated Stock Exchange (as defined in the Articles).

(l) Power for any subsidiary of the Company to own shares in the Company and financial assistance to purchase shares of the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

Subject to compliance with the rules and regulations of the Designated Stock Exchange (as defined in the Articles) and any other relevant regulatory authority, the Company may give financial assistance for the purpose of or in connection with a purchase made or to be made by any person of any shares in the Company.

(m) Dividends and other methods of distribution

Subject to the Companies Law, the Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit. The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such

shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(n) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(o) Call on shares and forfeiture of shares

Subject to the Articles and to the terms of allotment, the board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or instalments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(p) Inspection of register of members

Pursuant to the Articles the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the Registration Office (as defined in the Articles), unless the register is closed in accordance with the Articles.

(q) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

Save as otherwise provided by the Articles the quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

A corporation being a member shall be deemed for the purpose of the Articles to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

(r) Rights of the minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman law, as summarised in paragraph 3(f) of this Appendix.

(s) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares (i) if the Company shall be wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively and (ii) if the Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(t) Untraceable members

Pursuant to the Articles, the Company may sell any of the shares of a member who is untraceable if (i) all cheques or warrants in respect of dividends of the shares in question (being not less than three in total number) for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) upon the expiry of the 12 year period, the Company has not during that time received any indication of the existence of the member; and (iii) the Company has caused an advertisement to be published in accordance with the rules of the Designated Stock Exchange (as defined in the Articles) giving notice of its intention to sell such shares and a period of three (3) months, or such shorter period as may be permitted by the Designated Stock Exchange (as defined in the Articles), has elapsed since the date of such advertisement and the Designated Stock Exchange (as defined in the Articles) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

(u) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "Court"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

The Articles includes certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

(c) Financial assistance to purchase shares of a company or its holding company

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries, its holding company or any subsidiary of such holding company in order that they may buy Shares in the Company or shares in any subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of Shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

Subject to the provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company shall be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are

held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company shall not be treated as a member for any purpose and shall not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share shall not be voted, directly or indirectly, at any meeting of the company and shall not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law. Further, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

With the exception of section 34 of the Companies Law, there is no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 2(m) above for further details).

(f) Protection of minorities

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an

alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Management

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company shall cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and

- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 23 April 2013.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of the Company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register shall be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2009 Revision) of the Cayman Islands.

(n) Winding up

A company may be wound up compulsorily by order of the Court; voluntarily; or, under supervision of the Court. The Court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Court, just and equitable to do so.

A company may be wound up voluntarily when the members so resolve in general meeting by special resolution, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum or articles expires, or the event occurs on the occurrence of which the memorandum or articles provides that the company is to be dissolved, or, the company does not commence business for a year from its incorporation (or suspends its business for a year), or, the company is unable to pay its debts. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court, there may be appointed one or more than one person to be called an official liquidator or official liquidators; and the Court may appoint to such office such qualified person or persons, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court shall declare whether any act hereby required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court. A person shall be qualified to accept an appointment as an official liquidator if he is duly qualified in terms of the Insolvency Practitioners Regulations. A foreign practitioner may be appointed to act jointly with a qualified insolvency practitioner.

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators for the purpose of winding up the affairs of the company and distributing its assets. A declaration of solvency must be signed by all the directors of a company being voluntarily wound up within twenty-eight (28) days of the commencement of the liquidation, failing which, its liquidator must apply to Court for an order that the liquidation continue under the supervision of the Court.

Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval.

A liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories), settle the list of creditors and, subject to the rights of preferred and secured creditors and to any subordination agreements or rights of set-off or netting of claims, discharge the company's liability to them (*pari passu* if insufficient assets exist to discharge the liabilities in full) and to settle the list of contributories (shareholders) and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. At least twenty-one (21) days before the final meeting, the liquidator shall send a notice specifying the time, place and object of the meeting to each contributory in any manner authorised by the company's articles of association and published in the Gazette in the Cayman Islands.

(o) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(p) Compulsory acquisition

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(q) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Conyers Dill & Pearman (Cayman) Limited, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents Available for Inspection" in Appendix V. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

FURTHER INFORMATION ABOUT OUR COMPANY AND ITS SUBSIDIARIES**1. Incorporation of our Company**

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 2 April 2013. Our Company has established a place of business in Hong Kong at Suite 822, Ocean Centre, Harbour City, 5 Canton Road, Kowloon, Hong Kong and was registered as a non-Hong Kong company under Part XI of the Companies Ordinance on 15 May 2013. In connection with such registration, Mr. Cheung and Mr. Leung have been appointed as the authorised representatives of our Company for acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company was incorporated in the Cayman Islands, its operations are subject to the Cayman Islands company law and its constitution, which comprises a memorandum of association and the articles of association. A summary of certain provisions of its constitution and relevant aspects of the Cayman Islands company law is set out in Appendix III to this prospectus.

2. Changes in authorised and issued share capital of our Company

Our Company was incorporated in the Cayman Islands on 2 April 2013 by Codan Trust and the 1 subscriber share was transferred to Mr. Cheung for HK\$0.01 on the same date. The authorised share capital of our Company as at the date of its incorporation was HK\$100,000 divided into 10,000,000 Shares of HK\$0.01 each.

On 2 April 2013, our Company allotted and issued 50 and 49 Shares to each of Mr. Cheung and Mr. Leung, respectively for cash at par so as to maintain their percentage shareholding in our Company to reflect that in Major Cellar.

3. Resolutions in writing of all the Shareholders passed on 30 December 2013

Pursuant to the resolutions in writing passed by all the Shareholders on 30 December 2013:

- (a) our Company increased its authorised share capital from HK\$100,000 divided into 10,000,000 Shares of HK\$0.01 each to HK\$10,000,000 divided into 1,000,000,000 Shares of HK\$0.01 each;
- (b) our Company adopted the Memorandum, with immediate effect, and the Articles of Association, with effect from Listing;
- (c) our Company adopted the rules of the Share Option Scheme, the principal terms of which are set out in the paragraph headed “Share Option Scheme” below, and our Directors were authorised to grant options to subscribe for the Shares thereunder and, conditional on the Listing Division of the Stock Exchange granting of the listing of, and permission to deal

in, the Shares to be issued pursuant to the exercise of the options granted under the Share Option Scheme to allot, issue and deal with the Shares pursuant to the exercise of options granted under the Share Option Scheme;

- (d) conditional on the Listing Division of the Stock Exchange granting the listing of, and permission to deal in the Shares in issue and to be issued as mentioned in this prospectus and on the obligations of the Underwriters under the Underwriting Agreement becoming unconditional and not being terminated in accordance with the terms of the Underwriting Agreement or otherwise, in each case on or before the day falling 30 days after the date of this prospectus:
- (i) the Placing was approved and our Directors were authorised to allot and issue the new Shares under the Placing;
 - (ii) the rules of the Share Option Scheme, the principal terms of which are set out in the paragraph headed “Share Option Scheme” below, were approved and adopted and our Directors were authorised to grant options to subscribe for the Shares thereunder and to allot, issue and deal with the Shares pursuant to the exercise of options which may be granted under the Share Option Scheme and to take all such steps as may be necessary, desirable or expedient to carry into effect the Share Option Scheme;
 - (iii) conditional on the share premium account of our Company being credited as a result of the Placing, our Directors were authorised to capitalise approximately HK\$899,998 standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par 89,999,800 Shares for allotment and issue to the Shareholders whose names appear on the register of members of our Company at the close of business on 30 December 2013 (or as they may direct) in proportion (as nearly as possible without involving fractions so that no fraction of a Share shall be allotted and issued) to their then existing shareholdings in our Company so that the Shares allotted and issued shall rank *pari passu* in all respects with the then existing issued Shares;
 - (iv) a general unconditional mandate was given to our Directors to exercise all powers of our Company to allot, issue and deal with, otherwise than by way of rights issue, scrip dividend schemes or similar arrangements in accordance with the articles of association of our Company, or pursuant to the exercise of any options which have been or may be granted under the Share Option Scheme, or under the Placing or the Capitalisation Issue, Shares with an aggregate nominal amount of not exceeding the sum of (aa) 20% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Placing and the Capitalisation Issue (excluding Shares which may be allotted and issued pursuant to the exercise of the options which may be granted under the Share Option Scheme) and (bb) the aggregate nominal amount of the share capital of our Company which may be purchased by our Company pursuant to the authority granted to our Directors as referred to in paragraph (v) below, until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by

the articles of association of our Company or any applicable Cayman Islands law to be held, or the passing of an ordinary resolution by the Shareholders revoking or varying the authority given to our Directors as set out in this paragraph (iv), whichever occurs first; and

- (v) a general unconditional mandate (the “**Repurchase Mandate**”) was given to our Directors to exercise all powers of our Company to purchase the Shares with an aggregate nominal amount of not exceeding 10% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Placing and the Capitalisation Issue (excluding Shares which may be allotted and issued pursuant to the exercise of the options which may be granted under the Share Option Scheme) until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the articles of association of our Company or any applicable Cayman Islands law to be held, or the passing of an ordinary resolution by the Shareholders in general meeting revoking or varying the authority given to our Directors as set out in this paragraph (v), whichever occurs first.

4. Group reorganisation

The companies comprising our Group underwent a reorganisation to rationalise our Group’s structure in preparation for the Listing. The material steps of the reorganisation involved the following:

- (i) On 2 April 2013, the Company was incorporated in the Cayman Islands with an authorised share capital of HK\$100,000 divided into 10,000,000 Shares.
- (ii) On 2 April 2013, the Company allotted and issued 50 and 49 Shares to Mr. Cheung and Mr. Leung, respectively for cash at par.
- (iii) On 22 April 2013, the Company activated Beyond Elite as a wholly-owned subsidiary of the Company.
- (iv) On 31 May 2013, Major Cellar disposed of its interest in Nation Bond to Mr. Cheng Kat Ho and Major Investment for cash at par value each.
- (v) On 7 June 2013, Mr. Cheung and Mr. Leung transferred their initial shareholdings in our Company to Silver Tycoon and High State Investments, respectively.
- (vi) On 3 July 2013, Major Cellar disposed of its entire shareholding interests in Major Aim to Mr. Leung for nominal consideration by reference to the par value of such share.
- (vii) On 28 August 2013, Mr. Cheung and Mr. Leung transferred their entire shareholding interests in Major Cellar to our subsidiary, Beyond Elite, in consideration of the allotment and issue of 51 Shares to Silver Tycoon and 49 Shares to High State Investments credited as fully paid at the direction of Mr. Cheung and Mr. Leung, respectively.

5. Changes in share capital of subsidiaries

Our Company's subsidiaries are referred to in the Accountants' Report, the text of which is set out in Appendix I to this prospectus. The following sets out the changes to the share capital made by our subsidiaries during the two years preceding the date of this prospectus:

On 22 April 2013, Beyond Elite allotted and issued one ordinary share to our Company for cash at par.

Save as set out above, there has been no alteration in the share capital of any of the subsidiaries of our Company within the two years immediately preceding the date of this prospectus.

6. Repurchase by our Company of its own securities

This paragraph includes information required by the Stock Exchange to be included in this prospectus concerning the repurchase by our Company of its own securities.

(a) *Provisions of the GEM Listing Rules*

The GEM Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important of which are summarised below:

(i) *Shareholders' approval*

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company listed on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders, either by way of general mandate or by specific approval of a particular transaction.

Note: Pursuant to a resolution in writing passed by all Shareholders on 30 December 2013, the Repurchase Mandate was given to our Directors to exercise all powers of our Company to purchase Shares on the Stock Exchange or any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, of up to 10% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Placing and the Capitalisation Issue (excluding Shares which may be allotted and issued pursuant to the exercise of the options which may be granted under the Share Option Scheme). The Repurchase Mandate will expire at the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the articles of association of our Company or any applicable Cayman Islands law to be held, or the passing of an ordinary resolution by the Shareholders in general meeting revoking or varying the authority given to our Directors, whichever occurs first.

(ii) *Source of funds*

Repurchases must be paid out of funds legally available for the purpose in accordance with our Company's Memorandum and Articles of Association and the Companies Law. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time. Under Cayman Islands law, any repurchases by our Company may only be made out of profits of our Company, or out of share premium account, or out of the proceeds of a fresh issue of shares made for the purpose of the repurchase, or, if so authorised by its articles of association and subject to the provisions of the Companies Law, out of capital. Any premium payable on a purchase over the par value of the shares to be purchased must be provided for out of profits of our Company or from sums standing to the credit of our Company's share premium account, or, if so authorised by its articles of association and subject to the provisions of the Companies Law, out of capital.

(iii) *Connected parties*

A company is prohibited from knowingly repurchasing securities from a "connected person", that is, a director, chief executive or substantial shareholder of our Company or any of their respective associates and a connected person shall not knowingly sell his securities to our Company, on the Stock Exchange.

(b) *Reasons for repurchases*

Our Directors believe that it is in the best interests of our Company and the Shareholders for our Directors to have general authority from the Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made if our Directors believe that such repurchases will benefit our Company and the Shareholders.

(c) *Funding of repurchases*

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with its Memorandum and Articles of Association, the GEM Listing Rules and the applicable laws of the Cayman Islands.

On the basis of the current financial position of our Group as disclosed in this prospectus and taking into account the current working capital position of our Group, our Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of our Group as compared with the position disclosed in this prospectus. However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Group or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Group.

The exercise in full of the Repurchase Mandate, on the basis of 120,000,000 Shares in issue immediately after the listing of the Shares on the Stock Exchange, would result in up to 12,000,000 Shares being repurchased by our Company during the period in which the Repurchase Mandate remains in force.

(d) *General*

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates currently intends to sell any Shares to our Company or its subsidiaries if the Repurchase Mandate is exercised.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the GEM Listing Rules and the applicable laws of the Cayman Islands.

No connected person (as defined in the GEM Listing Rules) has notified our Company that he has a present intention to sell Shares to our Company, or has undertaken not to do so if the Repurchase Mandate is exercised.

If, as a result of a securities repurchase, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

FURTHER INFORMATION ABOUT THE BUSINESS OF OUR GROUP

7. Summary of material contracts

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this prospectus and are or may be material:

- (a) the Reorganisation Agreement dated 28 August 2013 entered into between our Company, Mr. Cheung and Mr. Leung in relation to the transfer of the entire issued share capital of Major Cellar to Beyond Elite in consideration of the allotment and issue of 51 and 49 Shares to Silver Tycoon and High State Investments, respectively, credited as fully paid;
- (b) the Deed of Indemnity entered into by our Controlling Shareholders and our Company dated 30 December 2013, details of which are set out in paragraph 14 of this Appendix;

- (c) the Deed of Non-Competition entered into by our Controlling Shareholders in favour of our Company dated 30 December 2013, details of which are set out in the section headed “Relationship with our Controlling Shareholders — Non-Competition Undertaking” in this prospectus; and
- (d) the Underwriting Agreement entered into between the Company, the executive Directors, the Controlling Shareholders, the Sponsor, the Lead Manager and the Underwriters to be dated on or about 6 January 2014, details of which are set out in the section headed “Underwriting” of this prospectus.


8. Intellectual Property Rights of our Group

(a) Trademarks

As at the Latest Practicable Date, our Group is the registered proprietor of the following trademarks:

Trademark	Registered Owner	Class	Place of registration	Trade Mark No.	Effective Period
	Major Cellar	35	Hong Kong	301409247	19 August 2009 to 18 August 2019
	Major Cellar	35	Hong Kong	302126420	29 December 2011 to 28 December 2021
	Major Cellar	35	Hong Kong	302126411	29 December 2011 to 28 December 2021

As at the Latest Practicable Date, our Group has applied for the registration of the following trademark:

Trademark	Registered owner	Application number	Class	Place of application	Date of application
	Major Cellar	302593819	35, 36	Hong Kong	30 April 2013

(b) Domain name

As at the Latest Practicable Date, our Group had registered the following domain name:

Domain name	Date of registration	Expiry date
MAJORCELLAR.COM	21 August 2008	21 August 2015

Information contained in the above website does not form part of this prospectus.

Save as disclosed above, there are no other trade or service marks, patents, other intellectual or industrial property rights which are material to the business of our Group.

FURTHER INFORMATION ABOUT DIRECTORS, MANAGEMENT AND STAFF

9. Directors

(a) *Disclosure of interests of Directors*

- (i) Mr. Cheung and Mr. Leung through their wholly-owned companies namely Silver Tycoon and High State Investments respectively, are interested in the corporate reorganisation referred to in the paragraph headed “Group reorganisation” above.
- (ii) Save as disclosed in this prospectus, none of our Directors or their associates were engaged in any dealings with our Group during the two years preceding the date of this prospectus.

(b) *Particulars of service contracts*

Each of Mr. Cheung, Mr. Leung, Mr. Cheung Chun Pang and Ms. Cheung Wing Shun being all the executive Directors, has entered into a service contract with our Company on 30 December 2013. Particulars of these agreements, except as indicated, are in all material respects identical and are set out below:

- (i) each service agreement is of three years commencing from the Listing Date and will continue thereafter until terminated in accordance with the terms of the service agreement;
- (ii) the initial annual salary for each of Mr. Cheung, Mr. Leung, Mr. Cheung Chun Pang and Ms. Cheung Wing Shun is set out below, such salary to be reviewed annually by the Board and the remuneration committee of our Company; and
- (iii) each of these executive Directors is entitled to such management bonus by reference to the consolidated net profits of our Group after taxation and minority interests but before extraordinary items as the Board and the remuneration committee of our Company may approve, provided that the relevant executive Director shall abstain from voting and not be counted in the quorum in respect of any resolution of the Board approving the amount of annual salary, management bonus and other benefits payable to him or her.

The current basic monthly salaries of the executive Directors are as follows:

Name	Amount (HK\$)
Cheung Chun To	70,000
Leung Chi Kin Joseph	70,000
Cheung Chun Pang	20,000
Cheung Wing Shun	40,000

Each of Mr. Yue Kwai Wa Ken, Mr. Ngai Hoi Ying and Mr. Wong Siu Ki, being all the independent non-executive Directors, has entered into a letter of appointment with our Company on 30 December 2013. Each letter of appointment is for an initial term of one year commencing on the Listing Date, and shall continue thereafter unless terminated by either party giving at least one month's notice in writing. Each independent non-executive Director is entitled to a monthly director's fee of HK\$10,000.

Save as aforesaid, none of our Directors has or is proposed to have a service contract with our Company or any of its subsidiaries (other than contracts expiring or determinable by our Group within one year without the payment of compensation (other than statutory compensation)).

(c) ***Directors' remuneration***

During the Track Record Period, the aggregate of the remuneration (including salaries and allowance, if any) paid and benefits in kind granted by our Group to our Directors in respect of the financial years ended 31 March 2012 and 2013 was approximately HK\$7.5 million and HK\$2.9 million, respectively.

Under the arrangements currently in force, the aggregate emoluments (excluding any discretionary bonus, if any, payable to the Director) payable by our Group to and benefits in kind receivable by our Directors for the year ended 31 March 2013 is estimated to be approximately HK\$2.9 million.

None of our Directors or any past directors of any member of our Group has been paid any sum of money for each of the two years ended 31 March 2012 and 2013 (i) as an inducement to join or upon joining our Company or (ii) for loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.

There has been no arrangement under which a Director has waived or agreed to waive any emoluments for each of the two years ended 31 March 2013.

(d) *Interests and short positions of Directors in the share, underlying shares or debentures of our Company and its associated corporations*

Immediately following the completion of the Placing and the Capitalisation Issue but without taking into account the issue of any Shares upon the exercise of options which may be granted under the Share Option Scheme, the interests and short positions of our Directors and chief executive of our Company in the shares, underlying shares or debentures of our Company and its associated corporations (within the meaning of the SFO) which will have to be notified to our 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 are taken or deemed to have under such provisions of the SFO) or which will be required pursuant to section 352 of the SFO to be entered in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, will be as follows:

Name	Capacity/ Nature of interest	Number of Shares held after the Placing	Percentage of shareholding after the Placing
Mr. Cheung	Interest in controlled corporation ^{Note 1}	45,900,000 Shares	38.25%
Mr. Leung	Interest in controlled corporation ^{Note 2}	44,100,000 Shares	36.75%
Silver Tycoon	Beneficial Owner	45,900,000 Shares	38.25%
High State Investments	Beneficial Owner	44,100,000 Shares	36.75%
Ms. Lin Shuk Shuen	Family Interest ^{Note 3}	45,900,000 Shares	38.25%
Ms. Ma Pui Ying	Family Interest ^{Note 4}	44,100,000 Shares	36.75%

Notes:

1. Mr. Cheung beneficially owns 100% equity interest in Silver Tycoon. Therefore, Mr. Cheung is deemed to be interested in the 45,900,000 Shares held by Silver Tycoon.
2. Ms. Lin Shuk Shuen is the spouse of Mr. Cheung and is therefore deemed to be interested in all the Shares held/owned by Mr. Cheung (by himself and through Silver Tycoon) by virtue of the SFO.
3. Mr. Leung beneficially owns 100% equity interest in High State Investments. Therefore, Mr. Leung is deemed to be interested in the 44,100,000 Shares held by High State Investments.
4. Ms. Ma Pui Ying is the spouse of Mr. Leung and is therefore deemed to be interested in all the Shares held/owned by Mr. Leung (by himself and through High State Investments) by virtue of the SFO.

10. Interest discloseable under the SFO and substantial shareholders

So far as our Directors are aware, immediately following the completion of the Placing and the Capitalisation Issue and taking no account of any Shares which may be taken up under the Placing or any Shares which may be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme, the following persons/entities will have an interest or a short position in the Shares or the underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be recorded in the register of our Company required to be kept under section 336 of the SFO, or who will be, directly or indirectly, to be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other members of our Group:

Name	Capacity/ Nature of interest	Number of Shares held after the Placing	Percentage of shareholding after the Placing
Mr. Cheung	Interest in controlled corporation ^{Note 1}	45,900,000 Shares	38.25%
Mr. Leung	Interest in controlled corporation ^{Note 2}	44,100,000 Shares	36.75%
Silver Tycoon	Beneficial Owner	45,900,000 Shares	38.25%
High State Investments	Beneficial Owner	44,100,000 Shares	36.75%
Ms. Lin Shuk Shuen	Family Interest ^{Note 3}	45,900,000 Shares	38.25%
Ms. Ma Pui Ying	Family Interest ^{Note 4}	44,100,000 Shares	36.75%

Notes:

1. Mr. Cheung beneficially owns 100% equity interest in Silver Tycoon. Therefore, Mr. Cheung is deemed to be interested in the 45,900,000 Shares held by Silver Tycoon.
2. Ms. Lin Shuk Shuen is the spouse of Mr. Cheung and is therefore deemed to be interested in all the Shares held/owned by Mr. Cheung (by himself and through Silver Tycoon) by virtue of the SFO.
3. Mr. Leung beneficially owns 100% equity interest in High State Investments. Therefore, Mr. Leung is deemed to be interested in the 44,100,000 Shares held by High State Investments.
4. Ms. Ma Pui Ying is the spouse of Mr. Leung and is therefore deemed to be interested in all the Shares held/owned by Mr. Leung (by himself and through High State Investments) by virtue of the SFO.

11. Related party transactions

During the two years immediately preceding the date of this prospectus, our Group engaged in the related party transactions as mentioned in Notes 20, 21, 25, 31 and 33 of the Accountants' Report set out in Appendix I to this prospectus.

12. Disclaimers

Save as disclosed in this prospectus:

- (a) and taking no account of any Shares which may be taken up or acquired under the Placing or any Shares which may be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme, our Directors are not aware of any person who immediately following completion of the Placing and the Capitalisation Issue will have an interest or short position in the Shares and underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who is, either directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at the general meetings of our Company or any other members of our Group;
- (b) none of our Directors or chief executive of our Company has for the purpose of Divisions 7 and 8 of Part XV of the SFO or the GEM Listing Rules, nor is any of them taken to or deemed to have under Divisions 7 and 8 of Part XV of the SFO, an interest or short position in the shares, underlying shares and debentures of our Company or any associated corporations (within the meaning of the SFO) or any interests which will have to be entered in the register to be kept by our Company pursuant to section 352 of the SFO or which will be required to be notified to our Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules once the Shares are listed on the Stock Exchange;
- (c) none of our Directors nor the experts named in the paragraph headed "Qualifications and consents of experts" below has been interested in the promotion of, or has any direct or indirect interest in any assets acquired or disposed of by or leased to, any member of our Group within the two years immediately preceding the date of this prospectus, or which are proposed to be acquired or disposed of by or leased to any member of our Group nor will any Director apply for Placing Shares either in his/her own name or in the name of a nominee;
- (d) none of our Directors is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole; and
- (e) none of the experts named in the paragraph headed "Qualifications and consents of experts" below has any shareholding in any company in our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any company in our Group.

SHARE OPTION SCHEME**13. Share Option Scheme**

Our Company has conditionally adopted the Share Option Scheme, which was approved by written resolutions passed by the Shareholders on 30 December 2013. The following is a summary of the principal terms of the Share Option Scheme but does not form part of, nor was it intended to be, part of the Share Option Scheme nor should it be taken as affecting the interpretation of the rules of the Share Option Scheme:

The terms of the Share Option Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules.

(a) Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to advance the interests of our Company and the Shareholders by enabling our Company to grant options to attract, retain and reward the eligible persons and to provide the eligible persons an incentive or reward for their contribution to our Group and by enabling such persons' contribution to further advance the interests of our Group.

(b) Participants of the Share Option Scheme and Eligibility Criteria

The eligible persons of the Share Option Scheme to whom options may be granted by the Board shall include (collectively "**Eligible Persons**"):

- (i) any directors (whether executive or non-executive and whether independent or not) and any employee (whether full-time or part-time) of our Group (collectively "**Employee**");
- (ii) any consultants or advisers (in the areas of legal, technical, financial or corporate managerial) of our Group (whether on an employment or contractual or honorary basis or otherwise and whether paid or unpaid); any provider of goods and/or services to our Group; any customer of our Group; or any holder of securities issued by any member of our Group (collectively "**Business Associate**"); and
- (iii) any other person, who at the sole discretion of the Board, has contributed to our Group (the assessment criteria of which are (1) such person's contribution to the development and performance of our Group; (2) the quality of work performed by such person for our Group; (3) the initiative and commitment of such person in performing his duties; (4) the length of service or contribution of such person to our Group; and (5) such other factors as considered to be applicable by the Board).

The Board may in its absolute discretion specify such conditions as it thinks fit when granting an option to an Eligible Person (including, without limitation, as to any minimum period an option must have been held or the minimum period of service or relationship with any member of our Group to be achieved before an option can be exercised (or any part thereof), to the extent of the option which can be exercised at any material time, or any performance criteria which must be satisfied by the Eligible Person, our Company, and its subsidiaries, before an option may be exercised), provided that such conditions shall not be inconsistent with any other terms and conditions of the Share Option Scheme and the GEM Listing Rules.

(c) *Life of the Share Option Scheme*

Our Company may, by ordinary resolution in general meeting, or the Board may at any time terminate the operation of the Share Option Scheme and in such event no further option shall be offered or granted but in all other respects the provisions of the Share Option Scheme shall remain in full force and effect and options granted prior to such termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

Subject to the aforesaid, the Share Option Scheme shall be valid and effective for a period of ten years commencing from the date of adoption, after which period no further options will be offered or granted but the provisions of the Share Option Scheme shall remain in full force and effect in all other respects with respect to options granted during the life of the Share Option Scheme.

(d) *Subscription Price*

The subscription price in respect of any option shall, subject to any adjustments made pursuant to the terms of the Share Option Scheme, be a price determined by the Board and notified to each grantee and shall be at least the highest of:

- (i) the closing price per Share as stated in the Stock Exchange's daily quotation sheet on the offer date;
- (ii) the average of the closing prices per Share as stated in the Stock Exchange's daily quotation sheets for the five Business Days immediately preceding the offer date; or
- (iii) the nominal value of the Share.

(e) *Acceptance of Offers*

An offer shall remain open for acceptance by the Eligible Person concerned for such period as determined by the Board, being a date not later than ten Business Days after the offer date by which the Eligible Person must accept the offer or be deemed to have declined it, provided that no such offer shall be open for acceptance after the tenth anniversary of the date of adoption of the Share Option Scheme or after the Share Option Scheme has been terminated in accordance with the provisions of the Share Option Scheme.

The amount payable by the grantee to our Company on acceptance of the offer shall be a nominal amount to be determined by the Board.

(f) ***Maximum number of Shares available for Subscription***

- (i) The total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other Share Option Schemes shall not in aggregate exceed 10% of the total number of Shares in issue as at the date of approval of the Share Option Scheme unless our Company obtains a fresh approval from the Shareholders pursuant to paragraph (f)(ii) below.
- (ii) Our Company may seek approval of Shareholders in general meeting to renew the 10% limit set out in paragraph (f)(i) above such that the total number of Shares in respect of which options may be granted by the Board under the Share Option Scheme and any other share option schemes of our Company in issue shall not exceed 10% of the total number of Shares in issue as at the date of approval of the renewed limit.
- (iii) Our Company may grant options to specified participant(s) beyond the 10% limit set out in paragraph (f)(i) above provided that the options granted in excess of such limit are specifically approved by the Shareholders in general meeting and the participants are specifically identified by our Company before such approval is sought. In seeking such approval, a circular must be sent to the Shareholders containing the required details in accordance with Chapter 23 of the GEM Listing Rules.
- (iv) Notwithstanding the foregoing and subject to the paragraph (g) below, the maximum number of Shares in respect of which options may be granted under the Share Option Scheme together with any options outstanding and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company in issue shall not exceed 30% (or such higher percentage as may be allowed under the GEM Listing Rules) of the total number of Shares in issue from time to time.

(g) ***Maximum entitlement of each Eligible Person***

The total number of Shares issued and to be issued upon exercise of the options granted to each Eligible Person (including both exercised and outstanding options under the Share Option Scheme) in any twelve-month period must not exceed 1% of the issued share capital of our Company.

Where any further grant of options to an Eligible Person would result in excess of such limit shall be subject to the approval of the Shareholders at general meeting with such Eligible Person and his associates abstaining from voting.

In seeking such approval, a circular must be sent to the Shareholders containing the required details in accordance with Chapter 23 of the GEM Listing Rules.

(h) *Grants of Options to certain connected persons*

- (i) Any grant of options to a connected person (as defined under the GEM Listing Rules) or any of its associates must be approved by all of the independent non-executive Directors (excluding any independent non-executive Director who is also the grantee).
- (ii) Where options are proposed to be granted to a Substantial Shareholder or an independent non-executive Director or any of their respective associates, and the proposed grant of options will result in the total number of 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 twelve-month period up to and including the date of such grant representing in aggregate over 0.1 per cent of the issued share capital of our Company and having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK\$5 million, such grant of options must be subject to the approval of the Shareholders at general meeting. The connected person involved in such proposed grant of options and all other connected persons must abstain from voting in such general meeting (except that any connected person may vote against the proposed grant provided that his intention to do so has been stated in the relevant circular to the Shareholders).

In seeking such approval, a circular must be sent to the Shareholders containing the required details in accordance with Chapter 23 of the GEM Listing Rules.

Any change in the terms of the options granted to a Substantial Shareholder or an independent non-executive Director of our Company, or any of their respective associates must also be approved by the Shareholders in general meeting.

(i) *Time of exercise of Option*

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be notified by the Board to the grantee which the Board may in its absolute discretion determine, save that such period shall not be more than ten years from the date of acceptance of the offer (subject to the provisions for early termination in accordance with the Share Option Scheme) (the “Option Period”).

(j) *Rights are personal to Grantee*

An option shall be personal to the grantee and shall not be assignable nor transferable, and no grantee shall in any way sell, transfer, assign, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any option or attempt to do so. Any breach of the foregoing shall entitle our Company to cancel any outstanding option or part thereof granted to such grantee.

(k) *Rights on ceasing employment*

In the case of the grantee being an employee or a director of our Group leaves the services of our Group by reason other than death or on one or more of the grounds specified in paragraph (p)(v), or because his employing company ceases to be a member of our Group, the grantee may exercise the option up to his entitlement at the date of cessation (to the extent he is entitled to exercise at the date of cessation but not already exercised) within a period being the earlier of (i) three months (or such other period as the Board may determine) following the date of such cessation, which date shall be the last actual working day with our Group whether salary is paid in lieu of notice or not or the last date of appointment as director of our Group, as the case may be, or (ii) the expiration of the relevant Option Period. Any options not so exercised shall lapse and terminate at the end of the said period provided that in any such case, our Directors in their absolute discretion may otherwise determine subject to such conditions or limitations as our Directors may decide.

(l) *Rights on Death*

In the case of the grantee ceases to be an Eligible Person by reason of death, he or (as the case may be) his personal representatives may exercise all or part of his options (to the extent he is entitled to exercise at the date of cessation but not already exercised) within a period being the earlier of (i) six months after he so ceases to be an Eligible Person or (ii) the expiration of the relevant Option Period. Any options not so exercised shall lapse and terminate at the end of the said period provided that in any such case, our Directors in their absolute discretion may otherwise determine subject to such conditions or limitations as our Directors may decide.

(m) *Rights on a General Offer*

- (i) If, in consequences of any general offer made to the holders of Shares (being an offer made in the first instance on a condition such that, if it is satisfied, the offeror will have control of our Company) or otherwise, any person shall have obtained control (as defined in the Takeovers Code) of our Company, then our Directors shall as soon as practicable thereafter notify every grantee accordingly and each grantee shall be entitled to exercise all or any of his options (to the extent he is entitled but not exercised) at any time before the earlier of (1) the expiry of the Option Period, or (2) the fourteenth day following the date on which the general offer becomes or is declared unconditional to exercise any option in whole or in part, and to the extent that it has not been so exercised, any options shall upon the expiry of such period cease and terminate provided that if, during such period, such person becomes entitled to exercise rights of compulsory acquisition of Shares and gives notice in writing to any holders of Shares that he intends to exercise such rights, options shall be and remain exercisable until the earlier of (1) the expiry of the Option Period or (2) the fourteenth day from the date of such notice and, to the extent that any options which have not been exercised upon the expiry of such period, shall thereupon cease and terminate.

- (ii) If a general offer by way of a scheme of arrangement is made to all the Shareholders and the Share Option Scheme has been approved by the necessary number of Shareholders at the requisite meetings, our Company shall forthwith notify all the grantees and any grantee (or his personal representatives) may thereafter (but before such time as shall be notified by our Company) by notice in writing to our Company exercise the option (to the extent he is entitled but not exercised) to its full extent or to the extent specified in such notice. Any options which have not been exercised upon the expiry of such period as specified in the notice shall thereupon cease and terminate.

(n) ***Rights on Winding-up***

In the event that a notice is given by our Company to the Shareholders to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company other than for the purposes of a reconstruction, amalgamation or scheme of arrangement, our Company shall on the same date as or soon after it dispatches such notice to each member of our Company give notice thereof to all grantees (together with a notice of the existence of the provisions of this paragraph) and thereupon, each grantee (or his personal representatives) shall be entitled to exercise all or any of his options at any time not later than two Business Days prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given whereupon our Company shall as soon as possible and, in any event, no later than the Business Day immediately prior to the date of the proposed general meeting referred to above, allot and issue such number of Shares to the grantee credited as fully paid which falls to be issued on such exercise and register the grantee as holder thereof in the branch register of members of our Company maintained in Hong Kong.

(o) ***Right on a compromise or scheme of arrangement***

If a compromise or arrangement between our Company and the Shareholders or creditors is proposed for the purposes of or in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company or companies, our Company shall give notice thereof to the grantee (together with a notice of the existence of the provisions of this paragraph) on the same date or soon after it dispatches the notice to each member or creditor of our Company summoning the meeting to consider such a compromise or arrangement, and thereupon the grantee (or his personal representatives) may by notice in writing to our Company accompanied by the remittance for the aggregate subscription price in respect of the number of option exercised under such notice (such notice to be received by our Company not later than two Business Days prior to the proposed meeting) either to its full extent or to the extent specified in such notice, and our Company shall as soon as possible and in any event no later than the Business Day immediately prior to the date of the proposed meeting referred to above, allot and issue such number of Shares credited as fully paid, to the grantee which falls to be issued on such exercise and register the grantee as holder thereof in the branch register of members of our Company maintained in Hong Kong.

(p) *Lapse of Option*

The right to exercise an option shall lapse automatically (to the extent not already exercised) immediately upon the earliest of:

- (i) subject to paragraphs (k)-(o), the expiry of the Option Period;
- (ii) the expiry of any of the periods referred to in paragraphs (k)-(m);
- (iii) subject to paragraph (n), the date of the commencement of the winding up of our Company;
- (iv) subject to the scheme of arrangement becoming effective, the expiry of the period referred to in paragraph (o);
- (v) in the event that the grantee is an employee or a director of our Group, the date on which the grantee ceases to be an Eligible Person by reason of summary dismissal for misconduct or other breach of the terms of his employment or directorship or other contract constituting him an Eligible Person, or appears either to be unable to pay or to have no reasonable prospect of being able to pay his debts or has become insolvent or has made any arrangements or composition with his creditors generally or on which he has been convicted of any criminal offence involving his integrity or honesty or (if so determined by the Board) on any other ground on which an employer or a company would be entitled to terminate his employment or directorship at common law or pursuant to any applicable laws or under the grantee's service contract with our Company or the relevant subsidiary of our Company. A resolution of the Board or the board of directors of the relevant subsidiary of our Company to the effect that the employment or other relevant contract of a grantee has or has not been terminated on one or more of the grounds specified in this paragraph (p)(v) shall be conclusive and binding on the grantee;
- (vi) the date on which the grantee ceases to be an Eligible Person by reason of termination of his relationship (whether by appointment or otherwise) with our Group or on any one or more of the following grounds (other than by reason of death or on one or more of the grounds specified in sub-paragraph (p)(v)) that he has become unable to pay his debts (within the meaning of the Bankruptcy Ordinance) or has become otherwise insolvent or has made any arrangement or composition with his creditors generally, or arrangement or composition with his creditors generally, or has been convicted of any criminal offence involving his integrity or honesty or (if so determined by the Board) has committed any act which is prejudicial to or not in the interests of our Company or any company in our Group. A resolution of the Board or the board of directors of the relevant subsidiary of our Company to the effect that the relationship with a grantee (other than an employee or a director of our Group) has or has not been terminated and as to the date of such termination shall be conclusive and binding on the grantee;

(vii) the date on which the grantee commits a breach of paragraph (j); or

(viii) the date on which the option is cancelled by the Board as provided in paragraph (t).

Our Company shall owe no liability to any grantee for the lapse of any option under this paragraph (p).

(q) ***Ranking of Shares***

The Shares to be allotted and issued upon the exercise of an option shall be subject to the Memorandum and Articles and the laws of the Cayman Islands for the time being in force and shall rank *pari passu* in all respects with the fully-paid Shares in issue of our Company as at the date of allotment and will entitle the holders to participate in all dividends or other distributions paid or made on or after the date of allotment other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be on or before the date of allotment, provided always that when the date of exercise of the option falls on a date upon which the register of members of our Company is closed then the exercise of the options shall become effective on the first Business Day on which the register of members of our Company is re-opened.

(r) ***Reorganisation of Capital Structure***

In the event of any alteration to the capital structure of our Company whilst any option remains exercisable, arising from capitalisation of profits or reserves, rights issue, consolidation, re-classification or subdivision of Share or reduction of the share capital of our Company in accordance with the legal requirements or requirements of the Stock Exchange, other than any alteration in the capital structure of our Company as a result of an issue of Shares as consideration in a transaction to which our Company is a party, adjustment (if any) shall be made to:

- (i) the number or nominal amount of Shares subject to the option so far as unexercised; and/or
- (ii) the subscription price for the Shares subject to the option so far as unexercised; and/or
- (iii) the Shares to which the option relates; and/or
- (iv) any combination thereof as the auditors or the independent financial adviser to our Company (acting as expert not arbitrator) shall at the request of our Company certify in writing to the Board either generally or as regards any particular grantee that the adjustments are in compliance with Rule 23.03(13) of the GEM Listing Rules and the notes thereto.

Any such adjustments must give a grantee the same proportion of the equity capital of our Company as to which that grantee was previously entitled, and any adjustments so made shall be in compliance with the GEM Listing Rules and such applicable guidance and/or interpretation of the GEM Listing Rules from time to time issued by the Stock Exchange (including, without limitation, the “Supplemental Guidance on GEM Listing Rule 23.03(13) and the Notice immediately after the Rule” attached to the letter of the Stock Exchange dated 5 September 2005 to all issuers relating to the Share

Option Scheme) but no such alterations shall be made the effect of which would be to enable a Share to be issued at less than its nominal value. The capacity of the auditors or the independent financial adviser to our Company in this paragraph is that of experts and not of arbitrators and their certification shall, in the absence of manifest error, be final and binding on our Company and the grantees. The costs of the auditors or the independent financial adviser to our Company shall be paid by our Company. Notice of such adjustment shall be given to the grantees by our Company.

(s) *Alteration to the Share Option Scheme and the terms of Options granted under the Share Option Scheme*

The Board may from time to time in its absolute discretion waive or amend any terms of the Share Option Scheme at such time and in such manner as it deems desirable to the extent permissible under the provisions of the GEM Listing Rules in relation to the Share Option Scheme and all applicable laws in respect thereof.

For the avoidance of doubt, except with the prior approval of the Shareholders in general meeting (with the Eligible Persons and their associates abstaining from voting), the Board may not amend:

- (i) any of the provisions of the Share Option Scheme relating to matters contained in Rule 23.03 of the GEM Listing Rules to the advantage of the Eligible Persons or grantees;
- (ii) any terms and conditions of the Share Option Scheme which are of a material nature or any terms of options granted except where such alteration take effect automatically under the existing terms of the Share Option Scheme; and
- (iii) any provisions on the authority of the Board in relation to any alteration to the terms of the Share Option Scheme.

No such amendments shall be altered to the advantage of grantees except with the prior approval of the Shareholders in general meeting (with Eligible Persons and their respective associates abstained from voting). No such alterations shall operate to affect adversely the terms of issue of any option granted or agreed to be granted prior to such alterations except with the consent or sanction in writing of such majority of the grantees as would be required of the Shareholders under the articles of association for the time being of our Company for a variation of the rights attached to the Shares, provided that this restriction should not apply to any amendment made by the Board at the request of the Stock Exchange or other regulatory body for the purpose of ensuring that the Share Option Scheme complies with, among other applicable laws, the requirements of such exchange or other regulatory body on which the Shares are in the course of being listed or from time to time listed or which may have or exercise regulatory powers or jurisdiction in relation to our Company. Any amended terms of the Share Option Scheme or options shall still comply with the relevant requirements of Chapter 23 of the GEM Listing Rules (subject to such waiver as may be granted by the Stock Exchange from time to time) and shall automatically take effect on all outstanding options.

(t) *Cancellation of Options granted*

The Board may cancel an option granted but not exercised with the approval of the grantee of such option. No compensation shall be payable to the grantee for cancellation of the options granted but not exercised.

(u) *Termination*

Our Company, by ordinary resolution in general meeting, or the Board may at any time terminate the operation of the Share Option Scheme and in such event no further option will be offered but in all other respects the provisions of the Share Option Scheme shall remain in full force and effect and options granted prior to such termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

As at the date of this prospectus, no option has been granted or agreed to be granted by our Company under the Share Option Scheme.

OTHER INFORMATION

14. Tax and other indemnities

Mr. Cheung, Silver Tycoon, Mr. Leung and High State Investments (collectively the “**Indemnifiers**”) have pursuant to the Deed of Indemnity referred to in the section headed “Further Information about the Business of Our Group — Summary of material contracts” in this Appendix, on a joint and several basis, given indemnities in favour of our Group in respect of any amount which any member of our Group becomes liable to pay after the date of the Deed of Indemnity being:

- (a) any duty which is or hereafter becomes payable by any member of our Group by virtue of section 35 of the Estate Duty Ordinance under the provisions of section 43 of the Estate Duty Ordinance by reason of the death of any person and by reason of the assets of our Group members;
- (b) any amount recovered against any member of our Group under provisions of section 43(7) of the Estate Duty Ordinance in respect of any duty payable under section 43(1)(c) or 43(6) of the Estate Duty Ordinance by reason of the death of any person and by reason of the assets of our Group members;
- (c) any amount of duty which any member of our Group is obliged to pay by virtue of section 43(1)(c) of the Estate Duty Ordinance;

- (d) any taxation which might be payable by any member of our Group in respect of any income, profits, gains, transactions, events, matters or things earned, accrued, received, entered into or occurring on or up to the Listing Date;
- (e) any expenses, payments, sums, outgoings, fees, demands, claims, damages, losses, costs (including but not limited to legal and other professional costs), charges, liabilities, fines, penalties (“**Costs**”) in connection with any failure, delay or defects of corporate or regulatory non-compliance under, or any breach of any provision of, the Companies Ordinance or any other applicable laws, rules or regulations on or before the date on which the Placing becomes unconditional (“**Effective Date**”);
- (f) any Costs in connection with any errors, discrepancies or missing documents in the statutory record of any member of our Group on or before the Effective Date.
- (g) any and all Costs (including relocation costs, loss of revenue, reinstatement costs etc.) which we may incur, suffer or accrue, directly or indirectly, from or on the basis of or in connection with the breach of the Buildings Ordinance and tenancy agreements in connection with our retail showroom and warehouse in Hung Hom; and
- (h) any and all Costs which we may incur, suffer or accrue, directly or indirectly, from or on the basis of or in connection with the incorrect reporting and contribution of MPF pursuant to the Mandatory Provident Fund Schemes Ordinance and related regulations as detailed in the section headed “Business” of this prospectus under the heading “Material Non-compliance Incidents”.

The Deed of Indemnity does not however cover any claim and the Indemnifiers shall be under no liability in respect of any taxation or liability:-

- (a) to the extent that provision has been made for such taxation in the audited consolidated accounts of our Group for two years ended 31 March 2013 (the “**Accounts Date**”) and any previous audited accounts of any member of our Group (“**Accounts**”);
- (b) to the extent that provision will be made in the audited consolidated accounts of our Group or the audited accounts of any member of our Group covering the period from 31 March 2013 to the date of the Deed of Indemnity;
- (c) such taxation or liability would not have arisen but for any act or omission by any member of our Group voluntarily effected without the prior written consent or agreement of the Indemnifiers (such consent or agreement not to be unreasonably withheld or delayed) and otherwise than in the ordinary course of business after the Accounts Date;
- (d) the taxation arises or is incurred as a result of any retrospective change in law or the interpretation or practice thereof and/or a retrospective increase of tax rates coming into force after the date of the Deed of Indemnity;

- (e) such taxation or liability for which any member of our Group is primarily liable as a result of transactions entered into in the ordinary course of business after the Accounts Date;
- (f) provision or reserve made for such taxation in the Accounts is established to be an over-provision or an excessive reserve; and
- (g) to the extent that such taxation or liability arises as a result of any member of our Group being in breach of any provision of the Deed of Indemnity.

15. Litigation

Save as disclosed herein, neither our Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to our Directors to be pending or threatened against our Company or any of its subsidiaries.

16. Sponsor

The Sponsor has made an application for and on behalf of our Company to the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus, including the Placing Shares and any Shares which may fall to be allotted and issued pursuant to (a) the Capitalisation Issue; and (b) the exercise of options which may be granted under the Share Option Scheme, representing 10% of the Shares in issue on the Listing Date.

17. Compliance adviser

In accordance with the requirements of the GEM Listing Rules, our Company has appointed Ample Capital Limited as its compliance adviser to provide consultancy services to our Company to ensure compliance with the GEM Listing Rules for a period commencing on the Listing Date and ending on the date on which our Company complies with the GEM Listing Rules in respect of its financial results for the second full financial year ending 31 March 2016.

18. Preliminary expenses

The preliminary expenses relating to the incorporation of our Company are approximately US\$6,000 (equivalent to approximately HK\$46,800) and are paid by our Company.

19. Promoter

Our Company has no promoter.

20. Qualifications and consents of experts

The qualifications of the experts who have given reports, letter or opinions (as the case may be) in this prospectus are as follows:

Name	Qualification
China Everbright Capital Limited	A licensed corporation under the SFO to engage in type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) of the regulated activities
Deloitte Touche Tohmatsu	Certified public accountants
Conyers Dill & Pearman (Cayman) Limited	Cayman Islands attorneys-at-law
Avista Valuation Advisory Limited	Member of The Hong Kong Institute of Surveyors (MHKIS)
Access Partner Consultancy & Appraisals Limited	Authorised Person (List of Architects)
Robertsons	Legal advisers as to Hong Kong law
Vivien Chan & Co.	Legal advisers as to Hong Kong tax law
Deheng Law Offices	Legal advisers as to PRC law

Each of Deloitte Touche Tohmatsu, Conyers Dill & Pearman (Cayman) Limited, Avista Valuation Advisory Limited, Access Partner Consultancy & Appraisals, Robertsons, Vivien Chan & Co. Solicitors & Notaries and Deheng Law Offices has given and has not withdrawn their respective written consents to the issue of this prospectus with copies of their reports, letters, opinions or summaries of opinions (as the case may be) and the references to their names included herein in the form and context in which they respectively appear.

None of Deloitte Touche & Tohmatsu, Conyers Dill & Pearman (Cayman) Limited, Avista Valuation Advisory Limited, Access Partner Consultancy & Appraisals, Robertsons, Vivien Chan & Co. and Deheng Law Offices has any shareholding interest in any members of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any members of our Group.

21. Binding Effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penalty provisions) of sections 44A and 44B of the Companies Ordinance so far as applicable.

22. Taxation of holders of Shares**(a) *Hong Kong*****(i) *Profits***

No tax is imposed in Hong Kong in respect of capital gains from the sale of property such as the Shares. Trading gains from the sale of property by persons carrying on a trade, profession or business in Hong Kong where such gains are derived from or arise in Hong Kong from such trade, profession or business will be chargeable to Hong Kong profits tax. Gains from sales of the Shares effected on the Stock Exchange will be considered to be derived from or arise in Hong Kong. Liability for Hong Kong profits tax would thus arise in respect of trading gains from sales of the Shares realised by persons carrying on a business of trading or dealing in securities in Hong Kong.

(ii) *Stamp duty*

Hong Kong stamp duty will be payable by the purchaser on every purchase and by the seller on every sale of the Shares. The duty is charged at the current rate of 0.2% of the consideration or, if higher, the fair value of the Shares being sold or transferred (the buyer and seller each paying half of such stamp duty). In addition, a fixed duty of HK\$5 is currently payable on any instrument of transfer of shares.

(iii) *Estate duty*

Estate duty has been abolished in Hong Kong by The Revenue (Abolition of Estate Duty) Ordinance 2005 which came into effect on 11 February 2006. The estate of a person who died before 11 February 2006 is subject to the provisions of the Estate Duty Ordinance (Chapter 111, Laws of Hong Kong), and the Shares are Hong Kong property for this purpose. The estate duty chargeable in respect of estates of persons dying between the transitional period from and including 15 July 2005 to 11 February 2006 with the principal value exceeding HK\$7.5 million shall be a nominal amount of HK\$100. No Hong Kong estate duty is payable and no estate duty clearance papers are needed for a grant of representation in respect of holders of shares whose death occurs on or after 11 February 2006.

(b) *The Cayman Islands*

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold an interest in land in the Cayman Islands.

(c) *Consultation with professional advisers*

Intended holders of the Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in the Shares or exercising any rights attaching to them. It is emphasised that none of our

Company, our Directors or the other parties involved in the Placing can accept responsibility for any tax effect on, or liabilities of, holders of the Shares resulting from their subscription for, purchase, holding or disposal of or dealing in the Shares or exercising any rights attaching to them.

23. Miscellaneous

(a) *Save as disclosed herein:*

- (i) within two years preceding the date of this prospectus:
 - (aa) no share or loan capital of our Company or of any of its subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash; and
 - (bb) no commissions, discounts, brokerages (other than under the Underwriting Agreement) or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of its subsidiaries;
- (ii) no share or loan capital of our Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
- (iii) our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since 31 March 2013 (being the date to which the latest audited combined financial statements of our Group were made up);
- (iv) there has not been any interruption in the business of our Group which has had a material adverse effect on the financial position of our Group in the 24 months preceding the date of this prospectus;
- (v) no founders, management or deferred shares of our Company or any of our subsidiaries have been issued or agreed to be issued;
- (vi) none of the equity and debt securities of our Company is listed or dealt with on any other stock exchange nor is any listing or submission to deal being or proposed to be sought;
- (vii) none of our Directors nor any of the persons whose names are listed in paragraph headed “Qualifications and consents of experts” in this Appendix has received any commissions, discounts, agency fees, brokerages or other special terms in connection with the issue or sale of any share or loan capital of any member of our Group; and
- (viii) there has not been any interruption in the business of our Company which may have or has had a significant effect on the financial position of our Company in the 24 months preceding the date of this prospectus.

- (b) Subject to the provisions of the Companies Law, the principal register of members of our Company will be maintained in the Cayman Islands by Codan Trust Company (Cayman) Limited and a branch register of members of our Company will be maintained in Hong Kong by Tricor Investor Services Limited. Unless the Directors otherwise agree, all transfers and other documents of title of the Shares must be lodged for registration with and registered by, our Company's branch share registrar in Hong Kong and may not be lodged in the Cayman Islands.

- (c) All necessary arrangements have been made to enable the Shares to be admitted into CCASS.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Robertsons, at 57/F, The Center, 99 Queen's Road Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum and Articles of Association of our Company;
- (b) the Accountants' Report of our Group prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix I to this prospectus — "Accountants' Report";
- (c) the audited financial statements of our Group for each of the two years ended 31 March 2012 and 2013 and five months ended 31 August 2013;
- (d) the report on unaudited pro forma financial information of our Group issued by Deloitte Touche Tohmatsu, the text of which is set out in Appendix II — "Unaudited Pro Forma Financial Information";
- (e) our Share Option Scheme;
- (f) the legal opinions issued by our Hong Kong legal advisors in respect of certain statements referred to in this prospectus;
- (g) the letter prepared by Conyers Dill & Pearman (Cayman) Limited summarising certain aspects of Cayman Islands company law referred to in Appendix III — "Summary of the Constitution of the Company and the Cayman Islands Company Law";
- (h) the Companies Law;
- (i) the material contracts referred to in the section headed "Statutory and General Information — Further Information about the Business of Our Group — Summary of material contracts" in Appendix IV to this prospectus;
- (j) the written consents referred to in the section headed "Statutory and General Information — Other Information — Qualifications and consents of experts" in Appendix IV to this prospectus;
- (k) the service contracts referred to in the section headed "Statutory and General Information — Further Information about Directors, Management and Staff — Particulars of service contracts" in Appendix IV to this prospectus;

- (l) the valuation proposal prepared by Avista Valuation Advisory Limited dated 6 March 2013;
- (m) the tax legal opinion issued by Vivien Chan & Co;
- (n) the legal opinion issued by Deheng Law Offices; and
- (o) the confirmation in respect of the demolition of the unauthorised building works issued by Access Partner Consultancy & Appraisals dated 15 August 2013.

