

WINE'S LINK INTERNATIONAL HOLDINGS LIMITED

威揚酒業國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

STOCK CODE : 8509



SHARE OFFER

Sole Sponsor



Sole Global Coordinator, Sole Bookrunner and
Sole Lead Manager



IMPORTANT

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

Wine's Link International Holdings Limited

威揚酒業國際控股有限公司

(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 SHARE OFFER

Number of Offer Shares	: 120,000,000 Shares (subject to the Offer Size Adjustment Option)
Number of Placing Shares	: 108,000,000 Shares (subject to reallocation and the Offer Size Adjustment Option)
Number of Public Offer Shares	: 12,000,000 Shares (subject to reallocation)
Offer Price	: Not more than HK\$0.75 per Offer Share and expected to be not less than HK\$0.55 per Offer Share plus brokerage of 1%, Stock Exchange trading fee of 0.005% and SFC transaction levy of 0.0027% (payable in full on application, subject to refund on final pricing)
Nominal value	: HK\$0.01 per Share
Stock code	: 8509

Sole Sponsor



Sole Global Coordinator, Sole Bookrunner and Sole Lead Manager



Co-Managers



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

A copy of this prospectus, having attached thereto the documents specified in the paragraph headed "Documents Delivered to the Registrar of Companies in Hong Kong" in Appendix V to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). 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.

Investors applying for the Public Offer Shares must pay, on application, the indicative maximum Offer Price of HK\$0.75 per Offer Share together with brokerage of 1%, Stock Exchange trading fee of 0.005% and SFC transaction levy of 0.0027%, subject to refund. The Offer Price is expected to be fixed by the Price Determination Agreement to be entered into between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company on or about Thursday, 4 January 2018, and in any event, not later than Wednesday, 10 January 2018. If, for any reason, the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company are unable to reach an agreement on the Offer Price by Wednesday, 10 January 2018, the Share Offer will not become unconditional and will lapse. In such case, an announcement will be published by our Company on the website of the Stock Exchange at www.hkexnews.hk, the GEM website at www.hkgem.com and the website of our Company at www.wines-link.com. The Offer Price is expected to be not more than HK\$0.75 per Offer Share and not less than HK\$0.55 per Offer Share. The Sole Global Coordinator (for itself and on behalf of the Underwriters) may, with the prior consent of our Company, reduce the indicative Offer Price range below that as stated in this prospectus at any time prior to the Price Determination Date. In such a case, a notice of the reduction in the indicative Offer Price range will be published on the website of the Stock Exchange at www.hkexnews.hk, the GEM website at www.hkgem.com and the website of our Company at www.wines-link.com.

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

Prospective investors of the Share Offer should note that the Underwriters are entitled to terminate their obligations under the Underwriting Agreements by notice in writing to be given by the Sole Global Coordinator (for itself and on behalf of the Underwriters) upon the occurrence of any of the events set forth 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. Should the Sole Global Coordinator (for itself and on behalf of the Underwriters) terminate the Underwriting Agreements, the Share Offer will not proceed and will lapse.

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 higher 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 gazette newspapers. Accordingly, prospective investors should note that they need to have access to the website of the Stock Exchange at www.hkexnews.hk and the GEM website at www.hkgem.com in order to obtain up-to-date information on GEM-listed issuers.

EXPECTED TIMETABLE

If there is any change in the following expected timetable of the Share Offer, an announcement will be published on the website of the Stock Exchange at www.hkexnews.hk, the GEM website at www.hkgem.com and the website of our Company at www.wines-link.com.

Date⁽¹⁾

Public Offer commences and **WHITE** and **YELLOW**

Application Forms available from..... 9:00 a.m. on Friday, 29 December 2017

Latest time to complete electronic applications under

HK eIPO White Form service through the designated

website www.hkeipo.hk⁽²⁾ 11:30 a.m. on Thursday, 4 January 2018

Application lists for Public Offer open⁽³⁾ 11:45 a.m. on Thursday, 4 January 2018

Latest time for lodging **WHITE** and

YELLOW Application Forms 12:00 noon on Thursday, 4 January 2018

Latest time to give **electronic application**

instructions to HKSCC⁽⁴⁾ 12:00 noon on Thursday, 4 January 2018

Latest time to complete payment of **HK eIPO White Form**

applications by effecting internet banking transfer(s)... 12:00 noon on Thursday, 4 January 2018

Application lists for Public Offer close⁽³⁾ 12:00 noon on Thursday, 4 January 2018

Expected Price Determination Date on or about⁽⁵⁾ Thursday, 4 January 2018

Announcement of the final Offer Price, the level of indications

of interest in the Placing, the level of applications

of the Public Offer, the basis of allocation of the Public

Offer Shares to be published in the Company's

website at www.wines-link.com, the website of

the Stock Exchange at www.hkexnews.hk and

the GEM website at www.hkgem.com on..... Thursday, 11 January 2018

EXPECTED TIMETABLE

Announcement of results of allocations in the Public Offer (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels including the Company's website at www.wines-link.com, the website of the Stock Exchange at www.hkexnews.hk and the GEM website at www.hkgem.com (for further details, please refer to the section headed "How to Apply for the Public Offer Shares — 11. Publication of results" in this prospectus) on Thursday, 11 January 2018

Results of allocations in the Public Offer will be available at www.tricor.com.hk/ipo/result with a "search by ID" function from Thursday, 11 January 2018

Despatch/collection of refund cheques/**HK eIPO White Form** e-Auto Refund payment instructions in respect of wholly or partially unsuccessful applications and wholly or partially successful applications (if applicable) in case the final Offer Price is less than the maximum Offer Price paid for the applications pursuant to the Public Offer on or before^(7, 8, 9 & 10).... Thursday, 11 January 2018

Despatch/collection of share certificates in respect of wholly or partially successful applications pursuant to the Public Offer on or before^(6, 7, 8, 9 & 11)..... Thursday, 11 January 2018

Dealings in Shares on GEM expected to commence at 9:00 a.m. on..... Friday, 12 January 2018

Notes:

1. All times and dates refer to Hong Kong local time, except as otherwise stated. Details of the structure of the Share Offer, including its conditions, are set out in the section headed "Structure and Conditions of the Share Offer" in this prospectus.
2. You will not be permitted to submit your application through the designated website at www.hkeipo.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
3. If there is a "black" rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, 4 January 2018, the application lists will not open on that day. For further details, please see the section headed "How to Apply for the Public Offer Shares — 10. Effect of bad weather on the opening of the application lists" in this prospectus.
4. Applicants who apply for Public Offer Shares by giving **electronic application instructions** to HKSCC should refer to the section headed "How to Apply for the Public Offer Shares — 6. Applying by giving **electronic application instructions** to HKSCC via CCASS" in this prospectus.

EXPECTED TIMETABLE

5. The Price Determination Date is expected to be on or about Thursday, 4 January 2018 and, in any event, no later than Wednesday, 10 January 2018. If, for any reason, the Offer Price is not agreed on or before Wednesday, 10 January 2018 between the Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters), the Share Offer will not proceed and will lapse accordingly.
6. Share certificates for the Public Offer Shares are expected to be issued on or before Thursday, 11 January 2018 but will only become valid certificates of title at 8:00 a.m. on Friday, 12 January 2018 provided that (a) the Share Offer has become unconditional in all respects; and (b) none of the Underwriting Agreements has been terminated in accordance with its terms.
7. Applicants for 1,000,000 Public Offer Shares or more on **WHITE** Application Form(s) or through **HK eIPO White Form** service provider and have provided all information required may collect their refund cheques (where relevant) and/or share certificates (where relevant) personally from our Hong Kong Branch Share Registrar, Tricor Investor Services Limited from 9:00 a.m. to 1:00 p.m. on Thursday, 11 January 2018 or any other day as announced by us as the date of despatch of share certificates/refund cheques. Individuals who are eligible for personal collection must not authorise any other person(s) to make collection on their behalf. Corporate applicants which are eligible for personal collection must attend by their authorised representative(s) bearing a letter of authorisation from such corporation(s) stamped with the corporation's chop. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Branch Share Registrar.
8. Applicants for 1,000,000 Public Offer Shares or more on **YELLOW** Application Forms and have provided all information required may collect their refund cheques, if any, in person but may not collect their share certificates personally which will be deposited into CCASS for the credit of their designated CCASS Participants' stock accounts or CCASS Investor Participants' stock accounts, as appropriated. The procedures for collection of refund cheques for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants.
9. Uncollected share certificates and refund cheques (if any) will be despatched by ordinary post at the applicant's own risk to the address specified in the relevant Application Form. For further information, applicants should refer to the section headed "How to Apply for the Public Offer Shares — 14. Despatch/collection of share certificates and refund monies" in this prospectus.
10. Refund cheques will be despatched in respect of wholly or partially unsuccessful applications and in respect of successful applications if the final Offer Price is less than the maximum Offer Price of HK\$0.75 per Offer Share.
11. Share certificates will only become valid certificates of title provided that (i) the Share Offer has become unconditional in all respects and (ii) neither of the Underwriting Agreements has been terminated in accordance with its terms. **Investors who trade Shares on the basis of publicly available allocation details prior to the receipt of their Share certificates or prior to the Share certificates becoming valid certificates of title do so entirely at their own risk.** For further details of the structure and conditions of the Share Offer, you should refer to the section headed "Structure and Conditions of the Share Offer" in this prospectus.

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

CONTENTS

IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by our Company solely in connection with the Share Offer and does not constitute an offer to sell or a solicitation of an offer to buy any securities other than the Offer Shares offered by this prospectus pursuant to the Share Offer. 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, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Sole Lead Manager and the Underwriters have 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 Global Coordinator, the Sole Bookrunner, the Sole Lead Manager, the Underwriters, any of our or their respective affiliates, directors, officers, employees, agents or representatives, or any other person or party involved in the Share Offer.

Information contained in our website, located at www.wines-link.com, does not form part of this prospectus.

	<i>Page</i>
CHARACTERISTICS OF GEM	i
EXPECTED TIMETABLE	ii
CONTENTS	v
SUMMARY	1
DEFINITIONS	13
GLOSSARY OF TECHNICAL TERMS	23
FORWARD-LOOKING STATEMENTS	25
RISK FACTORS	27
INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER	44
DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER	48
CORPORATE INFORMATION	54

CONTENTS

	<i>Page</i>
INDUSTRY OVERVIEW	56
LAWS AND REGULATIONS	66
HISTORY, REORGANISATION AND CORPORATE STRUCTURE	72
BUSINESS	78
RELATIONSHIP WITH CONTROLLING SHAREHOLDERS	137
DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES	146
SUBSTANTIAL SHAREHOLDERS	158
SHARE CAPITAL	160
FINANCIAL INFORMATION	163
STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS	260
SOLE SPONSOR'S INTEREST	268
UNDERWRITING	269
STRUCTURE AND CONDITIONS OF THE SHARE OFFER	281
HOW TO APPLY FOR THE PUBLIC OFFER SHARES	289
APPENDIX I — ACCOUNTANTS' REPORT	I-1
APPENDIX II — UNAUDITED PRO FORMA FINANCIAL INFORMATION	II-1
APPENDIX III — SUMMARY OF THE CONSTITUTION OF THE COMPANY AND THE CAYMAN ISLANDS COMPANY LAW	III-1
APPENDIX IV — STATUTORY AND GENERAL INFORMATION	IV-1
APPENDIX V — DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES AND AVAILABLE FOR INSPECTION	V-1

SUMMARY

This summary aims to give an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you. You should read this prospectus in its entirety before you decide to invest in the Offer Shares.

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

Various expressions used in this summary are defined in the section headed “Definitions” in this prospectus.

OVERVIEW

Our business primarily involves the wholesale and retail of a wide spectrum of wine products and other alcoholic beverages in Hong Kong with a focus on Premium Collectible Red Wine, i.e. red wine with selling prices at or above HK\$1,000 per bottle. According to the Ipsos Report, we ranked sixth among all wine sellers in Hong Kong in terms of revenue in 2016, accounted for approximately 8.5% of the total market share of the wine industry in Hong Kong. We have a comprehensive product portfolio which consists of (i) wine products such as Premium Collectible Red Wine, Fine Red Wine and white wine; (ii) other alcoholic beverages such as champagne, whisky and sake and (iii) wine accessory products such as wine decanters, wine glasses and wine openers, for our customers’ selection.

We are particularly proud of our diverse wine product offerings which include wines that are prestigious and highly sought-after in Hong Kong. As at Latest Practicable Date, we offered approximately 314 types of red wine and approximately 45 types of white wine from over 10 countries of origin, including Australia, Chile, France, Italy and the United States and spanned approximately 63 different vintages dating back to year 1936. Out of our wine products, the sales of Premium Collectible Red Wine has generated the most revenue, accounted for approximately 76.9%, 80.3%, 71.9% and 78.3% of our total revenue for the years ended 31 March 2015, 2016 and 2017 and the three months ended 30 June 2017, respectively. Our Premium Collectible Red Wine includes the finest selections from the premier cru in Bordeaux, namely Château Lafite Rothschild, Château Margaux and Château Mouton Rothschild, and some of the grand cru in Burgundy, namely Domaine de la Romanée-Conti, Domaine Henri Mayer and Domaine Leroy. To complement our wine product offerings, we also provide our customers with a multitude of wine related services ranging from wine consultation service, wine sourcing service, wine delivery service and wine storage service.

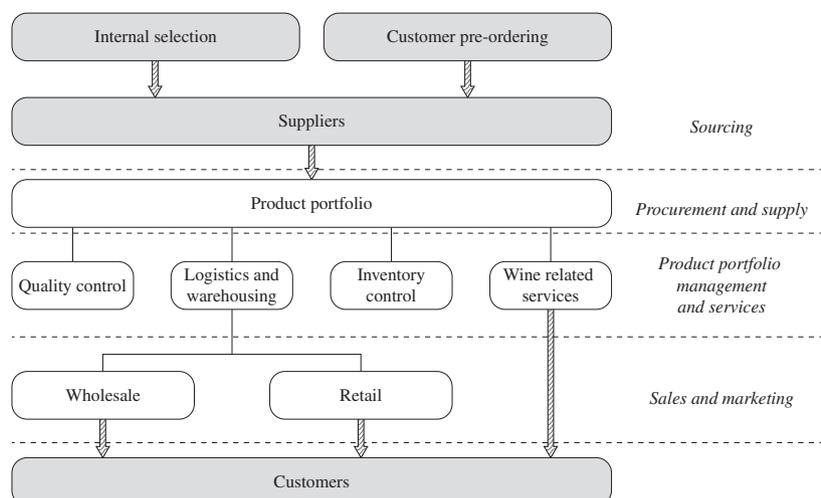
Through our dealings in the wine industry over the years, we have built strong relationships with a broad network of wine suppliers consisting of wine merchants in Hong Kong and well-known négociants in major wine regions in the world, and have also cultivated a solid customer base comprising, among others, wine merchants, wine collectors and high net worth individuals in Hong Kong. We classify (i) sales to wine merchants and other customers whose business operations involve the resale of our products as wholesale and (ii) sales to corporate and individual consumers who purchase our products for their own consumption or collection as retail. For the years ended 31 March 2015, 2016 and 2017 and the three months ended 30 June 2017, we have generated revenue of HK\$157.5 million, HK\$181.3 million, HK\$179.9 million and HK\$49.5 million, respectively, from our wholesale sales, and HK\$47.5 million, HK\$63.3 million, HK\$101.7 million and HK\$18.9 million, respectively, from our retail sales.

As at the Latest Practicable Date, we operated in Hong Kong (i) one self-operated warehouse, where we store most of our wine products and other alcoholic beverages; (ii) one “Royce Cellar” retail store, which serves as our principal gateway to attract new customers and marketing tool to increase public awareness of our market presence and (iii) one office premises with a showroom, which serves as our head office to conduct our wholesale and retail sales, oversee our overall business operations, handle all of our administrative matters and showcase our products to our customers. For the years ended 31 March 2015, 2016 and 2017 and the three months ended 30 June 2017, our total revenue was HK\$205.0 million, HK\$244.6 million, HK\$281.6 million and HK\$68.4 million, respectively, and our gross profit was HK\$27.4 million, HK\$33.2 million, HK\$37.0 million and HK\$8.9 million, respectively.

SUMMARY

BUSINESS MODEL

Our business primarily involves the wholesale and retail of a wide range of wine products and other alcoholic beverages in Hong Kong with a focus on Premium Collectible Red Wine. The diagram below illustrates our business model:



PRODUCTS AND SERVICES

Our comprehensive product portfolio consists of (i) wine products such as Premium Collectible Red Wine, Fine Red Wine and white wine; (ii) other alcoholic beverages such as champagne, whisky and sake and (iii) wine accessory products such as wine decanters, wine glasses and wine openers. As at 30 June 2017, we offered approximately 349 types of wine and approximately 61 types of other alcoholic beverages for our customers' selection. For further details, please refer to the section headed "Business — Product portfolio" in this prospectus. The table below sets forth the breakdown of our revenue, sales volume and average selling price by product categories during the Track Record Period:

	For the year ended 31 March									For the three months ended 30 June		
	2015			2016			2017			2017		
	Revenue (percentage of total revenue)	Sales volume	Average selling price	Revenue (percentage of total revenue)	Sales volume	Average selling price	Revenue (percentage of total revenue)	Sales volume	Average selling price	Revenue (percentage of total revenue)	Sales volume	Average selling price
(HK\$'000)	(Bottles/ units)	(HK\$)	(HK\$'000)	(Bottles/ units)	(HK\$)	(HK\$'000)	(Bottles/ units)	(HK\$)	(HK\$'000)	(Bottles/ units)	(HK\$)	
Wine products												
<i>Premium Collectible Red Wine</i>	157,752 (76.9%)	54,498	2,895	196,489 (80.3%)	62,250	3,156	202,605 (71.9%)	62,458	3,244	53,553 (78.3%)	16,986	3,153
<i>Fine Red Wine</i>	40,113 (19.6%)	155,488	258	35,432 (14.5%)	140,654	252	58,878 (20.9%)	283,732	208	11,948 (17.5%)	109,000	110
<i>White wine</i>	1,227 (0.6%)	3,115	394	1,524 (0.6%)	4,343	351	2,333 (0.8%)	8,939	261	835 (1.2%)	2,478	337
	199,092 (97.1%)	213,101	934	233,445 (95.4%)	207,247	1,126	263,816 (93.6%)	355,129	743	66,336 (97.0%)	128,464	516
Other alcoholic beverages	5,864 (2.9%)	6,560	894	11,157 (4.6%)	19,538	571	17,317 (6.2%)	84,354	205	2,071 (3.0%)	3,166	654
Wine accessory products	52 (0.0%)	16	3,250	17 (0.0%)	144	118	506 (0.2%)	443	1,142	3 (0.0%)	31	100
Total:	205,008 (100.0%)	219,677	—	244,619 (100.0%)	226,929	—	281,639 (100.0%)	439,926	—	68,410 (100.0%)	131,661	—

SUMMARY

To complement our wine product offerings, we also provide our customers a multitude of wine related services ranging from wine consultation service, wine sourcing service, wine delivery service to wine storage service that are supplemental to our comprehensive product portfolio. For further details, please refer to the section headed “Business — Wine related services” in this prospectus.

COMPETITIVE STRENGTHS

We believe the key competitive strengths which have contributed to our success in the past and will continue to enable us to benefit from future growth opportunities in the wine industry in Hong Kong include: (i) our extensive wine product offerings along with value-added wine related services; (ii) our established strong relationships with a broad network of wine suppliers and a solid customer base in Hong Kong; (iii) our well-equipped warehouse and (iv) our dedicated and experienced management and sales team. For further details, please refer to the section headed “Business — Competitive strengths” in this prospectus.

BUSINESS STRATEGIES

Our principal business objectives are to continue leveraging our competitive advantages, to capture the increasing demand for wine products and other alcoholic beverages in Hong Kong and to further expand our market share in Hong Kong. To achieve these objectives, we plan to implement the following strategies: (i) acquire and set up our own warehousing facility in Hong Kong to support the future expansion of our business; (ii) further expand our retail network and product portfolio to boost our market share in Hong Kong and (iii) attract, motivate and retain high-quality staff members. For further details, please refer to the section headed “Business — Business strategies” in this prospectus.

SUPPLIERS

We procure wine products and other alcoholic beverages from our suppliers who are mainly wine merchants in Hong Kong and in other parts of the world such as France and the United Kingdom. For the years ended 31 March 2015, 2016 and 2017 and the three months ended 30 June 2017, the purchases from our five largest suppliers accounted for approximately 31.9%, 33.6%, 26.0% and 42.5% of our total purchases, respectively, and the purchases from our single largest supplier accounted for approximately 7.2%, 8.6%, 8.4% and 12.0% of our total purchases, respectively. We have not entered into any long-term supply contracts with any of our suppliers. For further details, please refer to the section headed “Business — Suppliers” in this prospectus.

CUSTOMERS

Most of our customers are wine merchants, wine collectors and high net worth individuals in Hong Kong and the PRC. For the years ended 31 March 2015, 2016 and 2017 and the three months ended 30 June 2017, the revenue generated from our five largest customers accounted for approximately 45.1%, 36.3%, 21.1% and 26.4% of our total revenue, respectively, and the revenue generated from our single largest customer accounted for approximately 25.7%, 17.8%, 5.1% and 5.7% of our total revenue, respectively. We typically offer a credit term of 30 days to our wholesale customers and up to 120 days to wholesale customers who we have long-term relationships with, and we do not offer credit term to our retail customers. We have not entered into any long-term sales agreement, distributorship, franchising and consignment arrangement with any of our customers. For further details, please refer to the section headed “Business — Customers” in this prospectus.

SUMMARY

OVERLAPPING CUSTOMERS-SUPPLIERS

During the Track Record Period, there were 43 Customers-Suppliers i.e., these are our customers as well as our suppliers, consisting of (i) 42 local and overseas wine merchant Customers-Suppliers and (ii) one individual Customer-Supplier. For the years ended 31 March 2015, 2016 and 2017 and the three months ended 30 June 2017, the aggregate amount of purchases from our Customers-Suppliers amounted to HK\$48.1 million, HK\$63.2 million, HK\$36.4 million and HK\$12.7 million, respectively, representing approximately 28.6%, 26.3%, 15.3% and 19.1% of our total purchases for the respective periods. For the years ended 31 March 2015, 2016 and 2017 and the three months ended 30 June 2017, the aggregate amount of our sales to our Customers-Suppliers amounted to HK\$48.0 million, HK\$67.3 million, HK\$48.0 million and HK\$10.3 million, respectively, representing approximately 23.4%, 27.5%, 17.0% and 15.1% of our total revenue for the respective periods.

There were 241 wine bottles which we purchased on 8 June 2016 from a Customer-Supplier, i.e. Supplier D, who was our fourth largest supplier during the year ended 31 March 2015 and the three months ended 30 June 2017, were subsequently sold to the same Customer-Supplier on 18 June 2016. During the year ended 31 March 2017, the purchases of these 241 bottles of wine products accounted for approximately 0.3% of our total purchases for the same period, and the sales of these 241 bottles of wine products accounted for approximately 0.4% of our total revenue for the same period.

Our Directors have confirmed that all of our sales to and purchases from our Customers-Suppliers during the Track Record Period were incidental transactions, were not inter-conditional, inter-related or otherwise considered as one transaction. Our Directors have confirmed that, if we procure and sell the same wine products to the same party after the Listing, we will disclose the key terms of the relevant transactions in the annual report of the relevant financial year after the Listing. The key terms to be disclosed will include (i) the total revenue and purchases attributable to the relevant transactions; and (ii) whether the transactions are inter-conditional and conducted in our ordinary course of business under normal commercial terms and on arm's length basis. For further details, please refer to the section headed "Business — Overlapping Customers-Suppliers" in this prospectus.

SALES AND MARKETING

We classify (i) sales to wine merchants and other customers whose business operations involve the resale of our products as wholesale and (ii) sales to corporate and individual consumers who purchase our products for their own consumption or collection as retail.

We generally price our products for wholesale by adding around 5% to 15% profit margins and retail by adding around 15% to 25% profit margins, on top of our costs incurred or expected to be incurred. We generally do not offer further discounts, save for occasional special offers for our wholesale customers, which are only considered by our management on a case-by-case basis. For further details, please refer to the section headed "Business — Sales and marketing — Pricing policy" in this prospectus.

We strive to retain existing customers and attract new customers by deploying different advertising strategies. During the Track Record Period, we have published advertisement and promotional materials, participated in wine exhibitions and wine fairs, hosted wine pairing dinners and wine tasting events and conducted marketing activities on the internet and social network. For further details, please refer to the section headed "Business — Sales and marketing" in this prospectus.

SUMMARY

COMPETITIVE LANDSCAPE

According to the Ipsos Report, the wine industry in Hong Kong is dominated by key market players, where the top five players collectively accounted for approximately 57.2% of the total market share of the wine industry in Hong Kong in 2016. We ranked sixth among all wine sellers in Hong Kong in terms of revenue in 2016, accounted for approximately 8.5% of the total market share of the wine industry in Hong Kong, and approximately 28.9% of the market share of the premium collectible wine segment. For further details, please refer to the section headed “Industry Overview — Competitive landscape of the wine industry in Hong Kong” in this prospectus.

SUMMARY OF FINANCIAL INFORMATION

Our results of operations are affected by a number of factors, including, among others, (i) market demand for wine products in Hong Kong; (ii) regulatory environment and government support; (iii) fluctuations in our operational costs; (iv) the pricing of our wine products; (v) seasonal fluctuations and (vi) competition. For further details, please refer to the section headed “Financial Information — Key factors affecting our results of operations” in this prospectus.

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

The table below sets forth a summary of our combined statements of profit or loss and other comprehensive income for the periods indicated:

	For the year ended 31 March			For the three months ended
	2015	2016	2017	30 June
	(HK\$'000)	(HK\$'000)	(HK\$'000)	2017
				(HK\$'000)
Revenue	205,008	244,619	281,639	68,410
Cost of sales	(177,626)	(211,441)	(244,664)	(59,510)
Gross profit	27,382	33,178	36,975	8,900
Profit before taxation	10,475	5,511	5,926	319
Profit and total comprehensive income for the year or period	9,172	3,847	3,698	10
Adjusted profit and total comprehensive income for the year or period ⁽¹⁾	6,917	10,315	9,332	1,538

Note:

- (1) **Non-HKFRS adjustments:** Adjusted profit and total comprehensive income for the year or period is presented for illustrative purpose and refers to profit and total comprehensive income for the year or period excluding (i) the gains and losses in respect of the changes in the fair value of structured foreign currency forward contracts, details of which have been set forth in the section headed “Financial Information — Description of certain components of our combined statements of profit or loss and other comprehensive income items — Other gains and losses, net” in this prospectus; and (ii) non-recurring listing expenses. The term of “adjusted profit and total comprehensive income for the year or period” is not defined under HKFRS and accordingly are not audited, not included in the financial statements and not presented in accordance with HKFRS.

SUMMARY

The table below sets forth the breakdown of our revenue and gross profit margin by product categories for the periods indicated:

	For the year ended 31 March						For the three months ended 30 June	
	2015		2016		2017		2017	
	Revenue (HK\$'000)	Gross profit margin (%)	Revenue (HK\$'000)	Gross profit margin (%)	Revenue (HK\$'000)	Gross profit margin (%)	Revenue (HK\$'000)	Gross profit margin (%)
Wine products								
Premium Collectible Red Wine	157,752	11.4	196,489	13.9	202,605	12.8	53,553	12.9
Fine Red Wine	40,113	20.2	35,432	9.3	58,878	13.5	11,948	11.8
White wine	1,227	20.6	1,524	26.0	2,333	23.4	835	19.6
	<u>199,092</u>	13.3	<u>233,445</u>	13.2	<u>263,816</u>	13.0	<u>66,336</u>	12.8
Other alcoholic beverages	<u>5,864</u>	16.7	<u>11,157</u>	20.3	<u>17,317</u>	13.3	<u>2,071</u>	18.8
Wine accessory products	<u>52</u>	3.8	<u>17</u>	23.5	<u>506</u>	52.4	<u>3</u>	58.7
Total:	<u>205,008</u>	13.4	<u>244,619</u>	13.6	<u>281,639</u>	13.1	<u>68,410</u>	13.0

The table below sets forth the breakdown of our revenue and gross profit margin by sales channels for the periods indicated:

	For the year ended 31 March						For the three months ended 30 June	
	2015		2016		2017		2017	
	Revenue (HK\$'000)	Gross profit margin (%)	Revenue (HK\$'000)	Gross profit margin (%)	Revenue (HK\$'000)	Gross profit margin (%)	Revenue (HK\$'000)	Gross profit margin (%)
Wholesale	157,520	11.1	181,327	11.1	179,892	9.4	49,526	10.2
Retail	<u>47,488</u>	20.9	<u>63,292</u>	20.8	<u>101,747</u>	19.7	<u>18,884</u>	20.3
Total:	<u>205,008</u>	13.4	<u>244,619</u>	13.6	<u>281,639</u>	13.1	<u>68,410</u>	13.0

The table below sets forth the breakdown of our revenue by countries of origin of products sold for the periods indicated:

	For the year ended 31 March			For the three months ended 30 June
	2015	2016	2017	2017
	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)
Australia	6,238	10,834	25,876	2,070
Chile	1,650	1,043	4,221	1,619
France	191,214	226,640	242,113	62,591
Italy	1,589	1,268	2,908	601
The United States	3,986	3,389	3,939	1,310
Others	<u>331</u>	<u>1,445</u>	<u>2,582</u>	<u>219</u>
Total	<u>205,008</u>	<u>244,619</u>	<u>281,639</u>	<u>68,410</u>

SUMMARY

Summary of combined statements of financial position

The table below sets forth a summary of our combined statements of financial position during the Track Record Period:

	As at 31 March			As at 30 June
	2015	2016	2017	2017
	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)
Non-current assets	16,450	24,914	11,264	10,887
Current assets	207,068	272,186	159,575	173,635
Current liabilities	174,016	229,788	106,436	120,291
Net current assets	33,052	42,398	53,139	53,344
Non-current liabilities	1,598	8,103	1,496	1,314
Total equity	47,904	59,209	62,907	62,917

Summary of combined statements of cash flows

The table below sets forth a summary of our combined statements of cash flows during the Track Record Period:

	For the year ended 31 March			For the three months ended 30 June
	2015	2016	2017	2017
	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)
Operating cash flows before movements				
in working capital	14,201	19,055	13,199	2,079
Net cash from/(used in) operating activities	10,362	1,800	29,118	(8,724)
Net cash (used in)/from investing activities	(11,387)	(39,683)	118,665	(8,010)
Net cash from/(used in) financing activities	936	45,958	(128,015)	11,373
Net (decrease)/increase in cash and cash equivalents	(89)	8,075	19,768	(5,361)
Cash and cash equivalents at the beginning of the year or period	111	22	8,097	27,865
Cash and cash equivalents at the end of the year or period, represented by bank balances and cash	22	8,097	27,865	22,504

We recorded a net cash used in investing activities for the three months ended 30 June 2017 primarily due to the advancements of HK\$29.8 million to Ms. Shirley Wong during the three months ended 30 June 2017 for her personal uses. Ms. Shirley Wong repaid HK\$22.2 million during the three months ended 30 June 2017. Ms. Shirley Wong has confirmed that she will repay all the outstanding amount due to our Group prior to the Listing.

MAJOR FINANCIAL RATIOS

The table below sets forth the major financial ratios as at the dates or for the periods indicated:

	As at/For the year ended 31 March			As at/For the three months ended 30 June
	2015	2016	2017	2017
	Gross profit margin	13.4%	13.6%	13.1%
Net profit margin	4.5%	1.6%	1.3%	0.0% ⁽²⁾
Return on assets	4.1%	1.3%	2.2%	0.0% ⁽²⁾
Return on equity	19.1%	6.5%	5.9%	0.0% ⁽²⁾
Current ratio	1.2 times	1.2 times	1.5 times	1.4 times
Gearing ratio ⁽¹⁾	352.6%	373.9%	156.0%	175.7%

Notes:

- (1) Gearing ratio is calculated based on our total borrowings (including non-trade amounts due to related parties, bank borrowings and obligations under finance leases) as at the end of the relevant period divided by our total equity as at the end of the corresponding period and multiplied by 100%.
- (2) The percentage calculated is less than 0.1%.

SUMMARY

HIGH GEARING RATIOS AND CASH FLOW MISMATCHES

Maintaining diverse wine product offerings is capital intensive. In order to maintain a sufficient inventory level of various types and price ranges, in particular those prestigious, rare and highly sought-after wine products, so that we can swiftly fulfil the diverse needs of our customers, we have to rely on trust receipt loans to finance our working capital requirements for procuring and sourcing of wine products from suppliers. Due to the relatively large amount of trust receipt loans and other bank borrowings and our relatively small total equity, we had a relatively high gearing ratios during the Track Record Period which amounted to 352.6%, 373.9%, 156.0% and 175.7% for the years ended 31 March 2015, 2016, 2017 and the three months ended 30 June 2017, respectively.

In addition, there are often time lags between making payments to our suppliers and receiving payments from our customers, resulting in cash flow mismatches. The extent of such cash flow mismatches is illustrated by the differences between our average trade payables turnover days and our average trade receivables turnover days. For the years ended 31 March 2015, 2016 and 2017 and the three months ended 30 June 2017, our average trade payables turnover days were approximately 1.7 days, 2.3 days, 1.0 days and 0.4 days, respectively, and our average trade receivables turnover days were approximately 89.0 days, 63.3 days, 26.3 days and 18.7 days, respectively.

We have implemented a series of liquidity and working capital management measures to monitor and manage our liquidity risk exposure associated with our high gearing ratio and cash flow mismatches. For further details, please refer to the section headed “Financial Information — Liquidity and capital resources — Liquidity and working capital management — Liquidity and working capital management measures” in this prospectus.

HISTORICAL INVESTMENT

We conducted the following investment activities during the Track Record Period:

- (i) **Historical structured foreign currency forward contracts:** During the Track Record Period, we entered into structured foreign currency forward contracts with three licensed banks in Hong Kong for investment purposes. Pursuant to these structured foreign currency forward contracts, we would recognise fair value gains or losses as a result of the appreciation or depreciation of the relevant currency against the specified spot rate. As a result of the unexpected and sudden devaluation of RMB in August 2015, our Group recognised a net loss of HK\$6.2 million mainly due to the recognition of a fair value loss of HK\$9.3 million in relation to US\$/RMB Foreign Contract C during the year ended 31 March 2016. For further details, please refer to the section headed “Financial Information — Derivative financial instruments and pledged bank deposits — Derivative financial instruments” in this prospectus; and
- (ii) **Historical pledged GBP bank deposits:** With a view to maximising our interest income from our pledged bank deposits, we converted our pledged bank deposits into different currencies that yield higher interest rates than Hong Kong dollars in the past. In December 2015, we converted our pledged bank deposits from RMB to GBP as GBP yielded higher interest rates than Hong Kong dollars at the relevant time. As a result of the fluctuations in GBP during the period between December 2015 and March 2016 prior to the referendum of Brexit in June 2016, we recorded net exchange losses of HK\$0.6 million on GBP denominated pledged bank deposits for the period between December 2015 and March 2016. For further details, please refer to the section headed “Financial Information — Derivative financial instruments and pledged bank deposits — Pledged bank deposits” in this prospectus.

On 31 March 2016, Mr. Roy Ting, a Controlling Shareholder and senior management, issued the Deed of Undertaking and Indemnities in favour of our Group in order to (i) offset all gains and losses associated with our structured foreign currency forward contracts since 31 March 2016; and (ii) take up our GBP foreign currency risk exposures in respect of our pledged GBP bank deposits since 31 March 2016. The Deed of Undertaking and Indemnities had affected our financial performance and financial position during the Track Record Period.

SUMMARY

Assuming Mr. Roy Ting did not issue the Deed of Undertaking and Indemnities in favour of our Group, the adjusted profit before taxation and operating cash flows for the years ended 31 March 2015, 2016 and 2017 and the three months ended 30 June 2017 would have been as follows:

	For the year ended 31 March			For the three months ended 30 June	
	2015	2016	2017	2016	2017
	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000) (unaudited)	(HK\$'000)
Profit before taxation	10,475	5,511	5,926	1,053	319
Less: fair value gain (loss) on Deed of Undertaking and Indemnities					
— structured foreign currency forward contracts	—	—	1,342	(2,024)	3
— GBP pledged bank deposits	—	—	(1,906)	(1,341)	—
	<u>—</u>	<u>—</u>	<u>(1,906)</u>	<u>(1,341)</u>	<u>—</u>
Adjusted profit (loss) before taxation	<u>10,475</u>	<u>5,511</u>	<u>5,362</u>	<u>(2,312)</u>	<u>322</u>

For further details, please refer to the section headed “Financial Information — Description of certain components of our combined statements of profit or loss and other comprehensive income items — Other gains and losses, net — Deed of Undertaking and Indemnities” in this prospectus.

To ensure proper monitoring of our future investments, we have implemented an investment management policy. Under such policy, any proposed investments with capital requirements of less than HK\$1 million have to be approved by our Board, while proposed investments with capital requirements at or above HK\$1 million have to be approved by the Investment Management Committee. The outstanding balance of our investment is not allowed to exceed HK\$100 million at any given time after the Listing. For further details, please refer to the section headed “Business — Investment management — Investment management policy” in this prospectus.

LEGAL PROCEEDINGS

During the Track Record Period and up to the Latest Practicable Date, we had not been involved in any legal proceedings, investigations and claims and we had not been aware of any pending or threatened litigation or arbitration proceedings against any member and Directors of our Group.

OUR SHAREHOLDING STRUCTURE

Immediately following completion of the Capitalisation Issue and the Share Offer (assuming that the Offer Size Adjustment Option is not exercised and without taking into account Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme), Ms. Shirley Wong will, via Shirz Limited, and Mr. Roy Ting, will, via Sunshine Consultancy, indirectly and beneficially own in total approximately 70% of the issued share capital of our Company. Due to the spousal relationship between Ms. Shirley Wong and Mr. Roy Ting, Ms. Shirley Wong, Shirz Limited, Mr. Roy Ting and Sunshine Consultancy are presumed to be parties acting in concert pursuant to the Takeovers Code. Hence, Ms. Shirley Wong, Mr. Roy Ting, Shirz Limited and Sunshine Consultancy as a group and each of Ms. Shirley Wong, Mr. Roy Ting, Shirz Limited and Sunshine Consultancy on an individual basis will continue to be our Controlling Shareholders after the Listing. Shirz Limited and Sunshine Consultancy are

SUMMARY

investment holding companies wholly-owned by Ms. Shirley Wong and Mr. Roy Ting, respectively. For further details, please refer to the section headed “Relationship with Controlling Shareholders” in this prospectus.

Our Controlling Shareholders, as a group, are subject to the lock-up requirements pursuant to Rules 13.16A of the GEM Listing Rules after the Listing. For further details, please refer to the section headed “Underwriting — Undertakings — Undertakings by our Controlling Shareholders” in this prospectus.

DIVIDEND

We did not declare any dividends during the Track Record Period and we do not have any plan to declare dividends for the year ending 31 March 2018. We intend to declare dividends of no less than 20% of our distributable profit for the financial year ending 31 March 2019. Such intention does not amount to any guarantee, representation or indication that we must or will declare and pay dividends in such manner or at all. The recommendation of the payment of dividend is subject to the absolute discretion of our Board, and, after the Share Offer, any declaration of final dividend for the year will be subject to the approval of our Shareholders.

LISTING EXPENSES

The total estimated listing expenses (inclusive of underwriting commissions) in connection with the Share Offer are HK\$25.9 million (based on the mid-point of the Offer Price of HK\$0.65 per Offer Share and assuming no Offer Size Adjustment Option will be exercised), of which nil, HK\$0.3 million, HK\$7.5 million and HK\$1.5 million had been charged to our combined statement of profit or loss and other comprehensive income for the years ended 31 March 2015, 2016 and 2017 and the three months ended 30 June 2017, respectively, HK\$7.3 million is expected to be charged to our combined statement of profit or loss and other comprehensive income for the year ending 31 March 2018, and HK\$9.3 million is expected to be accounted for as a deduction from equity upon the Listing.

Our Directors consider that our financial results will be affected by the expenses in relation to the Share Offer as we expect to recognise HK\$7.3 million in the combined statements of comprehensive income for the year ending 31 March 2018. Accordingly, the financial performance for the year ending 31 March 2018 is expected to be adversely affected by the estimated expenses in relation to the Listing.

USE OF PROCEEDS

Our Directors estimate that the net proceeds from the Share Offer (after deducting estimated expenses borne by our Company in connection with the Share Offer but assuming the Offer Size Adjustment Option is not exercised) will be HK\$52.1 million based on a Offer Price of HK\$0.65 per Offer Share (being the mid-point of the indicative Offer Price range between HK\$0.55 and HK\$0.75 per Offer Share).

We intend to apply the net proceeds from the Offer Share for the purposes and in the amounts set out below:

- approximately 60.6% of the net proceeds, or HK\$31.6 million, to be used to strengthen our warehouse storage capability, including the acquisition of a new warehouse in Hong Kong. It is expected that the total estimated acquisition price of this new warehouse is approximately HK\$42.0 million. Among which, (i) HK\$25.2 million, representing approximately 48.3% of the net proceeds from the Share Offer, will be used to settle the down payment for the acquisition; and (ii) HK\$16.8 million will be fund by a mortgage.

SUMMARY

For further details, please refer to the section headed “Business — Business strategies — Acquire and set up our own warehousing facility in Hong Kong to support the future expansion of our business.” in this prospectus.

- approximately 36.3% of the net proceeds, or HK\$18.9 million, to be used to expand our retail network in Hong Kong by, among others, establishing an additional retail store and a flagship store. We expect to utilise HK\$4.2 million of net proceeds as rental payments, among which, we expect to utilise (i) HK\$1.4 million of the net proceeds from the Share Offer for settling the rental payment of an additional retail store to be leased during the period between the Listing Date and 31 March 2020; (ii) HK\$2.8 million of the net proceeds from the Share Offer for settling the rental payment of our first flagship store to be leased during the six months ending 31 March 2019 and the year ending 31 March 2020, respectively. In addition, we expect to incur HK\$3.5 million of the net proceeds from the Share offer for recruiting new staff after we lease the relevant retail store tentatively during the period between the Listing Date and 31 March 2018 and the flagship store tentatively during the six months ending 31 March 2019. It is expected that both the flagship store and the retail store will be on premises leased by our Group;
- approximately 3.1% of the net proceeds, or HK\$1.6 million, to be used for general working capital of our Group.

For further details and our implementation plans, please refer to the section headed “Statement of Business Objectives and Use of Proceeds” in this prospectus.

STATISTICS OF THE SHARE OFFER

	<u>Based on Offer Price of HK\$0.55 per Offer Share</u>	<u>Based on Offer Price of HK\$0.75 per Offer Share</u>
Market capitalisation of our Shares ⁽¹⁾	HK\$220 million	HK\$300 million
Unaudited pro forma adjusted combined net tangible assets of the Group attributable to the owners of the Company as at 30 June 2017 per Share ⁽²⁾	HK\$0.28	HK\$0.34

Notes:

- (1) The calculation of market capitalisation is based on 400,000,000 Shares expected to be issued immediately upon completion of the Share Offer (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 or the Offer Size Adjustment Option or any share which may be granted and issued or bought-back by our Company pursuant to the general mandates referred to in Appendix IV to this prospectus).
- (2) Please refer to the section headed “Unaudited pro forma financial information” in Appendix II to this prospectus for details regarding the assumptions and the calculation method used.

SUMMARY

RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

Our business model, revenue structure, financial performance, profitability and cost structure remained unchanged since 30 June 2017 and up to the date of this prospectus. Our Directors confirm that save for the estimated non-recurring listing expenses as disclosed in the paragraph headed “Listing expenses” in this section, since 30 June 2017 and up to the date of this prospectus, (i) there was no material adverse change in the market conditions and the industry and the regulatory environment in which our Group operates that affects our financial or operating position materially and adversely; (ii) there was no material adverse change in the business, revenue structure, trading, profitability, cost structure, financial position and prospects of our Group; and (iii) no event had occurred that would affect the information shown in our accountants’ report in Appendix I to this prospectus materially and adversely. In particular,

- (i) our financial performance and results of operations remained relatively stable for the seven months ended 31 October 2017 as compared with the same period in 2016;
- (ii) since 30 June 2017 and up to the date of this prospectus, our business focus remained on the wholesale and retail sale of Premium Collectible Red Wine, i.e. red wine with selling prices at or above HK\$1,000 per bottle, which accounted for approximately 71.2% of our total inventory in terms of inventory value as at the Latest Practicable Date;
- (iii) the number of our suppliers amounted to approximately 536 suppliers as at the Latest Practicable Date, as compared to approximately 512 suppliers as at 30 June 2017;
- (iv) the utilisation rate of our existing leased warehouse amounted to approximately 92.0% as at the Latest Practicable Date, which remained relatively stable as compared to approximately 90.8% as at 30 June 2017; and
- (v) since 30 June 2017 and up to the date of this prospectus, we had not been involved in any legal proceedings, investigations and claims and we had not been aware of any pending or threatened litigation or arbitration proceedings against any members and Directors of our Group.

As at the Latest Practicable Date, approximately 59.0% of our inventories balance as at 30 June 2017 had been subsequently sold, approximately 96.8% of our trade receivable balance as at 30 June 2017 had been subsequently settled, and approximately 93.9% of our trade payable balance as at 30 June 2017 had been subsequently settled.

We expect that the forecasted net profit (excluding non-recurring Listing expenses) for the year ending 31 March 2018 may decrease and may be lower than that for the year ended 31 March 2017 due to the (i) increase in our salary cost relating to the salary increment and increase in headcount during the year ending 31 March 2018 and the appointment of the three independent non-executive Directors, who joined our Group in December 2017; and (ii) increase in our rental expenses and depreciation relating to the lease of our head office in August 2016.

RISK FACTORS

There are certain risks involved in our operations and in connection with the Share Offer, and many of them are beyond our control. The significant risks that may materially and adversely affect us include the risks associated with (i) untimely and significant cash flow shortcomings as a result of cash flow mismatches in our business operation; (ii) our substantial indebtedness and high gearing ratio; (iii) our net operating cash outflow; (iv) our high inventory turnover days; and (v) increases in the purchase prices of wine products. For further details, please refer to the section headed “Risk Factors” in this prospectus.

DEFINITIONS

In this prospectus, unless the context otherwise requires, the following expressions have the following meanings. Certain other terms are explained in the section headed “Glossary of Technical Terms” in this prospectus.

“Application Form(s)”	WHITE application form(s), YELLOW application form(s) and GREEN application form(s) or, where the context so requires, any of them to be used in connected with the Public Offer
“Articles” or “Articles of Association”	the amended and restated articles of association of our Company, conditionally adopted on 18 December 2017 and to take effect upon Listing, as supplemented, amended or otherwise modified from time to time
“associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“AUD”	Australian dollars, the lawful currency of Australia
“Australia”	the Commonwealth of Australia
“Board”	our board of Directors
“Business Day” or “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 Shares to be made upon capitalisation of certain sums standing to the credit of the share premium account of our Company as referred to in the paragraph headed “A. Further information about our Company and our subsidiaries — 3. Written resolutions of our Shareholders passed on 18 December 2017” in Appendix IV to this prospectus
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant

DEFINITIONS

“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“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
“close associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Companies (Winding up and Miscellaneous Provisions) Ordinance”	the Companies (Winding up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies Law” or “Cayman Companies Law”	the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company”, “our Company”	Wine’s Link International Holdings Limited (威揚酒業國際控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 22 September 2016
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Controlling Shareholder(s)”	the group of controlling shareholders (having the meaning ascribed to it in the GEM Listing Rules) of our Company, namely Ms. Shirley Wong, Mr. Roy Ting, Shirz Limited and Sunshine Consultancy
“core connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Customer(s)-Supplier(s)”	our overlapping customer(s) and supplier(s)

DEFINITIONS

“Deed of Indemnity”	the deed of indemnity dated 18 December 2017 and executed by our Controlling Shareholders in favour of our Company (for ourselves and as trustee for our subsidiaries), particulars of which are set out in the section headed “E. Other information — 1. Estate duty, tax and other indemnities” in Appendix IV in this prospectus
“Deed of Non-competition”	the deed of non-competition dated 18 December 2017 and executed by our Controlling Shareholders in favour of our Company (for ourselves and as trustee for our subsidiaries), particulars of which are set out in the section headed “Relationship with Controlling Shareholders — Non-competition Undertaking” in this prospectus
“Deed of Undertaking and Indemnities”	the deed of undertaking and indemnities executed by Mr. Roy Ting in favour of Wine’s Link on 31 March 2016, details of which are set forth in the section headed “Financial Information — Description of certain components of our combined statements of profit or loss and other comprehensive income items — Other gains and losses, net — Deed of Undertaking and Indemnities” in this prospectus
“Director(s)” or “our Directors”	the director(s) of our Company
“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
“Euro” or “€ ” or “EUR”	the lawful currency of the member states of the European Union which have adopted the European Monetary Union
“France”	the French Republic
“GBP”	British pounds, the lawful currency of the United Kingdom
“GDP”	gross domestic product

DEFINITIONS

“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
“GREEN Application Form(s)”	the application form(s) to be completed by the HK eIPO White Form Service Provider
“Group”, “our Group”, “we”, “our” or “us”	our Company and our subsidiaries at the relevant time or, where the context refers to any time prior to our Company becoming the holding company of our present subsidiaries, such subsidiaries and the business carried on by such subsidiaries or (as the case may be) our predecessors, and “we”, “our” or “us” shall be construed accordingly
“ HK eIPO White Form ”	the application for Public Offer Shares to be issued in the applicant’s own name by submitting applications online through the designated website of the HK eIPO White Form service at www.hkeipo.hk
“ HK eIPO White Form Service Provider”	the HK eIPO White Form service provider designated by our Company, as specified on the designated website at www.hkeipo.hk
“HKFRS”	Hong Kong Financial Reporting Standards
“HKICPA”	Hong Kong Institute of Certified Public Accountants
“HKQAA”	Hong Kong Quality Assurance Agency
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly owned subsidiary of Hong Kong Exchanges and Clearing Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly owned subsidiary of HKSCC
“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 Branch Share Registrar”	Tricor Investor Services Limited, Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong

DEFINITIONS

“Independent Third Party(ies)”	an individual(s) or a company(ies) who or which is/are independent of and not connected with (within the meaning of the GEM Listing Rules) any Directors, chief executive or substantial shareholders (within the meaning of the GEM Listing Rules), of our Company, our subsidiaries or any of their respective associates
“Ipsos”	Ipsos Limited, an independent industry research company engaged by our Company
“Ipsos Report”	an independent industry research report commissioned by our Company prepared by Ipsos in respect of the wine industry in Hong Kong
“IRD”	the Inland Revenue Department of Hong Kong
“ISO 9001”	the global benchmark for quality management based on internationally recognised quality management principles set out by the International Standards Organisation, it is designed to help organisations to ensure they meet the needs and expectations of both customers and other interested parties
“Latest Practicable Date”	20 December 2017, being the latest practicable date for ascertaining certain information contained 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 dealing in our Shares first commence on GEM, which is expected to be on or about Friday, 12 January 2018
“Listing Division”	the Listing Department of the Stock Exchange
“Memorandum of Association” or “Memorandum”	the memorandum and restated memorandum of association of our Company adopted on 18 December 2017 and to take effect upon Listing as supplemented, amended or otherwise modified from time to time

DEFINITIONS

“Mr. PS Ting”	Mr. Ting Ping Sing (丁炳星先生), grandfather of Mr. Roy Ting, grandfather-in-law of Ms. Shirley Wong and one of the former shareholders of Wine’s Link before the transfer of his shares as mentioned in the section headed “History, Reorganisation and Corporate Structure — Reorganisation” in this prospectus
“Mr. Roy Ting”	Mr. Ting Chi Wai Roy (丁志威先生), one of our Controlling Shareholders, and the spouse of Ms. Shirley Wong
“Ms. Shirley Wong”	Ms. Wong Chi Lou Shirley (王姿潞女士), an executive Director, chief executive officer and one of our Controlling Shareholders, and the spouse of Mr. Roy Ting
“Offer Price”	the final offer price per Offer Share (excluding brokerage of 1.0%, SFC transaction levy of 0.0027% and the Stock Exchange trading fee of 0.005%) which will not be more than HK\$0.75 per Offer Share and is expected to be not less than HK\$0.55 per Offer Share, such price to be determined in the manner as further described in the section headed “Structure and Conditions of the Share Offer” in this prospectus
“Offer Share(s)”	the Placing Shares and the Public Offer Shares
“Offer Size Adjustment Option”	the option to be granted by our Company to the Placing Underwriters and exercisable by the Sole Global Coordinator (for itself and on behalf of the Underwriters) under the Placing Underwriting Agreement to require our Company to issue up to an aggregate of 18,000,000 additional Shares, representing 15% of the Offer Shares initially available, at the Offer Price to cover any excess demand in the Placing, details of which are described in the section headed “Structure and Conditions of the Share Offer — Offer Size Adjustment Option” in this prospectus
“Placing”	the conditional placing of the Placing Shares by the Placing Underwriters on behalf of our Company at the Offer Price to professional, institutional and/or other investors in Hong Kong and elsewhere outside the United States, as further described in the section headed “Structure and Conditions of the Share Offer” in this prospectus

DEFINITIONS

“Placing Shares”	the 108,000,000 Shares initially being offered by our Company for subscription at the Offer Price under the Placing (subject to reallocation as described in the section headed “Structure and Conditions of the Share Offer” in this prospectus) together, where relevant, with any additional Shares which may be issued pursuant to the Offer Size Adjustment Option
“Placing Underwriters”	the underwriters of the Placing, who are expected to enter into the Placing Underwriting Agreement
“Placing Underwriting Agreement”	the underwriting agreement relating to the Placing and to be entered into between, amongst others, our Company, our executive Directors, the Controlling Shareholders, the Sole Sponsor, the Sole Global Coordinator and the Placing Underwriters on or about the Price Determination Date
“Predecessor Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) as in force from time to time before 3 March 2014
“Price Determination Agreement”	the agreement to be entered into between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company on the Price Determination Date to determine the Offer Price
“Price Determination Date”	the date, which is expected to be on or around Thursday, 4 January 2018 but no later than Wednesday, 10 January 2018, on which the Offer Price is to be fixed by agreement between our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) for the purposes of the Share Offer
“Principal Share Register and Transfer Office”	Maples Fund Services (Cayman) Limited, PO Box 1093, Boundary Hall, Cricket Square, Grand Cayman, KY1-1102, Cayman Islands
“Public Offer”	the offer to the public in Hong Kong for subscription of the Public Offer Shares at the Offer Price, on and subject to the terms and conditions stated in this prospectus and on the Application Forms
“Public Offer Shares”	the 12,000,000 Shares initially being offered by our Company for subscription at the Offer Price under the Public Offer (subject to reallocation as described in the section headed “Structure and Conditions of the Share Offer” in this prospectus)

DEFINITIONS

“Public Offer Underwriters”	the underwriters listed in the section headed “Underwriting — Public Offer Underwriters” in this prospectus, being the underwriters of the Public Offer
“Public Offer Underwriting Agreement”	the underwriting agreement dated 28 December 2017 in respect of the Public Offer entered into between, amongst others, our Company, our executive Directors, the Controlling Shareholders, the Sole Sponsor, the Sole Global Coordinator and the Public Offer Underwriters, details of which are summarised in the section headed “Underwriting” in this prospectus
“Regulation S”	Regulation S under the U.S. Securities Act
“Reorganisation”	the corporate reorganisation of our Group prior to the issue of this prospectus, details of which are set out in the section headed “History, reorganisation and corporate structure” in this prospectus
“Repurchase Mandate”	the general mandate to repurchase Shares given to our Directors by our Shareholders, particulars of which are summarised in the paragraph headed “A. Further information about our Company and our subsidiaries — 3. Written resolutions of our Shareholders passed on 18 December 2017” in Appendix IV to this prospectus
“RMB”	Renminbi, the lawful currency of the PRC
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) with nominal value of HK0.01 each in the share capital of our Company
“Shareholder(s)”	holder(s) of the Share(s)
“Share Offer”	the Placing and the Public Offer
“Share Option Scheme”	the share option scheme conditionally approved and adopted by our Company on 18 December 2017, the principal terms of which are summarised in the paragraph headed “D. Share Option Scheme” in Appendix IV in this prospectus

DEFINITIONS

“Shirz Limited”	Shirz Limited, a company incorporated under the laws of the BVI with limited liability on 22 September 2016, one of our Controlling Shareholders and a company wholly-owned by Ms. Shirley Wong
“Sole Global Coordinator”, “Sole Lead Manager” or “Sole Bookrunner”	Innovax Securities Limited, a corporation licensed by the SFC to carry on type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO, being the sole global coordinator, the sole bookrunner and the sole lead manager of the Share Offer
“Sole Sponsor”	Innovax Capital Limited, a corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, being the sole sponsor to the Listing
“Starlight Worldwide”	Starlight Worldwide Investment Limited, a company incorporated under the laws of the BVI with limited liability on 23 March 2016 and a direct wholly-owned subsidiary of our Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Companies Ordinance
“substantial shareholder(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Sunshine Consultancy”	Sunshine Consultancy Company Limited, a company incorporated under the laws of the BVI with limited liability on 22 September 2016, one of our Controlling Shareholders and a company wholly-owned by Mr. Roy Ting
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers and Share Buy-backs
“Track Record Period”	the period comprising the years ended 31 March 2015, 2016 and 2017 and the three months ended 30 June 2017
“Underwriters”	collectively, the Public Offer Underwriters and the Placing Underwriters
“Underwriting Agreements”	collectively, the Public Offer Underwriting Agreement and the Placing Underwriting Agreement
“United Kingdom”	the United Kingdom of Great Britain and Northern Ireland

DEFINITIONS

“United States”	the United States of America
“USD” or “US\$”	United States dollars, the lawful currency of the United States
“U.S. Securities Act”	the United States Securities Act of 1933 (as amended from time to time)
“ WHITE Application Form(s)”	the application form(s) for use by the public who require(s) such Public Offer Shares to be issued in the applicant’s or applicant’s own name(s)
“Wine’s Link”	Wine’s Link Limited (威揚(酒業)有限公司), a company incorporated under the laws of Hong Kong with limited liability on 19 March 2008 and an indirect wholly-owned subsidiary of our Company
“ YELLOW Application Form(s)”	the application form(s) for use by the public who requires such Public Offer Shares to be deposited directly into CCASS
“sq.ft.”	square feet
“%”	per cent

All dates and times refer to Hong Kong dates and time.

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

If there is any inconsistency between the Chinese names of entities or enterprises established in China and their English translations, the Chinese names shall prevail. The English translation of company names in Chinese or another language which are marked with “” and the Chinese translation of company names in English which are marked with “*” are for identification purpose only.*

GLOSSARY OF TECHNICAL TERMS

This glossary of technical terms contains explanations of certain terms used in this prospectus in the context of our business and operations. The meanings given to these terms may differ from meanings given to them by others in the industry

“alcoholic beverage(s)”	beverages containing ethyl alcohol, or ethanol, typically made from fermented liquor. Types of alcoholic beverage include spirits, port, beer, cider, champagne and wine
“appellation(s)”	a legally defined and protected geographical indication used to identify where the grapes for a wine product were grown
“cellaring”	storing wine under ideal conditions to promote maturation and optimal quality
“Fine Red Wine”	red wine with selling prices less than HK\$1,000 per bottle, as classified based on our own categorisation, which is in line with the classification adopted by Ipsos
“fine wine”	red wine and white wine with selling prices less than HK\$1,000 per bottle, as classified by Ipsos
“grand cru”	a French wine term corresponding to “great growth” which can be used to refer to a regional wine classification that designates a vineyard known for its favourable reputation in producing wine
“négociant”	a French wine term corresponding to “wine merchant” which can be used to refer to wholesalers which buy grapes, grape juice, or partially fermented or finished wine from others and sell the wine products under their own name
“premier cru”	a French wine term corresponding to “first growth” which can be used to refer to a classification of wines primarily from the Bordeaux region of France
“Premium Collectible Red Wine”	red wine with selling prices at or above HK\$1,000 per bottle, as classified based on our own categorisation, which is in line with the classification adopted by Ipsos
“premium collectible wine”	red wine and white wine with selling prices at or above HK\$1,000 per bottle, as classified by Ipsos
“vintage”	the yield of wine or grapes from a vineyard or district during a single specified year

GLOSSARY OF TECHNICAL TERMS

“wine”	alcoholic beverages made from fermented grape juice without the addition of alcohol and other aromatic substances. Wine products typically include fortified wines, vermouth, sparkling wines and still light grape wines. The majority of wines are still light grape wines. Still light grape wine products can be classified into two main types, red wine and white wine
“Wine Storage Management Systems” or “WSMS”	a comprehensive suite of certifications designed specifically to assist wine merchants to take systematic and effective action to protect against wine deterioration. The certification process follows a well-proven and internationally recognised methodology that gives an objective and impartial attestation of the ability of management systems to deliver wine storage, transportation and retail services that fulfil good management practice accepted by wine industry experts. It ensures that good industry standards are applied, improving the competitive edge of the industry, which will ultimately benefit consumers and wine collectors.
“WSET”	The Wine & Spirit Education Trust, an organisation founded in 1969, which provides courses and exams in the field of wines and spirits. WSET is the only wine and spirit education organisation approved by the British government as a national awarding body of vocational qualifications. WSET Awards is accredited as an awarding body by the Office of Qualifications and Examinations Regulation, the British government’s education regulator, offering qualifications ranging from level one (Foundation certificate in wines), level two (Intermediate certificate in wines and spirits) and level three (Advanced certificate in wines and spirits), which form part of the National Qualifications Framework of the United Kingdom

FORWARD-LOOKING STATEMENTS

We have included in this prospectus 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 entitled “Risk Factors” and elsewhere in this prospectus. In some cases, you can identify these forward-looking statements, including, without limitation, words and expressions such as “aim”, “anticipate”, “believe”, “continue”, “could”, “estimate”, “expect”, “intend”, “may”, “might”, “plan”, “potential”, “predict”, “project”, “propose”, “seek”, “could”, “should”, “will”, “would” or similar words or statements, or their negative in relation to future events, our future financial, business or other performance and development, the future development of our industry and the future development of the general economy of our key markets and globally.

These statements are based on numerous assumptions regarding our present and future business strategy and the environment in which we will operate in the future. These forward-looking statements reflecting our current views with respect to future events are not a guarantee of future performance and are subject to certain risks, uncertainties and assumptions, including the risk factors described in the section headed “Risk Factors” in this prospectus. These forward-looking statements include, without limitation, statements relating to:

- our business strategies, plans, objectives and goals;
- our operations and business prospects, including our future competitive environment;
- our future debt levels and capital needs;
- our financial condition;
- future developments, trends and conditions in the industry and markets in which we operate;
- capital market developments;
- certain statements with respect to trends in prices, volumes, operations, margins, overall market trends, risk management and exchange rates;
- the regulatory environment as well as the industry outlook generally;
- general global economic trends; and
- other statements in this prospectus that are not historical facts.

FORWARD-LOOKING STATEMENTS

The forward-looking statements reflect the current view of the management with respect to future events and are, by their nature, subject to risks, uncertainties and assumptions, including those described in the section headed “Risk Factors” in this prospectus.

By their nature, forward-looking statements involve numerous assumptions, both general and specific, which may cause our actual results, performance or achievement to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Some of the key assumptions include, among others,

- the absence of any material adverse change in our operations;
- continuing positive labour relations; and
- the availability and accessibility of financing to us.

This prospectus also contains market data and projections that are based on a number of assumptions. The markets may not grow at the rates projected by the market data, or at all. The failure of the markets to grow at the projected rates may materially and adversely affect our business and the market price of our Shares. In addition, due to the rapidly changing nature of the Hong Kong economy, projections or estimates relating to the growth prospectus or future conditions of the markets are subject to significant uncertainties. If any of the assumptions underlying the market data prove to be incorrect, actual results may differ from the projections based on these assumptions. You should not place undue reliance on these forward looking statements.

We caution you that, subject to the requirements of applicable laws, rules and regulations, we do not have any obligation to 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 contained in this prospectus are qualified by reference to the cautionary statements set out in this section.

In this prospectus, statements of or references to the intentions of our Company or any of our Directors are made as at the Latest Practicable Date. Any such intentions may potentially change in light of future developments.

RISK FACTORS

An investment in our Shares involves various risks. Before making an investment in our Shares, you should carefully consider each of the risks described below and all of the other information in this prospectus, including the accountants' report contained in Appendix I to this prospectus. If any of the following risks actually arises or occurs, our business, results of operations and financial condition could be adversely affected. In any such case, the trading price of our Shares could decline 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 the wine industry; (iii) risks relating to conducting business in Hong Kong; (iv) risks relating to the Share Offer; and (v) risks relating to the statements made in this prospectus.

RISKS RELATING TO OUR BUSINESS

We experience cash flow mismatches in our business operation. Delay in the settlement of payments by our customers may result in untimely and significant cash flow shortcomings in the future and may adversely impact our cash position and results of operations.

The nature of our business model requires the stocking up of sufficient level of wine inventories of various types and price ranges that we can swiftly fulfil the diverse needs of our customers. In our business operations, there are often time lags between making payments to our suppliers and receiving payments from our customers, resulting in cash flow mismatches. In particular, as we settle most of our purchases by advance payments in order to, among other benefits, establish a good and long term relationship with our suppliers so as to secure the supply of good quality wine products and receive preferential treatments such as product discounts and exclusive offers for quality wine products, we have to allocate a significant portion of our working capital and obtain trust receipt loans for procuring and sourcing wine products from our suppliers before we sell the relevant products to our customers. The extent of such cash flow mismatches is illustrated by the differences between our average trade payables turnover days and our average trade receivable turnover days. For further details, please refer to the sections headed “Financial Information — Selected items of the combined statements of financial position — Trade payables” and “Financial Information — Selected items of the combined statements of financial position — Trade receivables” in this prospectus.

As at 31 March 2015, 2016 and 2017 and 30 June 2017, our total trade receivables amounted to HK\$57.3 million, HK\$27.3 million, HK\$13.3 million and HK\$14.8 million, respectively. Out of which, HK\$33.0 million, HK\$21.7 million, HK\$2.8 million and HK\$4.0 million, respectively, were past due at the end of each reporting period for which we have not provided for impairment loss as there were settlements subsequent to the end of each reporting period or there were continuous settlements by respective customers.

RISK FACTORS

There is no assurance that we will be able to collect all trade receivables, in particular those aged over 120 days from our customers. Any default or delay in payment by our customers or our failure to collect trade receivables from them may cause allowance for impairment of trade receivables to be made in the future. All of these may result in untimely and significant cash flow shortcomings in the future and adversely affect our cash position and results of operations. For details of our liquidity and working capital management measures, please refer to the section headed “Financial Information — Liquidity and capital resources — Liquidity and working capital management measures” in this prospectus.

We have substantial indebtedness and high gearing ratios

We currently have a substantial amount of indebtedness as we obtain trust receipt loans for procuring and sourcing wine products from our suppliers before we sell the relevant products to our customers. As at 31 March 2015, 2016 and 2017 and 30 June 2017, our trust receipt loans and other bank borrowings amounted to HK\$164.6 million, HK\$219.4 million, HK\$95.9 million and HK\$108.7 million, respectively. Due to the relatively large amount of trust receipt loans and other bank borrowings and our relatively small total equity, our gearing ratios during the years ended 31 March 2015, 2016 and 2017 and the three months ended 30 June 2017 amounted to 352.6%, 373.9%, 156.0% and 175.7%, respectively. Our substantial indebtedness and high gearing ratios could have significant implications, including, among others:

- increase our vulnerability to adverse general economic and industry conditions such as an overall increase in bank interest rate in Hong Kong;
- require us to dedicate a substantial portion of our cash flow from operations to servicing and repaying our indebtedness, thereby reducing the availability of our cash flow for our business expansion, working capital and other general corporate purposes;
- limit our flexibility in planning for or reacting to changes in our businesses and the industry in which we operate;
- place us at a state of competitive disadvantage compared to our competitors with lower levels of indebtedness;
- limit our ability to borrow additional funds; and
- increase our cost of additional financing.

In the future, we may from time to time incur additional indebtedness and contingent liabilities, in which case the risks that we face as a result of our substantial indebtedness could intensify. For details of our liquidity and working capital management measures, please refer to the section headed “Financial Information — Liquidity and capital resources — Liquidity and working capital management measures” in this prospectus.

RISK FACTORS

We recorded a net operating cash outflow for the three months ended 30 June 2016 and 2017 and may have difficulty meeting our payment obligations if we continue to record net operating cash outflow in the future.

For the three months ended 30 June 2016 and 2017, our Group recorded a net operating cash outflow in the amount of HK\$14.3 million and HK\$8.7 million, respectively. As we from time to time procure wine products in bulk from suppliers in the ordinary course of business and as we experience cash flow mismatches in our business operation, we may continue to record net operating cash outflow in the future.

We cannot assure you that we will not experience periods of net cash outflow from operating activities in the future. If we face a net operating cash outflow in the future, (i) we may not have sufficient working capital to cover our operating costs and we may have to fund our operating costs by obtaining bank borrowings at unfavourable terms, resulting in significant finance costs; and (ii) we may not be able to meet our payment obligations, including our trade payables. Our business, financial position and results of operations will therefore be materially and adversely affected.

For further details of operating cash flows, please refer to the section headed “Financial Information — Summary of our cash flows — Cash flows in relation to our operating activities” in this prospectus.

We recorded a relatively high inventory turnover days during the Track Record Period and are exposed to the risk of slow-moving inventories, which may adversely affect our cash flow and liquidity.

The demand for wine products depends on the prevailing market trends and consumer tastes and preferences, which are beyond our control. If our wine products fail to meet the ever-changing market trends and consumer tastes and preferences, we may face the risk of obsolete and slow-moving inventories. For the years ended 31 March 2015, 2016 and 2017 and the three months ended 30 June 2017, we had inventories in the amount of HK\$59.1 million, HK\$87.5 million, HK\$83.7 million and HK\$91.0 million, respectively, and our average inventory turnover days were 131.3 days, 126.9 days, 127.7 days and 133.5 days, respectively. As at 31 March 2015, 2016 and 2017 and 30 June 2017, the balance of our inventories accounted for approximately 28.5%, 32.2%, 52.4% and 52.4% of our total current assets, respectively. Any increase in inventories and inventory turnover days may adversely affect the sufficiency of our working capital. If we cannot manage our inventory level efficiently in the future, our liquidity and cash flow may be adversely affected. Furthermore, if we fail to source wine products to meet consumer tastes and preferences in the future, the volume of obsolete and slow-moving inventories may increase and we may need to either sell off such inventories at a lower selling price or write off such inventories and our results of operations and financial condition might be materially and adversely affected. We have not written down or written off any obsolete and slow-moving inventories during the Track Record Period, but there is no assurance that we would not have to do so in the future.

RISK FACTORS

Any increase in the purchase prices of wine products that we cannot pass on to our customers may reduce our profitability.

We procure most of our wine products from the open market. For the years ended 31 March 2015, 2016 and 2017 and the three months ended 30 June 2017, our cost of sales amounted to approximately HK\$177.6 million, HK\$211.4 million, HK\$244.7 million and HK\$59.5 million, respectively, accounted for approximately 86.6%, 86.4%, 86.9% and 87.0% of our total revenue, respectively. On one hand, the purchase prices of the wine products are set by our suppliers at their sole discretion depending on a number of factors that are not within our control, including but not limited to wine production levels, prevailing market prices and market demand. On the other hand, we determine the selling prices of our wine products on a cost-plus basis, with reference to, among others, our competitors' selling prices of similar wine products as well as the market prices shown on www.liv-ex.com and www.wine-searcher.com. As we do not normally enter into long-term supply contracts with our suppliers to set the purchase prices of wine products and hedge against increases in the purchase prices of wine products, if the purchase prices of our wine products increase significantly and we are unable to pass such increase to our customers, our profit margin as well as our profitability could be adversely affected.

Changes in market trends and customer tastes and preferences could cause our sales to decline.

Our future growth and success will depend significantly on our ability to anticipate changes in market trends and customer tastes and preferences, and then to identify, source and bring to the market in a timely manner wine products that satisfy the preferences of a broad range of customers. Shifts in customer tastes and preferences may be attributable to various factors including but not limited to grading and reviews from wine critics, advertising and promotional campaigns and changes in customers' spending habits. We cannot assure you that we will be able to successfully identify wine products that are popular among customers in Hong Kong in the future. If we fail to anticipate and respond to changes in market trends and customer tastes and preferences for wine products or fail to bring to the market in a timely manner wine products that satisfy new preferences of our customers, our market share could decline, and our sales and profitability could be adversely affected.

Opening of new flagship store and retail store in Hong Kong may not contribute to the growth of our Group's business as planned.

We intend to allocate from the net proceeds of the Share Offer of HK\$18.9 million to open a flagship store at a commercial area in Tsim Sha Tsui tentatively during the period between the Listing Date and 31 March 2018 and a retail store in an affluent residential area in West Kowloon tentatively during the six months ending 31 March 2019. It took us four months to recover the investments made in our existing retail store, and we expect an investment payback period of eight months for the new flagship store and eight months for the new retail store to be opened in the future. However, our efforts to expand our retail business may be in vain as the opening of our new flagship store and retail store is subject to a number of risks and uncertainties, including but not limited to difficulties in locating suitable sites and recruiting experienced staff. If we fail to secure

RISK FACTORS

leases on commercially reasonable terms or recruit operating staff at reasonable costs, it may result in delays or cost overruns, which could materially and adversely affect our financial performance. Moreover, we may not be able to attract enough customers to our new flagship store and retail store and cater for the target customers' expenditure patterns, tastes, preferences and demand in the relevant regions and as such, there can be no assurance that the revenue generated by each of the new flagship store and retail store will equal to or exceed our existing retail store. As a result, sales at our new flagship store and retail store may take longer than expected to ramp up and reach, or may never reach, the sales targets and profit margins, which could have an adverse impact on our business, results of operations and financial condition.

Our business, results of operations and financial condition may be affected by seasonality.

Our business and results of operations are subject to seasonality. During the Track Record Period, we recorded relatively higher revenue during holiday seasons, in particular Mid-Autumn Festival, Christmas, New Year and Chinese New Year. We believe this seasonal pattern is primarily due to the popularity and suitability of wine products as festival gifts and consumers' tendency to spend during the holiday seasons. This seasonal pattern may cause our results of operations to fluctuate from period to period and therefore, it may not be meaningful to compare our results of operations across different periods in a certain year and such comparisons should not be relied upon as indicators of our performance in the future. Furthermore, if our operations are disrupted or affected by unpredictable events occurring during these holiday seasons, our business, results of operations and financial condition would be adversely affected. For further details, please refer to the section headed "Financial Information — Key factors affecting our results of operations — Seasonal fluctuations" in this prospectus.

The acquisition and set up of our own warehousing facility may result in an increase in the depreciation expenses of our Group.

We intend to allocate approximately HK\$31.6 million, representing approximately 60.6% of the net proceeds from the Share Offer, to acquire and set up our own warehousing facility so as to increase our storage capacity. For further details, please refer to the section headed "Business — Business strategies — Acquire and set up our own warehousing facility in Hong Kong to support the future expansion of our business" in this prospectus.

During the years ended 31 March 2015, 2016 and 2017 and the three months ended 30 June 2017, our Group's depreciation in property and equipment amounted to HK\$1.2 million, HK\$1.5 million, HK\$2.7 million and HK\$0.9 million, respectively. Following the establishment of our new warehouse, we expect our depreciation expenses will significantly increase in the future, and amounted to nil and approximately HK\$2.6 million for the years ending 31 March 2018 and 2019, respectively. Our financial performance may therefore be materially and adversely affected.

RISK FACTORS

Any quality issues relating to our wine products could adversely affect our reputation and business.

We have limited control over the quality of wine products we sell as we source these wine products from wine suppliers across the world. The quality of wine products may be affected by the winemaking process, storage, transportation and usage, most of which are not under our control. We rely on the experience, expertise and judgments of our employees in taking deliveries of wine products. Due to the nature of consumable products, it is not feasible for us to arrange sampling or tasting inspections to discern the quality of the procured wine products. As such, our product inspection process is limited to examination of the physical appearance of the wine products based on their labelling, wine level, sealing and overall packaging. There can be no assurance that the wine products we procure in the future will be free from any quality issues, or that our staff would be able to detect defective or damaged wine products during our inspection process. If any of the wine products sold by us had quality defects, our customers might lose confidence in us, and our reputation and sales could be adversely affected. Additionally, we might be held liable for product liability claims in relation to quality issues associated with our wine products. For further details, please refer to the paragraph headed “— Risks relating to our business — We do not have product liability insurance and may not be adequately protected from any product liability claim and/or potential loss” in this section.

We do not have product liability insurance and may not be adequately protected from any product liability claim and/or potential loss.

We face an inherent risk of exposure to product liability claims in the event that consumption of our wine products results in health problems or other damages to human body. The end consumers of our wine products may bring product liability claims against us under tort law and we may be subject to tortious liabilities for any damages caused by defective wine products we sold. As at the Latest Practicable Date, we had not faced any claims or complaints in respect of food poisoning, health complications, allergic reactions or death resulting from the consumption of our wine products. However, there is no assurance that such claims will not be made against us in the future. Any product liability claim against us, no matter whether it is successful or not or with or without merit, would adversely affect our business and reputation. As we do not maintain product liability insurance or insurance covering potential liability relating to the quality of the wine products we sell, any material loss or damage resulting from any claim against us for the quality of wine products, which are alleged or proven to be contaminated, defective, harmful or unsafe, could cause us to incur significant expenses and also divert our allocation of resources. This could therefore materially and adversely affect our business, results of operations and financial condition.

We have a relatively short track record in our retail business and our historical financial results in respect of our retail business may not be indicative of our future performance.

During the Track Record Period, the majority of our revenue was generated from our wholesale business rather than our retail business. For the years ended 31 March 2015, 2016 and 2017 and the three months ended 30 June 2017, revenue generated from our retail business amounted to HK\$47.5 million, HK\$63.3 million, HK\$101.7 million and HK\$18.9 million,

RISK FACTORS

respectively, representing approximately 23.2%, 25.9%, 36.1% and 27.6% of our total revenue for the respective periods. We launched our first retail store near Sai Ying Pun in December 2015 under “Royce Cellar” for further developing our market presence in the wine industry in Hong Kong. We also intend to utilise part of our net proceeds from the Share Offer for the expansion of our retail network. For further details, please refer to the section headed “Business — Business strategies — Further expand our retail network and product portfolio to boost our market share in Hong Kong” in this prospectus.

Due to the limited operating history of our retail business, there may not be a sufficient basis on which potential investors in our Shares could assess the future results of operations and prospects of our retail business. We cannot assure you that we will be able to successfully grow our retail business or generate the same level of profit or revenue as before. If we cannot maintain the growth of our retail business, our business, financial performance and results of operations could be materially and adversely affected.

We may be subject to tax penalties and additional tax liabilities

In August 2016 Wine’s Link was randomly selected for post assessment of its profits tax return pursuant to the “Assess First Audit Later” assessing system of the IRD for the purpose of gathering additional information to ascertain the tax position of Wine’s Link. As at the Latest Practicable Date, Wine’s Link has furnished complete replies to all the enquiry letters issued by the IRD. As at the Latest Practicable Date, the IRD has yet to inform Wine’s Link of its final decisions or any adverse findings in respect of the Tax Enquiries and the information provided to the IRD. Should the IRD has any adverse findings in respect of the historical tax position of Wine’s Link, we may be subject to tax penalties and additional tax liabilities and our results of operation and financial condition may be materially and adversely affected. For further details, please refer to the section headed “Financial Information — Tax enquiries and tax refiling” in this prospectus.

Any deterioration or termination of our relationships with our major suppliers may result in severe disruptions to our operations and loss of revenue.

Our continuing success depends to a large extent on our ability to source quality wine products at competitive prices in a timely manner. We rely on several major suppliers for procurement of our wine products and generally do not enter into long-term supply contracts with our suppliers. For the years ended 31 March 2015, 2016 and 2017 and the three months ended 30 June 2017, the purchases we made from our five largest suppliers, all being Independent Third Parties, accounted for approximately 31.9%, 33.6%, 26.0% and 42.5% of our total purchases, respectively. In the absence of long-term supply contracts, we cannot assure you that our suppliers will continue to supply wine products to us at terms and prices acceptable to us and at current levels, or that they will continue to supply wine products to us instead of our competitors. As such, we might be exposed to the risks of unexpected price fluctuations or shortage in supply of, certain types of wine products. We also cannot assure you that we will be able to maintain our relationships with our existing suppliers. If there is any disruption or termination of our

RISK FACTORS

relationships with our major suppliers and if we fail to source wine products from alternative wine suppliers on comparable terms in a timely manner, our business and results of operations may be adversely affected.

Any deterioration or termination of our relationships with our major customers may materially and adversely affect our business, results of operations and financial condition.

We rely on several major customers and generally do not enter into long-term sales contracts with our customers. Instead, our customers purchase wine products from us on an order-by-order basis. For the years ended 31 March 2015, 2016 and 2017 and the three months ended 30 June 2017, the revenue generated from our five largest customers, all being Independent Third Parties, accounted for approximately 45.1%, 36.3%, 21.1% and 26.4% of our total revenue, respectively. We cannot assure you that our major customers will continue to purchase from us at current levels and on similar terms, or that they will continue to purchase from us instead of our competitors. If our major customers cease to purchase from us, substantially reduce their purchase orders or propose new terms of sales unacceptable to us, our sales may decline if we are unable to find new customers on comparable terms in a timely manner. In such case, our business, results of operations and financial condition could be adversely affected.

Our operations are subject to certain risks associated with the transportation processes and storage conditions of our wine products.

We rely on the third party logistics service providers for the transport of wine products. Delivery of wine products may be disrupted for various reasons beyond our control, including poor handling by logistics service providers, transportation bottlenecks, adverse weather conditions, political disruptions or labour disputes, which could result in delayed or lost delivery of our products, and may lead to loss of our revenue. If the labelling, sealing and packaging of wine products are damaged as a result of inappropriate handling during the transportation process, we may have to lower the selling prices of such damaged products, which will result in a decrease in our profit margin and adversely affect our profitability. In addition, most of our wine products are stored in our temperature- and humidity-controlled warehouse prior to delivery to our customers. Since the quality of wine products is susceptible to, among other things, temperature change, humidity level and light, our wine products may be damaged or deteriorated during the transportation and storage processes. If certain events such as fire, flood or technical breakdown or failure of our temperature and humidity control systems occur, we might be unable to deliver products to our customers on schedule, which would materially and adversely damage our reputation and affect our results of operations.

We have limited insurance coverage which could expose us to significant costs and business disruptions.

Our insurance coverage includes, among others, risks insurance in respect of the stocks in our leased warehouse and retail store, employee's compensation insurance against employer's liability arising under the Employees' Compensation Ordinance and/or at common law, medical insurance for all of our full-time employees and motor vehicle insurance for our motor vehicles. Nevertheless,

RISK FACTORS

our insurance policies do not cover every aspect of risks and are subject to liability limitations and exclusions. For instance, we do not maintain product liability insurance with respect to all of our sales. For further details, please refer to the paragraph headed “— Risks relating to our business — We do not have product liability insurance and may not be adequately protected from any product liability claim and/or potential loss” in this section. Additionally, we cannot assure you that all losses incurred by us can be adequately covered by our insurance policies. If we suffer a loss in an amount exceeding our insurance coverage, we will have to bear the excess amount. Any losses and liabilities not covered by our insurance policies might have a material adverse effect on our results of operations and financial condition.

Our continuing success depends on our senior management and our abilities to retain, motivate and recruit appropriately skilled talents.

Our continuing success depends on our ability to identify, hire, train and retain suitable, skilled and qualified talents, including management personnel with the requisite industry expertise. We believe that our success in the past, to a large extent, is attributable to the contribution of our Director and chief executive officer, Ms. Shirley Wong, in developing and maintaining our business relationships with our major customers and suppliers. Details of her expertise and experience are set out in the section headed “Directors, Senior Management and Employees” in this prospectus. Our senior management’s experience and expertise in the wine industry are crucial to our operations and financial performance. Although we have entered into a service agreement with each of our executive Directors and members of the senior management, there could be an adverse impact on our operations should any of our executive Directors or members of the senior management terminates his or her service agreement with us or otherwise ceases to serve us and we are unable to find suitable replacement in a timely manner. There is no assurance that we will be able to attract and retain capable staff or that they will not resign in the future. If we fail to do so, our ability to implement our business strategies might be hampered and our business and results of operations might be adversely affected.

The series of anti-corruption campaigns and reforms launched by the PRC government may adversely affect the sales of our wine products.

Recently, the PRC government has launched a series of anti-corruption campaigns and reforms, which include restricting (i) the civil servants of the PRC from using public funds on gifts and social activities; (ii) the receiving or provision of gifts to civil servants in the PRC; and (iii) ostentatious and extravagant behaviour. Notwithstanding that we derived our revenue solely in Hong Kong during the Track Record Period, there is no certainty or guarantee that our customers will not do so. According to Ipsos, the industry has noticed a slowdown in the growth of premium collectible wine sales since the anti-corruption campaigns and reforms were introduced by the PRC government. The total market value of premium collectible wine in Hong Kong decreased from HK\$946.7 million in 2012, to HK\$912.8 million in 2016, at a CAGR of approximately –0.9% due to a decline in demand for premium collectible wine from the PRC visitors. Some of our customers

RISK FACTORS

are PRC nationals residing in Hong Kong, and their purchasing habits may be affected by the anti-corruption campaigns and reforms. These anti-corruption campaigns and reforms may adversely affect our sales and in turn could adversely affect our business and results of operations.

If the PRC government tightens its customs controls over wine products, demand from customers who purchase our wine products for consumption in or resale to the PRC may decrease.

According to the current laws and regulations of the PRC, the carriage of wine products below a quantity limitation into the PRC is permissible for personal consumption purpose. Customs duty will be imposed upon wine products carried into the PRC that exceed the regulatory limitation in volume. We do not arrange delivery of wine products to places outside Hong Kong and are therefore not subject to relevant PRC customs controls over wine products. Nonetheless, as some customers may purchase wine products from us for consumption in or resale to the PRC, their demand for our wine products may decrease if the PRC government tightens its customs controls over wine products by, for example, increasing the duty chargeable for or reducing the regulatory limitation of wine products allowed to be brought into the PRC free of customs duty, which might in turn adversely affect our business, results of operations and financial condition.

Our lease renewals are affected by conditions of the rental market.

As at the Latest Practicable Date, we had entered into three leases for our head office, warehouse and retail store expiring in August 2019, April 2020 and September 2022, respectively with options to renew. After the leases expire, we may not be able to renew them on comparable and commercially acceptable terms and conditions or we may have to renew on less favourable terms due to unpredictable rental increase in Hong Kong. Our business, results of operations and financial conditions could be adversely affected in the event that we cannot renew the leases on terms commercially reasonable and acceptable to us. In addition, we may have to incur additional expenses if we cannot renew our leases and are forced to relocate our head office, warehouse or retail store, which would in turn adversely affect our business, results of operations and financial conditions.

Our results of operations may be affected by fluctuations in foreign currency exchange rates.

We source and procure our wine products globally, including but not limited to wine suppliers in France, the Netherlands, Switzerland, the United Kingdom and the United States. Approximately 3.7%, 2.6%, 0.5% and 4.0% of our sales are denominated in foreign currencies other than our functional currency (i.e. Hong Kong dollars), whilst almost 77.4%, 76.6%, 75.6% and 82.3% of purchase of goods are denominated in currencies other than our functional currency during the years ended 31 March 2015, 2016 and 2017 and the three months ended 30 June 2017, respectively. During the Track Record Period, the foreign currencies in which (i) our Group's purchases were denominated included GBP, EUR, USD, CHF, AUD and JPY; and (ii) our Group's sales were denominated included EUR and CHF.

RISK FACTORS

Any fluctuations in foreign currency exchange rates against Hong Kong dollars can increase or decrease our profit margin and affect the results of our operations. For the years ended 31 March 2015, 2016 and 2017 and the three months ended 30 June 2016 and 2017, we recorded other net exchange losses of HK\$0.4 million, net exchange gains of HK\$1.3 million, net exchange gains of HK\$1.5 million, net exchange losses of HK\$0.7 million and net exchange losses of HK\$0.9 million, respectively. These foreign exchange gains and losses were primarily arising from the foreign currency fluctuations in respect of our foreign currency denominated trusts receipt loans for the settlement of our purchases from suppliers outside of Hong Kong. For further details, please refer to the paragraph headed “- Quantitative and qualitative disclosures about financial risks — Foreign currency risk” in this section.

In addition, monetary balances denominated in foreign currencies are translated into Hong Kong dollars at the prevailing foreign currency exchange rates as at the balance sheet date when we prepare our combined financial statements, which will result in corresponding foreign exchange gains and losses. Thus, any fluctuations in foreign exchange rates might adversely affect our results of operations and financial performance.

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

Our business growth in the future depends mainly on the successful implementation of our business objective, strategies and future plans as set out in the section headed “Business — Business strategies” in this prospectus. These business strategies are based on our current plans and intentions, which are still at initial planning stage and are therefore subject to high degree of risks and uncertainties. Furthermore, we may not be able to achieve the anticipated growth and expansion of our business due to factors beyond our control, such as changes in economic environment, market demand, government policies and relevant laws and regulations. Therefore, we cannot assure you that our business objectives, strategies and future plans will be accomplished, whether in whole or in part or be implemented within the estimated timeline. If 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.

RISKS RELATING TO THE WINE INDUSTRY

We operate in a highly competitive industry.

The wine industry in Hong Kong is highly competitive. Hong Kong is the wine hub in Asia and there are a considerable amount of market players of different sizes offering wine products similar to us. Some of these competitors may have better market recognitions, greater financial resources and wider supply networks that may allow them to react to changes in pricing, marketing and consumer preferences faster. As our competitors expand their operations through acquisitions or otherwise, we expect competition to intensify. To sustain our competitive edge, we need to continuously strengthen the relationships with our suppliers, enlarge our product portfolio to meet customers’ changing tastes and preferences, invest in marketing activities and, as the case may require, reduce our profit margin by lowering the selling prices of our wine products. If we fail to compete effectively with our current or potential competitors, our business, results of operations

RISK FACTORS

and financial condition could be adversely affected, and our ability to continue to price our products at desired levels on a cost-plus basis might be adversely affected, resulting in an adverse impact on our profitability.

Our wine products may be subject to counterfeiting or imitation or negative publicity concerning adverse health consequences, which could materially and adversely affect our reputation and lead to a loss of consumer confidence and reduced sales.

Counterfeiting and imitation of popular wine products occur in our industry from time to time. Any occurrence of counterfeiting or imitation could bring negative impacts on the value of wine products we sell and lead to a loss of consumer confidence, which could result in a reduction of our market share and declines in our sales and profitability. In addition, adverse public opinions and perceptions about wine products and reports on the adverse health consequences of wine could adversely affect consumer perceptions of, and cause a reduction in the consumption of, wine products generally, which would in turn adversely impact our profitability.

Changes in regulations and policies in relation to wine and liquor products may reduce the demand for or profitability of our wine products.

According to the Dutiable Commodities Ordinance, the Dutiable Commodities Regulations and the Dutiable Commodities (Liquor) Regulations, the import duty on wine and liquor with an alcoholic strength of not more than 30% by volume measured at a temperature of 20 degrees Celsius shall be levied at a reduced rate of 0%. Liquor with an alcoholic strength of more than 30% by volume measured at a temperature of 20 degrees Celsius is still subject to an import duty rate at 100%. All of the wine products and other alcoholic beverages we import from other countries contain an alcoholic strength of not more than 30% by volume measured at a temperature of 20 degrees Celsius. As a result, we had not paid any import duties on wine and liquor products during the Track Record Period. However, any increase in import and excise duties may force the selling prices of wine and liquor products to increase, which may in turn reduce the overall consumption of wine products in Hong Kong. As a consequence, our business, results of operations and financial condition might be adversely affected.

Save for a valid business registration certificate issued by the IRD, we are not required to obtain or maintain any other licences, permits or approvals to conduct our business in Hong Kong. If any additional import and export licence and movement permit in relation to wine and liquor products is needed in Hong Kong in the future, we cannot assure you that we will be able to obtain such licence and permit, failure of which might materially and adversely affect our business and operations.

RISK FACTORS

RISKS RELATING TO CONDUCTING BUSINESS IN HONG KONG

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

Wine consumption is very sensitive to economic conditions. Purchases of wine products tend to decline during recessionary periods. As all of our revenues are generated from Hong Kong, a recession in the local economy, or uncertainties regarding future economic prospects of Hong Kong, could adversely affect consumer spending habits in Hong Kong, such as a reduction in spending, and have an adverse effect on our business, results of operations and financial condition. Factors like deterioration of the local economy, decrease in disposable consumer income, fear of recession and change in consumer confidence may adversely affect consumer preferences and spending. There is no assurance that we will be able to maintain our historical growth in revenue or profits, or remain profitable in the future. If the demand for our wine products decreases or if there occurs any significant economic downturn in Hong Kong, our revenues, profitability and business prospects will be adversely affected.

Our business depends on the economic, political and social conditions in Hong Kong.

We conduct business in Hong Kong only and do not plan to expand our operations outside Hong Kong in the near future. Consequently, our business operations may be affected by the economic, political and social conditions in Hong Kong. Any adverse changes in the economic, political and social conditions of Hong Kong may affect the demand for our wine products, resulting in deteriorating financial performance of our Group. The economic, political and social conditions in Hong Kong were disrupted during the “Occupy Central Movement”. There can be no assurance that there will not be another movement of similar scale in the near future or that there will not be other events which could lead to the disruption of the economic, political and social conditions in Hong Kong. If such future movements or events persist for a prolonged period of time or that the economic, political and social conditions in Hong Kong are to be disrupted, our overall business and results of operations may be adversely affected.

Our business is subject to risks relating to the legal environment in Hong Kong.

Since 1 July 1997, Hong Kong has become a special administrative region of the PRC. 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 legal environment 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 legal environment in Hong Kong, our business, results of operations and financial position may be adversely affected.

RISK FACTORS

Acts of God, acts of war and terrorism, natural disasters, riots, epidemics and other disasters could affect our business.

Acts of God, acts of war and terrorism, natural disasters, riots, epidemics and other disasters, which are beyond our control, may adversely affect the economy, infrastructure and livelihood of the people of Hong Kong or such other jurisdictions. Our business, results of operations and financial condition might be adversely affected if these events take place. For example, epidemics threaten people's lives and may adversely affect their livelihoods as well as their living and consumption patterns. The occurrence of an epidemic is beyond our control, and there is no assurance that the outbreak of severe acute respiratory syndrome, the H5N1 strain of avian influenza, the H1N1 strain of swine flu or any other epidemics or pandemics will not happen. Acts of war and terrorism may cause damage or disruption to us or our employees, facilities, markets, suppliers or customers, any of which might adversely impact our revenue, cost of sales, results of operations, financial condition or our Share price. Potential war or terrorist attacks may also cause uncertainties and cause our business to suffer in ways that we cannot currently predict.

RISKS RELATING TO THE SHARE OFFER

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 Share Offer.

There has been no public market for our Shares prior to the Share Offer. Upon the Share Offer, GEM will be the only market for trading of our Shares. The Offer Price for our Shares is expected to be fixed by agreement between our Company and the Sole Global Coordinator (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 Share Offer will result in the development of an active or liquid trading market for our Shares following the Share Offer or in the future.

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

The market price, liquidity and trading volume of our Shares may be highly volatile. There is no assurance as to the ability of our Shareholders to sell their Shares or the prices 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 Offer under the Share Offer.

The price at which our Shares will trade after the Share Offer 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 of our financial performance;
- addition or departure of our key management personnel;
- announcement by us of significant acquisitions, strategic alliances or joint ventures;

RISK FACTORS

- involvement in litigation; and
- general economic and stock market conditions.

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

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

We have conditionally adopted the Share Option Scheme although no options were granted thereunder as at the Latest Practicable Date. Pursuant to the Share Option Scheme, options may be granted after completion of the Share Offer and the qualified participants (as defined in the Share Option Scheme) may be granted options to subscribe for an aggregate of up to 40,000,000 Shares. Such options, if exercised in full, represent approximately 10% of our enlarged issued share capital immediately after completion of the Capitalisation Issue and Share Offer (without taking into account any Shares which may be allotted and issued upon the exercise of the Offer Size Adjustment Option).

Any issuance 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.

The voluntary lock-up undertakings made by our Controlling Shareholders to our Company may be waived by our independent Shareholders. Future sales by our Controlling Shareholders of a substantial number of the Shares in the public market could adversely affect the prevailing market price of our 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 sections headed "Underwriting — Undertakings by our Controlling Shareholders to the Stock Exchange and our Company" and "Underwriting — Undertakings by our Controlling Shareholders to the Stock Exchange and our Company — Voluntary undertakings by our Controlling Shareholders to our Company" in this prospectus. The voluntary lock-up undertakings in addition to the requirement under Rule 13.16A(1) of the GEM Listing Rules made by our Controlling Shareholders to our Company may be waived by our independent Shareholders. We are not in a position to give any assurance that our Controlling Shareholders will not dispose of

RISK FACTORS

any Shares they may own now or in the future. Sales of substantial amounts of our Shares in the public market, or the perception that such sales may occur, could adversely affect the prevailing market price of our Shares.

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 70.0% voting rights in the general meeting of our Company immediately after the Share Offer and the Capitalisation Issue. Therefore, our Controlling Shareholders will continue to be able to exercise controlling influence over our business through their abilities 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 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.

Investors may experience difficulties in enforcing their Shareholder's rights because our Company is incorporated in the Cayman Islands, and Cayman Islands law may provide protection and remedies to minority Shareholders which are different from those available under the laws of Hong Kong or other jurisdictions.

Our Company is incorporated in the Cayman Islands and our affairs are governed by our Articles of Association, the Companies Law and common law applicable in the Cayman Islands. The laws of the Cayman Islands may differ from those of Hong Kong or other jurisdictions where investors may be located. As a result, minority Shareholders may not enjoy the same rights available under the laws of Hong Kong or such other jurisdictions. A summary of Cayman Islands law on protection of minority Shareholders is set out in the paragraph headed "Protection of minorities" in Appendix III to this prospectus.

Dilution of Shareholders' equity interests.

Our Group 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. Our Group 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.

RISK FACTORS

RISKS RELATING TO THE STATEMENTS MADE IN THIS PROSPECTUS

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 wine 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 are 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 sources. 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 in this prospectus 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 statements. For further details, please refer to the section headed “Forward-looking Statements” in this prospectus.

You should read this entire prospectus and we strongly caution you not to place any reliance on any information contained in press articles or media regarding us or the Share Offer.

There may be press and media coverage regarding us or the Share Offer, which may include certain events, financial information, financial projections and other information about us that do not appear in this prospectus. We have not authorised the disclosure of any other information not contained in this prospectus. We do not accept any responsibility for any such press or media coverage and we make no representation as to the accuracy or completeness or reliability of any such information or publication. To the extent that any such information appearing in publications other than this prospectus is inconsistent or conflicts with the information contained in this prospectus, we disclaim responsibility for them. Accordingly, prospective investors should not rely on any such information. In making your decision as to whether to invest in our Shares, you should rely only on the financial, operational and other information included in this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

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 Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the GEM Listing Rules for the purposes 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:

- (a) the information contained in this prospectus is accurate and complete in all material respects and is not misleading or deceptive;
- (b) there are no other matters the omission of which would make any statement herein or this prospectus misleading; and
- (c) all opinions expressed in this prospectus have been arrived at after due and careful consideration and are founded on bases and assumptions that are considered fair and reasonable.

INFORMATION ON THE SHARE OFFER

The Offer Shares are offered for subscription 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 Share Offer or to make any representation not contained in this prospectus. Any information or representation not contained herein must not be relied upon as having been authorised by our Company, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Sole Lead Manager, 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 Share Offer.

OFFER SHARES ARE FULLY UNDERWRITTEN

This prospectus is published solely in connection with the Share Offer. The listing of the Shares on GEM is sponsored by the Sole Sponsor. The Public Offer is fully underwritten by the Public Offer Underwriters and the Placing is expected to be fully underwritten by the Placing Underwriters, subject to the terms and conditions of the Underwriting Agreements and that the Offer Price will be determined by agreement between our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) on the Price Determination Date. For further details on the Underwriters and the underwriting arrangements, please refer to the section headed "Underwriting" in this prospectus.

If, for any reason, the Offer Price is not agreed between our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) by that date or such later date, the Share Offer will not become unconditional and will lapse.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

OFFER PRICE

The Offer Shares are being offered at the Offer Price which will be determined in Hong Kong dollars by our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) on the Price Determination Date. The Offer Price will not be more than HK\$0.75 per Offer Share and is expected to not be less than HK\$0.55 per Offer Share. Subscribers must pay, on application, the maximum Offer Price of HK\$0.75 per Offer Share plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, amounting to a total of HK\$3,030.23 for one (1) board lot of 4,000 Offer Shares. For further details on the Offer Price, please refer to the section headed “Structure and Conditions of the Share Offer” in this prospectus.

RESTRICTIONS ON OFFER AND SALE OF THE OFFER SHARES

No action has been taken to permit any offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, any offer or invitation nor is it taken as an invitation or solicitation of offers in any jurisdiction or under any circumstances where such offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation.

The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable laws, rules and regulations of such jurisdictions pursuant to registration with or authorisation by the relevant regulatory authorities or as an exemption therefrom.

Each person acquiring the Offer Shares will be required to confirm, or by his or her acquisition of the Offer Shares be deemed to confirm, that he or she is aware of the restrictions on the offer and sale of the Offer Shares described in this prospectus and that he or she is not acquiring, and has not been offered, any such shares in circumstance that contravenes any such restrictions.

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

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

For further details on the structure and conditions of the Share Offer, please refer to the section headed “Structure and Conditions of the Share Offer” in this prospectus.

APPLICATION FOR LISTING ON GEM

Application has been made to the Listing Division for the listing of, and permission to deal in our Shares in issue on GEM and to be issued pursuant to the Capitalisation Issue and the Share Offer (including any Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option and any options which may be granted under the Share Option Scheme).

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

No part of the share capital of our Company is listed or dealt in on any other stock exchange and no such listing or permission to deal is being or is proposed to be sought.

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at least 25.0% of the total number of issued Shares must at all times be held by the public. A total of 120,000,000 Offer Shares, representing 30% of the enlarged issued share capital immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account of any Shares which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option and any options which may be granted under the Share Option Scheme) will be made available under the Share Offer.

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any allotment made in respect of any application will be invalid if the permission for the Shares to be listed on GEM has been refused before the expiration of three weeks from the date of the closing of the Share Offer, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to our Company by or on behalf of the Stock Exchange.

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 the 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. If you are unsure about the details of CCASS settlement arrangements and how such arrangements will affect your rights and interests, you should seek advice from your stockbrokers or other professional advisers.

All necessary arrangements have been made 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

If you are unsure about the taxation implications of the subscription for, purchase, holding or disposal of, dealing in, or the exercise of any rights in relation to the Shares, you should consult your professional adviser. It is emphasised that none of our Company, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Sole Lead Manager, the Underwriters, any of their respective directors, agents or advisers or any other person involved in the Share Offer accepts responsibility for any tax effects on or liabilities of any person resulting from the subscription for, purchase, holding or disposal of, dealing in, or the exercise of any rights in relation to the Shares.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

REGISTER OF MEMBERS AND STAMP DUTY

All of the Shares will be registered in our Company's branch register of members to be maintained in Hong Kong by the Hong Kong Branch Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong. Only securities registered on the branch register of members of our Company kept in Hong Kong may be traded on GEM unless the Stock Exchange agrees otherwise.

Our Company's principal register of members will be maintained by the principal share register and transfer office, Maples Fund Services (Cayman) Limited at PO Box 1093, Boundary Hall, Cricket Square, Grand Cayman, KY1-1102, Cayman Islands.

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

Unless determined otherwise by our Company, dividends payable in Hong Kong dollars in respect of our Shares will be paid to the Shareholders listed on our Company's Hong Kong branch register of members to be maintained in Hong Kong, by ordinary post, at the Shareholders' risk, to the registered address of each Shareholder or its joint Shareholders, to the first-named therein in accordance with the Articles.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on the Stock Exchange are expected to commence at 9:00 a.m. (Hong Kong time) on or around Friday, 12 January 2018. Shares will be traded in board lots of 4,000 Shares each. The stock code for our Shares is 8509.

Our Company will not issue any temporary documents of title.

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. Names of any laws and regulations, governmental authorities, institutions, natural persons or other entities which have been translated into English and included in this prospectus and for which no official English translation exists are unofficial translations for your reference only.

ROUNDING

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

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

DIRECTORS

<u>Name</u>	<u>Residential Address</u>	<u>Nationality</u>
<i>Executive Directors</i>		
Ms. Wong Chi Lou Shirley (王姿潞女士) (Chief executive officer)	House 80, Mouton Avenue The Vineyard 23 Ngau Tam Mei Road Yuen Long, Hong Kong	Chinese
Mr. Chan Sze Tung (陳詩桐先生)	Flat 318, Ping Shun House Ping Tin Estate Lam Tin, Kowloon Hong Kong	Chinese
<i>Non-executive Directors</i>		
Ms. Yeung Chi Hung (楊志紅女士), S.B.S., B.B.S., J.P. (Chairman)	9B, 7-9 Cambridge Road Kowloon Tong Kowloon, Hong Kong	Chinese
Ms. Ho Tsz Wan (何芷韻女士)	House 1 44 Oxford Road Kowloon Tong Kowloon, Hong Kong	Chinese
<i>Independent non-executive Directors</i>		
Mr. Cheng Yiu Tong (鄭耀棠先生), G.B.M., G.B.S., J.P.	1st Floor, 148 Aberdeen Main Road Hong Kong	Chinese
Mr. Chan Wai Yan Ronald (陳惠仁先生)	5 York Road, Kowloon Hong Kong	Chinese
Mr. Wong Hin Wing (黃顯榮先生)	Flat C, 21st Floor, Block 6 Parc Palais, 18 Wylie Road Ho Man Tin, Kowloon Hong Kong	Chinese

For further details, please refer to the section headed “Directors, Senior Management and Employees” in this prospectus.

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

PARTIES INVOLVED IN THE SHARE OFFER

Sole Sponsor

Innovax Capital Limited
A licensed corporation under the SFO to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities
Room 2002
20th Floor, Chinachem Century Tower
178 Gloucester Road
Wanchai
Hong Kong

Sole Global Coordinator, Sole Bookrunner and Sole Lead Manager

Innovax Securities Limited
A licensed corporation under the SFO to carry out type 1 (dealing in securities) and type 4 (advising on securities) regulated activities
Unit A–C, 20/F, Neich Tower
128 Gloucester Road
Wan Chai
Hong Kong

Public Offer Underwriters

Innovax Securities Limited
A licensed corporation under the SFO to carry out type 1 (dealing in securities) and type 4 (advising on securities) regulated activities
Unit A–C, 20/F, Neich Tower
128 Gloucester Road
Wan Chai
Hong Kong

ChaoShang Securities Limited
A licensed cooperation under SFC to carry out type 1 (dealing in securities) and type 2 (dealing in futures contracts) regulated activities
Rooms 4001–4002, 40/F, China Resources Building
26 Harbour Road
Wanchai
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

CNI Securities Group Limited

A licensed corporation under the SFO to carry out type 1 (dealing in securities), type 2 (dealing in futures contracts) and type 4 (advising on securities) regulated activities

10/F, Sun's Group Centre

200 Gloucester Road

Wan Chai

Hong Kong

Eternal Pearl Securities Limited

A licensed corporation under the SFO to carry out type 1 (dealing in securities) and type 2 (dealing in futures contracts) regulated activities

19/F, 88 Gloucester Road

Wanchai

Hong Kong

Fortune (HK) Securities Limited

A licensed corporation under the SFO to carry out type 1 (dealing in securities) regulated activities

35/F, Office Tower, Convention Plaza

1 Harbour Road

Wanchai

Hong Kong

Marketsense Securities Limited

A licensed corporation under the SFO to carry out type 1 (dealing in securities) regulated activities

Unit 7801–7803, 78/F, The Centre

99 Queen's Road

Central

Hong Kong

Pacific Foundation Securities Limited

A licensed corporation under the SFO to carry out type 1 (dealing in securities) and type 9 (asset management) regulated activities

11/F, New World Tower II

16–18 Queen's Road Central

Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Placing Underwriters

Innovax Securities Limited

A licensed corporation under the SFO to carry out type 1 (dealing in securities) and type 4 (advising on securities) regulated activities

Unit A–C, 20/F, Neich Tower

128 Gloucester Road

Wan Chai

Hong Kong

ChaoShang Securities Limited

A licensed cooperation under SFC to carry out type 1 (dealing in securities) and type 2 (dealing in futures contracts) regulated activities

Rooms 4001–4002, 40/F, China Resources Building

26 Harbour Road

Wanchai

Hong Kong

CNI Securities Group Limited

A licensed corporation under the SFO to carry out type 1 (dealing in securities), type 2 (dealing in futures contracts) and type 4 (advising on securities) regulated activities

10/F, Sun's Group Centre

200 Gloucester Road

Wan Chai

Hong Kong

Eternal Pearl Securities Limited

A licensed corporation under the SFO to carry out type 1 (dealing in securities) and type 2 (dealing in futures contracts) regulated activities

19/F, 88 Gloucester Road

Wanchai

Hong Kong

Fortune (HK) Securities Limited

A licensed corporation under the SFO to carry out type 1 (dealing in securities) regulated activities

35/F, Office Tower, Convention Plaza

1 Harbour Road

Wanchai

Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Marketsense Securities Limited
*A licensed corporation under the SFO to carry out
type 1 (dealing in securities) regulated activities*
Unit 7801–7803, 78/F, The Centre
99 Queen’s Road
Central
Hong Kong

Pacific Foundation Securities Limited
*A licensed corporation under the SFO to carry out
type 1 (dealing in securities) and type 9 (asset
management) regulated activities*
11/F, New World Tower II
16–18 Queen’s Road Central
Hong Kong

Legal advisers to our Company

As to Hong Kong law
P. C. Woo & Co.
Solicitors, Hong Kong
12th Floor, Prince’s Building
10 Chater Road
Central
Hong Kong

As to Cayman Islands law
Maples and Calder (Hong Kong) LLP
Cayman Islands attorneys-at-law
53rd Floor, The Center
99 Queen’s Road
Central
Hong Kong

**Legal advisers to the Sole Sponsor and
Underwriters**

As to Hong Kong law
Sidley Austin
Solicitors, Hong Kong
39th Floor, Two International Finance Centre
8 Finance Street
Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Reporting Accountants

Deloitte Touche Tohmatsu
Certified Public Accountant
35th Floor
One Pacific Place
88 Queensway
Hong Kong

Compliance adviser

Innovax Capital Limited
A licensed corporation under the SFO to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities
Room 2002
20th Floor, Chinachem Century Tower
178 Gloucester Road
Wanchai
Hong Kong

Industry consultant

Ipsos Limited
22nd Floor, Leighton Centre
77 Leighton Road
Causeway Bay
Hong Kong

Receiving bank

DBS Bank (Hong Kong) Limited
16th Floor, The Center
99 Queen's Road Central
Hong Kong

CORPORATE INFORMATION

Registered office	PO Box 309 Ugland House Grand Cayman KY1-1104 Cayman Islands
Headquarters and principal place of business in Hong Kong	26th Floor, AIA Financial Centre 712 Prince Edward Road East San Po Kong, Kowloon Hong Kong
Company's website address	<u>www.wines-link.com</u> <i>(the contents of the website do not form part of this prospectus)</i>
Company secretary	Ms. Pang Sze Man (彭思敏女士) <i>Member of the Hong Kong Institute of Certified Public Accountants</i> Flat E, 9/F, Heya Delight 392-410 Castle Peak Road Sham Shui Po Kowloon, Hong Kong
Authorised representatives	Ms. Wong Chi Lou Shirley (王姿潞女士) House 80, Mouton Avenue, The Vineyard 23 Ngau Tam Mei Road Yuen Long, Hong Kong Ms. Pang Sze Man (彭思敏女士) Flat E, 9/F, Heya Delight 392-410 Castle Peak Road Sham Shui Po Kowloon, Hong Kong
Compliance officer	Mr. Chan Sze Tung (陳詩桐先生) Flat 318, Ping Shun House Ping Tin Estate Lam Tin, Kowloon Hong Kong

CORPORATE INFORMATION

Audit committee	Mr. Wong Hin Wing (黃顯榮先生) (<i>Chairman</i>) Mr. Cheng Yiu Tong (鄭耀棠先生), <i>G.B.M., G.B.S., J.P.</i> Mr. Chan Wai Yan Ronald (陳惠仁先生)
Remuneration committee	Mr. Wong Hin Wing (黃顯榮先生) (<i>Chairman</i>) Mr. Cheng Yiu Tong (鄭耀棠先生), <i>G.B.M., G.B.S., J.P.</i> Ms. Yeung Chi Hung (楊志紅女士), <i>S.B.S., B.B.S., J.P.</i>
Nomination committee	Ms. Wong Chi Lou Shirley (王姿潞女士) (<i>Chairman</i>) Mr. Chan Wai Yan Ronald (陳惠仁先生) Mr. Wong Hin Wing (黃顯榮先生)
Investment management committee	Mr. Chan Wai Yan Ronald (陳惠仁先生) (<i>Chairman</i>) Ms. Ho Tsz Wan (何芷韻女士) Mr. Wong Hin Wing (黃顯榮先生)
Principal share registrar and transfer office	Maples Fund Services (Cayman) Limited PO Box 1093, Boundary Hall Cricket Square, Grand Cayman KY1-1102 Cayman Islands
Hong Kong branch share registrar and transfer office	Tricor Investor Services Limited Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong
Principal bankers	Chong Hing Bank Limited 591 Nathan Road, Mongkok, Kowloon, Hong Kong Dah Sing Bank Limited G/F, Dah Sing Financial Centre, 108 Gloucester Road, Hong Kong DBS Bank (Hong Kong) Limited 99 Queen's Road Central, Hong Kong Hang Seng Bank Limited 83 Des Voeux Road Central, Hong Kong

INDUSTRY OVERVIEW

The information presented in this section, unless otherwise indicated, is derived from various official government publications and other publications and from the Ipsos Report prepared by Ipsos, which was commissioned by us. We believe that the information is derived from appropriate sources and we have taken reasonable care in extracting and reproducing the information. We have no reason to believe that the information is false or misleading in any material respect or that any fact has been omitted that would render the information false or misleading in any material respect. The information has not been independently verified by us, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Sole Lead Manager, the Underwriters or any of our or their respective affiliates, advisers, directors, officers or representatives or any other person involved in the Share Offer. Neither our Group, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Sole Lead Manager, the Underwriters or any of our or their respective affiliates, advisers, directors, officers or representatives nor any other person involved in the Share Offer make any representation as to the accuracy, completeness or fairness of such information from official government publications.

The information extracted from the Ipsos Report reflects estimates of market conditions based on sampling, and is prepared primarily as a market research tool. References to Ipsos should not be considered as the opinion of Ipsos as to the potential investment of our Shares or in our Group.

SOURCE OF INFORMATION

We have commissioned Ipsos, an independent industry research company, to analyse and report on, among others, the historical and forecast trends of the wine industry in Hong Kong for the period from 2012 to 2021 at a fee of HK\$746,000, and our Directors consider that such fee reflects market rates. To provide an analysis of the wine industry, Ipsos combined the following data and intelligence gathering methodology: (a) performing client consultations to facilitate the research including in-house background information of the client such as the business of our Company; (b) conducting secondary research to gather background information and to obtain the relevant information and statistics on the wine industry, and (c) conducting primary research including face-to-face and phone interviews with key stakeholders and other market players in Hong Kong.

Founded in Paris, France, in 1975 and publicly-listed on the NYSE Euronext Paris in 1999, Ipsos SA acquired Synovate Ltd. in October 2011. After the acquisition, Ipsos became one of the largest research companies with offices across 87 countries to-date. Ipsos conducts research on market profiles, market size, share and segmentation analyses, distribution and value analyses, competitor tracking and corporate intelligence. Ipsos is independent of our Group and none of our Directors or their associates has any interest in Ipsos.

Our Directors confirm that Ipsos, including all of its subsidiaries, divisions and units, are independent of and not connected with us (within the meaning of the GEM Listing Rules) in any way. Ipsos has given its consent for us to quote from the Ipsos Report and to use information contained in the Ipsos Report in this Prospectus.

All of the information, data and forecasts contained in this section are derived from the Ipsos Report, various official government publications and other publications.

ASSUMPTIONS AND PARAMETERS USED IN THE IPSOS REPORT

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

- The supply of and demand for products and services of the wine industry in Hong Kong will remain stable during the forecast period;

INDUSTRY OVERVIEW

- There will be no material adverse change in Hong Kong such as financial crisis or natural disasters to affect the supply of and demand for products and services of the wine industry in Hong Kong during the forecast period;
- Data for the total number of wine sellers refers to the number of companies selling wine in Hong Kong including off-trade sellers which are retail establishments including grocery stores, convenience stores and specialty stores, and on-trade sellers including restaurants, bars and clubs where wine would be purchased and consumed on premise.

The following parameters have been taken into account in the market sizing and forecast model in the Ipsos Report:

- GDP value and GDP growth rate in Hong Kong from 2012 to 2016
- GDP per capita and GDP per capita growth rate in Hong Kong from 2012 to 2016
- Annual household disposable income in Hong Kong from 2012 to 2016
- Annual household consumption expenditure in Hong Kong from 2012 to 2016
- Annual private consumption expenditure of goods and services in Hong Kong from 2012 to 2016
- Annual private consumption expenditure of alcoholic beverages per capita in Hong Kong from 2012 to 2016
- Total import value of alcoholic beverages in Hong Kong from 2012 to 2016
- Total import value of wine products in Hong Kong from 2012 to 2016
- Total number of wine sellers in Hong Kong from 2012 to 2016
- Total market value of alcoholic beverages in Hong Kong from 2012 to 2016
- Total market value of the wine industry in Hong Kong from 2012 to 2016
- Total market value of premium collectible wine in Hong Kong from 2012 to 2016
- Total market value of on-trade retailers and off-trade retailers of wine products in Hong Kong from 2012 to 2016

RELIABILITY OF INFORMATION IN THE IPSOS REPORT

Our Directors, after due and reasonable consideration, are of the view that there has been no material adverse change in the market information since the date of the Ipsos Report products which may qualify, contradict or have an impact on the information therein.

OVERVIEW OF THE HONG KONG ECONOMY

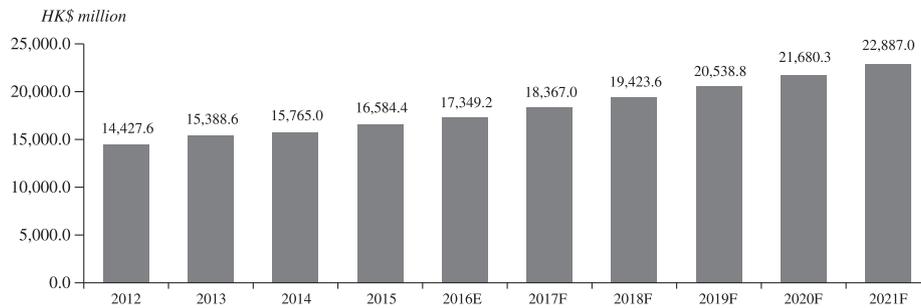
After the economic downturn resulting from the global financial crisis in 2008, Hong Kong's GDP rebounded and maintained positive growth. Between 2012 and 2016, GDP in Hong Kong grew from HK\$2,133.4 billion to HK\$2,358.6 billion at a CAGR of approximately 2.5%. GDP in Hong Kong is forecasted to reach HK\$2,691.2 billion in 2021 from HK\$2,390.0 billion in 2017, representing a CAGR of approximately 3.0% as a result of a steady increase in China's outbound investments channeled through Hong Kong and a stable growth in infrastructure development as well as the deeper economic integration with Mainland China in terms of trade, tourism and financial investments.

The disposable income per capita in Hong Kong grew from HK\$285,994.7 to HK\$346,238.7 at a CAGR of approximately 4.9% from 2012 to 2016, and is estimated to continue to grow from HK\$355,552.6 to HK\$402,722.4, at a CAGR of about 3.2% from 2017 to 2021, which will likely provide an optimistic outlook for the sales and consumption of wine in Hong Kong.

INDUSTRY OVERVIEW

OVERVIEW OF THE ALCOHOLIC BEVERAGES INDUSTRY IN HONG KONG

Total market value of alcoholic beverages in Hong Kong



Source: Ipsos Report

The total market value of alcoholic beverages in Hong Kong increased from HK\$14,427.6 million in 2012, to HK\$17,349.2 million in 2016 with a CAGR of approximately 4.7%. The total market value of alcoholic beverages is mainly driven by the upsurge in private consumption expenditure of goods and services from HK\$1,315.0 billion in 2012 to HK\$1,622.1 billion in 2016. The consecutive increase in the total market value of alcoholic beverages in Hong Kong over the past five years can be attributed to the growth of middle class population in Hong Kong who can afford alcoholic beverages at higher values. Sales from off-trade distribution channels such as grocery stores and convenience stores in Hong Kong has increased over the past five years, contributing to the growing trend of the total market value of alcoholic beverages in Hong Kong.

The total market value of alcoholic beverages in Hong Kong is expected to increase from HK\$18,367.0 million in 2017 to HK\$22,887.0 million in 2021, at a CAGR of approximately 5.7%. The steady increase in market value of alcoholic beverages is expected to be driven by the rising sales from on-trade distribution channels such as restaurants and bars. Paired with the increasing choices of flavors and blends of alcoholic beverages available in the Hong Kong market, the alcoholic beverages industry in Hong Kong is expected to grow continuously.

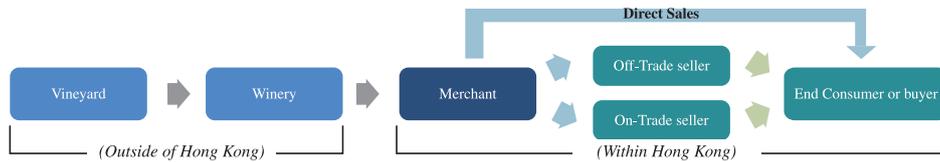
OVERVIEW OF THE WINE INDUSTRY IN HONG KONG

Without local châteaux, estates or vineyards and wineries, almost all wine products in Hong Kong are imported by local distributors, and subsidiaries of international companies sourcing wines from all over the world. To facilitate the development of Hong Kong as Asia's wine trading and distribution hub to meet the growing demands for wine products in Asia, the Hong Kong government removed all wine duties for beverages less than 30 percent alcoholic strength by volume measured at a temperature of 20 degrees in February 2008. Hong Kong has established several wine related trading partnerships with wine producing and purchasing countries in order to develop the city into an international wine trading centre. Hong Kong hosts several wine focused exhibitions and festivals to attract consumers, buyers and sellers of wine products to Hong Kong. These events include the Hong Kong International Wine & Spirits Fair, Restaurant & Bar Hong Kong, Vinexpo Hong Kong and the Wine and Dine Festival.

Vineyards, wineries, merchants, off-trade and on-trade sellers and retail customers comprise the major groups of stakeholders in the supply chain of the wine distribution industry in Hong Kong. It is also a normal practice in Hong Kong that import, distribution and direct sales of wine products are often carried out by the same wine merchant company. Considering the high rental costs of retail property, the close geographic proximity within Hong Kong and the merging of wholesale and retail operations of industry players, it is becoming increasingly popular for wine merchants to reduce rental and staff costs by having a showroom at their sales offices or an online store as the alternative option to the traditional investment in setting up retail outlets in Hong Kong. The majority of wine products in the fine wine segment, i.e. wine with selling price less than HK\$1,000, are sold to off-trade and on-trade channels due to wide product availability, while wine products in the premium collectible wine segment, i.e. wine with selling price at or above

INDUSTRY OVERVIEW

HK\$1,000, are mainly sold through direct sales channels, with some through off-trade and on-trade channels. Wine merchants also supply and procure wines to and from each other due to the limited quantity of each wine product in the premium collectible wine segment.

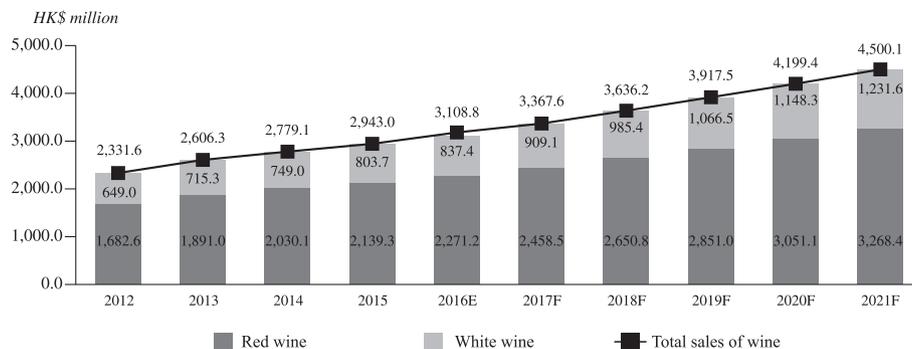


Source: Ipsos Report

Over time, wine products can become limited and scarce due to the uniqueness of each batch of wine produced, and vineyards and wineries are unable to reproduce the same wine after each production year. The supply of each wine product decreases in the market as wines are consumed, preserved, and collected by wine collectors, or damaged in transit or by poor storage. As a result, quality wine products, particularly wine products produced by top vineyards and wineries are popular collectibles among wine connoisseurs given their rare and scarce nature. Consequently, wine merchants may face difficulties in procuring certain wine products, particularly premium collectible wine for their customers and their own collections. Therefore, it is common for wine merchants in Hong Kong to be both customers and sellers at the same time within the wine sourcing and distribution market.

Market value of the wine industry in Hong Kong

Total market value of the wine industry in Hong Kong



Note: Wine includes red wine and white wine, excluding champagne, vermouth and other alcoholic beverages

Source: Census and Statistics Department, HKSAR; Ipsos Report

The wine industry in Hong Kong has seen an increasing trend, driven by the expansion of off-trade distribution channels such as grocery stores and convenience stores, allowing low to medium priced wine products to increasingly penetrate the market. The rising interest of general customers in wine, resulting from the proven health benefits and high affordability of wine products, is expected to benefit the wine industry. The total market value of the wine industry in Hong Kong increased from HK\$2,331.6 million in 2012 to HK\$3,108.8 million in 2016 at a CAGR of approximately 7.5%. The total market value of red wine in Hong Kong increased from HK\$1,682.6 million in 2012 to HK\$2,271.4 million in 2016 at a CAGR of approximately 7.8%. The total market value of white wine in Hong Kong increased from HK\$649 million in 2012 to HK\$837 million in 2016 at a CAGR of approximately 6.6%.

The Hong Kong wine industry consists predominantly of red wine in comparison to other types of wine. According to the Commerce and Economic Development Bureau of Hong Kong, over 80% of wines consumed in 2016 were red wines and the import value of red wine between 2012 and 2016 accounted for 96.2% of all wine imported to Hong Kong. The majority of wine sales and growth has been witnessed in the sales of red wine. This trend is forecasted to continue in the period between 2017 to 2021 as the retail sales of red wine is expected to almost double 2012 values by the end of 2021.

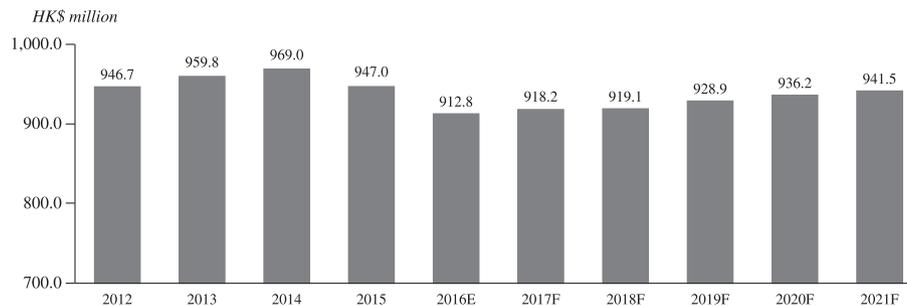
INDUSTRY OVERVIEW

As an international wine trading hub and one of the biggest wine auction centres in the world, together with the deregulation of wine imports, Hong Kong is expected to remain a robust wine market. The total market value of wine is expected to experience continued growth during the forecast period, increasing from HK\$3,367.6 million in 2017 to HK\$4,500.1 million in 2021, at a CAGR of approximately 7.5%. The total market value of red wine in Hong Kong is forecasted to continue increasing from HK\$2,458.5 million in 2017 to HK\$3,268.4 million in 2021, at a CAGR of approximately 7.4%. The total market value of white wine in Hong Kong is forecasted to continue increasing from HK\$909.1 million in 2017 to HK\$1,231.6 million in 2021, at a CAGR of approximately 7.9%.

Market Value of Premium Collectible Wine in Hong Kong

Wine products in Hong Kong can be split into two selling price segments: (i) fine wine, which includes red and white wine with a selling price of less than HK\$1,000 per bottle and (ii) Premium collectible wines, which covers red and white wine with a selling price at or above HK\$1,000 per bottle. Premium collectible wine typically consists of boutique wines, rare wines, collector wines, and vintages that are well sought-after by wine connoisseurs. Premium collectible wine is from prestigious vineyards and wineries regions known for producing the high-quality wines with good grape production years and usually have limited availability in the open market.

Total market value of premium collectible wine in Hong Kong



Note: Wine includes red wine and white wine, excluding champagne, vermouth and other alcoholic beverages

Source: Ipsos Report

The total market value of premium collectible wine in Hong Kong decreased from HK\$946.7 million in 2012, to HK\$912.8 million in 2016, at a CAGR of approximately -0.9% due to the intensified competition among wine sellers, a decline in demand for premium collectible wine from PRC visitors, a series of anti-corruption campaigns and reforms launched by the PRC government and the lacklustre performance of the overall retail market in Hong Kong.

Nevertheless, the total market value of premium collectible wine in Hong Kong is expected to grow from HK\$918.2 million in 2017 to HK\$941.5 million in 2021 at an estimated CAGR of 0.6% during the forecast period. The recovery of premium wine sales in Hong Kong during the forecast period is estimated to be driven mainly by consumers' regained confidence in the economy, spending on premium collectible wine, the growing momentum of regional customers and wine connoisseurs procuring and buying specialty wines in Hong Kong. The Hong Kong government's efforts, such as organising wine related exhibitions and events and establishing co-operation with major wine-producing countries to promote Hong Kong as Asia's wine hub, are also expected to contribute to the recovery of premium collectible wine sales.

COMPETITIVE LANDSCAPE OF THE WINE INDUSTRY IN HONG KONG

As of 2016, there were approximately 509 wine sellers including retailers and distributors in Hong Kong. The competitive landscape was dynamic among the wine sellers, some were actively trading in the wine industry with the rest being passive small scale and sole operators without proper distribution or retail platform. This type of player mainly focuses on small amount of import, trading and sales of wine products through personal network. Apart from these small scale

INDUSTRY OVERVIEW

players, the wine industry comprised several significant distributors who carry mass distribution of wine products from overseas. The top five players collectively accounted for 57.2% of the total market share in Hong Kong. In the same year, our Group was ranked sixth and accounted for 8.5% of the total market share of the wine industry and 28.9% of the total market value of premium collectible wine segment in 2016.

Major wine sellers in Hong Kong in 2016

The following table sets forth the information on the major market players in the wine industry in Hong Kong in 2016:

Rank	Company Name	Headquarter Location	Revenue (HK\$ million) ⁽¹⁾	Market Share (%)
1	Company A ⁽²⁾	Hong Kong	549.9	17.7%
2	Company B ⁽³⁾	Hong Kong	330.0	10.6%
3	Company C ⁽⁴⁾	Hong Kong	326.0	10.5%
4	Company D ⁽⁵⁾	Hong Kong	298.0	9.6%
5	Company E ⁽⁶⁾	Hong Kong	274.5	8.8%
6	The Group ⁽⁷⁾	Hong Kong	263.8	8.5%
	Others ⁽⁸⁾		1,066.6	34.3%
Total			3,108.8	100.0%

Source: Ipsos Report

Notes:

- (1) The revenue of the top five players refers to the revenue from wine business in each company's respective 2016 financial year. The revenue of the Group refers to the revenue derived from the sales of wine products during the year ended 31 March 2017.
- (2) A specialist wine import wholesaler owning 28 retail stores and an online retail platform. The Company offers low and mid-priced fine wine products, premium collectible wine and spirits, accessories and cigars mainly sourced from old and new world origins among 300 and more different vineyards particularly in France.
- (3) A wine importer and wholesaler offering wide selection of wine, spirits, beer, sake and other beverages mainly originated from new world destinations from e.g. Australia, New Zealand, Chile, etc. They have long-term partnership with premium international wine brands such as Champagne Bollinger, Marchesi de Frescobaldi and Rosemount Estate.
- (4) A wine import wholesaler offering wide selection of low to mid-priced fine wine products, spirits, beer, other food and beverages originated mainly for Argentina, Australia, New Zealand, Chile, China and the US. The Company carries some exclusive wine products such as Yellow Tail produced by Casella family in Australia, Vina Maipo in Chile, etc.
- (5) A wine import wholesaler and retailer with an online platform offering wide selection of wine products in addition to services to private and trade customers including list selections, consultation, menu pairing, export and wine investing. The Company also carries mass distribution and sales of other food and beverages. Most of their premium collectible wine products are sourced from old and new world origins, especially from French regions such as Bordeaux, Burgundy and Rhone Valley. The Company is a sole distributor of approximately 90 international wine brands. Notable exclusive wines include Alain Chavy and Domaine des Lambrays.

INDUSTRY OVERVIEW

- (6) A wine import wholesaler and retailer with 18 retail stores and an online platform offering mainly low to mid-priced fine wine, beer, other beverages and cigars. The Company imports wine products directly from wineries in France, Chile and Australia. The Company distributes through supermarkets, hotels, bars, restaurants, etc. in addition to retail customers. Notable exclusive wines include Raymong Huet and Vinakoper Capo D' Istria.
- (7) A wine wholesaler and retailer offering a wide selection of fine wine and premium collectible wine. With premium collectible red wine as a major business, the Group has some finest wine sourced from premier cru in Bordeaux, Château Margaux and Château Mouton Rothschild, and some of the grand cru in Burgundy. Major import destinations of the Group include France, the Netherlands, Switzerland, the UK and the US.
- (8) The "Others" consisted of approximately 503 wine sellers in Hong Kong.

Factors of competition

Product specialisation, readiness and variety

A curated list of wines by price, appellation, wine type, production year and availability will set competitors apart, and more importantly, the ability to secure exclusive distributorship will provide wine merchants with the competitive advantage. Sufficient product variety and inventory level is an important indicator of the competitiveness of wine merchant. Wide product variety showcases the market readiness of a wine merchant in achieving needs of different customers whereas sufficient inventory secures a shorter order lead time.

Quality wine storage and warehousing facility

Wine products are sensitive to temperature change, humidity and exposure to light and can spoil easily if not stored appropriately. To maintain the quality of wine, it is important for wine to be stored in a cool, dry, and dim area, particularly for commercial establishments with large volumes of wine inventory. Furthermore, commercial establishments possessing their own warehouse would have an advantage in managing their product inventory, distribution, security, and quality of storage facilities to deliver quality products to end-customers.

Established customer base

A wine seller with an established customer base will secure the demand for the seller's product segment, particularly if the seller offers loyalty programs, wine related services to products purchased and customer-oriented events such as wine-tasting events.

Strong business relations with foreign wineries and wine suppliers

Through maintaining stable and long-term business relationships with wine suppliers, a wine seller can ensure a stable, and in some cases, first-cut or exclusive supply for its products.

Efficient handling of customer orders and sourcing suitable wine products

The capacity to handle customer orders and source specific wine for them in a timely and efficient manner is an important factor that can distinguish one player from the many competitors in wine distribution market that is highly homogeneous in nature.

Established a good and long term relationship with suppliers

Having established a long term relationship with overseas suppliers such as négociants, châteaux, vineyards and wineries is important, of which could help securing the supply of good quality wine products, in addition to potentially receiving preferential treatments such as product discounts and exclusive offers for quality wine products.

Market drivers

Government's encouragement on developing Hong Kong as a wine hub in Asia

Hong Kong has become home to many international and local wine sellers after the import taxes abolishment in 2008, couple with a growing trend of international exhibitions, wine auctions and fairs held in Hong Kong after the agreement between government and 13 major wine-producing countries to promote Hong Kong wine and spirits consumption and investment.

Consumer preference for fine dining and social drinking

Fine dining and social drinking has been increasingly popular among young consumers in Hong Kong. This demographic group has high willingness to try new products and spend on fine dining and social events where more premium collectible wines are commonly consumed. The increase in wine consumption from younger consumers will drive growth of wine consumption in Hong Kong.

INDUSTRY OVERVIEW

Growing disposable income and wine knowledge of consumers in Hong Kong

Increased disposable income has endowed more customers with the ability to consume wine more frequently, or to purchase premium collectible wines at higher selling prices. As wine is a knowledge-based consumption good, consumers are becoming more sophisticated and selective on the wine varieties they prefer, particularly from more affluent consumers who are willing to spend more on specialty wine, and even on boutique, collection, vintage and rare wine.

Entry barriers

Significant upfront investments for staffing, storing and stocking wine inventories

Growing sophistication and knowledge of consumers is seen in Hong Kong have led to a higher demand for skilful labour with specialised knowledge in wine. The hiring of staff who possess sufficient knowledge on wine products, wine procurement, quality and inventory control would increase the labour costs for wine sellers. On top of the increased labour costs, huge capital investment is required for rental of storage facilities. For instance, a well-equipped warehouse is needed to ensure the quality of wine products, maintain sufficient inventory levels and build a competitive wine product portfolio.

Existing supplier relations and business networks

Wine sellers and distributors that have well established long-term relationships with wine suppliers often get exclusive distributorship rights of a certain brand or range of products from key suppliers. For boutique wines and vintages, well developed working relations with suppliers can provide wine sellers with first notice on or stock of certain wine products. Therefore, wine sellers who have established solid business relations with suppliers have a competitive advantage in sourcing specific wine products. It is more difficult for new entrants to procure specific wine products or bargain for lower purchasing prices from those suppliers.

Strong customer base of existing market players

Several wine sellers offer loyalty programs, promotions and other value-added services to repeat customers to retain and secure their existing customer base. Entrants looking to capture some of these customers will need to provide even more competitive incentives to access existing wine customers in Hong Kong.

Market opportunities

Increasing demand for and consumption expenditure on wine products

The younger generation people who are enthusiastic in partaking in social drinking and nightlife is providing a new force for the wine industry to grow in Hong Kong. Wine consumption has also increased in business related social events where it is seen as a sophisticated and appropriate choice of alcohol.

A developing and maturing wine culture in Hong Kong

Wine has been widely recognised as a common alternative to beer in fine dining, casual dining settings, and social drinking. In addition to the rising financial affordability of Hong Kong consumers, more mature tastes in wine is a new driving force to propel consumers in Hong Kong to trade up into higher price points for more premium and boutique wines that meet their personal preferences. The improvement of knowledge of wine is providing ample opportunities for the premium collectible wine segment.

Hong Kong as Asia's wine hub

Annual exhibitions and events such as The Wine and Spirits Exhibition, Restaurant and Bar exhibition, and Vinexpo organised by the Hong Kong Trade and Development Council, and the Wine and Dine Festival organised by the Hong Kong Tourism Board which aim at providing sales and procurement opportunities to address the evolving preferences and tastes of consumers for wine products in Asia.

Market threats

Increasing operational costs for wine sellers in Hong Kong

Hong Kong is ranked as one of the cities in the world with the highest cost for property rental. The continuous increase in rental cost in Hong Kong is expected to contribute to an increase in the operational costs of wine sellers, imposing significant cost pressure and threats to the wine industry in Hong Kong.

INDUSTRY OVERVIEW

Poor grape harvest and decline of global wine production

Price fluctuation as a result of poor grape harvest and a decline in global wine production may affect the reliability of supply and quality of wine products and increase the average selling price of existing wine products, which can deter consumers from buying wine of a certain year or region, or from consuming more premium collectible wine. This can negatively affect wine sellers in terms of overstock in inventory and a decline in sales.

Competitive advantages of our Group

Diversified and efficient wine sourcing services

Given our experience and expertise in both wholesale and retail of wine, we are capable of providing customers with highly efficient and flexible services in wine sourcing, wine knowledge sharing and wine products logistics management. We have also established online customer interaction platforms to further engage with customers and share the latest news and trends about the wine industry.

Well-established customer base and extensive wine related services

We have developed a loyal customer base and have made significant efforts in establishing client interaction platforms through wine tasting events. In addition, we also have a competitive edge in providing high quality wine related services, ranging from wine consultation service, wine sourcing service, wine delivery service as well as wine storage service. The professional qualifications of our staff also enable us to maintain our service quality with high customer satisfaction.

Dedicated sales team

To stand out from conglomerates in the wine industry in Hong Kong who provide more general sales services to their clients, we have a competitive advantage as our sales team is able to provide highly customised and responsive services to our end customers.

Self-operated wine storage and logistics facilities

To offer high quality premium wine products to our customers, we have set up a self-operated warehouse of 11,553 sq.ft. in Hong Kong. Our logistics and warehouse management team currently comprises five full-time staff and has greatly enhanced our ability in making flexible arrangements for wine delivery catering for different customers' preferences and enables us to have direct and organised inventory management.

Historical Price Trend of Key Wine Products Imports to Hong Kong

The graph below illustrates the historical import value of red wine and white wine products imported to Hong Kong:



Source: Census and Statistics Department, HKSAR; Ipsos Report

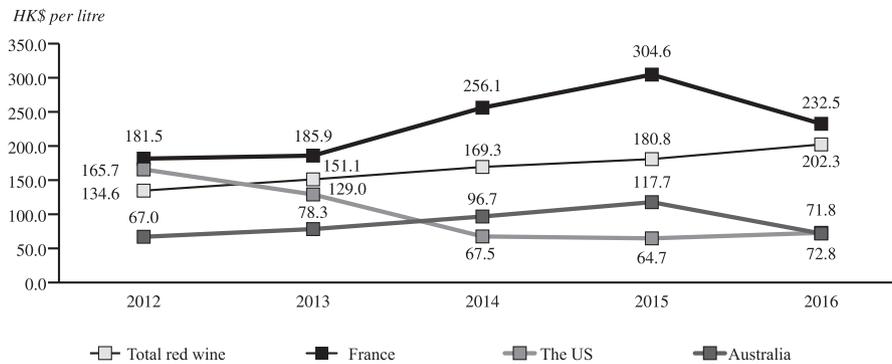
The deregulation on import duties strengthens the role of Hong Kong as a wine distribution centre in Asia. Most of the imported wine products originated from the old world countries such as France and Germany. Recent years have also seen significant growth of imported wine products from the new world countries such as Australia and Chile. As a result, the total import value of

INDUSTRY OVERVIEW

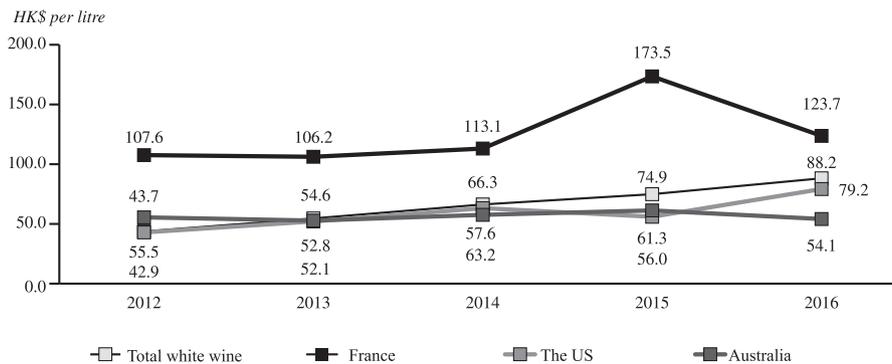
wine in Hong Kong increased from HK\$7,556.6 million in 2012 to HK\$11,462.5 million in 2016, at a CAGR of approximately 11.0%. The total import value of red wine in Hong Kong accounts for over 96% of wine imports to Hong Kong. The total import value of red wine increased from HK\$7,198.8 million in 2012 to HK\$11,028.0 million in 2016 at a CAGR of approximately 11.3%, and the total import value of white wine in Hong Kong increased from HK\$357.7 million in 2012 to HK\$434.5 million in 2016 at a CAGR of approximately 5.0%.

The graphs below set forth the average import prices of red wine and white wine from France, the US and Australia to Hong Kong:

Average import price of red wine by major country in Hong Kong



Average import price of white wine by major country in Hong Kong



From 2012 to 2016, the average import price of red wine increased from HK\$134.6 to HK\$202.3 and white wine increased from HK\$43.7 to HK\$88.2. Breaking down to the major import destinations, the average import price of red wine and white wine in France, the US and Australia had seen volatility from 2012 to 2016. It is believed that the decline in the average import price of French wine was affected by the growing size of young consumer group, whom demanded mostly fine wine at a lower price point. New world wine products including the US wine from 2012 to 2016 have gained popularity due to a competitive price point in comparison to French wine in general. It is expected the average import price of wine from these destinations will continue to remain competitive against French wine.

All in all, the average import price of wine was affected by a confluence of factors including the growing competition between old world and new world wine products, a decline in demand for premium collectible wines from PRC visitors, wine availability and quality of the year, growing fine wine consumption of young consumer group, and more.

LAWS AND REGULATIONS

This section of the prospectus contains a summary of certain laws and regulations currently relevant to our Group's operations and the wine industry in Hong Kong. Having made all reasonable enquiries and to their best knowledge, our Directors confirm that our Group has as at the Latest Practicable Date obtained all necessary permits, licences and certificates for our operations in Hong Kong. Save as disclosed below, as at the Latest Practicable Date, our business operations are not subject to any special legislation or regulatory controls other than those generally applicable to companies and businesses incorporated and/or operating in Hong Kong.

GENERAL

Occupational Safety and Health Ordinance

The Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong) provides for the safety and health of employees and improves the safety and health standards applicable to certain hazardous processes, plant and substances used or kept in workplaces.

Employers shall as far as reasonably practicable ensure the safety and health of their employees 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 plants or substances;
- providing all necessary information, instruction, training and supervision for ensuring safety and health at work;
- providing and maintaining safe access to and egress from the workplaces; and
- providing and maintaining a safe and healthy work environment.

An employer who fails to comply with the above provisions intentionally, knowingly or recklessly commits an offence and is liable on conviction to a fine of HK\$200,000 and to imprisonment for six months.

The Commissioner for Labour may also issue improvement notices against non-compliance of this Ordinance or the Factories and Industrial Undertakings Ordinance (Chapter 59 of the Laws of Hong Kong), or suspension notices against activity of workplace which may create imminent hazard to the employees. Failure to comply with such notices constitutes an offence punishable by a fine of HK\$200,000 and HK\$500,000 respectively and imprisonment of up to one year.

Employees' Compensation Ordinance

The Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong) establishes a no-fault and non-contributory employee compensation system for work injuries and lays down the rights and obligations of employers and employees in respect of injuries or death

LAWS AND REGULATIONS

caused by accidents arising out of and in the course of employment, or by prescribed occupational diseases. The Employees' Compensation Ordinance applies equally to full-time and part-time employees who are employed under service agreements 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.

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. Similarly, under section 32 of the Employees' Compensation Ordinance, an employee who suffers incapacity or dies arising from an occupational disease is entitled to receive the same compensation as that payable to employees injured in occupational accidents. Further, section 40 of the Employees' Compensation Ordinance provides that an employer is not permitted to employ any employee in any employment unless there is in force in relation to such employee a policy of insurance issued by an insurer for an amount not less than that specified in the Employees' Compensation Ordinance.

Minimum Wage Ordinance

With effective from 1 May 2017, the Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong) provides for a statutory minimum wage level at HK\$34.5 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.

Mandatory Provident Fund Schemes Ordinance

The Mandatory Provident Fund Schemes (the "MPF") 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\$30,000 per month or HK\$360,000 per year.

Occupiers Liability Ordinance

The Occupiers Liability Ordinance (Chapter 314 of the Laws of Hong Kong) regulates the obligations of a person occupying or having control of premises on injury resulting to persons or damage caused to goods or other property lawfully on the land.

LAWS AND REGULATIONS

The Occupiers Liability Ordinance imposes a common duty of care on an occupier of premises to take reasonable care of the premises 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

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 |

Our Group engaged in the sourcing and sales of all these three types of wines and liquors during the Track Record Period.

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.

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 designation;
- the list of ingredients;
- the durability period;
- statement of special conditions for storage or instruction for use;

LAWS AND REGULATIONS

- 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 Regulations, 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, potable spirits, being spirits containing more than 35% of ethyl alcohol by volume and having a flash point of or exceeding 23 degrees Celsius but not exceeding 66 degrees Celsius, are categorised 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.

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 to consume any intoxicating liquors on the premises of the sale alcoholic beverages.

As regards the licensing 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.

LAWS AND REGULATIONS

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.

Registration as food importer and food distributor

The Food Safety Ordinance (Chapter 612 of the Laws of Hong Kong) provides that registration with the Food and Environmental Hygiene Department of Hong Kong as food importer and/or food distributor is required to carry on a food importation and/or distribution business. Food importation business refers to a business that imports food (whether or not that is the principal activity of the business), while food distribution business refers to a business the principal activity of which is the supply of food in Hong Kong by wholesale. Alcoholic beverages are regarded as a main food category under the ordinance.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

BUSINESS DEVELOPMENT

Introduction

Our history can be traced back to March 2008, when Wine's Link, our principal operating subsidiary, was incorporated in Hong Kong with limited liability, by Mr. Roy Ting and Mr. PS Ting (the grandfather of Mr. Roy Ting) through Way Young (International) Limited (a Hong Kong company jointly owned by Mr. Roy Ting and Mr. PS Ting at the material time) ("**Way Young**"), using their personal funds. At the time of incorporation, Mr. Roy Ting, Mr. PS Ting as well as Ms. Shirley Wong (spouse of Mr. Roy Ting) were the first directors of Wine's Link. Upon incorporation, Wine's Link began to engage in the business of sale of wines, predominantly red wines and white wines, in Hong Kong under the business name "Wine's Link". The establishment of Wine's Link to engage in the trading of wines was mainly attributable to the zero wine duty policy launched in Hong Kong in February 2008 whereby Ms. Shirley Wong, Mr. Roy Ting and Mr. PS Ting intended to seize such business opportunity.

In light of Ms. Shirley Wong's growing interest in the wine business and contribution to the operation and development of Wine's Link, Mr. Roy Ting and Mr. PS Ting decided that it will be beneficial to the long term development of Wine's Link if Ms. Shirley Wong became a stakeholder. As such, Ms. Shirley Wong, Mr. Roy Ting and Mr. PS Ting acquired the entire equity interest in Wine's Link in December 2008 from Way Young at an aggregate nominal consideration of HK\$3.0 using their personal savings. For the early establishment and operation of our Group's business, Ms. Shirley Wong, Mr. Roy Ting and Mr. PS Ting financially contributed to our Group through their personal savings and wealth as well as using banking facilities.

Business Milestones

The table below summarises various milestones of our Group's business development:

March 2008	Wine's Link was incorporated in Hong Kong and engaged in the sales of wine products and other alcoholic beverages in Hong Kong.
	Wine's Link sold a complete set of 60 years (1945–2004) of Château Mouton Rothschild for approximately HK\$3.2 million.
August 2008	Wine's Link participated for the first time in the Hong Kong International Wine Fair 2008 organised by the Hong Kong Trade Development Council.
December 2015	Our retail store was opened in Sai Ying Pun under the brand and name "Royce Cellar".
November 2016	Wine's Link was awarded by the Social Welfare Department of the Hong Kong government with a certificate of appreciation for its contribution to the Partnership Fund for the Disadvantaged.

CORPORATE DEVELOPMENT

Our Principal Subsidiary — Wine's Link

Wine's Link, our only operating subsidiary that made material contribution to our results during the Track Record Period and up to the Latest Practicable Date, was incorporated in Hong Kong with limited liability on 19 March 2008 with an authorised share capital of HK\$1,000 divided into 1,000 shares of HK\$1.0 each. On the same date, Way Young subscribed for 1,000 shares at par value. On 24 December 2008, it transferred 400 shares, 400 shares and 200 shares in Wine's Link, representing 40%, 40% and 20% of the then entire equity interest in Wine's Link, to Ms. Shirley Wong, Mr. Roy Ting and Mr. PS Ting respectively, at the respective nominal consideration of HK\$1.0, HK\$1.0 and HK\$1.0.

On 20 March 2013, pursuant to a resolution passed by the shareholders of Wine's Link, it was resolved that the authorised share capital of Wine's Link be increased from HK\$1,000 divided into 1,000 shares of HK\$1.0 each to HK\$20,000,000 divided into 20,000,000 shares of HK\$1.0 each. On the same date, 7,999,600 shares, 7,999,600 shares and 3,999,800 shares were allotted and issued to each of Ms. Shirley Wong, Mr. Roy Ting and Mr. PS Ting respectively at par. After the aforesaid allotments and issues, Wine's Link was owned as to 40% by Ms. Shirley Wong, 40% by Mr. Roy Ting and 20% by Mr. PS Ting.

REORGANISATION

In preparation for the Listing, we have undertaken the Reorganisation which involved the following steps:

(I) Incorporation of Starlight Worldwide

On 23 March 2016, Starlight Worldwide was incorporated under the laws of the BVI as a limited liability company authorised to issue a maximum of 50,000 ordinary shares with a par value of US\$1.0 each. On 31 March 2016, (i) four shares, representing 40% of the entire issued share capital of Starlight Worldwide, were allotted and issued to Ms. Shirley Wong; (ii) four shares, representing 40% of the entire issued share capital of Starlight Worldwide, were allotted and issued to Mr. Roy Ting; and (iii) two shares, representing 20% of the entire issued share capital of Starlight Worldwide, were allotted and issued to Mr. PS Ting.

(II) Transfer of shares in Wine's Link to Starlight Worldwide by way of share swap

On 31 March 2016, through a share swap agreement, Starlight Worldwide acquired the entire issued share capital of Wine's Link from Ms. Shirley Wong, Mr. Roy Ting and Mr. PS Ting respectively in consideration of and in exchange for (i) the allotment and issue of 36 shares in Starlight Worldwide to Ms. Shirley Wong credited as fully paid; (ii) the allotment and issue of 36 shares in Starlight Worldwide to Mr. Roy Ting credited as fully paid; and (iii) the allotment and issue of 18 shares in Starlight Worldwide to Mr. PS Ting credited as fully paid.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Upon completion of such acquisition, Wine's Link became a wholly-owned subsidiary of Starlight Worldwide.

(III) Transfer of shares in Starlight Worldwide from Mr. PS Ting to Ms. Shirley Wong

Considering Ms. Shirley Wong as a suitable inheritor of the business of our Group, as part of the family arrangement and Mr. PS Ting's retirement plan due to his age, on 17 October 2016, Mr. PS Ting transferred all of his 20 shares in Starlight Worldwide to Ms. Shirley Wong at nil consideration.

Upon completion of such transfer, Starlight Worldwide was owned as to 60% by Ms. Shirley Wong and 40% by Mr. Roy Ting respectively.

(IV) Incorporation of Shirz Limited and Sunshine Consultancy

On 22 September 2016, Shirz Limited was incorporated under the laws of the BVI as a limited liability company authorised to issue a maximum of 50,000 ordinary shares with no par value. On 3 October 2016, one share, representing the then entire issued share capital of Shirz Limited, was allotted and issued to Ms. Shirley Wong.

On 22 September 2016, Sunshine Consultancy was incorporated under the laws of the BVI as a limited liability company authorised to issue a maximum of 50,000 ordinary shares with no par value. On 4 October 2016, one share, representing the then entire issued share capital of Sunshine Consultancy, was allotted and issued to Mr. Roy Ting.

(V) Incorporation of our Company

On 22 September 2016, our Company was incorporated under the laws of the Cayman Islands as an exempted company with an initial authorised share capital of HK\$380,000 divided into 38,000,000 ordinary Shares with a par value of HK\$0.01 each. Upon incorporation of our Company, one Share was issued and allotted to the initial subscriber at par, which was then transferred to Shirz Limited on the same day. On 3 October 2016, (i) 29 Shares were issued and allotted to Shirz Limited which, together with the one Share previously transferred from the initial subscriber, representing 60% of the entire issued share capital of our Company at the material time; and (ii) 20 Shares, representing 40% of the entire issued share capital of our Company at the material time, were issued and allotted to Sunshine Consultancy.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

(VI) Transfer of shares in Starlight Worldwide to our Company by way of share swap

On 18 December 2017, through a share swap agreement, our Company acquired the entire issued share capital of Starlight Worldwide from Ms. Shirley Wong and Mr. Roy Ting respectively in consideration of and in exchange for (i) the allotment and issue of 30 Shares in our Company to Shirz Limited credited as fully paid; (ii) the allotment and issue of 20 Shares in our Company to Sunshine Consultancy credited as fully paid; (iii) the allotment and issue of 99 shares in Shirz Limited to Ms. Shirley Wong credited as fully paid; and (iv) the allotment and issue of 99 shares in Sunshine Consultancy to Mr. Roy Ting credited as fully paid.

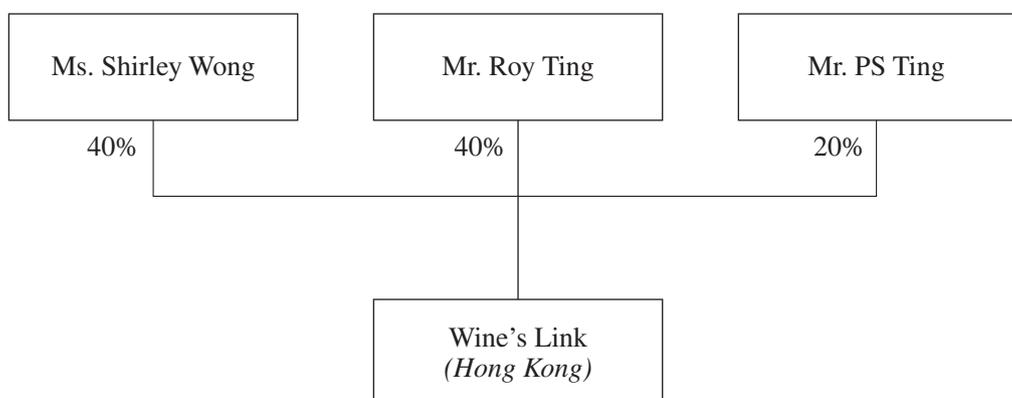
Upon completion of such acquisition, Starlight Worldwide became a wholly-owned subsidiary of our Company.

(VII) Increase in the authorised share capital of our Company

On 18 December 2017, our Company increased its authorised share capital to HK\$10,000,000 through the creation of 962,000,000 additional Shares.

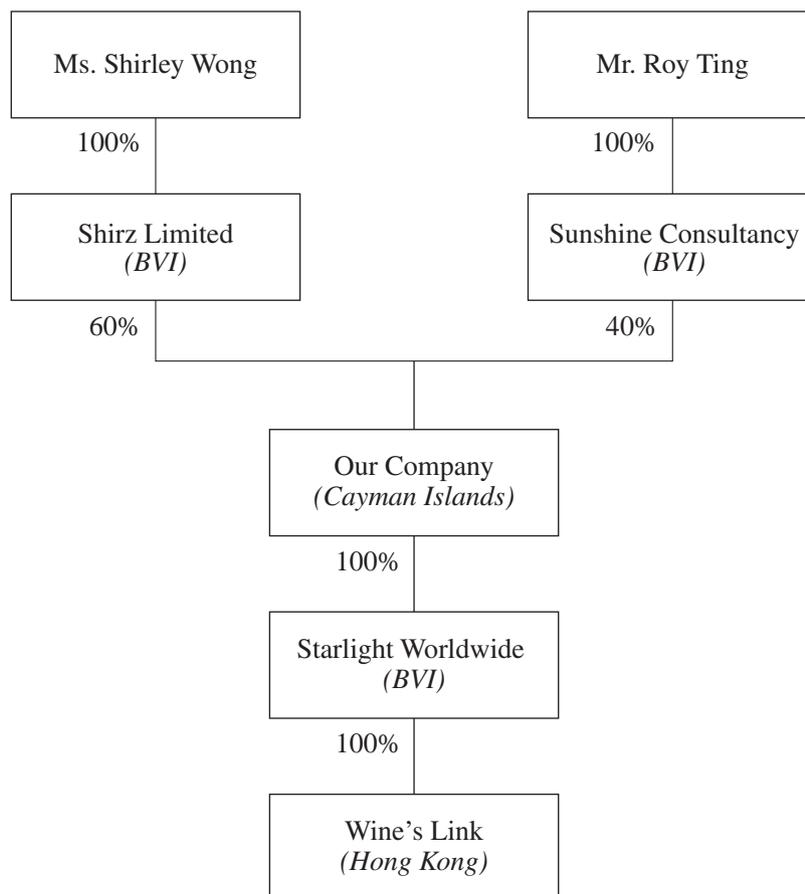
GROUP STRUCTURE

The chart below sets forth the shareholding and corporate structure of our Group immediately before the Reorganisation:



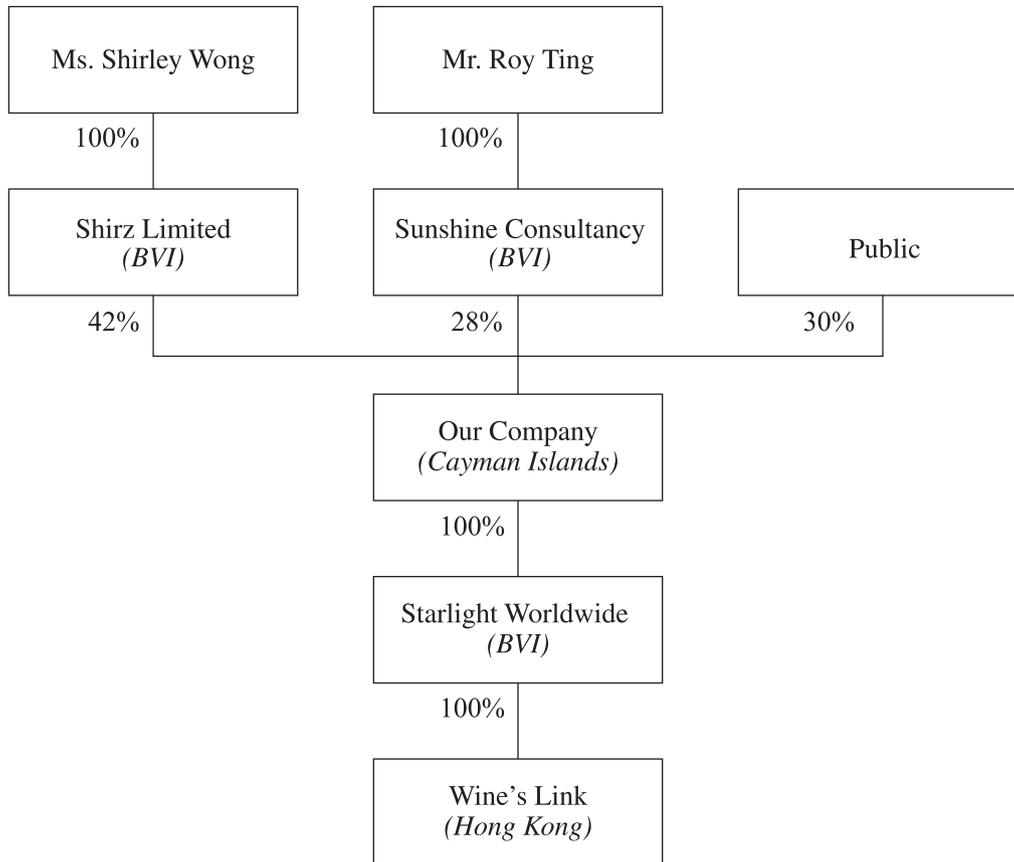
HISTORY, REORGANISATION AND CORPORATE STRUCTURE

The chart below sets forth the shareholding and corporate structure of our Group immediately after the Reorganisation but before the Capitalisation Issue and the Share Offer:



HISTORY, REORGANISATION AND CORPORATE STRUCTURE

The chart below sets forth the shareholding and corporate structure of our Group immediately after completion of the Capitalisation Issue and the Share Offer (without taking into account the exercise of the Offer Size Adjustment Option and any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme):



OVERVIEW

Our business primarily involves the wholesale and retail of a wide spectrum of wine products and other alcoholic beverages in Hong Kong with a focus on Premium Collectible Red Wine, i.e. red wine with selling prices at or above HK\$1,000 per bottle. According to the Ipsos Report, we ranked sixth among all wine sellers in Hong Kong in terms of revenue in 2016, accounted for approximately 8.5% of the total market share of the wine industry in Hong Kong. We have a comprehensive product portfolio consisting of (i) wine products such as Premium Collectible Red Wine, Fine Red Wine and white wine; (ii) other alcoholic beverages such as champagne, whisky and sake and (iii) wine accessory products such as wine decanters, wine glasses and wine openers, for our customers' selection.

We are particularly proud of our diverse wine product offerings which include wines that are prestigious and highly sought-after in Hong Kong. As at 30 June 2017, our wine product portfolio spanned approximately 63 vintages from over 10 countries of origin, including Australia, Chile, France, Italy and the United States. Out of our wine products, Premium Collectible Red Wine has been the largest product type sold by us. Our Premium Collectible Red Wine includes the finest selections from the premier cru in Bordeaux, namely Château Lafite Rothschild, Château Margaux and Château Mouton Rothschild, and some of the grand cru in Burgundy, namely Domaine de la Romanée-Conti, Domaine Henri Mayer and Domaine Leroy. For the years ended 31 March 2015, 2016 and 2017 and the three months ended 30 June 2017, the sales of Premium Collectible Red Wine accounted for approximately 76.9%, 80.3%, 71.9% and 78.3% of our total revenue, respectively. For further details on our product portfolio, please refer to the paragraphs headed “— Product portfolio” and “— Competitive strengths” in this section. To complement our wine product offerings, we also provide our customers with a multitude of wine related services covering wine consultation service, wine sourcing service, wine delivery service and wine storage service.

Through our dealings in the wine industry over the years, we have built strong relationships with a broad network of wine suppliers consisting of wine merchants in Hong Kong and well-known négociants in major wine regions in the world, and have also cultivated a solid customer base comprising, among others, wine merchants, wine collectors and high net worth individuals in Hong Kong. We classify (i) sales to wine merchants and other customers whose business operations involve the resale of our products as wholesale and (ii) sales to corporate and individual consumers who purchase our products for their own consumption or collection as retail. For the years ended 31 March 2015, 2016 and 2017 and the three months ended 30 June 2017, we have generated revenue of HK\$157.5 million, HK\$181.3 million, HK\$179.9 million and HK\$49.5 million, respectively, from our wholesale sales, and HK\$47.5 million, HK\$63.3 million, HK\$101.7 million and HK\$18.9 million, respectively, from our retail sales. For further details, please refer to the paragraph headed “— Sales and marketing” in this section and the section headed “Financial Information” in this prospectus.

BUSINESS

Our professional sales team which comprises five wine consultants, who have an average of four years of experience in the wine industry in Hong Kong. One of whom possesses WSET awards level three (Advanced certificate in wines and spirits) and the remaining four possess WSET awards level two (Intermediate certificate in wines and spirits). To deepen our customer reach and to strengthen our customer loyalty, we from time to time host wine pairing dinners with top châteaux or vineyards and wineries and wine tasting events. We also participate in various wine exhibitions and fairs such as the Hong Kong International Wine & Spirits Fair, Vinexpo and Hong Kong Wine & Dine Festival to acquire latest market intelligence, promote our brand image and awareness and explore new business opportunities. For further details on our marketing and promotional activities, please refer to the paragraph headed “— Sales and marketing — Marketing activities” in this section.

As at the Latest Practicable Date, we operated in Hong Kong (i) one self-operated warehouse, where we store all our wine products and other alcoholic beverages; (ii) one retail store, which serves as our principal gateway to attract new customers and marketing tool to increase public awareness of our market presence and (iii) one office premises with a showroom, which serves as our head office to conduct our wholesale and retail sales, oversee our overall business operations, handle all of our administrative matters and showcase our products to our customers. For the years ended 31 March 2015, 2016 and 2017 and the three months ended 30 June 2017, our total revenue was HK\$205.0 million, HK\$244.6 million, HK\$281.6 million and HK\$68.4 million, respectively, and our gross profit was HK\$27.4 million, HK\$33.2 million, HK\$37.0 million and HK\$8.9 million, respectively. For detailed analysis on our financial performance and results of operations during the Track Record Period, please refer to the section headed “Financial Information” in this prospectus.

According to the Ipsos Report, the total market value of the wine industry in Hong Kong is expected to grow from HK\$3,367.6 million in 2017 to HK\$4,500.1 million in 2021, at a CAGR of 7.5%. In order to benefit from the increasing demand for wine products and to strengthen our leading position in the wine industry in Hong Kong, we intend to (i) acquire and set up our own warehousing facility in Hong Kong to support the future expansion of our business; (ii) further expand our retail network and product portfolio to boost our market share in Hong Kong and (iii) attract, motivate and retain high-quality staff members. For further details, please refer to the paragraph headed “— Business strategies” in this section and the section headed “Statement of Business Objectives and Use of Proceeds” in this prospectus.

COMPETITIVE STRENGTHS

We believe the following competitive strengths are key factors which have contributed to our success in the past and will continue to enable us to benefit from future growth opportunities in the wine industry in Hong Kong:

Our extensive wine product offerings along with value-added wine related services allow us to meet the diverse preferences and demand of wine lovers in Hong Kong.

We offer a wide-ranging selection of wine products from the world's top châteaux, estates and vineyards and wineries to satisfy the diverse preferences and demand of wine lovers in Hong Kong. As at the Latest Practicable Date, our wine product portfolio consisted of approximately 314 types of red wine and approximately 45 types of white wine from over 10 countries including Australia, Chile, France, Italy and the United States and spanned approximately 63 different vintages dating back to year 1936. We strategically focus on the sales of red wine, in particular Premium Collectible Red Wine, as Hong Kong customers generally prefer red wine over other types of wine products due to more dynamic food pairing with Chinese cuisine, preferred flavour and the perceived health benefits associated with drinking red wine. According to the Ipsos Report, the total market value of red wine in Hong Kong increased from HK\$1,682.6 million in 2012 to HK\$2,271.4 million in 2016, at a CAGR of 7.8%, and is expected to continue to grow at a CAGR of 7.4% over the next five years, reaching HK\$3,268.4 million in 2021. Our Premium Collectible Red Wine includes the finest selections from the premier cru in Bordeaux, namely Château Lafite Rothschild, Château Margaux and Château Mouton Rothschild, and some of the grand cru in Burgundy, namely Domaine de la Romanée-Conti, Domaine Henri Jayer and Domaine Leroy. To capture our customers' diverse demand and to complement our wine product portfolio, we also offer other alcoholic beverages including champagne, whisky and sake as well as wine accessory products including wine decanters, wine glasses and wine openers. For further details, please refer to the paragraph headed “— Product portfolio” in this section.

We consider our ability to retain existing customers and to attract new customers is vital to the sustainability and growth of our business. To enhance our customer convenience, satisfaction and loyalty, we also provide a multitude of wine related services covering wine consultation service, wine sourcing service, wine delivery service and wine storage service that are supplemental to our wine product offerings. For further details, please refer to the paragraph headed “— Wine related services” in this section. We have a professional sales team consisting of five wine consultants who are responsible for identifying our customers' specific preferences, recommending appropriate products to our customers and providing wine handling, decanting and food pairing advice. We believe our extensive wine product offerings coupled with value-added wine related services allow us to create a “one-stop” option for our customers and extend our market reach to the vast majority of market participants, thus enabling us to keep abreast of the latest market trends and further expand our market share in the wine industry in Hong Kong.

We have established strong relationships with a broad network of wine suppliers and cultivated a solid customer base in Hong Kong.

Competition in the wine industry in Hong Kong is intense. The ability to source quality wine products at competitive prices in a timely manner is crucial to our success. Through our dealings in the wine industry over the years, we have established a broad network of wine suppliers that consisted of approximately 512 suppliers as at 30 June 2017, including 150 suppliers with whom we conduct business on a regular basis. Our key suppliers include some of the top négociants in the world, with whom we have built strong, mutually beneficial and long-term relationships. Our average business relationships with our five largest suppliers for the years ended 31 March 2015, 2016 and 2017 and the three months ended 30 June 2017 were approximately four years, three years, four years and five years, respectively. Due to our well-established relationships with these suppliers, we often gain access to first-hand information of new products launched from the world's top châteaux, estates and vineyards and wineries, priority allocation of stock or exclusive offers on certain wine products with limited production. Leveraging on our well-developed suppliers network, we are able to source a wide range of wine products at competitive price, assist customers to search for specific wine products and secure supply of wine products in a timely manner.

Over the years, we have also cultivated a solid customer base comprising, among others, wine merchants, wine collectors and high net worth individuals in Hong Kong. We maintain regular contact with existing customers to keep abreast of their needs and market trends. To deepen our customer reach and to cultivate our customer loyalty, we from time to time host wine pairing dinners with top châteaux, estates and vineyards and wineries and wine tasting events. These events also serve as interactive platforms for information exchange among wine enthusiasts, which enable us to obtain direct feedbacks from our customers, identify demand of our target customers and promote our brand image.

We believe that establishment of a broad network of suppliers, cultivation of a solid customer base and accumulation of industry knowledge take time and effort. With our current market position, local knowledge and proven track record, we believe we have an early-mover advantage over new entrants in this market and sustainable competitive advantages over our competitors.

Our self-operated warehouse provides optimal storage condition to preserve the quality of our products.

We take pride in our ability to offer our customers wine products with high quality. As wine products and other alcoholic beverages are temperature, humidity and light sensitive, proper storage of these products is vital to preserve their quality. We currently store most of our wine products and other alcoholic beverages at a leased warehouse located at San Po Kong, which is maintained and managed by our logistics and warehouse management team. Our warehouse is equipped with temperature and humidity control systems to maintain optimal temperature and humidity levels for the preservation of quality of our wine products and other alcoholic beverages. It is also fitted with insulation on the floor and ceilings to protect our

stored products from direct sunlight and incandescent light. To quickly identify any error or mistake and minimise any loss arising therefrom, our logistics and warehouse management staff monitors and records the temperature and humidity levels of the warehouse multiple times a day. To safeguard our inventories, we have installed a security system which includes 24-hour surveillance, burglar alarm and restricted access to only a limited number of staff at our warehouse.

In addition, to achieve effective and efficient warehouse management, we have also set up step-by-step operational guidelines covering various aspects of logistics and warehousing operations. Detailed instructions have been laid down to guide our logistics and warehouse management staff on handling warehousing related matters, including the receipt and dispatch of products, security and safeguard of our warehouse, methods of storage of wine products and other alcoholic beverages, record keeping and stock taking. Our management reviews such guidelines regularly to ensure they remain up-to-date and practicable. During the Track Record Period and up to the Latest Practicable Date, we have not experienced any material damage, deterioration or contamination of wine products and other alcoholic beverages due to malfunction of our temperature and humidity control systems in our warehouse, nor have we received any customer complaints about the quality of our wine products and other alcoholic beverages.

Our warehouse has so far provided sufficient storage capacity to support us in compiling and maintaining our existing product portfolio. The warehouse has an aggregate area of 11,553 sq.ft.. Its layout and design allow optimal space utilisation and orderly product arrangement without compromising storage safety at the same time. Based on our estimation, the warehouse can store up to 147,840 standard 750 ml bottles of wine products and other alcoholic beverages. For the years ended 31 March 2015, 2016 and 2017 and the three months ended 30 June 2016 and 2017, we stored 109,144 bottles, 144,814 bottles, 109,995 bottles, 133,148 bottles and 134,269 bottles of wine products and other alcoholic beverages on average at the warehouse, respectively. For the utilisation rate of the warehouse, please refer to the paragraph headed “— Product portfolio management — Logistics and warehousing — Warehousing” in this section. To ensure we have sufficient storage capacity to support the future expansion of our business, we plan to allocate a portion of the net proceeds from the Share Offer to acquire and set up our own warehousing facility. For further details, please refer to the paragraph headed “— Business strategies — Acquire and set up our own warehousing facility in Hong Kong to support the future expansion of our business” in this section.

We have dedicated and experienced management and sales team.

We have a dedicated and experienced management with a deep understanding of the wine industry in Hong Kong. Our Group was founded in 2008 by Ms. Shirley Wong who is our chief executive officer, executive Director and one of our Controlling Shareholders. Since then, Ms. Shirley Wong has accumulated extensive experience and developed strong relationships with key market participants in the wine industry in Hong Kong. Mr. Loong

BUSINESS

Koon Shuen, who joined us in 2013, and Mr. Chan Sze Tung, who joined us in 2012, are both vice presidents of our Group. Mr. Loong has extensive experience in sales and marketing in wine merchandising business, and is primarily responsible for developing business strategies and overseeing sales and marketing activities in relation to the wholesale business of our Group. Mr. Chan has over five years of experience in general business operations and is mainly responsible for overseeing the daily operations and administrative matters of our Group. For further details, please refer to the section headed “Directors, Senior Management and Employees” in this prospectus.

Our management is supported by a professional sales team consisting of five wine consultants, one of whom possesses WSET awards level three (Advanced certificate in wines and spirits) and the remaining four possess WSET awards level two (Intermediate certificate in wines and spirits). To motivate our frontline sales personnel, we have adopted performance-based remuneration structure which correlates their remunerations to our results of operations and the degree of achievement of our management goals. We also provide regular training to our employees to enhance their industry and product knowledge, as well as their familiarity with work safety standards. We believe, by continually leveraging on the in-depth product and industry knowledge, business network and extensive experience of our management and sales team, we will be able to cope with the intense competition in the wine industry, continue to compete successfully and grow our business profitably.

BUSINESS STRATEGIES

We intend to continue leveraging our competitive advantages, to capture the increasing demand for wine products and other alcoholic beverages in Hong Kong and to further expand our market share in the wine industry in Hong Kong. To achieve these objectives, we plan to implement the following strategies:

Acquire and set up our own warehousing facility in Hong Kong to support the future expansion of our business.

As illustrated in the paragraph headed “— Competitive strengths” above, our Directors believe that our ability to provide an extensive offerings of quality wine products to our customers in a timely manner is vital to the success and continued growth of our business. As at the Latest Practicable Date, our wine product portfolio consisted of approximately 314 types of red wine and approximately 45 types of white wine from over 10 countries. Most of the inventories which were stored in our leased warehouse in San Po Kong are for wholesale and retail purposes. As the nature of our business model requires the stocking up of considerably high level of wine inventories of various types and price ranges so that we can swiftly fulfil the diverse needs of our customers, the utilisation rates of our existing leased warehouse have been maintained at the level of 73.8%, 98.0%, 74.4%, 90.1% and 90.8% for the years ended 31 March 2015, 2016 and 2017 and the three months ended 30 June 2016 and 2017, respectively, which were considerably high and close to reach our maximum storage capacity. For further details regarding the utilisation rate of our warehouse, please refer to the paragraph headed “— Product portfolio management — Logistics and warehousing — Warehousing” in

BUSINESS

this section. As such, our Directors are of the view that our existing leased warehouse might not have extra storage capacity to accommodate our anticipated sales growth and the plan to expand our retail network, of which new purchases of different varieties of wine products would be required to meet the diverse needs of our customers.

According to the Ipsos Report, the total market value of the wine industry in Hong Kong is expected to grow, at a CAGR of 7.5%, from HK\$3,367.6 million in 2017 to HK\$4,500.1 million in 2021. In light of the growing demand of wine products, we plan to expand our retail network and further broaden our product portfolio such that we could strengthen the development of our retail business, further details of which are discussed in the paragraph headed “— Business strategies — Further expand our retail network and product portfolio to boost our market share in Hong Kong” in this section. To support our anticipated business growth and having considered our long-term development plan, taking into account the stability and sustainability of our business and the business operational risks that we may have in the event that we fail to renew the lease of our warehouse in the future, we plan to expand our storage capacity by acquiring a new warehouse instead of leasing a new one or an additional one. In formulating our logistics and warehousing strategy, our Directors have considered the following factors:

- (i) ***Costs for renovating the warehouse to suit our needs:*** since the quality of wine products is susceptible to, among other things, temperature change, humidity level and light, it is important to us to have a warehouse that is equipped with advanced automatic temperature and humidity control systems and installed with proper insulation and anti-vibration materials to ensure the quality of our wine products. During the Track Record Period, we incurred HK\$2.4 million renovation costs for our existing leased warehouse, and we also incurred leasehold improvement costs in the aggregate amount of HK\$0.2 million for the purpose of improving the conditions of our existing warehouse to suit our wine storage needs. Such amount could not be recouped from the landlord should we be required to relocate due to expiration or termination of the relevant lease agreement. The acquisition of a warehouse would prevent us from repeatedly incurring significant renovation expenses and time costs upon relocation due to the expiration of leases. It is expected that, due to the acquisition of the new warehouse, we will incur a total cost of HK\$50.2 million, which is attributable to (i) the estimated purchase costs of the new warehouse of HK\$42.0 million; (ii) the estimated stamp duty fees in relation to the acquisition of the new warehouse of HK\$3.6 million; (iii) the expected costs of renovation and installation of the new warehouse of HK\$4.4 million; and (iv) the estimated cost for the preparation and application of ISO certification of HK\$0.2 million. Having our own warehouse would also enable us to enjoy the flexibility of designing and renovating the warehouse in such manner and time as we desire; and
- (ii) ***Risk of relocation:*** the lease agreement for our existing warehouse will expire in April 2020. Upon expiration of the lease, we may not be able to renew it on

BUSINESS

comparable and/or commercially acceptable terms and conditions, or at all. Please refer to the section headed “Risk Factors — Risks relating to our business — Our lease renewals are affected by conditions of the rental market” in this prospectus for further details. In addition, given that the building in which our existing warehouse is situated is aged over 50 years, and in light of the recent cases of redevelopment of aged buildings by property developers in the nearby area, we consider our existing warehouse may be sold, voluntarily or compulsorily, by the landlord to private developers for redevelopment, rendering our lease being terminated before the specified expiry date. As at the Latest Practicable Date, we had received notice from the owner’s corporation of the San Po Kong building regarding the potential acquisition of such building by private developers. The acquisition of warehouse would therefore minimise the risk of any forced relocation, and protect us from any drastic increase in rentals upon renewal of leases in the future.

Based on (i) our experience in operating the existing warehouse; (ii) the need to further enrich our product portfolio and (iii) the estimated sales growth in the future as a result of the expansion of our retail business, our Directors are of the view that taking up the new warehouse, which is expected to have a gross floor area of approximately 16,000 sq.ft. and is expected to store up to approximately 200,000 standard 750 ml bottles of wine products and other alcoholic beverages, would be economically and practically viable for our Group. In calculating the estimated maximum storage capacity of the new warehouse, we have made certain assumptions including (i) the expected saleable floor area of our new warehouse is approximately 14,400 sq.ft., out of which, the total gross floor area which is expected to be available for storage purposes is approximately 9,100 sq.ft., after deducting (a) sufficient space for passageways between storage compartments of approximately 3,800 sq.ft. for the safe and efficient operation of forklifts and (b) administration offices, a toilet and other miscellaneous areas of approximately 1,500 sq.ft.; (ii) the maximum height that wine products and other alcoholic beverages are expected to be stacked to in our warehouse is 2.2 metres; and (iii) the wine products and other alcoholic beverages expected to be stored in our new warehouse are in standard 750 ml bottles. To avoid having excess storage capacity and to optimise our costs structure, we intend to terminate the leasing of our existing warehouse upon the new warehouse coming into full operations. The relevant lease agreement of our existing warehouse could be terminated by either party giving not less than six months prior written notice to the other party, with no penalty imposed. This arrangement, together with our plan to carry out the relocation in phases, would minimise the likelihood of any material disruption or cessation of our business and operations during the relocation period.

Our main considerations of a suitable warehouse include (i) size of the warehouse; (ii) fulfilment of fire safety requirements of the building and (iii) ancillary facilities of the building where the warehouse is located e.g. the maximum load capacity of the elevators. As at the Latest Practicable Date, we are in the process of identifying the suitable warehouse location in industrial areas such as Kwai Chung and Tsuen Wan. Once we identified and acquired the suitable warehouse, we plan to carry out renovation in accordance with the requirements of ISO 9001 and Wine Storage Management System from HKQAA, being accreditations that we currently do not possess. By establishing a wine storage management system which meets the internationally recognised requirements, we will be able to take systematic and effective action to protect our wine products against deterioration.

BUSINESS

During the Track Record Period, we had been able to obtain trust receipt loans and other bank borrowings for business operation in the aggregate amount of HK\$164.6 million, HK\$219.4 million, HK\$95.9 million and HK\$108.7 million as at 31 March 2015, 2016 and 2017 and 30 June 2017, respectively. However, most banks require collaterals, either in the form of cash deposit or properties, and/or guarantees from our Controlling Shareholders and their related parties to secure the bank borrowings. As such, our Directors are of view that owning a property asset (i.e. a warehouse) will strengthen our bargaining power to negotiate more favourable terms for the future bank borrowings. Given the significant amount of down payment required for the acquisition of warehouse, the net proceeds from the Share Offer would allow our Group to finance the relevant capital expenditure without creating undue burden on our indebtedness level and/or reliance on our Controlling Shareholders.

Having considered that (i) our existing leased warehouse is substantially utilised and amounted to approximately 92.0% as at the Latest Practicable Date, which could not support the further growth of our business and (ii) owning a warehouse would reduce our operational risk and enhance our cost efficiency, our Directors believe that the acquisition of a new warehouse is in the interests of our Company and our Shareholders as a whole.

We plan to utilise HK\$31.6 million, approximately 60.6% of our net proceeds from the Share Offer, to acquire and set up our own warehousing facility and to increase our storage capacity. For further details, please refer to the section headed “Statement of Business Objectives and Use of Proceeds — Implementation plans” in this prospectus.

Further expand our retail network and product portfolio to boost our market share in Hong Kong.

We launched our first retail store at the west mid-level above Sai Ying Pun in December 2015 under “Royce Cellar”, a brand name that we established in hoping to further develop our market presence in the wine industry in Hong Kong. We achieved breakeven and investment payback within four months. We believe that the success of our first retail store is a positive indication for growth opportunities in the retail market of wine products and other alcoholic beverages in Hong Kong. According to the Ipsos Report, there is an increase in middle class population in Hong Kong who can afford alcoholic beverages at relatively higher selling prices. We intend to reach out for new customers especially the middle class population who shows a growing interest in wine consumption by expanding our retail network in the next two years. We plan to open a flagship store of approximately 900 sq.ft. at commercial area in Tsim Sha Tsui and one retail store of approximately 450 sq.ft. at affluent residential area in West Kowloon, under the brand name “Royce Cellar”. We believe that these locations will provide easy access to our targeted retail customers who have high purchasing power. To provide high-quality customer services, we plan to hire two wine consultants with WSET awards level two (Intermediate certificate in wines and spirits) to oversee the sales and marketing functions and general management of the new flagship store and retail store as well as eight sales staff for daily operations.

BUSINESS

While expanding our retail network, we expect to also broaden our product portfolio, Fine Red Wine in particular and possibly other alcoholic beverages including sake and whiskey, to cater for different tastes and preferences of targeted retail customers. During the Track Record Period, the sales of Fine Red Wine have contributed to the largest portion of our sales volume among other wines at our retail store. We therefore plan to expand the product types for Fine Red Wine so as to further increase our retail sales. At present, our Fine Red Wine is mainly originated from France, Italy and Spain, however, according to the Ipsos Report, wines from Argentina, Australia and the United States are gaining popularity in recent years, thus, we plan to source more variety of Fine Red Wine from Argentina, Australia and the United States for our potential customers' selection. In addition, we will also increase our inventory level for existing Fine Red Wine collections to ensure that we have sufficient stock to meet our potential customers' demand at the new flagship store and retail store.

With the expansion of our retail network and product portfolio, we hope to broaden our customer base, strengthen our market presence and further boost our market share in Hong Kong. We intend to utilise HK\$18.9 million, approximately 36.3% of our net proceeds from the Share Offer, on the expansion of our retail network and product portfolio. For further details, please refer to the section headed "Statement of Business Objectives and Use of Proceeds — Implementation plans" in this prospectus.

Attract, motivate and retain high-quality staff members.

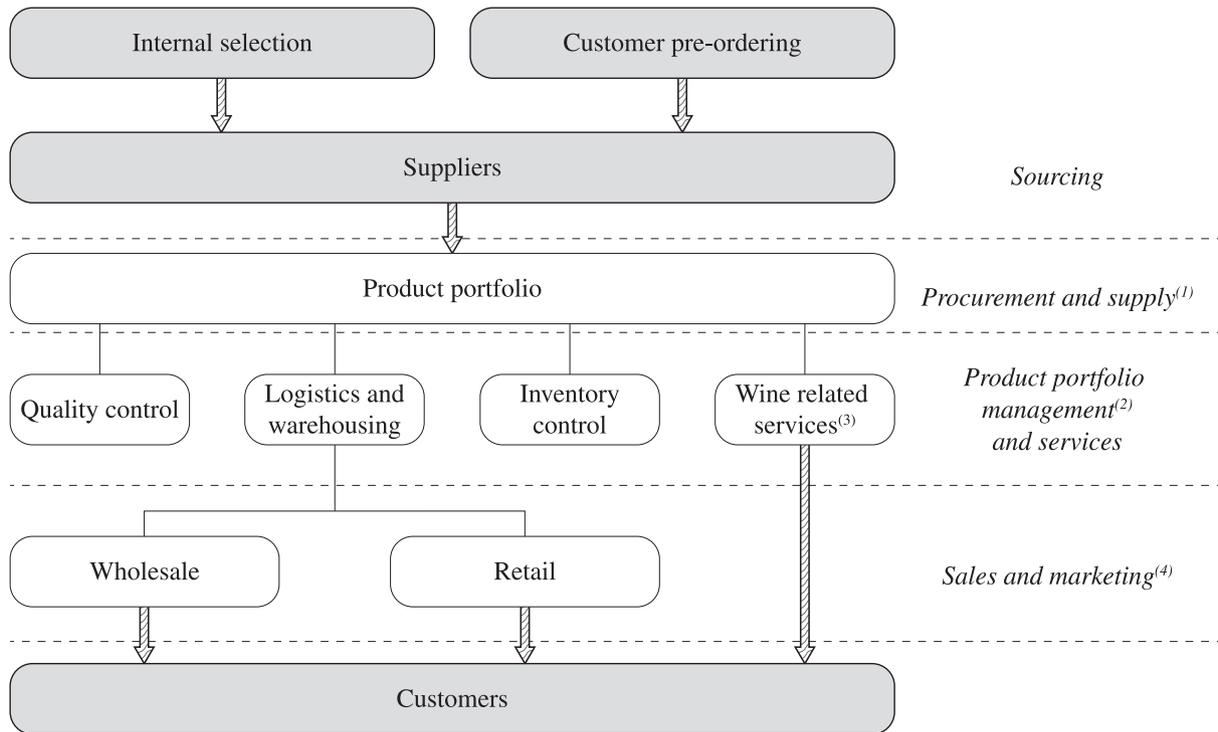
We strive to deliver excellent customer service. In order to maintain our customer service quality, we will continue to organise employee training programmes such as orientation programme, coaching, and on-the-job training, to enhance their industry and product knowledge, sales and marketing skills as well as client management skills. As such, our employees will be informed of the latest trends in the wine industry and the customers' preference in wine which changes from time to time. Hence, they will be able to provide high-quality customer service.

In addition, we believe that a positive working environment will strengthen staff relations and promote employees' retention. In order to motivate employees to achieve excellent performance, we will implement an incentive scheme which aligns compensation and remuneration with performance. Our Directors will review the remuneration packages on a regular basis to ensure the incentives remain competitive at all times. We believe that these incentives will help to retain valuable staff members and boost the workplace morale.

BUSINESS

BUSINESS MODEL

Our business primarily involves the wholesale and retail of a wide range of wine products and other alcoholic beverages in Hong Kong. We classify (i) sales to wine merchants and other customers whose business operations involve the resale of our products as wholesale and (ii) sales to corporate and individual consumers who purchase our products for their own consumption or collection as retail. The diagram below illustrates our business model:



Notes:

- (1) We have compiled an extensive wine product portfolio from our broad supply network that consists of approximately 512 suppliers as at 30 June 2017, including 150 suppliers with whom we conduct business on a regular basis. For further details, please refer to the paragraphs headed “— Product portfolio” and “— Procurement and supply” in this section.
- (2) We adopt prudent product portfolio management measures covering (i) quality control; (ii) logistic and warehousing and (iii) inventory control. For further details, please refer to the paragraph headed “— Product portfolio management” in this section.
- (3) We offer a multitude of wine related services covering (i) wine consultation service; (ii) wine sourcing service; (iii) wine delivery service and (iv) wine storage service. For further details, please refer to the paragraph headed “— Wine related services” in this section.
- (4) We classify (i) sales to wine merchants and other customers whose business operations involve the resale of our products as wholesale and (ii) sales to corporate and individual consumers who purchase our products for their own consumption or collection as retail. For further details, please refer to the paragraph headed “— Sales and marketing” in this section.

BUSINESS

We did not change our principal business throughout the Track Record Period and up to the Latest Practicable Date.

PRODUCT PORTFOLIO

Our comprehensive product portfolio consists of (i) wine products such as Premium Collectible Red Wine, Fine Red Wine and white wine; (ii) other alcoholic beverages such as champagne, whisky and sake and (iii) wine accessory products such as wine decanters, wine glasses and wine openers. As at 30 June 2017, we offer approximately 349 types of wine and approximately 61 types of other alcoholic beverages for our customers' selection. The table below sets forth the breakdown of our revenue, sales volume and average selling price by product categories during the Track Record Period:

	For the year ended 31 March						For the three months ended 30 June					
	2015		2016		2017		2017		2017		2017	
	Revenue (percentage of total revenue)	Sales volume (Bottles/ units)	Average selling price (HK\$)									
Wine products												
<i>Premium Collectible Red Wine</i>	157,752 (76.9%)	54,498	2,895	196,489 (80.3%)	62,250	3,156	202,605 (71.9%)	62,458	3,244	53,553 (78.3%)	16,986	3,153
<i>Fine Red Wine</i>	40,113 (19.6%)	155,488	258	35,432 (14.5%)	140,654	252	58,878 (20.9%)	283,732	208	11,948 (17.5%)	109,000	110
<i>White wine</i>	1,227 (0.6%)	3,115	394	1,524 (0.6%)	4,343	351	2,333 (0.8%)	8,939	261	835 (1.2%)	2,478	337
	199,092 (97.1%)	213,101	934	233,445 (95.4%)	207,247	1,126	263,816 (93.6%)	355,129	743	66,336 (97.0%)	128,464	516
Other alcoholic beverages	5,864 (2.9%)	6,560	894	11,157 (4.6%)	19,538	571	17,317 (6.2%)	84,354	205	2,071 (3.0%)	3,166	654
Wine accessory products	52 (0.0%)	16	3,250	17 (0.0%)	144	118	506 (0.2%)	443	1,142	3 (0.0%)	31	100
Total:	205,008 (100.0%)	219,677	—	244,619 (100.0%)	226,929	—	281,639 (100.0%)	439,926	—	68,410 (100.0%)	131,661	—

Wine products

We are particularly proud of our diverse wine product offerings which include wines that are prestigious and highly sought-after in Hong Kong. As at 30 June 2017, our wine product portfolio spanned approximately 63 vintages from over 10 countries of origin, including Australia, Chile, France, Italy and the United States. We classify our wine products into three categories, namely (i) Premium Collectible Red Wine, i.e. red wine with selling price at or above HK\$1,000; (ii) Fine Red

BUSINESS

Wine, i.e. red wine with selling price below HK\$1,000 and (iii) white wine. We strategically focus on the sales of red wine, in particular Premium Collectible Red Wine, as Hong Kong customers generally prefer red wine over other types of wine products due to more dynamic food pairing with Chinese cuisine, preferred flavour and the perceived health benefits associated with drinking red wine. Our Premium Collectible Red Wine includes the finest selections from the premier cru in Bordeaux, namely Château Lafite Rothschild, Château Margaux and Château Mouton Rothschild, and some of the grand cru in Burgundy, namely Domaine de la Romanée-Conti, Domaine Henri Jayer and Domaine Leroy. For the years ended 31 March 2015, 2016 and 2017 and the three months ended 30 June 2017, the sales of Premium Collectible Red Wine accounted for approximately 76.9%, 80.3%, 71.9% and 78.3% of our total revenue, respectively. The table below sets forth a breakdown of our wine products inventory by product classifications as at the dates indicated:

	As at 31 March						As at 30 June	
	2015		2016		2017		2017	
	Cost of inventory (HK\$'000)	Quantity (Bottles)						
Premium Collectible								
Red Wine	34,702	13,399	51,363	15,234	59,297	19,242	65,137	20,376
Fine Red Wine	19,562	73,421	22,410	92,627	12,555	36,695	14,677	47,242
White wine	649	3,950	1,685	8,127	1,696	5,485	1,816	4,749
Total	54,913	90,770	75,458	115,988	73,548	61,422	81,630	72,367

According to the Ipsos Report, there is currently no internationally recognised standard classification for wine products in the global wine market or in the wine industry in Hong Kong. As we primarily focus on the sales of red wine, we classify our red wine products based on their selling prices in order to understand the market, market size and market potential of the red wine industry in Hong Kong. Our Directors believe using a selling price benchmark of HK\$1,000 provides the most objective means of categorisation that can be applied across red wine products with different origins, vintages and types. Our industry consultant, Ipsos, also considers our selling price benchmark of HK\$1,000 is reasonable and in line with market practice in the wine industry in Hong Kong.

In compiling our wine product portfolio, we take into consideration of, among others, price segment, origin, vintage and wine type.

- **Price segment:** we offer wine products at various price ranges to cater for customers with different purchasing powers. During the Track Record Period, the selling prices of our Premium Collectible Red Wine, Fine Red Wine and white wine ranged from HK\$1,000 to HK\$2.4 million, HK\$12 to HK\$999 and HK\$18 to HK\$34,814, respectively.

BUSINESS

- Origin:** we source wines from various countries of origin, including but not limited to Australia, Chile, France, Italy and the United States. French wines accounted for approximately 73.7%, 77.8%, 77.2% and 83.8% of our total wine products inventory in terms of number of bottles as at 31 March 2015, 2016 and 2017 and 30 June 2017, respectively. The table below sets forth our total revenue and wine product inventory by origins for the periods or as at the dates indicated:

	For the year ended/As at 31 March									For the three months ended/ As at 30 June		
	2015			2016			2017			2017		
	Revenue	Cost of wine product inventory	Wine product inventory quantity	Revenue	Cost of wine product inventory	Wine product inventory quantity	Revenue	Cost of wine product inventory	Wine product inventory quantity	Revenue	Cost of wine product inventory	Wine product inventory quantity
(HK\$'000)	(HK\$'000)	(Bottles)	(HK\$'000)	(HK\$'000)	(Bottles)	(HK\$'000)	(HK\$'000)	(Bottles)	(HK\$'000)	(HK\$'000)	(Bottles)	
Australia	6,238	4,059	8,387	10,834	2,786	11,510	25,876	4,455	3,716	2,070	3,987	3,024
Chile	1,650	771	1,616	1,043	416	858	4,221	595	1,776	1,619	508	1,327
France	191,214	47,780	66,893	226,640	68,005	90,276	242,113	63,025	47,419	62,591	71,883	60,668
Italy	1,589	262	347	1,268	1,201	5,688	2,908	2,310	4,615	601	2,584	3,773
The United States	3,986	1,766	1,673	3,389	2,734	1,892	3,939	1,997	1,620	1,301	1,570	1,386
Others ⁽¹⁾	331	275	11,854	1,445	316	5,764	2,582	1,166	2,276	228	1,098	2,189
Total	205,008	54,913	90,770	244,619	75,458	115,988	281,639	73,548	61,422	68,410	81,630	72,367

Note:

- (1) Other origins consisted primarily of Japan, Spain and Scotland.

BUSINESS

- Vintage:** As at 30 June 2017, our wine products inventory comprised a wide spectrum of vintages ranging from 1936 to 2016. Most of our wine products are within 10 years of age, which accounted for approximately 89.9%, 87.2%, 79.4% and 82.6% of our total wine products inventory in terms of number of bottles as at 31 March 2015, 2016 and 2017 and 30 June 2017, respectively. The table below sets forth our wine products inventory by vintages as at the dates indicated:

	As at 31 March						As at 30 June	
	2015		2016		2017		2017	
	<u>Cost of inventory</u> (HK\$'000)	<u>Quantity</u> (Bottles)						
Non vintage	55	29	559	53	2,005	512	2,055	515
Within 10 years of age	37,240	81,644	43,101	101,127	42,601	48,741	49,855	59,756
Between 11 to								
20 years of age	9,120	6,755	20,332	12,530	19,410	10,213	19,163	9,895
Between 21 to								
30 years of age	5,871	1,949	7,373	1,501	4,050	1,243	5,160	1,596
Over 30 years of age	2,627	393	4,093	777	5,482	713	5,397	605
Total	<u>54,913</u>	<u>90,770</u>	<u>75,458</u>	<u>115,988</u>	<u>73,548</u>	<u>61,422</u>	<u>81,630</u>	<u>72,367</u>

- Wine type:** As at 30 June 2017, we offer approximately 52 types of Premium Collectible Red Wine and approximately 235 types of Fine Red Wine and approximately 36 types of white wines. Our Fine Red Wine accounted for approximately 80.9%, 79.9%, 59.7% and 65.3% of our total wine product inventory in terms of bottles and approximately 35.6%, 30.0%, 17.1% and 18.0% of our total wine product inventory in terms of value, as at 31 March 2015, 2016 and 2017 and 30 June 2017, respectively.

BUSINESS

Premium Collectible Red Wine

We classify red wines with selling price at or above HK\$1,000 per bottle as Premium Collectible Red Wine. Some characteristics of Premium Collectible Red Wine include (i) rarity or otherwise not readily available in the market, (ii) highly sought-after, (iii) limited production by the world's top châteaux, estates and vineyards and wineries in renowned wine regions, such as Burgundy and Bordeaux, (iv) often has a long cellaring period and (v) a consensus among wine critics as to the excellent quality of such red wine. The table below sets forth the breakdown of our total revenue contributed by the sales of our Premium Collectible Red Wine, which is sub-divided by different price ranges, for the periods indicated:

	For the year ended 31 March						For the three months ended 30 June					
	2015			2016			2017			2017		
	Sales	Average		Sales	Average		Sales	Average		Sales	Average	
Revenue	volume	selling	Revenue	volume	selling	Revenue	volume	selling	Revenue	volume	selling	
(HK\$'000)	(Bottles)	price	(HK\$'000)	(Bottles)	price	(HK\$'000)	(Bottles)	price	(HK\$'000)	(Bottles)	price	
HK\$1,000 to HK\$4,999	93,665	48,464	1,933	109,457	55,250	1,981	116,037	56,217	2,064	35,213	15,711	2,241
HK\$5,000 to HK\$9,999	24,244	3,922	6,182	26,792	4,322	6,199	29,139	4,684	6,221	5,006	835	5,995
HK\$10,000 to HK\$19,999	23,344	1,789	13,049	26,746	2,077	12,877	13,120	1,000	13,120	4,779	348	13,733
HK\$20,000 to HK\$49,999	7,321	231	31,693	12,081	407	29,683	5,380	198	27,172	1,247	45	27,711
HK\$50,000 and above	9,178	92	99,761	21,413	194	110,376	38,929	359	108,437	7,308	47	155,489
Total	157,752	54,498	2,895	196,489	62,250	3,156	202,605	62,458	3,244	53,553	16,986	3,153

Our Premium Collectible Red Wine consists primarily of wines from Bordeaux and Burgundy, both are renowned wine regions in France for producing exceptional quality wines. Our Premium Collectible Red Wine includes the finest selections from the premier cru in Bordeaux, namely Château Lafite Rothschild, Château Margaux and Château Mouton Rothschild, and some of the grand cru in Burgundy, namely Domaine de la Romanée-Conti, Domaine Henri Mayer and Domaine Leroy, as well as other red wines with long cellaring period and which are rare or otherwise not readily available in the market.

BUSINESS

The table below sets forth the breakdown of the inventory balance of our Premium Collectible Red Wine, which is sub-divided by different price ranges, as at the dates indicated:

	As at 31 March						As at 30 June	
	2015		2016		2017		2017	
	Cost of inventory (HK\$'000)	Quantity (Bottles)						
HK\$1,000 to HK\$4,999	20,887	11,839	22,842	12,791	31,321	17,348	37,137	18,746
HK\$5,000 to HK\$9,999	6,684	1,171	9,431	1,746	6,420	1,150	6,218	969
HK\$10,000 to HK\$19,999	3,879	322	4,258	364	4,483	379	4,199	308
HK\$20,000 to HK\$49,999	1,060	41	5,989	237	7,659	289	7,864	281
HK\$50,000 and above	2,192	26	8,843	96	9,414	76	9,719	72
Total	34,702	13,399	51,363	15,234	59,297	19,242	65,137	20,376

Fine Red Wine

We classify red wines with selling price below HK\$1,000 per bottle as Fine Red Wine. Some characteristics of Fine Red Wine include (i) easy to find or otherwise readily available in the market and (ii) a consensus among wine critics as to the fair quality of such red wine. Our Fine Red Wine primarily consists of, Château Duhart-Milon, Château Lascombes and Château Pichon-Longueville Baron from France, Penfolds, Clarendon Hills and Henschke Hill of Grace from Australia and Dominus Estate, Kapcsandy Family Winery and Hall Wines from the United States. For the years ended 31 March 2015, 2016 and 2017 and the three months ended 30 June 2017, we generated revenue of HK\$40.1 million, HK\$35.4 million, HK\$58.9 million and HK\$11.9 million, respectively, from the sales of 155,488 bottles, 140,654 bottles, 283,732 bottles and 109,000 bottles of Fine Red Wine, respectively, and the average selling prices of our Fine Red Wine were HK\$258, HK\$252, HK\$208 and HK\$110 per bottle, respectively.

White wine

To capture our customers' diverse demand, we have compiled a decent selection of white wine. Our white wine primarily consists of, Château Haut-Brion Blanc, Blanc de Lynch-Bages, and Montrachet from France. For the years ended 31 March 2015, 2016 and 2017 and the three months ended 30 June 2017, we generated revenue of HK\$1.2 million, HK\$1.5 million, HK\$2.3 million and HK\$0.8 million, respectively, from the sales of 3,115 bottles, 4,343 bottles, 8,939 bottles and 2,478 bottles of white wine, respectively, and the average selling prices of our white wine were HK\$394, HK\$351, HK\$261 and HK\$337 per bottle, respectively.

Other alcoholic beverages

Apart from wine products, we also offer other alcoholic beverages for the selection of our customers. Other alcoholic beverages primarily include champagne, whisky and sake. For the years ended 31 March 2015, 2016 and 2017 and the three months ended 30 June 2017, we generated

BUSINESS

revenue of HK\$5.9 million, HK\$11.2 million, HK\$17.3 million and HK\$2.1 million, respectively, from the sales of other alcoholic beverages, and the average selling prices of our other alcoholic beverages were HK\$894, HK\$571, HK\$205 and HK\$654 per bottle, respectively.

Wine accessory products

Our wine accessory products are products complementary to our wine products and other alcoholic beverages such as wine decanters, wine glasses and wine openers. For the years ended 31 March 2015, 2016 and 2017 and the three months ended 30 June 2017, we generated revenue of approximately HK\$52,000, HK\$17,000, HK\$0.5 million and HK\$3,000, respectively, from the sales of wine accessory products.

WINE RELATED SERVICES

To enhance our customer convenience, satisfaction and loyalty, we also offer a multitude of wine related services covering (i) wine consultation service; (ii) wine sourcing service; (iii) wine delivery service and (iv) wine storage service that are supplemental to our comprehensive product portfolio.

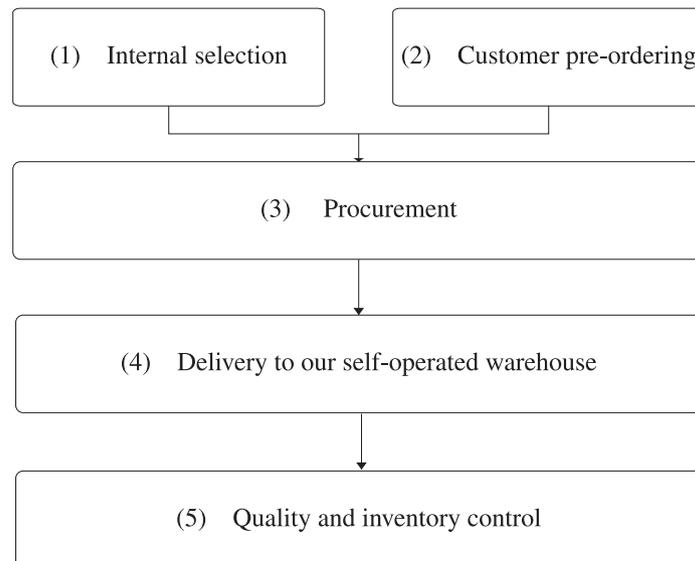
- **Wine consultation service:** our complimentary wine consultation service involves, among others, (i) identifying our customers' specific preferences; (ii) recommending appropriate products for our customers' consideration; (iii) providing wine handling and decanting advice and (iv) offering wine and food pairing suggestions.
- **Wine sourcing service:** leveraging on our supply network, we are able to assist our customers to source specific wine products that might not be included in our product portfolio and/or readily available in the market, on a complimentary basis.
- **Wine delivery service:** we provide complimentary delivery within Hong Kong for all wholesale customers and retail customers whose purchase orders are of more than 12 bottles of wine or other alcoholic beverages, while for all other purchase orders, we charge a standard delivery fee of not more than HK\$80 depending on the delivery address in Hong Kong. For further details, please refer to the paragraph headed "— Product portfolio management — Logistics and warehousing — Logistics" in this section.
- **Wine storage service:** starting from May 2016, we offer wine storage services to selected wine merchant customers as a value added service in order to provide greater convenience to, and enhance satisfaction and loyalty of our wine merchant customers. We set our fees for this service with reference to prevailing market rates offered by other wine storage service providers in Hong Kong. Our wine storage service includes stock-in and stock-out, packing and unpacking, photo-taking and delivery. As at the Latest Practicable Date, we had approximately 654 bottles of wine products stored at our warehouse for our wine merchant customers. Due to current capacity limitations, this service is only provided on a limited scale to selected wine merchant customers and we did not offer any wine storage services to any retail customers during the Track Record

BUSINESS

Period and up to the Latest Practicable Date. During the years ended 31 March 2015, 2016 and 2017 and the three months ended 30 June 2017, the average number of wine products we stored for our wine merchant customers amounted to nil, nil, 1,042 bottles and 376 bottles, respectively. Accordingly, we generated an insignificant amount of revenue from our wine storage service and in aggregate amounted to approximately HK\$40,000 during the Track Record Period. When additional storage capacity becomes available with the commissioning of our new warehouse, we may offer this service to more customers, including retail customers. For further details of our wine storage capability, please refer to the paragraph headed “— Product portfolio management — Logistic and warehousing — Warehousing” in this section.

PROCUREMENT AND SUPPLY

Procurement and compilation of our product portfolio is critical to the sustainability and growth of our business. Through our dealings in the wine industry over the years, we have established a broad supply network that consists of approximately 512 suppliers as at 30 June 2017, including 150 suppliers with whom we conduct business on a regular basis. This allows us to source a wide range of wine products at competitive price, assist customers to search for specific wine products and secure supply of wine products in a timely manner. The diagram below illustrates our operation flow for procurement and supply:



(1) Internal selection

For internal selection, our management prepares an annual procurement plan based on historical sales data, latest market intelligence and overall inventory level of our wine products and other alcoholic beverages. To carry out such plan, our purchasing team and our sales and marketing team take into account the monthly product procurement budgets prepared by our finance and accounts team and meet weekly to discuss sales performance, market demand and inventory level of selected wine products and other alcoholic beverages to be procured and make necessary adjustments to the annual procurement plan. Once selected wine products and other alcoholic beverages have been identified, our purchasing team will obtain quotations from suppliers. Our management will then consider and approve the selected suppliers with quotations and other material terms of purchase orders. Afterwards, our purchasing team will proceed to confirm our purchase orders. As a guiding principle when evaluating any proposed purchase orders, we take into account various factors, including (i) the prevailing market trends; (ii) the feedbacks from our consumers; (iii) the promotions offered by our suppliers and (iv) necessity to replenish stock inventories in view of historical sales and inventory turnover of such wine products and other alcoholic beverages.

(2) Customer pre-ordering

In addition to our wine products and other alcoholic beverages available in our product portfolio for sale, we also offer to source specific wine products and other alcoholic beverages upon requests of our customers. When we receive such a request, our purchasing team will approach our suppliers whom we have well-established relationships with and obtain price quotations from each of them. Upon receipt of such price quotations, our purchasing team will select and submit the most suitable product with price quotation to our management for approval, and if approved, our sales team will contact the customer and provide the customer with the relevant information. Once the purchase order is confirmed by the customer, we will then place the purchase order with the selected supplier. For orders that are over HK\$100,000, we will request a deposit not less than 30% before placing the order for our customers.

(3) Procurement

Procurement is conducted by our purchasing team. With reference to our internal selection results, our product procurement budget and customers' pre-orders, our purchasing team will place purchase order with our suppliers upon agreeing on the price, procurement quantity and delivery date. Through our dealings in the wine industry over the years, we have established strong relationships with a broad network of wine suppliers consisting of wine merchants in Hong Kong and well-known négociants in major wine regions in the world, which allow us to source a wide range of wine products at competitive price, assist customers to search for specific wine products and secure supply of wine products in a timely manner. For details of our supplier selection process, please refer to the paragraph headed “— Product portfolio management — Quality control — Two-stage quality control system” in this section. During the Track Record Period, we have

BUSINESS

received first-hand information of new product launches from châteaux, estates and vineyards and wineries, priority allocation of stock or exclusive offers on certain wine products with limited production.

Instead of entering into long-term supply contracts with our suppliers, we procure wine products by individual purchase orders, which include pricing terms, product specifications, quantity requirements, delivery time and other terms and conditions. Without long-term supply contracts, we are able to maintain flexible procurement plans and may cease procuring from any wine suppliers whose wine products do not meet our standard. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material shortage or delays in supply of wine products and other alcoholic beverages.

We source and procure our wine products and other alcoholic beverages globally, including but not limited to wine suppliers in France, the Netherlands, Switzerland, the United Kingdom and the United States. The purchase prices of wine products generally vary depending on, among others, (i) the vintage; (ii) the reputation of the châteaux, estates or vineyards and wineries; (iii) market demand and supply and (iv) grading and reviews by wine critics. To bargain for the best prices, we make reference to our previous purchase prices and selling prices for similar wine products and other alcoholic beverages, as well as the market prices shown on www.liv-ex.com and www.wine-searcher.com. Our procurement invoices are billed in the local currencies of our suppliers, and a significant portion of our purchases are settled in foreign currencies such as GBP and EUR as many of our suppliers are located in the United Kingdom and European countries. Therefore, we are exposed to foreign currency risk relating to mismatch between our sales and costs since our sales are settled predominately in Hong Kong dollars whereas the vast majority of our purchases are settled in foreign currencies. We currently do not have any foreign currency hedging policies. Given the nature of our business, foreign currency risk will continue to be an integral aspect of our risk profile in the future. We will continue to monitor our foreign exchange exposure in the future and will consider hedging any material foreign exchange exposure if needed. For further details, please refer to the sections headed “Risk Factors — Risks relating to our business — Our results of operations may be affected by fluctuations in foreign currency exchange rates” “Financial Information — Quantitative and qualitative disclosures about financial risks — Foreign currency risk — Foreign currency exchange risk management measures” in this prospectus.

(4) Delivery to our warehouse

Once the purchase order is placed, our purchasing team will liaise with logistics service providers for the pick up and delivery of wine products and/or other alcoholic beverages from our overseas suppliers to our warehouse in Hong Kong. We generally arrange to transport our products by air to reduce transportation time and potential risks of damages to our products during the transportation process. We from time to time arrange for the transportation of our products by sea if our management considers that the purchase order does not justify the high costs of air transport. In order to minimise delivery costs, we group our overseas purchases of wine products into as few shipments as possible. For the wine products and other alcoholic beverages that we purchased from the suppliers in Hong Kong, our logistics and warehouse management team will pick up from the suppliers or the suppliers will deliver to us the purchased products, depending on the prior arrangement. For further details, please refer to the paragraph headed “— Product portfolio management — Logistics and warehousing — Logistics” in this section.

(5) Quality and inventory control

Upon arrival of the procured wine products and/or other alcoholic beverages at our warehouse, our logistics and warehouse management staff will check the quantity against our purchase orders. Our quality control team will then examine the physical appearance of the products based on their labelling, wine level, sealing and overall packaging. We have also established a set of operational guidelines to ensure effective and efficient inventory management. For further details, please refer to the paragraphs headed “— Product portfolio management — Quality control” and “— Product portfolio management — Inventory control” in this section.

BUSINESS

SUPPLIERS

We procure wine products from our suppliers who are wine merchants in Hong Kong and in other parts of the world such as France and the United Kingdom. For the years ended 31 March 2015, 2016 and 2017 and the three months ended 30 June 2017, we had 309, 395, 484 and 500 suppliers, respectively. For the years ended 31 March 2015, 2016 and 2017 and the three months ended 30 June 2017, the purchases from our five largest suppliers accounted for approximately 31.9%, 33.6%, 26.0% and 42.5% of our total purchases, respectively, and the purchases from our single largest supplier accounted for approximately 7.2%, 8.6%, 8.4% and 12.0% of our total purchases, respectively. The table below sets forth details of our five largest suppliers during the Track Record Period:

<u>Ranking</u>	<u>Supplier</u>	<u>Principal place of business</u>	<u>Principal business</u>	<u>The calendar year in which the supplier first started to have business relationship with our Group</u>	<u>Percentage of total purchase</u>
<i>For the year ended 31 March 2015</i>					
1	Supplier A ⁽¹⁾	Hong Kong	A Hong Kong wine merchant incorporated in 2008 and principally engaged in the wholesales of wine products. This supplier offers a variety of wine products, including a wide-ranging selection of Premium Collectible Red Wine.	2014	7.2%
2	Supplier B	France	A wine négociant in France incorporated in 1998. This supplier offers a variety of wine products, including a wide-ranging selection of French Premium Collectible Red Wine.	2013	7.2%
3	Supplier C	United Kingdom	A wine merchant and wholesaler based in United Kingdom and incorporated in 2008. This supplier offers a variety of wine products, including a wide-ranging selection of Premium Collectible Red Wine.	2008	6.9%
4	Supplier D	France	A wine négociant in France incorporated in 2006. This supplier offers a variety of wine products, including a wide-ranging selection of French Premium Collectible Red Wine.	2011	6.1%
5	Supplier E	Hong Kong	A Hong Kong wine merchant incorporated in 2013 and principally engaged in the wholesales of wine products. This supplier offers a variety of wine products, including a wide-ranging selection of Premium Collectible Red Wine and Fine Red Wine.	2013	4.5%
					<u><u>31.9%</u></u>

BUSINESS

<u>Ranking</u>	<u>Supplier</u>	<u>Principal place of business</u>	<u>Principal business</u>	<u>The calendar year in which the supplier first started to have business relationship with our Group</u>	<u>Percentage of total purchase</u>
<i>For the year ended 31 March 2016</i>					
1	Supplier F ⁽²⁾	Hong Kong	A Hong Kong wine merchant incorporated in 2012 and principally engaged in the wholesales of wine products. This supplier offers a variety of wine products, including a wide-ranging selection of Premium Collectible Red Wine.	2015	8.6%
2	Supplier B	France	A wine négociant in France incorporated in 1998. This supplier offers a variety of wine products, including a wide-ranging selection of French Premium Collectible Red Wine.	2013	7.9%
3	Supplier G	France	A wine négociant in France incorporated in 2009. This supplier offers a variety of wine products, including a wide-ranging selection of French Premium Collectible Red Wine.	2015	6.9%
4	Supplier H	France	A wine négociant in France incorporated in 1988. This supplier offers a variety of wine products, including a wide-ranging selection of French Premium Collectible Red Wine.	2010	6.6%
5	Supplier E	Hong Kong	A Hong Kong wine merchant incorporated in 2013 and principally engaged in the wholesales of wine products. This supplier offers a variety of wine products, including a wide-ranging selection of Premium Collectible Red Wine and Fine Red Wine.	2013	3.6%
					<hr/> <u>33.6%</u>

BUSINESS

<u>Ranking</u>	<u>Supplier</u>	<u>Principal place of business</u>	<u>Principal business</u>	<u>The calendar year in which the supplier first started to have business relationship with our Group</u>	<u>Percentage of total purchase</u>
<i>For the year ended 31 March 2017</i>					
1	Supplier F ⁽²⁾	Hong Kong	A Hong Kong wine merchant incorporated in 2012 and principally engaged in the wholesales of wine products. This supplier offers a variety of wine products, including a wide-ranging selection of Premium Collectible Red Wine.	2015	8.4%
2	Supplier I	Hong Kong	A Hong Kong wine merchant incorporated in 2014 and principally engaged in the wholesales of wine products. This supplier offers a variety of wine products, including a wide-ranging selection of Premium Collectible Red Wine.	2014	4.7%
3	Supplier C	United Kingdom	A wine merchant and wholesaler based in United Kingdom and incorporated in 2008. This supplier offers a variety of wine products, including a wide-ranging selection of Premium Collectible Red Wine.	2008	4.3%
4	Supplier J	United Kingdom	A wine merchant and wholesaler based in United Kingdom and incorporated in 1996. This supplier offers a variety of wine products, including a wide-ranging selection of Premium Collectible Red Wine.	2008	4.3%
5	Supplier K	France	A wine négociant in France incorporated in 2004. This supplier offers a variety of wine products, including a wide-ranging selection of French Premium Collectible Red Wine.	2014	4.3%
					<u><u>26.0%</u></u>

BUSINESS

Ranking	Supplier	Principal place of business	Principal business	The calendar year in which the supplier first started to have business relationship with our Group	Percentage of total purchase
<i>For the three months ended 30 June 2017</i>					
1	Supplier H	France	A wine négociant in France incorporated in 1988. This supplier offers a variety of wine products, including a wide-ranging selection of French Premium Collectible Red Wine.	2010	12.0%
2	Supplier C	United Kingdom	A wine merchant and wholesaler based in United Kingdom and incorporated in 2008. This supplier offers a variety of wine products, including a wide-ranging selection of Premium Collectible Red Wine.	2008	10.0%
3	Supplier L	Hong Kong	A Hong Kong wine merchant incorporated in 2014 and principally engaged in the wholesales of wine products. This supplier offers a variety of wine products, including a wide-ranging selection of Premium Collectible Red Wine and Fine Red Wine.	2014	8.6%
4	Supplier D	France	A wine négociant in France incorporated in 2006. This supplier offers a variety of wine products, including a wide-ranging selection of French Premium Collectible Red Wine.	2011	6.3%
5	Supplier M	United Kingdom	A wine merchant and wholesaler based in United Kingdom and incorporated in 2007. This supplier offers a variety of wine products, including a wide-ranging selection of Premium Collectible Red Wine.	2014	5.6%
					<u>42.5%</u>

Notes:

- (1) Supplier A was also our second largest customer (i.e. Customer B) for the year ended 31 March 2015. For further details, please refer to the paragraph headed “— Overlapping Customers-Suppliers” in this section.
- (2) To the best information and knowledge of our Directors, (i) Supplier F and its ultimate beneficial owner are Independent Third Parties and (ii) Supplier F is a wine merchant incorporated in 2012 which generated revenue of over HK\$100 million a year. Supplier F became our largest supplier during the years ended 31 March 2016 and 2017 as we procured more than 3,300 bottles and 1,100 bottles, respectively, of Premium

BUSINESS

Collectible Red Wine during the respective years from Supplier F, including 2,234 vintage premier cru in Bordeaux such as Chateau Lafite Rothschild and 236 vintage grand cru in Burgundy including Domaine de la Romanée-Conti.

For the sensitivity analysis in relation to the change in our cost of sales, please refer to the section headed “Financial Information — Key factors affecting our results of operations — Fluctuations in our operational costs” in this prospectus.

We have not entered into any long-term supply contracts with any of our suppliers, which we believe it is in line with industry practice. For details on the relevant risk, please refer to the section headed “Risk Factors — Risks relating to our business — Any deterioration or termination of our relationships with our major suppliers may result in severe disruptions to our operations and loss of revenue” in this prospectus. We normally settle the relevant purchase invoices from suppliers in their local currencies by way of bank transfers, before the delivery of wine products.

So far as is known to our Directors, none of our Directors or their respective close associates or our Shareholders who own more than 5% of our issued share capital had any interests in any of our top five suppliers during the Track Record Period.

SALES AND MARKETING

We classify (i) sales to wine merchants and other customers whose business operations involve the resale of our products as wholesale and (ii) sales to corporate and individual consumers who purchase our products for their own consumption or collection as retail. Our sales team consisted of five wine consultants, who have an average of four years of experience in the wine industry. One wine consultant possesses WSET awards level three (Advanced certificate in wines and spirits) and four other wine consultants possess WSET awards level two (Intermediate certificate in wines and spirits). Each wine consultant is responsible for managing a list of wholesale and retail customers and building those key customer relationships that are vital to our continued growth. In order to enhance our sales performance, each of our sales staff is entitled to a bonus with reference to the sales target achieved by his or her team calculated at the end of every year and his or her individual performance.

Wholesale

We began to sell wine products to wine merchants and other customers in Hong Kong for their resale since our inception in 2008, and since then we have accumulated an extensive wholesale customer base. All wine products and other alcoholic beverages sold to our wholesale customers are offered for sale at wholesale prices within a range predetermined by our wholesale arm of our sales team and we generally do not offer further discounts, save for occasional special offers which are only considered by our management on a case-by-case basis. For further details, please refer to the paragraph headed “— Sales and marketing — Pricing policy” in this section. Wholesale of our products are conducted by way of (i) face-to-face transactions at our head office; (ii) electronic transactions, such as emails and text messages and (iii) telephone orders. During the Track Record Period, a majority of our wholesale orders were placed by our wholesale customers through text messages and settled in Hong Kong dollars through non-cash payments including

BUSINESS

payments by bank-in and cheque payments, with the remainder settled by cash payments. In the case of cheque payments from new wholesale customers, we will only arrange the delivery of the purchased products after the clearance of the relevant cheque payments with our banks. We typically offer a credit term of 30 days to our wholesale customers and up to 120 days to wholesale customers who have long-term relationships with us. For the years ended 31 March 2015, 2016 and 2017 and the three months ended 30 June 2017, we generated revenue of HK\$157.5 million, HK\$181.3 million, HK\$179.9 million and HK\$49.5 million from our wholesale sales, respectively.

Retail

We sell wine products and other alcoholic beverages to corporate and individual customers for their own consumptions. All wine products and other alcoholic beverages sold to our retail customers are offered for sale at retail prices predetermined by our retail arm of our sales team and we generally do not offer further discounts. We adopt a different pricing policy in respect of retail as compared with that of our wholesale. For further details, please refer to the paragraph headed “— Sales and marketing — Pricing policy” in this section. Prior to the opening of our first retail store, the retail sales of our products were conducted at our head office.

In December 2015, we launched our first retail store under the brand name “Royce Cellar”, with an area of approximately 350 sq.ft. in the west mid-level above Sai Ying Pun, which is an affluent residential area in Hong Kong. Our retail store is generally managed by a shop manager together with at least one part-time staff. We require walk-in customers to pay in full at the time of purchase and all purchases are settled in Hong Kong dollars only. We have incurred initial cost amounting to approximately HK\$0.5 million for opening of the retail store and achieved breakeven within four months. For the years ended 31 March 2015, 2016 and 2017 and the three months ended 30 June 2017, we generated revenue of HK\$47.5 million, HK\$63.3 million, HK\$101.7 million and HK\$18.9 million from our retail sales, respectively.

We consider our retail store is our new principal gateway to attract new customers. Building on the success of our first retail store, we plan to further expand our retail sales network by opening one flagship store and one retail store in Hong Kong in the next two years. For further details, please refer to the paragraph headed “— Business strategies — Further expand our retail network and product portfolio to boost our market share in Hong Kong” in this section.

Marketing activities

We conduct marketing activities to promote our business, attract new customers and cultivate customers' loyalty. We believe these marketing activities allow our existing and new customers to explore our wine product portfolio, encourage wine appreciation and promote better enjoyment of wine. For the years ended 31 March 2015, 2016 and 2017 and the three months ended 30 June 2017, our advertising and promotion expenses amounted to HK\$0.2 million, HK\$0.6 million, HK\$0.7 million and HK\$0.3 million, respectively, accounted for approximately 0.1%, 0.2%, 0.3% and 0.4% of our total revenue, respectively. During the Track Record Period, our marketing team has carried out the following marketing activities:

- ***Advertisements and promotional materials:*** we commissioned printed advertisements, composed wine reviews and related publications and provided wine recommendations in food and wine magazines, newspapers and other industry publications.
- ***Participating in wine fairs:*** we participated in various wine exhibitions and wine fairs such as the Hong Kong International Wine & Spirits Fair, Vinexpo and Hong Kong Wine & Dine Festival to acquire latest market intelligence, promote our brand image and awareness and explore new business opportunities.
- ***Marketing initiatives:*** we from time to time host wine pairing dinners and wine tasting events with top châteaux or vineyards or wineries.
- ***Internet and social network:*** we launched our website in October 2015, *wines-link.com*, an online platform on which we make available information in respect of our product portfolio and marketing initiatives, such as details relating to our upcoming wine pairing dinners, wine tasting events, exhibitions and special promotions. We also took advantage of the rapid development of social network by increasing our marketing and public relation activities on Facebook with the goal of interacting and communicating with customers, thereby promoting our wine products, wine events and wine pairing dinners.

We generally source our wholesale customers through (i) various wine exhibitions, wine fairs and marketing activities; (ii) referrals; and (iii) our reputation in the wine industry in Hong Kong.

- ***Wine exhibitions, wine fairs and marketing activities:*** we participate in various wine exhibitions and wine fairs such as Hong Kong International Wine & Spirits Fair, Vinexpo and Hong Kong Wine & Dine Festival, and we, from time to time, host wine pairing dinners and wine tasting events, all of which enable us to meet our wholesale customers and promote our products to them.
- ***Referrals:*** a number of our wholesale customers are sourced by way of referrals from existing customers who are satisfied with our product portfolio and services.

- ***Our reputation in the wine industry in Hong Kong:*** some of our wholesale customers approach us directly, we believe because they are attracted by us being one of the few market players with a significant inventory level of quality wine products in Hong Kong and our diverse wine product offerings, which include wines that are prestigious and highly-sought after in Hong Kong. For further details of the factors contributing to the appeal of our products among wine merchants in the wine industry in Hong Kong, please refer to the paragraph headed “— Customers — Wine merchant customers” in this section.

Notwithstanding that our wine merchant customers, including those of medium and small scale, can procure directly from our suppliers, which are also wine merchants and participated in various wine exhibitions and wine fairs, we believe (i) our significant inventory level in Hong Kong; (ii) our ability to source a wide range of wine products from wine suppliers on a priority or even exclusive basis and at favourable pricing and quantity terms; (iii) our ability to provide flexible and responsive logistics arrangements; and (iv) our ability to procure wine products in bulk, contribute to the appeal of our products among wine merchants in the wine industry in Hong Kong and enable us to compete effectively in the wine industry.

Seasonality

Our business and results of operations are subject to seasonal fluctuations. Historically, we experienced higher sales of wine products as a result of increased local consumption during holiday seasons such as Mid-Autumn Festival, Christmas, New Year and Chinese New Year. For further details, please refer to the sections headed “Risk Factors — Risks relating to our business — Our business, results of operations and financial condition may be affected by seasonality” and “Financial Information — Key factors affecting our results of operations — Seasonal fluctuations” in this prospectus.

Pricing policy

We strive to offer our wine products at prices comparable to our competitors in Hong Kong. In order to ensure the profitability of our business, we adopt a cost-plus approach in determining the pricing of our products. We make reference to, among other factors, (i) the procurement costs of the relevant wine products; (ii) our operational costs including staff costs and administrative expenses; (iii) the prevailing market prices of the relevant wine products as shown on www.liv-ex.com and www.wine-searcher.com; (iv) the market demand and rarity of the relevant wine products; (v) our inventory levels; (vi) historical sales performance of similar products; (vii) reviews by wine critics or grading by other industry authoritative magazines; (viii) the size, reputation and industry of the customers involved and (ix) the potential future business opportunities with the relevant customers. Our management reviews our pricing policy from time to time to ensure our selling prices remain competitive as compared to our competitors.

- (i) ***Pricing policy for wholesale:*** as our wholesale customers are engaged in the sales of wine products, and they (i) generally purchase wine products from us in bulk; (ii) are more likely to place orders from us repeatedly; and (iii) are in general more familiar with the procurement costs of different wine products available in the market, depending on the wine products they purchase, we generally price our products for wholesale customers by adding around 5% to 15% profit margin on top of our costs incurred or expected to be incurred.
- (ii) ***Pricing policy for retail:*** as our retail customers consist primarily of individuals who purchase our wine products for their own consumption or collection, and they (i) do not normally purchase wine products from us in bulk; (ii) are less likely to place orders from us repeatedly and (iii) are in general less familiar with the procurement costs of different wine products available in the market, depending on the wine products they purchase, we generally price our products for retail customers by adding around 15% to 25% profit margin on top of the costs incurred or expected to be incurred.

Our Directors consider our pricing policy will assist our Group to maintain our competitiveness and allow our Group to further enhance our leading position in the market. For detailed discussions of our profit margin during the Track Record Period, please refer to the section headed “Financial Information — Period-to-period comparisons of our results of operations” in this prospectus.

BUSINESS

CUSTOMERS

Most of our customers are wine merchants, wine collectors and high net worth individuals in Hong Kong and the PRC. For the years ended 31 March 2015, 2016 and 2017 and the three months ended 30 June 2017, we had 87, 124, 199 and 222 wholesale customers, respectively, and 156, 218, 330 and 368 retail customers, respectively. For the years ended 31 March 2015, 2016 and 2017 and the three months ended 30 June 2017, the revenue generated from our five largest customers accounted for approximately 45.1%, 36.3%, 21.1% and 26.4% of our total revenue, respectively, and the revenue generated from our single largest customer accounted for approximately 25.7%, 17.8%, 5.1% and 5.7% of our total revenue, respectively. The table below sets forth details of our five largest customers during the Track Record Period:

<u>Ranking</u>	<u>Customer</u>	<u>Principal place of business</u>	<u>Nature</u>	<u>Purpose of purchase</u>	<u>The calendar year in which the customer first started to have business relationship with our Group</u>	<u>Percentage of total revenue (approximately)</u>
<i>For the year ended 31 March 2015</i>						
1	Customer A	Hong Kong	A wine merchant in Hong Kong engaged in the sale of wine products in its ordinary business	Resale of products	2008	25.7%
2	Customer B ⁽¹⁾	Hong Kong	A wine merchant in Hong Kong engaged in the sale of wine products in its ordinary business	Resale of products	2014	6.6%
3	Customer C	PRC	An individual	Personal consumption and collection	2008	5.5%
4	Customer D	PRC	A wine merchant in the PRC engaged in the sale of wine products in its ordinary business	Resale of products	2014	3.8%
5	Customer E	Hong Kong	A wine merchant in Hong Kong engaged in the sale of wine products in its ordinary business	Resale of products	2013	3.5%
						<hr/> <hr/> 45.1%

BUSINESS

<u>Ranking</u>	<u>Customer</u>	<u>Principal place of business</u>	<u>Nature</u>	<u>Purpose of purchase</u>	<u>The calendar year in which the customer first started to have business relationship with our Group</u>	<u>Percentage of total revenue (approximately)</u>
<i>For the year ended 31 March 2016</i>						
1	Customer A	Hong Kong	A wine merchant in Hong Kong engaged in the sale of wine products in its ordinary business	Resale of products	2008	17.8%
2	Customer F	Hong Kong	A wine merchant in Hong Kong engaged in the sale of wine products in its ordinary business	Resale of products	2014	5.4%
3	Customer E	Hong Kong	A wine merchant in Hong Kong engaged in the sale of wine products in its ordinary business	Resale of products	2013	4.9%
4	Customer G	Hong Kong	A wine merchant in Hong Kong engaged in the sale of wine products in its ordinary business	Resale of products	2014	4.5%
5	Customer H	PRC	A wine merchant in the PRC engaged in the sale of wine products in its ordinary business	Resale of products	2015	3.7%
						<hr/> 36.3% <hr/>

BUSINESS

<u>Ranking</u>	<u>Customer</u>	<u>Principal place of business</u>	<u>Nature</u>	<u>Purpose of purchase</u>	<u>The calendar year in which the customer first started to have business relationship with our Group</u>	<u>Percentage of total revenue (approximately)</u>
<i>For the year ended 31 March 2017</i>						
1	Customer F	Hong Kong	A wine merchant in Hong Kong engaged in the sale of wine products in its ordinary business	Resale of products	2014	5.1%
2	Customer D	PRC	A wine merchant in the PRC engaged in the sale of wine products in its ordinary business	Resale of products	2014	4.8%
3	Customer I	Hong Kong	An individual	Resale of products	2015	4.5%
4	Customer E	Hong Kong	A wine merchant in Hong Kong engaged in the sale of wine products in its ordinary business	Resale of products	2013	3.5%
5	Customer J	PRC	A wine merchant in the PRC engaged in the sale of wine products in its ordinary business	Resale of products	2016	3.2%
						<hr/> <hr/> 21.1%

BUSINESS

<u>Ranking</u>	<u>Customer</u>	<u>Principal place of business</u>	<u>Nature</u>	<u>Purpose of purchase</u>	<u>The calendar year in which the customer first started to have business relationship with our Group</u>	<u>Percentage of total revenue (approximately)</u>
<i>For the three months ended 30 June 2017</i>						
1	Customer K	Hong Kong	A wine merchant in Hong Kong engaged in the sale of wine products in its ordinary business	Resale of products	2017	5.7%
2	Customer L	PRC	A wine merchant in the PRC engaged in the sale of wine products in its ordinary business	Resale of products	2017	5.6%
3	Customer F	Hong Kong	A wine merchant in Hong Kong engaged in the sale of wine products in its ordinary business	Resale of products	2014	5.5%
4	Customer M	PRC	An individual	Resale of products	2016	4.9%
5	Customer E	Hong Kong	A wine merchant in Hong Kong engaged in the sale of wine products in its ordinary business	Resale of products	2013	4.7%
						<u>26.4%</u>

Note:

- (1) Customer B was also our largest supplier (i.e. Supplier A) for the year ended 31 March 2015. For further details, please refer to the paragraph headed “— Overlapping Customers-Suppliers” in this section.

We have not entered into any long-term sales agreement, distributorship, franchising or consignment arrangement with any of our customers.

So far as is known to our Directors, none of our Directors or their respective close associates or our Shareholders who own more than 5% of our issued share capital had any interest in any of our top five customers during the Track Record Period.

Product Return

In general, we do not offer product returns or exchanges in respect of sold wine products as it is difficult to prove the returned products are the exact bottles bought from us and in the same condition. We may, however, at our absolute discretion, accept product returns or exchanges if (i) our customers have solid evidence to indicate that bottles were originally bought from us; and (ii) the relevant wine products are unopened, come from a vintage within the last ten years and sell for less than HK\$1,000 per bottle.

During the Track Record Period and up to the Latest Practicable Date, we did not record any product returns or recalls or requests for cash refund or exchange for wine products from our customers, and we were not involved in any product liability claim.

Wine merchant customers

Wholesale has been, and will continue to be, our business focus as we believe there is a strong demand for our wine products from medium and small scale wine merchants. According to Ipsos, the wine industry of Hong Kong is dominated by key market players, with the top five market players collectively contributing approximately 57.2% of the total market value for wine in Hong Kong in 2016, with the rest of the market being highly fragmented and shared by over 500 wine merchants. While the competition, in particular, among medium and small wine merchants, in the wine industry in Hong Kong is intense, over the years of our business operations, we have established a wide customer base consisting of a large number of medium and small scale wine merchants. For the years ended 31 March 2015, 2016 and 2017 and the three months ended 30 June 2016 and 2017, revenue generated from our wholesales contributed approximately 76.8%, 74.1%, 63.9%, 58.2% and 72.4%, respectively, of our total revenue for the respective periods. Based on our cost-plus pricing policy, the gross profit margin in respect of our wholesales to wine merchants generally ranges from 5% to 15%. For further details, please refer to the paragraph headed “— Sales and marketing — Pricing policy” in this section.

Notwithstanding that our wine merchant customers can procure directly from our suppliers, which are also wine merchants and may participate in various wine exhibitions and wine fairs, we believe the following factors, which contribute to the appeal of our products among wine merchants in the wine industry of Hong Kong, enable us to compete effectively in the wine industry in Hong Kong and charge a mark-up of 5% to 15% to our wine merchant customers:

- ***Our significant inventory level in Hong Kong:*** according to Ipsos, some wine merchants in Hong Kong, in particular those of medium and small scale, rely on just-in-time procurement and sourcing in order to minimise their inventory storing costs and procurement costs. Due to shorter product procurement lead times and logistical costs compared to purchasing the same wine products from overseas merchants or wine producers, they tend to procure the same available wine products from other local wine merchants and wine importers, such as our Group, in Hong Kong. As we are one of the

BUSINESS

few market players with a significant inventory level of quality wine products in Hong Kong, we believe we are able to bring the following benefits to our wine merchant customers and maintain our competitiveness in the wine industry in Hong Kong:

- (i) our extensive inventory of diverse and readily available wine products in Hong Kong, including a wide range of premium collectible wine products, facilitates medium and small wine merchant customers to carry on their business, given that maintaining diverse wine product offerings, and premium collectible wines in particular, is capital intensive and impractical for medium and small wine merchants. By purchasing wine products from us on an as needed basis, they are able to promptly meet the demand from their customers for wine products, and in particular, hard-to-find and expensive premium wine products, without the need to allocating a substantial amount of capital in maintaining a high inventory level;
 - (ii) our wine merchant customers are able to receive wine products that they order generally within two business days as our inventory is readily available in Hong Kong, as opposed to procuring wine products from overseas suppliers by wine merchant customers themselves which generally requires at least three business days;
 - (iii) our wine merchant customers are able to substantially reduce their transportation costs and thereby enhancing their profit margins as all purchases are made in Hong Kong, as opposed to purchasing wine products from overseas wine suppliers themselves where they generally need to incur higher transportation costs to deliver the products they procure to their place of business;
 - (iv) our wine merchant customers' exposure to transportation and storage risks is significantly reduced when they procure wine products from us, as opposed to procuring wine products from overseas wine suppliers, since the quality of wine products is susceptible to, among other things, temperature change, humidity and light. Wine products may deteriorate or be damaged or tampered with during the transportation and storage processes if our wine merchant customers themselves procure their wine products from overseas wine suppliers; and
 - (v) our wine merchant customers are able to conduct a physical examination of the appearance of our inventory products as they are readily available in Hong Kong before placing their purchase orders with us, as opposed to wine products which are sourced from overseas wine suppliers;
- ***Wine suppliers from time to time offer a wide range of wine products to our Group on a priority or exclusive basis, and we endeavour to achieve the most favourable pricing and quantity terms for every purchase of wine products:*** According to Ipsos, in view of the significant number of wine merchants in the Hong Kong wine industry, some overseas wine suppliers tend to offer their wine products to a selected group of active and major market players in Hong Kong on a priority basis before offering their wine

BUSINESS

products to other medium and small scale wine merchants. Certain wine suppliers may choose to offer their wine products to specific wine merchants on an exclusive basis in order to build up a good and long term relationship with them. Through our years of dealings in the wine industry, we have established a broad supplier network, consisting of approximately 512 wine suppliers as at 30 June 2017, including 150 suppliers with whom we conduct business on a regular basis. Benefiting from our broad supplier network and as a major market player in the wine industry in Hong Kong, we from time to time are approached by different wine merchants with offers of a wide range of wine products, including rare and highly sought-after wine products, on a priority or exclusive basis, as (i) we are able to settle most of our purchases by advance payments and therefore establish good and long term relationships with them; and (ii) we procure significant amounts of wine products, amounting to HK\$167.9 million, HK\$239.9 million, HK\$237.8 million and HK\$66.3 million for the years ended 31 March 2015, 2016 and 2017 and the three months ended 30 June 2017. Most notably,

- (i) many of our major suppliers, including each of our 15 largest suppliers during the Track Record Period, did offer to us wine products on a priority or exclusive basis. For the years ended 31 March 2015, 2016 and 2017 and the three months ended 30 June 2017, our 15 largest suppliers accounted for approximately 52.6%, 58.7%, 59.1% and 67.2% of our total purchases, respectively; and
- (ii) each of our five largest suppliers during the Track Record Period, accounted for approximately 31.9%, 33.6%, 26.0% and 42.5% of our total purchases for the years ended 31 March 2015, 2016 and 2017 and the three months ended 30 June 2017, respectively, has confirmed that they will continue to offer wine products to us on a priority or exclusive basis in the future.

The types of products made available to us on a priority or exclusive basis are decided by wine suppliers depending on the types of products available to them and their sale strategies, and therefore change from time to time. In the course of our dealing with wine suppliers in Hong Kong, our Directors are given to understand that wine suppliers tend to offer their higher-priced Premium Collectible Red Wine, including Château Lafite Rothschild, Château Margaux, Château Mouton Rothschild and Domaine de la Romanée-Conti, to major wine merchants in Hong Kong, including our Group, on a priority basis before offering to other medium and small scale wine merchants as such wine merchants do not generally have the capital resources to procure these wine products in bulk.

Our Directors are also given to understand that wine suppliers are willing to offer their rare and highly sought-after wine products to us on an exclusive basis so as to strengthen their business relationship with us. For example, (i) in June 2015, a wine supplier exclusively offered to us 168 bottles of Château Mouton Rothschild with vintages ranging from year 2001 to year 2008, and such wines were considered to be rarely available in the market in such quantity; and (ii) in June 2016, a wine supplier

BUSINESS

exclusively offered to us 28 bottles of Domaine de la Romanée-Conti with vintages ranging from year 1995 to year 1989, and such wines were regarded as rare and highly-sought after.

We constantly receive offers from our suppliers, including those offered to us on a priority or exclusive basis, and we endeavour to achieve the most favourable price and quantity terms for every purchase of wine products arising from such offers. We take into account various factors, including (i) seasonality; (ii) market trends and demands; and (iii) grades and reviews by wine critics, when we purchase wine products from our suppliers and such factors may change from time to time. Due to the uniqueness of wine products, the pricing and quantity terms for wine products are subject to, among other factors, the estates, vineyards, vintage, origins and varieties of the relevant wine products. Accordingly, the pricing and quantity terms of wine products we considered favourable at the time of purchase may or may not be applicable afterward.

As wine suppliers from time to time offer their wine products to our Group on a priority or exclusive basis, we are able to:

- (i) access rare and highly sought-after wine products on a priority basis, which in turn enable us to offer them to our customers before our competitors;
- (ii) access rare and highly sought-after wine products on an exclusive basis, which enable us to offer wine products to our customers which cannot be sourced from our competitors;
- (iii) identify the best procurement prices from the priority or exclusive offers provided to us, which in turn allows us to offer our products to our customers at lower price as compared our competitors; and
- (iv) obtain sufficient quantities of rare and highly sought after wine products, which are typically available to the market in small quantities, to meet the demand from our customers.

Leveraging our broad network of wine suppliers and considering the offers made available to us, including those wine products offered to us on a priority or exclusive basis, we are generally able to identify the best procurement prices available at the time of purchase and procure wine products in optimal quantities. Medium and small wine merchants are persuaded to procure wine products from us as we are able to offer them rare and highly sought-after wine products at favourable pricing and quantity terms;

- ***Our ability to provide flexible and responsive logistics arrangements:*** we have established our own logistics and warehouse management team, which enables us to provide flexible and responsive logistics arrangements and deliver wine products to

BUSINESS

places designated by our wine merchant customers in a more timely and cost efficient manner as compared with our competitors who do not themselves have their own logistics team; and

- ***Our ability to procure wine products in bulk:*** according to Ipsos, since well-known overseas wine négociants, chateaux, vineyards, and wineries tend to sell their wine products in bulk, purchasing wine products directly from these wine suppliers can be challenging for some wine merchants, in particular medium and small wine merchants, who maintain limited warehouse capacity and capital resources. Based on the following observations, we believe our warehouse capacity is larger than most of the medium and small scale wine merchants in Hong Kong:
 - (i) we were able to meet the demand for our wine products from our customers, including small and medium scale wine merchants, throughout the Track Record Period;
 - (ii) according to Ipsos, some wine merchants in Hong Kong, in particular those of medium and small scale, rely on just-in-time procurement and sourcing on an as needed basis in order to minimise their inventory storing costs and procurement costs, they are not required to maintain a large warehouse storing space; and
 - (iii) our warehouse has an aggregate area of 11,553 sq.ft. and can store up to 147,840 standard 750 ml bottles of wine products and other alcoholic beverages based on our estimation. We believe we have sufficient storage space to store wine products in bulk, as opposed to medium and small scale wine merchants who typically rely on just-in-time procurement and sourcing on an as needed basis.

Due to our warehouse capacity and capital resources, we are able to procure wine products from suppliers in bulk and enjoy their bulk purchase discounts while offering the relevant products to our wine merchant customers at a mark-up. We are also able to serve wine merchants looking to procure small quantities of wine products at a much shorter product procurement lead time.

Accordingly to Ipsos, it is not uncommon for medium and small scale wine merchants to procure wine products from each other, including large scale wine merchants in Hong Kong. In view of the aforementioned factors, we believe it is more cost-effective and time-efficient for our customers, in particular medium and small scale wine merchant customers, to purchase and source wine products from our Group rather than other small scale wine merchants in Hong Kong and overseas wine merchants, auction houses and wineries.

OVERLAPPING CUSTOMERS-SUPPLIERS

According to Ipsos, it is not uncommon in this industry for wine merchants to procure wine products from each other. It is also a feature of the wine industry for wine merchants to appear at various wine exhibitions and wine fairs as both sellers and buyers. This is because the wine-making process results in unique and limited volumes of wine products, which accordingly cannot be replenished once sold. As time goes by, the supply of each wine product in the market decreases as wine products are consumed, preserved and collected by wine collectors, or damaged in transit or by poor storage. In particular, vintage wine products produced by top vineyards and wineries may not be readily available in the open market, and wine merchants may face difficulties in procuring certain premium collectible wines. In addition, as the information on the number of premium collectible wines becomes private or limited over time, it becomes difficult to assess the availability of particular wine products, particularly premium collectible wines, for purchasing and selling in the market. Accordingly, it is an industry norm for wine merchants to procure wine products from each other.

During the Track Record Period, there were 43 Customers-Suppliers, i.e. these are our customers as well as our suppliers, consisting of (i) 42 local and overseas wine merchant Customers-Suppliers and (ii) one individual Customer-Supplier. The wine products we sold to and purchased from these 43 Customers-Suppliers during the Track Record Period were similar to those we sold to and purchased from other non-overlapping customers and suppliers, and consisted primarily of Premium Collectible Red Wine or Fine Red Wine, including the premier cru in Bordeaux, namely Château Lafite Rothschild, Château Margaux and Château Mouton Rothschild, and some of the grand cru in Burgundy, namely Domaine de la Romanée-Conti, Domaine Henri Mayer and Domaine Leroy. As the products we procured from Customers-Suppliers were different from the products we sold to them, the product price ranges in respect of our procurement from, and sale to, the Customers-Suppliers were different. During the Track Record Period, the purchase price we paid to these 43 Customers-Suppliers for product procurement primarily ranged from approximately HK\$700 to HK\$388,000 per bottle, and the selling price for the sales of our products to these 43 Customers-Suppliers primarily ranged from approximately HK\$645 to HK\$227,000 per bottle.

To the best knowledge, information and belief of our Directors, the individual Customer-Supplier is a wine collector in Hong Kong with an extensive product portfolio of Premium Collectible Red Wine in the personal cellar of this individual Customer-Supplier. The products we sold to and purchased from this individual Customer-Supplier were all Premium Collectible Red Wine and consisted primarily of the premier cru in Bordeaux, namely Château Lafite Rothschild, Château Margaux and Château Mouton Rothschild with cellaring period ranging from 2001 to 2013. Out of our 43 Customers-Suppliers, one Customer-Supplier was our second largest customer for the year ended 31 March 2015, i.e. Customer B, as well as our largest supplier for the year ended 31 March 2015, i.e. Supplier A (the “**Major Wine Merchant Customer-Supplier**”).

BUSINESS

There were 241 wine bottles which we purchased on 8 June 2016 from a Customer-Supplier, i.e. Supplier D, who was our fourth largest supplier during the year ended 31 March 2015 and the three months ended 30 June 2017, were subsequently sold to the same Customer-Supplier on 18 June 2016 at an average gross profit margin of 17.6%. The 241 wine bottles we procured from Supplier D were within the price range of HK\$567 to HK\$7,365 per bottle and consisted primarily of Domaine de la Romanée-Conti and Lafite Rothschild branded Cognac from France with long cellaring period from 1984 to 1995. We procured these 241 wine bottles in one go as we believed that there was a strong demand for these wine products as they were rare and not readily available in the wine industry in Hong Kong at the time of purchase. Our Directors have confirmed that we did not identify any potential buyers for the 241 bottles at the time when we acquired them from Supplier D. We sold the same lot of 241 wine bottles back to Supplier D at the specific request of Supplier D. To the best knowledge, information and belief of our Directors, Supplier D repurchased the same lot of wine products sold to us as they identified a potential customer at the relevant time to acquire these wine products at higher margins. To the best knowledge, information and belief of our Directors, Supplier D sold the 241 wine bottles procured from our Group to its customer on 24 June 2016 and achieved a gross profit margin of approximately 5% from that sale. During the year ended 31 March 2017, the purchases of these 241 bottles of wine products accounted for approximately 0.3% of our total purchases for the same period, and the sales of these 241 bottles of wine products accounted for approximately 0.4% of our total revenue for the same period.

Save for these 241 wine bottles, to the best knowledge, information and belief of our Directors, our Directors have confirmed that we did not sell the same lot of wine products procured from any Customers-Suppliers back to the Customers-Suppliers during the Track Record Period and up to the Latest Practicable Date. Our Directors have confirmed that all of our sales to and purchases from our Customers-Suppliers during the Track Record Period (i) were incidental transactions, were not inter-conditional, related or otherwise considered as one transaction; and (ii) we did not identify any potential buyers at the time when we acquired the relevant wine products from the Customers-Suppliers during the Track Record Period.

To the best information and knowledge of our Directors, all of our Customers-Suppliers are Independent Third Parties and none of our Group's Customers-Suppliers has any past or present relationships with our Group, Shareholders, Directors, senior management, employees or their respective associates during the Track Record Period and up to the Latest Practicable Date.

BUSINESS

The table below sets forth the total sales and total purchases attributable to our 43 Customers-Suppliers for the periods indicated:

	For the year ended			For the three
	31 March			months ended
	2015	2016	2017	30 June
	(HK\$'000)	(HK\$'000)	(HK\$'000)	2017
				(HK\$'000)
Sales to Customers-Suppliers				
Gross cash inflow derived from these sales	47,672	65,298	40,606	8,609
Revenue	47,996	67,251	47,989	10,300
Percentage of our Company's total revenue	23.4%	27.5%	17.0%	15.1%
Cost of sales	43,303	58,269	43,026	9,255
Percentage of our Company's total cost of sales	24.4%	27.6%	17.6%	15.6%
Average gross profit margin	9.8%	13.4%	10.3%	10.1%
Purchases from Customers-Suppliers				
Gross cash outflow relating to these purchases	48,052	63,158	36,358	12,649
Purchases	48,052	63,199	36,404	12,685
Percentage of our Company's total purchases	28.6%	26.3%	15.3%	19.1%

Our Directors confirmed that all of our sales to our Customers-Suppliers were conducted in the ordinary course of business under normal commercial terms and on arm's length basis. Our Directors confirmed that all of our purchases from our Customers-Suppliers were (i) entered into after due consideration taking into account the prevailing purchase and selling prices at the relevant time; (ii) conducted in the ordinary course of business under normal commercial terms and on arm's length basis and (iii) at prices that are no less favourable than those charged by other Independent Third Parties who are not Customers-Suppliers.

Our Directors have further confirmed that, if we procure and sell the same wine products to the same party after the Listing, we will disclose the key terms of the relevant transactions in the annual report of the relevant financial year after the Listing. The key terms to be disclosed will include (i) the total revenue and purchases attributable to the relevant transactions; and (ii) whether the transactions are inter-conditional and conducted in our ordinary course of business under normal commercial terms and on arm's length basis.

Major Wine Merchant Customer-Supplier

The Major Wine Merchant Customer-Supplier is our second largest customer, i.e. Customer B, and our largest supplier, i.e. Supplier A, for the year ended 31 March 2015. For the years ended 31 March 2015, 2016 and 2017 and the three months ended 30 June 2017, the total revenue attributable to the Major Wine Merchant Customer-Supplier amounted to HK\$13.6 million, HK\$3.4 million, nil and nil, respectively, representing approximately 6.6%, 1.4%, nil and nil of our total revenue for the respective periods. For the years ended 31 March 2015, 2016 and 2017 and the three months ended 30 June 2017, the total purchase attributable to the Major Wine Merchant Customer-Supplier amounted to HK\$12.1 million, HK\$3.6 million, HK\$5.3 million and nil, respectively, representing approximately 7.2%, 1.5%, 2.2% and nil of our total purchase for the respective periods.

To the best information and knowledge of our Directors, the Major Wine Merchant Customer-Supplier is an Independent Third Party which does not have any past or present relationships with our Group, Shareholders, Directors, senior management, employees or their respective associates during the Track Record Period and up to the Latest Practicable Date.

PRODUCT PORTFOLIO MANAGEMENT

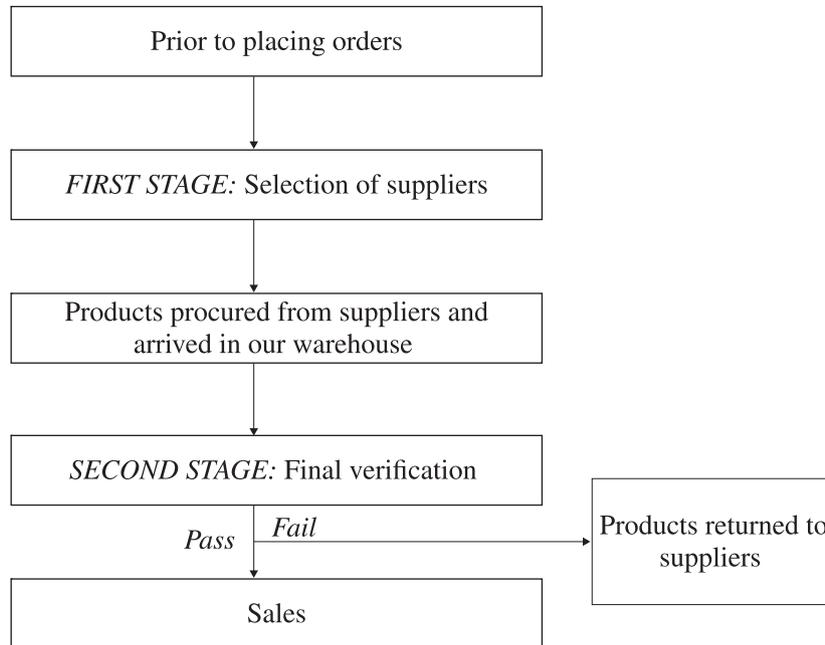
We adopt prudent product portfolio management measures covering (i) quality control; (ii) logistic and warehousing and (iii) inventory control. These measures contributed significantly to our business growth during the Track Record Period and keep us at the forefront of the wine industry in Hong Kong.

Quality control

We believe the origin of wine is of great importance because it affects the quality and selling price of the wine. As such, we have adopted and adhere to a two-stage quality control system comprising (i) strict selection processes for our suppliers, conducted by our quality control team, prior to placing orders for wine products and/or other alcoholic beverages; and (ii) final verification and multiple physical inspections of the physical appearance of the products based on their labelling, wine level, sealing and overall packaging, which verification is conducted by our quality control team on the arrival of wine products and/or other alcoholic beverages at our warehouse.

Two-stage quality control system

The following flowchart sets out the process of our two-stage quality control system immediately before selling our wine products to our customers:



Our two-stage quality control system is mainly conducted by the members of our quality control team. As at the Latest Practicable Date, our quality control team comprised five members. The entire inspection process is monitored by our two executive Directors, namely Ms. Shirley Wong and Mr. Chan Sze Tung.

First Stage: Selection of suppliers

Due to the nature of consumable products, it is not feasible for us to arrange sampling or tasting inspections to discern the quality of the procured wine products and other alcoholic beverages before procurement. As such, we ensure the credible provenance of our wine products by careful selection of suppliers. In identifying suitable suppliers, we typically assess (i) their reputations for product quality and stability of supply; (ii) history of operations; (iii) our past dealings with them; (iv) their business scale; (v) overall reputations; (vi) ability to procure delivery on a timely basis; (vii) product portfolio; (viii) product availability and (ix) promotions offered by the suppliers. We choose our suppliers based on, among other things, (i) their reputation in the wine industry; (ii) their years of experience in the wine industry; and (iii) the types and quality of their product portfolio:

- (i) ***Reputation***: we meet most of our suppliers at various wine exhibitions and wine fairs such as the Hong Kong International Wine & Spirits Fair and Vinexpo, to which reputable market players in the wine industry are invited. In addition, some of our suppliers are well-known négociants in major wine regions in the world.

BUSINESS

- (ii) ***Years of experience:*** our internal policies restrict us from sourcing wine products from suppliers with less than five years of experience in the industry, unless such suppliers are introduced to us by referrals, or the ultimate beneficial owners of such suppliers have no less than five years of experience in the industry.
- (iii) ***Types and quality of wine products for sale:*** in order to maintain our comprehensive product portfolio, we tend to select suppliers that can offer us a variety of quality wine products.

Second Stage: Final verification

Upon receipt of wine products and/or other alcoholic beverages from our suppliers, our quality control team examines the physical appearance of the products based on their labelling, wine level, sealing and overall packaging. We may request for refund or discount on the defective products from our suppliers.

We believe that our two-stage quality control inspections are effective at minimising the risk of procuring and sourcing wine products without a credible origin, despite the fact that we may from time to time procure products from suppliers with a short business relationship.

During the Track Record Period and up to the Latest Practicable Date, we did not receive any material claims or complaints from our customers in respect of the quality or provenance of our products.

Defective products from our suppliers

We may request for refund or discount on the defective products from our suppliers. During the inspection process, if our quality control team considers the product to be defective for any reason such as defective labelling, inadequate wine level, broken-seals or unacceptable overall packaging and appearance, they will liaise with the relevant suppliers informing them of such defects with supporting photographs, and arrange for return and refund of the defective products. We may also choose to request for a discount on the defective products instead of returning the products to our suppliers if the costs associated with the return of such products are too high.

As at the Latest Practicable Date, our quality control team consisted of a combination of one member from logistics and warehouse management team, two members from purchasing team and two members from sales and marketing team. At least two members of our quality control team possess WSET awards level three (Advanced certificate in wines and spirits) and two members possess WSET awards level two (Intermediate certificate in wines and spirits). During the Track Record Period and up to the Latest Practicable Date, we did not experience any material damages, deterioration or contamination of our wine products and other alcoholic beverages in the course of our product transportation and storage processes. For further details, please refer to the section headed “Risk Factors — Risks relating to our business — Our operations are subject to certain risks associated with the transportation processes and storage conditions of our wine products” in this prospectus.

Logistics and warehousing***Logistics***

The wine products and/or other alcoholic beverages that we purchased from our overseas suppliers are delivered to us at our own costs and risks. We arrange logistics service providers for the pick up and delivery of the products that we purchased from our overseas suppliers to our warehouse in Hong Kong. We assume the risks and liabilities of the products once our logistics service providers collect the products from our suppliers. To ensure the quality of the wine products and other alcoholic beverages during the transportation process, we generally arrange the transport of our products by air to reduce transportation time and the potential risks of damages during transportation. We from time to time arrange for the transport of our products by sea if our management considers that the purchase order does not justify the high costs of air transport. In order to minimise delivery costs, we group our overseas purchases of wine products into as few shipments as possible. The head of our purchasing team will determine on a case-by-case basis on whether to purchase insurance for the transport of our products from our overseas suppliers to us. 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.

For the wine products and/or other alcoholic beverages that we purchased from the suppliers in Hong Kong, we pick up from the suppliers or the suppliers deliver to us the purchased products, depending on the prior arrangement.

To ensure cost-effective and timely delivery, we use our own vehicles and drivers to transport the wine products and/or other alcoholic beverages from our warehouse to our retail store or addresses designated by our customers in Hong Kong. In respect of products that are collected by our customers personally at our warehouse and retail store, we have no liability to our customers once they collect the products at our warehouse or retail store. As to products that are delivered to our customers, we transfer the risks and liabilities to our customers when the products are delivered to the designated addresses in Hong Kong. During the Track Record Period, we had not faced any material disruption in the delivery of our products and we had not suffered any loss or paid any compensation as a result of delays in delivery.

Warehousing

Most of our wine products and other alcoholic beverages are stored at a leased warehouse located at San Po Kong, which is currently maintained and managed by our logistics and warehouse management team. Our warehouse is equipped with temperature and humidity control systems to maintain an optimal storage condition with a temperature between 13 to 22 degrees Celsius and humidity levels of above 50% for the preservation of quality of our wine products and other alcoholic beverages. It is also fitted with insulation on the floor and ceilings to protect our stored products and other alcoholic beverages from direct sunlight and incandescent light. To quickly identify any error or mistake and minimise any loss arising therefrom, our logistics and warehouse management staff monitors and records the temperature and humidity levels of the warehouse

BUSINESS

multiple times a day. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material damages, deterioration or contamination of wine products due to improper storage.

Our Directors consider that it is in our best interests to store our high value wine products at our leased warehouse rather than at internationally recognised external warehouses as (i) we believe the storage facilities of our leased warehouse, including the temperature and humidity control systems, are up to the generally accepted industry standards and as good as those of internationally recognised external warehouses; (ii) it is more cost effective for us to store our inventory at our leased warehouse as external warehouses typically charge their clients based on the number of bottles stored and for each stock-in and stock-out; (iii) our suppliers are able to deliver their wine products to our leased warehouse for quality control inspection, which would be inefficient and expensive to perform at external warehouses; and (iv) our wine products may be spoiled, tampered with or deteriorate during transportation between our leased warehouse and external warehouses since wine products are susceptible to their storage environment and may be affected by various factors including humidity, temperature, vibration and light, all of which may occur during transportation.

Our warehouse has so far provided sufficient storage capacity to support us in compiling and maintaining our existing product portfolio. For the years ended 31 March 2015, 2016 and 2017 and the three months ended 30 June 2016 and 2017, the utilisation rates of our warehouse were approximately 73.8%, 98.0%, 74.4%, 90.1% and 90.8%, respectively. For the years ended 31 March 2015, 2016 and 2017 and the three months ended 30 June 2016 and 2017, we stored 109,144 bottles, 144,814 bottles, 109,995 bottles, 133,148 bottles and 134,269 bottles of wine products and other alcoholic beverages on average at the warehouse, respectively. The table below sets forth the calculation basis of our utilisation rates:

	<u>Average number of bottles⁽¹⁾</u>	<u>Estimated maximum storage capacity⁽²⁾</u>	<u>Utilisation rate⁽³⁾</u>
	(Bottles)	(Bottles)	(%)
For the year ended 31 March 2015	109,144	147,840	73.8
For the year ended 31 March 2016	144,814	147,840	98.0
For the year ended 31 March 2017	109,995	147,840	74.4
For the three months ended 30 June 2016	133,148	147,840	90.1
For the three months ended 30 June 2017	134,269	147,840	90.8

Notes:

- (1) The average number of bottles is calculated by using the mean of the monthly average number of bottles for the respective periods. The monthly average number of bottles refers to the average of the opening and closing inventory of each month.

BUSINESS

- (2) In calculating the estimated maximum storage capacity of our warehouse, we have made the following assumptions:
- Out of the saleable area of our warehouse of 10,316 sq.ft., the total gross floor area which is available for storage purposes is 2,892 sq.ft. after deducting (i) sufficient space for passageways between storage compartments of 6,800 sq.ft. for the safe and efficient operation of forklifts and (ii) administration offices, a toilet and other miscellaneous areas of 624 sq.ft.;
 - The maximum height to which wine products and other alcoholic beverages can be stacked in our warehouse is 2.2 metres; and
 - The wine products and other alcoholic beverages stored in our warehouse are standard 750 ml bottles.
- (3) The utilisation rates were calculated by dividing the average number of bottles during the relevant years by the estimated maximum storage capacity.

We experienced fluctuations in the inventory levels of our warehouse, as (i) we from time to time source wine products from our suppliers in bulk in order to enjoy bulk purchase discounts; (ii) our wholesale customers normally purchase wine products from us in bulk; (iii) we group our overseas purchases of wine products into as few shipments as possible in order to minimise delivery costs; and (iv) the number of bottles purchased will be lower when we source more high-value products in accordance with the product procurement budgets.

The utilisation rate of our warehouse decreased from approximately 98.0% for the year ended 31 March 2016 to approximately 74.4% for the year ended 31 March 2017. This decrease was mainly due to the increase in the sales volume of (i) our Fine Red Wine from 140,654 bottles for the year ended 31 March 2016 to 283,732 bottles for the year ended 31 March 2017; and (ii) our other alcoholic beverages from 19,538 bottles for the year ended 31 March 2016 to 84,354 bottles for the year ended 31 March 2017.

The utilisation rate of our warehouse remained relatively stable and accounted for approximately 90.1% and 90.8% for the three months ended 30 June 2016 and 2017, respectively

As at the Latest Practicable Date, we had 136,046 bottles of wine products and other alcoholic beverages in our warehouse, accounting for approximately 92.0% of the estimated maximum storage capacity of our warehouse. As at the Latest Practicable Date, we had purchased over 15,000 bottles of wine products and other alcoholic beverages, which are expected to substantially increase the utilisation rate of our warehouse upon their arrival.

To safeguard our inventory, we have installed a security system which includes 24-hour surveillance, burglar alarm and restricted access to only a limited number of staff at our warehouse. Our logistics and warehouse management staff monitors and records visitors' information before they enter our warehouse on a daily basis. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material loss due to inappropriate storage of our products and we had not encountered any material theft, misappropriation, embezzlement or loss of cash or inventories.

Logistics and warehouse management team

Due to the growth of our business prior to June 2015, we considered that it was in the best interest of our Group to enhance our logistics and warehouse management capabilities. In this regard, for the period between June 2015 and June 2016, we engaged a third party logistics and warehouse management service provider to manage our logistics arrangements and maintain our leased warehouse at San Po Kong with a view to enhancing our logistics and warehousing operation system. To the best knowledge and information of our Directors, this service provider was a Hong Kong company incorporated in 2001 and specialised in the provision of, among others, logistics and warehousing services, which currently has more than 500 employees and 100 vehicles. The service fee payable by us to this service provider was determined based on the number of staff assigned to work for us, together with an overall management fee. During the years ended 31 March 2016 and 2017, the total amount of service fees we paid to this service provider amounted to HK\$1.4 million and HK\$0.4 million, respectively.

In view of the logistics and warehouse management experience we acquired from this service provider and in order to better control our logistics and warehouse management expenses, we ceased to engage the service provider upon expiry of the relevant service agreement in June 2016. As a result of this change, we recorded a significant decrease in logistics and warehouse management expenses from HK\$2.5 million for the year ended 31 March 2016 to HK\$0.9 million for the year ended 31 March 2017, and from HK\$0.6 million for the three months ended 30 June 2016 to approximately HK\$49,000 for the three months ended 30 June 2017. After the expiry of the service agreement, we recruited some of the members of the then service provider so as to ensure our logistics and warehouse management team possessed the requisite skills and experience to handle our logistics arrangements and maintain our leased warehouse. As at the Latest Practicable Date, one of our total five logistics and warehouse management team members was recruited from the then service provider. Our logistics and warehouse management team has been led by our executive Director, Mr. Chan Sze Tung, since April 2013. For further details of his personal profile, please refer to the section headed “Directors, Senior Management and Employees — Directors” in this prospectus.

Inventory control

Our primary objective is to ensure that we maintain a sufficient inventory level of wine products, in particular those prestigious, rare and highly sought-after wine products to satisfy the anticipated demand of customers. As at 30 June 2017, we stored 72,367 bottles of wine products amounting to HK\$81.6 million and 12,326 bottles of other alcoholic beverages amounting to HK\$9.0 million in our warehouse, retail store and showroom.

Inventory management

We have adopted a set of operational guidelines to regulate our inventory management. We store our own inventories and the wine products of our customers in separate compartments at our warehouse. To facilitate inventory management and to monitor the inventory movements, we require our purchasing staff to input all relevant product details, such as the brand, description,

BUSINESS

vintage, volume, region, category, unit and net cost to our electronic inventory database at the procurement stage, and our sales staff to input sales information, including types and quantity of products sold, price, payment information and delivery information at the time of the sales. Furthermore, our logistics and warehouse management staff conducts weekly random stock-take and annual full stock-take to ensure the accuracy of our inventory records. By doing so, we are able to identify slow-moving products and adopt marketing strategies to accelerate the sales of such products.

Inventory turnover days

For the years ended 31 March 2015, 2016 and 2017 and the three months ended 30 June 2017, our inventory turnover days were 131.3 days, 126.9 days, 127.7 days and 133.5 days, respectively. For further details, please refer to the section headed “Financial Information — Selected items of combined statements of financial position — Inventories” in this prospectus.

Policy for inventory provisions

Our Directors considered the implementation of a rigid inventory provision policy inappropriate in light of the nature of wine products and other alcoholic beverages. According to Ipsos Report, the market prices of wine products increase with age and vintage. As the value and quality of wine products will be affected by the cellaring period, it is not uncommon that wine products of an older vintage are more expensive than wine products of a relatively newer vintage.

At the end of each year, we will identify and provide allowance for inventories which our Directors consider appropriate, taking into account various factors such as (i) the costs of procurement, (ii) the recent selling prices for similar products and (iii) the market demand. If there is indication that the net realisable value of inventories has fallen below the cost, we will determine the net realisable value of the relevant inventories with reference to aforementioned factors and provide for the shortfall accordingly. Otherwise, we will continue to account for our inventory at cost as required by HKAS and our accounting policy. During the Track Record Period and up to the Latest Practicable Date, notwithstanding we had maintained wine products with long cellaring periods, old vintages or long aged at our inventories, we had not made any provision of allowance in respect of any of our Group’s inventories since there had not been any indication that the net realisable value of inventories fell below their respect costs of procurement. For further details, please refer to the section headed “Financial Information — Selected items of combined statements of financial position — Inventories” in this prospectus.

COMPETITION

According to the Ipsos Report, the wine industry in Hong Kong has experienced continuous robust growth since the abolishment of import tax duties on wine in 2008, resulting in an approximately 81.8% sales growth from 2008 to 2016. In 2016, the total market value of the wine industry in Hong Kong amounted to HK\$3,108.8 million, and the total market value of premium collectible wine in Hong Kong amounted to HK\$912.8 million.

BUSINESS

The wine industry in Hong Kong is very competitive. As the wine hub in Asia, there are a large number of domestic and international market players who offer wine products similar to us. In addition, recently, the PRC government has launched a series of anti-corruption campaigns and reforms, which include restricting (i) the civil servants of the PRC from using public funds on gifts and social activities; (ii) the receiving or provision of gifts to civil servants in the PRC; and (iii) ostentatious and extravagant behaviour. As some of our customers are wine merchants operating in the PRC, the demand from our PRC customers may be deferred by such anti-corruption campaigns and reforms, which in turn could materially and adversely affect our business and result of operations. For further details, please refer to the section headed “Risk Factors — Risks relating to our business — The series of anti-corruption campaigns and reforms launched by the PRC government may adversely affect the sales of our wine products” in this prospectus.

According to the Ipsos Report, the wine industry in Hong Kong is dominated by key market players, where the top five players collectively accounted for approximately 57.2% of the total market value in 2016. We ranked sixth among all wine sellers in Hong Kong in terms of revenue in 2016, accounted for approximately 8.5% of the total market share of the wine industry in Hong Kong, and approximately 28.9% of the market share for the premium collectible wine segment.

EMPLOYEES

As at the Latest Practicable Date, we had a total of 35 employees. The table below sets forth a breakdown of our employees by function as at the Latest Practicable Date:

<u>Function</u>	<u>Number of employees</u>
Management	6
Finance and accounts	4
Purchasing	3
Logistics and warehouse management	4
Human resources and administration	6
Sales and marketing	11
Internal control	<u>1</u>
Total	<u><u>35</u></u>

Our standard remuneration package includes base salary, discretionary bonuses 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 of our staff costs during the years ended 31 March 2015, 2016 and 2017 and the three months ended 30 June 2017 were HK\$4.3 million, HK\$5.1 million, HK\$7.5 million and HK\$2.2 million, respectively, out of which HK\$0.9 million, HK\$1.5 million, HK\$4.3 million and HK\$1.2 million were included in selling and distribution expenses, and the remaining staff costs of HK\$3.4 million, HK\$3.6 million, HK\$3.3 million and HK\$1.0 million were included in

BUSINESS

administrative expenses. The increase in our staff cost from HK\$5.1 million for the year ended 31 March 2016 to HK\$7.5 million for the year ended 31 March 2017 was primarily due to (i) an increase in the headcount of our sales team from 10 members as at 31 March 2016 to 13 members as at 31 March 2017 in order to cope with the expansion of our wholesales and retail sales; (ii) an increase in the staff costs of our logistics and warehouse management team due to the cease of our engagement with a third party logistics and warehouse management service provider, details of which have been set forth in the paragraph headed “Product portfolio management — Logistics and warehouse management team” in this section; and (iii) the salary increments of our sales team and logistics and warehouse management team during the year ended 31 March 2017. For further details, please refer to the section headed “Financial Information” in this prospectus.

Staff training

We provide induction programmes and continuous regular trainings to our employees to enhance their industry 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 maintain high quality customer services provided to our customers. We also arrange training sessions with our suppliers to further enhance our employees’ product knowledge on selected wine and spirits products.

Labour disputes

During the Track Record Period and up to the Latest Practicable Date, we did not experience any labour disputes with our employees that resulted in any material disruptions to our business and results of operations.

INSURANCE

As at the Latest Practicable Date, our insurance coverage included, among others, risks insurance in respect of the stocks in our warehouse and retail store, employees’ compensation insurance against employer’s liability arising under the Employees’ Compensation Ordinance or at common law, medical insurance for all of our full-time employees and motor vehicle insurance for our motor vehicles. We had not maintained any product liability insurance in Hong Kong during the Track Record Period. Our Directors are of the view that we have maintained insurance as required by the relevant applicable laws in Hong Kong. To the best knowledge of our Directors, there is no prevailing industrial practice on the type of insurance to be maintained. Our Directors will review our insurance policies and insurance coverage from time to time to ensure our insurance coverage remain adequate in light of our business growth.

During the Track Record Period, we had not received any material claims from customers relating to any liability in relation to our products. For further details, please refer to the section headed “Risk Factors — Risks relating to our business — We do not have product liability insurance and may not be adequately protected from any product liability claim and/or potential loss” in this prospectus.

BUSINESS

HEALTH, WORK SAFETY, SOCIAL AND ENVIRONMENTAL MATTERS

During the Track Record Period and up to the Latest Practicable Date, we had not come across any material non-compliance issues in respect of any applicable laws and regulations on environmental protection, and work safety or any complaints from the employees, customers or the public in respect of work safety and health issues relating to our operations. Our Directors are of the view that there are no environmental and safety laws and regulations which may affect the provision of our wholesale, retail and other wine related services in any material respect and that our operations are in compliance with the applicable laws and regulations of Hong Kong in all material respects.

PROPERTIES

All of our operations are carried out on leased premises from Independent Third Parties and we did not own any real property as at the Latest Practicable Date. The table below sets forth a summary of the leased properties during the Track Record Period and as at the Latest Practicable Date:

No.	Usage	Location	Term	Tenancy period	Monthly rental (HK\$)	Gross floor area (sq.ft.)
1.	Retail store	Shop D, G/F, Kam Fung Mansion, 59–61 Bonham Road, Mid Level West, Hong Kong	Five years	15 September 2017– 14 September 2022	30,000 ⁽¹⁾	350
2.	Warehouse	Block F, 4/F, Wah Hing Industrial Mansions, 36 Tai Yau Street, San Po Kong, Kowloon	Five years	1 April 2015– 1 April 2020	77,000	11,553
3.	Head office	26/F, AIA Financial Centre, 712 Prince Edward Road East, Kowloon	Three years	16 August 2016– 15 August 2019	236,980	11,849

Note:

⁽¹⁾ Pursuant to the relevant tenancy agreement, the monthly rental of our retail store will be increased from HK\$30,000 to HK\$32,000 after 15 September 2018, and be further increased to HK\$34,000 after 15 September 2020 until the expiry of the tenancy agreement on 14 September 2022.

Our Directors confirm that all our current leases were negotiated on an arm's length basis with reference to the prevailing market rates. Our Directors have confirmed that we had complied with all the applicable laws and the relevant use restrictions in respect of our leased properties in all material respects as at the Latest Practicable Date.

INTELLECTUAL PROPERTY

We recognise the importance of protecting our intellectual property rights and we have registered or are in the process of registering the trademarks and domain names used by our Group in the course of our business in Hong Kong. Our Directors believe that we have taken all appropriate measures to protect our intellectual property rights. During the Track Record Period and up to the Latest Practicable Date, we had not been aware of any pending or threatened claims against us, nor had any claim been made by us against third parties, with respect to the infringement of any intellectual property rights owned by us or by third parties. For further detail on our registered trademarks and domain names, please refer to the section headed “Statutory and General Information — B. Further information about the business of our Group — 2. Summary of intellectual property rights of our Group” in Appendix IV to this prospectus.

LEGAL PROCEEDINGS AND REGULATORY MATTERS

Our business operations are subject to various laws and regulations in Hong Kong. For further details, please refer to the section headed “Laws and Regulations” in this prospectus. As confirmed by our Directors, we had been in compliance with the applicable laws, rules and regulations in Hong Kong, which are material to our business and operation during the Track Record Period.

Licences and permits

The sale and distribution of wine products, other alcoholic beverages and wine accessory products are not licensed activities in Hong Kong. Save for a valid business registration certificate issued by the IRD and registration as food importer and food distributor under the Food Safety Ordinance (Chapter 612 of the Laws of Hong Kong), we are not required to obtain or maintain any other licences, permits, approvals or registrations to conduct our business in Hong Kong. During the Track Record Period and as at the Latest Practicable Date, we had obtained valid business registration certificates to conduct our business and operations in Hong Kong.

Legal proceedings

During the Track Record Period and up to the Latest Practicable Date, we had not been involved in any legal proceedings, investigations and claims and we had not been aware of any pending or threatened litigation or arbitration proceedings against any member and Directors of our Group.

INTERNAL CONTROL AND CORPORATE GOVERNANCE

It is the responsibility of our Board to ensure that we maintain sound and effective internal controls to safeguard our Shareholders’ investment and our Group’s assets at all times. In preparation for the Share Offer, we engaged an internal control consultant to perform certain procedures between 29 February 2016 and 11 March 2016 in respect of our internal control. Follow-up review work was performed between 13 June 2017 and 20 June 2017. Upon completion

BUSINESS

of such procedures, the internal control consultant provided us with a number of findings and the relevant recommendations, which we have adopted in full. The table below sets forth the major findings and recommendations from the internal control consultant:

<u>Major findings</u>	<u>Recommendations and action plans</u>
The internal audit function was not established and there is a risk that internal controls breakdowns cannot be timely detected and remedied	We will establish an internal audit function, which will involve a mechanism in monitoring our internal controls system after the Listing. This internal audit function is independent from and will report directly to our audit committee.
There was no formal risk management mechanism established to identify and analyse the exposure of internal and external risks that our Company faces	Policies and procedures in relation to a formal risk assessment and management mechanism have been drafted, and they will be formally approved and adopted by us upon the Listing.
There is no formal mechanism including policies and procedures that are established to deal with the relevant GEM Listing Rules requirements in relation to, among others, our Directors' dealing in our Shares, handling and monitoring of inside information and compliance with the Corporate Governance Code in Appendix 15 to the GEM Listing Rules	Policies and procedures regarding the handling and monitoring of compliance with the relevant GEM Listing Rules have been drafted and they will be formally approved and adopted by us upon the Listing.

In particular, we have adopted a series of internal control policies, procedures and programs designated to achieve effective and efficient operations, reliable financial reporting and compliance with applicable laws and regulations. Highlights of our internal control system include the following:

- ***Internal Audit:*** we put in place the internal audit charter that clearly states the objectives, organisation, roles and responsibilities, working scope and procedures of our internal audit function. We have recruited an internal control manager who is responsible for internal auditing and execution of anti-corruption and anti-bribery measures. The internal control manager reports to our senior management and the audit committee;
- ***Compliance with GEM Listing Rules and relevant laws and regulations:*** we will continue to monitor our compliance with relevant laws and regulations and our management will work closely with our employees to implement actions required to

BUSINESS

ensure our compliance with relevant laws and regulations. We will also continue to arrange various trainings to be provided by external Hong Kong legal advisers to our Directors and senior management on the GEM Listing Rules, including but not limited to aspects relating to corporate governance and connection transactions;

- **Employee handbook:** employee handbook has been established by our management to define our code of conduct, integrity and ethical values. Our employee handbook has been distributed to and acknowledged by each of our staff; and
- **Conflict of interests:** mechanisms for our employees to declare conflict of interests have been established in our internal control policy. All of our employees shall fill in a prescribed declaration form to declare any potential conflict of interest and submit to our management.

Historically and up to the Latest Practicable Date, none of the members of our Group had experienced any dispute involving the respective Shareholders, or among themselves. Our Directors believe that we had implemented adequate corporate governance measures to protect the interests of our Shareholders.

RISK MANAGEMENT

The ultimate goal of our risk management process is to bring focus and effort to the issues in our business operations that create impediments to our success. Our risk management process starts with identifying the major risks associated with our business, industry and market in the ordinary course of our business. For further details of our risks, please refer to the sections headed “Risk Factors” and “Financial Information — Quantitative and qualitative disclosures about financial risks” in this prospectus. Depending on the likelihood and potential impacts of the relevant risks exposed to us, our management will prioritise the risks and will either take immediate mitigating action, devise contingency plan or conduct periodic review in accordance with the contingency plan. Our Board and senior management are responsible for identifying and analysing risks associated with its function, preparing risk mitigation plans, measuring effectiveness of such risk mitigation plans, and reporting status of risk management. Our financial controller, audit committee, and ultimately our Board will supervise the implementation of our risk management policy. For further details on the qualifications and experiences of the members of our audit committee and our Board, please refer to the section headed “Directors, Senior Management and Employees” in this prospectus.

CASHFLOW MANAGEMENT

We adopted cash management policies to closely monitor and evaluate our cash flows. The monthly cash flow forecast is prepared by our finance and accounts team and reviewed and approved by our accounting manager. The annual cash flow forecast is prepared by accounting manager, updated on a quarterly basis and reviewed and approved by our Directors. Moreover, the management performs liquidity analysis such as cash flow statements and key financial ratio

BUSINESS

analysis every month. The results are matched to commitments or liabilities of our Company to evaluate whether sufficient funds are available and whether alternative financing is needed, as well as whether excessive cash can be utilised in a more profitable way.

We manage our borrowings carefully. Our finance and accounts team monitors the bank loan facilities on a daily basis to avoid late repayment and overdue interest. Furthermore, we closely monitor over daily bank operations. All bank receipts and withdrawals are recorded in our daily cash flow excel for bookkeeping and monitoring purposes. We also have detailed policies implemented to deal with daily sales receipts through different payment methods and regulate the usage of different bank accounts.

In terms of settlement with suppliers, our purchasing team is responsible for coordinating with suppliers and presenting invoices to the accounting manager for approval on settlement of purchases or making vendor deposits. The approved invoices are then passed to senior accounts clerk for arranging payments. Afterwards, payment proof together with invoices are forwarded to suppliers by email. As to settlement for daily expenses, each team approves payments upon receipt of invoices, and the finance and accounts team arranges payments by cheques upon receipt of approved invoices.

INVESTMENT MANAGEMENT

Investment Management Committee

During the Track Record Period, we entered into certain bank facility agreements pursuant to which we are required to pledge a substantial amount of cash to the relevant banks. As at 31 March 2015, 2016 and 2017 and 30 June 2017, we had pledged bank deposits of HK\$27.8 million, HK\$24.3 million, HK\$2.0 million and HK\$2.0 million, respectively. Such decrease of pledged bank deposits was due to the repayment of the relevant bank borrowings. For further details of the pledged bank deposits, please refer to the section headed “Financial Information — Selected items of combined statements of financial position — Derivative financial instruments and pledged bank deposits — Pledged bank deposits” in this prospectus.

In order to enhance the effectiveness of our internal control and risk management procedures and to identify and manage the risks which we may be exposed to in handling foreign currencies related investments, we will establish an investment management committee upon the Listing (the “**Investment Management Committee**”) (i) to oversee our investment activities; (ii) to conduct periodical review of our investments and report to the Board; (iii) to set out the long-term and short-term investment goals and (iv) to review and update the investment management policy. The Investment Management Committee comprises two independent non-executive Directors and one non-executive Director, namely, Mr. Chan Wai Yan Ronald, Ms. Ho Tsz Wan and Mr. Wong Hin Wing and is chaired by Mr. Chan Wai Yan Ronald, who has over nine years of experience in investment management. Ms. Ho Tsz Wan was a director of Yan Oi Tong from April 2010 to March 2011 and has been a director of Po Leung Kuk since April 2013. Mr. Wong Hin Wing

BUSINESS

possesses extensive experience in accounting, finance, investment management and advisory. For further details of the biographies of the Investment Management Committee members, please refer to the section headed “Directors, Senior Management and Employees” in this prospectus.

Investment Management Policy

Alongside the establishment of the Investment Management Committee, we have also implemented an investment management policy to ensure proper monitoring of our future investments (the “**Investment Management Policy**”). Under such policy, any proposed investments with capital requirements of less than HK\$1 million have to be approved by our Board, while proposed investments with capital requirements at or above HK\$1 million have to be approved by the Investment Management Committee. Going forward, we will only invest in principal protected investment quoted as low risk but generally provide higher investment returns than cash deposits that we made into savings account at commercial banks such as (i) sovereign bonds; (ii) time deposits at licensed banks in Hong Kong; or (iii) principal-protected or fully insurance covered wealth management products issued by or sold through the top 10 commercial banks in terms of total assets. We are restricted from conducting investment activities which are not principal protected and are high volatility in nature such as (i) converting our pledged bank deposits into foreign currencies; (ii) entering into structured foreign currency forward contracts for investment purposes; and (iii) acquiring any bonds with low credit rating. As part of the approval process of our investment, our Board reviews and assesses, among other factors, (i) the expected returns of the investments with similar investments in the market; (ii) the track record of the relevant issuers, if applicable; and (iii) the principal amount and the track record of the relevant issuers and similar investments in the market. Under the Investment Management Policy, the outstanding balance of our investment is not allowed to exceed HK\$100 million at any given time after the Listing.

After making investments, our vice president of finance and accounts, Ms. Pang Sze Man, who is a member of the Hong Kong Institute of Certified Public Accountants with seven years experience in providing accounting and financial advice, will supervise the finance and accounts staff on the continual review of our annual investment budgets and management of each investment. Our finance and accounts team is also required to submit to the Investment Management Committee quarterly investment report and investment return analysis on all investments during the investment process. The report and investment return analysis must be prepared in clear and understandable terms containing both quantitative and qualitative information and be reviewed by our Board. Investments with a loss of 10% are reported to our Board for immediate appropriate actions, such as liquidation of relevant positions.

Our Directors confirm that, in order to reduce risks associated with our future investments, we will not purchase any high risk financial products after the Share Offer.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

CONTROLLING SHAREHOLDERS OF OUR COMPANY

Immediately following completion of the Capitalisation Issue and the Share Offer (assuming that the Offer Size Adjustment Option is not exercised and without taking into account Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme), Ms. Shirley Wong (via Shirz Limited) and Mr. Roy Ting (via Sunshine Consultancy) will indirectly and beneficially own in total approximately 70% of the issued share capital of our Company. Due to the spousal relationship between Ms. Shirley Wong and Mr. Roy Ting, Ms. Shirley Wong, Shirz Limited, Mr. Roy Ting and Sunshine Consultancy are presumed to be parties acting in concert pursuant to the Takeovers Code. Hence, Ms. Shirley Wong, Mr. Roy Ting, Shirz Limited and Sunshine Consultancy as a group and each of Ms. Shirley Wong, Mr. Roy Ting, Shirz Limited and Sunshine Consultancy on an individual basis will continue to be our Controlling Shareholders after Listing. Shirz Limited and Sunshine Consultancy are investment holding companies wholly-owned by Ms. Shirley Wong and Mr. Roy Ting, respectively.

Our Controlling Shareholders, as a group, are subject to the lock-up requirements pursuant to Rules 13.16A of the GEM Listing Rules after the Listing. For further details, please refer to the section headed “Underwriting — Undertakings — Undertakings by our Controlling Shareholders” in this prospectus.

INDEPENDENCE OF OUR GROUP

Having considered the following factors, our Directors believe that our Group is capable of carrying on our Group’s business independently from our Controlling Shareholders and their close associates after the Listing.

Management and administrative independence

The Board comprises two executive Directors, namely Ms. Shirley Wong and Mr. Chan Sze Tung, two non-executive Directors namely Ms. Yeung Chi Hung and Ms. Ho Tsz Wan, and three independent non-executive Directors namely Mr. Cheng Yiu Tong, Mr. Chan Wai Yan Ronald and Mr. Wong Hin Wing. Mr. Roy Ting shall be one of our senior management acting as the senior vice-president of public relations. Ms. Shirley Wong and Mr. Roy Ting is the sole director of Shirz Limited and Sunshine Consultancy respectively which are our Controlling Shareholders and the investment vehicles of Ms. Shirley Wong and Mr. Roy Ting in holding the Shares. Save as disclosed above, none of our Directors or senior management serves any executive or management role in our Controlling Shareholders or any of their respective associates. Please refer to the section headed “Directors, Senior Management and Employees” for reasons of Mr. Roy Ting only taking up the role as a senior management but not a director of our Company and/or Wine’s Link.

Each of our Directors is aware of his/her fiduciary duties as a Director which requires, among other things, that he/she acts for the benefit and in the best interests of our Company and does not allow any conflict between his/her duties as a Director and his/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 close associates, the interested Director(s) shall

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

abstain from voting at the relevant meetings of the Board in respect of such transactions and shall not be counted in the quorum. In addition, save for Mr. Roy Ting who is the sole shareholder of Sunshine Consultancy, the senior management team of our Group is independent from our Controlling Shareholders. The three independent non-executive Directors will also bring independent judgment to the decision-making process of the Board.

Most members of the senior management of our Group have, for all or substantially all of the Track Record Period, undertaken senior management supervisory responsibilities in the business of our Group. The responsibilities of the senior management team of our Group include dealing with operational and financial matters, making general capital expenditure decisions and the daily implementation of the business strategy of our Group. This ensures the independence of the daily management and operations of our Group. Further details of our senior management are set out in the section “Directors, Senior Management and Employees” in this prospectus.

Financial independence

Our Company has an independent financial system and makes financial decisions according to our Group’s own business needs. We have sufficient capital to operate our business independently, and have adequate internal resources and credit profile to support our daily operations.

As at 31 October 2017, our Group had outstanding bank borrowings of HK\$120.6 million, which were guaranteed by, and secured by properties owned by, Ms. Shirley Wong and Mr. Roy Ting and their related parties. The aforesaid guarantees and securities provided to the relevant lenders for the said borrowings will be released upon Listing. In addition, Wine’s Link has provided corporate guarantee to a related party of Wine’s Link for the bank facilities in the amount of HK\$14.9 million as at 31 October 2017. Our Directors have confirmed that such corporate guarantee provided by Wine’s Link will also be released upon Listing. During the Track Record Period, our Group had certain amounts due from Ms. Shirley Wong, Mr. Roy Ting and their related parties. The amounts due from such parties will be fully settled in cash before the Listing. For further details, please refer to notes 17, 18 and 22 to our accountants’ report in Appendix I to this prospectus.

Our Directors are of the view that there has been sufficient cash flow to support the operation of our business. During the Track Record Period, our Group had relied principally on cash generated from operations and bank borrowings to carry on our businesses and this is expected to continue after the Listing. Our Directors also believe that our Group is capable of obtaining financing from independent third parties, if necessary, without reliance on our Controlling Shareholders after the Listing. Therefore, our Group will be financially independent from our Controlling Shareholders after the Listing.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Operational independence

Our Group has established our own organisational structure made up of individual departments, each with specific areas of responsibilities for daily operations of our Group. 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. Our Group has also established a set of internal controls to facilitate the effective operation of its business.

Independence of major suppliers

Our Directors confirm that none of our Controlling Shareholders, our Directors and their respective associates have any relationship with the major suppliers of our Group (other than the business contacts in the ordinary and usual course of business of our Group) during the Track Record Period.

Independence of major customers

Our Directors confirm that none of our Controlling Shareholders, our Directors and their respective associates have any relationship with the top five customers of our Group (other than the business contacts in the ordinary and usual course of business of our Group) during the Track Record Period.

Having considered the aforesaid 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 Group is capable of managing our business independently from our Controlling Shareholders and their respective close associates.

INTERESTS OF CONTROLLING SHAREHOLDERS IN OTHER BUSINESS

During the Track Record Period and up to the Latest Practicable Date, our Controlling Shareholders and their respective close associates were interested in the following companies and business (the “**Excluded Business**”):

1. Dynasty Design & Production Limited

Dynasty Design & Production Limited is a company incorporated in Hong Kong with limited liability on 6 August 2010 and was wholly-owned by Ms. Shirley Wong until she disposed of her entire shareholding interests in Dynasty Design & Production Limited to an Independent Third Party in November 2016. Immediately before the disposal, the principal business of Dynasty Design & Production Limited includes (i) investment holding; and (ii) trading, wholesale and retail of packaged food, dairy products and alcoholic drinks in the PRC through its then wholly-owned subsidiary, namely Wei Yi Jiu Ding (Guangzhou) Trading Ltd (“**Wei Yi Jiu Ding**”). Wei Yi Jiu Ding purchased wine products from us in the past for sale in the PRC and contributed revenue of HK\$1.2 million for the year ended 31 March 2016 and HK\$4.0 million for the seven months ended 30 November 2016 until Ms. Shirley Wong

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

disposed of her entire shareholding interests in Dynasty Design & Production Limited. Please refer to the section headed “Financial Information — Selected Items of Combined Statements of Financial Position — Amounts due from/to related parties” for further details.

2. Dynasty International Group Holdings Limited

Dynasty International Group Holdings Limited is a company incorporated in Hong Kong with limited liability on 29 November 2006 and is owned as to 25%, 25%, 25% and 25% by Ms. Shirley Wong, Mr. Roy Ting, Mr. PS Ting and Ms. Yeung Chi Hung (mother of Ms. Shirley Wong and one of our non-executive Directors) (“**Ms. Yeung**”) respectively. The principal business of Dynasty International Group Holdings Limited is trading of premium gifts.

3. Success Dragon International Industrial Limited

Success Dragon International Industrial Limited is a company incorporated in Hong Kong with limited liability on 3 October 2012 and is owned as to 50% and 50% by Ms. Shirley Wong and Ms. Yeung respectively. The principal business of Success Dragon International Industrial Limited is property investments.

4. Way Young (International) Limited

Way Young (International) Limited is a company incorporated in Hong Kong with limited liability on 31 March 2003 and is owned as to 50% and 50% by Mr. Roy Ting and Mr. PS Ting respectively. The principal business of Way Young (International) Limited is property investments.

5. Win Mate Investment Limited

Win Mate Investment Limited is a company incorporated in Hong Kong with limited liability on 22 November 2006 and is wholly-owned by Mr. PS Ting. The principal business of Win Mate Investment Limited is property investments.

6. Rich Link Hong Kong Development Limited

Rich Link Hong Kong Development Limited is a company incorporated in Hong Kong with limited liability on 23 October 2009 and is owned as to 50% and 50% by Ms. Shirley Wong and Mr. Roy Ting respectively. The principal business of Rich Link Hong Kong Development Limited is property investments.

7. Blesson Limited

Blesson Limited is a company incorporated in Hong Kong with limited liability on 25 June 2009 and is wholly-owned by Mr. PS Ting. The principal business of Blesson Limited is property investments.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

8. Goldton Limited

Goldton Limited is a company incorporated in Hong Kong with limited liability on 14 April 2010 and was wholly-owned by Mr. PS Ting until he disposed his entire shareholding interests in Goldton Limited to his granddaughter Ms. Ting Sau Chi Flora (丁鏐芝) in September 2015. Immediately before the disposal, the principal business of Goldton Limited was property investments.

9. Wine Street Company Limited

Wine Street Company Limited (“**Wine Street**”) is a company incorporated in Hong Kong with limited liability on 26 July 2012 and was wholly-owned by Ms. Yeung until being deregistered in August 2016. Prior to the date of its deregistration, the principal business of Wine Street was consultancy services. Ms. Yeung has confirmed that she voluntarily deregistered Wine Street by way of submitting an application to the Registrar of Companies in Hong Kong and that Wine Street was solvent at the time of it being dissolved by deregistration. Ms. Yeung has also confirmed that there was no wrongful act on her part leading to its deregistration, and she is not aware of any actual or potential claim which had been or will be made against her that led to the deregistration of Wine Street.

10. SW Business Consultancy Company

SW Business Consultancy Company (“**SW Business**”) is a sole proprietorship in Hong Kong established and owned by Ms. Shirley Wong. SW Business primarily engaged in consultancy services prior to the cancellation of its business registration in September 2015. Ms. Shirley Wong has confirmed that she voluntarily deregistered the business registration of SW Business by way of filing a notification to the IRD and that SW Business was solvent at the time of it being deregistered. Ms. Shirley Wong has also confirmed that there was no wrongful act on her part leading to the deregistration of business registration of SW Business, and she is not aware of any actual or potential claim which had been or will be made against her that led to the deregistration of SW Business.

11. Kwong Fat Shing Enterprises Limited

Kwong Fat Shing Enterprises Limited (“**Kwong Fat Shing**”) is a company incorporated in Hong Kong with limited liability on 9 August 1978 and is owned as to approximately 13.9% by Mr. Roy Ting, 60.2% by Mr. PS Ting, 13.9% by Ms. Ting Mei Wan, Millie (丁美雲) (daughter of Mr. PS Ting), and 12.0% by Mr. Ting Wing Keung (丁永強) (son of Mr. PS Ting). The principal business of Kwong Fat Shing is property investments.

During the Track Record Period, there were amounts due from/to certain of the abovementioned related parties. These amounts were generally non-trade nature, unsecured, interest-free and were repayable on demand, except the amount due to Kwong Fat Sing Enterprises of approximately HK\$42,000 as at 31 March 2016, which represents rental payments payable by

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

our Group for the lease of our old head office. Please refer to the section headed “Financial Information — Selected Items of Combined Statements of Financial Position — Amounts due from/to related parties” for further details.

Our Directors believe that the Excluded Business are not related to the core business of our Group and there is no competition between our Group’s core business and the Excluded Business, and as such believe that it is not in the best interests of our Company and our Shareholders to include any of the Excluded Business into our Group.

RULE 11.04 OF THE GEM LISTING RULES

Each of our Controlling Shareholders, our Directors and their respective close associates do not have any interest apart from our Group’s business which competes or is likely to compete, directly or indirectly, with our Group’s business and which requires disclosure pursuant to Rule 11.04 of the GEM Listing Rules.

In addition, each of our Controlling Shareholders have given a non-competition undertaking in favour of our Group. For further details, please refer to the paragraph headed “— Non-competition undertaking” in this section below.

NON-COMPETITION UNDERTAKING

Ms. Shirley Wong, Mr. Roy Ting, Shirz Limited and Sunshine Consultancy (each the “**Obligor**” and collectively the “**Obligors**”) entered into a deed of non-competition dated 18 December 2017 in favour of our Company (for itself and as trustee for our subsidiaries) (the “**Deed of Non-competition**”). Pursuant to the Deed of Non-competition, each of the Obligors has irrevocably and unconditionally undertaken to our Company (for itself and for the benefit of our subsidiaries) that, save and except as disclosed in this prospectus, during the period that the Deed of Non-competition remains effective, he/she/it shall not, and shall procure that his/her/its close associates (other than any member of our Group) not to carry on or be engaged, concerned or interested, or otherwise be involved, directly or indirectly, in any business in competition with or likely to be in competition with the existing business activity of any member of our Group and any business of our Group may engage in from time to time within Hong Kong and such other parts of the world where any member of our Group may operate from time to time, save for the holding of not more than 5% shareholding interests (individually or with his/her/its close associates) in any company listed on a recognised stock exchange and at any time the relevant listed company shall have at least one shareholder (individually or with his/her/its close associates, if applicable) whose shareholding interests in the relevant listed company is higher than that of the relevant Obligor (individually or with his/her/its close associates).

Each of the Obligors further undertakes that if he/she/it or his/her/its close associates other than any member of our Group is offered or becomes aware of any business opportunity which may compete with the business of our Group, he/she/it shall procure that his/her/its close associates to promptly notify our Group in writing and our Group shall have a right of first refusal to take up such opportunity. Our Group shall, within 30 days after receipt of the written notice (or such longer

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

period if our Group is required to complete any approval procedures as set out under the GEM Listing Rules from time to time), notify the Obligor(s) whether our Group will exercise the right of first refusal.

Our Group shall only exercise the right of first refusal upon the approval of all independent non-executive Directors who do not have any interest in such opportunity. The relevant Obligor(s) and the other conflicting Directors (if any) shall abstain from participating in and voting at and shall not be counted as quorum at all meetings of the Board where there is a conflict of interest or potential conflict of interest including but not limited to the relevant meeting of our independent non-executive Directors for considering whether or not to exercise the right of first refusal.

Our Company will adopt the following procedures to monitor that the Deed of Non-competition is being observed:

- (a) our independent non-executive Directors shall review on an annual basis the above undertakings from the Obligors and to evaluate the effective implementation of the Deed of Non-competition;
- (b) each of the Obligors undertakes to provide any information as is reasonably required by our Group or our independent non-executive Directors, as a basis to decide whether to exercise the right of first refusal by our Company from time to time; and
- (c) each of the Obligors undertakes to provide all information necessary for the annual review by our independent non-executive Directors and the enforcement of the Deed of Non-competition, and to provide an annual confirmation on the compliance of the non-competition undertaking for inclusion in the annual report of our Company.

The undertakings contained in the Deed of Non-competition are conditional upon the Listing Division granting approval for the Listing of and permission to deal in the Shares on the Stock Exchange and all conditions precedent under the Underwriting Agreements having been fulfilled (or where applicable, waived) and the Underwriting Agreements not having been terminated in accordance with their terms. If any such condition is not fulfilled on or before the date specified in the Underwriting Agreements (unless such conditions are waived on or before such date) or in any event on or before the date falling 30 days after the date of this prospectus, the Deed of Non-competition shall lapse and cease to have any effect whatsoever and no party shall have any claim against the other under the Deed of Non-competition.

The Deed of Non-competition shall terminate on the date on which (i) in relation to any Obligors, when he/she/it together with his/her/its close associates, whether individually or taken together, ceases to be interested in 30% (or such other amount as may from time to time be specified in the GEM Listing Rules as being the threshold for determining a controlling shareholder of a company) or more of the entire issued share capital of our Company provided that the Deed of Non-competition shall continue to be in full force and effective as against the other Obligors; or (ii) our Shares cease to be listed and traded on the Stock Exchange (except for temporary trading halt or suspension of trading of the Shares on the Stock Exchange due to any reason).

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

As our Controlling Shareholders have given non-competition undertakings in favour of our Company, and other than members of our Group, none of them have interests in other businesses that compete or are likely to compete with the business of our Group, our Directors are of the view that we are capable of carrying on our business independently of our Controlling Shareholders following the Listing.

CORPORATE GOVERNANCE MEASURES

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

- (a) the Articles provide that a Director shall not be counted in the quorum or vote on any resolution of the Board approving any contract or arrangement or other proposal in which he/she or any of his/her close associates is materially interested unless in certain circumstances as expressly stated in the Articles;
- (b) our audit committee will review, on an annual basis, compliance with the Deed of Non-competition given by our Controlling Shareholders;
- (c) our Company will obtain (i) an annual written confirmation in respect of our Controlling Shareholders' compliance with the terms of the Deed of Non-competition, (ii) consent (from each of our Controlling Shareholders) to refer to the said confirmation in our annual reports, and (iii) all information as may reasonably be requested by us and/or our independent non-executive Directors for our review and enforcement of the Deed of Non-competition;
- (d) our Company will disclose decisions on matters reviewed by our independent non-executive Directors relating to compliance and enforcement of the Deed of Non-competition of our Controlling Shareholders in the annual reports of our Company;
- (e) our 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;
- (f) our independent non-executive Directors will be responsible for deciding whether or not to allow any Controlling Shareholder and/or his/its close associates to be involved in or participate in a Restricted Business and if so, specifying any condition to be imposed; and
- (g) our Company has appointed Innovax Capital Limited as the compliance adviser which shall provide our Company with professional advice and guidance in respect of compliance with the GEM Listing Rules and applicable laws.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

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 our Shareholders will be protected.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

DIRECTORS

Our Board currently consists of seven Directors, comprising two executive Directors, two non-executive Directors and three independent non-executive Directors:

<u>Name</u>	<u>Age</u>	<u>Position</u>	<u>Date of appointment as Director</u>	<u>Date of joining our Group</u>	<u>Roles and responsibilities</u>	<u>Relationship with other Director(s) and/or senior management</u>
<i>Executive Directors</i>						
Ms. Wong Chi Lou Shirley (王姿瀾女士)	36	Chief executive officer and executive Director	22 September 2016	March 2008	Responsible for overall management, strategic development and major business decision-making of our Group	Spouse of Mr. Ting Chi Wai Roy and daughter of Ms. Yeung Chi Hung
Mr. Chan Sze Tung (陳詩桐先生)	30	Executive Director and vice president of operation and administration	January 2017	June 2012	Overseeing the daily operations and administration of our Group	N/A
<i>Non-executive Directors</i>						
Ms. Yeung Chi Hung (楊志紅女士), S.B.S., B.B.S., J.P.	67	Chairman and non-executive Director	January 2017	January 2017	Advising on our strategy, performance and resources	Mother of Ms. Wong Chi Lou Shirley and mother-in-law of Mr. Ting Chi Wai Roy
Ms. Ho Tsz Wan (何芷韻女士)	35	Non-executive Director	January 2017	January 2017	Advising on our strategy, performance and resources	N/A
<i>Independent non-executive Directors</i>						
Mr. Cheng Yiu Tong (鄭耀棠先生), G.B.M., G.B.S., J.P.	69	Independent non-executive Director	18 December 2017	18 December 2017	Supervise and provide independent judgment to our Board	N/A
Mr. Chan Wai Yan Ronald (陳惠仁先生)	37	Independent non-executive Director	18 December 2017	18 December 2017	Supervise and provide independent judgment to our Board	N/A
Mr. Wong Hin Wing (黃顯榮先生)	55	Independent non-executive Director	18 December 2017	18 December 2017	Supervise and provide independent judgment to our Board	N/A

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Executive Directors

Ms. Wong Chi Lou Shirley (王姿潞女士), aged 36, was appointed as our executive Director and chief executive officer on 22 September 2016. She is one of the founding members of our Group since its establishment in March 2008. Ms. Shirley Wong is also one of our Controlling Shareholders. Ms. Shirley Wong is primarily responsible for the overall management, strategic development and major business decision-making of our Group. She is also the chairman of our nomination committee.

Prior to joining our Group, Ms. Shirley Wong worked for ABN-AMRO Bank N.V., Hong Kong, as a consumer banking management trainee in 2005 where she was primarily responsible for daily operation in the consumer banking department. Ms. Shirley Wong has been a director as well as one of the shareholders of Dynasty International Group Holdings Limited, a company engaging in trading of premium gifts, since 2006 where she was primarily responsible for operation, management and strategic planning of the business.

Ms. Shirley Wong obtained her bachelor's degree of science in economics in June 2003 and her master's degree of science in economics and econometrics in January 2005 from the University of Bristol in the United Kingdom.

Ms. Shirley Wong is the spouse of Mr. Roy Ting and daughter of Ms. Yeung Chi Hung.

Mr. Chan Sze Tung (陳詩桐), aged 30, joined our Group in June 2012 as sales and marketing assistant where he was primarily responsible for advising customers on products selection and performing daily administrative tasks of the sales and marketing department. He was transferred to the operations department in April 2013 as an operation officer and was primarily responsible for managing our logistics and warehousing and providing support to operational issues and compiling records and reports for various departments. He was promoted as an assistant operation manager in April 2014 and further promoted as the operation manager in April 2015 where he was primarily responsible for operations management and strategic planning and development of the Group's business. He has been the vice president of operations and administration of our Group since April 2016. He was appointed as our executive Director on 3 January 2017. Mr. Chan is primarily responsible for overseeing the daily operations and administration of our Group.

Prior to joining our Group, Mr. Chan worked for McDonald's Restaurants (Hong Kong) Limited from August 2011 to January 2012 as manager trainee and from February 2012 to April 2012 as second assistant manager where he was primarily responsible for handling daily store operation and customers' enquiries.

Mr. Chan obtained his bachelor of arts degree in marketing and public relations from the Hong Kong Polytechnic University in October 2011. Mr. Chan also obtained an executive diploma in negotiation from the Institute of Crisis and Risk Management in December 2016 where he was awarded as a certified strategic negotiator.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Non-Executive Director(s)

Ms. Yeung Chi Hung (楊志紅女士), *S.B.S., B.B.S., J.P.*, aged 67, was appointed as our non-executive Director on 3 January 2017. She also acts as the chairman of our Board. She is primarily responsible for advising on our strategy, performance and resources. She is also a member of our remuneration committee.

Ms. Yeung founded Dynasty International Group Holdings Limited, a company engaging in trading of premium gifts, in November 2006 where she has been the director and general manager since then and has been primarily responsible for overseeing the corporate governance and internal control of such company. She has been the director of Manikind International Limited, a company engaging in investment holding and provision of motor vehicle licences, since May 2005 where she is responsible for making major business decisions and overall business strategies. Ms. Yeung is also the director and chairman of Kai Yeung Jewellery Limited, a company engaging in jewellery trading, being responsible for making major business decision-making and overall business strategies development since April 1993.

Ms. Yeung obtained a diploma in telecommunications from the South China University of Technology in the PRC in 1975.

Ms. Yeung is an active participant in public and social services and the table below sets forth her major engagements:

<u>Position</u>	<u>Associations/Organisations</u>	<u>Service period</u>
Member	National Committee of the Chinese People's Political Consultative Conference	March 2013 to present
Member	Hong Kong, Macao, Taiwan Affairs Committee of the Chinese People's Political Consultative Conference	March 2013 to present
Representative and committee member	All-China Women's Federation Association	August 1998 to October 2008
Chairman	Hong Kong Girl Guides, Wong Tai Sin District	June 2010 to May 2016
Vice Chairman & Secretary General	Hong Kong Guangdong Community Organisations	July 2005 to July 2014

Ms. Yeung is the mother of Ms. Shirley Wong and the mother-in-law of Mr. Roy Ting.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Ms. Ho Tsz Wan (何芷韻女士), aged 35, was appointed as our non-executive Director on 3 January 2017. She is primarily responsible for advising on our strategy, performance and resources. She is also a member of our investment management committee.

Ms. Ho was the director of Lee & Man Construction Holdings Limited, a company engaging in the business of hotel operation, being responsible for overseeing building design and construction, budgeting, financial and accounting since June 2007. From October 2007 to September 2012, she worked for Lee & Man Paper Manufacturing Limited, a company listed on the Main Board of the Stock Exchange (stock code: 2314) that primarily engages in the business of manufacturing materials for industrial packaging, as manager where she was primarily responsible for overseeing renovation and decoration works.

Ms. Ho obtained her bachelor of arts degree in communication from the University of Southern California in the United States in December 2003. She has been a director of Po Leung Kuk since April 2013. She has been an executive committee member of Yan Chai Happy Home Living Limited since November 2011. She was a director of Yan Oi Tong from April 2010 to March 2011.

Independent non-executive Directors

Mr. Cheng Yiu Tong (鄭耀棠先生), *G.B.M., G.B.S., J.P.*, aged 69, was appointed as an independent non-executive Director on 18 December 2017. He is responsible for supervising and providing independent judgment to the Board. He is also a member of our audit committee and remuneration committee.

Mr. Cheng has been serving the Hong Kong Federation of Trade Unions (“**HKFTU**”) since 1974 where he was primarily responsible for dealing with the labour matters in Hong Kong and works within the HKFTU. As a core personnel of the HKFTU, Mr. Cheng was dedicated in safeguarding and advocating the rights and benefits of labourers and employees, including but not limited to his endeavours in advocating for employees’ compensation, retirement protection and minimum wages. He also actively participated in the provision of welfare services to the public, for instance the setting up of various labour services centres and employment services centres to meet the labourers’ needs.

Mr. Cheng has been the honorary president of the HKFTU since April 2012. He has also been serving as a Hong Kong Deputy to the National People’s Congress of the PRC (the 7th–12th Session) since March 1988. He has been the chairman of Lok Kwan Social Service since 2000. He was a member of the Executive Council of the HKSAR from July 2000 to June 2017 and a consultant of the Po Leung Kuk Advisory Board from July 2002 to June 2017.

Mr. Cheng obtained his bachelor degree from Jinan University in the PRC in 1990.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Chan Wai Yan Ronald (陳惠仁先生), aged 37, was appointed as an independent non-executive Director on 18 December 2017. He is responsible for supervising and providing independent judgment to the Board. He is also the chairman of our investment management committee and a member of our audit committee and nomination committee.

Mr. Chan founded Chartwell Capital Limited, an investment management company, in October 2007 and is currently the chief investment officer. He has been its responsible officer for Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO since November 2008 and February 2008 respectively. He was appointed by the Stock Exchange to serve as a member of the Listing Committee of the Main Board and Growth Enterprise Market in July 2016.

Mr. Chan obtained his bachelor of science degree in finance and accounting from the Stern School of Business at New York University in the United States in May 2002.

Mr. Wong Hin Wing (黃顯榮先生), aged 55, was appointed as an independent non-executive Director on 18 December 2017. He is responsible for supervising and providing independent judgment to the Board. He is also the chairman of our audit committee and remuneration committee, and a member of our nomination committee and investment management committee.

Mr. Wong has 33 years of experience in accounting, finance, investment management and advisory. Mr. Wong has been the founder and managing director of China Silk Road International Capital Limited (formerly known as Legend Capital Partners, Inc.) since 1997, which is a licensed corporation under the SFO and primarily engaged in Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities, where he is primarily responsible for offering services in asset management, securities advisory and corporate finance as well as providing financial advisory and investment management services to enterprises in Asia. Prior to this, he worked with an international audit firm for four years and then a listed company as chief financial officer for seven years. Mr. Wong also held directorships in the last three years in the following listed companies:

<u>Company</u>	<u>Stock exchange(s) being listed on</u>	<u>Principal business</u>	<u>Position</u>	<u>Period</u>
AEON Credit Service (Asia) Co., Ltd. (stock code: 0900)	Main Board of the Stock Exchange	Consumer finance business	Independent non-executive director	October 2004 to present
Dongjiang Environmental Company Limited (A share stock code: 2672, H share stock code: 0895)	Shenzhen Stock Exchange and the Stock Exchange	Processing and sale of recycled products, the provision of waste treatment services, the construction and provision of environmental protection systems and services, and the trading of chemical products	Independent non-executive director	June 2014 to present

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

<u>Company</u>	<u>Stock exchange(s) being listed on</u>	<u>Principal business</u>	<u>Position</u>	<u>Period</u>
CRCC High-Tech Equipment Corporation Limited (stock code: 1786)	Main Board of the Stock Exchange	Railway maintenance and machinery manufacturing	Independent non-executive director	December 2015 to present
China Agri-Products Exchange Limited (stock code: 0149)	Main Board of the Stock Exchange	Management and sales of agricultural produce exchange markets in the PRC	Independent non-executive director	December 2016 to present
Guangzhou Baiyunshan Pharmaceutical Holdings Co., Ltd. (A share stock code: 600332, H share stock code: 0874)	Shanghai Stock Exchange and the Stock Exchange	Research & development, manufacturing & sales of medicine, API intermediates; wholesale, retail, import & export of pharmaceutical products, CPM & medical apparatus; and investment of medical, health management & youth preservation	Independent non-executive director	June 2017 to present
Inner Mongolia Yitai Coal Co., Ltd.* (B share stock code: 900948, H share stock code: 3948)	Shanghai Stock Exchange and the Stock Exchange	Production and sale of coal, provision of railway and road transportation services, production and sale of coal related chemicals	Independent non-executive director	May 2017 to present

* For identification purpose only

Mr. Wong obtained his master's degree in business administration from the Chinese University of Hong Kong in December 1996. Mr. Wong has been a fellow member of the Hong Kong Institute of Certified Public Accountants since July 1995, the Institute of Chartered Accountants in England and Wales since March 2015, the Chartered Association of Certified Accountants since July 1992, the Hong Kong Institute of Directors since April 2002 and the Institute of Chartered Secretaries and Administrators since June 1995. He has also been a member of the American Institute of Certified Public Accountants since February 1991 and a chartered member of the Chartered Institute for Securities & Investment since March 2011. He has also been a member of Anhui Provincial Committee of the Chinese People's Political Consultative Conference since January 2013 and a member of the Nursing Council of Hong Kong since May 2014. He has been a panel member of the Securities and Futures Appeals Tribunal since April 2017.

Despite the fact that Mr. Wong Hin Wing is serving as an independent non-executive director in six other listed companies, Mr. Wong has confirmed that:

- (i) none of his current commitments would require him to work intensively on a daily basis as he is the managing director of China Silk Road International Capital Limited (his only full-time work) where he will be assisted by his subordinates in dealing with the day-to-day operation of the company; and

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

- (ii) he has maintained a high attendance rate for the board meetings as well as the relevant committee meetings based on the attendance records of those listed companies to which he serves as independent non-executive director.

Accordingly, our Directors are of the view, which the Sole Sponsor concurs, that Mr. Wong is able to devote sufficient time and resources to act as our independent non-executive Director.

Disclosure required under Rule 17.50(2) of the GEM Listing Rules

Save as disclosed above, each of our Directors confirms with respect to him/her that: (a) he/she has not held directorships in the last three years in other public companies the securities of which are listed on any securities market in Hong Kong or overseas; (b) he/she did not hold other positions in our Company or other members of our Group as at the Latest Practicable Date; (c) he/she did not have any relationship with any other Directors, senior management, substantial shareholder or Controlling Shareholder of our Company as at the Latest Practicable Date; (d) he/she does not have any interests in our Shares within the meaning of Part XV of the SFO, save as disclosed in the section headed “C. Further Information about our Directors and substantial Shareholders” in Appendix IV to this prospectus; (e) he/she does not have any interest in any business which competes or is likely to compete, directly or indirectly, with us, which is discloseable under GEM Listing Rules; and (f) to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there was no additional information relating to our Directors or senior management that was required to be disclosed pursuant to Rule 17.50(2) of the GEM Listing Rules and no other matter with respect to their appointments that needed to be brought to the attention of our Shareholders.

SENIOR MANAGEMENT

The table below sets forth the information concerning our senior management:

<u>Name</u>	<u>Age</u>	<u>Position</u>	<u>Date of joining our Group</u>	<u>Roles and responsibilities</u>	<u>Relationship</u>
Mr. Ting Chi Wai Roy (丁志威先生)	36	Senior vice president of public relations	March 2008	Overseeing the investor and public relations of our Group	Spouse of Ms. Wong Chi Lou Shirley and son-in-law of Ms. Yeung Chi Hung
Ms. Pang Sze Man (彭思敏女士)	32	Vice president of finance and account and Company Secretary	January 2017	Overseeing the corporate finance and accounts and overall secretarial matters of our Group	N/A
Ms. Pin Lam (卜琳女士)	37	Deputy chief executive	January 2008	Overseeing the daily operations and corporate finance control of our Group	N/A
Mr. Loong Koon Shuen (龍冠璇先生)	52	Vice president of business development	September 2013	Developing business strategies and overseeing sales and marketing activities in relation to the wholesale business of our Group	N/A

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Ting Chi Wai Roy (丁志威先生), aged 36, is our senior vice president of public relations since January 2017. He is one of the founders of our Group since its establishment in March 2008. Mr. Roy Ting is also one of our Controlling Shareholders. He is primarily responsible for overseeing the investor and public relations of our Group.

Mr. Roy Ting obtained his bachelor's degree of business administration in China business from the City University of Hong Kong in November 2004.

Mr. Roy Ting is an active participant in public and social services. He has been the elected councillor of the Wong Tai Sin District Council since January 2012, where he is primarily responsible for advising the Hong Kong Government on all matters in relation to the well-being of the residents in the Wong Tai Sin District. He has been a standing committee member of Zhuhai Committee of Chinese People's Political Consultative Conference since November 2011, a committee member of The Chinese General chamber of Commerce since January 2013 and a committee member of Henan Committee of Chinese People's Political Consultative Conference since January 2013.

Mr. Roy Ting has been a director of Wine's Link since March 2008 and due to his desire to devote more time on public and social services, he resigned in January 2017. Since then, Mr. Roy Ting has only taken up the role as senior vice president, responsible mainly for public relations, and did not assume the role of a director of our Company so as to focus on his public and social services in Hong Kong. On the basis that Mr. Roy Ting has confirmed that he was not involved in any ongoing and pending litigation, arbitration, bankruptcy or other legal proceeding against himself of material nature during the Track Record Period and up to the Latest Practicable Date, our Directors are of the view, and the Sole Sponsor concurs, that Mr. Roy Ting will be suitable under Rules 5.01 and 5.02 of the GEM Listing Rules should he be appointed as a Director.

Mr. Roy Ting is the spouse of Ms. Shirley Wong and son-in-law of Ms. Yeung Chi Hung.

Mr. Roy Ting does not have any current or past directorships in any listed companies in the three years immediately preceding the Latest Practicable Date.

Ms. Pang Sze Man (彭思敏), aged 32, joined our Group in January 2017 as vice president of finance and account. She is primarily responsible for overseeing the corporate finance and account and overall secretarial matters of our Group.

Prior to joining our Group, Ms. Pang worked in Ernst & Young (Hong Kong), a professional accounting firm, with the last position as manager from October 2009 to December 2016, where she was primarily responsible for assurance and advisory engagements, specialising in serving listed companies on the Stock Exchange.

Ms. Pang obtained her bachelor of business administration in accounting and finance from the Hong Kong Polytechnic University in October 2009. She has been a member of the Hong Kong Institute of Certified Public Accountants since September 2012.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Ms. Pang does not have any current or past directorships in any listed companies in the three years immediately preceding the Latest Practicable Date.

Ms. Pin Lam (卞琳女士), aged .37, joined our Group in January 2008 as accounting officer and is now the deputy chief executive of our Group. Ms. Pin is primarily responsible for overseeing the daily operations and administration of our Group.

Prior to joining our Group, Ms. Pin worked for F&W Garment Factory Limited, a company engaging in manufacturing and shipping business as shipping clerk where she was primarily responsible for handling import/export documents and accounting from August 2002 to November 2003. From December 2003 to January 2008, she worked at Tseung Kwan O Hospital as a clerk where she was primarily responsible for stock checking, daily reconciliation and customer services.

Ms. Pin obtained her bachelor's degree of arts in accounting from the Edinburgh Napier University in January 2013.

Ms. Pin does not have any current or past directorships in any listed companies in the three years immediately preceding the Latest Practicable Date.

Mr. Loong Koon Shuen (龍冠璇先生), aged 52, joined our Group in September 2013 as business development manager and is now the vice president of business development of our Group. Mr. Loong is primarily responsible for developing business strategies and overseeing sales and marketing activities in relation to the wholesale business of our Group.

Prior to joining our Group, Mr. Loong worked for Hung Lok Trading Limited, a company engaging in wine trading business, as wine sales manager from February 2012 to August 2013, where he was primarily responsible for planning and organising marketing and promotional activities. From August 2010 to October 2011, he worked for Golden Lyca China Co., Limited, a company engaging in import and export, trading and sourcing of products including wines, as a wine specialist where he was primarily responsible for developing marketing plans and organising marketing events.

Mr. Loong obtained the Wine & Spirit Education Trust level 3 advanced certificate in wines and spirits in the United Kingdom in November 2009, and was awarded the Certified Specialist of Wine of Society of Wine Educators in the United States in November 2009. In addition, he completed the United Kingdom accredited Whisky Ambassador programme of British Institute of Innkeeping Awarding Body in July 2015 and became a certified Whisky Ambassador since then.

Mr. Loong completed his secondary education in King's College in Hong Kong in August 1983 and completed the Hong Kong Certificate of Education Examination in August 1984.

Mr. Loong does not have any current or past directorships in any listed companies in the three years immediately preceding the Latest Practicable Date.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

COMPANY SECRETARY

Ms. Pang Sze Man was appointed as our Company Secretary on 3 January 2017. For further details of her qualifications and experience, please refer to the paragraph headed “— Senior management” in this section.

BOARD COMMITTEES

Audit Committee

Our Company has established an audit committee on 18 December 2017 with written terms of reference in compliance with Rules 5.28 of the GEM Listing Rules. The primary duties of the audit committee are, among other things, to review and supervise the financial reporting process and internal control system of the Group. The audit committee has three members comprising Mr. Wong Hin Wing, Mr. Cheng Yiu Tong and Mr. Chan Wai Yan Ronald, of whom Mr. Wong Hin Wing has been appointed as the chairman of the audit committee.

Remuneration Committee

Our Company has established a remuneration committee on 18 December 2017 with written terms of reference in compliance with Rules 5.34 of the GEM Listing Rules. The remuneration committee comprises Mr. Wong Hin Wing, Mr. Cheng Yiu Tong, and Ms. Yeung Chi Hung. Mr. Wong Hin Wing has been appointed as the chairman of the remuneration committee. The primary duties of the remuneration committee are, amongst other things, to review and determine the terms of remuneration packages, bonuses and other compensation payable to the Directors and senior management and to make recommendation to the Board on the Group’s policy and structure for all remuneration of the Directors and senior management.

Nomination Committee

Our Company has established a nomination committee on 18 December 2017 with written terms of reference in compliance with the Corporate Governance Code in Appendix 15 to the GEM Listing Rules. The nomination committee comprises Ms. Wong Chi Lou Shirley, Mr. Chan Wai Yan Ronald and Mr. Wong Hin Wing. Ms. Wong Chi Lou Shirley has been appointed as the chairman of the nomination committee. The nomination committee is mainly responsible for reviewing the structure, size, composition and diversity of the Board and make recommendations to the Board on the appointment of our Directors and management of Board succession.

Investment Management Committee

Our Company has established an investment management committee on 18 December 2017 with written terms of reference for the reason of better internal control of our Company. The primary duties of the investment management committee are, among other things, to enhance the effectiveness of our internal control and risk management procedures and to identify and manage the risks which we may be exposed to in handling foreign exchange and other transactions. For further details of the duties and responsibilities of our investment management committee, please

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

refer to the section headed “Business — Investment management” in this prospectus. The investment management committee comprises Mr. Chan Wai Yan Ronald, Ms. Ho Tsz Wan and Mr. Wong Hin Wing. Mr. Chan Wai Yan Ronald is the chairman of the investment management committee.

COMPLIANCE OFFICER

Mr. Chan Sze Tung was appointed as the compliance officer (Rule 5.19 of the GEM Listing Rules) of our Company on 3 January 2017. For further details of the qualifications and experience of Mr. Chan Sze Tung, please refer to the paragraph headed “— Executive directors” of this section.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

During the years ended 31 March 2015, 2016 and 2017 and the three months ended 30 June 2017, total remuneration (including salaries and bonus, allowances, and pension costs) paid by us to our Directors amounted to HK\$0.7 million, HK\$0.7 million, HK\$0.7 million and HK\$0.2 million respectively.

Total remuneration (including salaries and other benefits, performance related bonuses and retirement benefit scheme contribution) paid to the five highest paid individuals of our Group, including Ms. Shirley Wong, during the years ended 31 March 2015, 2016 and 2017 and the three months ended 30 June 2017 was HK\$1.9 million, HK\$1.8 million, HK\$1.8 million and HK\$0.6 million respectively.

Under the arrangements currently in force, the aggregate remuneration and benefits in kind of our Directors payable (excluding any commission or discretionary bonus) in respect of the year ending 31 March 2018 is estimated to be HK\$0.8 million.

We did not pay to our Directors or the five highest paid individuals any inducement fees to join us or as compensation for loss of office for each of the years ended 31 March 2015, 2016 and 2017 and the three months ended 30 June 2017. Furthermore, none of our Directors waived any compensation for the same period.

Save as disclosed above, no other payments have been paid or are payable in respect of the years ended 31 March 2015, 2016 and 2017 and the three months ended 30 June 2017 by us or any of our subsidiaries to our Directors.

REMUNERATION POLICY

Our Directors and senior management receive compensation in the form of director fees, salaries, benefits in kind and/or discretionary bonuses with reference to those paid by comparable companies, time commitment and the performance of our Group. Our Group also reimburses our Directors and senior management for expenses which are necessarily and reasonably incurred for the provision of services to our Group or executing their functions in relation to the operations of our Group. We regularly review and determine the remuneration and compensation packages of our

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Directors and senior management, by reference to, among other things, market level of remuneration and compensation paid by comparable companies, the respective responsibilities of our Directors and the performance of our Group.

SHARE OPTION SCHEME

Our Group has conditionally adopted the Share Option Scheme. The principal terms of the scheme are summarised under the section headed “D. Share Option Scheme” in Appendix IV to this prospectus.

COMPLIANCE ADVISER

We have appointed Innovax Capital Limited as our compliance adviser in accordance with Rule 6A.19 of the GEM Listing Rules to provide us with services including providing guidance and advice in connection with compliance with requirements under the GEM Listing Rules. The term of appointment shall commence on the Listing Date and shall end on the publication date of our financial results for the second full financial year after the Listing in compliance with Rule 18.03 of the GEM Listing Rules. Our Company will pay to Innovax Capital Limited an agreed fee for its provision of services with the scope required under the GEM Listing Rules.

Pursuant to Rule 6A.23 of the GEM Listing Rules, we will consult with and, if necessary, seek advice from the compliance adviser in the following circumstances:

- (i) before the publication of any regulatory announcement, circular or financial report;
- (ii) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues or share repurchase;
- (iii) where we propose to use the net proceeds from the Share Offer in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate, or other information in this prospectus; and
- (iv) where the Stock Exchange makes an inquiry to our Company concerning unusual movements in the price and trading volume of our shares and/or any other matters.

CORPORATE GOVERNANCE

Our Company will comply with the Corporate Governance Code in Appendix 15 to the GEM Listing Rules.

Our Directors will review our corporate governance policies and compliance with the Corporate Governance Code each financial year and comply with the “comply or explain” principle in our corporate governance report, which will be included in our annual reports subsequent to the Listing.

SUBSTANTIAL SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

Immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account the Shares which may be allotted and issued pursuant to any 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 of Shareholder	Nature of interest	Shares held as of the submission of the application proof of the prospectus of our Company		Shares held immediately following the Capitalisation Issue and the Share Offer (assuming the Offer Size Adjustment Option is not exercised)		Shares held immediately following the Capitalisation Issue and the Share Offer (assuming the Offer Size Adjustment Option is exercised in full)	
		Number	Approximate percentage	Number	Approximate percentage	Number	Approximate percentage
Ms. Shirley Wong ⁽¹⁾	Interest of controlled corporation/ Interest of spouse	100	100%	280,000,000	70%	280,000,000	66.9%
Mr. Roy Ting ⁽²⁾	Interest of controlled corporation/ Interest of spouse	100	100%	280,000,000	70%	280,000,000	66.9%
Shirz Limited	Beneficial owner	60	60%	168,000,000	42%	168,000,000	40.1%
Sunshine Consultancy	Beneficial owner	40	40%	112,000,000	28%	112,000,000	26.7%

Notes:

- (1) Ms. Shirley Wong is the sole shareholder of Shirz Limited and she is therefore deemed to be interested in the Shares held by Shirz Limited. Ms. Shirley Wong is also the spouse of Mr. Roy Ting and is therefore deemed to be interested in all the Shares Mr. Roy Ting is interested in pursuant to the SFO.
- (2) Mr. Roy Ting is the sole shareholder of Sunshine Consultancy and he is therefore deemed to be interested in the Shares held by Sunshine Consultancy. Mr. Roy Ting is also the spouse of Ms. Shirley Wong and is therefore deemed to be interested in all the Shares Ms. Shirley Wong is interested in pursuant to the SFO.

SUBSTANTIAL SHAREHOLDERS

Save as disclosed above, our Directors are not aware of any person who will, immediately following the Share Offer and the Capitalisation Issue (without taking into account the Shares which may be allotted and issued pursuant to any 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.

UNDERTAKINGS

The Controlling Shareholders have jointly as a group and severally given certain undertakings in respect of the Shares held by them to our Company, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Sole Lead Manager and the Underwriters, details of which are set out under the section headed “Underwriting — Undertakings — Undertakings by our Controlling Shareholders” in this prospectus. The Controlling Shareholders have jointly as a group and severally also given undertakings in respect of the Shares to our Company and the Stock Exchange as required by Rules 13.16A(1) and 13.19 of the GEM Listing Rules.

SHARE CAPITAL

SHARE CAPITAL OF OUR COMPANY

The authorised share capital of our Company is as follows:

	<u>HK\$</u>
<i>Authorised share capital:</i>	
1,000,000,000 Shares of par value HK\$0.01 each	10,000,000

Without taking into account the exercise of the Offer Size Adjustment Option and any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, the share capital immediately following the Capitalisation Issue and the Share Offer will be as follows:

	<u>HK\$</u>
<i>Issued or to be issued, fully paid or credited as fully paid:</i>	
100 Shares in issue immediately prior to the Share Offer	1
120,000,000 Shares to be issued under the Share Offer	1,200,000
<u>279,999,900</u> Shares to be issued under the Capitalisation Issue	<u>2,799,999</u>
<u>400,000,000</u> Total	<u>4,000,000</u>

RANKING

The Offer Shares will rank *pari passu* in all respects with all the Shares now in issue or to be issued as mentioned in this prospectus, and, in particular, will qualify in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of Listing other than participation in the Capitalisation Issue.

MINIMUM PUBLIC FLOAT

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at the time of the Listing and at all times thereafter, our Company must maintain the minimum prescribed percentage of 25% of our issued share capital in the hands of the public (as defined in the GEM Listing Rules).

SHARE OPTION SCHEME

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

SHARE CAPITAL

Our Group did not have any outstanding share options, warrants, convertible instruments, or similar rights convertible into our Shares as at the Latest Practicable Date.

SHAREHOLDERS' GENERAL MEETING

Please refer to Appendix III in this prospectus in respect of circumstances under which general meeting is required.

GENERAL MANDATE TO ISSUE SHARES

Conditional on the fulfilment or waiver (as applicable) of the conditions set out in the section headed “Structure and conditions of the Share Offer — Conditions of the Share Offer” in this prospectus, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares with an aggregate nominal value of not more than the sum of:

- a. 20% of the aggregate nominal value of the share capital of our Company in issue immediately following the completion of the Capitalisation Issue and the Share Offer; and
- b. the aggregate nominal value of the share capital of our Company repurchased by our Company, if any under the general mandate to repurchase Shares referred to in the paragraph headed “General mandate to repurchase Shares” below.

The allotment and issue of Shares under a rights issue, scrip dividend scheme or similar arrangement in accordance with the Articles do not generally require the approval of the Shareholders in general meeting and the aggregate nominal value of the Shares which our Directors are authorised to allot and issue under this mandate will not be reduced by the allotment and issue of such Shares.

This general mandate will expire at the earliest of:

- a. the conclusion of our Company's next annual general meeting;
- b. the expiration of the period within which our Company is required by applicable laws or the Articles to hold its next annual general meeting; and
- c. when varied, revoked or renewed by an ordinary resolution of our Shareholders in general meeting.

For further details of this general mandate, please refer to the section headed “A. Further Information about our Company and our subsidiaries — 3. Written resolutions of our Shareholders passed on 18 December 2017” in Appendix IV to this prospectus.

SHARE CAPITAL

GENERAL MANDATE TO REPURCHASE SHARES

Conditional on the fulfilment or waiver (as applicable) of the conditions set out in the section headed “Structure and Conditions of the Share Offer — Conditions of the Share Offer” in this prospectus, our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares with an aggregate nominal value of not more than 10% of the aggregate nominal value of the share capital of our Company in issue following completion of the Capitalisation Issue and the Share Offer.

This mandate only relates to repurchases made on the Stock Exchange, or 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), which are made in accordance with all applicable laws and requirements of the GEM Listing Rules. Further information required by the Stock Exchange to be included in this prospectus regarding the repurchase of Shares is set out in the section headed “A. Further information about our Company and our subsidiary — 6. Repurchase by our Company of its own securities” in Appendix IV to this prospectus.

This general mandate will expire at the earliest of:

- a. the conclusion of our Company’s next annual general meeting;
- b. the expiration of the period within which our Company is required by applicable laws or the Articles to hold its next annual general meeting; and
- c. when varied, revoked or renewed by an ordinary resolution of our Shareholders in general meeting.

For further details of this general mandate, please refer to the paragraph headed “A. Further Information about our Company and our subsidiaries — 3. Written resolutions of our Shareholders passed on 18 December 2017” in Appendix IV to this prospectus.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

The circumstances under which general meeting and class meeting are required are provided in the Articles of our Company. For details, please refer to the section headed “Summary of the Constitution of the Company and the Cayman Islands Companies Law” as set out in Appendix III in this prospectus.

FINANCIAL INFORMATION

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with our combined financial statements for the years ended 31 March 2015, 2016 and 2017 and the three months ended 30 June 2017, including the notes thereto as set out in our accountants' report in Appendix I to this prospectus. Our combined financial statements were prepared in accordance with the HKFRS, which may differ in material aspects from generally accepted accounting principles in other jurisdictions.

The following discussions contain forward-looking statements which involve risks and uncertainties and reflect our current views with respect to future performance. 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 the section headed "Risk Factors" and elsewhere in this prospectus.

OVERVIEW

Our business primarily involves the wholesale and retail of a wide spectrum of wine products and other alcoholic beverages in Hong Kong with a focus on Premium Collectible Red Wine. According to the Ipsos Report, we ranked sixth among all wine sellers in Hong Kong in terms of revenue in 2016.

We are particularly proud of our diverse wine product offerings which include wines that are prestigious and highly sought-after in Hong Kong. As at the Latest Practicable Date, we offered approximately 314 types of red wine and 45 types of white wine from over 10 countries of origin. We classify our wine products into three categories, namely (i) Premium Collectible Red Wine, i.e. red wine with selling price at or above HK\$1,000 per bottle; (ii) Fine Red Wine, i.e. red wine with selling price below HK\$1,000 per bottle and (iii) white wine. To capture our customers' diverse demands and to supplement our wine product offerings, we also sell other alcoholic beverages such as champagne, whisky and sake, and wine accessory products such as wine decanters, wine glasses and wine openers. For further details of our product portfolio, please refer to the section headed "Business — Product portfolio" in this prospectus.

We classify (i) sales to wine merchants and other customers whose business operations involve the resale of our products as wholesale; and (ii) sales to corporate and individual consumers who purchase our products for their own consumption or collection as retail. For the years ended 31 March 2015, 2016 and 2017 and the three months ended 30 June 2016 and 2017, we generated revenue of HK\$157.5 million, HK\$181.3 million, HK\$179.9 million, HK\$38.6 million and HK\$49.5 million, respectively, from our wholesale sales, and HK\$47.5 million, HK\$63.3 million, HK\$101.7 million, HK\$27.7 million and HK\$18.9 million, respectively, from our retail sales. For further details of our business model, please refer to the section headed "Business — Business model" in this prospectus.

FINANCIAL INFORMATION

During the Track Record Period and up to the Latest Practicable Date, we derived all of our revenue in Hong Kong. Driven by the Hong Kong government's initiatives to develop Hong Kong as a wine hub for Asia underpinned by the favourable economic environment during the Track Record Period, our revenue (i) increased from HK\$205.0 million for the year ended 31 March 2015 to HK\$244.6 million for the year ended 31 March 2016, and further increased to HK\$281.6 million for the year ended 31 March 2017; and (ii) increased from HK\$66.3 million for the three months ended 30 June 2016 to HK\$68.4 million for the three months ended 30 June 2017. Our gross profit (i) increased from HK\$27.4 million for the year ended 31 March 2015 to HK\$33.2 million for the year ended 31 March 2016, and further increased to HK\$37.0 million for the year ended 31 March 2017; and (ii) increased from HK\$8.4 million for the three months ended 30 June 2016 to HK\$8.9 million for the three months ended 30 June 2017.

BASIS OF PRESENTATION OF OUR COMBINED FINANCIAL INFORMATION

Our Company was incorporated in the Cayman Islands on 22 September 2016 as an exempted company with limited liability. Upon the completion of the Reorganisation before the Listing, our Company will become the holding company of the companies comprising our Group. For further details of our Reorganisation, please refer to the section headed "History, Reorganisation and Corporate Structure" in this prospectus.

In preparation of (i) our combined statements of profit or loss and other comprehensive income, (ii) our combined statements of changes in equity, and (iii) our combined statements of cash flows, we included the results, the changes in equity and the cash flows of the companies comprising our Group as if our Company had always been the holding company of our Group and the current group structure had been in existence throughout the Track Record Period, or since the respective dates of incorporation, where this is a shorter period. Our combined statements of financial position as at 31 March 2015, 2016 and 2017 and 30 June 2017 were prepared to present the assets and liabilities of the companies comprising our Group as if our Company had always been the holding company of our Group and the current group structure had been in existence at those dates taking into account the respective dates of incorporation, where applicable.

Our combined financial statements were prepared on historical cost basis, except for certain financial instruments that were measured at fair value at the end of the reporting period, as appropriate, and in accordance with HKFRS issued by HKICPA. In addition, our combined financial statements have included the applicable disclosure requirements under the GEM Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance, and are presented in Hong Kong dollars, the functional currency of our Group. For further details on the basis of presentation of the financial information included in this section, please refer to note 1 of our accountants' report in Appendix I to this prospectus.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations have been and will continue to be affected by a number of factors, some of which are beyond our control, including those factors set out in the section headed “Risk Factors” in this prospectus and those set out below. Accordingly, our historical financial results may not be indicative of our future performance and our management’s assessment of the prospects of our Group. The key factors affecting our results of operations include, among other factors, the following:

Market demand for wine products in Hong Kong

During the Track Record Period, we derived all of our revenue in Hong Kong primarily from the wholesale and retail of wine products. We aim to continue strengthening our leading position in the wine industry in Hong Kong and do not currently have any intention of expanding our business operations outside of Hong Kong.

As we focus on the Hong Kong market, any change in the market demand for our products, in particular Premium Collectible Red Wine and Fine Red Wine, in Hong Kong could have a material adverse impact on our financial performance and results of operations. The market demand for wine products in Hong Kong is susceptible to, among other factors, (i) the economic condition and the future economic prospects of Hong Kong; (ii) prevailing market trend; and (iii) changes in consumers’ preferences, tastes, perceptions and spending habits. In the event that the market demand for wine products decreases, our business in general and results of operations could be materially and adversely affected.

Regulatory environment and government support

Our improved financial performance during the Track Record Period was driven by the Hong Kong government’s initiatives to develop Hong Kong as a wine hub for Asia. In particular, the Hong Kong government stimulated wine trading and distribution activities in Hong Kong by, among others:

- (i) removing all duty-related customs and administrative controls for wine products since February 2008;
- (ii) entering into Closer Economic Partnership Agreement (CEPA) with the PRC Government, allowing the import of wine products from Hong Kong to the PRC; and
- (iii) signing co-operation agreements with 13 major wine-producing countries including France (along with Bordeaux and Burgundy regions), Chile, Australia, New Zealand and the United States for co-operation in wine-related businesses, and to strengthen promotional activities related to the trade and investment of wine and spirits.

FINANCIAL INFORMATION

Continued government focus on and support for the wine industry in Hong Kong is crucial to our financial performance and results of operations. If there is any adverse changes in current regulatory environment and government support, our business in general and financial performance would be materially and adversely affected.

Fluctuations in our operational costs

Our financial performance and results of operations could be significantly affected by the fluctuations in our operational costs, which primarily includes (i) cost of sales; (ii) staff costs; and (iii) rental expenses.

Cost of sales

Our cost of sales represents the costs incurred by us as a result of the procurement of products from our suppliers. We recognise cost of sales when we conclude a sales transaction. Cost of sales is the largest component of our operational costs, and has a direct and significant impact on our profit margins.

For the years ended 31 March 2015, 2016 and 2017 and the three months ended 30 June 2016 and 2017, our total cost of sales amounted to HK\$177.6 million, HK\$211.4 million, HK\$244.7 million, HK\$57.9 million and HK\$59.5 million, respectively, accounted for approximately 86.6%, 86.4%, 86.9%, 87.3% and 87.0% of our total revenue for the respective periods. As we recognise our cost of sales upon the conclusion of a sales transaction, the increase in our cost of sales during the Track Record Period was directly correlated with the increase in revenue for the relevant periods.

As we purchase wine products from our suppliers on an order-by-order basis and did not enter into any long-term supply contracts with our suppliers during the Track Record Period and up to the Latest Practicable Date, any change in the purchase prices of wine products could directly and significantly impact our cost of sales, which in turn could adversely affect our profit margins and results of operations. For further details, please refer to the section headed “Risk Factors — Risks relating to our business” in this prospectus.

FINANCIAL INFORMATION

The following sensitivity analysis is for reference only and illustrates the impact of hypothetical fluctuations in our cost of sales on our profit before taxation during the Track Record Period. Fluctuations are assumed to be 4.0%, 8.0% and 12.0% for each of the years ended 31 March 2015, 2016 and 2017 and the three months ended 30 June 2016 and 2017, respectively.

Hypothetical fluctuations in cost of sales	-12.0%	-8.0%	-4.0%	4.0%	8.0%	12.0%
For the year ended 31 March 2015						
Change in cost of sales (HK\$'000)	(21,315)	(14,210)	(7,105)	7,105	14,210	21,315
Effect on profit before taxation (HK\$'000)	21,315	14,210	7,105	(7,105)	(14,210)	(21,315)
For the year ended 31 March 2016						
Change in cost of sales (HK\$'000)	(25,373)	(16,915)	(8,458)	8,458	16,915	25,373
Effect on profit before taxation (HK\$'000)	25,373	16,915	8,458	(8,458)	(16,915)	(25,373)
For the year ended 31 March 2017						
Change in cost of sales (HK\$'000)	(29,360)	(19,573)	(9,787)	9,787	19,573	29,360
Effect on profit before taxation (HK\$'000)	29,360	19,573	9,787	(9,787)	(19,573)	(29,360)
For the three months ended 30 June 2016						
Change in cost of sales (HK\$'000)	(6,951)	(4,634)	(2,317)	2,317	4,634	6,951
Effect on profit before taxation (HK\$'000)	6,951	4,634	2,317	(2,317)	(4,634)	(6,951)
For the three months ended 30 June 2017						
Change in cost of sales (HK\$'000)	(7,141)	(4,761)	(2,380)	2,380	4,761	7,141
Effect on profit before taxation (HK\$'000)	7,141	4,761	2,380	(2,380)	(4,761)	(7,141)

Staff costs

Our staff costs mainly include (i) directors' remuneration; (ii) employees' salaries and other benefits; (iii) discretionary bonus; and (iv) contributions to our employees' mandatory provident fund schemes. For the years ended 31 March 2015, 2016 and 2017 and the three months ended 30 June 2016 and 2017, our total staff costs amounted to HK\$4.3 million, HK\$5.1 million, HK\$7.5 million, HK\$1.4 million and HK\$2.2 million, respectively, accounted for approximately 2.1%, 2.1%, 2.7%, 2.1% and 3.2% of our total revenue for the respective periods.

Our staff costs may be affected by the availability of labour in the market as well as economic factors in Hong Kong such as inflation rate and standard of living. As our business operations expand, we expect to hire more employees and our staff costs will continue to increase. Competition in the labour market for staff with appropriate experience may increase the salary level and correspondingly, our costs associated with hiring and retaining staff, which in turn may adversely affect our results of operations.

FINANCIAL INFORMATION

The following sensitivity analysis is for reference only and illustrates the impact of hypothetical fluctuations in our staff costs on our profit before taxation during the Track Record Period. Fluctuations are assumed to be 4.0%, 8.0% and 12.0% for each of the years ended 31 March 2015, 2016 and 2017 and the three months ended 30 June 2016 and 2017, respectively.

Hypothetical fluctuations in staff costs	-12.0%	-8.0%	-4.0%	4.0%	8.0%	12.0%
For the year ended 31 March 2015						
Change in staff costs (HK\$'000)	(517)	(344)	(172)	172	344	517
Effect on profit before taxation (HK\$'000)	517	344	172	(172)	(344)	(517)
For the year ended 31 March 2016						
Change in staff costs (HK\$'000)	(617)	(412)	(205)	205	412	617
Effect on profit before taxation (HK\$'000)	617	412	205	(205)	(412)	(617)
For the year ended 31 March 2017						
Change in staff costs (HK\$'000)	(904)	(603)	(301)	301	603	904
Effect on profit before taxation (HK\$'000)	904	603	301	(301)	(603)	(904)
For the three months ended 30 June 2016						
Change in staff costs (HK\$'000)	(174)	(116)	(58)	58	116	174
Effect on profit before taxation (HK\$'000)	174	116	58	(58)	(116)	(174)
For the three months ended 30 June 2017						
Change in staff costs (HK\$'000)	(264)	(176)	(88)	88	176	264
Effect on profit before taxation (HK\$'000)	264	176	88	(88)	(176)	(264)

Rental expenses

We conduct our business in leased properties. For the years ended 31 March 2015, 2016 and 2017 and the three months ended 30 June 2016 and 2017, our total rental expenses amounted to HK\$1.9 million, HK\$1.8 million, HK\$3.3 million, HK\$0.5 million and HK\$1.0 million, respectively, accounted for approximately 0.9%, 0.7%, 1.2%, 0.8% and 1.5% of our total revenue for the respective periods. For further details of our leased properties, please refer to the section headed “Business — Properties” in this prospectus.

Given that there has been a general rising trend of rental expenses in Hong Kong in recent years, we may not be able to renew our existing leases on terms and conditions that are commercially acceptable to us. In addition, as we plan to further expand our retail network by opening a flagship store and a retail store after the Share Offer, we expect that there will be an increase in our rental expenses after the Share Offer. This may have a material adverse impact on the profitability of our business. For further details in respect of this expansion plan, please refer to

FINANCIAL INFORMATION

the sections headed “Business — Business strategies — Further expand our retail network and product portfolio to boost our market share in Hong Kong” and “Statement of Business Objectives and Use of Proceeds” in this prospectus.

The following sensitivity analysis is for reference only and illustrates the impact of hypothetical fluctuations in our rental expenses on our profit before taxation during the Track Record Period. Fluctuations are assumed to be 4.0%, 8.0% and 12.0% for each of the years ended 31 March 2015, 2016 and 2017 and the three months ended 30 June 2016 and 2017, respectively.

Hypothetical fluctuations in rental expenses	-12.0%	-8.0%	-4.0%	4.0%	8.0%	12.0%
For the year ended 31 March 2015						
Change in rental expenses (<i>HK\$'000</i>)	(230)	(154)	(77)	77	154	230
Effect on profit before taxation (<i>HK\$'000</i>)	230	154	77	(77)	(154)	(230)
For the year ended 31 March 2016						
Change in rental expenses (<i>HK\$'000</i>)	(215)	(143)	(72)	72	143	215
Effect on profit before taxation (<i>HK\$'000</i>)	215	143	72	(72)	(143)	(215)
For the year ended 31 March 2017						
Change in rental expenses (<i>HK\$'000</i>)	(401)	(267)	(134)	134	267	401
Effect on profit before taxation (<i>HK\$'000</i>)	401	267	134	(134)	(267)	(401)
For the three months ended 30 June 2016						
Change in rental expenses (<i>HK\$'000</i>)	(63)	(42)	(21)	21	42	63
Effect on profit before taxation (<i>HK\$'000</i>)	63	42	21	(21)	(42)	(63)
For the three months ended 30 June 2017						
Change in rental expenses (<i>HK\$'000</i>)	(121)	(81)	(40)	40	81	121
Effect on profit before taxation (<i>HK\$'000</i>)	121	81	40	(40)	(81)	(121)

The pricing of our wine products

We adopt a cost-plus approach to price our wine products to ensure the profitability of our business and the competitiveness of our pricing. Factors which we take into account in determining our pricing include (i) the procurement costs of the relevant wine products; (ii) our operational costs including staff costs and administrative expenses; (iii) the prevailing market prices of the relevant wine products as shown on www.liv-ex.com and www.wine-searcher.com; (iv) the market demand and rarity of the relevant wine products; (v) our inventory levels; (vi) historical sales performance of similar products; (vii) reviews by wine critics or grading by other industry authoritative magazines; (viii) the size, reputation and industry of the customers involved; and (ix) the potential future business opportunities with the relevant customers. For further details, please refer to the section headed “Business — Sales and marketing — Pricing policy” in this prospectus.

FINANCIAL INFORMATION

We rely on the experience of our management in assessing the factors that may affect our profitability and the competitiveness of our pricing, which may not be accurate at all times and can be affected by variables which are beyond our control. If we fail to take into account the relevant factors which affect our profitability and the competitiveness of our pricing, we may not be able to effectively adopt our cost-plus approach by passing on the increase in our costs to our customers, which in turn may adversely affect our financial performance and results of operations.

Seasonal fluctuations

Our business and results of operations are subject to seasonal fluctuations. Historically, we generally experienced higher sales of wine products as a result of local consumption during holiday seasons, such as Mid-Autumn Festival, Christmas, New Year and Chinese New Year, in January, August and December, which contributed approximately 30.4%, 36.7% and 32.7% of our total revenue for the years ended 31 March 2015, 2016 and 2017, respectively. Revenue generated in non-holiday seasons in June, July and November contributed approximately 21.6%, 22.2% and 20.6% of our total revenue for the years ended 31 March 2015, 2016 and 2017, respectively. These seasonal patterns may cause our results of operations to fluctuate from period to period. Comparisons of our results of operations on a quarterly basis as an indicator of our performance may not be meaningful and should not be relied upon as indicators of our future performance. For further details, please refer to the section headed “Risk Factors — Risks relating to our business — Our business, results of operations and financial condition may be affected by seasonality” in this prospectus.

Competition

As the wine hub in Asia, there is a large number of domestic and international market players who offer wine products similar to us in Hong Kong. Our financial condition and results of operations could be adversely affected if we fail to maintain and expand our market share and compete effectively by rapidly responding to market trends and differentiating our product portfolio from those offered by our competitors. In addition, in order to strengthen our competitiveness in the wine industry in Hong Kong, we intend to implement our business strategies as set out in the sections headed “Business — Business strategies” and “Statement of Business Objectives and Use of Proceeds” in this prospectus. We cannot assure you that the implementation of our business strategies will achieve our expected benefits. Failure to implement our business strategies could adversely affect our business, results of operations and financial condition.

FINANCIAL INFORMATION

CRITICAL ACCOUNTING POLICIES

We have identified certain accounting policies which we consider are significant in the preparation of our financial statements. We have summarised some of these accounting policies below. For further details, please refer to note 3 of our accountants' report in Appendix I to this prospectus.

Revenue recognition

We recognise revenue at the fair value of the consideration received or receivable, which represents amounts receivable for products sold in the normal course of our business.

Revenue from the sales of our products is recognised when our products are delivered and titles have passed to our customers, at which time all of the following conditions are satisfied: (i) our Group has transferred to our customers the significant risks and rewards of the ownership of our products; (ii) our Group no longer retains continuing managerial involvement to the degree usually associated with ownership and does not maintain effective control over the products sold; (iii) the amount of revenue can be measured reliably; (iv) it is probable that the economic benefits associated with the relevant transaction will flow to our Group and (v) the costs incurred or to be incurred in respect of the relevant transaction can be measured reliably. We generally consider the aforementioned conditions are satisfied when (i) we deliver the relevant products to our customers or (ii) when our customers' acknowledge the receipt of our products by signing the relevant delivery notices we issue to them.

Inventories

Our inventories consist primarily of wine products we procured from our suppliers for sales in Hong Kong. Inventories are stated at the lower of cost and net realisable value. Cost of inventories are determined on a 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.

Derivative financial instruments

Derivatives are initially recognised at fair value at the dates when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately.

Financial instruments

Our financial instruments include (i) trade receivables; (ii) other receivables, deposits and prepayments; (iii) amounts due from shareholders and related parties; (iv) pledged bank deposits and bank balances and cash; (v) trade payables; (vi) other payables and accrued charges; (vii) amounts due to a shareholder and related parties; (viii) bank borrowings and (ix) derivative financial instruments.

FINANCIAL INFORMATION

Financial assets and financial liabilities are recognised on the statements of financial position when our Group becomes a party to the contractual provisions of a financial 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 (other than financial instruments at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Provisions

Provisions are recognised when our Group has a present obligation (legal or constructive) as a result of a past event, it is probable that our Group will be required to settle the obligations, and a reliable estimate can be made of the amount of the obligation. As at 30 June 2017, we recognised a provision for reinstatement cost of HK\$0.5 million for reinstating our newly leased head office to be carried out at the end of the lease period.

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

KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of our Group's accounting policies as disclosed in note 3 of our accountants' report in Appendix I to this prospectus, we 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 underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. Our Directors have confirmed that we did not experience any material deviations between our accounting estimates and actual results and did not materially change our accounting estimates during the Track Record Period.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are 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. Our management does not expect any material changes in our accounting estimates in the foreseeable future.

FINANCIAL INFORMATION

The basis of the following items on our statements of financial position involve estimates and assumptions concerning the future and may lead to a material adjustment in the carrying amounts of assets in the next financial year:

- **Net realisable value of inventories** is the estimated selling price of wine products in the ordinary course of our business, less estimated selling expenses. These estimates are based on the current market condition and the historical experience of selling products of similar nature. Our management re-assesses the estimations on a product-by-product basis at the end of the relevant reporting period. We write down obsolete inventories when necessary. As at 31 March 2015, 2016 and 2017 and 30 June 2017, the carrying amounts of our inventories were HK\$59.1 million, HK\$87.5 million, HK\$83.7 million and HK\$91.0 million, respectively.
- **Allowances for bad and doubtful debts** is estimated based on the evaluation of collectability and ageing 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 our customers deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. As at 31 March 2015, 2016 and 2017 and 30 June 2017, the carrying amounts of trade receivables were HK\$57.3 million, HK\$27.3 million, HK\$13.3 million and HK\$14.8 million, respectively.
- **Impairment of deposits paid to suppliers** is recognised based on on-going evaluations taking into account changes in market conditions, the financial condition of suppliers, and the quality and timeframe of products to be delivered to us. If deposits were not settled as expected and the credit quality of suppliers changed, we would impair the deposits paid to the suppliers. During the Track Record Period, no impairment of deposits paid to suppliers was recognised. The carrying amounts of deposits paid to suppliers as at 31 March 2015, 2016 and 2017 and 30 June 2017 amounted to HK\$7.7 million, HK\$31.1 million, HK\$27.5 million and HK\$30.0 million, respectively.

FINANCIAL INFORMATION

SUMMARY FINANCIAL INFORMATION

Combined statements of profit or loss and other comprehensive income

The table below sets forth a summary of our combined statements of profit or loss and other comprehensive income for the periods indicated.

	For the year ended 31 March			For the three months ended 30 June	
	2015	2016	2017	2016	2017
	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)
				(unaudited)	
Revenue	205,008	244,619	281,639	66,336	68,410
Cost of sales	(177,626)	(211,441)	(244,664)	(57,921)	(59,510)
Gross profit	27,382	33,178	36,975	8,415	8,900
Other income	493	521	241	126	58
Other gains and losses, net	1,810	(5,530)	1,638	(709)	(781)
Selling and distribution expenses	(4,460)	(7,119)	(8,989)	(2,477)	(2,336)
Administrative expenses	(9,527)	(9,582)	(11,464)	(2,172)	(3,016)
Listing expenses	—	(277)	(7,540)	(326)	(1,528)
Finance costs	(5,223)	(5,680)	(4,935)	(1,804)	(978)
Profit before taxation	10,475	5,511	5,926	1,053	319
Income tax expense	(1,303)	(1,664)	(2,228)	(202)	(309)
Profit and total comprehensive income for the year or period	9,172	3,847	3,698	851	10
Adjusted profit or loss and total comprehensive income or expense for the year or period⁽¹⁾	6,917	10,315	9,332	(164)	1,538

Note:

- (1) **Non-HKFRS adjustments:** Adjusted profit or loss and total comprehensive income or expense is presented for illustrative purpose and for the year or period refers to profit and total comprehensive income for the year or period excluding (i) the gains and losses in respect of the changes in the fair value of structured foreign currency forward contracts, details of which have been set forth in the paragraph headed “— Description of certain components of our combined statements of profit or loss and other comprehensive income items — Other gains and losses, net” in this section and (ii) non-recurring listing expenses. The term of “adjusted profit and total comprehensive income for the year or period” is not defined under HKFRS and accordingly are not audited, not included in the financial statements and not presented in accordance with HKFRS.

FINANCIAL INFORMATION

Selected items of combined statements of financial position

The following table sets forth the selected financial information extracted from our combined statements of financial position as at the dates indicated:

	As at 31 March			As at 30 June
	2015	2016	2017	2017
	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)
Non-current assets	16,450	24,914	11,264	10,887
Current assets	207,068	272,186	159,575	173,635
Current liabilities	174,016	229,788	106,436	120,291
Net current assets	33,052	42,398	53,139	53,344
Non-current liabilities	1,598	8,103	1,496	1,314
Total equity	47,904	59,209	62,907	62,917

Selected items of combined statements of cash flows

The following table sets forth the selected financial information extracted from our combined statements of cash flows for the periods indicated:

	For the year ended 31 March			For the three months ended 30 June	
	2015	2016	2017	2016	2017
	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)
Net cash from/(used in) operating activities	10,362	1,800	29,118	(14,279)	(8,724)
Net cash (used in)/from investing activities	(11,387)	(39,683)	118,665	4,112	(8,010)
Net cash from/(used in) financing activities	936	45,958	(128,015)	2,230	11,373
Net (decrease)/increase in cash and cash equivalents	(89)	8,075	19,768	(7,937)	(5,361)
Cash and cash equivalents at the beginning of the year or period	111	22	8,097	8,097	27,865
Cash and cash equivalents at the end of the year or period, represented by bank balances and cash	22	8,097	27,865	160	22,504

FINANCIAL INFORMATION

DESCRIPTION OF CERTAIN COMPONENTS OF OUR COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME ITEMS

Revenue

We derived all of our revenue in Hong Kong primarily from the sale of wine products during the Track Record Period. Our revenue represents the consideration received or receivable for the sales of our products. Driven by the Hong Kong government's initiatives to develop Hong Kong as a wine hub for Asia underpinned by the favourable economic environment during the Track Record Period, we experienced stable revenue growth due to the increase in the sales of our wine products. For the years ended 31 March 2015, 2016 and 2017 and the three months ended 30 June 2016 and 2017, our revenue amounted to HK\$205.0 million, HK\$244.6 million, HK\$281.6 million, HK\$66.3 million and HK\$68.4 million, respectively.

Revenue by sales channels

We have two sales channels, (i) wholesale and (ii) retail. We classify our sales with reference to the usage of our products by our customers based on our internal records and information provided to our Group from our customers. Wholesale refers to our sale to wine merchants and other customers whose business operations involve the resale of our products. Retail refers to our sale to corporate and individual consumers who purchase our products for their own consumption or collection. For further details, please refer to the sections headed "Business — Sales and marketing — Wholesale" and "Business — Sales and marketing — Retail" in this prospectus.

The table below sets forth the breakdown of our revenue by sales channels for the periods indicated:

	For the year ended 31 March						For the three months ended 30 June			
	2015		2016		2017		2016		2017	
	(HK\$'000)	(%)	(HK\$'000)	(%)	(HK\$'000)	(%)	(HK\$'000)	(%)	(HK\$'000)	(%)
	(unaudited)									
Wholesale	157,520	76.8	181,327	74.1	179,892	63.9	38,633	58.2	49,526	72.4
Retail	47,488	23.2	63,292	25.9	101,747	36.1	27,703	41.8	18,884	27.6
Total:	<u>205,008</u>	<u>100.0</u>	<u>244,619</u>	<u>100.0</u>	<u>281,639</u>	<u>100.0</u>	<u>66,336</u>	<u>100.0</u>	<u>68,410</u>	<u>100.0</u>

During the Track Record Period, we primarily generated revenue from our wholesale channel, which contributed approximately 76.8%, 74.1%, 63.9%, 58.2% and 72.4% of our total revenue for the years ended 31 March 2015, 2016 and 2017 and the three months ended 30 June 2016 and 2017, respectively. Revenue generated from our retail channel contributed approximately 23.2%, 25.9%, 36.1%, 41.8% and 27.6% of our total revenue for the years ended 31 March 2015, 2016 and 2017 and the three months ended 30 June 2016 and 2017, respectively. As we offer diverse wine

FINANCIAL INFORMATION

product offerings for the selection of our customers in various price ranges, the revenue contribution of our wholesale and retail channels fluctuated during the Track Record Period due to the composition of products sold by channels in the relevant period. In particular,

- (i) the revenue contribution of our wholesale and retail channels remained relatively stable during the years ended 31 March 2015 and 2016;
- (ii) the revenue contribution of our wholesale channel decreased from approximately 74.1% for the year ended 31 March 2016 to approximately 63.9% for the year ended 31 March 2017, and the revenue contribution of our retail channel increased from approximately 25.9% for the year ended 31 March 2016 to approximately 36.1% for the year ended 31 March 2017. While the revenue generated from our wholesale channel remained relatively stable and amounted to HK\$181.3 million and HK\$179.9 million for the years ended 31 March 2016 and 2017, respectively, we recorded an increase in revenue generated from our retail channels due to (a) an increase in the retail sales of Fine Red Wine from 44,261 bottles for the year ended 31 March 2016 to 107,834 bottles for the year ended 31 March 2017; and (b) an increase in the retail sales of Premium Collectible Red Wine priced at or above HK\$50,000 from 66 bottles for the year ended 31 March 2016 to 292 bottles for the year ended 31 March 2017; and
- (iii) the revenue contribution of our wholesale channel increased from approximately 58.2% for the three months ended 30 June 2016 to approximately 72.4% for the three months ended 30 June 2017, and the revenue contribution of our retail channel decreased from approximately 41.8% for the three months ended 30 June 2016 to approximately 27.6% for the three months ended 30 June 2017. This change was primarily due to the combined effects of (a) the increase in the wholesale of Premium Collectible Red Wine priced between HK\$1,000 and HK\$4,999 from 8,239 bottles for the three months ended 30 June 2016 to 12,367 bottles for the three months ended 30 June 2017; and (b) the decrease in the retail sales of Premium Collectible Red Wine priced at or above HK\$50,000 from 145 bottles for the three months ended 30 June 2016 to 31 bottles for the three months ended 30 June 2017.

Revenue by product categories

We offer an extensive range of wine products for sale, namely (i) Premium Collectible Red Wine, i.e. red wine with selling price at or above HK\$1,000 per bottle; (ii) Fine Red Wine, i.e. red wine with selling price below HK\$1,000 per bottle; and (iii) white wine. To capture our customers' diverse demands and to supplement our wine product offerings, we also sell other alcoholic beverages such as champagne, whisky and sake, and wine accessory products such as wine decanters, wine glasses and wine openers. For further details of our product portfolio, please refer to the section headed "Business — Product portfolio" in this prospectus.

FINANCIAL INFORMATION

The table below sets forth the breakdown of our revenue, sales volume and average selling price by product categories for the periods indicated:

	For the year ended 31 March								
	2015			2016			2017		
	Revenue (percentage of total revenue)	Sales volume	Average selling price	Revenue (percentage of total revenue)	Sales volume	Average selling price	Revenue (percentage of total revenue)	Sales volume	Average selling price
	(HK\$'000)	(Bottles/ units)	(HK\$)	(HK\$'000)	(Bottles/ units)	(HK\$)	(HK\$'000)	(Bottles/ units)	(HK\$)
Wine products									
<i>Premium Collectible</i>	157,752	54,498	2,895	196,489	62,250	3,156	202,605	62,458	3,244
<i>Red Wine</i>	(76.9%)			(80.3%)			(71.9%)		
<i>Fine Red Wine</i>	40,113	155,488	258	35,432	140,654	252	58,878	283,732	208
	(19.6%)			(14.5%)			(20.9%)		
<i>White wine</i>	1,227	3,115	394	1,524	4,343	351	2,333	8,939	261
	(0.6%)			(0.6%)			(0.8%)		
	199,092	213,101	934	233,445	207,247	1,126	263,816	355,129	743
	(97.1%)			(95.4%)			(93.6%)		
Other alcoholic beverages	5,864	6,560	894	11,157	19,538	571	17,317	84,354	205
	(2.9%)			(4.6%)			(6.2%)		
Wine accessory products	52	16	3,250	17	144	118	506	443	1,142
	(0.0%)			(0.0%)			(0.2%)		
Total:	205,008	219,677	—	244,619	226,929	—	281,639	439,926	—
	(100.0%)			(100.0%)			(100.0%)		

	For the three months ended 30 June					
	2016			2017		
	Revenue (percentage of total revenue)	Sales volume	Average selling price	Revenue (percentage of total revenue)	Sales volume	Average selling price
	(HK\$'000)	(Bottles/ units)	(HK\$)	(HK\$'000)	(Bottles/ units)	(HK\$)
Wine products						
<i>Premium Collectible Red Wine</i>	48,765	11,694	4,170	53,553	16,986	3,153
	(73.5%)			(78.3%)		
<i>Fine Red Wine</i>	14,336	125,208	114	11,948	109,000	110
	(21.6%)			(17.5%)		
<i>White wine</i>	536	2,144	250	835	2,478	337
	(0.8%)			(1.2%)		
	63,637	139,046	458	66,336	128,464	516
	(95.9%)			(97.0%)		
Other alcoholic beverages	2,659	40,805	65	2,071	3,166	654
	(4.0%)			(3.0%)		
Wine accessory products	40	35	1,143	3	31	100
	(0.1%)			(0.0%)		
Total:	66,336	179,886	—	68,410	131,661	—
	(100.0%)			(100.0%)		

FINANCIAL INFORMATION

During the Track Record Period, we generated a significant portion of revenue from the sales of red wine, in particular Premium Collectible Red Wine. This revenue distribution pattern was a result of our focus on the sales of red wine over other types of wine products, as consumers in Hong Kong generally prefer red wines over other types of wine products, according to the Ipsos Report.

As we offer diverse wine product offerings in various price ranges to cater for customers with different purchasing power, and we price our products using a cost-plus approach with reference to various factors including procurement costs, prevailing market prices, market demand and the rarity of the relevant products, the average selling price of our products sold fluctuated during the Track Record Period due to the composition of products sold in the relevant period. For example, we recorded:

- (i) a decrease in the average selling prices of Premium Collectible Red Wine from HK\$4,170 per bottle for the three months ended 30 June 2016 to HK\$3,153 per bottle for the three months ended 30 June 2017. This decrease was primarily due to the combined effects of (i) a decrease in the sales of Premium Collectible Red Wine priced at or above HK\$50,000 per bottle from 171 bottles for the three months ended 30 June 2016 to 47 bottles for the three months ended 30 June 2017; and (ii) an increase in the sales of Premium Collectible Red Wine priced between HK\$1,000 and HK\$4,999 per bottle from 10,167 bottles for the three months ended 30 June 2016 to 15,711 bottles for the three months ended 30 June 2017;
- (ii) a decrease in the average selling prices of Fine Red Wine sold from HK\$252 per bottle for the year ended 31 March 2016 to HK\$208 per bottle for the year ended 31 March 2017. This decrease was primarily due to the sales of more than 130,000 bottles of lower end Fine Red Wine priced at not more than HK\$100 per bottle, representing approximately 45.8% of the total number of bottles of Fine Red Wine sold, during the year ended 31 March 2017;
- (iii) a decrease in the average selling prices of white wine sold from HK\$351 per bottle for the year ended 31 March 2016 to HK\$261 per bottle for the year ended 31 March 2017. This decrease was primarily due to the increase in sales of lower end white wine priced at not more than HK\$250 per bottle from 3,150 bottles for the year ended 31 March 2016 to 7,941 bottles for the year ended 31 March 2017;

FINANCIAL INFORMATION

- (iv) a decrease in the average selling prices of other alcoholic beverages sold from HK\$894 per bottle for the year ended 31 March 2015 to HK\$571 per bottle for the year ended 31 March 2016. This decrease was primarily due to an increase in sales of other alcoholic beverages priced at not more than HK\$500 per bottle from 3,629 bottles for the year ended 31 March 2015 to 13,571 bottles for the year ended 31 March 2016;
- (v) an increase in the average selling prices of other alcoholic beverages sold from HK\$65 per bottle for the three months ended 30 June 2016 to HK\$654 per bottle for the three months ended 30 June 2017. This increase was primarily due to sales of other alcoholic beverages priced at lower than HK\$100 per bottle to certain wholesale customers in bulk during the three months ended 30 June 2016; and
- (vi) a decrease in the average selling prices of other alcoholic beverages sold from HK\$571 per bottle for the year ended 31 March 2016 to HK\$205 per bottle for the year ended 31 March 2017. This decrease was primarily due to the sales of certain rare alcoholic beverages from 1952, 1954 and 1982 priced at more than HK\$100,000 per bottle during the year ended 31 March 2016, and we did not record any sales of similar alcoholic beverages priced at more than HK\$100,000 per bottle during the year ended 31 March 2017.

For further details, please refer to the section headed “Business — Sales and marketing — Pricing policy” in this prospectus for further details.

FINANCIAL INFORMATION

Revenue by price ranges

The table below sets forth the breakdown of our revenue, sales volume and average selling price in respect of the sales of our Premium Collectible Red Wine by different price ranges for the periods indicated:

	For the year ended 31 March								
	2015			2016			2017		
	Revenue	Sales volume	Average selling price	Revenue	Sales volume	Average selling price	Revenue	Sales volume	Average selling price
	(HK\$'000)	(Bottles)	(HK\$)	(HK\$'000)	(Bottles)	(HK\$)	(HK\$'000)	(Bottles)	(HK\$)
HK\$1,000 to HK\$4,999	93,665	48,464	1,933	109,457	55,250	1,981	116,037	56,217	2,064
HK\$5,000 to HK\$9,999	24,244	3,922	6,182	26,792	4,322	6,199	29,139	4,684	6,221
HK\$10,000 to HK\$19,999	23,344	1,789	13,049	26,746	2,077	12,877	13,120	1,000	13,120
HK\$20,000 to HK\$49,999	7,321	231	31,693	12,081	407	29,683	5,380	198	27,172
HK\$50,000 and above	9,178	92	99,761	21,413	194	110,376	38,929	359	108,437
Total:	<u>157,752</u>	<u>54,498</u>	2,895	<u>196,489</u>	<u>62,250</u>	3,156	<u>202,605</u>	<u>62,458</u>	3,244

	For the three months ended 30 June							
	2016			2017				
	Revenue	Sales volume	Average selling price	Revenue	Sales volume	Average selling price		
	(HK\$'000)	(Bottles)	(HK\$)	(HK\$'000)	(Bottles)	(HK\$)		
HK\$1,000 to HK\$4,999			22,073	10,167	2,171	35,213	15,711	2,241
HK\$5,000 to HK\$9,999			6,477	1,049	6,174	5,006	835	5,995
HK\$10,000 to HK\$19,999			3,351	265	12,645	4,779	348	13,733
HK\$20,000 to HK\$49,999			1,144	42	27,238	1,247	45	27,711
HK\$50,000 and above			15,720	171	91,930	7,308	47	155,489
Total:			<u>48,765</u>	<u>11,694</u>	4,170	<u>53,553</u>	<u>16,986</u>	3,153

Cost of sales and gross profit

Our cost of sales represents primarily the costs of procurement of wine products and other alcoholic beverages from our suppliers. We recognise cost of sales when we conclude a sales transaction. For the years ended 31 March 2015, 2016 and 2017 and the three months ended 30 June 2016 and 2017, our cost of sales amounted to HK\$177.6 million, HK\$211.4 million, HK\$244.7 million, HK\$57.9 million and HK\$59.5 million, respectively. The increase in our cost of sales during the Track Record Period was generally in line with the increase in our revenue during the respective periods.

FINANCIAL INFORMATION

Our gross profit represents our revenue less our cost of sales. We experienced stable financial growth in terms of gross profit during the Track Record Period. For the years ended 31 March 2015, 2016 and 2017 and the three months ended 30 June 2016 and 2017, our gross profit amounted to HK\$27.4 million, HK\$33.2 million, HK\$37.0 million, HK\$8.4 million and HK\$8.9 million, respectively.

Gross profit and gross profit margin by sales channels

The table below sets forth the breakdown of our gross profit and gross profit margin by sales channels for the periods indicated:

	For the year ended 31 March						For the three months ended 30 June			
	2015		2016		2017		2016		2017	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	(HK\$'000)	(%)	(HK\$'000)	(%)	(HK\$'000)	(%)	(HK\$'000)	(%)	(HK\$'000)	(%)
Wholesale	17,458	11.1	20,044	11.1	16,975	9.4	3,495	9.0	5,061	10.2
Retail	<u>9,924</u>	20.9	<u>13,134</u>	20.8	<u>20,000</u>	19.7	<u>4,920</u>	17.8	<u>3,839</u>	20.3
Total:	<u>27,382</u>	13.4	<u>33,178</u>	13.6	<u>36,975</u>	13.1	<u>8,415</u>	12.7	<u>8,900</u>	13.0

During the Track Record Period, the overall gross profit margin of our retail sales were higher than that of our wholesale sales as a result of the difference in the pricing policy for our wholesale and retail.

- Pricing policy for wholesale:** As our wholesale customers are engaged in the sales of wine products, and they (i) generally purchase wine products from us in bulk; (ii) are more likely to place orders from us repeatedly; and (iii) are in general more familiar with the procurement costs of different wine products available in the market, depending on the wine products they purchase, we generally price our products for wholesale customers by adding around 5% to 15% profit margin on top of our costs incurred or expected to be incurred. For further details relating to the appeal of our products to our wholesale customers, please refer to the section headed “Business — Customers — Wine merchant customers” in this prospectus.
- Pricing policy for retail:** As our retail customers consist primarily of individuals who purchase our wine products for their own consumption or collection, and they (i) do not normally purchase wine products from us in bulk; (ii) are less likely to place orders from us repeatedly; and (iii) are in general less familiar with the procurement costs of different

FINANCIAL INFORMATION

wine products available in the market, depending on the wine products they purchase, we generally price our products for retail customers by adding around 15% to 25% profit margin on top of the costs incurred or expected to be incurred.

According to the Ipsos Report, wine products can become limited and scarce over time due to the uniqueness of each batch of wine products produced, and vineyards and wineries are unable to reproduce the same wine products after each production year. To maximise our profitability, we do not restrict ourselves to pricing our products to wholesale customers within the range of a 5% to 15% profit margin and to retail customers within the range of a 15% to 25% profit margin, and may from time to time price our wine products above these ranges if the relevant wine products are rare and highly-sought after.

As we offer diverse wine product offerings for the selection of our customers in various price ranges to cater for customers with different purchasing power, and we price our products using a cost-plus approach with reference to various factors including procurement costs, prevailing market prices, market demand and the rarity of the relevant products, the gross profit margins of our products sold by sales channel fluctuated during the Track Record Period due to the composition of products sold in the relevant period. For example, we recorded:

- (i) a decrease in the gross profit margin for our wholesale channel from 11.1% for the year ended 31 March 2016 to 9.4% for the year ended 31 March 2017. This decrease was primarily due to the sales of more than 190,000 bottles of wine products and other alcoholic beverages at a gross profit margin at or below 7% during the year ended 31 March 2017, representing 43.2% of the total wine products and other alcoholic beverages sold during the year ended 31 March 2017;
- (ii) an increase in the gross profit margin for our wholesale channel from 9.0% for the three months ended 30 June 2016 to 10.2% for the three months ended 30 June 2017. This increase was primarily due to the increase in the sales of wine products and other alcoholic beverages at a gross profit margin at or above 15.0% from approximately 5,000 bottles for the three months ended 30 June 2016 to approximately 15,000 bottles for the three months ended 30 June 2017; and
- (iii) an increase in gross profit margin for our retail channel from 17.8% for the three months ended 30 June 2016 to 20.3% for the three months ended 30 June 2017. This increase was primarily due to the sales of certain bottles of Premium Collectible Red Wine in 6 litre bottle priced at approximately HK\$1 million per bottle to certain wine collectors during the three months ended 30 June 2017.

For further details of our pricing policy, please refer to the section headed “Business — Sales and marketing — Pricing policy” in this prospectus.

FINANCIAL INFORMATION

Gross profit and gross profit margin by product categories

The table below sets forth the breakdown of our gross profit and gross profit margin by product categories for the periods indicated:

	For the year ended 31 March						For the three months ended 30 June			
	2015		2016		2017		2016		2017	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
(HK\$'000)	(%)	(HK\$'000)	(%)	(HK\$'000)	(%)	(HK\$'000)	(%)	(HK\$'000)	(%)	
Wine products										
Premium Collectible Red Wine	18,041	11.4	27,226	13.9	25,885	12.8	6,887	14.1	6,932	12.9
Fine Red Wine	8,105	20.2	3,284	9.3	7,972	13.5	1,119	7.8	1,412	11.8
White wine	<u>253</u>	20.6	<u>396</u>	26.0	<u>546</u>	23.4	<u>142</u>	26.5	<u>164</u>	19.6
	<u>26,399</u>	13.3	<u>30,906</u>	13.2	<u>34,403</u>	13.0	<u>8,148</u>	12.8	<u>8,508</u>	12.8
Other alcoholic beverages	<u>981</u>	16.7	<u>2,268</u>	20.3	<u>2,307</u>	13.3	<u>229</u>	8.6	<u>390</u>	18.8
Wine accessory products	<u>2</u>	3.8	<u>4</u>	23.5	<u>265</u>	52.4	<u>38</u>	95.0	<u>2</u>	58.7
Total:	<u>27,382</u>	13.4	<u>33,178</u>	13.6	<u>36,975</u>	13.1	<u>8,415</u>	12.7	<u>8,900</u>	13.0

As we offer diverse wine product offerings for the selection of our customers in various price ranges to cater for customers with different purchasing power, and we price our products using a cost-plus approach with reference to various factors including procurement costs, prevailing market prices, market demand and the rarity of the relevant products, the gross profit margins of our products sold by product categories fluctuated during the Track Record Period due to the composition of products sold in the relevant period. In particular:

- (i) the gross profit margins of our Premium Collectible Red Wine fluctuated in the past and amounted to 11.4%, 13.9%, 12.8%, 14.1% and 12.9% for the years ended 31 March 2015, 2016 and 2017 and the three months ended 30 June 2016 and 2017, respectively. We recorded a relatively high gross profit margin during the year ended 31 March 2016 and the three months ended 30 June 2016 as we procured certain highly sought-after Premium Collectible Red Wine such as Domaine de la Romanée-Conti, and Château Lafite Rothschild, which we were able to sell at a relatively high profit margin during the year ended 31 March 2016 and three months ended 30 June 2016;

FINANCIAL INFORMATION

- (ii) the gross profit margins of our Fine Red Wine fluctuated in the past and amounted to 20.2%, 9.3%, 13.5%, 7.8% and 11.8% for the years ended 31 March 2015, 2016 and 2017 and the three months ended 30 June 2016 and 2017, respectively. We recorded a relatively high gross profit margin during the year ended 31 March 2015 as we sold certain Fine Red Wine in bulk at relatively high margins, including more than 26,416 bottles of Le Bourdieu and more than 14,044 bottles of Grand Mayne, accounting for approximately 26.0% of total bottles of Fine Red Wine sold during the same period. We recorded relatively low gross profit margins during the year ended 31 March 2016 and the three months ended 30 June 2016 due to an increase in the sales of popular Fine Red Wine such as Penfolds and Legende R Bordeaux Rouge to our wholesale customers, which we could not price at a high margin as such wine products are readily available in the market; and
- (iii) the gross profit margins of our other alcoholic beverages fluctuated in the past and amounted to 16.7%, 20.3%, 13.3%, 8.6% and 18.8% for the years ended 31 March 2015, 2016 and 2017 and the three months ended 30 June 2016 and 2017, respectively. We recorded relatively low gross profit margins during the year ended 31 March 2017 and the three months ended 30 June 2016 primarily due to the sales of certain alcoholic beverages, such as champagne, in bulk through our wholesale channel which we could not price at a price at high margins as such products are readily available in the market.

For the period-to-period analysis in respect of our gross profit and gross profit margin during the Track Record Period, please refer to the paragraph headed “— Period-to-period comparisons of our results of operations” in this section.

Other income

During the Track Record Period, our other income consisted primarily of (i) bank interest income generated from our bank balances and (ii) interest income generated from key-man insurance policies, details of which have been set forth in the paragraph headed “— Selected items of combined statements of financial position — Other receivables, deposits and prepayments — Deposits and prepayments for key-man insurance policies” in this section. For the years ended 31 March 2015, 2016 and 2017 and the three months ended 30 June 2016 and 2017, our other income amounted to HK\$0.5 million, HK\$0.5 million, HK\$0.2 million, HK\$0.1 million and approximately HK\$58,000, respectively.

FINANCIAL INFORMATION

Other gains and losses, net

The table below sets forth the breakdown of our other gains and losses by nature for the periods indicated:

	For the year ended 31 March			For the three months ended 30 June	
	2015	2016	2017	2016	2017
	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)
				(unaudited)	
Gain/(loss) arising from structured foreign currency forward contracts:					
Changes in the fair value of structured foreign currency forward contracts					
— <i>Realised</i>	(49)	(1,887)	(5,496)	(1,084)	3
— <i>Unrealised</i>	2,304	(4,304)	6,838	(940)	—
	2,255	(6,191)	1,342	(2,024)	3
(Loss)/gain arising from the arrangements with Mr. Roy Ting in respect of our structured foreign currency forward contracts					
— <i>Realised</i>	—	—	5,496	1,084	(3)
— <i>Unrealised</i>	—	—	(6,838)	940	—
	—	—	(1,342)	2,024	(3)
Gain/(loss) arising from the historical pledged GBP bank deposits:					
Net exchange gains and losses	—	(633) ⁽¹⁾	(1,906)	(1,341)	—
Gain arising from the arrangements with Mr. Roy Ting in respect of our historical pledged GBP bank deposits					
— <i>Compensation received from Mr. Roy Ting</i>	—	—	1,906	—	—
— <i>Outstanding and pending for settlement</i>	—	—	—	1,341	—
	—	—	1,906	1,341	—
Others:					
Other net exchange (losses) and gains	(417)	1,294	1,486	(709)	(890)
(Loss)/gain on the disposal of property and equipment	(28)	—	152	—	109
Total	1,810	(5,530)	1,638	(709)	(781)

FINANCIAL INFORMATION

Note:

- (1) Pursuant to a deed of undertaking and indemnities dated 31 March 2016, Mr. Roy Ting agreed to compensate our Group to the extent of the unrealised exchange loss of HK\$0.6 million suffered by our Group on GBP pledged bank deposits as at that day. Such amount was received in cash during the year ended 31 March 2017. For further details, please refer to note 19 of our accountants' report in Appendix I to this prospectus and the paragraph headed "Description of certain components of our combined statements of profit or loss and other comprehensive income items — Other gains and losses, net — Gains and losses arising from the historical pledged GBP bank deposits" in this section.

Gains and losses arising from structured foreign currency forward contracts

Changes in the fair value of structured foreign currency forward contracts

During the Track Record Period, we entered into structured foreign currency forward contracts with three licensed banks in Hong Kong for investment purposes. Due to changes in the fair value of these structured foreign currency forward contracts, we recognised net gains of HK\$2.3 million, net losses of HK\$6.2 million, net gains of HK\$1.3 million, net losses of HK\$2.0 million and net gains of approximately HK\$3,000 for the years ended 31 March 2015, 2016 and 2017 and the three months ended 30 June 2016 and 2017, respectively.

Loss or gain arising from the arrangements with Mr. Roy Ting in respect of our structured foreign currency forward contracts

In view of the significant devaluation of the RMB since August 2015, Mr. Roy Ting issued the Deed of Undertaking and Indemnities in favour of our Group on 31 March 2016 to offset all gains and losses associated with our structured foreign currency forward contracts since 31 March 2016. We have ceased to enter into any structured foreign currency forward contracts since August 2015. For further details of our foreign currency forward contracts, please refer to the paragraph headed "— Selected items of combined statements of financial position — Derivative financial instruments and pledged bank deposits" in this section and note 24 of accountants' report in Appendix I to this prospectus.

As a result of the settlement of all gains and losses associated with our historical structured foreign currency forward contracts:

- (i) for the year ended 31 March 2017, our Group received a compensation of HK\$5.5 million from Mr. Roy Ting pursuant to the Deed of Undertaking and Indemnities, offsetting our Group's net realised loss in respect of the relevant historical structured foreign currency forward contracts of HK\$5.5 million for the year ended 31 March 2017. Among the compensation of HK\$5.5 million received from Mr. Roy Ting, HK\$1.1 million was used to offset the net realised loss in respect of the relevant historical structured foreign currency forward contracts incurred by our Group during the three months ended 30 June 2016; and

FINANCIAL INFORMATION

- (ii) for the three months ended 30 June 2017, our Group paid Mr. Roy Ting approximately HK\$16,000 pursuant to the Deed of Undertaking and Indemnities, offsetting our Group's net realised gain of approximately HK\$3,000 for the three months ended 30 June 2017.

On-going compliance with Chapter 19 of the GEM Listing Rules

Our Directors have confirmed that we will comply with the applicable requirements on notifiable transactions under Chapter 19 of the GEM Listing Rules for entering into any structured foreign currency forward contracts or investments of similar nature after the Listing.

Gains and losses arising from the historical pledged GBP bank deposits

Net exchange gains and losses

During the Track Record Period, we entered into certain bank facility agreements pursuant to which we were required to pledge a substantial amount of cash to the relevant banks. With a view to maximising our interest income from our pledged bank deposits, we converted such pledged bank deposits into GBP that yield higher interest rates than Hong Kong dollars.

For the years ended 31 March 2016 and 2017 and the three months ended 30 June 2016, we recorded net exchange losses of HK\$0.6 million, HK\$1.9 million and HK\$1.3 million, respectively, in respect of our pledged GBP bank deposits. For further details in respect of our foreign currency denominated pledged bank deposits, please refer to note 19 of our accountants' report in Appendix I to this prospectus.

Gains arising from Mr. Roy Ting in respect of our historical pledged GBP bank deposits

We held pledged bank deposits in GBP beginning in December 2015 as GBP yielded higher interest rates than Hong Kong dollars. As a result of the fluctuations in GBP, we recorded unrealised exchange losses of HK\$0.6 million for the year ended 31 March 2016. After assessing the uncertainties in the global foreign exchange market prior to Brexit, Mr. Roy Ting agreed to take up our GBP foreign currency risk exposures by issuing the Deed of Undertaking and Indemnities in favour of our Group on 31 March 2016. Pursuant to this deed, Mr. Roy Ting agreed to (i) compensate our unrealised exchange losses of HK\$0.6 million relating to our GBP denominated pledged bank deposits from December 2015 to March 2016 and (ii) take up our GBP foreign currency risk exposures by agreeing to exchange with our Group all GBP denominated pledged bank deposits at the exchange rate of HK\$11.15 per GBP (being the exchange rate of GBP against HK\$ as at 31 March 2016) since 31 March 2016. The Deed of Undertaking and Indemnities was then recognised as financial instruments in accordance with relevant accounting standards upon initial recognition. Pursuant to the Deed of Undertaking and Indemnities, Mr. Roy Ting agreed to compensate our Group to the extent of the unrealised exchange loss of HK\$0.6 million suffered by our Group on GBP pledged bank deposits as at that day. Such amount was received in cash during the year ended 31 March 2017.

FINANCIAL INFORMATION

Due to the significant depreciation in GBP after Brexit in June 2016, we suffered a net exchange loss of HK\$1.9 million during the year ended 31 March 2017, and this net exchange loss was offset by the compensation of HK\$1.9 million paid to our Group from Mr. Roy Ting during the year ended 31 March 2017. Among the compensation of HK\$1.9 million received from Mr. Roy Ting, HK\$1.3 million was used to offset the net exchange loss in respect of the relevant historical pledged GBP bank deposits incurred by our Group during the three months ended 30 June 2016. We converted all our pledged bank deposits into Hong Kong dollars in October 2016. We ceased to have any foreign currency risk exposure in respect of our pledged bank deposits thereafter. For further details, please refer to notes 6 and 19 of our accountants' report in Appendix I to this prospectus.

Other net exchange gains and losses

For the years ended 31 March 2015, 2016 and 2017 and the three months ended 30 June 2016 and 2017, we recorded other net exchange losses of HK\$0.4 million, net exchange gains of HK\$1.3 million, net exchange gains of HK\$1.5 million, net exchange losses of HK\$0.7 million and net exchange losses of HK\$0.9 million, respectively. These foreign exchange gains and losses were primarily arising from the foreign currency fluctuations in respect of our foreign currency denominated trusts receipt loans for the settlement of our purchases from suppliers outside of Hong Kong. For further details, please refer to the paragraph headed “— Quantitative and qualitative disclosures about financial risks — Foreign currency risk” in this section.

The Deed of Undertaking and Indemnities

As disclosed in the above paragraphs, on 31 March 2016, Mr. Roy Ting, a Controlling Shareholder and senior management, issued the Deed of Undertaking and Indemnities in favour of our Group in order to (i) offset all gains and losses associated with our historical structured foreign currency forward contracts since 31 March 2016; and (ii) take up our GBP foreign currency risk exposures in respect of our historical pledged GBP bank deposits.

Impact on the financial performance and financial position due to the Deed of Undertaking and Indemnities during the Track Record Period

At the initial recognition of the Deed of Undertaking and Indemnities on 31 March 2016, the Deed of Undertaking and Indemnities was recognised as a financial instrument in accordance with the relevant accounting standards, and resulted in (i) an increase in net asset of our Group by HK\$6.8 million as at 31 March 2016 for the purpose of offsetting the financial impact of structured foreign currency forward contracts as at 31 March 2016; and (ii) an increase in net asset of our Group by HK\$0.6 million for taking up the unrealised exchange loss by means of confirmation of HK\$0.6 million suffered by our Group on pledged GBP bank deposits up to 31 March 2016.

FINANCIAL INFORMATION

Subsequent to 31 March 2016, any changes in the fair value of the Deed of Undertaking and Indemnities were recognised in profit or loss pursuant to HKAS 39. Accordingly:

- for the year ended 31 March 2017, we recorded (i) a decrease in our profit before taxation by HK\$1.3 million as a result of the realised and unrealised fair value change of the arrangement with Mr. Roy Ting in respect of our structured foreign currency forward contracts during the same period; and (ii) an increase in our profit before taxation by HK\$1.9 million as a result of the realised and unrealised fair value change of the arrangement with Mr. Roy Ting in respect of our pledged GBP bank deposits during the same period; and
- for the three months ended 30 June 2017, we recorded a decrease in our profit before taxation by approximately HK\$3,000 as a result of the realised and unrealised fair value change of the arrangement with Mr. Roy Ting in respect of our structured foreign currency forward contracts during the same period.

Assuming Mr. Roy Ting did not issue the Deed of Undertaking and Indemnities in favour of our Group, the adjusted profit before taxation and operating cash flows before movements in working capital for the years ended 31 March 2015, 2016 and 2017 and the three months ended 30 June 2016 and 2017 would have been as follows:

Table A: Profit before tax excluding the gains/losses arising from the Deed of Undertaking and Indemnities

	For the year ended 31 March			For the three months ended 30 June	
	2015	2016	2017	2016	2017
	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)
				(unaudited)	
Profit before taxation	10,475	5,511	5,926	1,053	319
Less: fair value gain					
(loss) on Deed of Undertaking and Indemnities					
— structured foreign currency forward contracts	—	—	1,342	(2,024)	3
— GBP pledged bank deposits	—	—	(1,906)	(1,341)	—
Adjusted profit (loss) before taxation	<u>10,475</u>	<u>5,511</u>	<u>5,362</u>	<u>(2,312)</u>	<u>322</u>

FINANCIAL INFORMATION

Table B: Adjusted operating cash flows before movements in working capital

	For the year ended 31 March			For the three months ended 30	
	June				
	2015	2016	2017	2016	2017
	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)
				(unaudited)	
Adjusted profit (loss)					
before taxation	10,475	5,511	5,362	(2,312)	322
Adjustments for:					
Depreciation of property and equipment	1,165	1,516	2,656	436	894
Finance costs	5,223	5,680	4,935	1,804	978
Interest income	(435)	(476)	(166)	(122)	(3)
Net loss (gain) on written off/disposals of property and equipment	28	—	(152)	—	(109)
Exchange loss on pledged bank deposits	—	633	1,906	1,341	—
Change in fair value of derivative financial instruments	(2,255)	6,191	(1,342)	2,024	(3)
Adjusted operating cash flows before movements in working capital	<u>14,201</u>	<u>19,055</u>	<u>13,199</u>	<u>3,171</u>	<u>2,079</u>

Impact on the financial performance and financial position due to the Deed of Undertaking and Indemnities after the Listing

In view of the facts that (i) we have ceased to enter into any structured foreign currency forward contracts since August 2015; and (ii) we have converted all our pledged bank deposits into Hong Kong dollars in October 2016, our Directors are of the view that the Deed of Undertaking and Indemnities will not have any material financial impact on our Group after the Listing.

FINANCIAL INFORMATION

Selling and distribution expenses

During the Track Record Period, we incurred selling and distribution expenses primarily consisting of (i) the salaries and allowances of our sales and logistics and warehouse management team; (ii) rent and rates in respect of our leased warehouse and retail store; (iii) advertising and promotion expenses; (iv) depreciation mainly in respect of leasehold improvements in our warehouse and retail store and (v) logistics and warehouse management expenses in respect of the delivery and storage of wine products to our customers in the ordinary course of our business. For the years ended 31 March 2015, 2016 and 2017 and the three months ended 30 June 2016 and 2017, we recorded selling and distribution expenses of HK\$4.5 million, HK\$7.1 million, HK\$9.0 million, HK\$2.5 million and HK\$2.3 million, respectively. The table below sets forth the breakdown of our selling and distribution expenses by nature for the periods indicated:

	For the year ended 31 March						For the three months ended 30 June			
	2015		2016		2017		2016		2017	
	(HK\$'000)	(%)	(HK\$'000)	(%)	(HK\$'000)	(%)	(HK\$'000)	(%)	(HK\$'000)	(%)
	(unaudited)									
Salaries and allowances	933	20.9	1,540	21.6	4,258	47.4	821	33.1	1,173	50.2
Rent and rates	1,200	26.9	1,069	15.0	1,295	14.4	325	13.1	324	13.9
Advertising and promotion expenses	195	4.4	621	8.7	716	8.0	282	11.4	308	13.2
Depreciation	301	6.7	601	8.5	1,095	12.2	188	7.6	283	12.2
Logistics and warehouse management expenses	1,443	32.4	2,460	34.6	920	10.2	630	25.4	49	2.1
Others	388	8.7	828	11.6	705	7.8	231	9.4	199	8.4
Total:	4,460	100.0	7,119	100.0	8,989	100.0	2,477	100.0	2,336	100.0

FINANCIAL INFORMATION

Administrative expenses

During the Track Record Period, we incurred administrative expenses primarily consisting of (i) the salaries and allowances of our administration staff, including directors' remuneration; (ii) rent and rates and building management fees in connection with our head office; (iii) depreciation mainly in respect of leasehold improvements of our head office; (iv) bank charges; (v) professional fees; (vi) office expenses; (vii) motor vehicle expenses; (viii) entertainment expenses; and (ix) amortisation on key-man insurance policies. For the years ended 31 March 2015, 2016 and 2017 and the three months ended 30 June 2016 and 2017, we recorded administrative expenses of HK\$9.5 million, HK\$9.6 million, HK\$11.5 million, HK\$2.2 million and HK\$3.0 million, respectively. The table below sets forth the breakdown of our administrative expenses by nature for the periods indicated:

	For the year ended 31 March						For the three months ended 30 June			
	2015		2016		2017		2016		2017	
	(HK\$'000)	(%)	(HK\$'000)	(%)	(HK\$'000)	(%)	(HK\$'000)	(%)	(HK\$'000)	(%)
	(unaudited)									
Salaries and allowances	3,373	35.4	3,604	37.6	3,278	28.6	626	28.8	1,031	34.2
Rent and rates and building management fees	720	7.5	720	7.5	2,535	22.1	249	11.5	789	26.2
Depreciation	864	9.1	915	9.5	1,561	13.6	248	11.4	611	20.3
Bank charges	880	9.2	653	6.8	634	5.5	122	5.6	199	6.6
Professional fees	39	0.4	283	3.0	534	4.7	25	1.2	158	5.2
Office expenses	303	3.2	236	2.5	268	2.3	56	2.6	105	3.5
Motor vehicles expenses	580	6.1	607	6.3	314	2.7	66	3.0	32	1.0
Entertainment expenses	1,684	17.7	1,424	14.9	1,314	11.5	423	19.5	9	0.3
Amortisation of key-man insurance policies	313	3.3	315	3.3	111	1.0	85	3.9	—	—
Others	771	8.1	825	8.6	915	8.0	272	12.5	82	2.7
Total:	9,527	100.0	9,582	100.0	11,464	100.0	2,172	100.0	3,016	100.0

Listing expenses

Listing expenses represented the professional and consultancy fees incurred by us as a result of the preparation for the Listing. For the years ended 31 March 2015, 2016 and 2017 and the three months ended 30 June 2016 and 2017, we incurred listing expenses of nil, HK\$0.3 million, HK\$7.5 million, HK\$0.3 million and HK\$1.5 million, respectively. For further details of our listing expenses, please refer to the paragraph headed “— Listing expenses” in this section.

FINANCIAL INFORMATION

Finance costs

Our finance costs primarily consisted of (i) interests on bank loans; and (ii) interests on finance leases in relation to our motor vehicles. For the years ended 31 March 2015, 2016 and 2017 and the three months ended 30 June 2016 and 2017, we recorded finance costs of HK\$5.2 million, HK\$5.7 million, HK\$4.9 million, HK\$1.8 million and HK\$1.0 million, respectively.

Income tax expense

Cayman Islands and BVI

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Cayman Companies Law and, accordingly, is exempted from the payment of any income tax in the Cayman Islands. For our subsidiaries incorporated in the BVI, they are incorporated as BVI business companies under the BVI Business Companies Act and, accordingly, are exempted from the payment of any income tax in the BVI.

Hong Kong

For our subsidiaries incorporated in Hong Kong, our profits arising in or derived from Hong Kong are subject to Hong Kong profits tax. Provision for Hong Kong profits tax has been calculated at the applicable rate of 16.5% for the years ended 31 March 2015, 2016 and 2017 and the three months ended 30 June 2017, on the estimated assessable profits of our subsidiaries operating in Hong Kong.

For the years ended 31 March 2015, 2016 and 2017 and the three months ended 30 June 2016 and 2017, we incurred income tax expenses of HK\$1.3 million, HK\$1.7 million, HK\$2.2 million, HK\$0.2 million and HK\$0.3 million, respectively. The table below sets forth the breakdown of our income tax expenses by nature for the periods indicated:

	For the year ended 31 March						For the three months ended 30 June			
	2015		2016		2017		2016		2017	
	(HK\$'000)	(%)	(HK\$'000)	(%)	(HK\$'000)	(%)	(HK\$'000)	(%)	(HK\$'000)	(%)
	(unaudited)									
Hong Kong profits tax	1,268	97.3	1,672	100.5	2,250	100.8	189	93.6	376	121.7
Deferred taxation	35	2.7	(8)	(0.5)	(22)	(0.8)	13	6.4	(67)	(21.7)
Total:	1,303	100.0	1,664	100.0	2,228	100.0	202	100.0	309	100.0

Our effective tax rates, calculated as our income tax expense divided by our profit before taxation, were approximately 12.4%, 30.2%, 37.6%, 19.2% and 96.9% for the years ended 31 March 2015, 2016 and 2017 and the three months ended 30 June 2016 and 2017, respectively.

FINANCIAL INFORMATION

Our effective tax rate for the year ended 31 March 2015 of 12.4% was lower than the statutory profits tax rate in Hong Kong of 16.5%, which was primarily due to the non-taxable gains from the change in the fair value of structured foreign currency forward contracts of HK\$2.3 million. For further details, please refer to the paragraph headed “— Selected items of combined statements of financial position — Derivative financial instruments and pledged bank deposits” in this section.

Our effective tax rate for the year ended 31 March 2016 of 30.2% was higher than the statutory profits tax rate in Hong Kong of 16.5%, which was primarily due to the non-deductible losses from the change in the fair value of structured foreign currency forward contracts of HK\$6.2 million for the year ended 31 March 2016. For further details, please refer to the paragraph headed “— Selected items of combined statements of financial position — Derivative financial instruments and pledged bank deposits — Structured foreign currency forward contracts” in this section.

Our effective tax rate for the year ended 31 March 2017 of 37.6% was higher than the statutory profits tax rate in Hong Kong of 16.5% was mainly due to the non-deductible listing expenses of HK\$7.5 million for the year ended 31 March 2017.

Our effective tax rate for the three months ended 30 June 2016 of 19.2% was higher than the statutory profits tax rate in Hong Kong of 16.5%, which was primarily due to the under-provision of tax in respect of prior year of approximately HK\$34,000 charged to profit or loss during the three months ended 30 June 2016.

Our effective tax rate for the three months ended 30 June 2017 of 96.9% was significantly higher than the statutory profits tax rate in Hong Kong of 16.5%, which was primarily due to the non-deductible listing expenses of HK\$1.5 million for the three months ended 30 June 2017.

We received enquiry letters from the IRD in August 2016, March 2017 and April 2017. For further details, please refer to the paragraph headed “— Tax enquiries and tax refiling” in this section.

FINANCIAL INFORMATION

PERIOD-TO-PERIOD COMPARISONS OF OUR RESULTS OF OPERATIONS

Three months ended 30 June 2016 compared to the three months ended 30 June 2017

Revenue

Our revenue increased by approximately 3.2% from HK\$66.3 million for the three months ended 30 June 2016 to HK\$68.4 million for the three months ended 30 June 2017. The increase was primarily attributable to the combined effects of the following:

- (i) *Revenue generated from the sales of our Premium Collectible Red Wine (accounting for approximately 73.5% and 78.3% of our total revenue for the three months ended 30 June 2016 and 2017, respectively)*

Revenue generated from the sales of our Premium Collectible Red Wine increased by approximately 9.8% from HK\$48.8 million for the three months ended 30 June 2016 to HK\$53.6 million for the three months ended 30 June 2017. This increase was primarily attributable to the increase in the sales of our Premium Collectible Red Wine priced between HK\$1,000 and HK\$4,999 per bottle by approximately 59.3% from HK\$22.1 million for the three months ended 30 June 2016 to HK\$35.2 million for the three months ended 30 June 2017, mainly driven by an increase in the sales of Premium Collectible Red Wine such as Château Lafite Rothschild that are highly sought after in Hong Kong for the three months ended 30 June 2017. Such increase was partially offset by a decrease in the sales of our Premium Collectible Red Wine priced at or above HK\$50,000 by approximately 53.5% from HK\$15.7 million for the three months ended 30 June 2016 to HK\$7.3 million for the three months ended 30 June 2017, mainly driven by a decrease in number of bottle of Premium Collectible Red Wine priced at or above HK\$50,000 or above we sold from 171 bottles for the three months ended 30 June 2016 to 47 bottles for the three months ended 30 June 2017 as a result of the decrease in number of bottles of high value wine products such as Domaine de la Romanée-Conti we sold during the same period.

- (ii) *Revenue generated from the sales of our Fine Red Wine (accounting for approximately 21.6% and 17.5% of our total revenue for the three months ended 30 June 2016 and 2017, respectively)*

Revenue generated from the sales of our Fine Red Wine decreased by approximately 16.8% from HK\$14.3 million for the three months ended 30 June 2016 to HK\$11.9 million for the three months ended 30 June 2017. This decrease was primarily attributable to a decrease in the number of bottles of Fine Red Wine we sold by approximately 12.9% from 125,208 bottles for the three months ended 30 June 2016 to 109,000 bottles for the three months ended 30 June 2017 mainly driven by our sales strategy adopted during the three months ended 30 June 2016 to increase our inventory turnover by focusing on the sales of inventory which were aged over 365 days and at lower prices in view of our limited storage capacity.

FINANCIAL INFORMATION

- (iii) *Revenue generated from the sales of our white wine (accounting for approximately 0.8% and 1.2% of our total revenue for the three months ended 30 June 2016 and 2017, respectively)*

Revenue generated from the sales of our white wine increased by approximately 60.0% from HK\$0.5 million for the three months ended 30 June 2016 to HK\$0.8 million for the three months ended 30 June 2017. This increase was primarily attributable to (a) an increase in the total number of white wine we sold by approximately 15.6% from 2,144 bottles for the three months ended 30 June 2016 to 2,478 bottles for the three months ended 30 June 2017; and (b) an increase in average selling price from HK\$250 per bottle for the three months ended 30 June 2016 to HK\$337 per bottle for the three months ended 30 June 2017 as a result of the sales of more white wine of higher price ranges during the three months ended 30 June 2017.

Cost of sales

Our cost of sales remained relatively stable at HK\$57.9 million and HK\$59.5 million for the three months ended 30 June 2016 and 2017, respectively.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit remained relatively stable at HK\$8.4 million and HK\$8.9 million for the three months ended 30 June 2016 and 2017, respectively.

Our overall gross profit margin also remained relatively stable at approximately 12.7% and 13.0% for the three months ended 30 June 2016 and 2017, respectively.

Other income

Our other income decreased from HK\$0.1 million for the three months ended 30 June 2016 to approximately HK\$58,000 for the three months ended 30 June 2017 as we ceased to receive any interest income from deposits and prepayments for life insurance policies in 2017. For further details, please refer to the paragraph headed “— Selected items of combined statements of financial position — Other receivables, deposits and prepayments — Deposits and prepayments for key-man insurance policies” in this section.

Other gains and losses, net

Our other net losses remained relatively stable and amounted to HK\$0.7 million and HK\$0.8 million for the three months ended 30 June 2016 and 2017, respectively. During the three months ended 30 June 2016, we recorded losses as a result of changes in fair value of our certain structured foreign currency forward contracts and the historical pledged GBP bank deposits of our Group, which losses were offset by the arrangements with Mr. Roy Ting. For further details, please refer to the paragraphs headed “— Selected items of combined statements of financial position — Derivative financial instruments and pledged bank deposits — Structured foreign currency forward contracts” and “— Selected items of combined statements of financial position — Derivative financial instruments and pledged bank deposits — Pledged bank deposits” in this section.

FINANCIAL INFORMATION

Selling and distribution expenses

Our selling and distribution expenses decreased by approximately 8.0% from HK\$2.5 million for the three months ended 30 June 2016 to HK\$2.3 million for the three months ended 30 June 2017. This decrease was primarily attributable to a decrease in logistics and warehouse management expenses from HK\$0.6 million for the three months ended 30 June 2016 to approximately HK\$49,000 for the three months ended 30 June 2017 mainly due to the cessation of third party logistics and warehouse management service upon expiry of the relevant service agreement in June 2016. For further details, please refer to the section headed “Business — Product portfolio management — Logistics and warehouse management team” in this prospectus.

Administrative expenses

Our administrative expenses increased by approximately 36.4% from HK\$2.2 million for the three months ended 30 June 2016 to HK\$3.0 million for the three months ended 30 June 2017. This increase was primarily attributable to the following:

- (i) an increase in rents and rates and building management fees in connection with our head office from HK\$0.2 million for the three months ended 30 June 2016 to HK\$0.8 million for the three months ended 30 June 2017 primarily due to the relocation of our head office in August 2016 with higher monthly rental expense;
- (ii) an increase in salaries and allowances in connection with our Directors and our administrative staff from HK\$0.6 million for the three months ended 30 June 2016 to HK\$1.0 million for the three months ended 30 June 2017 primarily due to an increase in administrative headcount and salaries during the three months ended 30 June 2017.; and
- (iii) an increase in depreciation attributable to our administrative expenses from HK\$0.2 million for the three months ended 30 June 2016 to HK\$0.6 million for the three months ended 30 June 2017 primarily due to the depreciation of the leasehold improvement of our head office upon the relocation in August 2016.

These increases were partially offset by a decrease in entertainment expenses from HK\$0.4 million for the three months ended 30 June 2016 to approximately HK\$9,000 for the three months ended 30 June 2017, primarily due to less entertainment activities held for our customers during the three months ended 30 June 2017.

Listing expenses

For the three months ended 30 June 2016 and 2017, we incurred listing expenses of HK\$0.3 million and HK\$1.5 million, respectively. For further details, please refer to the paragraph headed “— Listing expenses” in this section.

FINANCIAL INFORMATION

Finance costs

Our finance costs decreased by approximately 44.4% from HK\$1.8 million for the three months ended 30 June 2016 to HK\$1.0 million for the three months ended 30 June 2017. This decrease was primarily attributable to the repayment of our other bank borrowings in October 2016. For further details, please refer to the paragraph headed “— Statement of indebtedness and contingent liabilities” in this section.

Income tax expense

Income tax expense remained relatively stable at HK\$0.2 million and HK\$0.3 million for the three months ended 30 June 2016 and 2017.

Profit or loss and total comprehensive income for the period

As a result of the foregoing, our profit and total comprehensive income decreased from HK\$0.8 million for the three months ended 30 June 2016 to approximately HK\$10,000 for the three months ended 30 June 2017.

Our adjusted profit or loss and total comprehensive income or expense for the period, represented our profit and total comprehensive income for the period excluding (i) the gains and losses in respect of changes in the fair value of structured foreign currency forward contracts and arrangements on GBP denominated pledged bank deposits; and (ii) non-recurring listing expenses. We recorded an adjusted loss and total comprehensive expense of HK\$0.2 million for the three months ended 30 June 2016 and an adjusted profit and total comprehensive income of HK\$1.5 million for the three months ended 30 June 2017.

Year ended 31 March 2017 compared to the year ended 31 March 2016

Revenue

Our revenue increased by approximately 15.1% from HK\$244.6 million for the year ended 31 March 2016 to HK\$281.6 million for the year ended 31 March 2017. The increase was primarily attributable to the combined effects of the following:

- (i) *Revenue generated from the sales of our Premium Collectible Red Wine (accounting for approximately 80.3% and 71.9% of our total revenue for the years ended 31 March 2016 and 2017, respectively)*

Revenue generated from the sales of our Premium Collectible Red Wine increased by approximately 3.1% from HK\$196.5 million for the year ended 31 March 2016 to HK\$202.6 million for the year ended 31 March 2017. The increase was primarily attributable to the increase in the sales of our Premium Collectible Red Wine priced at or above HK\$50,000 per bottle by approximately 81.8% from HK\$21.4 million for the year ended 31 March 2016 to HK\$38.9 million for the year ended 31 March 2017. This increase was mainly driven by an increase in the average selling price of Domaine de la Romanée-Conti, being one of our Premium Collectible Red Wine

FINANCIAL INFORMATION

that are highly sought after in Hong Kong from HK\$31,339 per bottle for the year ended 31 March 2016 to HK\$67,993 per bottle for the year ended 31 March 2017, resulting in an increase of its revenue by approximately 90.4% from HK\$20.8 million for the year ended 31 March 2016 to HK\$39.6 million for the year ended 31 March 2017.

- (ii) *Revenue generated from the sales of our Fine Red Wine (accounting for approximately 14.5% and 20.9% of our total revenue for the years ended 31 March 2016 and 2017, respectively)*

Revenue generated from the sales of our Fine Red Wine increased by approximately 66.2% from HK\$35.4 million for the year ended 31 March 2016 to HK\$58.9 million for the year ended 31 March 2017. This increase was primarily attributable to an increase in the number of bottles of Fine Red Wine we sold by approximately 101.7% from 140,654 bottles for the year ended 31 March 2016 to 283,732 bottles for the year ended 31 March 2017. This increase was mainly driven by our sales strategy of increasing our inventory turnover by focusing on the sales of inventory which were aged over 365 days in view of our limited storage capacity.

- (iii) *Revenue generated from the sales of our white wine (accounting for approximately 0.6% and 0.8% of our total revenue for the years ended 31 March 2016 and 2017, respectively)*

Revenue generated from the sales of our white wine increased by approximately 53.3% from HK\$1.5 million for the year ended 31 March 2016 to HK\$2.3 million for the year ended 31 March 2017. This increase was primarily attributable to an increase in the total number of white wine we sold by approximately 105.8% from 4,343 bottles for the year ended 31 March 2016 to 8,939 bottles for the year ended 31 March 2017.

- (iv) *Revenue generated from the sales of our other alcoholic beverages (accounting for approximately 4.6% and 6.1% of our total revenue for the years ended 31 March 2016 and 2017, respectively)*

Revenue generated from the sales of our other alcoholic beverages increased by approximately 55.2% from HK\$11.2 million for the year ended 31 March 2016 to HK\$17.3 million for the year ended 31 March 2017. This increase was mainly due to an increase in revenue generated from the sales of champagne by approximately 62.3% from HK\$8.2 million for the year ended 31 March 2016 to HK\$13.4 million for the year ended 31 March 2017 as a result of an increase in the number of champagne bottles sold by us from 8,452 bottles for the year ended 31 March 2016 to 34,704 bottles for the year ended 31 March 2017. The increase in the number of champagne bottles sold was mainly driven by an increase in the sourcing of a type of our champagne with high market demand.

Cost of sales

Our cost of sales increased by approximately 15.8% from HK\$211.4 million for the year ended 31 March 2016 to HK\$244.7 million for the year ended 31 March 2017. As we recognise our cost of sales upon conclusion of a sales transaction, the increase in our cost of sales was directly correlated with the increase in our revenue during these years.

FINANCIAL INFORMATION

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased by approximately 11.4% from HK\$33.2 million for the year ended 31 March 2016 to HK\$37.0 million for the year ended 31 March 2017.

Our overall gross profit margin remained relatively stable at approximately 13.6% and 13.1% for the years ended 31 March 2016 and 2017, respectively.

Other income

Our other income decreased by approximately 53.7% from HK\$0.5 million for the year ended 31 March 2016 to HK\$0.2 million for the year ended 31 March 2017 as we ceased to receive any interest income from deposits and prepayments for life insurance policies as at 31 March 2017. For further details, please refer to the paragraph headed “— Selected items of combined statements of financial position — Other receivables, deposits and prepayments — Deposits and prepayments for key-man insurance policies” in this section.

Other gains and losses, net

We recorded net losses of HK\$5.5 million and net gains of HK\$1.6 million for the years ended 31 March 2016 and 2017, respectively. This change was primarily due to the combined effects of:

- (i) the recognition of a net loss of HK\$6.2 million mainly due to changes in the fair value of US\$/RMB Foreign Contract C during the year ended 31 March 2016 as a result of the unexpected and sudden devaluation of the RMB in August 2015. During the year ended 31 March 2017, the fair value exposure of structured foreign currency forward contracts were offset as Mr. Roy Ting agreed to take up all gains and losses associated with all outstanding structured foreign currency forward contracts. For further details, please refer to the paragraph headed “— Selected items of combined statements of financial position — Derivative financial instruments and pledged bank deposits — Structured foreign currency forward contracts”; and
- (ii) the recognition of an unrealised net exchange loss of HK\$0.6 million during the year ended 31 March 2016 arising from our historical pledged GBP bank deposits as a result of the fluctuations in GBP. During the year ended 31 March 2017, the net exchange loss of HK\$1.9 million arising from our historical pledged GBP bank deposits was offset by Mr. Roy Ting’s deed of undertaking and indemnities. For further details, please refer to the paragraph headed “— Description of certain components of our combined statements of profit or loss and other comprehensive income items — Other gains and losses, net — Gains and losses arising from the historical pledged GBP bank deposits” in this section.

FINANCIAL INFORMATION

Selling and distribution expenses

Our selling and distribution expenses increased by approximately 26.8% from HK\$7.1 million for the year ended 31 March 2016 to HK\$9.0 million for the year ended 31 March 2017. This increase was primarily attributable to the combined effect of:

- (i) the increase in salaries and allowances of our sales team from HK\$1.5 million for the year ended 31 March 2016 to HK\$4.3 million for the year ended 31 March 2017 mainly due to (i) an increase in the headcount of our sales team from 10 members as at 31 March 2016 to 13 members as at 31 March 2017 in order to cope with the expansion of our wholesales and retail sales; (ii) an increase in the staff costs of our logistics and warehouse management team due to the cease of our engagement with a third party logistics and warehouse management service provider, details of which have been set forth in the paragraph headed “— Product portfolio management — Logistics and warehouse management team” in this section; and (iii) the salary increments of our sales team and logistics and warehouse management team during the year ended 31 March 2017;
- (ii) the increase in depreciation from HK\$0.6 million for the year ended 31 March 2016 to HK\$1.1 million for the year ended 31 March 2017 mainly due to a full-year depreciation effect of leasehold improvements of our retail store since the retail store was renovated in August 2015; and
- (iii) the decrease in logistics and warehouse management expenses from HK\$2.5 million for the year ended 31 March 2016 to HK\$1.0 million for the year ended 31 March 2017 mainly due to the change of our policy from outsourcing the management of our warehouse to a third party agent for the year ended 31 March 2016 to recruiting our own logistics and warehouse management team for the year ended 31 March 2017.

Administrative expenses

Our administrative expenses increased by approximately 19.6% from HK\$9.6 million for the year ended 31 March 2016 to HK\$11.5 million for the year ended 31 March 2017. This increase was primarily attributable to the increase in rent and rates and building management fees in connection with our head office from HK\$0.7 million for the year ended 31 March 2016 to HK\$2.5 million for the year ended 31 March 2017 primarily due to the relocation of our head office in August 2016.

Listing expenses

For the year ended 31 March 2017, we incurred listing expenses of HK\$7.5 million. For further details, please refer to the paragraph headed “— Listing expenses” in this section.

FINANCIAL INFORMATION

Finance costs

Our finance costs decreased by approximately 13.1% from HK\$5.7 million for the year ended 31 March 2016 to HK\$4.9 million for the year ended 31 March 2017. This decrease was primarily attributable to the decrease in our interest-bearing bank borrowings during the year ended 31 March 2017. For further details, please refer to the paragraph headed “— Statement of indebtedness and contingent liabilities” in this section.

Income tax expense

Income tax expense increased by approximately 29.4% from HK\$1.7 million for the year ended 31 March 2016 to HK\$2.2 million for the year ended 31 March 2017, which was generally in line with the increase in our revenue and gross profit during the years ended 31 March 2016 and 2017.

Profit and total comprehensive income for the year

As a result of the foregoing, our profit and total comprehensive income for the year decreased by approximately 2.6% from HK\$3.8 million for the year ended 31 March 2016 to HK\$3.7 million for the year ended 31 March 2017.

Our adjusted profit and total comprehensive income for the year, representing our profit and total comprehensive income for the year excluding (i) the gains and losses in respect of changes in the fair value of structured foreign currency forward contracts; and (ii) non-recurring listing expenses, decreased by approximately 9.5% from HK\$10.3 million for the year ended 31 March 2016 to HK\$9.3 million for the year ended 31 March 2017.

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

Revenue

Our revenue increased by approximately 19.3% from HK\$205.0 million for the year ended 31 March 2015 to HK\$244.6 million for the year ended 31 March 2016. This increase was primarily attributable to the combined effects of the following:

- (i) *Revenue generated from the sales of our Premium Collectible Red Wine (accounting for approximately 76.9% and 80.3% of our total revenue for the years ended 31 March 2015 and 2016, respectively)*

Revenue generated from the sales of our Premium Collectible Red Wine increased by approximately 24.5% from HK\$157.8 million for the year ended 31 March 2015 to HK\$196.5 million for the year ended 31 March 2016. This increase was primarily attributable to our focus on the sales of Premium Collectible Red Wine during the year ended 31 March 2016 and leveraged our ability to source quality wine products at competitive prices that are prestigious and highly sought-after in Hong Kong, resulting in (i) an increase in the average selling prices of our Premium Collectible Red Wine by approximately 9.0% from HK\$2,895 per bottle for the year ended 31

FINANCIAL INFORMATION

March 2015 to HK\$3,156 per bottle for the year ended 31 March 2016 and (ii) an increase in the total number of Premium Collectible Red Wine we sold by approximately 14.2% from 54,498 bottles for the year ended 31 March 2015 to 62,250 bottles for the year ended 31 March 2016.

(ii) *Revenue generated from the sales of our Fine Red Wine (accounting for approximately 19.6% and 14.5% of our total revenue for the years ended 31 March 2015 and 2016, respectively)*

Revenue generated from the sales of our Fine Red Wine decreased by approximately 11.7% from HK\$40.1 million for the year ended 31 March 2015 to HK\$35.4 million for the year ended 31 March 2016. This decrease was primarily attributable to a decrease in the total number of Fine Red Wine we sold by approximately 9.5% from 155,488 bottles for the year ended 31 March 2015 to 140,654 bottles for the year ended 31 March 2016 as a result of our focus on the sales of Premium Collectible Red Wine during the year ended 31 March 2016.

(iii) *Revenue generated from the sales of our white wine (accounting for approximately 0.6% and 0.6% of our total revenue for the years ended 31 March 2015 and 2016, respectively)*

Revenue generated from the sales of our white wine increased by approximately 25.0% from HK\$1.2 million for the year ended 31 March 2015 to HK\$1.5 million for the year ended 31 March 2016. This increase was primarily attributable to an increase in the total number of white wine we sold by approximately 39.4% from 3,115 bottles for the year ended 31 March 2015 to 4,343 bottles for the year ended 31 March 2016.

(iv) *Revenue generated from the sales of our other alcoholic beverages (accounting for approximately 2.9% and 4.6% of our total revenue for the years ended 31 March 2015 and 2016, respectively)*

Revenue generated from the sales of our other alcoholic beverages increased by approximately 89.8% from HK\$5.9 million for the year ended 31 March 2015 to HK\$11.2 million for the year ended 31 March 2016. This increase was mainly due to an increase in revenue generated from the sales of champagne by approximately 86.4% from HK\$4.4 million for the year ended 31 March 2015 to HK\$8.2 million for the year ended 31 March 2016 as a result of an increase in the number of champagne bottles sold by us from 3,082 bottles for the year ended 31 March 2015 to 8,452 bottles for the year ended 31 March 2016.

Cost of sales

Our cost of sales increased by approximately 19.0% from HK\$177.6 million for the year ended 31 March 2015 to HK\$211.4 million for the year ended 31 March 2016. As we recognise our cost of sales upon conclusion of a sales transaction, the increase in our cost of sales was directly correlated with the increase in our revenue during these years.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased by approximately 21.2% from HK\$27.4 million for the year ended 31 March 2015 to HK\$33.2 million for the year ended 31 March 2016.

FINANCIAL INFORMATION

Our overall gross profit margin remained relatively stable at approximately 13.4% and 13.6% for the years ended 31 March 2015 and 2016, respectively.

Other income

Our other income remained stable and amounted to HK\$0.5 million for the years ended 31 March 2015 and 2016, respectively.

Other gains and losses, net

We recorded net gains of HK\$1.8 million and net losses of HK\$5.5 million for the years ended 31 March 2015 and 2016, respectively. This change was primarily due to the combined effects of:

- (i) the recognition of a net loss of HK\$6.2 million mainly due to changes in the fair value of US\$/RMB Foreign Contract C during the year ended 31 March 2016 as a result of the unexpected and sudden devaluation of the RMB in August 2015;
- (ii) the recognition of a net gain of HK\$2.3 million mainly due to changes in the fair value of US\$/RMB Foreign Contract A during the year ended 31 March 2015 as a result of the devaluation of RMB during the same period; and
- (iii) the recognition of a net loss of HK\$0.4 million and a net gain of HK\$0.7 million primarily due to exchange differences arising from our foreign currency denominated pledged bank deposits for securing our bank borrowings and foreign currency denominated trust receipt loans for the settlement of our wine product purchased from our overseas suppliers as a result of the devaluation of EUR during the year ended 31 March 2016.

For further details, please refer to the paragraph headed “— Selected items of combined statements of financial position — Derivative financial instruments and pledged bank deposits” in this section.

Selling and distribution expenses

Our selling and distribution expenses increased by approximately 57.8% from HK\$4.5 million for the year ended 31 March 2015 to HK\$7.1 million for the year ended 31 March 2016. This increase was primarily attributable to:

- (i) the increase in logistics and warehouse management expenses from HK\$1.4 million for the year ended 31 March 2015 to HK\$2.5 million for the year ended 31 March 2016 mainly due to the engage of a third party logistics and warehouse management service provider to manage our logistics arrangements and maintain our leased warehouse at San Po Kong with a view to enhancing our logistics and warehousing operation systems. For further details, please refer to the section headed “Business — Product portfolio management — Logistics and warehouse management team” in this prospectus;

FINANCIAL INFORMATION

- (ii) the increase in salaries and allowances of our sales team from HK\$0.9 million for the year ended 31 March 2015 to HK\$1.5 million for the year ended 31 March 2016 mainly due to the increase in headcount and salary increments for our sales team during the year ended 31 March 2016; and
- (iii) the increase in advertising and promotion expenses from HK\$0.2 million for the year ended 31 March 2015 to HK\$0.6 million for the year ended 31 March 2016 mainly due to increased hosting of wine pairing dinners with top châteaux or vineyards and wineries and wine tasting events during the year ended 31 March 2016.

Administrative expenses

Our administrative expenses remained relatively stable at HK\$9.5 million and HK\$9.6 million for the years ended 31 March 2015 and 2016, respectively.

Listing expenses

For the year ended 31 March 2016, we incurred listing expenses of HK\$0.3 million. For further details, please refer to the paragraph headed “— Listing expenses” in this section.

Finance costs

Our finance costs increased by approximately 9.6% from HK\$5.2 million for the year ended 31 March 2015 to HK\$5.7 million for the year ended 31 March 2016. This increase was primarily attributable to the increase in our trust receipt loans and other bank borrowings during the year ended 31 March 2016. For further details, please refer to the paragraph headed “— Statement of indebtedness and contingent liabilities” in this section.

Income tax expense

Income tax expense increased by approximately 30.8% from HK\$1.3 million for the year ended 31 March 2015 to HK\$1.7 million for the year ended 31 March 2016, which was generally in line with the increase in our revenue and gross profit during the years ended 31 March 2015 and 2016.

Profit and total comprehensive income for the year

As a result of the foregoing, our profit and total comprehensive income for the year decreased by approximately 58.7% from HK\$9.2 million for the year ended 31 March 2015 to HK\$3.8 million for the year ended 31 March 2016.

Our adjusted profit and total comprehensive income for the year, representing our profit and total comprehensive income for the year excluding (i) the gains and losses in respect of changes in the fair value of structured foreign currency forward contracts and (ii) non-recurring listing expenses, increased by approximately 49.3% from HK\$6.9 million for the year ended 31 March 2015 to HK\$10.3 million for the year ended 31 March 2016.

FINANCIAL INFORMATION

SELECTED ITEMS OF COMBINED STATEMENTS OF FINANCIAL POSITION

Property and equipment

Our property and equipment primarily consisted of leasehold improvements, motor vehicles and office and computer equipment. As at 31 March 2015, 2016 and 2017 and 30 June 2017, our property and equipment amounted to HK\$4.6 million, HK\$6.0 million, HK\$9.2 million and HK\$8.5 million, respectively.

The increase in our property and equipment from 31 March 2015 to 31 March 2016 was primarily due to (i) the leasehold improvements made for our retail store leased in September 2015; (ii) the leasehold improvements made for our warehouse; and (iii) the motor vehicles we purchased during the year ended 31 March 2016. The increase in our property and equipment from 31 March 2016 to 31 March 2017 was primarily due to the leasehold improvements in relation to our newly relocated head office in August 2016. The decrease in our property and equipment from 31 March 2016 to 30 June 2017 was primarily due to the depreciation of our property and equipment in the ordinary course of our business.

Inventories

Our inventories consisted primarily of wine products and amounted to HK\$59.1 million, HK\$87.5 million, HK\$83.7 million and HK\$91.0 million as at 31 March 2015, 2016 and 2017 and 30 June 2017, respectively. The table below sets forth the breakdown of our inventories by product categories as at the dates indicated:

	As at 31 March						As at 30 June	
	2015		2016		2017		2017	
	<u>Cost of inventory</u>	<u>Quantity</u>						
(HK\$'000)	(Bottles/ units)	(HK\$'000)	(Bottles/ units)	(HK\$'000)	(Bottles/ units)	(HK\$'000)	(Bottles/ units)	
Wine products								
<i>Premium Collectible</i>								
<i>Red Wine</i>	34,702	13,399	51,363	15,234	59,297	19,242	65,137	20,376
<i>Fine Red Wine</i>	19,562	73,421	22,410	92,627	12,555	36,695	14,677	47,242
<i>White wine</i>	649	3,950	1,685	8,127	1,696	5,485	1,816	4,749
	<u>54,913</u>	<u>90,770</u>	<u>75,458</u>	<u>115,988</u>	<u>73,548</u>	<u>61,422</u>	<u>81,630</u>	<u>72,367</u>
Other alcoholic beverages	<u>4,149</u>	<u>8,555</u>	<u>11,484</u>	<u>43,538</u>	<u>9,775</u>	<u>12,589</u>	<u>9,027</u>	<u>12,326</u>
Wine accessory products	<u>—</u>	<u>—</u>	<u>573</u>	<u>229</u>	<u>345</u>	<u>784</u>	<u>344</u>	<u>534</u>
Total:	<u>59,062</u>	<u>99,325</u>	<u>87,515</u>	<u>159,755</u>	<u>83,668</u>	<u>74,795</u>	<u>91,001</u>	<u>85,227</u>

FINANCIAL INFORMATION

The table below sets forth the breakdown of the inventory balance of our Premium Collectible Red Wine by different price ranges as at the dates indicated:

	As at 31 March						As at 30 June	
	2015		2016		2017		2017	
	Cost of inventory	Quantity						
	(HK\$'000)	(Bottles)	(HK\$'000)	(Bottles)	(HK\$'000)	(Bottles)	(HK\$'000)	(Bottles)
HK\$1,000 to HK\$4,999	20,887	11,839	22,842	12,791	31,321	17,348	37,137	18,746
HK\$5,000 to HK\$9,999	6,684	1,171	9,431	1,746	6,420	1,150	6,218	969
HK\$10,000 to HK\$19,999	3,879	322	4,258	364	4,483	379	4,199	308
HK\$20,000 to HK\$49,999	1,060	41	5,989	237	7,659	289	7,864	281
HK\$50,000 and above	2,192	26	8,843	96	9,414	76	9,719	72
Total	34,702	13,399	51,363	15,234	59,297	19,242	65,137	20,376

Our inventories consist primarily of red wine products which we procured from our suppliers for wholesale and retail in Hong Kong. We maintain an ample stock of red wine products in our inventories to (i) meet the increasing demand from our wholesale customers who normally purchase wine products in bulk and (ii) meet the diverse demand of wine collectors and other retail customers who look for wine products from different châteaux, estates or vineyards and wineries with different origins, vintages or types.

Our inventory balance increased by approximately 48.1% from HK\$59.1 million as at 31 March 2015 to HK\$87.5 million as at 31 March 2016. This increase was primarily attributable to:

- (i) an increase in (a) Premium Collectible Red Wine priced at or above HK\$50,000 per bottle by approximately 300.0% from HK\$2.2 million as at 31 March 2015 to HK\$8.8 million as at 31 March 2016; and (b) Premium Collectible Red Wine priced between HK\$20,000 and HK\$49,999 per bottle by approximately 754.5% from HK\$1.1 million as at 31 March 2015 to HK\$9.4 million as at 31 March 2016, in view of the improved sales performance of our Premium Collectible Red Wine in higher price ranges during the year ended 31 March 2016;
- (ii) an increase in other alcoholic beverages from HK\$4.1 million as at 31 March 2015 to HK\$11.5 million as at 31 March 2016 as a result of an increase in purchases of a type of champagne in high demand in anticipation of stronger sales for these products; and
- (iii) an increase in other wine products, which includes (a) Fine Red Wine, from HK\$19.6 million as at 31 March 2015 to HK\$22.4 million as at 31 March 2016; and (b) white wine, from HK\$0.6 million as at 31 March 2015 to HK\$1.7 million as at 31 March 2016 as a result of bulk purchases made for the year ended 31 March 2016 in order to enjoy bulk purchase discounts offered by relevant suppliers.

FINANCIAL INFORMATION

Our inventory balance decreased by approximately 4.3% from HK\$87.5 million as at 31 March 2016 to HK\$83.7 million as at 31 March 2017. This decrease was primarily attributable to:

- (i) our sales strategy to increase our inventory turnover by focusing on the sales of inventory aged over 365 days and at lower prices in view of our limited storage capacity, resulting in a decrease in total number of bottle of wine products by approximately 47.0% from 115,988 bottles to 61,422 bottles; and
- (ii) a decrease in total number of bottle of other alcoholic beverages by 71.1% from 43,538 bottles to 12,589 bottles primarily due to an increase in the sales of champagne which were procured before 31 March 2016.

Our inventory balance increased by approximately 8.7% from HK\$83.7 million as at 31 March 2017 to HK\$91.0 million as at 30 June 2017. This increase was primarily attributable to an increase in the inventory balance of Premium Collectible Red Wine from HK\$59.3 million as at 31 March 2017 to HK\$65.1 million as at 30 June 2017, which was primarily due to the increase in purchases of Premium Collectible Red Wine priced between HK\$1,000 and HK\$4,999 per bottle during the three months ended 30 June 2017 as a result of the bulk purchases of certain Premium Collectible Red Wine near the end of the period.

Ageing analysis on inventories

	As at 31 March			As at 30 June
	2015	2016	2017	2017
	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)
0 to 90 days	29,087	31,320	39,588	38,246
91 days to 180 days	14,410	15,940	30,080	21,535
181 days to 365 days	9,267	21,943	14,000	27,239
Over 365 days	6,298	18,312	—	3,981
	59,062	87,515	83,668	91,001

During the year ended 31 March 2017, we strategically focused on the sales of inventory aged over 365 days and at lower prices in view of our limited storage capacity. Accordingly, all inventories aged over 365 days were sold as at 31 March 2017.

According to the Ipsos Report, the market prices of wine products increase with age and vintage, and the value and quality of wine products are affected by the cellaring period, and it is not uncommon for the wine products of an older vintage to be more expensive than the wine products of a relatively newer vintage. Accordingly, during the Track Record Period and up to the Latest Practicable Date, notwithstanding that we maintained wine products with long cellaring periods, old vintages or long aged in our inventories, we did not make any provision in respect of any of our Group's inventories since there had not been any indication that the net realisable value

FINANCIAL INFORMATION

of inventories had fallen below their respective costs of procurement. For further details, please refer to the section headed “Business — Product portfolio management — Inventory control — Policy for inventory provisions” in this prospectus.

We manage our inventories pursuant a detailed guideline. For further details, please refer to the section headed “Business — Product portfolio management — Inventory control — Inventory management” in this prospectus.

Inventory turnover days

The table below sets forth the breakdown of our average inventory balance and inventory turnover days for the periods indicated:

	For the year ended 31 March			For the three months ended 30 June
	2015	2016	2017	2017
Average inventory balance (HK\$'000) ⁽¹⁾	63,902	73,289	85,592	87,335
Inventory turnover days (days) ⁽²⁾	131.3	126.9	127.7	133.5

Notes:

- (1) Average inventory balance is the sum of the beginning and ending inventory balances for the relevant period divided by two.
- (2) The inventory turnover days for a period is the average inventory balance divided by cost of sales for that period and multiplied by (i) 365 days for the years ended 31 March 2015 and 2017; (ii) 366 days for the year ended 31 March 2016; or (iii) 91 days for the three months ended 30 June 2017.

FINANCIAL INFORMATION

The table below sets forth a breakdown of inventory turnover days of our wine products and other alcoholic beverages for the periods indicated:

	As at/For the year ended						As at/For the three	
	31 March						months ended 30 June	
	2015		2016		2017		2017	
	Inventory		Inventory		Inventory		Inventory	
	Cost of	turnover	Cost of	turnover	Cost of	turnover	Cost of	turnover
	inventory	days	inventory	days	inventory	days	inventory	days
	(HK\$'000)	(Days)	(HK\$'000)	(Days)	(HK\$'000)	(Days)	(HK\$'000)	(Days)
Wine products								
Premium Collectible								
Red Wine	34,702	102.5	51,363	93.0	59,297	114.3	65,137	121.4
Fine Red Wine	19,562	231.1	22,410	238.9	12,555	125.4	14,677	117.6
White wine	649	210.6	1,685	378.7	1,696	345.3	1,816	238.1
Other alcoholic beverages	4,149	269.4	11,484	321.8	9,775	258.5	9,027	508.9

We recorded a relatively long inventory turnover days in respect of our white wine and other alcoholic beverages as we have been focusing on the sales of Premium Collectible Red Wine and Fine Red Wine, which contributed approximately 96.5%, 94.8%, 92.8%, 95.1% and 95.8% of our total revenue for the years ended 31 March 2015, 2016 and 2017 and the three months ended 30 June 2016 and 2017, respectively.

As our wholesale customers tend to purchase products from us in bulk and we from time to time procure wine products from suppliers in large volume so as to enjoy bulk purchase discounts, our inventory levels fluctuated during the Track Record Period and accordingly our inventory turnover days were affected by the inventory balance as at the beginning and ending dates of the relevant periods. In particular:

- (i) the inventory turnover days of our Premium Collectible Red Wine increased from 93.0 days for the year ended 31 March 2016 to 114.3 days for the year ended 31 March 2017. This increase was primarily due to an increase in the inventory balance of Premium Collectible Red Wine from HK\$51.4 million as at 31 March 2016 to HK\$59.3 million as at 31 March 2017 as we procured a large quantity of high value Premium Collectible Red Wine, such as Mouton Rothschild and Lafite Rothschild, near the end of the year ended 31 March 2017;
- (ii) the inventory turnover days of our Fine Red Wine decreased from 238.9 days for the year ended 31 March 2016 to 125.4 days for the year ended 31 March 2017. This decrease was primarily due to a decrease in the inventory balance of Fine Red Wine from HK\$22.4 million as at 31 March 2016 to HK\$12.6 million as at 31 March 2017 as we implemented a sales strategy to increase our turnover by focusing on the sales of inventory aged over 365 days and at lower prices in view of our limited storage capacity;

FINANCIAL INFORMATION

- (iii) the inventory turnover days of our other alcoholic beverages decreased from 321.8 days for the year ended 31 March 2016 to 258.5 days for the year ended 31 March 2017. This decrease was primarily due to an increase in the sales of a type of champagne in high demand during the year ended 31 March 2017;
- (iv) the inventory turnover days of our white wine decreased from 345.3 days for the year ended 31 March 2017 to 238.1 days for the three months ended 30 June 2017. This decrease was primarily due to an increase in sales during the three months ended 30 June 2017 as a result of the bulk purchases of lower priced white wine from our suppliers; and
- (v) the inventory turnover days of our other alcoholic beverages increased from 258.5 days for the year ended 31 March 2017 to 508.9 days for the three months ended 30 June 2017. This increase was primarily due to the lower sales level of other alcoholic beverages during the three months ended 30 June 2016.

As at the Latest Practicable Date, approximately 59.0% of our inventory balance as at 30 June 2017 had been sold.

The table below sets forth the subsequent consumption of inventory by product categories:

	Inventory balance as at 30 June 2017	Subsequent consumption of inventory as at 30 June 2017 and up to the Latest Practicable Date	Percentage
	(HK\$'000)	(HK\$'000)	(%)
Wine products			
Premium Collectible Red Wine	65,137	42,920	65.9
Fine Red Wine	14,677	7,142	48.7
White wine	1,816	687	37.8
Other alcoholic beverages	9,027	2,933	32.5
Wine accessory products	<u>344</u>	<u>6</u>	1.7
Total	<u><u>91,001</u></u>	<u><u>53,688</u></u>	<u><u>59.0</u></u>

Up to the Latest Practicable Date, we recorded a relatively low subsequent sales percentage for our white wine and other alcoholic beverages as at 30 June 2017, amounting to 37.8% and 32.5%, respectively. These low subsequent sales were primarily due to our focusing on the sales of Premium Collectible Red Wine and Fine Red Wine during the Track Record Period.

FINANCIAL INFORMATION

Despite the lower sales level of our white wine and other alcoholic beverages, our Directors are of the view that there was no obsolescence for the white wine and other alcoholic beverages in our inventory as at the Latest Practicable Date because (i) there had not been any indication that the recent market prices for the white wine and other alcoholic beverages in our inventory fell below their respective costs of procurement; and (ii) according to the Ipsos Report, the market price and market condition of wine products generally increase with age and vintage, and so the value and quality of wine products will not be affected by the cellaring period, and it is not uncommon for wine products of an older vintage to be more expensive than wine products of a relatively newer vintage.

Trade receivables

The table below sets forth our trade receivables as at the dates indicated:

	As at 31 March			As at 30 June
	2015	2016	2017	2017
	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)
Trade receivables	57,322	27,270	13,330	14,752

Our trade receivables recorded as at the relevant dates represented the outstanding amounts receivable by us from our customers for the sales of our products.

Our trade receivables decreased by approximately 52.4% from HK\$57.3 million as at 31 March 2015 to HK\$27.3 million as at 31 March 2016, and further decreased by approximately 51.1% from HK\$27.3 million as at 31 March 2016 to HK\$13.3 million as at 31 March 2017. This decreasing trend was primarily due to (i) the settlement of more receivables by our customers near the end of the year ended 31 March 2017; and (ii) the implementation of tighter monitoring and control on our trade receivables, resulting in more timely payments from our customers. Our trade receivables increased by approximately 11.3% from HK\$13.3 million as at 31 March 2016 to HK\$14.8 million as at 30 June 2017. This increase was primarily due to the improved sales of our Premium Collectible Red Wine near the end of the three months ended 30 June 2017.

FINANCIAL INFORMATION

Trade receivables turnover days

The table below sets forth our average trade receivables and trade receivables turnover days for the periods indicated:

	For the year ended 31 March			For the three months ended 30 June
	2015	2016	2017	2017
Average trade receivables (HK\$'000) ⁽¹⁾	50,001	42,296	20,300	14,041
Trade receivables turnover days (days) ⁽²⁾	89.0	63.3	26.3	18.7

Notes:

- (1) Average trade receivables are the sum of the beginning and ending trade receivable balances for the relevant period divided by two.
- (2) The trade receivables turnover days for a period is the average trade receivables divided by revenue for that period and multiplied by (i) 365 days for the years ended 31 March 2015 and 2017; (ii) 366 days for the year ended 31 March 2016; or (iii) 91 days for the three months ended 30 June 2017.

Ageing analysis on trade receivables

The table below is an ageing analysis of our trade receivables presented based on the relevant invoice dates as at the dates indicated.

	As at 31 March			As at 30 June
	2015	2016	2017	2017
	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)
0 to 30 days	7,278	4,566	9,093	7,557
31 days to 60 days	7,374	398	1,542	776
61 days to 90 days	10,190	587	129	3,259
91 days to 180 days	12,821	13,288	340	736
181 days to 365 days	13,147	1,356	2,203	1,851
Over 365 days	6,512	7,075	23	573
	<u>57,322</u>	<u>27,270</u>	<u>13,330</u>	<u>14,752</u>

We do not have a standard credit policy for our customers. During the Track Record Period, the credit term we offered to our wholesale customers was generally within the range of 30 to 120 days. We generally do not offer credit term to our retail customers, save with the approval of our management. The credit term we offer to our customers is determined on an order-by-order basis, after taking into account our customers' historical sales level, their market reputation, payment

FINANCIAL INFORMATION

history, the number of years of their business relationship with us and their financial status. In determining the recoverability of our trade receivables, we monitor the creditworthiness of the relevant customers. We review the credit limits attributable to our customers regularly.

All the trade receivables that are neither past due nor impaired are due from customers with good settlement history and no default on settlement noted. No allowance for doubtful debts was recognised as at 31 March 2015, 2016 and 2017 and 30 June 2017, respectively. Trade receivables are individually impaired and recognised based on the credit history of our customers, such as financial difficulties or default in payments, and current market condition.

Among our trade receivables as at 31 March 2015, 2016 and 2017 and 30 June 2017, HK\$33.0 million, HK\$21.7 million, HK\$2.8 million and HK\$4.0 million, respectively, were past due at the end of each reporting period for which our Group has not provided for impairment loss as there has not been a significant change in credit quality of the trade receivable and the amounts are still considered recoverable based on the historical experience. We did not hold any collateral over these balances.

As at the Latest Practicable Date, approximately 96.8% of our trade receivables as at 30 June 2017 had been settled.

Other receivables, deposits and prepayments

The table below sets forth the breakdown of our other receivables, deposits and prepayments as at the dates indicated:

	As at 31 March			As at 30 June
	2015	2016	2017	2017
	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)
Deposits paid to suppliers	7,699	31,131	27,472	29,968
Deferred listing expenses	—	29	3,161	3,875
Deposits for the acquisition of property and equipment	170	170	808	1,108
Rental deposits	200	120	1,056	1,056
Deposits for key-man insurance policies	11,006	11,167	—	—
Prepayments for key-man insurance policies	487	445	—	—
Other deposits, other receivables and prepayments	136	398	731	558
	19,698	43,460	33,228	36,565

FINANCIAL INFORMATION

Deposits paid to suppliers

Deposits paid to suppliers refer to the deposits we pay to our suppliers for procuring wine products for sale. Upon receipt of the wine products we procure from our suppliers, the respective deposits paid to suppliers will be reclassified as inventories.

The deposits we paid to our suppliers increased from HK\$7.7 million as at 31 March 2015 to HK\$31.1 million as at 31 March 2016. This increase was primarily due to the increase in the amount of wine products pending delivery from our suppliers near the end of the year ended 31 March 2016, which wine products were purchased in bulk in order to enjoy the bulk purchase discounts offered by the relevant suppliers.

The deposits we paid to our suppliers decreased from HK\$31.1 million as at 31 March 2016 to HK\$27.5 million as at 31 March 2017. This decrease was primarily due to the decrease in the amount of wine products procured from our suppliers in view of our limited storage capacity, resulting in a decrease in the amount of wine products pending delivery from our suppliers near the end of the year ended 31 March 2017.

The deposits we paid to our suppliers increased from HK\$27.5 million as at 31 March 2017 to HK\$30.0 million as at 30 June 2017. This increase was primarily due to the increase in the amount of wine products pending delivery from our suppliers near the end of the three months ended 30 June 2017 in relation to the orders we made near the end of the three months ended 30 June 2017.

Deferred listing expenses

Our deferred listing expenses are payments to professional parties for services rendered that are directly attributable to the issuance of new share in connection with the Listing and will be capitalised and deducted from equity upon the Listing. We recorded deferred listing expenses of nil, approximately HK\$29,000, HK\$3.2 million, HK\$3.9 million as at 31 March 2015, 2016 and 2017 and 30 June 2017, respectively. For further details of our listing expenses, please refer to the paragraph headed “— Listing expenses” in this section.

Deposits and prepayments for key-man insurance policies

Before the Track Record Period, Wine’s Link, our operating subsidiary, entered into key-man insurance policies to insure Ms. Shirley Wong and Mr. Roy Ting. These key-man insurance policies were intended to compensate our business for any financial losses that may result from the loss of the services of Ms. Shirley Wong and Mr. Roy Ting due to their death as specified in the policies and to facilitate our business continuity. The beneficiary of these key-man insurance policies was Wine’s Link.

Subsequently, these key-man insurance policies were charged to a licensed bank in Hong Kong as security for bank borrowings. After the repayment of the relevant bank borrowings in full, the beneficial interests of these insurance policies were transferred from Wine’s Link to Ms. Shirley Wong on 3 August 2016 at a consideration of HK\$11.7 million settled through the current account

FINANCIAL INFORMATION

of Ms. Shirley Wong. This HK\$11.7 million was determined based on the aggregate cash value of the insurance policies as determined by the relevant insurer. Accordingly, we ceased to record any deposits and prepayments for life insurance policies as at 31 March 2017 and 30 June 2017. For further details, please refer to note 16 of our accountants' report in Appendix I in this prospectus.

Amounts due from/to Shareholders

During the Track Record Period, our Group provided advancements from time to time to Mr. Roy Ting, the then director of Wine's Link, and Ms. Shirley Wong, our executive Director, for their own personal uses. At the requests of our Group, Mr. Roy Ting, Ms. Shirley Wong and Mr. PS Ting from time to time repaid and advanced fund to our Group. As at 31 March 2015, 2016 and 2017, 30 June 2017 and 31 October 2017, we recorded amounts due from Shareholders of HK\$11.7 million, HK\$13.9 million, HK\$1.3 million, HK\$8.9 million and HK\$11.6 million, respectively. As at 31 March 2015, 2016 and 2017, 30 June 2017 and 31 October 2017, we recorded amount due to a Shareholder of HK\$0.4 million, nil, nil, HK\$0.2 million and approximately HK\$39,000, respectively. These amounts were non-trade nature, unsecured, interest-free and repayable on demand. All outstanding amounts due from or to Mr. Roy Ting and Ms. Shirley Wong will be fully settled in cash before the Listing.

Amounts due from/to related parties

As at 31 March 2015, 2016 and 2017 and 30 June 2017, there were amounts due from related parties of HK\$43.0 million, HK\$79.6 million, approximately HK\$18,000 and approximately HK\$61,000, respectively, and amounts due to related parties of HK\$1.6 million, approximately HK\$42,000, HK\$0.6 million and nil, respectively. These amounts were non-trade nature, unsecured, interest-free and repayable on demand except for the amount due to Kwong Fat Shing Enterprises Limited ("**Kwong Fat Shing**") of approximately HK\$42,000 as at 31 March 2016 was of trade nature. Kwong Fat Shing is a company owned as to 13.9% by Mr. Roy Ting, 60.2% by Mr. PS Ting, 13.9% by Ms. Ting Mei Wan, Millie, daughter of Mr. PS Ting, and 12.0% by Mr. Ting Wing Keung, son of Mr. PS Ting. This amount was in relation to the rental payable by our Group pursuant to a lease agreement we entered into with Kwong Fat Shing for the lease of our old head office at a monthly rental of HK\$60,000. Our Directors have confirmed that the lease agreement in respect of our old head office was entered into on normal commercial terms and on an arm's length basis. In October 2016, we moved into our new head office which we leased from an Independent Third Party and we ceased to record any amounts due from Kwong Fat Shing thereafter.

Among the amounts due from related parties, the amount due from Wei Yi Jiu Ding (Guangzhou) Trading Ltd ("**Wei Yi Jiu Ding**") of HK\$1.4 million and HK\$4.7 million as at 31 March 2015 and 2016 was of non-trade nature. Wei Yi Jiu Ding was a company wholly owned by Dynasty Design and Production Limited ("**Dynasty Design**", together with Wei Yi Jiu Ding, the "**Dynasty Group**") which in turn was wholly owned by Ms. Shirley Wong. In November 2016, Ms. Shirley Wong disposed of her entire issued shares of Dynasty Design to an Independent Third Party. Prior to this disposal, our Group provided non-trade nature advancements from time to time

FINANCIAL INFORMATION

to Wei Yi Jiu Ding for its operational use. As at 31 March 2015 and 2016, the outstanding balance of the non-trade nature advancements made by our Group to Wei Yi Jiu Ding were HK\$1.4 million and HK\$4.7 million respectively as at the relevant dates.

Apart from these non-trade nature advancements, prior to the date when Ms. Shirley Wong disposed of her entire issued shares of Dynasty Design in November 2016, Wei Yi Jiu Ding purchased wine products from us for sale in the PRC and contributed (i) revenue of HK\$1.2 million for the year ended 31 March 2016, which amount were settled by Wei Yi Jiu Ding before 31 March 2016; and (ii) revenue of HK\$4.0 million for the period from 1 April 2016 to the date when Ms. Shirley Wong disposed of her entire issued shares of Dynasty Design to an Independent Third Party in November 2016. In accordance with the financial reporting policy of our Group, we classify (i) both trade and non-trade balances with our related parties as amounts due from or to related parties as disclosed in note 18 of the accountants' report in Appendix I to this prospectus; and (ii) all outstanding balance with customers which are independent from our Group as trade receivables. Accordingly, since November 2016, the trade-nature amounts due from Wei Yi Jiu Ding was reclassified from amounts due from related parties to trade receivables of our Group. For further details, please refer to note 15 of the accountants' report in Appendix I to this prospectus.

To the best knowledge and belief of our Directors after having made all reasonable enquiries, since before such disposal, Dynasty Design was principally engaged in investment holding, whereas Wei Yi Jiu Ding was principally engaged in the trading, wholesale and retail of packaged food, dairy products and alcoholic drinks in the PRC. The cash consideration for such disposal was HK\$181,000 (which was determined with reference to the net asset value of the Dynasty Group as at 30 September 2016). To the best knowledge, information and belief of our Directors having made all reasonable enquiries, prior to the disposal, there were (i) no overlapping customers and suppliers between Wei Yi Jiu Ding and our Group; and (ii) save for Ms. Shirley Wong, Mr. Roy Ting and Ms. Yeung Chi Hung (all being our Directors or senior management of our Group), there were no overlapping management personnel or employee between Wei Yi Jiu Ding and our Group during the Track Record Period. As at the date of such disposal, there had not been any material non-compliance of the Dynasty Group and there were no pending or threatened litigations, arbitrations or claims of material importance against the Dynasty Group that would have a material or adverse effect on its business, operations or financial condition. To the best knowledge and belief of our Directors, Ms. Shirley Wong disposed of the Dynasty Group primarily because:

- (i) the business activities of Dynasty Group, comprising (A) Dynasty Design, engaging in investment holdings; and (B) Wei Yi Jiu Ding, engaging in the trading, wholesale and retail of packaged food, dairy products and alcoholic drinks in the PRC, are different from the core business activities of our Group in Hong Kong; and
- (ii) the continued operation of Dynasty Group and/or incorporation of the same into our Group might not be beneficial to our long term business development since it would divert the attention and resources of our Group to other business which is unrelated to the core business of our Group.

FINANCIAL INFORMATION

We ceased to record any amounts due from Wei Yi Jiu Ding thereafter. Our Directors have confirmed that the sale transactions of Wei Yi Jiu Ding were conducted on normal commercial terms and on an arm's length basis.

Our Directors have confirmed that all the amounts due to and from related parties as at 31 March 2015, 2016 and 2017 and 30 June 2017 will be fully settled in cash prior to the Listing. For further details, please refer to note 18 of our accountants' report in Appendix I to this prospectus.

Bank balances and cash

We had bank balances and cash of approximately HK\$22,000, HK\$8.1 million, HK\$27.9 million and HK\$22.5 million as at 31 March 2015, 2016 and 2017 and 30 June 2017, respectively. These bank balances and cash carry interest at prevailing market rate from 0.01% to 0.45% per annum. For further details, please refer to the paragraph headed “— Summary of our cash flows” in this section.

We have adopted a cashflow management policy in December 2015 to closely monitor and evaluate our cash flow. For further details, please refer to the section headed “Business — Cashflow management” in this prospectus.

Trade payables

The table below sets forth our trade payables as at the dates indicated:

	<u>As at 31 March</u>			<u>As at 30 June</u>
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2017</u>
	<u>(HK\$'000)</u>	<u>(HK\$'000)</u>	<u>(HK\$'000)</u>	<u>(HK\$'000)</u>
Trade payables	<u>1,694</u>	<u>961</u>	<u>414</u>	<u>142</u>

Our trade payables represent the outstanding amounts payable by us to our suppliers for the procurement of products for sales. Our trade payables decreased from HK\$1.7 million as at 31 March 2015 to HK\$1.0 million as at 31 March 2016, and further decreased to HK\$0.4 million as at 31 March 2017 and HK\$0.1 million as at 30 June 2017. This decreasing trend was primarily due to more timely settlement of our trade payables.

FINANCIAL INFORMATION

Trade payables turnover days

The table below sets forth our trade payables turnover days for the periods indicated:

	For the year ended 31 March			For the three months ended 30 June
	2015	2016	2017	2017
	Average trade payables (HK\$'000) <i>(Note 1)</i>	847	1,328	688
Trade payables turnover days (days) <i>(Note 2)</i>	1.7	2.3	1.0	0.4

Notes:

- (1) Average trade payables are the sum of the beginning and ending trade payable balances for the relevant period divided by two.
- (2) The trade payables turnover days for a period is the average trade payables divided by cost of sales for that period and multiplied by (i) 365 days for the years ended 31 March 2015 and 2017; (ii) 366 days for the year ended 31 March 2016; or (iii) 91 days for the three months ended 30 June 2017.

Our trade payables turnover days remained low over the Track Record Period at approximately 1.7 days, 2.3 days, 1.0 days and 0.4 days for the years ended 31 March 2015, 2016 and 2017 and the three months ended 30 June 2017, respectively. As wine products from well-known négociants, châteaux, vineyards and wineries are highly in demand, and the supply of such wine products in the market decreases as they are consumed, preserved and collected by wine collectors, or damaged in transit or by poor storage, in order to secure a stable supply of quality wine products, we settle most of our wine purchases by advance payments in order to, among other benefits, establish a good and long term relationship with our suppliers. According to Ipsos, having established a good and long term relationship with suppliers could potentially secure the supply of good quality wine products, in addition to receiving preferential treatment such as product discounts and exclusive offers for quality wine products.

FINANCIAL INFORMATION

Ageing analysis on trade payables

The table below is an ageing analysis of our trade payables based on the relevant invoice dates as at the dates indicated:

	As at 31 March			As at 30 June
	2015	2016	2017	2017
	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)
Less than 30 days	—	961	405	125
Over 30 days	1,694	—	9	17
	<u>1,694</u>	<u>961</u>	<u>414</u>	<u>142</u>

During the Track Record Period, we settle most of our purchases by advance payments, save for a limited number of suppliers who offered us a credit period of up to 30 days.

As at the Latest Practicable Date, approximately 93.9% of our trade payables as at 30 June 2017 had been settled.

Other payables and accrued charges

The table below sets forth the breakdown of our payables and accrued charges as at the dates indicated:

	As at 31 March			As at 30 June
	2015	2016	2017	2017
	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)
Accrued listing expenses	—	—	4,526	6,322
Deposits received from customers	112	6,070	765	1,512
Payables for addition to property and equipment	583	153	416	385
Other payables and accrued charges	<u>1,804</u>	<u>1,619</u>	<u>2,210</u>	<u>1,757</u>
Total	<u>2,499</u>	<u>7,842</u>	<u>7,917</u>	<u>9,976</u>

Our other payables and accrued charges increased by approximately 212.0% from HK\$2.5 million as at 31 March 2015 to HK\$7.8 million as at 31 March 2016. This increase was primarily attributable to the increase in deposits received from customers from HK\$0.1 million as at 31 March 2015 to HK\$6.1 million as at 31 March 2016 primarily due to the increase in sales orders received from our customers to purchase our wine products in bulk near the end of the year ended 31 March 2016.

FINANCIAL INFORMATION

Our other payables and accrued charges remain relatively stable from HK\$7.8 million as at 31 March 2016 to HK\$7.9 million as at 31 March 2017. This was primarily attributable to the decrease in deposits received from customers from HK\$6.1 million as at 31 March 2016 to HK\$0.8 million as at 31 March 2017 primarily due to (i) the increase in our other payable and accrued charges from HK\$1.6 million as at 31 March 2016 to HK\$2.2 million as at 31 March 2017; and (ii) the increase in the accrual listing expenses from nil as at 31 March 2016 to HK\$4.5 million as at 31 March 2017, partially offsetted by the decrease in deposits received from customers from HK\$6.1 million as at 31 March 2016 to HK\$0.8 million as at 31 March 2017 primarily due to the utilisation of the deposit by our customers upon the sales and delivery of wine products in bulk near the end of the year ended 31 March 2017.

Our other payables and accrued charges increased by approximately 26.6% from HK\$7.9 million as at 31 March 2017 to HK\$10.0 million as at 30 June 2017. This increase was primarily attributable to (i) the increase in the accrued listing expenses from HK\$4.5 million as at 31 March 2017 to HK\$6.3 million as at 30 June 2017; and (ii) the increase in deposits received from customers from HK\$0.8 million as at 31 March 2017 to HK\$1.5 million as at 30 June 2017 primarily due to the increase in sales order received from our customers to purchase our wine products in bulk near the end of the three months ended 30 June 2017.

Derivative financial instruments and pledged bank deposits

Structured foreign currency forward contracts

During the Track Record Period, we entered into structured foreign currency forward contracts with three licensed banks in Hong Kong for investment purposes. Pursuant to these structured foreign currency forward contracts, we would recognise fair value gains or losses as a result of the appreciation or depreciation of the relevant currency against the specified spot rate. As at 31 March 2015, 2016 and 2017 and 30 June 2017, we recognised these structured foreign currency forward contracts as financial liabilities amounting to HK\$2.5 million, financial liabilities amounting to HK\$6.8 million, financial assets amounting to approximately HK\$13,000 and nil, respectively. The table below sets forth the details of each foreign currency forward contract entered into by us during the Track Record Period:

<u>Contract</u>	<u>Nominal principal amount</u>	<u>Contract date</u>	<u>Spot exchange rate⁽¹⁾</u>	<u>Termination date</u>	<u>Outstanding contract value as at the Latest Practicable Date</u>
1. US\$/HK\$ structured foreign currency forward contract (“US\$/HK\$ Foreign Contract A”)	US\$0.5 million	4 October 2013	HK\$7.754 per US\$	29 September 2015	Nil

FINANCIAL INFORMATION

Contract	Nominal principal amount	Contract date	Spot exchange rate ⁽¹⁾	Termination date	Outstanding contract value as at the Latest Practicable Date
2. US\$/HK\$ structured foreign currency forward contract (the “US\$/HK\$ Foreign Contract B”)	US\$1.8 million	6 January 2014	HK\$7.749 per US\$	5 January 2016	Nil
3. US\$/RMB structured foreign currency forward contract (the “US\$/RMB Foreign Contract A”)	US\$1.0 million	9 January 2014	RMB6.100 per US\$	11 January 2016	Nil
4. US\$/RMB structured foreign currency forward contract (the “US\$/RMB Foreign Contract B”)	US\$1.0 million	23 January 2015	RMB6.200 per US\$	11 May 2015	Nil
5. US\$/HK\$ structured foreign currency forward contract (the “US\$/HK\$ Foreign Contract C”)	US\$1.6 million	15 April 2015	HK\$7.749 per US\$	5 January 2017	Nil
6. US\$/EUR structure foreign currency forward contract (“US\$/EUR Foreign Contract A”)	EUR0.2 million	19 March 2015	US\$1.000 per EUR	16 April 2015	Nil
7. US\$/EUR structure foreign currency forward contract (“US\$/EUR Foreign Contract B”)	EUR0.2 million	19 March 2015	US\$1.000 per EUR	14 May 2015	Nil
8. US\$/RMB structured foreign currency forward contract (the “US\$/RMB Foreign Contract C”)	US\$1.0 million	2 June 2015	RMB6.190 per US\$	1 June 2017	Nil
9. US\$/GBP structure foreign currency forward contract (“US\$/GBP Foreign Contract A”)	GBP0.2 million	3 June 2015	US\$1.470 per GBP	2 July 2015	Nil
10. US\$/GBP structure foreign currency forward contract (“US\$/GBP Foreign Contract B”)	GBP0.2 million	3 June 2015	US\$1.470 per GBP	31 July 2015	Nil

FINANCIAL INFORMATION

Note:

- (1) For further details of the settlement arrangement of the relevant foreign currency forward contracts as at 31 March 2015, 2016 and 2017 and 30 June 2017, please refer to note 24 of our accountants' report in Appendix I to this prospectus.

The table below sets forth the amount of gains or losses of each structured foreign currency forward contract for the periods indicated:

	For the year ended 31 March			For the three months ended 30 June
	2015	2016	2017	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
US\$/HK\$ Foreign Contract A	168	29	—	—
US\$/HK\$ Foreign Contract B	708	199	—	—
US\$/RMB Foreign Contract A	1,604	2,243	—	—
US\$/RMB Foreign Contract B	(225)	430	—	—
US\$/HK\$ Foreign Contract C	—	(446)	730	3
US\$/EUR Foreign Contract A	—	118	—	—
US\$/EUR Foreign Contract B	—	214	—	—
US\$/RMB Foreign Contract C	—	(9,258)	612	—
US\$/GBP Foreign Contract A	—	140	—	—
US\$/GBP Foreign Contract B	—	140	—	—
Total:	2,255	(6,191)	1,342	3

Due to the unexpected and sudden devaluation of the RMB in August 2015, leading to a significant depreciation of the RMB, we recognised a fair value loss of HK\$9.3 million for the year ended 31 March 2016 from the US\$/RMB Forward Contract C. For further details of the structured foreign currency forward contracts, please refer to note 24 of our accountants' report in Appendix I to this prospectus.

Mr. Roy Ting, one of our Controlling Shareholders and the former director and investment officer of Wine's Link, was primarily responsible for making the investment decisions of our Group at the relevant time. In view of the significant devaluation of the RMB in August 2015, we have ceased entering into new structured foreign currency forward contracts with any financial institutions since then. With the continued devaluation of the RMB, Mr. Roy Ting issued a deed of undertaking and indemnities in favour of our Group on 31 March 2016 to (i) compensate our Group for the unrealised losses of HK\$6.8 million incurred as a result of RMB depreciation; and (ii) offset all gains and losses associated with these contracts since 31 March 2016 until the expiry of such contracts.

FINANCIAL INFORMATION

We recognised this deed as financial assets amounting to HK\$6.8 million as at 31 March 2016 and as financial liability amounting to HK\$13,000 as at 31 March 2017. As at the Latest Practicable Date, all structured foreign currency forward contracts had expired or had been terminated. We will not enter into any new structured foreign currency forward contracts after the Listing.

Pledged bank deposits

During the Track Record Period, we entered into certain bank facility agreements pursuant to which we were required to pledge a substantial amount of cash to the relevant banks. As at 31 March 2015, 2016 and 2017 and 30 June 2017, we had pledged bank deposits of HK\$27.8 million, HK\$24.3 million, HK\$2.0 million and HK\$2.0 million, respectively. Such decrease of pledged bank deposits was due to the repayment of all of our other bank borrowings during the year ended 31 March 2017.

With a view to maximising our interest income from our pledged bank deposits, we converted such pledged bank deposits into different currencies that yield higher interest rates than Hong Kong dollars. In view of the continued depreciation of the RMB after the unexpected devaluation of the RMB in August 2015, we converted our pledged bank deposits from RMB to GBP in December 2015 as GBP yielded higher interest rates than Hong Kong dollars at the relevant time. Subsequently, as a result of the fluctuations in GBP during the period between December 2015 and March 2016 prior to the referendum of Brexit in June 2016, we recorded net exchange losses of HK\$0.6 million on GBP denominated pledged bank deposits for the period between December 2015 and March 2016. In view of the continued depreciation of the GBP, Mr. Roy Ting agreed to (i) compensate our Company for the HK\$0.6 million in net exchange losses; and (ii) take up the GBP fluctuation risks in respect of the GBP denominated pledged bank deposits since 31 March 2016. Due to the significant depreciation in GBP after Brexit in June 2016, we suffered a net exchange loss of HK\$1.9 million during the year ended 31 March 2017, and this net exchange loss was offset by Mr. Roy Ting's deed of undertaking and indemnities and a compensation from Mr. Roy Ting in respect of the GBP denominated pledged deposits of HK\$1.9 million was recognised. In October 2016, all foreign currency denominated pledged bank deposits were converted into Hong Kong dollars, our functional currency. We ceased to hold any pledged bank deposits in foreign currency thereafter. For further details, please refer to notes 19 and 34 of our accountants' report in Appendix I to this prospectus.

Internal control for future investments

To enhance the effectiveness of our internal control and risk management procedures and to identify and manage the risks which we may be exposed to in handling foreign currencies related investments, we will establish an investment management committee upon the Listing (the "**Investment Management Committee**") comprising two independent non-executive Directors and one non-executive Director, namely, Mr. Chan Wai Yan Ronald, Ms. Ho Tsz Wan and Mr. Wong Hin Wing before the Listing to oversee our investment activities and foreign exchange transactions. The Investment Management Committee is chaired by Mr. Chan Wai Yan Ronald, who has over nine years of experience in investment management. Ms. Ho Tsz Wan was a director of Yan Oi Tong from April 2010 to March 2011 and has been a director of Po Leung Kuk since April 2013.

FINANCIAL INFORMATION

Mr. Wong Hin Wing possesses extensive experience in accounting, finance, investment management and advisory. For further details of the biographies of the Investment Management Committee members, please refer to the section headed “Directors, Senior Management and Employees” in this prospectus.

In addition, we have implemented an investment management policy to ensure proper monitoring of our future investments. For further details, please refer to the section headed “Business — Investment management” in this prospectus.

RELATED PARTY TRANSACTIONS

We entered into certain related party transactions during the Track Record Period. For further details, please refer to note 28 of our accountants’ report in Appendix I in this prospectus. Our Directors have confirmed that these transactions were conducted on normal commercial terms and on an arm’s length basis and did not have a material impact on our results of operations during the Track Record Period.

LIQUIDITY AND CAPITAL RESOURCES

Overview

We have historically financed our operations through bank borrowings and internal resources. As at 30 June 2017, we had bank balances and cash of HK\$22.5 million to fund our future working capital, capital expenditure and other cash requirements.

Our future cash requirements will depend on many factors, including our operating income and capital expenditures on the expansion of our operations. Our current debt may reduce our liquidity and place some limitations on our ability to fund capital expenditures to support our expansion.

Following completion of the Share Offer, we expect to fund our future working capital, capital expenditure and other cash requirements from bank or other borrowings, our internal resources and the estimated net proceeds from the Share Offer. Our ability to fund our working capital needs, repay our indebtedness and finance other obligations depends on our future operating performance and cash flow, which are in turn subject to the prevailing economic conditions, the level of spending by our customers and other factors, many of which are beyond our control. Any future significant acquisition or expansion may require additional capital, and we cannot assure you that such capital will be available to us on acceptable terms, if at all. We did not experience any liquidity shortage during the Track Record Period.

FINANCIAL INFORMATION

Working capital sufficiency

After taking into consideration the financial resources available to our Group, including our available banking facilities, bank balances and cash on hand, operating cash flows and the estimated net proceeds from the Share Offer, and in the absence of unforeseeable circumstances, our Directors confirm, and the Sole Sponsor concurs, that we have sufficient working capital for our present requirements, that is for at least the next 12 months from the date of this prospectus.

Liquidity and working capital management

Cash flow mismatches

In our business operations, there are often time lags between making payments to our suppliers and receiving payments from our customers, resulting in cash flow mismatches. In particular, as we settle most of our purchases by advance payments in order to establish a good and long term relationship with suppliers and so, among other benefits, receiving preferential treatment from suppliers, we have to allocate a significant portion of our working capital and obtain trust receipt loans for procuring and sourcing wine products from our suppliers before we sell the relevant wine products to our customers. The extent of such cash flow mismatches is illustrated by the differences between our average trade payables turnover days and our average trade receivables turnover days. For the years ended 31 March 2015, 2016 and 2017 and the three months ended 30 June 2017, our average trade payables turnover days were approximately 1.7 days, 2.3 days, 1.0 days and 0.4 days, respectively, and our average trade receivables turnover days were approximately 89.0 days, 63.3 days, 26.3 days and 18.7 days, respectively. For further details, please refer to the paragraphs headed “— Selected items of the combined statements of financial position — Trade payables” and “— Selected items of the combined statements of financial position — Trade receivables” in this section.

For details of the risks associated with our cash flow mismatches, please refer to the section headed “Risk Factors — Risks relating to our business — We experience cash flow mismatches in our business operation. Delay in the settlement of payments by our customers may result in untimely and significant cash flow shortcomings in the future and may adversely impact our cash position and results of operations.” in this prospectus.

High gearing ratio and bank borrowings

Maintaining diverse wine product offerings is capital intensive. In order to maintain a sufficient inventory level of various types and price ranges, in particular those prestigious, rare and highly sought-after wine products, so that we can swiftly fulfil the diverse needs of our customers, we have to rely on trust receipt loans to finance our working capital requirements for procuring and sourcing of wine products from suppliers. Due to the relatively large amount of trust receipt loans and other bank borrowings and our relatively small total equity, we had a relatively high gearing ratios during the Track Record Period which amounted to 352.6%, 373.9%, 156.0% and 175.7% for the years ended 31 March 2015, 2016, 2017 and the three months ended 30 June 2017,

FINANCIAL INFORMATION

respectively. As at 31 March 2015, 2016 and 2017, 30 June 2017 and 31 October 2017, our trust receipt loans and other bank borrowings amounted to HK\$164.6 million, HK\$219.4 million, HK\$95.9 million, HK\$108.7 million and HK\$120.6 million, respectively.

For details of the risks associated with our high gearing ratio and bank borrowings, please refer to the section headed “Risk Factors — Risks relating to our business — We have substantial indebtedness and high gearing ratios” in this prospectus.

High inventory turnover days

We recorded relatively high inventory turnover days of 131.3 days, 126.9 days, 127.7 days and 133.5 days for the years ended 31 March 2015, 2016 and 2017 and the three months ended 30 June 2017, respectively. Due to our relatively high inventory turnover days, we are required to allocate a substantial amount of capital during the Track Record Period in order to maintain a sufficient inventory level so as to support our business. As at 31 March 2015, 2016 and 2017 and the six months ended 30 June 2017, our inventory levels amounted to HK\$59.1 million, HK\$87.5 million, HK\$83.7 million and HK\$91.0 million, respectively. For further details of our inventory turnover days, please refer to the paragraph headed “— Selected items of the combined statements of financial position — Inventories — Inventory turnover days” in this section.

As we rely on the sales of our inventory products in order to fulfil our working capital requirements and the repayment of our trust receipt loans, if we fail to manage our inventory turnover days at an optimal level, our liquidity and cash flow will be materially and adversely affected. For details of the risks associated with our inventory turnover days, please refer to the section headed “Risk Factors — Risks relating to our business — We recorded a relatively high inventory turnover days during the Track Record Period and are exposed to the risk of slow-moving inventories, which may adversely affect our cash flow and liquidity.” in this prospectus.

Liquidity and working capital management measures

While we significantly expanded our business scale and became one of the key market players of the wine industry in Hong Kong by leveraging the favourable bank interest rates in Hong Kong, we have recognised that, in the interests of our long-term development, it is important to manage our gearing ratio and improve our overall capital structure so as to achieve sustainable growth. To this end, we have formulated and adopted the following liquidity and working capital management measures:

- (a) ***Preparation of detailed cash flow forecasts:*** in the course of our business operations, we require our finance and accounts team to prepare monthly cash flow forecasts, which are reviewed and approved by our accounting manager, and annual cash flow forecasts, which are prepared by our accounting manager and reviewed and approved by our Directors. These cash flow forecasts set forth, among other things, (i) the outstanding repayment amounts and repayment schedules of our trust receipt loans and other bank borrowings; (ii) the trade receivables from, and the credit periods we offer to, our customers; (iii) the relevant payment schedules of our operational expenses including

FINANCIAL INFORMATION

product procurement costs, staff salaries, rental expenses and utilities expenses; and (iv) the relevant payment schedules of our capital expenditures including leasehold improvements. We monitor and cross check the accuracy of these cash flow forecasts on a monthly basis to ensure we have sufficient level of cash to repay all our outstanding trust receipt loans and other bank borrowings in a timely manner and to meet our working capital requirements. To better monitor our cash flows, since January 2017, we have assigned our vice president of finance and accounts, Ms. Pang Sze Man, who is a member of the Hong Kong Institute of Certified Public Accountants with seven years experience in providing accounting and financial advice, to supervise our finance and accounts team on the preparation of our monthly and annual cash flow forecasts. Based on these cash flow forecasts, we were able to accurately predict our cash inflows and outflows. We did not experience any material delay or default in payment of trade and non-trade payables and our trust receipt loans and other bank borrowings during the Track Record Period and up to the Latest Practicable Date;

- (b) ***Preparation of product procurement budgets:*** based on our monthly and annual cash flow forecasts and the annual procurement plan prepared by our management, our finance and accounts team formulates monthly product procurement budgets, which are prepared by our finance and accounts team and reviewed and approved by our Directors, to ensure that we have maintained sufficient levels of cash flow to support our working capital requirements while at the same time procuring quality wine products so as to maintain sufficient inventory levels of various types and price ranges to satisfy the diverse demands of our customers;
- (c) ***Monitoring the credit periods offered to our customers:*** while we offer credit periods of varying lengths ranging from 30 to 120 days to our customers, we actively monitor the repayment status of our customers, including conducting regular reviews of our accounts and preparing trade receivables aging analysis on a monthly basis. Our Directors regularly review the trade receivables aging analysis to ascertain if there are any long outstanding receivables. Our finance and accounts team is responsible for monitoring the repayment status and creditworthiness of our customers and our sales team sends payment reminders to our customers as and when the relevant invoices fall due. In addition, our sales team regularly reviews customers' sales levels, their market reputation, payment histories, the number of years of their business relationship with us and their financial status and may adjust the credit terms we offer to them based on their creditability and repayment status as and when necessary. As a result of these measures, our average trade receivables turnover days decreased from 89.0 days for the year ended 31 March 2015 to 63.3 days for the year ended 31 March 2016, and further decreased to 26.3 days for the year ended 31 March 2017 and 18.7 days for the three months ended 30 June 2017;
- (d) ***Reducing our indebtedness:*** in order to reduce our indebtedness, Ms. Shirley Wong and Mr. Roy Ting settled their respective amounts due to our Group during the year ended 31 March 2017 for the repayment of all of the other bank borrowings as at 31 March 2016

FINANCIAL INFORMATION

of HK\$108.7 million during the year ended 31 March 2017. For further details of our bank borrowings, please refer to the paragraph headed “— Statement of indebtedness and contingent liabilities — Bank borrowings” in this section;

- (e) *Creating a fund pool for the sole purpose of product procurement:* in the past, leveraging the favourable bank interest rates in Hong Kong, we relied on trust receipt loans for the settlement of most of our product procurement. The cash derived from our previous sales was used to repay our trust receipt loans and fulfill our working capital requirements. With a view to lessening our reliance on trust receipt loans for product procurement so as to reduce our indebtedness and mitigate our exposure to interest rate risks, after the Listing and the receipt of the proceeds from the Share Offer, we intend to allocate a portion of the cash derived from our sales, which portion will be determined by our Directors on a case by case basis, taking into account our cash position at the relevant time, to create a fund pool for the sole purpose of product procurement. We intend to set a maximum amount of this product procurement fund pool, which amount will be determined and adjusted by our Directors from time to time, taking into account our exposure to interest rate risks, our cash flow forecasts, procurement plans and product procurement budgets.

For illustrative purposes, assuming the procurement price and the selling price of a type of wine product is HK\$100,000 and HK\$120,000, respectively:

- in the past, we would procure the relevant wine products by obtaining a HK\$100,000 trust receipt loan from banks. Upon the sale of the relevant wine products, we would use the sales proceeds of HK\$120,000 for (i) the repayment of the trust receipt loan (i.e. HK\$100,000) together with the relevant interest; and (ii) the fulfillment of our general working capital requirements.
- after the Listing and the receipt of the proceeds from the Share Offer, we will allocate a portion of the cash derived from our previous sales to create a fund pool for the sole purpose of product procurement. Set forth below is a typical example if the relevant portion is 5%:
 - (i) we would first procure wine products by obtaining a HK\$100,000 trust receipt loan from a bank. Upon the sale of the first batch of wine products for HK\$120,000, we would reserve 5% of the sales proceeds (i.e. HK\$6,000) for our product procurement fund pool, and the remaining sales proceeds of HK\$114,000 will be used for (A) the repayment of trust receipt loan of HK\$100,000 together with the relevant interest; and (B) the fulfillment of our general working capital requirements.
 - (ii) next, we would procure wine products by obtaining a HK\$94,000 trust receipt loan from a bank and make up the balance of the purchase by utilising HK\$6,000 from our product procurement fund pool. Upon the sale of the second batch of wine products for HK\$120,000, we would first reserve 5% of

FINANCIAL INFORMATION

the sales proceeds (i.e. HK\$6,000) and return HK\$6,000 to our product procurement fund pool, and the remaining sales proceeds of HK\$108,000 will be used for (A) the repayment of the trust receipt loan of HK\$94,000 together with the relevant interest; and (B) the fulfillment of our general working capital requirements.

- (iii) next, we would procure wine products by obtaining a HK\$88,000 trust receipt loan from a bank and make up the balance of the purchase by utilising HK\$12,000 from our product procurement fund pool. Upon the sale of the third batch of wine products for HK\$120,000, we would first reserve 5% of the sales proceeds (HK\$6,000) and return HK\$12,000 to our product procurement fund pool, and the remaining sales proceeds of HK\$102,000 will be used for (A) the repayment of the trust receipt loan of HK\$88,000 together with the relevant interest; and (B) the fulfillment of our general working capital requirements.

After these three transactions, our product procurement fund pool would have grown by HK\$18,000, and will continue to grow until it reaches the maximum amount determined and adjusted by our Directors from time to time. This arrangement enables us to incrementally lessen our reliance on trust receipt loans, reduce our indebtedness and mitigate our exposure to interest rate risks.

- (f) ***Adopting a trade receivables management policy:*** after the Listing, with a view to further reducing our cash flow mismatches, we will adopt a trade receivables management policy pursuant to which, among other things, (i) we will not offer a credit period of more than 30 days to new customers, save with the prior approval by our management; (ii) we will assign designated person to recover overdue debts; and (iii) we will require our customers with long outstanding receivables to settle their long overdue debts before acceptance of any new orders from them;
- (g) ***Maintaining a sufficient level of cash flow:*** after the Listing, we intend to maintain a cash flow which is sufficient to settle our working capital requirements including staff salaries, rental expenses and utilities expenses for at least three months. Further, we will require our purchasing team to refrain from procuring additional products if our bank balances and cash fall below our working capital requirements for three months; and
- (h) ***Applying for an additional revolving loan:*** to support our working capital requirements and to ensure we can meet our contractual obligations to repay our debts as and when necessary, one of our existing lenders has confirmed its intention to provide a revolving loan to us of up to HK\$23.5 million, which will be secured by a pledged bank deposit provided by our Group of HK\$10 million. As at the Latest Practicable Date, the bank's internal credit approval process in respect of this revolving loan was still ongoing. The final terms and conditions of this revolving loan are yet to be approved by the relevant lender.

FINANCIAL INFORMATION

In view of the fact that we did not experience any material delay or default in the payment of trade and non-trade payables and trust receipt loans and other bank borrowings during the Track Record Period and up to the Latest Practicable Date, coupled with the liquidity and working capital management measures mentioned above, we believe sufficient measures are in place to effectively monitor our liquidity risks after the Listing.

Repayment of debt

We had outstanding trust receipt loans of HK\$108.7 million and HK\$120.6 million as at 30 June 2017 and 31 October 2017, respectively. We used the proceeds from these trust receipt loans to finance our product procurements. Our trust receipt loans were short term loans with specified repayment dates ranging from 120 days to 150 days but subject to repayment on demand clauses pursuant to which the banks can at their discretion demand repayment of the entire outstanding balances from our Group in the absence of any defaults. We had not been demanded by any lenders of our trust receipt loans to make early repayments during the Track Record Period and up to the Latest Practicable Date. Furthermore, our Directors have confirmed that we did not have any material defaults in the payment of our trust receipt loans and other bank borrowings, or breaches of financial covenants during the Track Record Period and up to the Latest Practicable Date. Our Directors believe that the banks will not exercise their discretionary rights to demand immediate repayment as we have maintained a good and stable relationship through long-term cooperation with the banks, and we have never breached any of the provisions in the agreements that could result in early repayments required by the bank.

In view of the liquidity and working capital measures as set forth above, we believe we are able to meet our contractual obligations to repay our debts after the Listing. As our inventory consists of wines that are prestigious, rare and highly sought-after in Hong Kong, in the event that the banks exercise their discretion and demand for early repayment, we believe we will be able to swiftly sell our inventory by pricing our products at a more competitive prices using a cost-plus approach to repay our debts.

FINANCIAL INFORMATION

SUMMARY OF OUR CASH FLOWS

The table below sets forth a summary of our combined statements of cash flows for the periods indicated:

	For the year ended 31 March			For the three months ended 30 June	
	2015	2016	2017	2016	2017
	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)
Net cash from/(used in) operating activities	10,362	1,800	29,118	(14,279)	(8,724)
Net cash (used in)/from investing activities	(11,387)	(39,683)	118,665	4,112	(8,010)
Net cash from/(used in) financing activities	936	45,958	(128,015)	2,230	11,373
Net (decrease)/increase in cash and cash equivalents	(89)	8,075	19,768	(7,937)	(5,361)
Cash and cash equivalents at the beginning of the year or period	111	22	8,097	8,097	27,865
Cash and cash equivalents at the end of the year or period, represented by bank balances and cash	22	8,097	27,865	160	22,504

Cash flows in relation to our operating activities

During the Track Record Period, the cash inflows from our operating activities were primarily derived from the payments made by our customers for purchasing our products, while the cash outflows for our operating activities were primarily attributable to (i) the procurement of wine products from our suppliers; (ii) the settlement of our rental expenses; (iii) the payment of staff costs; (iv) advertising and promotion expenses and (v) other working capital needs. Cash flows from operating activities can be significantly affected by factors such as the timing of collection of trade receivables from customers and the timing of payment of trade payables to suppliers during the ordinary course of our business, which also primarily accounted for the difference in the net cash generated from operating activities among the years during the Track Record Period.

Three months ended 30 June 2017

For the three months ended 30 June 2017, we had net cash used in operating activities of HK\$8.7 million, which was primarily attributable to our profit before taxation of HK\$0.3 million, positively adjusted by (i) the depreciation on property and equipment of HK\$0.9 million; and (ii) finance costs of HK\$1.0 million. Our operating cash flow before movements in working capital was HK\$2.1 million. Movements in working capital contributed to the net cash outflow of HK\$10.0 million consisted primarily of (i) an increase in inventories of HK\$7.3 million as a result of the

FINANCIAL INFORMATION

bulk purchases of certain Premium Collectible Red Wine priced between HK\$1,000 and HK\$4,999 per bottle for the three months ended 30 June 2017 in order to prepare for the following holiday seasons in August and December; (ii) an increase in trade receivables of HK\$1.4 million; (iii) an increase in other receivables, deposits and prepayments of HK\$3.0 million; and (iv) a decrease in trade payables of HK\$0.3 million; partially offset by an increase in other payables and accrued charges of HK\$2.1 million.

Year ended 31 March 2017

For the year ended 31 March 2017, we had net cash generated from operating activities of HK\$29.1 million, which was primarily attributable to our profit before taxation of HK\$5.9 million, positively adjusted by (i) the depreciation on property and equipment of HK\$2.7 million; (ii) finance costs of HK\$4.9 million; and (iii) the exchange loss on foreign currency denominated pledged bank deposits of HK\$1.9 million, of which the exchange loss was offset by a compensation from Mr. Roy Ting in respect of our historical pledged GBP bank deposits pursuant to the deed of undertaking and indemnities of HK\$1.9 million. Our operating cash flow before movements in working capital was HK\$13.2 million. Movements in working capital contributed to the net cash inflow of HK\$18.1 million consisted primarily of (i) a decrease in inventories of HK\$3.8 million; and (ii) a decrease in trade receivables of HK\$15.7 million; and was partially offset by (i) an increase in other receivables, deposits and prepayments of HK\$0.7 million; (ii) a decrease in trade payables of HK\$0.5 million; and (iii) a decrease in other payables and accrued charges of HK\$0.2 million.

Year ended 31 March 2016

For the year ended 31 March 2016, we had net cash generated from operating activities of HK\$1.8 million, which was primarily attributable to our profit before taxation of HK\$5.5 million, positively adjusted by (i) the depreciation on property and equipment of HK\$1.5 million; (ii) the finance costs of HK\$5.7 million; (iii) the exchange loss on foreign currency denominated pledged bank deposits of HK\$0.6 million; and (iv) the decrease in the fair value of structured foreign currency forward contracts of HK\$6.2 million. Our operating cash flow before movements in working capital was HK\$19.1 million. Movements in working capital contributed to the net cash outflow of HK\$16.7 million consisted primarily of (i) an increase in inventories of HK\$28.5 million and (ii) an increase in other receivables, deposit and prepayments of HK\$23.3 million, and was partially offset by (i) a decrease in our trade receivables of HK\$30.1 million and (ii) an increase in other payables and accrued charges of HK\$5.8 million.

Year ended 31 March 2015

For the year ended 31 March 2015, we had net cash generated from operating activities of HK\$10.4 million, which was primarily attributable to our profit before taxation of HK\$10.5 million, positively adjusted by (i) the depreciation on property and equipment of HK\$1.2 million; and (ii) finance costs of HK\$5.2 million; partially offset by the increase in the fair value of structured foreign currency forward contracts of HK\$2.3 million. Our operating cash flow before movements in working capital was HK\$14.2 million. Movements in working capital contributed to the net cash

FINANCIAL INFORMATION

outflow of HK\$2.5 million consisted primarily of an increase in trade receivables of HK\$14.6 million, partially offset by (i) a decrease in inventories of HK\$9.7 million; and (ii) an increase in trade payables of HK\$1.7 million.

Cash flows in relation to our investing activities

During the Track Record Period, the cash inflows from our investing activities were primarily derived from (i) bank interests received; (ii) withdrawal of pledged bank deposits; (iii) proceeds from equity-linked notes; and (iv) repayment from shareholders and related parties, while the cash outflows for our investing activities were primarily attributable to (i) the purchase of property and equipment; (ii) settlement in structured foreign currency forward contracts; (iii) placement in pledged bank deposits; (iv) advance to shareholders; and (v) advance to related parties.

Three months ended 30 June 2017

For the three months ended 30 June 2017, we had net cash used in investing activities of HK\$8.0 million, which was primarily attributable to (i) advances to shareholders of HK\$29.8 million; and (ii) deposits paid for purchases of property and equipment of HK\$0.3 million; and (iii) advances to related parties of HK\$4.1 million; partially offset by (iv) the repayments from shareholders of HK\$22.2 million; and (v) repayment from related parties of HK\$4.0 million. We recorded a net cash used in investing activities for the three months ended 30 June 2017 primarily due to the advancements of HK\$29.8 million to Ms. Shirley Wong during the three months ended 30 June 2017 for her personal uses. Ms. Shirley Wong repaid HK\$22.2 million during the three months ended 30 June 2017. Ms. Shirley Wong has confirmed that she will repay all the outstanding amount due to our Group prior to the Listing.

Year ended 31 March 2017

For the year ended 31 March 2017, we had net cash generated from investing activities of HK\$118.7 million, which was primarily attributable to (i) withdrawal of pledged bank deposits of HK\$20.4 million; (ii) repayment from shareholders of HK\$62.6 million; and (iii) repayment from related parties of HK\$129.1 million, partially offset by (i) purchase of property and equipment of HK\$4.6 million; (ii) settlement in derivative financial instruments of HK\$5.5 million; (iii) advance to shareholders of HK\$31.5 million; and (iv) advance to related parties of HK\$51.3 million.

Year ended 31 March 2016

For the year ended 31 March 2016, we had net cash used in investing activities of HK\$39.7 million, which was primarily attributable to (i) purchase of property equipment of HK\$2.5 million; (ii) settlement in derivative financial instruments of HK\$1.9 million; (iii) placement in pledged bank deposits of HK\$20.5 million; (iv) advance to shareholders of HK\$16.6 million; and (v) advance to related parties of HK\$87.7 million, partially offset by (i) withdrawal of pledged bank deposits of HK\$23.3 million; (ii) repayment from shareholders of HK\$15.0 million; and (iii) repayment from related parties of HK\$51.1 million.

FINANCIAL INFORMATION

Year ended 31 March 2015

For the year ended 31 March 2015, we had net cash used in investing activities of HK\$11.4 million, which was primarily attributable to (i) purchase of property equipment of HK\$0.5 million; (ii) placement in pledged bank deposits of HK\$20.0 million; (iii) advance to shareholders of HK\$4.8 million; and (iv) advance to related parties of HK\$36.9 million, partially offset by (i) proceeds from equity-linked notes of HK\$13.7 million; (ii) repayment from shareholders of HK\$4.9 million; and (iii) repayment from related parties of HK\$32.5 million.

Cash flows in relation to our financing activities

During the Track Record Period, the cash inflows from our financing activities were primarily derived from (i) new bank borrowings raised; and (ii) advances from related parties, while the cash outflows for our investing activities were primarily attributable to (i) interest paid; (ii) repayment of bank borrowings; and (iii) repayment to related parties.

Three months ended 30 June 2017

For the three months ended 30 June 2017, we had net cash generated from financing activities of HK\$11.4 million, which was primarily attributable to (i) the new bank borrowing raised of HK\$74.8 million; partially offset by (i) the repayment of bank borrowings of HK\$61.9 million; and (ii) interest paid of HK\$1.0 million.

Year ended 31 March 2017

For the year ended 31 March 2017, we had net cash used in financing activities of HK\$128.0 million, which was primarily attributable to (i) interest paid of HK\$4.9 million; and (ii) repayment of bank borrowings of HK\$484.1 million, partially offset by new bank borrowing raised of HK\$360.6 million.

Year ended 31 March 2016

For the year ended 31 March 2016, we had net cash generated from financing activities of HK\$46.0 million, which was primarily attributable to new bank borrowing raised of HK\$325.9 million; partially offset by (i) interests paid of HK\$5.7 million; and (ii) repayment of bank borrowings of HK\$271.1 million.

Year ended 31 March 2015

For the year ended 31 March 2015, we had net cash generated from financing activities of HK\$0.9 million, which was primarily attributable to (i) new bank borrowing raised of HK\$72.3 million; and (ii) advance from related parties of HK\$12.8 million; partially offset by (i) interests paid of HK\$5.2 million; (ii) repayment of bank borrowings of HK\$58.9 million; and (iii) repayment to related parties of HK\$19.3 million.

FINANCIAL INFORMATION

NET CURRENT ASSETS

The table below sets forth selected information from our combined statements of financial position as at the dates indicated, which is extracted from our combined statements of financial position as set out in Appendix I in this prospectus:

	As at 31 March			As at 30 June	As at 31 October
	2015	2016	2017	2017	2017
	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000) (unaudited)
Current assets					
Inventories	59,062	87,515	83,668	91,001	104,192
Trade receivables	57,322	27,270	13,330	14,752	18,043
Other receivables, deposits and prepayments	8,035	31,558	31,364	34,383	40,591
Amounts due from shareholders	11,661	13,893	1,317	8,934	11,564
Amounts due from related parties	42,980	79,580	18	61	23
Derivative financial instruments	—	—	13	—	—
Tax recoverable	222	—	—	—	—
Pledged bank deposits	27,764	24,273	2,000	2,000	2,000
Bank balances and cash	22	8,097	27,865	22,504	12,454
Total current assets	<u>207,068</u>	<u>272,186</u>	<u>159,575</u>	<u>173,635</u>	<u>188,867</u>
Current liabilities					
Trade payables	1,694	961	414	142	1,193
Other payables and accrued charges	2,499	7,842	7,917	9,976	12,992
Amount due to a shareholder	362	—	—	249	39
Amounts due to related parties	1,640	42	561	—	—
Tax payable	—	843	923	471	1,027
Bank borrowings	164,627	219,391	95,895	108,734	120,562
Obligations under finance leases	937	709	713	719	728
Derivative financial instruments	2,257	—	13	—	—
Total current liabilities	<u>174,016</u>	<u>229,788</u>	<u>106,436</u>	<u>120,291</u>	<u>136,541</u>
Net current assets	<u>33,052</u>	<u>42,398</u>	<u>53,139</u>	<u>53,344</u>	<u>52,326</u>

Our net current assets increased by approximately 28.1% from HK\$33.1 million as at 31 March 2015 to HK\$42.4 million as at 31 March 2016. This increase was primarily attributable to (i) an increase in our amounts due from related parties from HK\$43.0 million as at 31 March 2015 to

FINANCIAL INFORMATION

HK\$79.6 million as at 31 March 2016; (ii) an increase in our inventories from HK\$59.1 million as at the 31 March 2015 to HK\$87.5 million as at 31 March 2016; and (iii) an increase in our other receivables, deposits and prepayments from HK\$8.0 million as at 31 March 2015 to HK\$31.6 million as at 31 March 2016, partially offset by (i) a decrease in our trade receivables from HK\$57.3 million as at 31 March 2015 to HK\$27.3 million as at 31 March 2016; and (ii) the increase of our bank borrowings from HK\$164.6 million as at 31 March 2015 to HK\$219.4 million as at 31 March 2016.

Our net current assets increased by approximately 25.2% from HK\$42.4 million as at 31 March 2016 to HK\$53.1 million as at 31 March 2017. This increase was primarily attributable to a decrease in our bank borrowings from HK\$219.4 million as at 31 March 2016 to HK\$95.9 million as at 31 March 2017, and partially offset by (i) a decrease in our inventories from HK\$87.5 million as at 31 March 2016 to HK\$83.7 million as at 31 March 2017; (ii) a decrease in our trade receivables from HK\$27.3 million as at 31 March 2016 to HK\$13.3 million as at 31 March 2017; (iii) a decrease in our other receivables, deposits and prepayments from HK\$31.6 million as at 31 March 2016 to HK\$31.4 million as at 31 March 2017; (iv) a decrease in our amounts due from shareholders from HK\$13.9 million as at 31 March 2016 to HK\$1.3 million as at 31 March 2017; (v) a decrease in our amounts due from related parties from HK\$79.6 million as at 31 March 2016 to approximately HK\$18,000 as at 31 March 2017; and (vi) a decrease in our pledged bank deposits and bank balances and cash from HK\$32.4 million as at 31 March 2016 to HK\$29.9 million as at 31 March 2017.

Our net current assets increased by approximately 0.4% from HK\$53.1 million as at 31 March 2017 to HK\$53.3 million as at 30 June 2017. This increase was primarily due to (i) an increase in our inventories from HK\$83.7 million as at 31 March 2017 to HK\$91.0 million as at 30 June 2017; (ii) an increase in our trade receivables from HK\$13.3 million as at 31 March 2017 to HK\$14.8 million as at 30 June 2017; (iii) an increase in our other receivables, deposits and prepayments from HK\$31.4 million as at 31 March 2017 to HK\$34.4 million as at 30 June 2017; and (iv) an increase in our amounts due from shareholders from HK\$1.3 million as at 31 March 2017 to HK\$8.9 million as at 30 June 2017, and partially offset by (i) a decrease in our bank balances and cash from HK\$27.9 million as at 31 March 2017 to HK\$22.5 million as at 30 June 2017; (ii) an increase in our bank borrowings from HK\$95.9 million as at 31 March 2017 to HK\$108.7 million as at 30 June 2017; and (iii) an increase in our other payables and accrued charges from HK\$7.9 million as at 31 March 2017 to HK\$10.0 million as at 30 June 2017.

Our net current assets decreased by approximately 1.9% from HK\$53.3 million as at 30 June 2017 to HK\$52.3 million as at 31 October 2017. This decrease was primarily attributable to (i) an increase in our bank borrowings from HK\$108.7 million as at 30 June 2017 to HK\$120.6 million as at 31 October 2017; (ii) a decrease in bank balances and cash from HK\$22.5 million as at 30 June 2017 to HK\$12.5 million as at 31 October 2017; partially offset by (iii) an increase in our inventories from HK\$91.0 million as at 30 June 2017 to HK\$104.2 million as at 31 October 2017.

FINANCIAL INFORMATION

CAPITAL EXPENDITURE AND COMMITMENT

Capital expenditures

Our capital expenditures for the years ended 31 March 2015, 2016 and 2017 and three months ended 30 June 2017 were HK\$2.8 million, HK\$2.9 million, HK\$5.9 million and HK\$0.2 million, respectively, which primarily related to leasehold improvements of our head office and our retail store. We financed our capital expenditure primarily through our cash flow generated from operating activities and borrowings.

Operating lease commitments

As at the end of each reporting period during the Track Record Period, we had commitments for future minimum lease payments in respect of our newly leased head office, warehouse and retail store under non-cancellable operating lease arrangement, which fall due as follows:

	As at 31 March			As at 30 June
	2015	2016	2017	2017
	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)
Within one year	—	1,284	3,933	3,843
In the second to fifth year inclusive	—	2,922	5,758	4,816
	—	4,206	9,691	8,659

Capital commitment

As at the end of each reporting period, we had capital commitments in respect of purchase of property and equipment primarily consisting of the leasehold improvements in respect of our head office and computer equipment as follows:

	As at 31 March			As at 30 June
	2015	2016	2017	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Purchase of property, plant and equipment	1,977	510	910	610

FINANCIAL INFORMATION

STATEMENT OF INDEBTEDNESS AND CONTINGENT LIABILITIES

The following table sets out a breakdown of our indebtedness as at the dates indicated:

	As at 31 March			As at 30 June	As at 31 October
	2015	2016	2017	2017	2017
	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000) (unaudited)
Bank borrowings	164,627	219,391	95,895	108,734	120,562
Obligations under finance leases	2,271	1,987	1,709	1,533	1,296
Amount due to a shareholder	362	—	—	249	39
Amounts due to related parties ⁽¹⁾	1,640	—	561	—	—
	168,900	221,378	98,165	110,516	121,897

Note:

- (1) These amounts excluded the amount due to Kwong Fat Shing as at 31 March 2016 which were trade in nature, details of which have been set forth in the paragraph headed “— Selected items of combined statements of financial position — Amounts due from/to related parties” in this section.

Bank Borrowings

The table below sets forth the breakdown of our bank borrowings as at the dates indicated:

	As at 31 March			As at 30 June	As at 31 October
	2015	2016	2017	2017	2017
	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000) (unaudited)
Secured and guaranteed					
Trust receipt loans	82,219	111,398	95,895	108,734	120,562
Other bank borrowings	82,408	107,993	—	—	—
	164,627	219,391	95,895	108,734	120,562

FINANCIAL INFORMATION

The table below sets forth our weighted average effective interest rates of our trust receipt loan and other bank borrowings for the periods indicated:

Weighted average effective interest rates (<i>per annum</i>)	For the year ended 31 March			For the three months ended 30 June	For the seven months ended 31 October
	2015	2016	2017	2017	2017
	(unaudited)				
	3.62%	2.77%	2.69%	2.79%	2.88%

We had significant amounts of trust receipt loans and other bank borrowings during the Track Record Period. We used the proceeds from trust receipt loans for the settlement of our purchases from suppliers. In respect of our other bank borrowings of HK\$108.0 million as at 31 March 2016, HK\$69.5 million (representing approximately 64.4% of our total other bank borrowings as at 31 March 2016) was used to finance our working capital requirements, and the remaining HK\$38.5 million (representing approximately 35.6% of our total other bank borrowings as at 31 March 2016) was advanced to certain related companies owned by Ms. Shirley Wong, Mr. Roy Ting and Mr. PS Ting. In the past, Ms. Shirley Wong, Mr. Roy Ting and Mr. PS Ting provided the properties held by certain related companies owned by them to secure the other bank borrowings of Wine's Link for the development of our business and for their own personal uses. In order to reduce our indebtedness and gearing ratio, Ms. Shirley Wong and Mr. Roy Ting settled the respective amounts due to our Group during the year ended 31 March 2017 and we repaid all the outstanding other bank borrowings as at 31 March 2016 of HK\$108.0 million during the year ended 31 March 2017.

As at 31 March 2015 and 2016, the trust receipt loans and the other bank borrowings were secured by (i) the properties owned by Mr. PS Ting, Ms. Shirley Wong, Mr. Roy Ting, Blesson Limited (“**Blesson**”), which is wholly-owned by Mr. PS Ting, Rich Link Hong Kong Development Limited (“**Rich Link**”), which is owned as to 50% by Mr. Roy Ting and Ms. Shirley Wong, respectively, Success Dragon International Industrial Limited (“**Success Dragon**”), which is owned as to 50% by Ms. Shirley Wong and 50% by the mother of Ms. Shirley Wong, respectively, Way Young and Win Mate Investment Limited (“**Win Mate**”), a company wholly-owned by Mr. PS Ting; (ii) debentures and listed securities in Hong Kong owned by Way Young; (iii) pledged bank deposits; and (iv) key-man insurance policies as disclosed under the paragraph headed “— Selected items of combined statements of financial position — Other receivables, deposits and prepayments — Deposits and prepayments for key-man insurance policies” in this section.

As at 31 March 2017, 30 June 2017 and 31 October 2017, the trust receipt loans were secured by (i) the properties owned by Mr. Roy Ting, Ms. Shirley Wong, Rich Link, Success Dragon, Way Young, Win Mate and Honour Sky Trading Limited (“**Honour Sky**”) which is owned as to 50% by Ms. Shirley Wong and 50% by the mother of Ms. Shirley Wong, respectively; and (ii) pledged bank deposits of our Group.

FINANCIAL INFORMATION

The effective interest rate on our bank borrowings (including the trust receipt loans) ranged from 2.17% to 5.25%, 1.48% to 5.25%, 1.49% to 3.99% and 1.85% to 3.88% per annum as at 31 March 2015, 2016 and 2017 and 30 June 2017, respectively.

As at 31 October 2017, being the latest practicable date for the purpose of this indebtedness statement, we had outstanding trust receipt loans of HK\$120.6 million, and had unutilised banking facilities of HK\$13.4 million. Our trust receipt loans were secured by the properties owned by Ms. Shirley Wong, Mr. Roy Ting, Rich Link, Success Dragon, Way Young, Win Mate and Honour Sky and pledged bank deposits of our Group. Our trust receipt loans were guaranteed by Success Dragon, Honour Sky, Ms. Yeung Chi Hung, Mr. Roy Ting and Ms. Shirley Wong. All such guarantees and collaterals provided for securing our outstanding trust receipt loans are expected to be released upon the Listing.

Certain borrowings contain covenants that require the borrower, Wine's Link, to, among others:

- (i) maintain certain loan-to-valuation ratio by (a) providing additional securities acceptable to the relevant lenders; and/or (b) settle part of the outstanding balance of the relevant loans;
- (ii) inform and/or obtain consent from the relevant lenders prior to (a) any change of its directors or beneficial shareholders; (b) any amendment to its articles of association; and/or (c) any change in the general nature and scope of business of the borrower from the date of borrowing; and
- (iii) on a regular basis, provide the lender with its (a) audit reports and management accounts; (b) inventory report; (c) debtor ageing reports; and/or (d) updated orders on hand.

Our Directors have confirmed that there had not been any delay or default in repayment of borrowings or material non-compliance with the covenants or requirements contained in our borrowing agreements that affect the renewal of such borrowing throughout the Track Record Period and up to the Latest Practicable Date. Our Directors do not expect that such covenants and requirements would materially restrict our Group's overall ability to undertake additional debt or equity financing necessary to carry out our business plans.

During the Track Record Period, we did not experience any material delay or default in payment of (i) trade and non-trade payables; and (ii) bank borrowings and trust receipt loans, and did not experience any difficulties in obtaining bank facilities with terms that are commercially acceptable to us. As at the Latest Practicable Date, we did not have any plan for material external debt financing.

FINANCIAL INFORMATION

Obligations under finance leases

As at 31 March 2015, 2016 and 2017, 30 June 2017 and 31 October 2017, our Group has secured and unguaranteed obligations under finance leases of HK\$2.3 million, HK\$2.0 million, HK\$1.7 million, HK\$1.5 million and HK\$1.3 million, respectively, which are secured by motor vehicles of our Group. The terms of our obligations under finance leases ranged from three to five years. The interest rates of these finance leases ranged from 2.9% to 4.7% per annum.

Amount due to a Shareholder

The table below sets forth our amount due to a Shareholder as at the dates indicated:

	As at 31 March			As at 30 June 2017	As at 31 October 2017
	2015	2016	2017	2017	2017
	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000) (unaudited)
Mr. PS Ting	362	—	—	—	—
Mr. Roy Ting	—	—	—	249	39
	<u>362</u>	<u>—</u>	<u>—</u>	<u>249</u>	<u>39</u>

As at 31 March 2015, 2016 and 2017, 30 June 2017 and 31 October 2017, our Group had an amount due to a shareholder of HK\$0.4 million, nil, nil, HK\$0.2 million and approximately HK\$39,000, respectively, which is non-trade nature, unsecured, interest-free, repayable on demand and unguaranteed.

Amounts due to related parties

The table below sets forth our amounts due to related parties as at the dates indicated:

	As at 31 March			As at 30 June 2017	As at 31 October 2017
	2015	2016	2017	2017	2017
	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000) (unaudited)
Dynasty International	1,640	—	—	—	—
Blesson	—	—	561	—	—
	<u>1,640</u>	<u>—</u>	<u>561</u>	<u>—</u>	<u>—</u>

FINANCIAL INFORMATION

As at 31 March 2015, 2016 and 2017, 30 June 2017 and 31 October 2017, our Group has aggregate amounts due to related companies, which are non-trade in nature, of HK\$1.6 million, nil, HK\$0.6 million, nil and nil, respectively. These amounts are unsecured, interest-free and repayable on demand.

Contingent liabilities

Wine's Link provided corporate guarantee to a bank in respect of the entire banking facilities granted to Success Dragon, of which the outstanding loan balance of Success Dragon was amounted to HK\$16.9 million, HK\$16.0 million, HK\$15.3 million, HK\$15.1 million and HK\$14.9 million as at 31 March 2015, 2016 and 2017, 30 June 2017 and 31 October 2017, respectively, in addition to the personal guarantees provided by Ms. Shirley Wong, Mr. Roy Ting and Mr. PS Ting and the properties owned by Success Dragon. The banking facilities are only available to Success Dragon.

Our Directors have confirmed that the corporate guarantee provided by Wine's Link to Success Dragon will be released upon the Listing.

Save as disclosed above and apart from intra-group liabilities, we had not been granted any borrowings and did not have any outstanding loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, guarantees or other material contingent liabilities.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As at the Latest Practicable Date, we did not have any off-balance sheet commitments and transactions.

LISTING EXPENSES

The total estimated listing expenses (inclusive of underwriting commissions) in connection with the Share Offer are HK\$25.9 million (based on the mid-point of the Offer Price of HK\$0.65 per Offer Share and assuming no Offer Size Adjustment Option will be exercised), of which nil, HK\$0.3 million, HK\$7.5 million and HK\$1.5 million had been charged to our combined statement of profit or loss and other comprehensive income for the years ended 31 March 2015, 2016 and 2017 and the three months ended 30 June 2017, respectively, and HK\$7.3 million is expected to be charged to our combined statement of profit or loss and other comprehensive income for the year ending 31 March 2018. The remaining HK\$9.3 million is expected to be accounted for as a deduction from equity upon the Listing, of which nil, approximately HK\$29,000, HK\$3.2 million, HK\$3.9 million had been recorded as deferred listing expenses as at 31 March 2015, 2016 and 2017 and 30 June 2017, respectively.

FINANCIAL INFORMATION

Our Directors consider that our financial results will be affected by the expenses in relation to the Share Offer as we expect to recognise HK\$7.3 million in the combined statements of comprehensive income for the year ending 31 March 2018. Accordingly, the financial performance for the year ending 31 March 2018 is expected to be adversely affected by the estimated expenses in relation to the Listing.

TAX ENQUIRIES AND TAX REFILING

Tax Enquiries

Wine's Link engaged independent local accounting firms (the "**Local Auditors**") as its auditors and tax representatives from its incorporation to November 2016. In the past, the then accounting clerk (the "**Relevant Employee**") of Wine's Link, who was not a certified public accountant but possessed relevant experience in accounting, was responsible for, among other things, the bookkeeping and the preparation of the management accounts of Wine's Link. The Local Auditors audited the management accounts and supporting documents prepared by the Relevant Employee and prepared audited financial statements prior to the year ended 31 March 2016 and the corresponding tax computations and filed tax returns based on the relevant audited financial statements.

In August 2016, the IRD issued an enquiry letter to Wine's Link requesting details about certain expenses and allowances claimed by Wine's Link for the years of assessment 2010/11 to 2014/15 (i.e. for the years ended 31 March 2011 to 2015) (the "**First Tax Enquiry**"), including (i) director's quarters expenses; (ii) management fees paid; (iii) rent and rates; (iv) depreciation allowances (regarding motor vehicles) and motor vehicle running expenses; (v) legal and professional fees; (vi) bank loan interest; and (vii) donations. In December 2016, Wine's Link appointed a tax representative (the "**Current Tax Representative**") to handle the Tax Enquiries (as defined below). The Current Tax Representative is an international professional advisory firm in Hong Kong, and has provided regular tax consulting advice to various listed companies in Hong Kong.

In March 2017, the IRD issued an enquiry letter to Wine's Link requesting further details about the management fee expenses for the years of assessment 2010/11 to 2013/14 (i.e. for the years ended 31 March 2011 to 2014) (the "**Second Tax Enquiry**").

In April 2017, the IRD issued another enquiry letter to Wine's Link requesting details about certain prior year adjustments made by Wine's Link in January 2017 to the financial statements of Wine's Link for the years ended 31 March 2014 to 2016 (for which revised profits tax computations for these years were submitted by the Current Tax Representative to the IRD in January 2017), including (i) insurance; (ii) revenue and cost of sales; and (iii) exchange losses relating to trading operations (the "**Third Tax Enquiry**", together with the First Tax Enquiry and the Second Tax Enquiry, the "**Tax Enquiries**"). For details of the tax refiling, please refer to the paragraph headed "— Tax enquiries and tax refiling — Tax refiling in January 2017" in this section.

FINANCIAL INFORMATION

Relevant impact arising from the Tax Enquiries

Wine's Link has furnished complete replies to the Tax Enquiries, but the IRD has yet to inform Wine's Link of its final decisions or findings in respect of the Tax Enquiries. Together with the replies to the First Tax Enquiry and the Second Tax Enquiry, the Current Tax Representative, on behalf of Wine's Link, submitted revised tax computations of Wine's Link for the years of assessment 2013/14 to 2014/15 in June 2017. In the revised tax computations, Wine's Link surrendered the deduction claims for certain expenses and allowances made by Wine's Link in an aggregate sum of approximately HK\$100,000 for the years of assessment 2013/14 to 2014/15 in order to avoid further protracted exchanges of correspondences with the IRD. The surrender of these deduction claims resulted in an additional tax payable by Wine's Link of approximately HK\$16,500. Wine's Link has made sufficient tax provision in this regard. Based on the advice of the Current Tax Representative, our Directors are of the view that the chance of the IRD imposing a tax penalty in respect of the surrender of these deduction claims is remote. Even if the IRD decided to impose a tax penalty on Wine's Link, the amount is expected to be insignificant and amounted to approximately HK\$11,500. The table below sets forth the expenses disallowed and the effect on the additional profits tax payable by us based on revised tax computations due to the Tax Enquiries:

	Year of assessment			Total
	2010/11 to 2012/13	2013/14	2014/15	
	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)
Director's quarters expenses	—	—	62	62
Penalty	—	1	—	1
Bank loan interest	—	8	29	37
	—	8	29	37
Total expenses disallowed	—	9	91	100
Estimated profits tax payable	—	2	15	17

Due to the insignificance and remoteness of the tax penalty, we (i) did not recognise any tax provision in respect of the tax penalty arising from the tax reduction of expenses concerned; and (ii) no indemnity from our Controlling Shareholders is considered necessary.

In the Second Tax Enquiry, the IRD stated that as more information in respect of management fees was being sought and that the year of assessment 2010/11 would be time-barred soon, in order to protect the revenue, a notice of additional assessment would be raised for the year of assessment 2010/11 to disallow the deduction claim for management fees at that time (the “**2010/11 Additional Assessment**”). As such, the IRD issued an additional assessment to Wine's Link in relation to the management fee charged for the year of assessment 2010/11 (i.e. for the year ended 31 March 2011) and demanded an amount of tax of HK\$0.4 million. An objection was lodged by the Current Tax Representative on behalf of Wine's Link in April 2017, after which the IRD issued a notice standing-over the tax demand of HK\$0.4 million conditionally upon the Company's purchase a tax reserve certificate of the same amount (the “**Tax Reserve Certificate**”). Wine's Link purchased the Tax Reserve Certificate as demanded by the IRD before the prescribed due date.

FINANCIAL INFORMATION

Tax refiling in January 2017

In January 2017, the Current Tax Representative submitted revised profits tax computations for Wine's Link to rectify the tax positions (the "Tax Refiling") with a request to (i) reduce the assessable profits for the years of assessment 2013/14 and 2015/16 (i.e. for the years ended 31 March 2014 and 2016) pursuant to section 70A of the Inland Revenue Ordinance (Chapter 112 of the laws of Hong Kong) (the "IRO"); and (ii) increase the assessable profits for the year of assessment 2014/15 (i.e. for the year ended 31 March 2015).

Relevant impact arising from Tax Refiling

Based on the advice of the Current Tax Representative, our Directors are of the view that (i) the prior year adjustments made to the financial statements in January 2017 for the years of assessment 2013/14, 2014/15 and 2015/16 are expected to result in a tax refund of approximately HK\$93,000 to Wine's Link, and would not result in any additional tax liabilities on the part of Wine's Link; and (ii) the chance of the IRD imposing a tax penalty as a result of the prior year adjustments on Wine's Link is remote. The tables below set forth the adjustments on the assessable profits and the effect on the additional profit tax payable by, or refundable to, us due to the Tax Refiling:

	Year of assessment			Total
	2013/14	2014/15	2015/16	
	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)
Adjustment in the unrealised exchange loss on bank borrowings due to cut-off error	(1,115)	1,115	—	—
Adjustment on commercial building allowance claimed in 2014/15 due to the inadvertent recognition of leasehold improvement	—	57	—	57
Adjustments on turnover and cost of sales understated	—	—	(48)	(48)
Reversal of exchange gain previously inadvertently recognised on certain receivables	—	—	(746)	(746)
Reversal of expenses accrued in the year due to cut-off error	—	—	295	295
Tax adjustments inadvertently omitted in the profits tax computation by the former tax representative	—	—	(119)	(119)
(Decrease)/Increase in assessable profits	(1,115)	1,172	(618)	(561)
Estimated profits tax (refund)/payable	(184)	193	(102)	(93)

FINANCIAL INFORMATION

Even if the IRD decided to impose a tax penalty on Wine's Link, based on the advice of the Current Tax Representative, our Directors expect that the possible penalty payable by Wine's Link is insignificant and would amount to approximately HK\$39,000. Due to the possible tax refund and the remoteness of tax penalties being incurred, we (i) did not recognise any tax provision as a result of the prior year adjustments made to the financial statements in January 2017; and (ii) no indemnity from our Controlling Shareholders is considered necessary.

Prior year adjustments in respect of the revenue and cost of sales of Wine's Link

In January 2017, Ms. Pang Sze Man, who is our vice president of finance and accounts and a member of the Hong Kong Institute of Certified Public Accountants, identified certain accounting irregularities when reviewing our underlying accounting records and inventory movement. The impact of these accounting irregularities has been reflected in the revised profits tax computation submitted to the IRD in January 2017. Set forth below are the details of these accounting irregularities:

- (i) in May 2015, our Group received certain premium red wines and fine red wines, consisting primarily of Château Marquis d'Alesme Becker, Château Pouget and Château Grand-Mayne, in an aggregate sum of HK\$4,400,000 from certain overseas wine suppliers (the "**Overseas Wine Suppliers**"). Upon duly recording these procurements in our Group's inventory system in May 2015, our Group's inventory management staff inadvertently failed to inform our Group's accounting staff to record the same, resulting an understatement of HK\$4,400,000 in purchases in our Group's management accounts during the year ended 31 March 2016;
- (ii) from August to November 2015, we sold certain exclusive collections of Premium Collectible Red Wines from France, consisting primarily of a Duclot Bordeaux collection, to a retail customer ("**Retail Customer A**"). The revenue derived from these sales amounted to HK\$2,256,000 in aggregate. While our Group's inventory management staff had duly recorded these sales in our Group's inventory system, our Group's accounting staff inadvertently overlooked these sales, resulting in an understatement of revenue of HK\$2,256,000 in our management accounts during the year ended 31 March 2016; and
- (iii) in December 2015, we sold certain Premium Collectible Red Wines and Fine Red Wines, consisting primarily of Château Lafite Rothschild, to another retail customer ("**Retail Customer B**"). The revenue derived from these sales amounted to HK\$5,330,000 in aggregate. Both our Group's inventory management staff and accounting staff inadvertently overlooked these sales, resulting an understatement of revenue of HK\$5,330,000, an understatement of cost of sales of HK\$3,233,000, and an overstatement of inventory of HK\$3,233,000 in our Group's management accounts during the year ended 31 March 2016.

FINANCIAL INFORMATION

To the best knowledge, information and belief of our Directors upon making reasonable enquiries, each of the Overseas Wine Suppliers, Retail Customer A and Retail Customer B is an Independent Third Party.

The table below sets forth the gross profit margin in respect of the aforementioned sales to Retail Customer A and Retail Customer B:

	Revenue	Cost of sales	Gross profit margin
	(HK\$'000)	(HK\$'000)	
Retail Customer A	2,256	1,465 ⁽¹⁾	35.1%
Retail Customer B	5,330	3,233	39.3%
	7,586	4,698	38.1%

Note:

- (1) As our inventory management staff had duly recorded the relevant sales in our inventory system, our accounting staff were able to accurately record the relevant cost of sales in respect of these sales in our Group's management accounts, and no adjustments were therefore required.

According to the Ipsos Report, wine products can become limited and scarce over time due to the uniqueness of each batch of wine products produced, and vineyards and wineries are unable to reproduce the same wine products after each production year. To maximise our profitability, we do not restrict ourselves to pricing our products to retail customers within the range of a 15% to 25% profit margin, and may from time to time price our wine products above this range if the relevant wine products are rare and highly-sought after. In view of the facts that the products purchased by Retail Customer A and Retail Customer B include wine products that were rare and highly-sought after, upon considering (i) the estates, vineyards, vintage, origins and varieties of the relevant wine products; (ii) seasonality; (iii) market trends and demands; and (iv) grades and reviews by wine critics of the relevant wines products, our Directors are of the view that the selling prices of the relevant wine products to Retail Customer A and Retail Customer B were at normal commercial terms. Our Directors have confirmed that we had not identified any potential customers, including Retail customer A and Retail customer B, for the relevant wine products at the time when we procured them from our suppliers.

FINANCIAL INFORMATION

No material impact arising from the Tax Enquiries and Tax Refiling

Having considered the following basis and as advised by the Current Tax Representative, our Directors are of the view that Wine's Link has sufficient and reasonable grounds to defend the deduction claims by Wine's Link in respect of the expenses and allowances claimed by Wine's Link for the years of assessment 2010/11 to 2014/15 and the management fee expenses of Wine's Link for the years of assessment 2010/11 to 2013/14:

- (i) Wine's Link was randomly selected for post assessment of its profits tax returns pursuant to the "Assess First Audit Later" assessing system of the IRD for the purpose of gathering additional information to ascertain the tax position of Wine's Link;
- (ii) based on the IRD's policy on issuing stand-over orders as stipulated in its Departmental Interpretation and Practice Note, the IRD's stand-over order for the 2010/11 Additional Assessment (i.e. complete stand-over of the tax demanded on the condition that Wine's Link purchase Tax Reserve Certificate of the same amount) indicates that Wine's Link's objection (and hence the deduction claim of management fee) is not without merit;
- (iii) the chance of Wine's Link being subject to punitive action by the IRD is low as (a) it is clear that Wine's Link did not have any willful intention to evade tax; and (b) Wine's Link has relied on the professional advice from the Local Auditors regarding the tax treatments of miscellaneous expenses in the profits tax computations and the audit work of the Local Auditors and their professional opinion, which advice and opinion did not contain any adverse or qualified opinion; and
- (iv) the chance of the IRD instituting punitive actions against the directors of Wine's Link are remote as they have relied on the professional advice from the Local Auditors regarding the tax treatments of miscellaneous expenses in the profits tax computation and the audit work of the Local Auditors and their professional opinion, which advice and opinion did not contain any adverse or qualified opinion.

In addition, on the basis that the prior year adjustments were already incorporated to the combined financial statements of our Group for the Track Record Period with opinion set forth in Appendix I to this prospectus, our Directors are (i) of the view that the prior year adjustments were reasonable and appropriate; and (ii) not aware of any evidence casting doubt on the propriety of the prior year adjustments and the reasonableness and completeness of the costs reflected in the historical financial statements of Wine's Link. Our Directors are not aware of any evidence casting doubt on the completeness of the costs reflected in the historical financial statements of Wine's Link.

Based on the information available to our Directors in respect of the Tax Enquiries and the Tax Refiling, having considered the advice of the Current Tax Representative, to the best of our Directors' knowledge and belief having made all reasonable enquiries, the Tax Enquiries and the Tax Refiling will not have any material impact on the financial positions of our Group.

FINANCIAL INFORMATION

Whether there would be any negative impact on the competence and integrity of our Directors

Our Directors are of the view, and the Sole Sponsor concurs, that the Tax Enquiries do not have any negative impact on the competence and integrity of the directors of Wine's Link, namely Ms. Shirley Wong and Mr. Chan Sze Tung, under Rules 5.01 and 5.02 of the GEM Listing Rules on the basis that, among others:

- (i) the directors of Wine's Link are ordinary business people. While they do not possess extensive and technical knowledge about the relevant accounting standards, they exercised reasonable care and diligence by delegating the bookkeeping and the preparation of the management accounts of Wine's Link to the Relevant Employee, who was not a certified public accountant but possessed relevant experience in accounting;
- (ii) the directors of Wine's Link engaged the Local Auditors to audit the management accounts and supporting documents of Wine's Link prepared by the Relevant Employee and prepare audited financial statements prior to the year ended 31 March 2016, and had sought professional advice from the Local Auditors on the preparation of the corresponding tax computations and filing tax returns based on the relevant audited financial statements. The Local Auditors expressed their opinion in the auditors' reports that the financial statements of Wine's Link gave a true and fair view of the state of Wine's Link's affairs;
- (iii) Wine's Link did not have any willful intention to evade tax as the tax computations and tax returns of Wine's Link were based on the amounts stated on the original audited financial statements audited by the Local Auditors who had given an opinion that the financial statements of Wine's Link gave a true and fair view of the state of Wine's Link's affairs which was relied upon by Wine's Link; and
- (iv) the directors of Wine's Link have been responsive and have taken proactive action to address the Tax Enquiries. As at the Latest Practicable Date, Wine's Link had furnished complete replies to the Tax Enquiries, but the IRD has yet to inform Wine's Link of its final decisions or findings in respect of the Tax Enquiries.

Internal control measures

Our Directors acknowledged, and the Sole Sponsor is of the view, that there were deficiencies in our financial reporting system and control in the past years and as a result made prior year adjustments to the financial statements of Wine's Link for the years ended 31 March 2014 to 2016 to rectify its tax positions. We have implemented (or will implement where applicable) the following enhanced internal control measures to avoid the reoccurrence of similar incidents in the future:

- (i) our Directors currently intend to retain our Reporting Accountants, Deloitte Touche Tohmatsu, as the auditors for our Group after the Listing until the next annual general meeting;

FINANCIAL INFORMATION

- (ii) our Group has appointed Ms. Pang Sze Man, who is a member of the Hong Kong Institute of Certified Public Accountants with seven years experience in providing accounting and financial advice, to oversee the accounting matters of our Group. The management accounts and financial information prepared by our staff in the accounting department are required to be reviewed by the certified public accountant before approval by our Directors;
- (iii) we have adopted an accounting policy and procedure manual, which is updated from time to time to ensure our compliance with the Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and the Companies Ordinance as amended, supplemented and modified from time to time and specifying, among others, revenue recognition policies and the procedures describing the flow of processes and the relevant approvals to be obtained;
- (iv) we will assess and monitor the implementation of our internal control policies regarding financial reporting through regular reviews;
- (v) we will arrange for our staff in the accounting department to attend training on accounting and tax issues from time to time; and
- (vi) our audit committee will oversee our financial reporting and internal control procedures in accounting and financial matters.

MAJOR FINANCIAL RATIOS

The table below sets forth the major financial ratios as at the dates or for the periods indicated:

	As at/For the year ended 31 March			As at/For the three months ended 30 June
	2015	2016	2017	2017
Gross profit margin ⁽¹⁾	13.4%	13.6%	13.1%	13.0%
Net profit margin ⁽²⁾	4.5%	1.6%	1.3%	0.0% ⁽⁷⁾
Return on assets ⁽³⁾	4.1%	1.3%	2.2%	0.0% ⁽⁷⁾
Return on equity ⁽⁴⁾	19.1%	6.5%	5.9%	0.0% ⁽⁷⁾
Current ratio ⁽⁵⁾	1.2 times	1.2 times	1.5 times	1.4 times
Gearing ratio ⁽⁶⁾	352.6%	373.9%	156.0%	175.7%

Notes:

- (1) Gross profit margin is calculated based on our gross profit of the relevant period divided by our revenue of the corresponding period and multiplied by 100%.
- (2) Net profit margin is calculated based on our profit and total comprehensive income for the relevant period divided by our revenue of the corresponding period and multiplied by 100%.

FINANCIAL INFORMATION

- (3) Return on assets is calculated based on our net profit attributable to our equity shareholders for the relevant period divided by our total assets as at the end of the corresponding period and multiplied by 100%.
- (4) Return on equity is calculated based on our net profit attributable to our equity shareholders for the relevant period divided by our total equity as at the end of the corresponding period and multiplied by 100%.
- (5) Current ratio is calculated based on our total current assets as at the end of the relevant period divided by our total current liabilities as at the end of the corresponding period.
- (6) Gearing ratio is calculated based on our total borrowings (including non-trade amounts due to related parties, bank borrowings and obligations under finance leases) as at the end of the relevant period divided by our total equity as at the end of the corresponding period and multiplied by 100%.
- (7) The percentage calculated is less than 0.1%.

Gross profit margin

Our gross profit margin remained relatively stable at approximately 13.4%, 13.6%, 13.1% and 13.0% for the years ended 31 March 2015, 2016 and 2017 and the three months ended 30 June 2017. For further details of the fluctuations in our gross profit margin during the Track Record Period, please refer to the paragraph headed “— Period-to-period comparisons of our results of operations” in this section.

Net profit margin

Our net profit margin decreased from approximately 4.5% for the year ended 31 March 2015 to approximately 1.6% for the year ended 31 March 2016, and further decreased to approximately 1.3% for the year ended 31 March 2017 and nil for the three months ended 30 June 2017. For further details of the decrease in our net profit margin during the Track Record Period, please refer to the paragraph headed “— Period-to-period comparisons of our results of operations” in this section.

Return on assets

Our return on assets decreased from approximately 4.1% for the year ended 31 March 2015 to approximately 1.3% for the year ended 31 March 2016, primarily attributable the decrease in our net profit for the year ended 31 March 2016 and an increase in total assets as at 31 March 2016 including the increase in (i) inventories; (ii) other receivables, deposits and prepayments; and (iii) amounts due from related parties as at 31 March 2016.

Our return on assets increased from approximately 1.3% for the year ended 31 March 2016 to approximately 2.2% for the year ended 31 March 2017, primarily attributable to the decrease in total assets including the decrease in (i) amounts due from shareholders; (ii) amounts due from related parties; (iii) inventories; and (iv) trade receivables as at 31 March 2017.

Our return on assets decreased from approximately 2.2% for the year ended 31 March 2017 to approximately nil for the three months ended 30 June 2017, primarily attributable the decrease in our net profit for the three months ended 30 June 2016.

FINANCIAL INFORMATION

Return on equity

Our return on equity decreased from approximately 19.1% for the year ended 31 March 2015 to approximately 6.5% for the year ended 31 March 2016, and further decreased to approximately 5.9% for the year ended 31 March 2017 and nil for the three months ended 30 June 2017. This decrease was primarily due to the decrease in our net profit during the Track Record Period.

Current ratio

Our current ratio remained stable at approximately 1.2 times as at 31 March 2015 and 2016, respectively. Our current ratio increased from approximately 1.2 times as at 31 March 2016 to approximately 1.5 times as at 31 March 2017 primarily due to the decrease in our bank borrowings from HK\$219.4 million as at 31 March 2016 to HK\$95.9 million as at 31 March 2017. Our current ratio remained stable at approximately 1.5 times and approximately 1.4 times as at 31 March 2017 and 30 June 2017, respectively.

Gearing ratio

Our gearing ratio increased from approximately 352.6% as at 31 March 2015 to approximately 373.9% as at 31 March 2016 primarily due to the increase in our trust receipt loans for purchasing additional inventories. Our gearing ratio decreased from approximately 373.9% as at 31 March 2016 to approximately 156.0% as at 31 March 2017 primarily due to the repayment of our bank borrowings during the year ended 31 March 2017. Our gearing ratio increased from approximately 156.0% as at 31 March 2017 to approximately 175.7% as at 30 June 2017 primarily due to the increase in our trust receipt loans for purchasing additional inventories in June 2017.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT FINANCIAL RISKS

Our financial instruments include (i) trade receivables, (ii) other receivables and deposits, (iii) amounts due from shareholders and related parties, (iv) pledged bank deposits and bank balances and cash, (v) trade payables, (vi) other payables and accrued charges, (vii) amounts due to related parties, (viii) bank borrowings, and (ix) derivative financial instruments.

The main risks associated with our financial instruments are (i) foreign currency risk, (ii) interest rate risk; (iii) credit risk; and (iv) liquidity risk. Our management regularly reviews and monitors our exposures to these risks in order to ensure appropriate measures are implemented on a timely and effective manner. Details of the foreign currency risk and our policy for managing this risk are set out below. For further details of the other risks, please refer to note 4 to the accountants' report in Appendix I to this prospectus.

Foreign currency risk

We have foreign currency sales and purchases, which expose us to foreign currency risk. During the years ended 31 March 2015, 2016 and 2017 and the three months ended 30 June 2017, approximately 3.7%, 2.6%, 0.5% and 4.0%, respectively, of our sales were denominated in

FINANCIAL INFORMATION

currencies other than the functional currency of our Group (i.e. Hong Kong dollars), and approximately 77.4%, 76.6%, 75.6% and 82.3%, respectively, of our purchases were denominated in currencies other than the functional currency of our Group.

The table below sets forth a breakdown of our purchases by foreign currencies for the periods indicated:

	For the year ended 31 March			For the three months ended 30 June
	2015	2016	2017	2017
	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)
GBP	55,704	61,252	56,713	16,059
EUR	54,668	98,199	96,050	34,004
USD	10,949	11,013	7,019	1,235
CHF	8,214	12,768	9,379	3,214
AUD	319	404	10,614	—
JPY	79	75	—	—
	129,933	183,711	179,775	54,512

We are subject to relatively larger exposure to foreign currency risk as we had foreign currency denominated trust receipt loans for the settlement of our wine product purchases from our suppliers outside of Hong Kong. Our exposure to foreign currency risk may affect our results of operations and financial position. During the years ended 31 March 2015, 2016 and 2017 and the three months ended 30 June 2017, we recorded net exchange losses of HK\$0.4 million, net exchange gains of HK\$0.7 million, net exchange losses of HK\$0.4 million and net exchange losses of HK\$0.9 million, respectively.

The table below sets forth the carrying amounts of foreign currency denominated monetary assets and monetary liabilities recognised by us as at 30 June 2017:

	As at 30 June 2017			
	GBP	EUR	USD	CHF
	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)
Trade receivables	—	125	—	—
Trade payables	—	9	—	—
Other payables and accrued charges	263	417	—	47
Bank borrowings — Trust receipt loan	22,426	32,771	1,461	1,928

FINANCIAL INFORMATION

Foreign currency exchange risk management measures

We recognise the importance of managing our foreign currency exchange risk exposure. To this end, we have ceased (i) holding any pledged bank deposits in foreign currencies since October 2016; and (ii) entering into new structured foreign currency forward contracts for investment purposes with any financial institutions since August 2015. For further details, please refer to the paragraph headed “— Selected items of combined statements of financial position — Derivative financial instruments and pledged bank deposits” in this section. In addition, we have implemented an investment management policy to ensure proper monitoring of our future investments. For further details, please refer to the section headed “Business — Investment management — Investment management policy” in this prospectus.

Our finance and accounts team is in charge of implementing our internal control measures on foreign currency risk. This team monitors our exposure to foreign currency risk with reference to, among other things, (i) our monthly and annual cash flow forecasts; (ii) historical cash flows; (iii) actual receivables; (iv) sales orders; (v) payables; (vi) purchase orders; and (vii) our potential hedging plans.

In respect of our purchases denominated in foreign currencies, we manage the associated foreign currency exchange risk exposure by closely monitoring the movement of foreign currency exchange rates and performing regular reviews of our net foreign exchange exposure. We have established a tracking and reporting system which records the latest exchange rate fluctuation information to enable us to effectively monitor our exposure to exchange rate risks and adjust our procurement strategy accordingly. For example, if there is an appreciation in EUR, we may choose to procure French red wine products from suppliers in the United Kingdom or Switzerland instead of France to minimise our foreign currency risk exposure. We do not currently have a foreign currency hedging policy. In the event of any change in circumstances leading us to believe that our exposure to foreign currency risk has heightened, we will, upon approval by the Investment Management Committee, implement necessary measures and policies to manage such risk, for example by entering into foreign currency hedging transactions.

Sensitivity analysis

No sensitivity analysis is provided on derivative financial instruments as our Directors consider that there is no effect of the foreign exchange rate fluctuations on the fair value of derivative financial instruments and GBP denominated pledged bank deposits as at 31 March 2015, 2016 and 2017 and 30 June 2017 after taking into account the relevant arrangements with Mr. Roy Ting to our Group in respect of the derivative financial instruments and GBP denominated pledged bank deposits. For further details, please refer to the paragraph headed “— Selected items of combined statements of financial position — Derivative financial instruments and pledged bank deposits” in this section.

Since the exchange rate of HK\$ is pegged with US\$, we do not expect any significant movements in the US\$/HK\$ exchange rates.

FINANCIAL INFORMATION

The following sensitivity analysis is for reference only and illustrates the impact of a hypothetical 10% fluctuations in our functional currency (i.e. HK\$) against the relevant foreign currencies (other than US\$ and GBP denominated pledged bank deposits) during the Track Record Period. The numbers in below table indicate the effect on our net profit for the respective periods.

	For the year ended			For the three
	31 March			months ended
	2015	2016	2017	30 June
	(HK\$'000)	(HK\$'000)	(HK\$'000)	2017
				(HK\$'000)
GBP	306	170	1,036	1,895
EUR	58	(46)	593	2,761
RMB	(1,614)	—	(1)	(1)
CHF	71	9	30	165

DISTRIBUTABLE RESERVE

Our Company was incorporated on 22 September 2016. As at 30 June 2017, our Company had no reserves available for distribution to our Shareholders.

DIVIDEND

We did not declare any dividends during the Track Record Period and we do not have any plan to declare dividend during the year ending 31 March 2018. We intend to declare dividends of no less than 20% of our distributable profit for the financial year ending 31 March 2019. Such intention does not amount to any guarantee, representation or indication that we must or will declare and pay dividends in such manner or at all.

The recommendation of the payment of dividend is subject to the absolute discretion of our Board, and, after the Listing, any declaration of final dividend for the year will be subject to the approval of our Shareholders. The declaration and payment of future dividends will be subject to various factors, including but not limited to our results of operations, financial performance, profitability, business development, prospects, capital requirements and economic outlook. Any declaration and payment as well as the amount of the dividend will be subject to our constitutional documents and the Companies Law, including the approval of our Shareholders.

UNAUDITED PRO FORMA ADJUSTED COMBINED NET TANGIBLE ASSETS

For details of our unaudited pro forma adjusted combined net tangible assets, please refer to the section headed “Unaudited Pro Forma Financial Information” in Appendix II to this prospectus.

FINANCIAL INFORMATION

RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

Our business model, revenue structure, financial performance, profitability and cost structure remained unchanged since 30 June 2017 and up to the date of this prospectus. Our Directors confirm that save for the estimated non-recurring listing expenses as disclosed in the paragraph headed “— Listing expenses” in this section, since 30 June 2017 and up to the date of this prospectus, (i) there was no material adverse change in the market conditions and the industry and the regulatory environment in which our Group operates that affects our financial or operating position materially and adversely; (ii) there was no material adverse change in the business, revenue structure, trading, profitability, cost structure, financial position and prospects of our Group; and (iii) no event had occurred that would affect the information shown in our accountants’ report in Appendix I to this prospectus materially and adversely. In particular,

- (i) our financial performance and results of operations remained relatively stable for the seven months ended 31 October 2017 as compared with the same period in 2016;
- (ii) since 30 June 2017 and up to the date of this prospectus, our business focus remained on the wholesale and retail sale of Premium Collectible Red Wine, i.e. red wine with selling prices at or above HK\$1,000 per bottle, which accounted for approximately 71.2% of our total inventory in terms of inventory value as at the Latest Practicable Date;
- (iii) the number of our suppliers amounted to approximately 536 suppliers as at the Latest Practicable Date, as compared to approximately 512 suppliers as at 30 June 2017;
- (iv) the utilisation rate of our existing leased warehouse amounted to approximately 92.0% as at the Latest Practicable Date, which remained relatively stable as compared to approximately 90.8% as at 30 June 2017; and
- (v) since 30 June 2017 and up to the date of this prospectus, we had not been involved in any legal proceedings, investigations and claims and we had not been aware of any pending or threatened litigation or arbitration proceedings against any members and Directors of our Group.

As at the Latest Practicable Date, approximately 59.0% of our inventories balance as at 30 June 2017 had been subsequently sold, approximately 96.8% of our trade receivable balance as at 30 June 2017 had been subsequently settled, and approximately 93.9% of our trade payable balance as at 30 June 2017 had been subsequently settled.

We expect that the forecasted net profit (excluding non-recurring Listing expenses) for the year ending 31 March 2018 may decrease and may be lower than that for the year ended 31 March 2017 due to the (i) increase in our salary cost relating to the salary increment and increase in headcount during the year ending 31 March 2018 and the appointment of the three independent non-executive Directors, who joined our Group in December 2017; and (ii) increase in our rental expenses and depreciation relating to the lease of our head office in August 2016.

FINANCIAL INFORMATION

DISCLOSURE UNDER CHAPTER 17 OF THE GEM LISTING RULES

On 15 October 2015, Wine's Link, as borrower, entered into a facility agreement with a bank in an aggregate maximum facility amount of up to HK\$6.5 million. Pursuant to the terms of this facility agreement, Mr. Roy Ting and Ms. Shirley Wong shall remain as the ultimate major shareholders of Wine's Link throughout the loan period. As a result of the above obligations, details of this facility agreement are discloseable under Rule 17.20 of the GEM Listing Rules.

Our Directors have confirmed that, save as disclosed above, as at the Latest Practicable Date, they were not aware of any circumstances which 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 AND STRATEGIES

Our business objectives are to continue leveraging our competitive advantages, to capture the increasing demand for wine products and other alcoholic beverages in Hong Kong and to further expand our market share in Hong Kong. For further details, please refer to the section headed “Business — Business strategies” in this prospectus.

REASONS FOR THE SHARE OFFER AND USE OF PROCEEDS

Reasons for the Share Offer

Our Directors believe that the Share Offer will be beneficial to our Company and its Shareholders as a whole, notwithstanding the expenses involved in the Share Offer process and the dilution effect to the Controlling Shareholders, taking into consideration of the reasons below:

- a listing status on the Stock Exchange is a complementary way of advertising our Group which reinforces our corporate profile and market recognition;
- our creditworthiness will be enhanced from our suppliers’ perspective, which may in turn allow our Group to have greater bargaining power over negotiations to bargain for longer trade and credit terms from some of our suppliers, as opposed to settling most of our wine purchases by advance payments during the Track Record Period; and
- an efficient and sustainable fund-raising platform could be established through the Share Offer, whereby enabling us to gain direct access to the capital market to raise funds for our future expansion instead of having to rely on debt financing from banks prior to the Share Offer.

In addition to the above, our Directors believe that the Share Offer will provide us with the necessary capital to implement our future plans as set out in the section headed “Business — Business strategies” in this prospectus and the paragraph headed “— Implementation plans” in this section in order to grow our Group’s business at a faster pace.

Our Directors believe that it is in the best interest of our Company to conduct equity financing by way of the Share Offer instead of debt financing. This is primarily because:

- (i) our Group does not have any significant amount of fixed assets as security or pledge to secure a sufficient amount of banking borrowing to finance the implementation of our future plan, as we did not invest in any significant amount of fixed assets, e.g. lands and buildings, during the Track Record Period and up to the Latest Practicable Date in the course of our business operation; and
- (ii) our Directors are reluctant to obtain a large amount of debt financing as our Directors consider that it is important to manage our gearing ratio and improve our overall capital structure so as to achieve sustainable growth; and

STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

- (iii) our Directors believe equity financing through the Share Offer is more justifiable than debt financing as debt financing will subject our Group to interest rate risks and certain unfavourable borrowing terms such as the provision of collateral and fees for both borrowing and early repayment, as opposed to equity financing which is free from such interest rate risks and unfavourable borrowing terms.

The possible use of proceeds outlined below 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 below, we will issue announcement and make disclosure in our interim report and/or annual report for the relevant period as required by the Stock Exchange.

In respect of net proceeds from the Share Offer which are not immediately required for the above purpose as set out in the paragraph headed “— Implementation plans” in this section, it is the present intention of our Directors that such proceeds will be placed on short-term interest bearing deposits with authorised financial institutions.

Use of proceeds

Our Directors estimate that the net proceeds from the Share Offer (after deducting estimated expenses borne by our Company in connection with the Share Offer but assuming the Offer Size Adjustment Option is not exercised) will be HK\$52.1 million based on a Offer Price of HK\$0.65 per Offer Share (being the mid-point of the indicative Offer Price range between HK\$0.75 and HK\$0.55 per Offer Share). We intend that the net proceeds will be applied as follows:

	From the Latest Practicable Date to 31 March 2018	For the six months ending 30 September 2018	For the six months ending 31 March 2019	For the six months ending 30 September 2019	For the six months ending 31 March 2020	Total	Approximate Percentage
	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(%)
Strengthen our warehouse storage capability	31,401	220	—	—	—	31,621	60.6
Expand our retail network in Hong Kong	4,195	728	9,445	2,247	2,286	18,901	36.3
General working capital of our Group	322	322	322	322	323	1,611	3.1
Total	35,918	1,270	9,767	2,569	2,609	52,133	100.0

STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

We intend to apply the net proceeds from the Share Offer for the purposes and in the amounts set out below:

- HK\$31.6 million, representing approximately 60.6% of the net proceeds from the Share Offer, to be used to strengthen our warehouse storage capability, among which:
 - HK\$25.2 million, representing approximately 48.3% of the net proceeds from the Share Offer, will be used to settle the down payment for the acquisition of a warehouse in Hong Kong, which we expect to incur a total estimated acquisition price of approximately HK\$42.0 million. We intend to fund the shortfall of this acquisition price by a mortgage;
 - HK\$4.4 million, representing approximately 8.5% of the net proceeds from the Share Offer, will be used to renovate and furnish the warehouse in accordance with the requirements of ISO 9001 and Wine Storage Management Systems;
 - HK\$1.8 million, representing approximately 3.4% of the net proceeds from the Share Offer, will be used to settle part of the stamp duty arising from the acquisition of the warehouse. It is expected that the total stamp duty in respect of the acquisition of the warehouse will be approximately HK\$3.6 million. The shortfall of the relevant stamp duty, i.e. HK\$1.8 million, after the allocation of net proceeds from the Share Offer will be funded by the general working capital of our Group; and
 - HK\$0.2 million, representing approximately 0.4% of the net proceeds from the Share Offer, will be used to apply for ISO 9001 and Wine Storage Management Systems certifications;
- HK\$18.9 million, representing approximately 36.3% of the net proceeds from the Share Offer, to be used to expand our retail network in Hong Kong, among which:
 - HK\$10.0 million, representing approximately 19.2% of the net proceeds from the Share Offer, will be used to broaden our product portfolio for the flagship store in Tsim Sha Tsui and the retail store in West Kowloon;
 - HK\$4.2 million, representing approximately 8.1% of the net proceeds from the Share Offer, will be used to pay the rents for the flagship store and the retail store. Among which, we expect to utilise (i) HK\$1.4 million of the net proceeds from the Share Offer for settling the rental payment of an additional retail store to be leased during the period between the Listing Date and 31 March 2020; (ii) HK\$2.8 million of the net proceeds from the Share Offer for settling the rental payment of our first flagship store to be leased during the six months ending 31 March 2019 and the year ending 31 March 2020, respectively. It is expected that both the flagship store and the retail store will be on premises leased by our Group;

STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

- HK\$3.5 million, representing approximately 6.7% of the net proceeds from the Share Offer, will be used to recruit new staff for the flagship store and the retail store after we lease the relevant flagship store tentatively during the period between the Listing Date and 31 March 2018 and the retail store tentatively during the six months ending 31 March 2019; and
- HK\$1.2 million, representing approximately 2.3% of the net proceeds from the Share Offer, will be used to renovate and furnish the flagship store and the retail store;
- approximately HK\$1.6 million, representing approximately 3.1% of the net proceeds from the Share Offer, to be used for general working capital of our Group.

In the event that the Offer Price (assuming the Offer Size Adjustment Option is not exercised) is set at the high-end or the low-end of the proposed Offer Price range, the net proceeds from the Share Offer will increase or decrease by HK\$11.6 million, after deducting related expenses, respectively. We intend to use the net proceeds based on the percentages disclosed above, regardless of whether the Offer Shares are priced at the high-end or low-end of the proposed Offer Price.

If the Offer Size Adjustment Option is exercised in full, the estimated net proceeds from the Share Offer will amount to (i) HK\$50.1 million, assuming that the final Offer Price is set at the lowest of the indicative Offer Price range, (ii) HK\$63.5 million, assuming that the final Offer Price is set at the mid-point of the indicative Offer Price range and (iii) HK\$76.9 million, assuming that the final Offer Price is set at the highest of the indicative Offer Price range. We intend to apply the additional net proceeds from the exercise of the Offer Size Adjustment Option in the same proportions as disclosed above.

IMPLEMENTATION PLANS

Our implementation plans are set forth below for the period from the Latest Practicable Date to 31 March 2020. Investors should note that the following implementation plans are formulated on the bases and assumptions referred to in the paragraph headed “Bases and key assumptions” below. These bases and assumptions are inherently subject to uncertainties and unpredictable factors, in particular the risk factors set forth in the section headed “Risk Factors” in this prospectus. Our actual course of business may vary from our business strategies set out in this prospectus. There is no assurance that our plans will materialise in accordance with our expected time frame or that our objectives will be accomplished. While the actual course of events may invariably encounter unforeseeable changes and fluctuations, we shall use our best endeavours to anticipate changes, yet allowing for flexibility to implement the following plans. In the event of any material modifications to the use of proceeds as described above, we will issue announcement in accordance with the GEM Listing Rules and disclose in our annual report for the relevant year as required by the Stock Exchange.

STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

From the Listing Date to 31 March 2018

<u>Business strategies</u>	<u>Implementation plans</u>	<u>Use of proceeds</u>
Strengthen our warehouse storage capability	<ul style="list-style-type: none"> ● Identify suitable warehouse to be acquired ● Negotiate the terms of sale and purchase agreement in connection with the acquisition of the warehouse ● Settle the down payment and the stamp duty, obtain mortgage for the warehouse ● Design and renovate the warehouse in accordance with requirements of ISO 9001, a global benchmark for quality management and Wine Storage Management System from HKQAA, a comprehensive suite of certifications designed specifically to assist wine merchants to take systemic and effective action to protect against wine deterioration 	HK\$31.4 million
Expand our retail network in Hong Kong through the establishment of a new retail store	<ul style="list-style-type: none"> ● Identify suitable location for the retail store in West Kowloon with an approximate aggregate area of 450 sq.ft. ● Negotiate the terms of the lease for the retail store ● Design and renovate the retail store ● Recruit one wine consultant and three junior sales staff to support the operations of the retail store ● Settle the rental for the retail store ● Source and procure wine products for the retail store 	HK\$4.2 million
Total		HK\$35.6 million

STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

For the six months ending 30 September 2018

<u>Business strategies</u>	<u>Implementation plans</u>	<u>Use of proceeds</u>
Strengthen our warehouse storage capacity	<ul style="list-style-type: none"> ● Complete the renovation and move in to the warehouse ● Obtain ISO 9001 and Wine Storage Management System certifications 	HK\$0.2 million
Maintain our retail network in Hong Kong	<ul style="list-style-type: none"> ● Settle the rental for the retail store ● Pay the salaries of staff members of the retail store 	HK\$0.7 million
Total		HK\$0.9 million

For the six months ending 31 March 2019

<u>Business strategies</u>	<u>Implementation plans</u>	<u>Use of proceeds</u>
Expand our retail network in Hong Kong through the establishment of a new flagship store	<ul style="list-style-type: none"> ● Identify suitable location for the flagship store in Tsim Sha Tsui with an approximate aggregate area of 900 sq.ft. ● Negotiate the terms of the lease for the flagship store ● Design and renovate the flagship store ● Recruit one wine consultant, two senior and three junior sales staff to support the operations and development of the retail store and the flagship store ● Source and procure wine products for the flagship store ● Settle the rentals for the retail store and the flagship store ● Pay the salaries of staff members of the retail store and the flagship store 	HK\$9.5 million
Total		HK\$9.5 million

STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

For the six months ending 30 September 2019

<u>Business strategies</u>	<u>Implementation plans</u>	<u>Use of proceeds</u>
Maintain our retail network in Hong Kong	<ul style="list-style-type: none">● Settle the rentals for the retail store and the flagship store● Pay the salaries of staff members of the retail store and the flagship store	HK\$2.2 million
Total		HK\$2.2 million

For the six months ending 31 March 2020

<u>Business strategies</u>	<u>Implementation plans</u>	<u>Use of proceeds</u>
Maintain our retail network in Hong Kong	<ul style="list-style-type: none">● Settle the rentals for our retail store and our flagship store● Pay the salaries of staff members of our retail store and our flagship store	HK\$2.3 million
Total		HK\$2.3 million

In case the costs for implementing the above expansion plans are greater than the amounts we have allocated from the net proceeds from the Share Offer, we will finance the shortfall from our internal resources.

BASES AND KEY ASSUMPTIONS

The implementation plans formulated by our Directors are based on the following assumptions.

General assumptions

- there will be no material adverse change in the existing political, legal, fiscal, market or economic conditions in Hong Kong; and
- there will be no material change in the bases or rates of taxation and duties in Hong Kong.

Specific assumptions

- we will have sufficient financial resources to meet the planned capital expenditure and business development requirements during the period to which our business strategies relates;

STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

- the Share Offer will be completed in accordance with and as described in the section headed “Structure and Conditions of the Share Offer” in this prospectus;
- there will be suitable property for warehouse to be acquired by our Group and suitable locations to be leased by our Group to open one additional retail store in West Kowloon and one flagship store in Tsim Sha Tsui, and reasonable terms can be negotiated in connection with the purchase and the leases;
- we will settle 60% of the down payment for the warehouse to be purchased with the net proceeds from the Share Offer;
- we will be able to obtain mortgage for 40% of the purchase price of the warehouse at an annual interest rate of 3% for a period of 20 years;
- our Directors and key senior management will continue to be involved in our existing and future development and we will be able to retain our key managements 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 our business strategies described in this prospectus from the amount as estimated by our Directors;
- there will be no substantial material change in existing laws and regulations, or other governmental policies relating to our Group, or in the political, economic or market conditions in which our Group operates;
- we will not be 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 operations 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.

These bases and assumptions are inherently subject to many uncertainties, variables, and unpredictable factors, in particular the risk factors set forth in the section headed “Risk Factors” in this prospectus. There can be no assurance that our plans will materialise in accordance with the expected time frame or that the objectives of our Group will be accomplished at all.

SOLE SPONSOR'S INTEREST

Save as provided for under the Underwriting Agreements, neither the Sole Sponsor nor any of its associates has or may have, as a result of the Share Offer, 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 Share Offer, other than the following:

- (a) by way of sponsor's fee to be paid to the Sole Sponsor for acting as the sponsor of the Share Offer;
- (b) in taking up the underwriting obligations under the Underwriting Agreements;
- (c) by way of an underwriting commission to be paid to the Sole Global Coordinator for acting as the Sole Global Coordinator, the Sole Bookrunner, the Sole Lead Manager and one of the Underwriters to the Share Offer pursuant to the Underwriting Agreements;
- (d) the Sole Sponsor has been appointed as the compliance adviser of our Company for the purpose of the GEM Listing Rules for a fee from the Listing Date to the date on which our Company distributes the annual report for the second full financial year commencing after the Listing Date in accordance with Rule 18.03 of the GEM Listing Rules, or until the compliance adviser agreement is otherwise terminated upon the terms and conditions set out therein; and
- (e) 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.

None of the directors and employees of the Sole Sponsor has any directorship in our Company or any member of our Group.

UNDERWRITING

PUBLIC OFFER UNDERWRITERS

Sole Global Coordinator, Sole Bookrunner and Sole Lead Manager

Innovax Securities Limited

Co-Managers

ChaoShang Securities Limited

CNI Securities Group Limited

Eternal Pearl Securities Limited

Fortune (HK) Securities Limited

Marketsense Securities Limited

Pacific Foundation Securities Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Public Offer

The Public Offer Underwriting Agreement

Pursuant to the Public Offer Underwriting Agreement, our Company is offering initially 12,000,000 Public Offer Shares for subscription by the public in Hong Kong on and subject to the terms and conditions of this prospectus and the Application Forms.

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 to be issued pursuant to the Capitalisation Issue and upon exercise of the Offer Size Adjustment Option and options which may be granted under the Share Option Scheme) and to certain other conditions set out in the Public Offer Underwriting Agreement being fulfilled or waived on or before the dates and times specified in the Public Offer Underwriting Agreement, the Public Offer Underwriters have severally, but not jointly, agreed to subscribe for or procure subscribers for their respective applicable proportions of the Public Offer Shares now being offered and which are not taken up under the Public Offer on the terms and conditions of the Public Offer Underwriting Agreement, this prospectus and the Application Forms.

UNDERWRITING

Grounds for termination

The obligations of the Public Offer Underwriter to subscribe or procure subscribers for the Public Offer Shares are subject to termination if certain events, including force majeure, shall occur at any time at or before 8:00 a.m. (Hong Kong time) on the Listing Date. The Sole Global Coordinator (for itself and on behalf of the Public Offer Underwriters) shall have the absolute right by notice in writing to our Company to terminate the Public Offer Underwriting Agreement with immediate effect at any time prior to 8:00 a.m. 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, or any event or series of events resulting or likely to result in or representing a change or development, or 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 Hong Kong dollar or the RMB 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), Japan, Singapore, 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, acts of terrorism (whether or not responsibility has been claimed), acts of God, epidemic or pandemic outbreak of disease (including, without limitation, Severe Acute Respiratory Syndromes (SARS), Middle East Respiratory Syndromes (MERS), H5N1, H1N1, swine or avian influenza or such related/mutated forms)) or economic sanctions in or affecting any Relevant Jurisdiction; 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

UNDERWRITING

- (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 Tokyo Stock Exchange, the Shanghai Stock Exchange or the Shenzhen Stock Exchange, or (B) a general moratorium on commercial banking activities in any Relevant Jurisdiction 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 Relevant Jurisdiction; or
- (vi) any change or development or event involving a prospective change in taxation or exchange controls (or the implementation of exchange controls), currency exchange rates or foreign investment regulations in any Relevant Jurisdiction; or
- (vii) any imposition of economic sanction or withdrawal of trading privileges, in whatever form, directly or indirectly, by, or for, any Relevant Jurisdiction; or
- (viii) any change or development or event or a prospective change in our Group's assets, liabilities, profit, losses, performance, condition, business, financial, earnings, trading position or prospects; 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 such demand in connection with the tax enquiries and tax refiling disclosed in "Financial Information — Tax Enquiries and Tax Refiling" 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 her office; or
- (xiii) an authority or a political body or organisation in any of the Relevant Jurisdictions commencing any investigation or other action, or announcing an intention to investigate or take other action, against any Director; or
- (xiv) a contravention by any member of our Group of the GEM Listing Rules or any applicable laws or regulations in Hong Kong, the Cayman Islands 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

UNDERWRITING

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 in any of the Relevant Jurisdictions (howsoever caused and whether or not the subject of any insurance or claim against any person); or
- (xviii) any litigation or claim being threatened or instigated against our Company or any of our subsidiaries or the covenantors as defined in the Public Offer Underwriting Agreement (the "**Covenantors**") in any of the Relevant Jurisdictions; or
- (xix) a prohibition on our Company for whatever reason from offering, issuing, allotting or delivering the Offer Shares (including the Shares to be issued pursuant to the exercise of the Offer Size Adjustment Option) pursuant to the terms of the Share Offer; or
- (xx) non-compliance of this prospectus (or any other documents used in connection with the contemplated offer of the Shares) or any aspect of the Share Offer with the GEM Listing Rules or any other applicable law or regulation; or
- (xxi) other than with the approval of the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the Underwriters) (the approval of which shall not be unreasonably withheld), 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 offer of the Shares) pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the GEM Listing Rules or any requirement or request of the Stock Exchange and/or the SFC; or
- (xxii) any event which gives rise or would give rise to liability on the part of our Company pursuant to the indemnity provisions in the Public Offer Underwriting Agreement; or
- (xxiii) any materialisation or prospective materialisation of any of the risks set out in the section headed "Risk Factors" in this prospectus,

UNDERWRITING

and which, individually or in the aggregate, in the sole opinion of the Sole Global Coordinator (for itself and on behalf of the Public Offer Underwriters),

- (A) has or may have or will have or is likely to have a material 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 indications of interest under the Placing; or
 - (C) makes, may make or will or is likely to make it impracticable or inadvisable or inexpedient for any part of the Public Offer Underwriting Agreement or the Share Offer to proceed or to be performed or implemented as envisaged or to market the Share Offer; or
 - (D) makes or may make or will or is likely to make it impracticable or inadvisable or inexpedient to proceed with the Share Offer or the offer, issue, allotment or delivery of the Offer Shares on the terms and in the manner contemplated by this prospectus or any other documents used in connection with the Share Offer (the "**Offering Documents**"); or
- (b) there has come to the notice of the the Sole Global Coordinator or any of the Public Offer Underwriters after the date of the Public Offer Underwriting Agreement:
- (i) that any statement contained in the Offering Documents, the formal notice or any announcements in the agreed form issued or used by or on behalf of our Company in connection with the Share Offer (including any supplement or amendment thereto) was, when it was issued, or 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 the Offering Documents and/or in any notices or announcements issued or used by or on behalf of our Company in connection with the Share Offer (including any supplement or amendment thereto); or
 - (iii) that any of the warranties given by our Company or the Covenantors as set out in the Public Offer Underwriting Agreement or the Placing Underwriting Agreement is (or would when repeated be) untrue, inaccurate or misleading in a material respect or having been breached to a material extent; or

UNDERWRITING

- (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 material breach, inaccuracy and/or incorrectness of the warranties as set out in the Public Offer Underwriting Agreement or the Placing Underwriting Agreement and/or pursuant to the indemnities given by our Company, the Covenantors or any of them under the Public Offer Underwriting Agreement or the Placing Underwriting Agreement; or
- (v) that any material breach of any of the obligations or undertakings of any party to the Public Offer Underwriting Agreement or the Placing Underwriting Agreement (other than the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager, the Public Offer Underwriters or the Placing Underwriters); or
- (vi) that any material adverse change or prospective material adverse change in the condition, business, assets and liabilities, properties, profits, losses, results of operations, financial, general affairs, shareholders' equity, management, trading position, prospects, position or condition, financial or otherwise, or performance of our Company and/or our subsidiaries as a whole, whether or not arising in the ordinary course of business, as determined by the Sole Global Coordinator in its sole and absolute discretion; or
- (vii) that our Company withdraws this prospectus and/or the Application Forms; or
- (viii) that approval by the Listing Division of the listing of, and permission to deal in, the Shares in issue and to be issued under the Share Offer (including any additional Shares that may be issued pursuant to the exercise of the Offer Size Adjustment Option) and upon the exercise of the options which may be granted under the Share Option Scheme 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
- (ix) that any of the experts described under the section headed "E. Other information — 9. Qualifications 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 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

Undertakings by our Company

Undertakings to the Stock Exchange

We have undertaken to the Stock Exchange that we will not issue any further Shares or securities convertible into our equity securities (whether or not of a class already listed) or enter into any agreement to such issue within six months from the date on which the Shares commence dealings on the Stock Exchange (whether or not such issue of shares or securities will be completed within six months from the commencement of dealings) except:

- (a) pursuant to options which may be granted under the Share Option Scheme;
- (b) the exercise of conversion rights attaching to warrants issued as part of the Listing;
- (c) any capitalisation issue, capital reduction or consolidation or sub-division of the Shares;
- (d) the issue of Shares or securities pursuant to an agreement entered into before the commencement of dealing, the material terms of which have been disclosed in this prospectus; and
- (e) any issue of shares or securities convertible into equity securities of our Company (whether or not of a class already listed), only if in full compliance with the requirements set out under Rule 17.29(5) of the GEM Listing Rules.

Undertakings to the Sole Sponsor and the Sole Global Coordinator

Pursuant to the Public Offer Underwriting Agreement, we have undertaken to the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the Public Offer Underwriters) that, *inter alia*, we will not, and will procure that our subsidiaries will not, without the prior written consent of the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the Public Offer Underwriters) and unless in compliance with the GEM Listing Rules, at any time during the period commencing from the date of the Public Offer Underwriting Agreement and ending on the expiry of the 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 the share capital, debt capital or any securities of our Company or any of our subsidiaries or any interest therein or any voting right or any right attaching thereto (including, but not limited to, any securities convertible into or exercisable or exchangeable for or that

UNDERWRITING

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, details of which are set out in Appendix IV to this prospectus; or

- (ii) enter into any swap or other arrangement that transfers to another, 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; or (iii) enter into any transaction with the same economic effect as any forgoing transaction described in (i) and (ii) above; or (iv) agree or contract to, or publicly announce any intention to enter into, any forgoing transaction described in (i), (ii) and (iii) above,

whether any of the foregoing transactions described in (i), (ii) and (iii) above is to be settled by delivery of shares capital or such other securities, in cash or otherwise, provided that the foregoing restrictions shall not apply to the issue of the Shares by our Company pursuant to the Share Offer (including upon the exercise of the Offer Size Adjustment) upon exercise of the options which may be granted under the Share Option Scheme, and our Company has further agreed that, 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, 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.

Undertakings by our Controlling Shareholders

Undertakings to the Stock Exchange and our Company pursuant to the GEM Listing Rules

Pursuant to Rule 13.16A(1) of the GEM Listing Rules, our Controlling Shareholders, namely Ms. Shirley Wong, Mr. Roy Ting, Shirz Limited and Sunshine Consultancy, have jointly as a group and severally undertaken to the Stock Exchange and our Company that, other than in respect of the Share Offer (including the exercise of the Offer Size Adjustment Option), they shall not, and shall procure that the relevant registered holders of the Shares in which they are beneficially interested shall not:

- (a) in the period commencing on the date of this prospectus and ending on the date which is six months from the Listing Date (the “**First Six Month Lock-up Period**”), whether directly or indirectly dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interest or encumbrances in respect of, any of the Shares in respect of which they are shown by this prospectus to be the beneficial owner(s); and
- (b) in the six month period commencing from the expiry of the First Six Month Lock-up Period (the “**Second Six Month Lock-up Period**”), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interest or encumbrances in respect of, any of the Shares referred to in paragraph (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, they, taken together as a group, would cease to be a Controlling Shareholder,

in each case, save as permitted by the GEM Listing Rules.

UNDERWRITING

Voluntary undertakings to our Company

In addition to the undertaking pursuant to Rule 13.16A(1) of the GEM Listing Rules, our Controlling Shareholders, Ms. Shirley Wong, Mr. Roy Ting, Shirz Limited and Sunshine Consultancy, have jointly as a group and severally further undertaken to our Company on a voluntary basis that it/he/she will not at any time:

- (a) during the Second Six-Month Lock-up Period, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interest or encumbrances in respect of, any of the securities of our Company in respect of which it/he/she is shown by this prospectus to be the beneficial owners; and
- (b) during the two-year period commencing on the date on which the Second Six-Month Lock-up Period expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interest or encumbrances in respect of, any of the securities of our Company in respect of which it/he/she is shown by this prospectus to be the beneficial owners if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, they, taken together as a group, would then cease to be a group of our Controlling Shareholders,

provided that the restriction shall not prevent our Controlling Shareholders from using the Shares owned by it/him/her as security (including a charge or a pledge) in favour of an authorised institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan.

Any waiver of the above voluntary undertaking in addition to the requirement under Rule 13.16A(1) of the GEM Listing Rules shall be subject to approval of independent Shareholders. For further details of the relevant risk, please refer to the section headed “Risk Factors — The voluntary lock-up undertakings made by our Controlling Shareholders to our Company may be waived by our independent Shareholders. Future sales by our Controlling Shareholders of a substantial number of the Shares in the public market could adversely affect the prevailing market price of the Shares” in this prospectus.

Further undertakings to our Company and the Stock Exchange

Our Controlling Shareholders have also undertaken to the Stock Exchange and our Company that during the period commencing on the date of this properties and ending on the date which is three years from the Listing Date:

- (a) in the event that they pledge or charge any direct or indirect interests in the relevant Shares under Rule 13.18(1) of the GEM Listing Rules or pursuant to any right or waiver granted by the Stock Exchange pursuant to Rule 13.18(4) of the GEM Listing Rules, they shall immediately inform our Company in writing of the details specified in Rule 17.43(1) to (4) of the GEM Listing Rules; and

UNDERWRITING

- (b) having pledged or charged any interest in Shares referred to in paragraph (a) above, they shall inform our Company immediately in the event that they become aware that the pledgee or chargee has disposed of or intends to dispose of such interest and of the number of Shares affected.

For the purpose of the above undertakings, a person is treated as the beneficial owner of securities if it/he/she has the ultimate beneficial ownership or control of the securities, whether through a chain of companies or otherwise.

We will also inform the Stock Exchange as soon as we have been informed of the above matters (if any) by any of our Controlling Shareholders and disclose such matters in accordance with the publication requirements under the GEM Listing Rules as soon as possible after being so informed by such Controlling Shareholders.

Undertakings to the Sole Sponsor and the Sole Global Coordinator

Pursuant to the Public Offer Underwriting Agreement, each of our Controlling Shareholders has jointly as a group and severally undertaken to the Company, the Sole Sponsor and the Sole Global Coordinator (acting for itself and on behalf of the Public Offer Underwriters), that, *inter alia*, except pursuant to the Share Offer (including the exercise of the Offer Size Adjustment Option), it/he/she will not, without the prior written consent of the Sole Global Coordinator (acting for itself and on behalf of the Public Offer Underwriters) and unless in compliance with the GEM Listing Rules:

- (i) at any time during the period commencing from the date of the Public Offer Underwriting Agreement and ending on the expiry of the first anniversary after the Listing Date (the “**First Anniversary 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 or subscribe for, lend or otherwise transfer or dispose 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 it/him/her 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 other such securities, in cash or otherwise or offer or to agree to do any of the foregoing or announce any intention to do so, provided that the restriction shall not apply to the

UNDERWRITING

lending of Shares pursuant to any pledge or charge of Shares by our Controlling Shareholders in favour of an authorised institution as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan; or

- (ii) at any time during the two-year period immediately following the First Anniversary Period enter into any of the transactions described in (i) above if, immediately following such transaction, they, taken together as a group, 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 defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan; and
- (iii) in the event of a disposal by it/him/her 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, it/he/she 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.

Placing

In connection with the Placing, our Company expects to enter into the Placing Underwriting Agreement with, among others, the executive Directors, the Controlling Shareholders, the Sole Sponsor, the Sole Global Coordinator and the Placing Underwriters.

Under the Placing Underwriting Agreement, subject to the conditions set forth therein, the Placing Underwriters are expected to severally, but not jointly, agree to act as agents of our Company to procure subscribers for the Placing Shares initially being offered pursuant to the Placing. It is expected that the Placing Underwriting Agreement may be terminated on similar grounds as the Public Offer Underwriting Agreement. Potential investors shall be reminded that in the event that the Placing Underwriting Agreement is not entered into, the Share Offer will not proceed. The Placing Underwriting Agreement is conditional on and subject to the Public Offer Underwriting Agreement having been executed, becoming unconditional and not having been terminated. It is expected that pursuant to the Placing Underwriting Agreement, our Company and our Controlling Shareholders will make similar undertakings as those given pursuant to the Public Offer Underwriting Agreement as described in the paragraph headed “Undertakings” above in this section.

Indemnity

Our Company and each of our Controlling Shareholders has agreed to indemnify the Public Offer Underwriters against certain losses which they may suffer, including losses arising from their performance of their obligations under the Public Offer Underwriting Agreement and any breach by us of the Public Offer Underwriting Agreement.

UNDERWRITING

Fees, commission and expenses

The Public Offer Underwriters will, and the Placing Underwriters are expected to, receive a commission of 2.5% of the total Offer Price for all the Offer Shares underwritten by them, out of which they shall pay any sub-underwriting commissions.

Assuming the Offer Price is HK\$0.65, being the mid-point of the indicative Offer Price range, the total underwriting commission, fees and expenses relating to the Share Offer and Listing (including the GEM Listing fees, SFC transaction levy, Stock Exchange trading fee, legal and other professional fees, and printing), are estimated to be HK\$22.7 million, of which HK\$8.7 million is expected to be incurred for the year ending 31 March 2018. The Sole Sponsor will receive a sponsor fee of HK\$4.4 million in relation to the Listing and will be reimbursed for their expenses.

UNDERWRITERS' INTEREST IN OUR COMPANY

The Sole Global Coordinator and other Underwriters will receive an underwriting commission. Particulars of these underwriting commission, incentive fee and expenses are set out in the paragraph headed “Underwriting arrangements and expenses — Fees, commission and expenses” in this section for further details.

Our Company has appointed Innovax Capital as our compliance adviser pursuant to Rule 6A.19 of the GEM Listing Rules for the period commencing on the Listing Date and ending on the date on which our Company complies with Rule 18.03 of the GEM Listing Rules in respect of our financial results for the second financial year commencing after the Listing Date, or until the agreement is terminated, whichever is earlier.

Other than pursuant to the Underwriting Agreements, none of the Underwriters has any shareholding in any member of our Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

Following the completion of the Share Offer, the Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Underwriting Agreements.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

THE SHARE OFFER

The Share Offer comprises the Public Offer and the Placing. A total of initially 120,000,000 Offer Shares will be made available under the Share Offer, of which 108,000,000 Placing Shares (subject to reallocation), representing 90% of the Offer Shares, will initially be conditionally placed with selected institutional, professional and/or other investors under the Placing. The remaining 12,000,000 Public Offer Shares (subject to reallocation), representing 10% of the Offer Shares, will initially be offered to members of the public in Hong Kong under the Public Offer. The Public Offer is open to all members of the public in Hong Kong as well as to institutional and professional investors.

The Public Offer Underwriters have severally agreed to underwrite the Public Offer Shares under the terms of the Public Offer Underwriting Agreement. The Placing Underwriters will severally underwrite the Placing Shares pursuant to the terms of the Placing Underwriting Agreement. Further details of the underwriting are set out in the section headed “Underwriting” in this prospectus.

Investors may apply for the Offer Shares under the Public Offer or indicate an interest, if qualified to do so, for the Offer Shares under the Placing, but may not do both. The number of Offer Shares to be offered under the Public Offer and the Placing respectively may be subject to reallocation as described in “Pricing and Allocation” in this section.

PRICING AND ALLOCATION

Offer Price

The Offer Price will be not more than HK\$0.75 per Offer Share and is expected to be not less than HK\$0.55 per Offer Share, unless otherwise announced. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.

In the event that there is a reduction in the indicative Offer Price range, our Company will, as soon as practicable following the decision to make any such reduction, and in any event not later than the morning of the last day for lodging applications under the Public Offer, cause to be made by our Company on the website of our Company at www.wines-link.com, the website of the Stock Exchange at www.hkexnews.hk and the GEM website at www.hkgem.com a notice of the reduction in the indicative Offer Price range and/or number of Offer Shares. Such notice will also include confirmation or revision, as appropriate, of the offering statistics as currently set out in the section headed “Summary” in this prospectus and any other financial information which may change as a result of such reduction. The Offer Price, if agreed upon, will be fixed within such revised Offer Price range. Upon issue of such a notice, the number of Offer Shares offered in the Share Offer and/or the revised Offer Price range will be final and conclusive and the Offer Price, if agreed upon by the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company, will be fixed within such revised Offer Price range. In the absence of the publication of any such notice, the Offer Price shall under no circumstances be set outside the Offer Price range indicated

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

in this prospectus. If the number of Offer Shares and/or the Offer Price range is reduced, applicants under the Public Offer will be entitled to withdraw their applications, unless positive confirmations from the applicants to proceed are received.

Before submitting applications for the Public Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the indicative Offer Price range and/or number of Offer Shares may not be made until the day which is the last day for lodging applications under the Public Offer.

Price payable on application

Applicants under the Public Offer must pay, on application, the maximum indicative Offer Price of HK\$0.75 per Public Offer Share plus 1% brokerage, a 0.0027% SFC transaction levy and a 0.005% Stock Exchange trading fee, amounting to a total of HK\$3,030.23 for one board lot of 4,000 Shares. If the Offer Price as finally determined in the manner described below is less than HK\$0.75 per Public Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants without interest.

Determining the Offer Price

The Placing Underwriters are soliciting from prospective investors indications of interest in acquiring the Shares in the Placing. Prospective investors will be required to specify the number of Offer Shares under the Placing they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building”, is expected to continue up to, and to cease on or about, the last day for lodging applications under the Public Offer.

The Offer Price is expected to be fixed by agreement between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company on the Price Determination Date, when market demand for the Offer Shares will be determined. The Price Determination Date is expected to be on or about Thursday, 4 January 2018, and, in any event, no later than Wednesday, 10 January 2018.

If, for any reason, our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) are unable to reach agreement on the Offer Price on or before Wednesday, 10 January 2018, the Share Offer will not proceed and will lapse.

Allocation

The Shares to be offered in the Public Offer and the Placing may, in certain circumstances, be reallocated as between these offerings at the discretion of the Sole Global Coordinator (for itself and on behalf of the Underwriters).

Allocation of the Public Offer Shares to investors under the Public Offer will be based solely on the level of valid applications received under the Public Offer. The basis of allocation may vary, depending on the number of Public Offer Shares validly applied for by applicants. The allocation of

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Public Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

Allocation of the Placing Shares pursuant to the Placing will be based on a number of factors including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further and/or hold or sell Shares after Listing. Such allocation may be made to professional, institutional and other investors and is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a stable shareholder base to the benefit of our Company and the Shareholders as a whole.

Announcement of final Offer Price and basis of allocations

The final Offer Price, the level of indications of interest in the Placing, the level of applications in the Public Offer and the basis of allocations of the Public Offer Shares are expected to be announced on Thursday, 11 January 2018 on our Company's website at www.wines-link.com, the Stock Exchange's website at www.hkexnews.hk and the GEM website at www.hkgem.com.

Results of allocations in the Public Offer, including the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants (where applicable) and the number of Public Offer Shares successfully applied for under **WHITE** and **YELLOW** Application Forms will be made available through a variety of channels as described in the section headed "How to Apply for the Public Offer Shares — 11. Publication of results" in this prospectus.

CONDITIONS OF THE PUBLIC OFFER

Acceptance of all applications for the Offer Shares pursuant to the Public Offer will be conditional upon, among other things:

- the Stock Exchange granting listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Share Offer (including upon the exercise of the Offer Size Adjustment Option) and the exercise of options which may be granted under the Share Option Scheme;
- the Offer Price having been duly agreed on or around the Price Determination Date;
- the execution and delivery of the Placing Underwriting Agreement on or around the Price Determination Date; and
- the obligations of the Underwriters under each of the Placing Underwriting Agreement and the Public Offer Underwriting Agreement having become unconditional and not having been terminated in accordance with the terms of the respective agreements,

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

in each case on or before the dates and times specified in the Underwriting Agreements (unless and to the extent such conditions are waived on or before such dates and times) and in any event not beyond the 30th day after the date of this prospectus.

The consummation of each of the Public Offer and the Placing is conditional upon, among other things, the other becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions have not been fulfilled or waived prior to the dates and times specified, the Share Offer will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Public Offer will be published by us on our Company's website at www.wines-link.com, the Stock Exchange's website at www.hkexnews.hk and the GEM website at www.hkgem.com on the next business day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the section headed "How to Apply for the Public Offer Shares — 13. Refund of Application Monies" in this prospectus. In the meantime, the application monies will be held in separate bank account(s) with the receiving bank or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

Share certificates for the Offer Shares are expected to be issued on Thursday, 11 January 2018 but will only become valid certificates of title at 8:00 a.m. on Friday, 12 January 2018, provided that (i) the Share Offer has become unconditional in all respects and (ii) neither of the Underwriting Agreements has been terminated in accordance with its terms.

THE PUBLIC OFFER

Number of Shares initially offered

We are initially offering 12,000,000 Public Offer Shares at the Offer Price, representing 10% of the 120,000,000 Shares initially available under the Share Offer, for subscription by the public in Hong Kong, subject to reallocation as mentioned below. Subject to reallocation as mentioned below, the number of Shares offered under the Public Offer will represent 3% of the enlarged issued share capital of our Company immediately after completion of the Share Offer, assuming that the Offer Size Adjustment Option is not exercised. The Public Offer is open to members of the public in Hong Kong as well as to institutional, professional and other investors. Completion of the Public Offer is subject to the conditions as set out in "Conditions of the Public Offer" in this section.

Allocation

When there is over-subscription, allocation of the Public Offer Shares to applicants under the Public Offer will be based solely on the level of valid applications received under the Public Offer. The basis of allocation may vary, depending on the number of Public Offer Shares validly applied for by applicants. The allocation of Public Offer Shares could, where appropriate, consist of

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

balloting, which mean that some applicants may receive a higher allocation than others who have applied for the same number of Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

Each applicant under the Public Offer will also be required to give an undertaking and confirmation in the Application Form submitted by him or her that he or she and any person(s) for whose benefit he or she is making the application have not indicated an interest for or taken up and will not indicate an interest for or take up any Placing Shares in the Placing, and such applicant's application will be rejected if the said undertaking and/or confirmation is breached and/or untrue, as the case may be. Multiple or suspected multiple applications and any application for more than 100% of the Public Offer Shares initially comprised in the Public Offer are liable to be rejected.

Reallocation

The allocation of the Shares between the Public Offer and the Placing is subject to adjustment. If the number of Public Offer Shares validly applied for in the Public Offer represents (i) 15 times or more but less than 50 times, (ii) 50 times or more but less than 100 times, and (iii) 100 times or more of the number of Public Offer Shares initially available under the Public Offer, the total number of Public Offer Shares available under the Public Offer will be increased to 36,000,000 Shares, 48,000,000 Shares and 60,000,000 Shares, respectively, representing 30% (in the case of (i)), 40% (in the case of (ii)) and 50% (in the case of (iii)), respectively, of the total number of Public Offer Shares initially available under the Share Offer. In such cases, the number of Placing Shares allocated in the Placing will be correspondingly reduced, in such manner as the Sole Global Coordinator (for itself and on behalf of the Public Offer Underwriters) deem appropriate.

If the Public Offer Shares are not fully subscribed, the Sole Global Coordinator (for itself and on behalf of the Underwriters) has the authority to reallocate all or any unsubscribed Public Offer Shares to the Placing, in such proportions as the Sole Global Coordinator (for itself and on behalf of the Underwriters) deem appropriate. If the Placing is not fully subscribed, the Sole Global Coordinator (for itself and on behalf of the Underwriters) may reallocate all or any unsubscribed Placing Shares to the Public Offer to satisfy valid applications under the Public Offer.

The Offer Shares to be offered in the Public Offer and the Placing may, in certain circumstances, be reallocated as between these offerings at the discretion of the Sole Global Coordinator (for itself and on behalf of the Underwriters).

Applications

The Sole Global Coordinator (for itself and on behalf of the Underwriters) may require any investor who has been offered Shares under the Placing, and who has made an application under the Public Offer to provide sufficient information to the Sole Global Coordinator, so as to allow it to identify the relevant applications under the Public Offer and to ensure that it is excluded from any application for Shares under the Public Offer.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Each applicant under the Public Offer will also be required to give an undertaking and confirmation in the application submitted by him that he and any person for whose benefit he is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing, and such applicant's application is liable to be rejected if the said undertaking or confirmation is breached or untrue (as the case may be) or it has been or will be placed or allocated Offer Shares under the Placing.

References in this prospectus to applications, Application Forms, application monies or to the procedure for application relate solely to the Public Offer.

THE PLACING

Number of Offer Shares initially offered

Subject to the reallocation as described above, the number of Offer Shares to be initially offered under the Placing will be 108,000,000 Shares, representing 90% of the total number of the Offer Shares initially available under the Share Offer. Subject to the reallocation of the Offer Shares between the Placing and the Public Offer, the number of Shares initially offered under the Placing will represent approximately 27% of our Company's enlarged issue share capital immediately after the completion of the Share Offer, assuming the Offer Size Adjustment Option is not exercised. The Placing is subject to the Public Offer being unconditional.

Allocation

Pursuant to the Placing, the Placing Underwriters will conditionally place the Placing Shares with institutional, professional and/or other investors expected to have a sizeable demand for the Placing Shares in Hong Kong. Allocation of Placing Shares pursuant to the Placing will be effected in accordance with the "book-building" process described in "Pricing and allocation" in this section and based on a number of factors, including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Shares, and/or hold or sell its Shares after Listing. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a stable shareholder base to the benefit of our Company and the Shareholders as a whole. The total number of the Placing Shares to be allotted and issued may change as a result of the reallocation mentioned under "The Public Offer — Reallocation" in this section.

Offer Size Adjustment Option

Pursuant to the Placing Underwriting Agreement, we will grant to the Placing Underwriters the Offer Size Adjustment Option, which is exercisable by the Sole Global Coordinator (for itself and on behalf of the Placing Underwriters) in its sole and absolute discretion on or before 6:00 p.m. on the business day immediately before the date of the allotment results announcement, in writing, to require our Company to allot and issue up to 18,000,000 additional Shares at the Offer

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Price, representing 15% of the total number of Shares initially available for subscription under the Share Offer. Any such additional Shares may be issued to cover any excess demand in the Placing at the absolute discretion of the Sole Global Coordinator.

For the avoidance of doubt, the purpose of the Offer Size Adjustment Option is to provide flexibility for the Sole Global Coordinator to cover any excess demand in the Placing. The Offer Size Adjustment Option will not be used for price stabilisation purposes and will not be subject to the Securities and Futures (Price Stabilizing) Rules of the SFO (Chapter 571W of the Laws of Hong Kong). No purchase of the Shares in the secondary market will be effected to cover any excess demand in the Placing which will only be satisfied by the exercise of the Offer Size Adjustment Option in full or in part.

We will disclose in our allotment results announcement whether and to what extent the Offer Size Adjustment Option has been exercised, and will confirm in the announcement that, if the Offer Size Adjustment Option is not exercised by then, the Offer Size Adjustment Option will lapse and cannot be exercised on any future date. The allotment results announcement will be published on the website of the Stock Exchange at www.hkexnews.hk, the GEM website at www.hkgem.com and the website of our Company at www.wines-link.com.

In the event that the Offer Size Adjustment Option is exercised in full, 18,000,000 additional Shares, representing approximately 4.3% of the enlarged issued share capital of our Company, will be issued resulting in a total number of 418,000,000 Shares in issue.

If the Offer Size Adjustment Option is exercised in full, the additional net proceeds received from the placing of the additional Shares allotted and issued will be allocated in accordance with the allocations as disclosed in the section headed “Statement of Business Objectives and Use of Proceeds” of this prospectus, on a pro-rata basis.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

If the Stock Exchange grants the listing of and permission to deal in the Shares to be issued as mentioned in this prospectus on GEM and our Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on GEM 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.

All necessary arrangements have been made for the Shares to be admitted into CCASS.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

In respect of the dealings in the Shares which may be settled through CCASS, investors should seek the advice of their stockbroker or other professional adviser for details of those settlement arrangements and how such arrangements will affect their rights and interests.

DEALING ARRANGEMENTS

Assuming that the Public Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on Friday, 12 January 2018, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Friday, 12 January 2018. The Shares will be traded in board lots of 4,000 Shares. The stock code for the Shares is 8509.

Our Company will not issue any temporary documents of title.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

1. HOW TO APPLY

If you apply for Public Offer Shares, then you may not apply for or indicate an interest for International Offer Shares.

To apply for Public Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **HK eIPO White Form** service at www.hkeipo.hk; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Sole Global Coordinator, the **HK eIPO White Form** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Public Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you apply online through the **HK eIPO White Form** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Sole Global Coordinator may accept it at its discretion and on any conditions it thinks fit, including evidence of the attorney's authority.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

The number of joint applicants may not exceed four and they may not apply by means of **HK eIPO White Form** service for the Public Offer Shares.

Unless permitted by the GEM Listing Rules, you cannot apply for any Public Offer Shares if you are:

- an existing beneficial owner of Shares in our Company and/or any of our subsidiaries;
- a Director or chief executive officer of our Company and/or any of our subsidiaries;
- a connected person of our Company or will become a connected person of our Company immediately upon completion of the Share Offer;
- an associate of any of the above; and
- have been allocated or have applied for or indicated an interest in any Offer Shares under the Placing or otherwise participate in the Placing.

3. APPLYING FOR PUBLIC OFFER SHARES

Which Application Channel to Use

For Public Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online via the **HK eIPO White Form** service at www.hkeipo.hk.

For Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, 29 December 2017 to 12:00 noon on Thursday, 4 January 2018 from:

(i) any of the following offices of the Public Offer Underwriters:

- | | |
|---|---|
| (1) Innovax Securities Limited | Unit A–C, 20/F, Neich Tower
128 Gloucester Road
Wan Chai, Hong Kong |
| (2) ChaoShang Securities Limited | Rooms 4001–4002, 40/F,
China Resources Building
26 Harbour Road
Wanchai
Hong Kong |

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- (3) **CNI Securities Group Limited** 10/F, Sun's Group Centre
200 Gloucester Road
Wan Chai
Hong Kong
- (4) **Eternal Pearl Securities Limited** 19/F, 88 Gloucester Road
Wanchai, Hong Kong
- (5) **Fortune (HK) Securities Limited** 35/F, Office Tower, Convention Plaza
1 Harbour Road
Wanchai, Hong Kong
- (6) **Marketsense Securities Limited** Unit 7801–7803, 78/F, The Centre
99 Queen's Road
Central, Hong Kong
- (7) **Pacific Foundation Securities Limited** 11/F, New World Tower II
16–18 Queen's Road Central
Hong Kong
- (ii) any of the following branches of DBS Bank (Hong Kong) Limited, the receiving bank for the Public Offer:

	Branch	Address
Hong Kong Island	United Centre Branch	Shops 1015–1018 on 1/F & Shops 2032–2034 on 2/F, United Centre, 95 Queensway, Admiralty
Kowloon	Yaumatei Branch	G/F & 1/F, 131–137 Woosung Street, Yaumatei
New Territories	Ma On Shan Branch	Shops 205–206, Level 2, Ma On Shan Plaza, Ma On Shan

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, 29 December 2017 until 12:00 noon on Thursday, 4 January 2018 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to **Ting Hong Nominees Limited — Wines Link Public Offer** for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

- Friday, 29 December 2017 from 9:00 a.m. to 5:00 p.m.
- Saturday, 30 December 2017 from 9:00 a.m. to 1:00 p.m.
- Tuesday, 2 January 2018 from 9:00 a.m. to 5:00 p.m.
- Wednesday, 3 January 2018 from 9:00 a.m. to 5:00 p.m.
- Thursday, 4 January 2018 from 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Thursday, 4 January 2018, the last application day or such later time as described in the paragraph headed "10. Effect of Bad Weather on the Opening of the Applications Lists" below in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **HK eIPO White Form** service at www.hkeipo.hk, among other things, you:

- (i) undertake to execute all relevant documents and instruct and authorise our Company and/or the Sole Global Coordinator (or its agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Memorandum and the Articles;
- (ii) agree to comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Ordinance, the Companies Law, the Memorandum and the Articles;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- (v) confirm that you are aware of the restrictions on the Share Offer in this prospectus;
- (vi) agree that none of our Company, the Sole Sponsor, the Sole Global Coordinator, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing nor participated in the Placing;
- (viii) agree to disclose to our Company, the Hong Kong Branch Share Registrar, the receiving bank, the Sole Sponsor, the Sole Global Coordinator, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (ix) (if the laws of any place outside Hong Kong apply to your application) agree and warrant that you have complied with all such laws and none of our Company, the Sole Global Coordinator and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;
- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) represent, warrant and undertake that (i) you understand that the Public Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Public Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept the Public Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Public Offer Shares allocated to you, and our Company and/or our agents to send any share certificate(s) and/or any e-Auto Refund payment instructions and/or any refund cheque(s) to you or the first-named

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you are eligible to collect the share certificate(s) and/or refund cheque(s) in person;

- (xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xvii) understand that our Company and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider by you or by any one as your agent or by any other person; and
- (xix) (if you are making the application as an agent for the benefit of another person) warrant that no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional Instructions for Yellow Application Form

You may refer to the Yellow Application Form for details.

5. APPLYING THROUGH HK eIPO WHITE FORM SERVICE

General

Individuals who meet the criteria in the paragraph headed “2. Who can Apply” above in this section, may apply through the **HK eIPO White Form** service for the Offer Shares to be allotted and registered in their own names through the designated website at www.hkeipo.hk.

Detailed instructions for application through the **HK eIPO White Form** service are on the designated website at www.hkeipo.hk. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website at www.hkeipo.hk, you authorise the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

Time for Submitting Applications under the HK eIPO White Form

You may submit your application to the **HK eIPO White Form** Service Provider at www.hkeipo.hk (24 hours daily, except on the last application day) from 9:00 a.m. on Friday, 29 December 2017 until 11:30 a.m. on Thursday, 4 January 2018 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Thursday, 4 January 2018 or such later time under the paragraph headed “10. Effects of Bad Weather on the Opening of the Applications Lists” below in this section.

No Multiple Applications

If you apply by means of **HK eIPO White Form**, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **HK eIPO White Form** service to make an application for Public Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an electronic application instruction under **HK eIPO White Form** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO White Form** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Public Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling 2979-7888 or through the CCASS Internet System at <https://ip.ccass.com> (using the procedures in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time).

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited

Customer Service Center

1/F, One & Two Exchange Square

8 Connaught Place

Central

Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Public Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Sole Global Coordinator and the Hong Kong Branch Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Public Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (ii) HKSCC Nominees will do the following things on your behalf:
 - agree that the Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
 - agree to accept the Public Offer Shares applied for or any lesser number allocated;
 - undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing;

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- (if the **electronic application instruction** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;
- (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;
- confirm that you understand that our Company, the Directors and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted if you make a false declaration;
- authorise our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Public Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- agree that none of our Company, the Sole Sponsor, the Sole Global Coordinator, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to our Company, the Hong Kong Branch Share Registrar, the receiving bank, the Sole Sponsor, the Sole Global Coordinator, the Underwriters and/or its respective advisers and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Public Offer Shares to any person before the fifth day after the time of the opening of

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Public Offer results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Public Offer Shares;
- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Ordinance, the Companies Law, the Memorandum and the Articles; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Public Offer Shares on your behalf;

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, the SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, the SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 4,000 Public Offer Shares. Instructions for more than 4,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Public Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

- Friday, 29 December 2017 from 9:00 a.m. to 8:30 p.m.⁽¹⁾
- Saturday, 30 December 2017 from 8:00 a.m. to 1:00 p.m.⁽¹⁾
- Tuesday, 2 January 2018 from 8:00 a.m. to 8:30 p.m.⁽¹⁾
- Wednesday, 3 January 2018 from 8:00 a.m. to 8:30 p.m.⁽¹⁾
- Thursday, 4 January 2018 from 8:00 a.m.⁽¹⁾ to 12:00 noon

Note:

- (1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Friday, 29 December 2017 until 12:00 noon on Thursday, 4 January 2018 (24 hours daily, except on Saturday, 30 December 2017 and on the last application day).

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Thursday, 4 January 2018, the last application day or such later time as described in the paragraph headed “10. Effect of Bad Weather on the Opening of the Application Lists” below in this section.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Public Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

Personal Data

The section of the Application Form headed “Personal Data” applies to any personal data held by our Company, the Hong Kong Branch Share Registrar, the receiving bank, the Sole Sponsor, the Sole Global Coordinator, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Public Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Public Offer Shares through the **HK eIPO White Form** service is also only a facility provided by the **HK eIPO White Form** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, the Directors, the Sole Sponsor, the Sole Global Coordinator and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **HK eIPO White Form** service will be allotted any Public Offer Shares.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Thursday, 4 January 2018.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Public Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner.

If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through **HK eIPO White Form** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"**Unlisted company**" means a company with no equity securities listed on the Stock Exchange. "**Statutory control**" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of our Company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

9. HOW MUCH ARE THE PUBLIC OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, the SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **HK eIPO White Form** service in respect of a minimum of 4,000 Public Offer Shares. Each application or **electronic application instruction** in respect of more than 4,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at www.hkeipo.hk.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the section headed “Structure of the Share Offer — Pricing and Allocation” in this prospectus.

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, 4 January 2018. Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Thursday, 4 January 2018 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed “Expected Timetable” in this prospectus, an announcement will be made in such event.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

11. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the Placing, the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares on Thursday, 11 January 2018 on our Company's website at www.wines-link.com, the Stock Exchange's website at www.hkexnews.hk and the GEM website at www.hkgem.com.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Public Offer will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company's website at www.wines-link.com, the Stock Exchange's website at www.hkexnews.hk and the GEM website at www.hkgem.com by no later than 9:00 a.m. on Thursday, 11 January 2018;
- from the designated results of allocations website at www.tricor.com.hk/ipo/result with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Thursday, 11 January 2018 to 12:00 midnight on Wednesday, 17 January 2018;
- by telephone enquiry line by calling 3691 8488 between 9:00 a.m. and 6:00 p.m. from Thursday, 11 January 2018 to Tuesday, 16 January 2018 (excluding Saturday and Sunday);
- in the special allocation results booklets which will be available for inspection during opening hours from Thursday, 11 January 2018 to Monday, 15 January 2018 at all the receiving bank designated branches.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Public Offer Shares if the conditions of the Share Offer are satisfied and the Share Offer is not otherwise terminated. Further details are contained in the section headed "Structure of the Share Offer".

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Public Offer Shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to **HK eIPO White Form** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If our Company or its agents exercise their discretion to reject your application:

Our Company, the Sole Global Coordinator, the **HK eIPO White Form** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Public Offer Shares is void:

The allotment of Public Offer Shares will be void if the Listing Division does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- within a longer period of up to six weeks if the Listing Division notifies our Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Public Offer Shares and Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions on the designated website at www.hkeipo.hk;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated; or
- our Company or the Sole Global Coordinator believe that by accepting your application, it would violate applicable securities or other laws, rules or regulations.
- your application is for more than 100% of the Public Offer Shares initially offered under the Public Offer.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK\$0.75 per Offer Share (excluding brokerage, the SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Public Offer are not fulfilled in accordance with the section headed "Structure of the Share Offer — Conditions of the Public Offer" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, the SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on or before Thursday, 11 January 2018.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Public Offer Shares allotted to you under the Public Offer (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Public Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Public Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, the SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on dispatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or before Thursday, 11 January 2018. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker’s cashier’s order(s).

Share certificates will only become valid at 8:00 a.m. on Friday, 12 January 2018 provided that the Share Offer has become unconditional and the right of termination described in the section headed “Underwriting” in this prospectus has not been exercised. **Investors who trade Shares prior to the receipt of share certificates or the share certificates becoming valid do so at their own risk.**

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

Personal Collection

(i) *If you apply using a WHITE Application Form*

If you apply for 1,000,000 or more Public Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from the Hong Kong Branch Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong from 9:00 a.m. to 1:00 p.m. on Thursday, 11 January 2018 or such other date as notified by us.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Branch Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on or before Thursday, 11 January 2018, by ordinary post and at your own risk.

(ii) *If you apply using a YELLOW Application Form*

If you apply for 1,000,000 Public Offer Shares or more, please follow the same instructions as described above for the collection of your refund cheque(s). If you have applied for less than 1,000,000 Public Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on or before Thursday, 11 January 2018, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Thursday, 11 January 2018, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you apply through a designated CCASS participant (other than a CCASS investor participant)*

For Public Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Public Offer Shares allotted to you with that CCASS participant.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- *If you are applying as a CCASS investor participant*

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Public Offer in the manner described in the paragraph headed "11. Publication of Results" above in this section. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 11 January 2018 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) *If you apply through the HK eIPO White Form Service*

If you apply for 1,000,000 Public Offer Shares or more and your application is wholly or partially successful, you may collect your share certificate(s) from Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong from 9:00 a.m. to 1:00 p.m. on Thursday, 11 January 2018, or such other date as notified by our Company as the date of despatch/collection of share certificates/e-Auto Refund payment instructions/refund cheques.

If you do not collect your share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Thursday, 11 January 2018 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(iv) *If you apply via Electronic Application Instructions to HKSCC*

Allocation of Public Offer Shares

For the purposes of allocating Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Thursday, 11 January 2018, or, on any other date determined by HKSCC or HKSCC Nominees.
- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Public Offer in the manner specified in the paragraph headed "11. Publication of Results" above in this section on Thursday, 11 January 2018. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 11 January 2018 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCCs "An Operating Guide for Investor Participants" in effect from time to time) on Thursday, 11 January 2018. Immediately following the credit of the Public Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, the SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Thursday, 11 January 2018.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the GEM Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report, prepared for inclusion in this Prospectus, received from the independent reporting accountants of the company, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong.

Deloitte.**德勤****ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF WINE'S LINK INTERNATIONAL HOLDINGS LIMITED AND INNOVAX CAPITAL LIMITED*****Introduction***

We report on the historical financial information of Wine's Link International Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-58, which comprises the combined statements of financial position as at 31 March 2015, 2016 and 2017 and 30 June 2017, the statement of financial position of the Company as at 31 March 2017 and 30 June 2017, and the combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined statements of cash flows for each of the three years ended 31 March 2017 and the three months ended 30 June 2017 (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information sets out on pages I-4 to I-60 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 29 December 2017 (the "Prospectus") in connection with the initial listing of shares of the Company on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

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

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Group's financial position as at 31 March 2015, 2016 and 2017 and 30 June 2017, of the Company's financial position as at 31 March 2017 and 30 June 2017 and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises the combined statement of profit or loss and other comprehensive income, the combined statement of changes in equity and the combined statement of cash flows for the three months ended 30 June 2016 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

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

The Historical Financial Information is stated after making such adjustments to the Underlying Financial Statements as defined on page I-4 as were considered necessary.

Dividends

We refer to note 12 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Track Record Period.

No historical financial statements for the Company

No financial statements have been prepared for the Company since its date of incorporation.

Deloitte Touche Tohmatsu*Certified Public Accountants*

Hong Kong

29 December 2017

HISTORICAL FINANCIAL INFORMATION OF THE GROUP**Preparation of Historical Financial Information**

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

The Historical Financial Information in this report was prepared based on consolidated financial statements of Starlight Worldwide Investment Limited ("Starlight Worldwide") and its subsidiary for the Track Record Period and management accounts of the Company for the period from its date of incorporation to 31 March 2017 and the three months ended 30 June 2017 (collectively known as "Underlying Financial Statements"). The consolidated financial statements of Starlight Worldwide and its subsidiary have been prepared in accordance with the accounting policies which conform with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA and were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

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

COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	NOTES	Year ended 31 March			Three months ended 30 June	
		2015	2016	2017	2016	2017
		HK\$'000	HK\$'000	HK\$'000	HK\$'000 (unaudited)	HK\$'000
Revenue	5	205,008	244,619	281,639	66,336	68,410
Cost of sales		<u>(177,626)</u>	<u>(211,441)</u>	<u>(244,664)</u>	<u>(57,921)</u>	<u>(59,510)</u>
Gross profit		27,382	33,178	36,975	8,415	8,900
Other income	6	493	521	241	126	58
Other gains and losses, net	6	1,810	(5,530)	1,638	(709)	(781)
Selling and distribution expenses		(4,460)	(7,119)	(8,989)	(2,477)	(2,336)
Administrative expenses		(9,527)	(9,582)	(11,464)	(2,172)	(3,016)
Listing expenses		—	(277)	(7,540)	(326)	(1,528)
Finance costs	7	<u>(5,223)</u>	<u>(5,680)</u>	<u>(4,935)</u>	<u>(1,804)</u>	<u>(978)</u>
Profit before taxation	9	10,475	5,511	5,926	1,053	319
Income tax expense	10	<u>(1,303)</u>	<u>(1,664)</u>	<u>(2,228)</u>	<u>(202)</u>	<u>(309)</u>
Profit and total comprehensive income for the year attributable to the owners of the Company		<u>9,172</u>	<u>3,847</u>	<u>3,698</u>	<u>851</u>	<u>10</u>

STATEMENTS OF FINANCIAL POSITION

	NOTES	The Group				The Company	
		As at 31 March		As at 30 June		As at	
		2015	2016	2017	2017	31 March 2017	30 June 2017
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-current assets							
Property and equipment	13	4,637	6,029	9,220	8,458	—	—
Deferred tax assets	25	150	158	180	247	—	—
Deposits and prepayments	16	11,663	11,902	1,864	2,182	—	—
Derivative financial instruments	24	—	6,825	—	—	—	—
		<u>16,450</u>	<u>24,914</u>	<u>11,264</u>	<u>10,887</u>	<u>—</u>	<u>—</u>
Current assets							
Inventories	14	59,062	87,515	83,668	91,001	—	—
Trade receivables	15	57,322	27,270	13,330	14,752	—	—
Other receivables, deposits and prepayments	16	8,035	31,558	31,364	34,383	3,530	4,027
Amounts due from shareholders	17	11,661	13,893	1,317	8,934	—	—
Amounts due from related parties	18	42,980	79,580	18	61	—	—
Derivative financial instruments	24	—	—	13	—	—	—
Tax recoverable		222	—	—	—	—	—
Pledged bank deposits	19	27,764	24,273	2,000	2,000	—	—
Bank balances and cash	19	22	8,097	27,865	22,504	20	8
		<u>207,068</u>	<u>272,186</u>	<u>159,575</u>	<u>173,635</u>	<u>3,550</u>	<u>4,035</u>
Current liabilities							
Trade payables	20	1,694	961	414	142	—	—
Other payables and accrued charges	21	2,499	7,842	7,917	9,976	4,736	6,322
Amount due to a shareholder	17	362	—	—	249	—	—
Amounts due to related parties	18	1,640	42	561	—	—	—
Amount due to a subsidiary	18	—	—	—	—	6,626	7,099
Tax payable		—	843	923	471	—	—
Bank borrowings	22	164,627	219,391	95,895	108,734	—	—
Obligations under finance leases	23	937	709	713	719	—	—
Derivative financial instruments	24	2,257	—	13	—	—	—
		<u>174,016</u>	<u>229,788</u>	<u>106,436</u>	<u>120,291</u>	<u>11,362</u>	<u>13,421</u>
Net current assets (liabilities)		<u>33,052</u>	<u>42,398</u>	<u>53,139</u>	<u>53,344</u>	<u>(7,812)</u>	<u>(9,386)</u>
Total assets less current liabilities		<u>49,502</u>	<u>67,312</u>	<u>64,403</u>	<u>64,231</u>	<u>(7,812)</u>	<u>(9,386)</u>
Non-current liabilities							
Obligations under finance leases	23	1,334	1,278	996	814	—	—
Derivative financial instruments	24	264	6,825	—	—	—	—
Provisions	26	—	—	500	500	—	—
		<u>1,598</u>	<u>8,103</u>	<u>1,496</u>	<u>1,314</u>	<u>—</u>	<u>—</u>
Net assets (liabilities)		<u>47,904</u>	<u>59,209</u>	<u>62,907</u>	<u>62,917</u>	<u>(7,812)</u>	<u>(9,386)</u>
Capital and reserves							
Issued share capital	27	20,000	—	—	—	—	—
Reserves		<u>27,904</u>	<u>59,209</u>	<u>62,907</u>	<u>62,917</u>	<u>(7,812)</u>	<u>(9,386)</u>
Equity attributable to owners of the Company		<u>47,904</u>	<u>59,209</u>	<u>62,907</u>	<u>62,917</u>	<u>(7,812)</u>	<u>(9,386)</u>

COMBINED STATEMENTS OF CHANGES IN EQUITY

	Issued share capital	Other reserve	Accumulated profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2014	20,000	—	18,732	38,732
Profit and total comprehensive income for the year	<u>—</u>	<u>—</u>	<u>9,172</u>	<u>9,172</u>
At 31 March 2015	20,000	—	27,904	47,904
Profit and total comprehensive income for the year	—	—	3,847	3,847
Effect of reorganisation as detailed in Note 1(ii) (<i>note i</i>)	(20,000)	20,000	—	—
Contribution from a shareholder (<i>note ii</i>)	<u>—</u>	<u>7,458</u>	<u>—</u>	<u>7,458</u>
At 31 March 2016	—	27,458	31,751	59,209
Profit and total comprehensive income for the year	<u>—</u>	<u>—</u>	<u>3,698</u>	<u>3,698</u>
At 31 March 2017	—	27,458	35,449	62,907
Profit and total comprehensive income for the period	<u>—</u>	<u>—</u>	<u>10</u>	<u>10</u>
At 30 June 2017	<u>—</u>	<u>27,458</u>	<u>35,459</u>	<u>62,917</u>
At 1 April 2016	—	27,458	31,751	59,209
Profit and total comprehensive income for the period (unaudited)	<u>—</u>	<u>—</u>	<u>851</u>	<u>851</u>
At 30 June 2016 (unaudited)	<u>—</u>	<u>27,458</u>	<u>32,602</u>	<u>60,060</u>

Notes:

- (i) Other reserve of HK\$20,000,000 represents the difference between the share capital of Wine's Link (as defined in note 1) and that of Starlight Worldwide issued during the year ended 31 March 2016.
- (ii) The amount mainly represented the contribution from Mr. Ting Chi Wai Roy ("Mr. Roy Ting"), one of the ultimate beneficiary owners of the Company, in relation to the derivative financial instruments entered into with the Group during the year ended 31 March 2016. Details are disclosed in note 24.

COMBINED STATEMENTS OF CASH FLOWS

	Year ended 31 March			Three months ended 30 June	
	2015	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
OPERATING ACTIVITIES					
Profit before taxation	10,475	5,511	5,926	1,053	319
Adjustments for:					
Depreciation of property and equipment	1,165	1,516	2,656	436	894
Finance costs	5,223	5,680	4,935	1,804	978
Interest income	(435)	(476)	(166)	(122)	(3)
Net loss (gain) on written off/disposals of property and equipment	28	—	(152)	—	(109)
Exchange loss on pledged bank deposits	—	633	1,906	1,341	—
Change in fair value of derivative financial instruments	(2,255)	6,191	(1,906)	(1,341)	—
Operating cash flows before movements in working capital	14,201	19,055	13,199	3,171	2,079
Decrease (increase) in inventories	9,680	(28,453)	3,847	2,345	(7,333)
(Increase) decrease in trade receivables	(14,642)	30,052	15,688	(20,928)	(1,422)
Decrease (increase) in other receivables, deposits and prepayments	977	(23,329)	(669)	(956)	(3,038)
Increase (decrease) in trade payables	1,694	(733)	(547)	(7)	(272)
(Decrease) increase in other payables and accrued charges	(167)	5,773	(188)	2,191	2,090
Increase (decrease) in amounts due to related parties	—	42	(42)	180	—
Cash generated from (used in) operations	11,743	2,407	31,288	(14,004)	(7,896)
Income tax paid	(1,381)	(607)	(2,170)	(275)	(828)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	10,362	1,800	29,118	(14,279)	(8,724)
INVESTING ACTIVITIES					
Bank interest received	5	43	12	4	3
Proceeds from disposal of property and equipment	—	—	195	—	132
Purchase of property and equipment	(542)	(2,498)	(4,627)	(279)	(186)
Placement of deposits for the acquisition of property and equipment	(170)	—	(638)	(155)	(300)
Placement in pledge bank deposits	(19,974)	(20,463)	—	—	—
Withdrawal of pledged bank deposits	—	23,321	20,367	166	—
Proceeds from equity-linked notes	13,688	—	—	—	—
Settlement in derivative financial instruments	(49)	(1,887)	(5,496)	(1,084)	16
Repayment from shareholders	4,897	14,953	62,586	4,507	22,179
Advance to shareholders	(4,765)	(16,552)	(31,548)	(1,226)	(29,812)
Repayment from related parties	32,456	51,122	129,111	5,875	4,018
Advance to related parties	(36,933)	(87,722)	(51,297)	(3,696)	(4,060)
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(11,387)	(39,683)	118,665	4,112	(8,010)

	Year ended 31 March			Three months ended 30 June	
	2015	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (unaudited)	HK\$'000
FINANCING ACTIVITIES					
Interest paid	(5,223)	(5,680)	(4,935)	(1,804)	(978)
Capital contribution from a shareholder	—	—	633	633	—
Repayment of finance leases	(857)	(1,124)	(778)	(243)	(176)
New bank borrowings raised	72,338	325,881	360,620	218,419	74,770
Repayment of bank borrowings	(58,904)	(271,117)	(484,116)	(214,775)	(61,931)
Advance from a shareholder	49	—	—	—	818
Repayment to a shareholder	—	(362)	—	—	(569)
Advance from related parties	12,808	645	2,075	—	—
Repayment to related parties	(19,275)	(2,285)	(1,514)	—	(561)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	936	45,958	(128,015)	2,230	11,373
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(89)	8,075	19,768	(7,937)	(5,361)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/PERIOD	111	22	8,097	8,097	27,865
CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD, represented by bank balances and cash	22	8,097	27,865	160	22,504

NOTES TO HISTORICAL FINANCIAL INFORMATION**1. GENERAL, GROUP REORGANISATION, AND BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION**

The Company was incorporated in Cayman Islands and registered as an exempted company with limited liability under the Cayman Companies Law on 22 September 2016. The Company is 60% owned by Shirz Limited (“Shirz”), a limited company incorporated in the British Virgin Islands (the “BVI”) and wholly owned by Ms. Wong Chi Lou Shirley (“Ms. Shirley Wong”), and 40% owned by Sunshine Consultancy Company Limited (“Sunshine Consultancy”), a limited company incorporated in the BVI and wholly owned by Mr. Roy Ting, spouse of Ms. Shirley Wong (Mr. Roy Ting together with Ms. Shirley Wong collectively known as the “Controlling Shareholders”). The address of the Company’s registered office and the principal place of business is disclosed in the paragraph headed “Corporate Information” to the Prospectus.

The Historical Financial Information has been prepared based on the accounting policies set out in note 3 which confirm with HKFRSs issued by the HKICPA and conventions applicable for group reorganisation (details are set out below).

Before the group reorganisation, Wine’s Link Limited (“Wine’s Link”), the operating subsidiary of the Group, is controlled by the Controlling Shareholders.

In preparation of the listing of the Company’s shares on the GEM of the Stock Exchange (the “Listing”), the companies comprising the Group underwent a group reorganisation as more fully explained in the section headed “History, Reorganisation and Corporate Structure” to this Prospectus (the “Reorganisation”) and detailed below, the Company has become the holding company of the companies now comprising the Group by interspersing the Company and Starlight Worldwide between the Controlling Shareholders and Wine’s Link. The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity, accordingly, the combined financial information has been prepared as if the Company had always been the holding company of the Group.

The combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows of the Group for the Track Record Period include the results, changes in equity and cash flows of the companies now comprising the Group as if the current group structure had been in existence throughout the Track Record Period, or since the respective dates of incorporation, which is a shorter period.

The combined statements of financial position of the Group as at 31 March 2015, 2016 and 2017 and 30 June 2017 have been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence at those dates taking into account the respective dates of incorporation, where applicable.

Details of the Reorganisation as described below.

- (i) On 23 March 2016, Starlight Worldwide was incorporated under the laws of the BVI as a limited liability company with an authorised share capital of United States Dollar (“USD”) 50,000 divided into 50,000 ordinary shares with par value of USD1 each. Upon incorporation, 4 shares, 4 shares and 2 shares of Starlight Worldwide were allotted and issued at par value to Ms. Shirley Wong, Mr. Roy Ting and Mr. Ting Ping Sing (“Mr. PS Ting”), the grandfather of Mr. Roy Ting respectively.
- (ii) On 31 March 2016, Ms. Shirley Wong, Mr. Roy Ting and Mr. PS Ting transferred their entire shareholding in Wine’s Link to Starlight Worldwide in consideration of the allotment and issue of 36 shares, 36 shares and 18 shares of Starlight Worldwide to Ms. Shirley Wong, Mr. Roy Ting and Mr. PS Ting respectively. Upon completion of the transfer, Wine’s Link became a wholly-owned subsidiary of Starlight Worldwide.
- (iii) On 22 September 2016, the Company was incorporated under the laws of the Cayman Islands as an exempted company with an initial authorised share capital of HK\$380,000 divided into 38,000,000 ordinary shares with par value of HK\$0.01 each. Upon incorporation of the Company, 1 share at par value was issued and allotted

to the initial subscriber, which was in turn transferred to Shirz on the same day. On 3 October 2016, 29 shares and 20 shares were allotted and issued at par to Shirz and Sunshine Consultancy respectively. Upon completion of such transfer and allotment, the Company was owned as to 60% by Shirz and 40% by Sunshine Consultancy respectively.

- (iv) On 14 October 2016, Mr. PS Ting transferred all of his 20 shares in Starlight Worldwide to Ms. Shirley Wong at zero consideration. Upon completion of such transfer, Starlight Worldwide was owned as to 60% by Ms. Shirley Wong and 40% by Mr. Roy Ting respectively.
- (v) On 18 December 2017, Ms. Shirley Wong and Mr. Roy Ting transferred their entire interest in Starlight Worldwide in consideration of allotment and issue of 30 shares and 20 shares of the Company to Shirz and Sunshine Consultancy respectively. Upon completion of the transfer, Starlight Worldwide became a wholly-owned subsidiary of the Company.

No statutory audited financial statements have been prepared for the Company since its date of incorporation as it was incorporated in a jurisdiction where there are no statutory audit requirements.

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

For the purpose of preparing and presenting the Historical Financial Information for the Track Record Period, the Group has consistently adopted the HKFRSs, Hong Kong Accounting Standards (“HKAS”), amendments and interpretations (“Int”) issued by the HKICPA that are effective for the Group’s financial year beginning on 1 April 2017 throughout the Track Record Period.

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial instruments ¹
HKFRS 15	Revenue from contracts with customers and the related amendments ¹
HKFRS 16	Leases ²
HK(IFRIC) — Int 22	Foreign currency transactions and advance consideration ¹
HK(IFRIC) — Int 23	Uncertainty over income tax treatments ²
Amendments to HKFRS 2	Clarification and measurement of share-based payment transactions ¹
Amendments to HKFRS 4	Applying HKFRS 9 Financial instruments with HKFRS 4 Insurance contracts ¹
Amendments to HKFRS 9	Prepayment features with negative compensation ²
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture ³
Amendments to HKAS 40	Transfers of investment property ¹
Amendments to HKFRS 28	As part of the annual improvements to HKFRSs 2014–2016 cycle ¹

¹ Effective for annual periods beginning on or after 1 January 2018.

² Effective for annual periods beginning on or after 1 January 2019.

³ Effective for annual periods beginning on or after a date to be determined.

HKFRS 9 “Financial instruments”

HKFRS 9 introduced new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The directors of the Company have reviewed the Group's financial assets as at 30 June 2017 and anticipate that the application of HKFRS 9 in the future may result in early recognition of credit losses based on expected loss model in relation to the Group's financial assets measured at amortised cost and is not likely to have other material impact on the results and financial position of the Group based on an analysis of the Group's existing business model.

HKFRS 15 “Revenue from contracts with customers”

HKFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 “Revenue”, HKAS 11 “Construction contracts” and the related interpretations when it becomes effective. The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when ‘control’ of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company anticipate that the application of HKFRS 15 in the future will not have a material impact on the amounts reported and disclosures made to the financial statements of the Group in the future based on the existing business model of the Group as at 30 June 2017.

HKFRS 16 “Leases”

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 “Leases” and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents operating lease payments as operating cash flows. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows.

Under HKAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 30 June 2017, the Group has non-cancellable operating lease commitment of HK\$8,659,000 as disclosed in note 29. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

The directors of the Company do not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in significant impact on the result and the net financial position of the Group.

Except for the above, the directors of the Company anticipate that the application of the other new and amendments to HKFRSs will have no material impact on the financial statements of the Group in the future.

3. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information has been prepared on the historical cost basis, except for certain financial instruments that are measured at fair value at the end of each reporting period, as appropriate, and in accordance with the following accounting policies which conform with HKFRSs issued by the HKICPA. In addition, the Historical Financial Information includes the applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange and the Hong Kong Companies Ordinance.

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in this Historical Financial Information is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based payment", leasing transactions that are within the scope of HKAS 17 "Leases", and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of assets".

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

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

The principal accounting policies adopted are set out below.

Basis of combination

The Historical Financial Information incorporates the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

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

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

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

Merger accounting for business combination involving entities under common control

The Historical Financial Information incorporates the financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under control of the controlling entity.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The combined statements of profit or loss and other comprehensive income include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where is a shorter period, regardless of the date of the common control combination.

Revenue recognition

Revenue is measured at fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

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 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 and equipment

Property and equipment are stated at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property and equipment over their estimated useful lives, using the straight-line method. The estimated useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for 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 and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property 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.

Impairment loss on assets other than financial assets

At the end of each reporting period, the Group reviews the carrying amounts of its 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. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill

(if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately 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 in profit or loss immediately.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories are determined on a 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 on 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 (other than financial instruments at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Financial assets are classified into financial assets at fair value through profit or loss ("FVTPL") and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts 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 debt instrument, 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.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is (i) contingent consideration that may be paid by an acquirer as part of a business combination to which HKFRS 3 applies, (ii) held for trading, or (iii) it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets and is included in the 'other gains and losses, net' line item. Fair value is determined in the manner described in note 34.

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 receivables, other receivables and deposits, amounts due from shareholders and related parties, pledged bank deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment of loans and receivables below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of loans and receivables

Loans and receivables are assessed for indicators of impairment at the end of each 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 loans and receivables, 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 a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

Objective evidence of impairment for a portfolio of trade receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments, observable changes in national or local economic conditions that correlate with default on trade receivables.

The amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment 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 a group entity after deducting all of its liabilities. Equity instruments issued by the group entities are recognised at the proceeds received, net of direct issue costs.

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 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.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration that may be paid by an acquirer as part of a business combination to which HKFRS 3 applies, (ii) held for trading, or (iii) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss includes any interest paid on the financial liabilities and is included in the 'other gains and losses, net' line item. Fair value is determined in the manner described in note 34.

Financial liabilities at amortised cost

The Group's other financial liabilities including trade payables, other payables and accrued charges, amounts due to a shareholder, related parties and a subsidiary, and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately.

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 terms of a debt instrument.

A financial guarantee contract issued by the Group and not designated 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 "Provision, Contingent Liabilities and Contingent Assets"; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised over the guarantee period.

Derecognition

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

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

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Retirement benefits costs

Payments to the Mandatory Provident Fund Scheme ("MPF Scheme") are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term and other long-term employee benefits

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

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

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in profit or loss except to the extent that another HKFRS requires or permits their inclusion in the cost of an asset.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the combined statements of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, 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.

Taxation

Taxation represents the sum of the income tax expense currently payable and deferred tax.

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

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such 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.

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 when 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 each 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 each reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

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. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Provisions

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

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

Foreign currencies

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

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

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 is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates 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 is the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets within the next twelve months.

Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated selling expenses. These estimates are based on the current market condition and the historical experience of selling products of similar nature. Management of the Group will reassess the estimations on a product-by-product basis at the end of each reporting period and write down for obsolete inventories will be made when necessary.

As at 31 March 2015, 2016 and 2017 and 30 June 2017, the carrying amounts of inventories are HK\$59,062,000, HK\$87,515,000, HK\$83,668,000 and HK\$91,001,000, 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 ageing analysis of individual trade debts performed by the management of the Group. 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.

There is no impairment on trade receivables during the Track Record Period. As at 31 March 2015, 2016 and 2017 and 30 June 2017, the carrying amount of trade receivable is HK\$57,322,000, HK\$27,270,000, HK\$13,330,000 and HK\$14,752,000, respectively.

Impairment of deposits paid to the suppliers

As disclosed in note 16, the Group had deposits paid to the suppliers for the purchase of wines. The Group does not require collateral or other security against its deposits paid to the suppliers. The Group performs ongoing evaluation of impairment of deposits paid to the suppliers due to a change of market conditions and the financial conditions of its suppliers. The evaluation also takes into account the quality and timeframe of the products to be delivered to the Group. When the deposits would not be settled as expected and the credit quality of the suppliers changed, the Group would impair the deposits paid to the suppliers.

During the years ended 31 March 2015, 2016 and 2017 and 30 June 2017, no impairment was made on the deposits paid to suppliers. The carrying amounts of deposits paid to the suppliers as at 31 March 2015, 2016 and 2017 and 30 June 2017 are HK\$7,699,000, HK\$31,131,000, HK\$27,472,000 and HK\$29,968,000 respectively.

5. 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 operations are solely derived from sale and distribution of wine products, other alcoholic beverages and wine accessory products in Hong Kong during the Track Record Period. For the purposes of resources allocation and performance assessment, the chief operating decision maker (i.e. the chief executive of the Group) 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.

Revenue from major products

	Year ended 31 March			Three months ended 30 June	
	2015	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Wine products	199,092	233,445	263,816	63,637	66,336
Other alcoholic beverages	5,864	11,157	17,317	2,659	2,071
Wine accessory products	52	17	506	40	3
	<u>205,008</u>	<u>244,619</u>	<u>281,639</u>	<u>66,336</u>	<u>68,410</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 and equipment are all located in Hong Kong by physical location of assets.

Information about major customers

Revenue attributed from customers that accounted for 10% or more of the Group's total revenue during the Track Record Period is as follows:

	Year ended 31 March			Three months ended 30 June	
	2015	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)				
Customer A	52,771	43,511	N/A ^(note)	N/A ^(note)	N/A ^(note)

Note: The corresponding revenue did not contribute over 10% of the total revenue of the Group.

6. OTHER INCOME/OTHER GAINS AND LOSSES, NET**Other income**

	Year ended 31 March			Three months ended 30 June	
	2015	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)				
Bank interest income	5	43	12	4	3
Interest income from deposits of life insurance policies	430	433	154	118	—
Others	58	45	75	4	55
	<u>493</u>	<u>521</u>	<u>241</u>	<u>126</u>	<u>58</u>

Other gains and losses, net

	Year ended 31 March			Three months ended 30 June	
	2015	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (unaudited)	HK\$'000
Change in fair value of derivative financial instruments					
— Structured foreign currency forward contract (<i>Note</i>)	2,255	(6,191)	—	—	—
— Arrangements on GBP denominated pledged bank deposits (<i>note 19</i>)	—	—	1,906	1,341	—
Net (loss) gain on written off/ disposals of property and equipment	(28)	—	152	—	109
Net exchange (losses) gains	(417)	661	(420)	(2,050)	(890)
	<u>1,810</u>	<u>(5,530)</u>	<u>1,638</u>	<u>(709)</u>	<u>(781)</u>

Note: During the year ended 31 March 2017 and the three months ended 30 June 2016 (unaudited) and 2017, the structured foreign currency forward contracts entered into by the Group with the bank has resulted in fair value gain of HK\$1,342,000, loss of HK\$2,024,000 (unaudited) and gain of HK\$3,000 respectively. The Arrangement (defined in note 24(f)) has resulted in the same amount but opposite effect which offset with the gain/loss resulted from the Outstanding Contracts (defined in note 24(f)) during the same year/period. Of the total change in fair value of derivative financial instruments, gain of HK\$6,838,000 and loss of HK\$940,000 (unaudited) relates to the fair value of Outstanding Contracts as at 31 March 2017 and 30 June 2016 (unaudited) respectively, while loss of HK\$6,838,000 and gain of HK\$940,000 (unaudited) relates to the fair value of Arrangement as at 31 March 2017 and 30 June 2016 (unaudited) respectively.

7. FINANCE COSTS

	Year ended 31 March			Three months ended 30 June	
	2015	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (unaudited)	
The finance costs represent interest on:					
— bank borrowings	5,163	5,603	4,865	1,786	963
— obligations under finance leases	60	77	70	18	15
	<u>5,223</u>	<u>5,680</u>	<u>4,935</u>	<u>1,804</u>	<u>978</u>

8. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' and chief executive's emoluments

Ms. Shirley Wong was appointed as the director of the Company on 22 September 2016 and Mr. Chan Sze Tung was appointed as the director of the Company on 18 January 2017. The emoluments paid or payable to the directors and chief executive of Company (including emoluments for services as director/employee of the group entities prior to becoming the directors of the Company) by the Group during the Track Record Period were as follows:

	<u>Ms. Shirley Wong</u>	<u>Mr. Chan Sze Tung</u>	<u>Total</u>
	HK\$'000	HK\$'000	HK\$'000
Year ended 31 March 2015			
Fees	450	—	450
Other emoluments			
Salaries and other benefits	62	167	229
Performance related bonuses	—	43	43
Retirement benefit scheme contributions	18	9	27
Total emoluments	<u>530</u>	<u>219</u>	<u>749</u>
	<u>Ms. Shirley Wong</u>	<u>Mr. Chan Sze Tung</u>	<u>Total</u>
	HK\$'000	HK\$'000	HK\$'000
Year ended 31 March 2016			
Fees	450	—	450
Other emoluments			
Salaries and other benefits	—	206	206
Performance related bonuses	—	34	34
Retirement benefit scheme contributions	18	11	29
Total emoluments	<u>468</u>	<u>251</u>	<u>719</u>
	<u>Ms. Shirley Wong</u>	<u>Mr. Chan Sze Tung</u>	<u>Total</u>
	HK\$'000	HK\$'000	HK\$'000
Year ended 31 March 2017			
Fees	480	—	480
Other emoluments			
Salaries and other benefits	—	237	237
Retirement benefit scheme contributions	18	12	30
Total emoluments	<u>498</u>	<u>249</u>	<u>747</u>

	<u>Ms. Shirley Wong</u>	<u>Mr. Chan Sze Tung</u>	<u>Total</u>
	HK\$'000	HK\$'000	HK\$'000
Three months ended 30 June 2016 (unaudited)			
Fees	120	—	120
Other emoluments			
Salaries and other benefits	—	55	55
Retirement benefit scheme contributions	<u>5</u>	<u>3</u>	<u>8</u>
Total emoluments	<u>125</u>	<u>58</u>	<u>183</u>

	<u>Ms. Shirley Wong</u>	<u>Mr. Chan Sze Tung</u>	<u>Total</u>
	HK\$'000	HK\$'000	HK\$'000
Three months ended 30 June 2017			
Fees	120	—	120
Other emoluments			
Salaries and other benefits	—	75	75
Retirement benefit scheme contributions	<u>5</u>	<u>4</u>	<u>9</u>
Total emoluments	<u>125</u>	<u>79</u>	<u>204</u>

Ms. Shirley Wong acts as the chief executive of the Group.

The performance related bonuses are determined by reference to the individual performance of the director.

The emoluments shown above were for the directors' services in connection with the management of the affairs of the Company and the Group.

During the Track Record Period, no remuneration was paid by the Group to the directors of the Company 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 or agreed to waive any remuneration during the Track Record Period.

(b) Employees' emoluments

The five highest paid individuals included Ms. Shirley Wong whose emoluments are included in the disclosures in (a) above for the Track Record Period. The emoluments of the remaining four individuals for the year ended 31 March 2016 and 2017 and the three months ended 30 June 2016 (unaudited) and 2017, respectively are as follows:

	Year ended 31 March			Three months ended 30 June	
	2015	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (unaudited)	
Salaries and other benefits	1,113	1,058	1,182	307	443
Performance related bonuses	168	204	74	—	—
Retirement benefit scheme contributions	54	54	58	14	18
	<u>1,335</u>	<u>1,316</u>	<u>1,314</u>	<u>321</u>	<u>461</u>

The performance related bonuses are determined by reference to the individual performance of the employee.

The number of the highest paid non-director employees whose emoluments fell within the following band is as follows:

	Year ended 31 March			Three months ended 30 June	
	2015	2016	2017	2016	2017
	Number of employees	Number of employees	Number of employees	Number of employees (unaudited)	Number of employees
Nil to HK\$1,000,000	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>

During the Track Record Period, no emoluments were paid by the Group to the non-director and non-chief executive highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

9. PROFIT BEFORE TAXATION

	Year ended 31 March			Three months ended 30 June	
	2015	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (unaudited)	HK\$'000
Profit before taxation has been arrived at after charging:					
Auditor's remuneration	34	34	100	25	25
Cost of inventories recognised as an expense	177,626	211,441	244,664	57,921	59,510
Depreciation of property and equipment	1,165	1,516	2,656	436	894
Directors' remuneration (<i>note 8</i>)	749	719	747	183	204
Other staff costs					
Salaries and other benefits	3,423	4,168	6,466	1,191	1,911
Retirement benefits scheme contributions	134	257	323	73	89
Total staff costs	4,306	5,144	7,536	1,447	2,204
Minimum lease payments under operating leases in respect of land and buildings	1,920	1,789	3,338	521	1,008

10. INCOME TAX EXPENSE

	Year ended 31 March			Three months ended 30 June	
	2015	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (unaudited)	HK\$'000
Hong Kong Profits Tax:					
— Current tax	1,268	1,672	2,216	155	376
— Underprovision in prior year	—	—	34	34	—
Deferred tax charge (credit) (<i>note 25</i>)	35	(8)	(22)	13	(67)
	1,303	1,664	2,228	202	309

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the Track Record Period.

The income tax expense for the Track Record Period can be reconciled to the profit before taxation as follows:

	Year ended 31 March			Three months ended 30 June	
	2015	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (unaudited)	HK\$'000
Profit before taxation	10,475	5,511	5,926	1,053	319
Tax at the Hong Kong tax rate of 16.5%	1,728	909	978	174	53
Tax effect of expense not deductible for tax purpose	61	834	1,310	14	253
Tax effect of income not taxable for tax purpose	(451)	(79)	(33)	(20)	(1)
Underprovision in respect of prior year	—	—	34	34	—
Others	(35)	—	(61)	—	4
Income tax expense for the year/ period	1,303	1,664	2,228	202	309

Since August 2016, Hong Kong Inland Revenue Department (“IRD”) issued certain enquiry letters to Wine’s Link requesting for details of certain expenses and allowances claimed by Wine’s Link for the years of assessment 2010/11 to 2014/15. In March 2017, the IRD has issued additional assessment for the year of assessment 2010/11 (“Additional Assessment”) demanding additional tax of HK\$396,000 solely because of the time-bar concern. In April 2017, an objection has been filed by Wine’s Link to the IRD and tax reserve certificate of HK\$396,000 for conditional stand-over order of objection against the Additional Assessment were purchased by the Group.

Having taken advices from Wine’s Link’s tax representative and based on the information available to the directors of the Company, the directors of the Company are of the view that they have sufficient grounds to defend the deduction claims by Wine’s Link for the relevant years of assessments and hence it is not probable that an outflow of resources will be required to settle this obligation and thus no provision was recognised.

11. EARNINGS PER SHARE

No earnings per share information is presented for the purpose of this report as its inclusion is not considered meaningful having regard to the Reorganisation of the Group and the result of the Group for the Track Record Period that is prepared on a combined basis as set out in note 1.

12. DIVIDEND

No dividend was paid or proposed for shareholders of the Company or other group entities comprising the Group during the Track Record Period, nor has any dividend been proposed since the end of each reporting period.

13. PROPERTY AND EQUIPMENT

	<u>Leasehold improvements</u>	<u>Office equipment</u>	<u>Furniture and fixtures</u>	<u>Computer equipment</u>	<u>Motor vehicles</u>	<u>Total</u>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
COST						
At 1 April 2014	3,538	255	670	508	5,185	10,156
Additions	1,081	44	—	—	1,636	2,761
Disposal	—	—	—	—	(2,348)	(2,348)
At 31 March 2015	4,619	299	670	508	4,473	10,569
Additions	2,022	46	—	—	840	2,908
At 31 March 2016	6,641	345	670	508	5,313	13,477
Additions	4,585	188	336	262	519	5,890
Written off/disposals	(2,472)	—	—	—	(372)	(2,844)
At 31 March 2017	8,754	533	1,006	770	5,460	16,523
Additions	—	24	—	131	—	155
Disposals	(23)	—	—	—	(677)	(700)
At 30 June 2017	8,731	557	1,006	901	4,783	15,978
DEPRECIATION						
At 1 April 2014	2,487	204	521	508	3,367	7,087
Provided for the year	668	52	111	—	334	1,165
Eliminated on disposal	—	—	—	—	(2,320)	(2,320)
At 31 March 2015	3,155	256	632	508	1,381	5,932
Provided for the year	583	18	18	—	897	1,516
At 31 March 2016	3,738	274	650	508	2,278	7,448
Provided for the year	1,602	40	38	33	943	2,656
Eliminated on written off/ disposals	(2,429)	—	—	—	(372)	(2,801)
At 31 March 2017	2,911	314	688	541	2,849	7,303
Provided for the period	619	14	19	16	226	894
Eliminated on disposals	—	—	—	—	(677)	(677)
At 30 June 2017	3,530	328	707	557	2,398	7,520
CARRYING AMOUNTS						
At 31 March 2015	<u>1,464</u>	<u>43</u>	<u>38</u>	<u>—</u>	<u>3,092</u>	<u>4,637</u>
At 31 March 2016	<u>2,903</u>	<u>71</u>	<u>20</u>	<u>—</u>	<u>3,035</u>	<u>6,029</u>
At 31 March 2017	<u>5,843</u>	<u>219</u>	<u>318</u>	<u>229</u>	<u>2,611</u>	<u>9,220</u>
At 30 June 2017	<u>5,201</u>	<u>229</u>	<u>299</u>	<u>344</u>	<u>2,385</u>	<u>8,458</u>

The above items of property and equipment are depreciated on a straight-line basis at the following rates per annum:

Leasehold improvements	Over the shorter of the lease terms or 5 years
Office equipment	20%
Furniture and fixtures	20%
Computer equipment	20% to 50%
Motor vehicles	20%

As at 31 March 2015, 2016 and 2017 and 30 June 2017, the carrying amounts of motor vehicles included amounts of approximately HK\$3,092,000, HK\$2,646,000, HK\$2,128,000 and HK\$1,979,000 respectively in respect of assets held under finance leases.

14. INVENTORIES

	As at 31 March			As at
	2015	2016	2017	30 June
	HK\$'000	HK\$'000	HK\$'000	2017
				HK\$'000
Wine products	54,913	75,458	73,548	81,630
Other alcoholic beverages	4,149	11,484	9,775	9,027
Wine accessory products	—	573	345	344
	<u>59,062</u>	<u>87,515</u>	<u>83,668</u>	<u>91,001</u>

15. TRADE RECEIVABLES

The Group's credit terms of 30–120 days is granted to customers. The following is an ageing analysis of the trade receivables presented based on the invoice date which approximated the respective dates on which revenue was recognised at the end of each reporting period:

	As at 31 March			As at
	2015	2016	2017	30 June
	HK\$'000	HK\$'000	HK\$'000	2017
				HK\$'000
0–30 days	7,278	4,566	9,093	7,557
31–60 days	7,374	398	1,542	776
61–90 days	10,190	587	129	3,259
91–180 days	12,821	13,288	340	736
181–365 days	13,147	1,356	2,203	1,851
Over 1 year	<u>6,512</u>	<u>7,075</u>	<u>23</u>	<u>573</u>
	<u>57,322</u>	<u>27,270</u>	<u>13,330</u>	<u>14,752</u>

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Credit limits attributable to customers are reviewed regularly. Trade receivables that are neither past due nor impaired have no default of payments in the past and have good settlement records with the Group.

The Group has a policy for allowance of bad and doubtful debts which is based on the evaluation of collectability and ageing analysis of accounts and on management's judgement including the creditworthiness and the past collection history of each customer.

As at 31 March 2017 and 30 June 2017, included in the balance of trade receivables is an amount of HK\$2,488,000 and HK\$5,497,000 respectively which is due from Wei Yi Jiu Ding (Guangzhou) Trading Ltd (“Wei Yi Jiu Ding”), a former related party, of which HK\$1,748,000 was transferred from amounts due from related parties on 14 November 2016 since Ms. Shirley Wong disposed her entire equity interest of Dynasty Design and Production Limited (“Dynasty Design”), immediate holding company of Wei Yi Jiu Ding and wholly-owned by Ms. Shirley Wong, to an independent third party on 14 November 2016.

As at 31 March 2015, 2016 and 2017 and 30 June 2017, aggregate carrying amount of approximately HK\$33,032,000, HK\$21,737,000, HK\$2,801,000 and HK\$4,009,000, respectively, were past due at the end of each reporting period for which the Group has not provided for impairment loss as there were settlements subsequent to the end of each reporting period or there were continuous settlements by respective customers. Moreover, the directors of the Company did not aware of any significant change in credit quality of the trade receivable. Thus, the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

Ageing analysis of trade receivables which are past due but not impaired presented based on number of days overdue:

	As at 31 March			As at
	2015	2016	2017	30 June
	HK\$'000	HK\$'000	HK\$'000	2017
				HK\$'000
1–30 days	7,189	1,753	201	1,269
31–60 days	2,445	467	156	89
61–90 days	2,955	5,874	210	162
91–180 days	5,150	2,689	1,675	245
181–365 days	15,205	6,293	536	2,221
Over 365 days	88	4,661	23	23
Total	<u>33,032</u>	<u>21,737</u>	<u>2,801</u>	<u>4,009</u>

No interest is charged on the trade receivables. The Group has policy regarding impairment losses on trade receivables which is based on the evaluation of collectability and ageing analysis of accounts and on management’s judgement including the current creditworthiness and the past collection history of each customer.

There is no allowance for bad and doubtful debts being recognised for the Track Record Period.

16. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	The Group			The Company		
	As at 31 March			As at	As at	As at
	2015	2016	2017	30 June	31 March	30 June
	HK\$'000	HK\$'000	HK\$'000	2017	2017	2017
			HK\$'000	HK\$'000	HK\$'000	
Deposits for life insurance policies (<i>Note</i>)	11,006	11,167	—	—	—	—
Prepayments for life insurance policies (<i>Note</i>)	487	445	—	—	—	—
Deposits for the acquisition of property and equipment	170	170	808	1,108	—	—
Deposits paid to the suppliers	7,699	31,131	27,472	29,968	—	—
Rental deposits	200	120	1,056	1,056	—	—
Other deposits, other receivables and prepayments	136	398	731	558	369	152
Deferred listing expenses	—	29	3,161	3,875	3,161	3,875
Total	19,698	43,460	33,228	36,565	3,530	4,027
Presented as non-current assets	11,663	11,902	1,864	2,182	—	—
Presented as current assets	8,035	31,558	31,364	34,383	3,530	4,027
Total	19,698	43,460	33,228	36,565	3,530	4,027

Note: Before the Track Record Period, the Group entered into three life insurance policies with a bank to insure Ms. Shirley Wong and Mr. Roy Ting. Under these policies, Wine's Link is the beneficiary and policy holder and the total insured sum is USD12,500,000 (equivalent to HK\$97,500,000). Wine's Link is required to pay a gross premium of these life insurance policies of USD1,439,000 (equivalent to HK\$11,224,000) in aggregate, including premium charge at inception. The Group can, at any time, withdraw cash based on the account value of the policy ("Account Value") at the date of withdrawal, which is determined by the gross premium paid plus accumulated guaranteed interest earned and minus any charges made in accordance with the terms and conditions of the policy. If withdrawal is made between the 1st policy year to the end of surrender period stated in respective insurance contracts, there is a specified amount of surrender charge deducted from Account Value. This bank will pay Wine's Link a guaranteed interest rate of 5% per annum for the first year and a variable return per annum afterwards (with minimum guaranteed interest rate of 3% per annum) during the effective period of all these policies.

At the inception date of these policies, the gross premiums were separated into deposits placed and prepayment of life insurance charged. The prepayment of life insurance charged, representing the policy premiums charged by bank, is amortised to profit or loss over the insured period and the deposits placed are carried at amortised cost using the effective interest method.

The policy premium, expense and insurance charges are recognised in profit or loss over the expected life of the policies. As represented by the directors of the Company, the Group will not terminate the policies nor withdraw cash prior to the end of the surrender period and the expected life of the policies remained unchanged since the initial recognition.

On 3 August 2016, the Group transferred all these life insurance policies to Ms. Shirley Wong at a consideration of HK\$11,693,000 which was settled through the current account with Ms. Shirley Wong. There was no gain or loss recognised in the profit or loss upon the transfer.

The balance of the deposits for life insurance policies is denominated in USD, being a currency other than the functional currency of the group entities.

17. AMOUNTS DUE FROM/TO SHAREHOLDERS

Amounts are non-trade nature, unsecured, interest-free and repayable on demand.

Amounts due from shareholders

Details of amounts due from shareholders disclosed are as follows:

Name	At 1 April	At 31 March			At
	2014	2015	2016	2017	30 June
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	2017
Mr. Roy Ting	4,905	5,774	7,419	—	—
Ms. Shirley Wong (<i>Note</i>)	6,888	5,887	6,474	1,317	8,934
	<u>11,793</u>	<u>11,661</u>	<u>13,893</u>	<u>1,317</u>	<u>8,934</u>

Note: Ms. Shirley Wong is also a director of the Company.

As represented by the directors of the Company, the amounts due from shareholders are expected to be repayable within twelve months from the end of each reporting periods and recovered before the Listing.

Amount due to a shareholder

Details of amount due to a shareholder are as follows:

Name	At 1 April	As at 31 March			As at
	2014	2015	2016	2017	30 June
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	2017
Mr. PS Ting	313	362	—	—	—
Mr. Roy Ting	—	—	—	—	249
	<u>313</u>	<u>362</u>	<u>—</u>	<u>—</u>	<u>249</u>

As represented by the directors of the Company, the amount due to a shareholder will be settled before the Listing.

18. AMOUNTS DUE FROM/TO RELATED PARTIES

Amounts due from related parties

All the amounts are non-trade nature, unsecured, interest-free and are repayable on demand. Details of amounts due from related parties are as follows:

Name	Relationship	At	At 31 March			At
		1 April	2015	2016	2017	30 June
		2014	2015	2016	2017	2017
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Yeung Chi Hung	Mother of Ms. Shirley Wong	—	1,702	4,202	—	—
Dynasty International Group Holdings Limited ("Dynasty International")	Owned by Mr. Roy Ting, Ms. Shirley Wong, Mr. PS Ting and Ms. Yeung Chi Hung each as to 25%	—	—	1,872	—	43
Success Dragon International Industrial Limited ("Success Dragon")	Owned by Ms. Shirley Wong and Ms. Yeung Chi Hung as to 50% and 50% respectively	18,068	19,271	20,398	—	—
Way Young (International) Limited ("Way Young")	Owned by Mr. Roy Ting and Mr. PS Ting as to 50% and 50% respectively	14,051	12,415	15,276	—	—
Win Mate Investment Limited ("Win Mate")	Wholly-owned by Mr. PS Ting	6,051	5,330	5,012	—	—
Rich Link Hong Kong Development Limited ("Rich Link")	Owned by Mr. Roy Ting and Ms. Shirley Wong as to 50% and 50% respectively	—	2,623	23,722	—	—
Wei Yi Jiu Ding (<i>Note</i>)	Wholly-owned by Ms. Shirley Wong prior to 14 November 2016	213	1,415	4,687	—	—
Blesson Limited ("Blesson")	Wholly-owned by Mr. PS Ting	104	203	4,411	—	—
Goldton Limited	Wholly-owned by Mr. PS Ting prior to 10 September 2015	8	8	—	—	—
Wine Street Company Limited	Wholly-owned by Ms. Yeung Chi Hung	8	8	—	—	—
SW Business Consultancy Company	Wholly-owned by Ms. Shirley Wong	—	5	—	—	—
Shirz	Shareholder of the Company, wholly-owned by Ms. Shirley Wong	—	—	—	9	9
Sunshine Consultancy	Shareholder of the Company, wholly-owned by Mr. Roy Ting	—	—	—	9	9
		38,503	42,980	79,580	18	61

Note: On 14 November 2016, amount due from Wei Yi Jiu Ding of HK\$1,748,000 was transferred to trade receivables as Ms. Shirley Wong no longer held any interest in Wei Yi Jiu Ding as detailed in note 15.

Amounts due to related parties

Amounts due to related parties are non-trade nature, unsecured, interest-free and are repayable on demand except for the amount due to Kwong Fat Shing Enterprises Limited (“Kwong Fat Shing”) of HK\$42,000 as at 31 March 2016 which is trade nature with ageing of 181–365 days based on the invoice date.

Details of amounts due to related parties are as follows:

Name	As at 31 March			As at
	2015	2016	2017	30 June
	HK\$'000	HK\$'000	HK\$'000	2017
				HK\$'000
Dynasty International	1,640	—	—	—
Kwong Fat Shing (<i>Note</i>)	—	42	—	—
Blesson	—	—	561	—
	<u>1,640</u>	<u>42</u>	<u>561</u>	<u>—</u>

Note: Kwong Fat Shing is owned by Mr. Roy Ting, Mr. PS Ting, Ms. Ting Mei Wan, Millie, daughter of Mr. PS Ting, and Mr. Ting Wing Keung, son of Mr. PS Ting, as to 13.9%, 60.2%, 13.9% and 12.0% respectively.

Amount due to a subsidiary

As at 31 March 2017 and 30 June 2017, the Company has an amount due to Wine's Link of HK\$6,626,000 and HK\$7,099,000 respectively which is non-trade nature, unsecured, interest-free and repayable on demand.

19. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

As at 31 March 2016, Mr. Roy Ting agreed to contribute to the Group to the extent of the unrealised exchange loss of HK\$633,000 suffered by the Group on Great British Pound (“GBP”) denominated pledged bank deposits as at that day. On the same day, Mr. Roy Ting agreed to exchange with the Company the principal amount of the entire GBP denominated pledged bank deposits in Hong Kong dollars at the rate of HK\$11.15 per GBP at any time from 31 March 2016 onwards. During the three months ended 30 June 2016 and the year ended 31 March 2017, the Group incurred further exchange loss of HK\$1,341,000 (unaudited) and HK\$1,906,000, respectively, on GBP denominated pledged bank deposits and the Group has exercised its discretion to exchange the entire principal amount of GBP denominated pledged bank deposits which has resulted in a gain of the same amount credited to profit or loss with a corresponding receivable from Mr. Roy Ting being recognised.

As at 31 March 2015, 2016 and 2017 and 30 June 2017, pledged bank deposits represent deposits pledged to banks to secure the bank borrowings granted to the Group, and carried with prevailing market interest rate ranging from 0.001% to 0.4% per annum.

Bank balances and cash comprise cash held and short term bank deposits with an original maturity of three months or less and carrying interest at prevailing market rate from 0.01% to 0.45% per annum.

20. TRADE PAYABLES

The credit period on purchases of goods is up to 30 days. The following is an ageing analysis of trade payables based on the invoice date at the end of each reporting period:

	As at 31 March			As at
	2015	2016	2017	30 June
	HK\$'000	HK\$'000	HK\$'000	2017
				HK\$'000
Trade payables:				
0–30 days	—	961	405	125
Over 30 days	1,694	—	9	17
	<u>1,694</u>	<u>961</u>	<u>414</u>	<u>142</u>

21. OTHER PAYABLES AND ACCRUED CHARGES

	The Group			The Company		
	As at 31 March			As at	As at	As at
	2015	2016	2017	30 June	31 March	30 June
	HK\$'000	HK\$'000	HK\$'000	2017	2017	2017
				HK\$'000	HK\$'000	HK\$'000
Payables for addition to property and equipment	583	153	416	385	—	—
Other payables and accrued charges	1,804	1,619	2,210	1,757	210	—
Accrued listing expenses	—	—	4,526	6,322	4,526	6,322
Deposits received from customers	112	6,070	765	1,512	—	—
	<u>2,499</u>	<u>7,842</u>	<u>7,917</u>	<u>9,976</u>	<u>4,736</u>	<u>6,322</u>

22. BANK BORROWINGS

	As at 31 March			As at
	2015	2016	2017	30 June
	HK\$'000	HK\$'000	HK\$'000	2017
				HK\$'000
Secured and guaranteed:				
Other bank borrowings	82,408	107,993	—	—
Trust receipt loans	82,219	111,398	95,895	108,734
	<u>164,627</u>	<u>219,391</u>	<u>95,895</u>	<u>108,734</u>
Carrying amount repayable*				
— within one year	154,958	195,127	95,895	108,734
— in more than one year but not more than two years	1,030	1,583	—	—
— in more than two years but not more than five years	3,225	4,977	—	—
— in more than five years	5,414	17,704	—	—
	<u>164,627</u>	<u>219,391</u>	<u>95,895</u>	<u>108,734</u>
Less: Amounts due within one year or contain a repayable on demand clause shown under current liabilities	<u>(164,627)</u>	<u>(219,391)</u>	<u>(95,895)</u>	<u>(108,734)</u>
Amounts shown under non-current liabilities	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

* The amounts due are based on schedule repayment dates set out in the loan agreements.

As at 31 March 2015 and 2016, the bank borrowings are secured by the properties owned by Mr. PS Ting, Ms. Shirley Wong, Mr. Roy Ting, Blesson, Rich Link, Success Dragon, Way Young and Win Mate, debentures and listed securities in Hong Kong owned by Way Young, pledged bank deposits and life insurance policies of the Group.

As at 31 March 2017 and 30 June 2017, the bank borrowings are secured by the properties owned by Ms. Shirley Wong, Mr. Roy Ting, Rich Link, Success Dragon, Way Young, Win Mate and Honour Sky Trading Limited (“Honour Sky”), which is owned by Ms. Shirley Wong and Ms. Yeung Chi Hung as to 50% and 50% respectively, and pledged bank deposits of the Group.

As at 31 March 2015 and 2016, the bank borrowings are guaranteed by Success Dragon, Way Young, Mr. PS Ting, Mr. Roy Ting and Ms. Shirley Wong.

As at 31 March 2017, the bank borrowings are guaranteed by Success Dragon, Honour Sky, Mr. PS Ting, Mr. Roy Ting and Ms. Shirley Wong.

As at 30 June 2017, the bank borrowings are guaranteed by Success Dragon, Honour Sky, Ms. Yeung Chi Hung, Mr. Roy Ting and Ms. Shirley Wong.

The bank borrowings are at floating rate which carry interest at either Hong Kong Interbank Offered Rate (“HIBOR”) plus a spread or Hong Kong Prime Rate plus/minus a spread. The effective interest rate on the Group’s bank borrowings ranged from 2.17% to 5.25%, 1.48% to 5.25%, 1.49% to 3.99% and 1.85% to 3.88% per annum as at 31 March 2015, 2016 and 2017 and 30 June 2017, respectively.

As represented by the directors of the Company, the pledge of properties owned by Ms. Shirley Wong, Mr. Roy Ting, Rich Link, Success Dragon, Way Young, Win Mate and Honour Sky and the guarantee by Success Dragon, Honour Sky, Ms. Yeung Chi Hung, Mr. Roy Ting and Ms. Shirley Wong will be released upon Listing.

23. OBLIGATIONS UNDER FINANCE LEASES

	As at 31 March			As at 30 June
	2015	2016	2017	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Analysed for reporting purpose as:				
Current liabilities	937	709	713	719
Non-current liabilities	<u>1,334</u>	<u>1,278</u>	<u>996</u>	<u>814</u>
	<u>2,271</u>	<u>1,987</u>	<u>1,709</u>	<u>1,533</u>

The Group has leased certain of its motor vehicles under finance leases. The lease terms were ranged from three to five years for the Track Record Period. Interest rates underlying all obligations under finance leases were fixed at respective contract dates ranged from 2.90% to 4.74% per annum as at 31 March 2015, 2016 and 2017 and 30 June 2017.

	Minimum lease payments				Present value of minimum lease payments			
	As at 31 March			As at 30 June	As at 31 March			As at 30 June
	2015	2016	2017	2017	2015	2016	2017	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Obligations under finance leases payable:								
Within one year	1,036	770	762	762	937	709	713	719
In more than one year but not more than two years	564	629	718	649	521	592	693	631
In more than two years but not more than five years	<u>832</u>	<u>702</u>	<u>308</u>	<u>186</u>	<u>813</u>	<u>686</u>	<u>303</u>	<u>183</u>
	2,432	2,101	1,788	1,597	2,271	1,987	1,709	1,533
Less: Future finance charges	<u>(161)</u>	<u>(114)</u>	<u>(79)</u>	<u>(64)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Present value of lease obligations	<u>2,271</u>	<u>1,987</u>	<u>1,709</u>	<u>1,533</u>	2,271	1,987	1,709	1,533
Less: Amount due for settlement within one year (shown under current liabilities)					<u>(937)</u>	<u>(709)</u>	<u>(713)</u>	<u>(719)</u>
Amount due for settlement after one year					<u>1,334</u>	<u>1,278</u>	<u>996</u>	<u>814</u>

The Group's obligations under finance leases were secured by the lessor's charge over the leased assets.

24. DERIVATIVE FINANCIAL INSTRUMENTS

	As at 31 March			As at
	2015	2016	2017	30 June
	HK\$'000	HK\$'000	HK\$'000	2017
				HK\$'000
<i>Assets</i>				
Structured foreign currency forward contract				
— non-current	—	6,825	—	—
Structured foreign currency forward contract				
— current	—	—	13	—
	<u>—</u>	<u>6,825</u>	<u>13</u>	<u>—</u>
<i>Liabilities</i>				
Structured foreign currency forward contract				
— non-current	264	6,825	—	—
Structured foreign currency forward contract				
— current	<u>2,257</u>	<u>—</u>	<u>13</u>	<u>—</u>
	<u>2,521</u>	<u>6,825</u>	<u>13</u>	<u>—</u>

The Group did not account for these derivative financial instruments under hedge accounting.

Details of contracts and the respective fair values at the end of each reporting period are set out as below.

Contract	Contract date	Beginning determining date	Ending determining date	Settlement frequency	Notes	As at 31 March			As at 30 June
						2015	2016	2017	2017
						HK\$'000	HK\$'000	HK\$'000	
USD/HK\$ structured foreign currency forward contract	6 January 2014	5 August 2014	5 January 2016	monthly	(a)	(14)	—	—	—
USD/Renminbi ("RMB") structured foreign currency forward contract	9 January 2014	11 March 2014	11 January 2016	monthly	(b)	(2,243)	—	—	—
USD/RMB structured foreign currency forward contract	23 January 2015	11 February 2015	24 January 2017	monthly	(c)	(264)	—	—	—
USD/HK\$ structured foreign currency forward contract	15 April 2015	12 November 2015	12 April 2017	monthly	(d)	—	(526)	—	—
USD/RMB structured foreign currency forward contract	2 June 2015	11 June 2015	1 June 2017	monthly	(e)	—	(6,299)	13	—
Total derivative financial instruments — (liabilities)/assets						<u>(2,521)</u>	<u>(6,825)</u>	<u>13</u>	<u>—</u>
USD/HK\$ structured foreign currency forward contract	31 March 2016	14 April 2016	12 April 2017	monthly	(f)	—	526	—	—
USD/RMB structured foreign currency forward contract	31 March 2016	29 April 2016	1 June 2017	monthly	(f)	—	6,299	(13)	—
Total derivative financial instruments — assets/ (liabilities)						<u>—</u>	<u>6,825</u>	<u>(13)</u>	<u>—</u>

Notes:

- (a) The Group entered into USD/HK\$ structured foreign currency forward contract with a bank pursuant to which (i) the Group would receive a fixed amount of HK\$18,000 from the bank when the spot rate is equal to or higher than HK\$7.749 per USD on respective determining dates; and (ii) the Group would receive USD1,800,000 and pay HK\$13,948,200 from the bank when the spot rate is lower than HK\$7.749 per USD on respective determining dates.
- (b) The Group entered into USD/RMB structured foreign currency forward contract with a bank pursuant to which (i) subject to condition (iii), the Group would pay USD500,000 and receive RMB3,050,000 from the bank when the spot rate is equal to or lower than RMB6.1 per USD on respective determining dates; (ii) the Group would pay USD1,000,000 and receive RMB6,100,000 from the bank when the spot rate is higher than RMB6.2 per USD on respective determining dates; (iii) in case of spot rate is lower than RMB6.1 per USD on determining dates and the spread between spot rate and RMB6.1 per USD is RMB0.4 per USD or more on the

determining dates, the Group would receive USD500,000 from the bank and pay RMB based on the rate specified in the contract and the contract is then knock out; and (iv) no payment or receipt when spot rate is higher than RMB6.1 per USD and equal to or lower than RMB6.2 per USD on respective determining dates.

- (c) The Group entered into USD/RMB structured foreign currency forward contract with a bank pursuant to which (i) subject to condition (iii), the Group would receive RMB170,000 which is payable by the bank in USD using spot rate when the spot rate is equal to or lower than RMB6.2 per USD on respective determining dates; (ii) the Group would pay USD1,000,000 multiply by rate specified in the contract when the spot rate is higher than RMB6.4 per USD on respective determining dates since 25 February 2016 to the ending determining date; (iii) the Group would receive RMB170,000 which is payable by the bank in USD using spot rate on a determining date when the spot rate is equal to or lower than RMB6.2 per USD happening four times in respective determining dates and the contract is then knock out; and (iv) no payment or receipt when spot rate is higher than RMB6.2 per USD and equal to or lower than RMB6.4 per USD on respective determining dates. The structured foreign currency forward contract was terminated though a knock out event on 11 May 2015.
- (d) The Group entered into USD/HK\$ structured foreign currency forward contract with a bank pursuant to which (i) the Group would receive a fixed amount of HK\$16,000 when the spot rate is equal to or higher than HK\$7.749 per USD on respective determining dates; and (ii) the Group would receive USD1,600,000 and pay HK\$12,398,400 when the spot rate is lower than HK\$7.749 per USD on respective determining dates. The relevant contract was terminated on 5 January 2017.
- (e) The Group entered into USD/RMB structured foreign currency forward contract with a bank pursuant to which (i) subject to condition (iii), the Group would receive RMB100,000 which is payable by the bank in USD using spot rate when the spot rate is equal to or lower than RMB6.19 per USD on determining dates from the beginning determining date to 2 February 2016 or the Group would receive RMB100,000 which is payable by the bank in USD using spot rate when the spot rate is equal to or lower than or RMB6.18 per USD on determining date from 3 February 2016 to the ending determining date; (ii) the Group would pay USD1,000,000 multiply by the rate specified in the contract when the spot rate is higher than RMB6.3 per USD on respective determining dates since 31 March 2016; (iii) the Group would receive RMB100,000 which is payable by the bank in USD using spot rate on a determining date when the spot rate is equal to or lower than RMB6.18 per USD happening eight times in respective determining dates and the contract is then terminated by a knock out event; and (iv) no payment or receipt for other cases on respective determining dates.
- (f) As at 31 March 2016, in respect of derivative financial instruments contracts which remained outstanding (the "Outstanding Contracts"), Mr. Roy Ting has agreed to enter an arrangement (the "Arrangement") with the Group in opposite trading terms in order to offset the Group's exposure in relation to the Outstanding Contracts, at no consideration. As at 31 March 2016, the fair value of the Outstanding Contracts, which were financial liabilities, amounted to HK\$6,825,000. Since Mr. Roy Ting has agreed to enter into the Arrangement at no consideration, therefore, the Group recognised financial assets of HK\$6,825,000 with the corresponding credit being recognised as deemed contribution in equity. One of the Outstanding Contracts was terminated on 5 January 2017 as detailed in note (d) above, therefore the Arrangement with the Group in opposite trading terms for this contract was also terminated on the same day. As at 31 March 2017, the fair value of the Outstanding Contracts, which were financial assets amounted to HK\$13,000 and the Group recognised financial liabilities of HK\$13,000 as the fair value of the Arrangement.

For the year ended 31 March 2017 and the three months ended 30 June 2017, the Group recognised fair value gain of derivative financial instruments entered into between the Group and the banks of HK\$1,342,000 and HK\$3,000 respectively and the Arrangement entered into between the Group and Mr. Roy Ting has resulted in a loss of the same amount being debited to the profit or loss. Derivative financial instruments under the Arrangement was settled through the current account with Mr. Roy Ting during the year ended 31 March 2017 and the three months ended 30 June 2017.

The fair value changes of derivative financial instruments for the Track Record Period is recognised in profit or loss and included as other gains and losses as set out in note 6. The fair value measurement of derivative financial instruments is set out in note 34.

25. DEFERRED TAX ASSETS

The following are the major deferred tax assets recognised and movements thereon during the Track Record Period:

	Accelerated depreciation allowance
	HK\$'000
At 1 April 2014	185
Charge to profit or loss for the year (<i>Note 10</i>)	<u>(35)</u>
At 31 March 2015	150
Credit to profit or loss for the year (<i>Note 10</i>)	<u>8</u>
At 31 March 2016	158
Credit to profit or loss for the year (<i>Note 10</i>)	<u>22</u>
At 31 March 2017	180
Credit to profit or loss for the period (<i>Note 10</i>)	<u>67</u>
At 30 June 2017	<u><u>247</u></u>

26. PROVISIONS

	Provision for reinstatement cost
	HK\$'000
As at 1 April 2014, 31 March 2015 and 31 March 2016	—
Provisions recognised	<u>500</u>
As at 31 March 2017 and 30 June 2017	<u><u>500</u></u>

The provision of reinstatement cost for reinstating the rented premises to be carried out at the end of the lease periods had been estimated by the directors of the Company based on current rental contracts. These amounts have not been discounted for the purposes of measuring the provisions because the effect is not material.

27. ISSUED SHARE CAPITAL

The Group

The share capital as at 1 April 2014 and 31 March 2015 represented the share capital of Wine's Link.

The share capital as at 31 March 2016 represented the share capital of Starlight Worldwide.

The share capital as at 31 March 2017 and 30 June 2017 represented the combined share capital of the Company and Starlight Worldwide.

The Company

On 22 September 2016, the Company was incorporated with an initial authorised share capital of HK\$380,000 divided into 38,000,000 ordinary shares with par value of HK\$0.01 each. Upon incorporation of the Company, one share was allotted and issued to the initial subscriber and transferred to Shirz on the same date. On 3 October 2016, 29 shares and 20 shares were allotted and issued at par to Shirz and Sunshine Consultancy respectively.

Details of the share capital of the Company are disclosed as follows:

	<u>Number of shares</u>	<u>Amount</u> HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 22 September 2016 (date of incorporation) and 31 March 2017 and 30 June 2017	<u>38,000,000</u>	<u>380</u>
Issued and fully paid:		
At 22 September 2016 (date of incorporation)	1	—
Issue of shares	<u>49</u>	<u>—</u>
At 31 March 2017 and 30 June 2017	<u>50</u>	<u>—</u>

28. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the Historical Financial Information, the Group had the following transactions with its related parties during the Track Record Period:

	<u>Year ended 31 March</u>			<u>Three months ended</u> <u>30 June</u>	
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)				
Rental expenses paid/payable to Kwong Fat Shing	<u>1,920</u>	<u>720</u>	<u>420</u>	<u>180</u>	<u>—</u>
Sales of goods to:					
— Dynasty Design	83	—	—	—	—
— Dynasty International	1	—	—	—	—
— Wei Yi Jiu Ding (<i>Note</i>)	—	1,150	4,026	2,503	—
— Mr. Roy Ting	48	96	—	—	3
— Ms. Shirley Wong	1	—	—	—	—
— Ms. Yeung Chi Hung	<u>1,797</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>1,930</u>	<u>1,246</u>	<u>4,026</u>	<u>2,503</u>	<u>3</u>

Note: The amount of sales of goods to Wei Yi Jiu Ding for the year ended 31 March 2017 represents the amount for the sales for the period from 1 April 2016 to 14 November 2016, the date on which Wei Yi Jiu Ding ceased to be a related party of the Group as detailed in note 15.

Compensation of key management personnel

The remuneration of directors of the Company and other members of key management during the Track Record Period were as follows:

	Year ended 31 March			Three months ended 30 June	
	2015	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Short-term benefits	1,422	1,656	1,821	401	594
Post-employment benefits	58	70	77	18	24
	<u>1,480</u>	<u>1,726</u>	<u>1,898</u>	<u>419</u>	<u>618</u>

29. OPERATING LEASE COMMITMENTS**The Group as lessee**

At the end of each reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	As at 31 March			As at 30 June
	2015	2016	2017	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within one year	—	1,284	3,933	3,843
In the second to fifth year inclusive	—	2,922	5,758	4,816
	<u>—</u>	<u>4,206</u>	<u>9,691</u>	<u>8,659</u>

The above operating lease payments represent rental payable by the Group for office premises, warehouse and retail store for the Track Record Period. Leases and rentals are negotiated and fixed for a term of two to three years.

30. CAPITAL COMMITMENTS

	As at 31 March			As at 30 June
	2015	2016	2017	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Capital expenditure contracted for but not provided in the Historical Financial Information in respect of:				
Purchase of property and equipment	<u>1,977</u>	<u>510</u>	<u>910</u>	<u>610</u>

31. RETIREMENT BENEFITS SCHEMES

The MPF Scheme is registered with the Mandatory Provident Fund Schemes Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at rates specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions. Except for voluntary contribution, no forfeited contribution under the MPF Scheme is available to reduce the contribution payable in future years. The cap of contribution amount is HK\$1,500 per employee per month.

The retirement benefits schemes contributions arising from the MPF Scheme charged to the combined statements of profit or loss and other comprehensive income represent contributions paid or payable to the funds by the Group at rates specified in the rules of the scheme.

The total expense recognised in profit or loss of HK\$161,000, HK\$286,000, HK\$353,000, HK\$81,000 (unaudited) and HK\$98,000 for the years ended 31 March 2015, 2016 and 2017 and the three months ended 30 June 2016 (unaudited) and 30 June 2017 respectively represents contributions payable to the MPF Scheme by the Group at rates specified in the rules of the plans.

32. NON-CASH TRANSACTION

During the year ended 31 March 2015, 2016 and 2017, the Group acquired motor vehicles through finance lease at a consideration of HK\$1,636,000, HK\$840,000 and HK\$500,000 respectively.

During the year ended 31 March 2017, the Group transferred all the life insurance policies to Ms. Shirley Wong at a consideration of HK\$11,693,000 which was settled through the current account with Ms. Shirley Wong.

33. 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 Group's overall strategy remains unchanged throughout the Track Record Period.

The capital structure of the Group consists of debt balance and equity balance. Debt balance consists of amounts due to related parties (note 18), bank borrowings (note 22) and obligations under finance leases (note 23). Equity balance consists of equity attributable to owners of the Company, comprising issued share capital, other reserve and accumulated profits.

The management of the Group reviews the capital structure on an on-going annual basis. As part of this review, the management of the Group considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the management of the Group, 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.

34. FINANCIAL INSTRUMENTS

Categories of financial instruments

	The Group			The Company		
	As at 31 March			As at 30 June	As at 31 March	As at 30 June
	2015	2016	2017	2017	2017	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Financial assets						
Loans and receivables (including cash and cash equivalents)	150,853	164,312	44,568	48,255	20	8
Derivative financial instruments	—	6,825	13	—	—	—
Financial liabilities						
Amortised cost	170,710	222,166	104,022	117,589	11,362	13,421
Derivative financial instruments	2,521	6,825	13	—	—	—

Financial risk management objectives and policies

The Group's financial instruments include trade receivables, other receivables and deposits, amounts due from shareholders and related parties, pledged bank deposits and bank balances and cash, trade payables, other payables and accrued charges, amounts due to a shareholder and related parties, bank borrowings and derivative financial instruments. The Company's financial instruments include bank balances and cash, other payables and accrued charges and amount 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.

*Market risk**Currency risk*

The Group has foreign currency sales and purchases, which expose the Group to foreign currency risk. Approximately 3.7%, 2.6%, 0.5% and 4.0% of our Group's sales are denominated in foreign currency other than the functional currency of the group entities, whilst almost 77.4%, 76.6%, 75.6% and 82.3% of purchase of goods are denominated in currencies other than the functional currency of the group entities during the year ended 31 March 2015, 2016 and 2017 and the three months ended 30 June 2017, respectively.

At the end of each reporting period, the carrying amounts of foreign currency denominated monetary assets and monetary liabilities recognised in the Historical Financial Information are as follows:

	GBP				Euro			
	As at 31 March			As at	As at 31 March			As at
	2015	2016	2017	30 June	2015	2016	2017	30 June
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade receivables	—	—	—	—	303	—	116	125
Pledged bank deposits	—	20,571	—	—	702	315	—	—
		(Note)						
Bank balances and cash	—	—	—	—	—	3,112	—	—
Trade payables	—	261	—	—	1,694	502	332	9
Other payables and accrued charges	—	216	239	263	—	389	426	417
Bank borrowings								
— trust receipt loans	3,662	1,557	12,167	22,426	—	1,983	6,461	32,771
	USD				RMB			
	As at 31 March			As at	As at 31 March			As at
	2015	2016	2017	30 June	2015	2016	2017	30 June
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Derivative financial instruments — assets	—	6,825	13	—	—	—	—	—
Pledged bank deposits	748	—	—	—	19,328	—	—	—
Bank balances and cash	—	—	4	—	—	—	8	10
Bank borrowings								
— trust receipt loans	15,627	6,488	1,598	1,461	—	—	—	—
Derivative financial instruments — liabilities	2,521	6,825	13	—	—	—	—	—
	Swiss Franc (“CHF”)							
	As at 31 March			As at	As at 31 March			As at
	2015	2016	2017	30 June	2015	2016	2017	30 June
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Other payables and accrued charges				—	—	62	47	
Bank borrowings								
— trust receipt loans				848	113	302	1,928	

Note: The exchange risk reduction arrangements between the Group and Mr. Roy Ting in relation to this GBP denominated pledged bank deposits are set out in note 19.

The Group currently does not have a foreign currency hedging policy. However, the directors of the Company monitor foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Sensitivity analysis

No sensitivity analysis is provided on derivative financial instruments as the directors of the Company consider that there is no effect of the foreign exchange rate fluctuations on the fair value of derivative financial instruments and GBP denominated pledged bank deposits as at 31 March 2015, 31 March 2016 and 31 March 2017 after taking into account the relevant arrangements with Mr. Roy Ting in respect of the derivative financial instruments and GBP denominated pledged bank deposits. Details are disclosed in notes 24 and 19, respectively.

Since the exchange rate of HK\$ pegged with USD, the Group does not expect any significant movements in the USD/HK\$ exchange rates.

The following table details the Group's sensitivity analysis to a 10% increase and decrease in functional currency of the group entities (i.e. HK\$) against relevant foreign currencies (other than USD and GBP denominated pledged bank deposits as mentioned above) and all other variables were held constant. 10% is the sensitivity rate used and represents management's assessment of the reasonably possible change in foreign exchange rates. A positive number below indicates an increase in the post-tax profit for the year/period where HK\$ strengthening 10% against the relevant foreign currencies. For a 10% weaken of HK\$ against the relevant foreign currencies there would be an equal and opposite impact on the result for the year/period.

	<u>Year ended 31 March</u>			Three months ended
	<u>2015</u>	<u>2016</u>	<u>2017</u>	30 June 2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
GBP	306	170	1,036	1,895
Euro	58	(46)	593	2,761
RMB	(1,614)	—	(1)	(1)
CHF	<u>71</u>	<u>9</u>	<u>30</u>	<u>165</u>

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to the Group's interest-free amount due to a shareholder as at 31 March 2015 and 30 June 2017, interest-free amounts due from shareholders (note 17), interest-free amounts due from/to related parties (note 18) and fixed-rate obligations under finance leases (note 23) as at 31 March 2015, 2016 and 2017 and 30 June 2017. The Group is also exposed to cash flow interest rate risk in relation to the Group's floating-rate deposits for life insurance policies (note 16) as at 31 March 2016, floating-rate pledged bank deposits and bank balances (note 19) and floating-rate bank borrowings (note 22) as at 31 March 2015, 2016 and 2017 and 30 June 2017.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of HIBOR or Hong Kong Prime Rate arising from the Group's floating-rate bank borrowings or other market interest rate from pledged bank balances, bank balances and deposits for life insurance policies.

The Group currently does not have interest rate risk hedging policy. However, management closely monitors its exposure to future cash flow interest rate risk as a result of change on market interest rate and will consider hedging changes in market interest rates should the need arise.

The Company is exposed to fair value interest rate risk in relation to the interest-free amount due to a subsidiary (note 18) as at 31 March 2017 and 30 June 2017.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rate risk on bank borrowings. The sensitivity analysis is prepared assuming the bank borrowings outstanding at the end of each reporting period were outstanding for the whole period. No sensitivity analysis is provided on pledged bank deposits, bank balances and deposits for life insurance policies as the management of the Group considers that the interest rate fluctuation on pledged bank deposits, bank balances and deposits for life insurance policies is minimal and the impact from the exposure to interest rate risk sensitivity is considered insignificant.

A 50 basis points increase or decrease is used during the year/period, which represents management's assessment of the reasonably possible change in interest rates. A positive number below indicates a decrease in post-tax profit for the year/period where the interest rate had been 50 basis points higher and all other variables were held constant. For 50 basis points lower on interest rate, there would be an equal and opposite impact on the result for the year/period.

	<u>Year ended 31 March</u>			Three months ended
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>30 June 2017</u>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Decrease in post-tax profit for the year/period	<u>687</u>	<u>916</u>	<u>400</u>	<u>454</u>

Credit risk

The Group's credit risk is primarily attributable to trade receivables, deposits paid to suppliers, amounts due from shareholders and related parties, pledged bank deposits and bank balances as at 31 March 2015, 2016 and 2017 and 30 June 2017 and deposits for life insurance policies as at 31 March 2015 and 2016.

As at the end of each reporting period, other than those financial assets whose carrying amounts best represent the maximum exposure to credit risk, the Group's maximum exposure to credit risk which will cause a financial loss to the Group arising from the financial guarantee provided by the Group to a related party set out in note 37.

In order to minimise the credit risk, the directors of the Company have delegated a team responsible for 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 to a related company, the directors of the Company continuously monitor the financial condition of the related party and the market price of the pledged properties owned by the related party so as to ensure that the Group will not suffer significant credit losses as a result of the failure of the related party on the repayment of the relevant loans. In the opinion of the directors of the Company, the Group's credit risk is significantly reduced.

The Group trades with a large number of individual customer. During the Track Record Period, the Group has concentration of credit risk with exposure limited to certain customers. Top five debtors comprised approximately 63.5%, 64.2%, 78.7% and 70.2% of the Group's trade receivables as at 31 March 2015, 2016 and 2017 and 30 June 2017 respectively. The management of the Group closely monitors the subsequent settlement of the customers. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced. Other than disclosed above, the Group does not have significant credit risk exposure to any single individual customer.

The Group has concentration of credit risk as 51.3%, 83.3%, 73.5% and 53.4% of the total deposits paid to suppliers were placed to the Group's top five suppliers as at 31 March 2015, 2016 and 2017 and 30 June 2017 respectively. The management of the Group closely monitors the subsequent delivery of inventories from the suppliers and have assessed the credit risks of the deposits paid to suppliers. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has significant concentration of credit risk on amounts due from related parties and shareholders as at 31 March 2015 and 2016. The management of the Group considers the counterparties with good credit worthiness based on their past repayment history and subsequent settlement.

The Group has concentration of credit risk on deposits for life insurance policies to a bank as at 31 March 2015 and 2016. Management of the Group considers the counterparty is financial institution with good reputation and the Group considers that the credit risk is insignificant. During the year ended 31 March 2017, all the life insurance policies were transferred to Ms. Shirley Wong and the Group no longer exposed to such credit risk since then.

The credit risk for pledged bank deposits and bank balances is considered as not material as such amounts are placed in banks with good reputations.

Liquidity risk

In the management of the liquidity risk, the Group and the Company monitor and maintain a level of cash and cash equivalents deemed adequate by management to finance the Group's and the Company's operations and mitigate the effects of fluctuations in cash flows.

The following table details the Group's and the Company's remaining contractual maturity for its non-derivative financial liabilities which 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 borrowings 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. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of each reporting period.

The table includes both interest and principal cash flows.

	Weighted average effective interest rate	Repayable on demand	Within 1 year	Over 1 year	Total undiscounted cash flows	Total carrying amount
	%	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
The Group						
As at 31 March 2015						
<i>Non-derivative financial liabilities</i>						
Trade payables	N/A	—	1,694	—	1,694	1,694
Other payables and accrued charges	N/A	—	2,387	—	2,387	2,387
Amount due to a shareholder	N/A	362	—	—	362	362
Amounts due to related parties	N/A	1,640	—	—	1,640	1,640
Bank borrowings	3.62	164,627	—	—	164,627	164,627
Obligations under finance leases	4.38	—	1,036	1,396	2,432	2,271
Financial guarantee contract	N/A	16,884	—	—	16,884	—
		<u>183,513</u>	<u>5,117</u>	<u>1,396</u>	<u>190,026</u>	<u>172,981</u>

	Weighted average effective interest rate	Repayable on demand	Within 1 year	Over 1 year	Total undiscounted cash flows	Total carrying amount
	%	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 31 March 2016						
<i>Non-derivative financial liabilities</i>						
Trade payables	N/A	—	961	—	961	961
Other payables and accrued charges	N/A	—	1,772	—	1,772	1,772
Amounts due to related parties	N/A	42	—	—	42	42
Bank borrowings	2.77	219,391	—	—	219,391	219,391
Obligations under finance leases	3.79	—	770	1,331	2,101	1,987
Financial guarantee contract	N/A	16,038	—	—	16,038	—
		<u>235,471</u>	<u>3,503</u>	<u>1,331</u>	<u>240,305</u>	<u>224,153</u>

	Weighted average effective interest rate	Repayable on demand	Within 1 year	Over 1 year	Total undiscounted cash flows	Total carrying amount
	%	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 31 March 2017						
<i>Non-derivative financial liabilities</i>						
Trade payables	N/A	—	414	—	414	414
Other payables and accrued charges	N/A	—	7,152	—	7,152	7,152
Amounts due to related parties	N/A	561	—	—	561	561
Bank borrowings	2.69	95,895	—	—	95,895	95,895
Obligations under finance leases	3.89	—	762	1,026	1,788	1,709
Financial guarantee contract	N/A	15,306	—	—	15,306	—
		<u>111,762</u>	<u>8,328</u>	<u>1,026</u>	<u>121,116</u>	<u>105,731</u>

	Weighted average effective interest rate	Repayable on demand	Within 1 year	Over 1 year	Total undiscounted cash flows	Total carrying amount
	%	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 30 June 2017						
<i>Non-derivative financial liabilities</i>						
Trade payables	N/A	—	142	—	142	142
Other payables and accrued charges	N/A	—	8,464	—	8,464	8,464
Amount due to a shareholder	N/A	249	—	—	249	249
Bank borrowings	2.79	108,734	—	—	108,734	108,734
Obligations under finance leases	3.89	—	762	835	1,597	1,533
Financial guarantee contract	N/A	15,121	—	—	15,121	—
		<u>124,104</u>	<u>9,368</u>	<u>835</u>	<u>134,307</u>	<u>119,122</u>

	Weighted average effective interest rate	Repayable on demand	Within 1 year	Over 1 year	Total undiscounted cash flows	Total carrying amount
	%	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
The Company						
As at 31 March 2017						
<i>Non-derivative financial liabilities</i>						
Other payables and accrued charges	N/A	—	4,736	—	4,736	4,736
Amount due to a subsidiary	N/A	<u>6,626</u>	<u>—</u>	<u>—</u>	<u>6,626</u>	<u>6,626</u>
		<u>6,626</u>	<u>4,736</u>	<u>—</u>	<u>11,362</u>	<u>11,362</u>

As at 30 June 2017						
<i>Non-derivative financial liabilities</i>						
Other payables and accrued charges	N/A	—	6,322	—	6,322	6,322
Amount due to a subsidiary	N/A	<u>7,099</u>	<u>—</u>	<u>—</u>	<u>7,099</u>	<u>7,099</u>
		<u>7,099</u>	<u>6,322</u>	<u>—</u>	<u>13,421</u>	<u>13,421</u>

The amount included above for variable interest instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of each reporting period.

The amounts included above for financial guarantee contract are the maximum amounts the Group could be required to settle under the arrangement for the guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on the expectations at the end of each reporting period, management of 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 guarantees which is a function of the likelihood that the financial receivables held by the counterparty which guaranteed suffer credit losses. Details of the financial guarantees are set out in note 37.

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 2015, 2016 and 2017 and 30 June 2017, the aggregate carrying amount of these bank borrowings amounted to HK\$164,627,000, HK\$219,391,000, HK\$95,895,000 and HK\$108,734,000 respectively. Taking into account the Group's financial position, management of the Group does not believe that it is probable that the banks will exercise their discretionary right to demand immediate repayment. Management of the Group believes that such bank borrowings of the Group will be repaid in accordance with the scheduled repayment dates set out in the loan agreement.

For the purpose of managing liquidity risk, management of the Group reviews the expected cash flow information of the Group's bank borrowings based on the scheduled repayment dates set out in the bank borrowings agreements as set out in the table below:

	Weighted average effective interest rate	Within 1 year	1 to 5 years	Over 5 years	Total undiscounted cash flows	Total carrying amount
	%	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Bank borrowings:						
As at 31 March 2015	3.62	<u>156,162</u>	<u>5,047</u>	<u>5,969</u>	<u>167,178</u>	<u>164,627</u>
As at 31 March 2016	2.77	<u>196,701</u>	<u>8,276</u>	<u>20,617</u>	<u>225,594</u>	<u>219,391</u>
As at 31 March 2017	2.69	<u>96,540</u>	<u>—</u>	<u>—</u>	<u>96,540</u>	<u>95,895</u>
As at 30 June 2017	2.79	<u>109,492</u>	<u>—</u>	<u>—</u>	<u>109,492</u>	<u>108,734</u>

The following table details the Group's liquidity analysis for its derivative financial instruments. The table has been drawn up based on the undiscounted contractual cash inflows and outflows on derivative financial instruments by using the forward rate published by independent financial information agency as at 31 March 2015, 2016 and 2017 respectively. The liquidity analysis for the Group's derivative financial instruments are prepared based on the contractual maturities as the management of the Group considers that the contractual maturities are essential for an understanding of the timing of the cash flows of derivatives.

	Within 1 year	Over 1 year	Total undiscounted cash flows	Derivative financial instrument — assets (liabilities) total carrying amount
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 31 March 2015				
Structured foreign currency forward with banks				
— inflow	76,250	—	76,250	
— outflow	(77,500)	(2,125)	(79,625)	
	<u>(1,250)</u>	<u>(2,125)</u>	<u>(3,375)</u>	<u>(2,521)</u>
As at 31 March 2016				
Structured foreign currency forward with banks				
— inflow	192	16	208	
— outflow	(3,403)	(540)	(3,943)	
	<u>(3,211)</u>	<u>(524)</u>	<u>(3,735)</u>	<u>(6,825)</u>
Structured foreign currency forward with Mr. Roy Ting				
— inflow	3,403	540	3,943	
— outflow	(192)	(16)	(208)	
	<u>3,211</u>	<u>524</u>	<u>3,735</u>	<u>6,825</u>
As at 31 March 2017				
Structured foreign currency forward with Mr. Roy Ting				
— inflow	—	—	—	
— outflow	(16)	—	(16)	
	<u>(16)</u>	<u>—</u>	<u>(16)</u>	<u>(13)</u>
Structured foreign currency forward with a bank				
— inflow	16	—	16	
— outflow	—	—	—	
	<u>16</u>	<u>—</u>	<u>16</u>	<u>13</u>

Fair value of financial assets and liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table are information about how the fair values of the financial assets and financial liabilities are determined (in particular, the valuation techniques and input used).

Financial assets/liabilities	Fair value as at			Fair value hierarchy	Valuation techniques and key inputs
	31/3/2015	31/3/2016	31/3/2017		
Derivative financial instruments	Assets — nil	Assets — HK\$6,825,000	Assets — HK\$13,000	Level 2	Valuation technical: Discount cash flow and option pricing model Key input: Forward exchange rates and its volatility and discount rate
	Liabilities — HK\$2,521,000	Liabilities — HK\$6,825,000	Liabilities — HK\$13,000		

There were no transfers between Level 1 and 2 during Track Record Period.

Fair value of the Group's financial assets and financial liabilities that are measured at amortised cost

Management of the Group estimates the fair value of financial assets and financial liabilities measured at amortised cost using 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 Historical Financial Information approximate their fair values.

35. FINANCIAL ASSETS AND FINANCIAL LIABILITIES SUBJECT TO ENFORCEABLE MASTER NETTING ARRANGEMENTS

The Group has entered into the International Swaps and Derivatives Association Master Netting Agreements ("ISDA Agreements") with certain banks. The following recognised financial assets and financial liabilities as at 31 March 2015, 2016 and 2017 are not offset in the statements of financial position as the ISDA Agreements are in place with a right of set off only in the event of default, insolvency or bankruptcy so that the Group currently has no legally enforceable right to set off the recognised amounts:

At 31 March 2015

	Gross/net amounts presented on the statements of financial position HK\$'000	Related amount not set off in the statements of financial position		
		Financial instrument HK\$'000	Cash collateral received/pledged HK\$'000	Net amount HK\$'000
Recognised financial assets:				
— Pledged bank deposits and bank balances	27,762	(2,521)	—	25,241
Recognised financial liabilities:				
— Derivative financial instruments	(2,521)	—	2,521	—

At 31 March 2016

	Gross/net amounts presented on the statements of financial position <u>HK\$'000</u>	Related amount not set off in the statements of financial position		
		Financial instrument <u>HK\$'000</u>	Cash collateral received/ pledged	Net amount <u>HK\$'000</u>
			<u>HK\$'000</u>	
Recognised financial assets:				
— Pledged bank deposits and bank balances	<u>25,384</u>	<u>(6,825)</u>	<u>—</u>	<u>18,559</u>
Recognised financial liabilities:				
— Derivative financial instruments	<u>(6,825)</u>	<u>—</u>	<u>6,825</u>	<u>—</u>

At 31 March 2017

	Gross/net amounts presented on the statements of financial position <u>HK\$'000</u>	Related amount not set off in the statements of financial position		
		Financial instrument <u>HK\$'000</u>	Cash collateral received/ pledged	Net amount <u>HK\$'000</u>
			<u>HK\$'000</u>	
Recognised financial assets:				
— Bank balances	<u>25,798</u>	<u>(13)</u>	<u>—</u>	<u>25,785</u>
Recognised financial liabilities:				
— Derivative financial instruments	<u>(13)</u>	<u>—</u>	<u>13</u>	<u>—</u>

36. MOVEMENT ON GROUP'S LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's combined statements of cash flows as cash flows from financing activities.

	Amount due to a shareholder	Non-trade amounts due to related parties	Bank borrowings	Obligations under finance leases	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2014	313	8,107	151,193	1,492	161,105
Financing cash flows (<i>note</i>)	49	(6,467)	8,271	(917)	936
Purchase of property and equipment through finance lease (<i>note 32</i>)	—	—	—	1,636	1,636
Finance costs recognised	—	—	5,163	60	5,223
At 31 March 2015	362	1,640	164,627	2,271	168,900
Financing cash flows (<i>note</i>)	(362)	(1,640)	49,161	(1,201)	45,958
Purchase of property and equipment through finance lease (<i>note 32</i>)	—	—	—	840	840
Finance costs recognised	—	—	5,603	77	5,680
At 31 March 2016	—	—	219,391	1,987	221,378
Financing cash flows (<i>note</i>)	—	561	(128,361)	(848)	(128,648)
Purchase of property and equipment through finance lease (<i>note 32</i>)	—	—	—	500	500
Finance costs recognised	—	—	4,865	70	4,935
At 31 March 2017	—	561	95,895	1,709	98,165
Financing cash flows (<i>note</i>)	249	(561)	11,876	(191)	11,373
Finance costs recognised	—	—	963	15	978
At 30 June 2017	249	—	108,734	1,533	110,516
At 1 April 2016	—	—	219,391	1,987	221,378
Financing cash flows (<i>note</i>)	—	—	1,858	(261)	1,597
Finance costs recognised	—	—	1,786	18	1,804
At 30 June 2016 (unaudited)	—	—	223,035	1,744	224,779

Note: The financing cash flows represented the net amount of proceeds from bank borrowings, advance from related parties and a shareholder, payment of finance costs, repayments to related parties and a shareholder and repayments of bank borrowings and finance leases.

37. FINANCIAL GUARANTEE AND CONTINGENT LIABILITIES

As at 31 March 2015, 2016 and 2017 and 30 June 2017, Wine's Link provided corporate guarantee to a bank in respect of entire banking facilities granted to Success Dragon in addition to the personal guarantees provided by Ms. Shirley Wong, Mr. Roy Ting and Mr. PS Ting and the properties owned by Success Dragon. The banking facilities are only available to Success Dragon. As at 31 March 2015, 2016 and 2017 and 30 June 2017, the outstanding loan balance of

Success Dragon was amounted to HK\$16,884,000, HK\$16,038,000, HK\$15,306,000 and HK\$15,121,000 respectively. The directors of the Company considered the fair value of the financial guarantee provided by Wine's Link is insignificant on initial recognition and as at 31 March 2015, 2016 and 2017 and 30 June 2017. As represented by the directors of the Company, the corporate guarantee by Wine's Link will be released upon Listing.

38. PARTICULARS OF SUBSIDIARIES

Particulars of the Company's subsidiaries at the date of this report are as follows:

Name of subsidiary	Place and date of incorporation	Place of operation	Issued and full paid share capital	Attributable equity interest of the Group as at					date of this report	Principal activities	Notes
				31 March			30 June				
				2015	2016	2017	2017	2017			
<i>Directly held:</i>											
Starlight Worldwide	The BVI 23 March 2016	Hong Kong	USD100	—	100%	100%	100%	100%	Investment holding	(a)	
<i>Indirectly held:</i>											
Wine's Link	Hong Kong 19 March 2008	Hong Kong	HK\$20,000,000	100%	100%	100%	100%	100%	Trading of premium wine and wine cellar	(b)	

All the companies comprising the Group have adopted 31 March as their financial year end date.

Notes:

- (a) No statutory audited financial statements have been prepared for Starlight Worldwide since its date of incorporation as it was incorporated in a jurisdiction where there is no statutory audit requirements.
- (b) The statutory financial statements of Wine's Link for the year ended 31 March 2017, which is prepared in accordance with the HKFRSs issued by the HKICPA were audited by us. The statutory financial statements of Wine's Link for the years ended 31 March 2015 and 2016, which are prepared in accordance with the Hong Kong Financial Reporting Standard for Private Entities issued by HKICPA, were audited by Tony Kam & Co. Certified Public Accountants and Michael Chan & Co. Certified Public Accountants respectively, firms of certified public accountants registered in Hong Kong.

39. SUBSEQUENT EVENTS

Save as disclosed elsewhere in the Historical Financial Information, subsequent events of the Group and detailed as below.

On 18 December 2017, Ms. Shirley Wong and Mr. Roy Ting transferred their entire interest in Starlight Worldwide in consideration of allotment and issue of 30 shares and 20 shares of the Company to Shirz and Sunshine Consultancy respectively. Upon completion of the transfer, Starlight Worldwide became a wholly-owned subsidiary of the Company.

On 18 December 2017, written resolutions of the shareholders of the Company was passed to approve the matters set out in the paragraph headed “Written resolutions of our Shareholders passed on 18 December 2017” in Appendix IV of the Prospectus. It was resolved, among other things:

- (i) its authorised share capital increased from HK\$380,000 divided into 38,000,000 shares of the Company of HK\$0.01 each to HK\$10,000,000 divided into 1,000,000,000 shares of the Company of HK\$0.01 each;
- (ii) conditionally adopted a share option scheme where eligible participants may be granted options entitling them to subscribe for the Company’s shares. No share has been granted since the adoption of the scheme. The principal terms of the share option scheme are summarised in the section headed “Share Option Scheme” in Appendix IV to the Prospectus; and
- (iii) conditional upon the share premium account of the Company being credited as a result of the offer of the Company’s shares, the directors of the Company were authorised to capitalise the amount of HK\$2,799,999 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 279,999,900 shares of the Company for allotment and issue to the persons whose name appeared on the register of members of the Company at the close of business on 18 December 2017.

40. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Company, any of its subsidiaries or the Group have been prepared in respect of any period subsequent to 30 June 2017.

The information set out in this Appendix does not form part of the accountants' report on the historical financial information of the Group for each of the three years ended 31 March 2017 and the three months ended 30 June 2017 prepared by Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, our Company's reporting accountants, as set out in Appendix I to this prospectus (the "Accountants' Report"), and is included herein for information only. The unaudited pro forma financial information should be read in connection with the section headed "Financial Information" in this prospectus and the Accountants' Report set out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED COMBINED NET TANGIBLE ASSETS OF THE GROUP ATTRIBUTABLE TO THE OWNERS OF THE COMPANY

The unaudited pro forma statement of adjusted combined net tangible assets of the Group attributable to the owners of the Company prepared in accordance with Rule 7.31 of the GEM Listing Rules is set out below to illustrate the effect of the placing and public offer (the "Share Offer") on the audited combined net tangible assets of the Group as if the Share Offer had taken place on 30 June 2017.

The unaudited pro forma statement of adjusted combined 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 combined net tangible assets of the Group attributable to the owners of the Company as at 30 June 2017 or any future date following the Share Offer.

The following unaudited pro forma statement of adjusted combined net tangible assets of the Group is based on the audited combined net tangible assets of the Group attributable to owners of the Company as at 30 June 2017 as shown in the Accountants' Report, the text of which is set out in Appendix I to this prospectus, and adjusted as follows:

	Audited combined net tangible assets of the Group attributable to the owners of the Company as at 30 June 2017	Estimated net proceeds from the Share Offer	Unaudited pro forma adjusted combined net tangible assets of the Group attributable to the owners of the Company as at 30 June 2017	Unaudited pro forma adjusted combined net tangible assets of the Group attributable to the owners of the Company as at 30 June 2017 per Share
	HK\$'000 (Note 1)	HK\$'000 (Note 2)	HK\$'000	HK\$ (Note 3)
Based on Share Offer				
Price of HK\$0.55 per Share	62,917	49,839	112,756	0.28
Based on Share Offer				
Price of HK\$0.75 per Share	62,917	73,119	136,036	0.34

Notes:

- (1) The audited combined net tangible assets of the Group attributable to the owners of the Company as at 30 June 2017 is extracted from the Accountants' Report set out in Appendix I to this prospectus.
- (2) The estimated net proceeds from the Share Offer are based on 120,000,000 Offer Shares at the Offer Price of lower limit and upper limit of HK\$0.55 and HK\$0.75 per Offer Share, respectively, after deduction of the underwriting commissions and fees and other related expenses incurred or to be incurred by the Group since 1 July 2017.

The calculation of such estimated net proceeds does not take into account of any Shares which may be allotted and issued pursuant to the exercise of options which may be granted under the Share Option Scheme, Offer Size Adjustment Option or any Shares which may be issued or repurchased by the Company pursuant to the general mandates granted to the Directors to issue or repurchase Shares referred to in the section headed "General Mandate to Issue Shares" or the section headed "General Mandate to Repurchase Shares" in this prospectus.

- (3) The unaudited pro forma adjusted combined net tangible assets of the Group attributable to the owners of the Company as at 30 June 2017 per Share is calculated based on 400,000,000 Shares in issue assuming that the Reorganisation, the Share Offer and the Capitalisation Issue had been completed on 30 June 2017 and does not take into account of any Shares which may be allotted and issued pursuant to the exercise of options which may be granted under the Share Option Scheme, Offer Size Adjustment Option or any Shares which may be issued or repurchased by the Company pursuant to the general mandates granted to the Directors to issue or repurchase Shares referred to in the section headed "General Mandate to Issue Shares" or the section headed "General Mandate to Repurchase Shares" in this prospectus.
- (4) No adjustment has been made to the unaudited pro forma adjusted combined net tangible assets of the Group to reflect any trading results or other transactions of the Group entered into subsequent to 30 June 2017.

**B. INDEPENDENT REPORTING ACCOUNTANT’S ASSURANCE REPORT ON THE
COMPILATION OF THE UNAUDITED PRO FORMA FINANCIAL INFORMATION**

The following is the text of the independent reporting accountants’ assurance report received from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of our Company, in respect of the Group’s unaudited pro forma financial information prepared for the purpose of incorporation in this prospectus.

Deloitte.**德勤****INDEPENDENT REPORTING ACCOUNTANTS’ ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION****To the Directors of Wine’s Link International Holdings Limited**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Wine’s Link International 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 unaudited pro forma statement of adjusted combined net tangible assets as at 30 June 2017 and related notes as set out on pages II-1 to II-2 of Appendix II to the prospectus issued by the Company dated 29 December 2017 (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 and public offer (the “Share Offer”) of the shares of the Company (the “Share Offer”) on the Group’s financial position as at 30 June 2017 as if the Share Offer had taken place at 30 June 2017. As part of this process, information about the Group’s financial position has been extracted by the Directors from the Group’s historical financial information for each of the three years ended 31 March 2017 and the three months ended 30 June 2017, on which an accountants’ report set out in Appendix I to the Prospectus has been published.

Directors’ Responsibilities for the Unaudited Pro Forma Financial Information

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

Our Independence and Quality Control

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

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

Reporting Accountants’ Responsibilities

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

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

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

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 June 2017 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.

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

29 December 2017

SUMMARY OF THE CONSTITUTION OF THE COMPANY

1 Memorandum of Association

The Memorandum of Association of the Company was conditionally adopted on 18 December 2017 and states, *inter alia*, that the liability of the members of the Company is limited, that the objects for which the Company is established are unrestricted and the Company shall have full power and authority to carry out any object not prohibited by the Companies Law or any other law of the Cayman Islands.

The Memorandum of Association is available for inspection at the address specified in Appendix V in the section headed “Documents Delivered to the Registrar of Companies and Available for Inspection”.

2 Articles of Association

The Articles of Association of the Company were conditionally adopted on 18 December 2017 and include provisions to the following effect:

2.1 *Classes of Shares*

The share capital of the Company consists of ordinary shares. The capital of the Company at the date of adoption of the Articles is HK\$10,000,000 divided into 1,000,000,000 shares of HK\$0.01 each.

2.2 *Directors*

(a) *Power to allot and issue Shares*

Subject to the provisions of the Companies Law and the Memorandum and Articles of Association, the unissued shares in the Company (whether forming part of its original or any increased capital) shall be at the disposal of the Directors, who may offer, allot, grant options over or otherwise dispose of them to such persons, at such times and for such consideration, and upon such terms, as the Directors shall determine.

Subject to the provisions of the Articles of Association and to any direction that may be given by the Company in general meeting and without prejudice to any special rights conferred on the holders of any existing shares or attaching to any class of shares, any share may be issued with or have attached thereto such preferred, deferred, qualified or other special rights or restrictions, whether in regard to dividend, voting, return of capital or otherwise, and to such persons at such times and for such consideration as the Directors may determine. Subject to the Companies Law and to any special rights conferred on any shareholders or

attaching to any class of shares, any share may, with the sanction of a special resolution, be issued on terms that it is, or at the option of the Company or the holder thereof, liable to be redeemed.

(b) *Power to dispose of the assets of the Company or any subsidiary*

The management of the business of the Company shall be vested in the Directors who, in addition to the powers and authorities by the Articles of Association expressly conferred upon them, may exercise all such powers and do all such acts and things as may be exercised or done or approved by the Company and are not by the Articles of Association or the Companies Law expressly directed or required to be exercised or done by the Company in general meeting, but subject nevertheless to the provisions of the Companies Law and of the Articles of Association and to any regulation from time to time made by the Company in general meeting not being inconsistent with such provisions or the Articles of Association, provided that no regulation so made shall invalidate any prior act of the Directors which would have been valid if such regulation had not been made.

(c) *Compensation or payment for loss of office*

Payment 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 first be approved by the Company in general meeting.

(d) *Loans to Directors*

There are provisions in the Articles of Association prohibiting the making of loans to Directors or their respective close associates which are equivalent to the restrictions imposed by the Companies Ordinance.

(e) *Financial assistance to purchase Shares*

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries or any holding company or any subsidiary of such holding company in order that they may buy shares in the Company or any such 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).

(f) *Disclosure of interest in contracts with the Company or any of its subsidiaries*

No Director or proposed Director shall be disqualified by his office from contracting with the Company either as vendor, purchaser or otherwise nor shall any such contract or any contract or arrangement entered into by or on behalf of the Company with any person, company or partnership of or in which any Director shall be a member or otherwise interested be capable on that account of being avoided, nor shall any Director so contracting or being any member or so interested be liable to account to the Company for any profit so realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship thereby established, provided that such Director shall, if his interest in such contract or arrangement is material, declare the nature of his interest at the earliest meeting of the board of Directors at which it is practicable for him to do so, either specifically or by way of a general notice stating that, by reason of the facts specified in the notice, he is to be regarded as interested in any contracts of a specified description which may be made by the Company.

A Director shall not be entitled to vote on (nor shall be counted in the quorum in relation to) any resolution of the Directors in respect of any contract or arrangement or any other proposal in which the Director or any of his close associates (or, if required by the GEM Listing Rules, his other associates) has any material interest, and if he shall do so his vote shall not be counted (nor is he to be counted in the quorum for the resolution), but this prohibition shall not apply to any of the following matters, namely:

- (i) the giving to such Director or any of his close associates of any security or indemnity in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
- (ii) 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 any of his close associates has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (iii) any proposal concerning an offer of shares, 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 any of his close associates is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

- (iv) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries including:
 - (A) the adoption, modification or operation of any employees' share scheme or any share incentive scheme or share option scheme under which the Director or any of his close associates may benefit; or
 - (B) the adoption, modification or operation of a pension or provident fund or retirement, death or disability benefits scheme which relates both to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or any of his close associates, as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and
- (v) any contract or arrangement in which the Director or any of his close associates 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.

(g) *Remuneration*

The Directors shall be entitled to receive by way of remuneration for their services such sum as shall from time to time be determined by the Directors, or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided amongst the Directors in such proportions and in such manner as they may agree, or failing agreement, equally, except that in such event any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

The Directors shall also be entitled to be paid all expenses, including travel expenses, reasonably incurred by them in or in connection with the performance of their duties as Directors including their expenses of travelling to and from board meetings, committee meetings or general meetings or otherwise incurred whilst engaged on the business of the Company or in the discharge of their duties as Directors.

The Directors may grant special remuneration to any Director who shall perform any special or extra services at the request of the Company. Such special remuneration may be made payable to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be made payable by way of salary, commission or participation in profits or otherwise as may be agreed.

The remuneration of an executive Director or a Director appointed to any other office in the management of the Company shall from time to time be fixed by the Directors and may be by way of salary, commission or participation in profits or otherwise or by all or any of those modes and with such other benefits (including share option and/or pension and/or gratuity and/or other benefits on retirement) and allowances as the Directors may from time to time decide. Such remuneration shall be in addition to such remuneration as the recipient may be entitled to receive as a Director.

(h) *Retirement, appointment and removal*

The Directors shall have power at any time and from time to time to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next general meeting of the Company and shall then be eligible for re-election at that meeting.

The Company may by ordinary resolution remove any Director (including a Managing Director or other executive Director) before the expiration of his period of office notwithstanding anything in the Articles of Association or in any agreement between the Company and such Director (but without prejudice to any claim for compensation or damages payable to him in respect of the termination of his appointment as Director or of any other appointment of office as a result of the termination of this appointment as Director). The Company may by ordinary resolution appoint another person in his place. Any Director so appointed shall hold office during such time only as the Director in whose place he is appointed would have held the same if he had not been removed. The Company may also by ordinary resolution elect any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotation at such meeting. No person shall, unless recommended by the Directors, be eligible for election to the office of Director at any general meeting unless, during the period, which shall be at least seven days, commencing no earlier than the day after the despatch of the notice of the meeting appointed for such election and ending no later than seven days prior to the date of such meeting, there has been given to the Secretary of the Company notice in

writing by a member of the Company (not being the person to be proposed) entitled to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also notice in writing signed by the person to be proposed of his willingness to be elected.

There is no shareholding qualification for Directors nor is there any specified age limit for Directors.

The office of a Director shall be vacated:

- (i) if he resigns his office by notice in writing to the Company at its registered office or its principal office in Hong Kong;
- (ii) if an order is made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Directors resolve that his office be vacated;
- (iii) if, without leave, he is absent from meetings of the Directors (unless an alternate Director appointed by him attends) for 12 consecutive months, and the Directors resolve that his office be vacated;
- (iv) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (v) if he ceases to be or is prohibited from being a Director by law or by virtue of any provision in the Articles of Association;
- (vi) if he is removed from office by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) for the time being then in office; or
- (vii) if he shall be removed from office by an ordinary resolution of the members of the Company under the Articles of Association.

At every annual general meeting of the Company one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third, shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat. The Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

(i) *Borrowing powers*

The Directors may from time to time at their discretion exercise all the powers of the Company to raise or borrow or to secure the payment of any sum or sums of money for the purposes of the Company and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital or any part thereof.

(j) *Proceedings of the Board*

The Directors may meet together for the despatch of business, adjourn and otherwise regulate their meetings and proceedings as they think fit in any part of the world. 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 a second or casting vote.

2.3 *Alteration to constitutional documents*

No alteration or amendment to the Memorandum or Articles of Association may be made except by special resolution.

2.4 *Variation of rights of existing shares or classes of shares*

If at any time the share capital of the Company is divided into different classes of shares, all or any of the rights attached to any class of shares for the time being issued (unless otherwise provided for in the terms of issue of the shares of that class) may, subject to the provisions of the Companies Law, be varied 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 meeting of the holders of the shares of that class. To every such separate meeting all the provisions of the Articles of Association relating to general meetings shall *mutatis mutandis* apply, but so that the quorum for the purposes of any such separate meeting and of any adjournment thereof shall be a person or persons together holding (or representing by proxy or duly authorised representative) at the date of the relevant meeting not less than one-third in nominal value of the issued shares of that class.

The special rights conferred upon the holders of shares of any class shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

2.5 Alteration of capital

The Company may, from time to time, whether or not all the shares for the time being authorised shall have been issued and whether or not all the shares for the time being issued shall have been fully paid up, by ordinary resolution, increase its share capital by the creation of new shares, such new capital to be of such amount and to be divided into shares of such respective amounts as the resolution shall prescribe.

The Company may from time to time by ordinary resolution:

- (a) consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares. On any consolidation of fully paid shares and division into shares of larger amount, the Directors may settle any difficulty which may arise as they think expedient and in particular (but without prejudice to the generality of the foregoing) may as between the holders of shares to be consolidated determine which particular shares are to be consolidated into each consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the Directors for that purpose and the person so appointed may transfer the shares so sold to the purchaser thereof and the validity of such transfer shall not be questioned, and so that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares rateably in accordance with their rights and interests or may be paid to the Company for the Company's benefit;
- (b) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled subject to the provisions of the Companies Law; and
- (c) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association, 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.

The Company may by special resolution reduce its share capital or any capital redemption reserve in any manner authorised and subject to any conditions prescribed by the Companies Law.

2.6 *Special resolution — majority required*

A “special resolution” is defined in the Articles of Association to have the meaning ascribed thereto in the Companies Law, for which purpose, the requisite majority shall be not less than three-fourths of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given and includes a special resolution approved in writing by all of the members of the Company entitled to vote at a general meeting of the Company in one or more instruments each signed by one or more of such members, and the effective date of the special resolution so adopted shall be the date on which the instrument or the last of such instruments (if more than one) is executed.

In contrast, an “ordinary resolution” is defined in the Articles of Association 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 of Association and includes an ordinary resolution approved in writing by all the members of the Company aforesaid.

2.7 *Voting rights*

Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting on a poll every member present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote for each share registered in his name in the register of members of the Company.

Where any member is, under the GEM Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

In the case of joint registered holders of any share, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present being the most or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the register in respect of the relevant joint holding.

A member of the Company in respect of whom an order has been made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs may vote by any person authorised in such circumstances to do so and such person may vote by proxy.

Save as expressly provided in the Articles of Association or as otherwise determined by the Directors, no person other than a member of the Company duly registered and who shall have paid all sums for the time being due from him payable to the Company in respect of his shares shall be entitled to be present or to vote (save as proxy for another member of the Company), or to be reckoned in a quorum, either personally or by proxy at any general meeting.

At any general meeting a resolution put to the vote of the meeting shall be decided by way of a poll save that the chairman of the meeting may allow a resolution which relates purely to a procedural or administrative matter as prescribed under the GEM Listing Rules to be voted on by 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 proxy(ies) or representative(s) at any general meeting of the Company or at any general 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 entitled to exercise the same rights and powers on behalf of the recognised clearing house (or its nominee(s)) which he represents as that recognised clearing house (or its nominee(s)) could exercise as if it were an individual member of the Company holding the number and class of shares specified in such authorisation, including, where a show of hands is allowed, the right to vote individually on a show of hands.

2.8 Annual general meetings

The Company shall hold a general meeting as its annual general meeting each year, within a period of not more than 15 months after the holding of the last preceding annual general meeting (or such longer period as the Stock Exchange may authorise). The annual general meeting shall be specified as such in the notices calling it.

2.9 Accounts and audit

The Directors shall cause to be kept such books of account as are necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions and otherwise in accordance with the Companies Law.

The Directors shall from time to time determine whether, and to what extent, and at what times and places and under what conditions or regulations, the accounts and books of the Company, or any of them, shall be open to the inspection by members of the Company (other than officers of the Company) and no such member shall have any right of inspecting any accounts or books or documents of the Company except as conferred by the Companies Law or any other relevant law or regulation or as authorised by the Directors or by the Company in general meeting.

The Directors shall, commencing with the first annual general meeting, cause to be prepared and to be laid before the members of the Company at every annual general meeting a profit and loss account for the period, in the case of the first account, since the incorporation of the Company and, in any other case, since the preceding account, together with a balance sheet as at the date to which the profit and loss account is made up and a Director's report with respect to the profit or loss of the Company for the period covered by the profit and loss account and the state of the Company's affairs as at the end of such period, an auditor's report on such accounts and such other reports and accounts as may be required by law. Copies of those documents to be laid before the members of the Company at an annual general meeting shall not less than 21 days before the date of the meeting, be sent in the manner in which notices may be served by the Company as provided in the Articles of Association to every member of the Company and every holder of debentures of the Company provided that the Company shall not be required to send copies of those documents to any person of whose address the Company is not aware or to more than one of the joint holders of any shares or debentures.

The Company shall at every annual general meeting appoint an auditor or auditors of the Company who shall hold office until the next annual general meeting. The remuneration of the auditors shall be fixed by the Company at the annual general meeting at which they are appointed provided that in respect of any particular year the Company in general meeting may delegate the fixing of such remuneration to the Directors.

2.10 Notice of meetings and business to be conducted thereat

An annual general meeting shall be called by not less than 21 days' notice in writing and any extraordinary general meeting shall be called by not less than 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and shall specify the time, place and agenda of the meeting, particulars of the resolutions and the general nature of the business to be considered at the meeting. The notice convening an annual general meeting shall specify the meeting as such, and the notice convening a meeting to pass a special resolution shall specify the intention to propose the resolution as a special resolution. Notice of every general meeting shall be given to the auditors and all members of the Company (other than those who, under the provisions of the Articles of Association or the terms of issue of the shares they hold, are not entitled to receive such notice from the Company).

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above, it shall be deemed to have been duly called if it is so agreed:

- (a) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat or their proxies; and
- (b) 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 95% in nominal value of the shares giving that right.

2.11 *Transfer of shares*

Transfers of shares may be effected by an instrument of transfer in the usual common form or in such other form as the Directors may approve which is consistent with the standard form of transfer as prescribed by the Stock Exchange.

The instrument of transfer shall be executed by or on behalf of the transferor and, unless the Directors otherwise determine, the transferee, 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 of the Company in respect thereof. All instruments of transfer shall be retained by the Company.

The Directors may refuse to register any transfer of any share which is not fully paid up or on which the Company has a lien. The Directors may also decline to register any transfer of any shares unless:

- (a) the instrument of transfer is lodged with the Company accompanied by the certificate for the shares to which it relates (which shall upon the registration of the transfer be cancelled) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer;
- (b) the instrument of transfer is in respect of only one class of shares;
- (c) the instrument of transfer is properly stamped (in circumstances where stamping is required);
- (d) in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four;
- (e) the shares concerned are free of any lien in favour of the Company; and
- (f) a fee of such amount not exceeding the maximum amount as the Stock Exchange may from time to time 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.

If the Directors refuse to register a transfer of any share they shall, within two months after the date on which the transfer was lodged with the Company, send to each of the transferor and the transferee notice of such refusal.

The registration of transfers may, on 10 business days' notice (or on 6 business days' notice in the case of a rights issue) being given by advertisement published on the Stock Exchange's website, or, subject to the GEM Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, be suspended and the register of members of the Company closed at such times for such periods as the Directors may from time to time determine, provided that the registration of transfers shall not be suspended or the register closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

2.12 Power of the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles of Association to purchase its own shares subject to certain restrictions and the Directors may only exercise this power on behalf of the Company subject to the authority of its members in general meeting as to the manner in which they do so and to any applicable requirements imposed from time to time by the Stock Exchange and the Securities and Futures Commission of Hong Kong. Shares which have been repurchased will be treated as cancelled upon the repurchase.

2.13 Power of any subsidiary of the Company to own shares

There are no provisions in the Articles of Association relating to the ownership of shares by a subsidiary.

2.14 Dividends and other methods of distribution

Subject to the Companies Law and Articles of Association, the Company in general meeting may declare dividends in any currency but no dividends shall exceed the amount recommended by the Directors. No dividend may be declared or paid other than out of profits and reserves of the Company lawfully available for distribution, including share premium.

Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends shall (as regards any shares not fully paid throughout the period in respect of which the dividend is paid) be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. For these purposes no amount paid up on a share in advance of calls shall be treated as paid up on the share.

The Directors may from time to time pay to the members of the Company such interim dividends as appear to the Directors to be justified by the profits of the Company. The Directors may also pay half-yearly or at other intervals to be selected by them any dividend which may be at a fixed rate if they are of the opinion that the profits available for distribution justify the payment.

The Directors may retain any dividends or other monies payable on or in respect of a share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists. The Directors may also deduct from any dividend or other monies payable to any member of the Company all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

No dividend shall carry interest against the Company.

Whenever the Directors or the Company in general meeting have resolved that a dividend be paid or declared on the share capital of the Company, the Directors may further resolve: (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up on the basis that the shares so allotted are to be of the same class as the class already held by the allottee, provided that the members of the Company entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or (b) that the members of the Company 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 Directors may think fit on the basis that the shares so allotted are to be of the same class as the class already held by the allottee. The Company may upon the recommendation of the Directors by ordinary resolution resolve in respect of any one particular dividend of the Company that notwithstanding the foregoing a dividend may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to members of the Company to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to a holder of shares may be paid by cheque or warrant sent through the post addressed to the registered address of the member of the Company entitled, or in the case of joint holders, to the registered address of the person whose name stands first in the register of members of the Company in respect of the joint holding or to such person and to such address as the holder or joint holders may in writing direct. Every cheque or warrant so sent shall 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 of members of the Company in respect of such shares, and shall be sent at his or their risk and the payment of any such cheque or warrant by the bank on which it is drawn shall operate as a good discharge to the Company in respect of the dividend and/or bonus represented thereby, notwithstanding that it may subsequently appear that the same has been stolen or that any endorsement thereon has been forged. The Company may cease sending such cheques for

dividend entitlements or dividend warrants by post if such cheques or warrants have been left uncashed on two consecutive occasions. However, the Company may exercise its power to cease sending cheques for dividend entitlements or dividend warrants after the first occasion on which such a cheque or warrant is returned undelivered. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Any dividend unclaimed for six years from the date of declaration of such dividend may be forfeited by the Directors and shall revert to the Company.

The Directors may, with the sanction of the members of the Company in general meeting, direct that any dividend be satisfied wholly or in part by the distribution of specific assets of any kind, and in particular of paid up shares, debentures or warrants to subscribe securities of any other company, and where any difficulty arises in regard to such distribution the Directors may settle it as they think expedient, and in particular may disregard fractional entitlements, round the same up or down or provide that the same shall accrue to the benefit of the Company, and may fix the value for distribution of such specific assets and may determine that cash payments shall be made to any members of the Company upon the footing of the value so fixed in order to adjust the rights of all parties, and may vest any such specific assets in trustees as may seem expedient to the Directors.

2.15 Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person who must be an individual as his proxy to attend and vote instead of him and a proxy so appointed shall have the same right as the member to speak at the meeting. A proxy need not be a member of the Company.

Instruments of proxy shall be in common form or in such other form as the Directors may from time to time approve provided that it shall enable a member to instruct his proxy to vote in favour of or against (or in default of instructions or in the event of conflicting instructions, to exercise his discretion in respect of) each resolution to be proposed at the meeting to which the form of proxy relates. The instrument of proxy shall be deemed to confer authority to vote on any amendment of a resolution put to the meeting for which it is given as the proxy thinks fit. The instrument of proxy shall, unless the contrary is stated therein, be valid as well for any adjournment of the meeting as for the meeting to which it relates provided that the meeting was originally held within 12 months from such date.

The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney authorised in writing or if the appointor is a corporation either under its seal or under the hand of an officer, attorney or other person authorised to sign the same.

The instrument appointing a proxy and (if required by the Directors) the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be delivered at the registered office of the Company (or at such other place as may be specified in the notice convening the meeting or in any notice of any adjournment or, in either case, in any document sent therewith) not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote or, in the case of a poll taken subsequently to the date of a meeting or adjourned meeting, not less than 48 hours before the time appointed for the taking of the poll and in default the instrument of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiration of 12 months from the date named in it as the date of its execution. Delivery of any instrument appointing a proxy shall not preclude a member of the Company from attending and voting in person at the meeting or poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

2.16 Calls on shares and forfeiture of shares

The Directors may from time to time make calls upon the members of the Company in respect of any monies unpaid on their shares (whether on account of the nominal amount of the shares or by way of premium or otherwise) and not by the conditions of allotment thereof made payable at fixed times and each member of the Company shall (subject to the Company serving upon him at least 14 days' notice specifying the time and place of payment and to whom such payment shall be made) pay to the person at the time and place so specified the amount called on his shares. A call may be revoked or postponed as the Directors may determine. A person upon whom a call is made shall remain liable on such call notwithstanding the subsequent transfer of the shares in respect of which the call was made.

A call may be made payable either in one sum or by instalments and shall be deemed to have been made at the time when the resolution of the Directors authorising the call was passed. The joint holders of a share shall be jointly and severally liable to pay all calls and instalments due in respect of such share or other monies due in respect thereof.

If a sum called in respect of a share shall not be paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the sum from the day appointed for payment thereof to the time of actual payment at such rate, not exceeding 15% per annum, as the Directors may determine, but the Directors shall be at liberty to waive payment of such interest wholly or in part.

If any call or instalment of a call remains unpaid on any share after the day appointed for payment thereof, the Directors may at any time during such time as any part thereof remains unpaid serve a notice on the holder of such shares requiring payment of so much of the call or instalment as is unpaid together with any interest which may be accrued and which may still accrue up to the date of actual payment.

The notice shall name a further day (not being less than 14 days from the date of service of the notice) on or before which, and the place where, the payment required by the notice is to be made, and shall state that in the event of non-payment at or before the time and at the place appointed, the shares in respect of which such call was made or instalment is unpaid will be liable to be forfeited.

If the requirements of such notice are not complied with, any share in respect of which such notice has been given may at any time thereafter, before payment of all calls or instalments and interest due in respect thereof has been made, be forfeited by a resolution of the Directors to that effect. Such forfeiture shall include all dividends and bonuses declared in respect of the forfeited shares and not actually paid before the forfeiture. A forfeited share shall be deemed to be the property of the Company and may be re-allotted, sold or otherwise disposed of.

A person whose shares have been forfeited shall cease to be a member of the Company in respect of the forfeited shares but shall, notwithstanding the forfeiture, 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 Directors shall in their discretion so require) interest thereon at such rate not exceeding 15% per annum as the Directors may prescribe from the date of forfeiture until payment, and the Directors may enforce payment thereof without being under any obligation to make any allowance for the value of the shares forfeited, at the date of forfeiture.

2.17 Inspection of register of members

The register of members of the Company shall be kept in such manner as to show at all times the members of the Company for the time being and the shares respectively held by them. The register may, on 10 business days' notice (or on 6 business days' notice in the case of a rights issue) being given by advertisement published on the Stock Exchange's website, or, subject to the GEM Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, be closed at such times and for such periods as the Directors may from time to time determine either generally or in respect of any class of shares, provided that the register shall not be closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

Any register of members kept in Hong Kong shall during normal business hours (subject to such reasonable restrictions as the Directors may impose) be open to inspection by any member of the Company without charge and by any other person on payment of a fee of such amount not exceeding the maximum amount as may from time to time be permitted under the GEM Listing Rules as the Directors may determine for each inspection.

2.18 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, choice or election of a chairman which shall not be treated as part of the business of the meeting.

Two members of the Company present in person or by proxy shall be a quorum provided always that if the Company has only one member of record the quorum shall be that one member present in person or by proxy.

A corporation being a member of the Company shall be deemed for the purpose of the Articles of Association 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 or by power of attorney 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.

The quorum for a separate general meeting of the holders of a separate class of shares of the Company is described in paragraph 2.4 above.

2.19 Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles of Association concerning the rights of minority shareholders in relation to fraud or oppression.

2.20 Procedure on liquidation

If the Company shall be wound up, and the assets available for distribution amongst the members of the Company 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 of the Company 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 in a winding up 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 amongst the members of the Company in proportion to the capital paid up at the commencement of the winding up on the shares held by them respectively. The foregoing is without prejudice to the rights of the holders of shares issued upon special terms and conditions.

If the Company shall be wound up, the liquidator may with the sanction of a special resolution of the Company and any other sanction required by the Companies Law, divide amongst the members of the Company in specie or kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may, for

such purpose, set such value as he deems fair upon any 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 of the Company. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the members of the Company as the liquidator, with the like sanction and subject to the Companies Law, shall think fit, but so that no member of the Company shall be compelled to accept any assets, shares or other securities in respect of which there is a liability.

2.21 Untraceable members

The Company shall be entitled to sell any shares of a member of the Company or the shares to which a person is entitled by virtue of transmission on death or bankruptcy or operation of law if: (a) all cheques or warrants, not being less than three in number, for any sums payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (b) the Company has not during that time or before the expiry of the three month period referred to in (d) below received any indication of the whereabouts or existence of the member; (c) during the 12 year period, at least three dividends in respect of the shares in question have become payable and no dividend during that period has been claimed by the member; and (d) upon expiry of the 12 year period, the Company has caused an advertisement to be published in the newspapers or subject to the GEM Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association, giving notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the Stock Exchange 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 for an amount equal to such net proceeds.

SUMMARY OF CAYMAN ISLANDS COMPANY LAW AND TAXATION

1 Introduction

The Companies Law is derived, to a large extent, from the older Companies Acts of England, although there are significant differences between the Companies Law and the current Companies Act of England. Set out below is a summary of certain provisions of the Companies Law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of corporate law and taxation which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

2 Incorporation

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 22 September 2016 under the Companies Law. As such, its 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 size of its authorised share capital.

3 Share Capital

The Companies Law permits a company to issue ordinary shares, preference shares, redeemable shares or any combination thereof.

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 premia on those shares shall be transferred to an account called the “share premium account”. At the option of a company, these provisions may not apply to premia 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 a company, subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation:

- (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) in 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;
- (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and
- (f) providing for the premium payable on redemption or purchase of any 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 of business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands, 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.

Subject to the detailed 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. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. The manner of such a purchase must be authorised either by the articles of association or by an ordinary resolution of the company. The articles of association may provide that the manner of purchase may be determined by the directors 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 member of the company holding 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.

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company 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 to act 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.

4 Dividends and Distributions

With the exception of section 34 of the Companies Law, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands in this area, 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 3 above for details).

5 Shareholders' Suits

The Cayman Islands courts can be expected to follow English case law precedents. The rule in *Foss v. Harbottle* (and the exceptions thereto which permit a minority shareholder to commence a class 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 where the wrongdoers are themselves in control of the company, and (c) an action which requires a resolution with a qualified (or special) majority which has not been obtained) has been applied and followed by the courts in the Cayman Islands.

6 Protection of Minorities

In the case of a company (not being a bank) having a share capital divided into shares, the Grand Court of the Cayman Islands 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 Grand Court shall direct.

Any shareholder of a company may petition the Grand Court of the Cayman Islands 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.

Claims against a company by its shareholders must, as a general rule, 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.

The English common law rule that the majority will not be permitted to commit a fraud on the minority has been applied and followed by the courts of the Cayman Islands.

7 Disposal of Assets

The Companies Law contains no specific restrictions on the powers of directors to dispose of assets of a company. As a matter of general law, in the exercise of those powers, the directors must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the company.

8 Accounting and Auditing Requirements

The Companies Law requires that a company shall cause to be kept proper books of account with respect to:

- (a) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place;
- (b) all sales and purchases of goods by the company; and
- (c) 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.

9 Register of Members

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as its directors may from time to time think fit. 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.

10 Inspection of Books and Records

Members of a 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 of association.

11 Special Resolutions

The Companies Law provides that a resolution is a special resolution when it has been passed by a majority of at least two-thirds of such members as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given, except that a company may in its articles of association specify that the required majority shall be a number greater than two-thirds, and may additionally so provide that such majority (being not less than two-thirds) may differ as between matters required to be approved by a special resolution. Written resolutions signed by all the members entitled to vote for the time being of the company may take effect as special resolutions if this is authorised by the articles of association of the company.

12 Subsidiary Owning Shares in Parent

The Companies Law does not prohibit a Cayman Islands company acquiring and holding shares in its parent company provided its objects so permit. The directors of any subsidiary making such acquisition must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the subsidiary.

13 Mergers and Consolidations

The Companies Law permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) "merger" means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company, and (b) "consolidation" means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be

authorised by (a) a special resolution of each constituent company and (b) such other authorisation, if any, as may be specified in such constituent company's articles of association. The written plan of merger or consolidation must be filed with the Registrar of Companies of the Cayman Islands together with a declaration as to the solvency of the consolidated or surviving company, a list of the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Dissenting shareholders have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) if they follow the required procedures, subject to certain exceptions. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

14 Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing 75% in value of shareholders or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the Grand Court of the Cayman Islands. Whilst a dissenting shareholder would have the right to express to the Grand Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Grand 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 and if the transaction were approved and consummated the dissenting shareholder would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of his shares) ordinarily available, for example, to dissenting shareholders of United States corporations.

15 Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Grand Court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Grand 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.

16 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 Cayman Islands courts to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

17 Liquidation

A company may be placed in liquidation compulsorily by an order of the court, or voluntarily (a) by a special resolution of its members if the company is solvent, or (b) by an ordinary resolution of its members if the company is insolvent. The liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories (shareholders)), settle the list of creditors and discharge the company's liability to them, rateably if insufficient assets exist to discharge the liabilities in full, and to settle the list of contributories and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

18 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.

19 Taxation

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company may obtain an undertaking from the Financial Secretary of the Cayman Islands:

- (a) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Company or its operations; and
- (b) in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable:
 - (i) on or in respect of the shares, debentures or other obligations of the Company; or
 - (ii) by way of the withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2011 Revision).

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 that are applicable to any payments made by or to the Company.

20 Exchange Control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

21 General

Maples and Calder (Hong Kong) LLP, the Company’s legal advisers on Cayman Islands law, have sent to the Company a letter of advice summarising 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 section headed “Documents Delivered to the Registrar of Companies and 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/she is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY AND OUR 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 22 September 2016. Our Company's registered office is at PO Box 309, Uglan House, Grand Cayman, KY1-1104, Cayman Islands. Our Company has established a principal place of business in 26th Floor, AIA Financial Centre, 712 Prince Edward Road East, San Po Kong, Kowloon, Hong Kong and was registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance on 26 January 2017 with Ms. Shirley Wong, our executive Director, and Ms. Pang Sze Man, our Company Secretary appointed as the Hong Kong authorised representatives of our Company on 3 January 2017 for acceptance on behalf of our Company of service of process and any notices required to be served on our Company in Hong Kong.

As our Company is incorporated in the Cayman Islands, it is subject to the Cayman Companies Law and its constitution documents, which comprises the Memorandum and the Articles. A summary of certain provisions of the Memorandum, the Articles and certain aspects of the Cayman Companies Law are set out in Appendix III of this prospectus.

2. Changes in share capital of our Company

As at the date of incorporation of our Company, the authorised share capital of our Company was HK\$380,000 divided into 38,000,000 Shares of par value HK\$0.01 each. The following sets out the changes in the authorised and issued share capital of our Company since its date of incorporation up to the date of this prospectus:

- (i) on 22 September 2016, the initial subscriber subscribed for one Share at par value of HK\$0.01. On the same date, the initial subscriber transferred such one Share to Shirz Limited. On 3 October 2016, 29 Shares of par value HK\$0.01 each was allotted and issued, credited as fully paid, at par to Shirz Limited and 20 Shares of par value HK\$0.01 each was allotted and issued, credited as fully paid, at par to Sunshine Consultancy;
- (ii) on 18 December 2017, Ms. Shirley Wong and Mr. Roy Ting transferred all their shares in Starlight Worldwide to our Company in consideration of and exchange for (i) the allotment and issue of 30 Shares in our Company to Shirz Limited credited as fully paid; (ii) the allotment and issue of 20 Shares in our Company to Sunshine Consultancy credited as fully paid; (iii) the allotment and issue of 99 shares in Shirz Limited to Ms. Shirley Wong credited as fully paid; and (iv) the allotment and issue of 99 shares in Sunshine Consultancy to Mr. Roy Ting credited as fully paid; and

- (iii) on 18 December 2017, the authorised share capital of our Company was increased from HK\$380,000 divided into 38,000,000 Shares of a par value of HK\$0.01 per share to HK\$10,000,000 divided into 1,000,000,000 Shares of a par value of HK\$0.01 per Share by the creation of an additional 962,000,000 Shares of a par value of HK\$0.01 per Share.

Immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account the exercise of the Offer Size Adjustment Option and any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme), the issued share capital of our Company will be HK\$4,000,000 divided into 400,000,000 Shares of a par value of HK\$0.01 each, fully paid or credited as fully paid. Our Company will be owned as to 70% by Shirz Limited and Sunshine Consultancy collectively upon completion of the Capitalisation Issue and the Share Offer (without taking into account the exercise of the Offer Size Adjustment Option and any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme).

Other than the exercise of the general mandate to issue Shares referred to in the section headed “A. Further information about our Company and our Subsidiaries — 3. Written resolutions of our Shareholders passed on 18 December 2017” in this Appendix, our Directors have no present intention to issue any part of the authorised but unissued share capital of our Company and, without prior approval of our Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Save as disclosed in this Appendix and the section headed “History, Reorganisation and Corporate Structure — Reorganisation” in this prospectus, there has been no alteration in the authorised and issued share capital of our Company since its incorporation and up to the date of this prospectus.

3. Written resolutions of our Shareholders passed on 18 December 2017

Pursuant to the written resolutions of the Shareholders of our Company passed on 18 December 2017, the following resolutions were passed by the Shareholders, pursuant to which, among other things:

- (a) conditional upon Listing, the Memorandum and Articles were approved and adopted to take effect on the listing date;
- (b) the authorised share capital of our Company was increased from HK\$380,000 divided into 38,000,000 Shares of a par value of HK\$0.01 per Share to HK\$10,000,000 divided into 1,000,000,000 Shares of a par value of HK\$0.01 per Share by the creation of an additional 962,000,000 Shares of a par value of HK\$0.01 per Share;

- (c) conditional upon the fulfilment or waiver of the conditions set out in the section headed “Structure and Conditions of the Share Offer” in this prospectus, the Share Offer was approved and our Directors were authorised to allot and issue the Offer Shares;
- (d) conditional upon the share premium account of our Company having sufficient balance, or otherwise being credited as a result of the issue of the new Shares under the Share Offer, our Directors were authorised to capitalise HK\$2,799,999 standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par 279,999,900 Shares for allotment and issue to Shareholder(s) whose name(s) appear(s) on the register of members of our Company at the close of business on 18 December 2017 in proportion (as nearly as possible without involving fractions) to their then existing shareholdings in our Company;
- (e) a general unconditional mandate was given to our Directors to exercise all powers of our Company to allot (including the power to make and grant offers, agreements and options which would or might require Shares to be allotted and issued), otherwise than pursuant to, or in consequence of a rights issue or pursuant to any scrip dividend schemes or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles or other similar arrangement or pursuant to a specific authority granted by the Shareholders in general meeting, Shares with a total nominal value not exceeding (aa) 20% of the aggregate nominal value of the share capital of our Company in issue immediately following the completion of the Share Offer and the Capitalisation Issue but without taking into account any Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme; and (bb) the aggregate nominal value 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 3(f) below, such mandate to remain in effect until whichever is the earliest of (i) the conclusion of the next annual general meeting of our Company, (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws to be held, or (iii) the passing of an ordinary resolution by our Shareholders at a general meeting revoking, varying or renewing such mandate;
- (f) a general unconditional mandate (the “**Repurchase Mandate**”) was given to our Directors to exercise all powers of our Company to repurchase on the Stock Exchange, Shares with an aggregate nominal value not exceeding 10% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Share Offer and the Capitalisation Issue but without taking into account any Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme, such mandate to remain in effect until whichever is the earliest of (i) the conclusion of the next annual general meeting of our Company, (ii) the expiration of the period within

which the next annual general meeting of our Company is required by the Articles or any applicable laws to be held, or (iii) the passing of an ordinary resolution by our Shareholders at a general meeting revoking, varying or renewing such mandate;

- (g) the general mandate as stated in paragraph (e) above shall be extended by the addition to the aggregate nominal value of the share capital in issue of our Company which may be allotted or agreed conditionally or unconditionally to be allotted by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of our Company repurchased by our Company pursuant to and in accordance with the authority granted under paragraph (f) provided that such extended amount shall not exceed 10% of the aggregate nominal value of the share capital of our Company in issue immediately following the completion of the Share Offer but without taking into account any Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme; and
- (h) the Share Option Scheme, the principal terms of which are set out in the paragraph headed “D. Share Option Scheme” below in this section, was approved and adopted and the Directors or any committee established by our Board were authorised, at their sole discretion, to (aa) administer the Share Option Scheme; (bb) modify/amend the Share Option Scheme from time to time as required by the Stock Exchange; (cc) grant Share Options to subscribe for Shares under the Share Option Scheme up to the limits referred to in the Share Option Scheme; (dd) allot, issue and deal with the Shares pursuant to the exercise of any of the Share Options which may be granted under the Share Option Scheme; (ee) make application at the appropriate time or times to the Stock Exchange for the listing of, and permission to deal in, any Shares or any part thereof that may hereafter from time to time be issued and allotted pursuant to the exercise of the Share Options which may be granted under the Share Option Scheme; and (ff) take all such actions as they consider necessary, desirable or expedient to implement or give effect to the Share Option Scheme.

4. Reorganisation

The companies comprising our Group underwent the Reorganisation in preparation for the Listing. For further details relating to the Reorganisation, please refer to the section headed “History, Reorganisation and Corporate Structure — Reorganisation” in this prospectus.

5. Changes in share capital of subsidiaries in our Company

Subsidiaries of our Company are listed in the Accountant's Report set out in Appendix I to this prospectus.

Save as disclosed in the section headed "History, Reorganisation and Corporate Structure" in this prospectus, 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 contains information required by the Stock Exchange to be included in this prospectus concerning the repurchase by our Company of our own securities.

(a) *Provision of the GEM Listing Rules*

Subject to certain restrictions, the GEM Listing Rules permit companies whose primary listings are on the Stock Exchange to repurchase their own securities on the Stock Exchange, the most important of which are summarised below.

(i) *Shareholders' approval*

The GEM Listing Rules provide that all proposed repurchases of securities by a company with its primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders in general meeting, either by way of a specific approval of a specific transaction, or by way of a general mandate.

A share repurchase mandate (the "**Share Repurchase Mandate**") was granted to our Directors by our Shareholder pursuant to a written resolution of the Shareholders of our Company dated 18 December 2017 authorising them to exercise all powers of our Company to purchase 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 Share Offer and Capitalisation Issue 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 or any applicable law to be held, or the passing of an ordinary resolution by our Shareholders in general meeting revoking or varying the authority given to our Directors, whichever is the earliest.

(ii) *Source of funds*

Any repurchases of securities of our Company must be financed out of funds legally available for the purpose in accordance with the GEM Listing Rules, the Articles and the applicable laws and regulations. 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.

(1) 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 the market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or the earnings per Share. Repurchases of Shares will only be made if our Directors believe that such repurchases will benefit our Company and the Shareholders.

(2) Funding of repurchase

Under the Cayman Companies Law, any repurchases by our Company may be made either (1) out of profits of our Company; (2) out of the share premium account of our Company; (3) out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase; or (4) out of capital, if so authorised by the Articles and subject to the provisions of the Cayman Companies Laws. In the case of any premium payable over the par value of the Shares to be repurchased on the repurchase, such premium must be provided out of either or both of the profits of our Company or the share premium account of our Company, or out of capital, if so authorised by the Articles and subject to the provisions of the Cayman Companies Laws.

Our Directors do not propose to exercise the Share Repurchase Mandate to such an extent that would have a material adverse effect on the working capital position of our Company or the gearing levels which, in the opinion of our Directors, are appropriate for our Company from time to time.

(iii) *Trading restrictions*

Our Company may repurchase up to 10% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Share Offer and Capitalisation Issue. Our Company may not issue or announce a proposed issue of Shares for a period of 30 days immediately following a repurchase of Shares, without the prior approval of the Stock Exchange. Our Company is also prohibited from repurchasing Shares on the Stock Exchange if the repurchase would result in the number of Shares which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange. Our Company is required to procure that the broker appointed by it to effect a repurchase of Shares discloses to the Stock Exchange such information

with respect to the repurchases as the Stock Exchange may request. Our Company also shall not purchase our Shares on the Stock Exchange if the purchase price is higher by 5% or more than the average closing market price for the five preceding trading days on which the Shares were traded on the Stock Exchange.

(iv) *Status of repurchased shares*

All repurchased Shares (whether effected on the Stock Exchange or otherwise) will be automatically delisted and the certificates for those Shares will be cancelled and destroyed. Under the Cayman Companies Law, our Company's repurchased Shares shall be treated as cancelled on repurchase and the amount of our Company's issued share capital shall be diminished by the aggregate nominal value of the repurchased Shares (although the authorised share capital of our Company will not be reduced as a result of the repurchase).

(v) *Suspension of repurchases*

Pursuant to the GEM Listing Rules, our Company may not make any repurchases of Shares after inside information has come to its knowledge until the information has been made publicly available. In particular, under the requirements of the GEM Listing Rules in force as of the date hereof, during the period of one month immediately preceding the earlier of: (i) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the GEM Listing Rules) for the approval of our Company's results for any year, half year, quarter-year period or any other interim period (whether or not required by the GEM Listing Rules); and (ii) the deadline for our Company to publish an announcement of its results for any year, or half-year or quarter-year period under the GEM Listing Rules, or any other interim period (whether or not required under the GEM Listing Rules), and in each case ending on the date of the results announcement, our Company may not repurchase Shares on the Stock Exchange unless the circumstances are exceptional. In addition, the Stock Exchange may prohibit a repurchase of the Shares on the Stock Exchange if our Company has breached the GEM Listing Rules.

(vi) *Procedural and reporting requirements*

As required by the GEM Listing Rules, repurchases of Shares on the Stock Exchange or otherwise must be reported to the Stock Exchange no later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the Stock Exchange business day following any day on which our Company may make a purchase of Shares, reporting the total number of Shares purchased the previous day, the purchase price per Share or the highest and lowest prices paid for such purchases, where relevant. In addition, our Company's annual report is required to disclose details regarding repurchases of Shares made during the year, including the number of Shares repurchased each month, the

purchase price per Share or the highest and lowest price paid for all such purchases, where relevant, and the aggregate price paid. The directors' report shall contain reference to the purchases made during the year and the directors reasons for making such purchases.

(vii) *Core connected persons*

The GEM Listing Rules prohibit our Company from knowingly repurchasing the Shares on the Stock Exchange from a "core connected person" which includes a Director, chief executive or substantial Shareholder of our Company or any of the subsidiaries or a close associate of any of them and a core connected person shall not knowingly sell Shares to our Company.

(b) *Reasons for repurchases*

Our Directors believe that it is in our and our Shareholders' best interests for our Directors to have general authority from the Shareholders to enable our Company to execute repurchases of the 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 where our Directors believe that such repurchases will benefit us and our Shareholders.

(c) *Funding of repurchases*

In repurchasing securities, our Company may only apply funds lawfully available for such purpose in accordance with the Memorandum, the Articles, the GEM Listing Rules and the applicable laws and regulations of the Cayman Islands.

On the basis of our Company's current financial position as disclosed in this prospectus and taking into account our Company's current working capital position, our Directors consider that, if the repurchase mandate were to be exercised in full, it might have a material adverse effect on our Company's working capital and/or our Company's gearing position 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 our Company's working capital requirements or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

(d) *General*

The exercise in full of the Share Repurchase Mandate, on the basis of 400,000,000 Shares in issue immediately following the completion of the Capitalisation Issue and the Share Offer (assuming the Offer Size Adjustment Option is not exercised and without taking into account any shares which may be issued pursuant to the exercise of any

options which may be granted under the Shares Option Scheme), could accordingly result in up to approximately 40,000,000 Shares being repurchased by our Company during the period prior to:

- (i) the conclusion of our next annual general meeting of our Company; or
- (ii) the end of the period within which we are required by any applicable law or our Articles to hold our next annual general meeting; or
- (iii) when varied or revoked by an ordinary resolution of our Shareholders in general meeting, whichever is the earliest.

None of our Directors, to the best of their knowledge and having made all reasonable enquiries, nor any of their close associates (as defined in the GEM Listing Rules), have any present intention, if the Share Repurchase Mandate is exercised, to sell any Shares to our Company or our subsidiaries.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Share Repurchase Mandate in accordance with the GEM Listing Rules, the Articles and the applicable laws and regulations.

If, as a result of any repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition of voting rights for the purpose of the Takeovers Code. Accordingly, a Shareholder, or a group of Shareholders acting in concert (as defined in the Takeovers Code), depending on the level of increase of the Shareholder's interest, 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 other consequences which would arise under the Takeovers Code as a consequence of any repurchases of Shares pursuant to the Share Repurchase Mandate.

Our Company is prohibited from knowingly purchasing securities on the Stock Exchange from a core connected person (as defined in the GEM Listing Rules) and such person is prohibited from knowingly selling his/her securities to our Company.

No core connected persons (as defined in the GEM Listing Rules) of our Company have notified us of intention to sell securities to our Company and such persons have undertaken not to sell any such securities to our Company, if the Share Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT THE BUSINESS OF OUR GROUP**1. Summary of material contracts**

The following material contracts (not being contracts in the ordinary course of business) have been entered into by members of our Group within the two years immediately preceding the date of this prospectus, and are or may be material:

- (a) a deed of undertaking and indemnities executed by Mr. Ting Chi Wai, Roy in favour of Wine's Link Limited on 31 March 2016, pursuant to which Mr. Ting Chi Wai, Roy (i) undertakes to offset all unrealised and realised gain or loss against (x) a USD/HKD forward contract entered into on 15 April 2015 between Dah Sing Bank Limited and Wine's Link Limited and (y) a USD/RMB structured foreign currency forward contract entered into on 2 June 2015 between Hang Seng Bank Limited and Wine's Link Limited, at any time until the end of respective settlement dates of the said contracts; and (ii) agrees to contribute to Wine's Link Limited an amount of HK\$633,000 covering the exchange loss suffered by Wine's Link Limited from the GBP denominated bank deposits in the total amount of GBP1,844,568 (the "Pledged GBP") as at 31 March 2016; and (iii) agrees to exchange with Wine's Link Limited all the Pledged GBP at the exchange rate of HK\$11.15 per GBP at any time after 31 March 2016;
- (b) a share swap agreement dated 31 March 2016 entered into among Starlight Worldwide Investment Limited, Wine's Link Limited (威揚(酒業)有限公司), Mr. Ting Chi Wai, Roy (丁志威), Ms. Wong Chi Lou, Shirley (王姿潞) and Mr. Ting Ping Sing (丁炳星), pursuant to which Mr. Ting Chi Wai, Roy (丁志威), Ms. Wong Chi Lou, Shirley (王姿潞) and Mr. Ting Ping Sing (丁炳星) agreed to transfer 20,000,000 shares of HK\$1.0 each in the share capital of Wine's Link Limited (威揚(酒業)有限公司), representing its entire issued share capital as at the date thereof, to Starlight Worldwide Investment Limited in exchange for Starlight Worldwide Investment Limited (i) allotting and issuing 36 ordinary shares in Starlight Worldwide Investment Limited credited as fully paid to Mr. Ting Chi Wai, Roy (丁志威); (ii) allotting and issuing 36 ordinary shares in Starlight Worldwide Investment Limited credited as fully paid to Ms. Wong Chi Lou, Shirley (王姿潞); and (iii) allotting and issuing 18 ordinary shares in Starlight Worldwide Investment Limited credited as fully paid to Mr. Ting Ping Sing (丁炳星), respectively, as the consideration;

- (c) a share swap agreement dated 18 December 2017 entered into among Wine's Link International Holdings Limited (威揚酒業國際控股有限公司), Starlight Worldwide Investment Limited, Sunshine Consultancy Company Limited, Shirz Limited, Mr. Ting Chi Wai, Roy (丁志威) and Ms. Wong Chi Lou, Shirley (王姿潞), pursuant to which Wong Chi Lou, Shirley (王姿潞) and Ting Chi Wai, Roy (丁志威) agreed to transfer all their shares in Starlight Worldwide Investment Limited to Wine's Link International Holdings Limited (威揚酒業國際控股有限公司) in exchange for (i) Wine's Link International Holdings Limited (威揚酒業國際控股有限公司) allotting and issuing 20 ordinary shares in Wine's Link International Holdings Limited (威揚酒業國際控股有限公司) and 30 ordinary shares in Wine's Link International Holdings Limited (威揚酒業國際控股有限公司), credited as fully paid, to Sunshine Consultancy Company Limited and Shirz Limited, respectively; (ii) Sunshine Consultancy Company Limited allotting and issuing 99 ordinary shares in Sunshine Consultancy Company Limited credited as fully paid to Mr. Ting Chi Wai, Roy (丁志威); and (iii) Shirz Limited allotting and issuing 99 ordinary shares in Shirz Limited credited as fully paid to Ms. Wong Chi Lou, Shirley (王姿潞), as the consideration;
- (d) a deed of non-competition dated 18 December 2017 and executed by Wong Chi Lou Shirley (王姿潞), Ting Chi Wai Roy (丁志威), Shirz Limited and Sunshine Consultancy Company Limited in favour of Wine's Link International Holdings Limited (威揚酒業國際控股有限公司) (for itself and as trustee for its subsidiaries), particulars of which are set out in the section headed "Relationship with Controlling Shareholders — Non-competition Undertaking";
- (e) a deed of indemnity dated 18 December 2017 and executed by Wong Chi Lou Shirley (王姿潞), Ting Chi Wai Roy (丁志威), Shirz Limited and Sunshine Consultancy Company Limited in favour of Wine's Link International Holdings Limited (威揚酒業國際控股有限公司) (for itself and as trustee for its subsidiaries), particulars of which are set out in the section headed "E. Other information — 1. Estate duty, tax and other indemnities" in this Appendix; and
- (f) the Public Offer Underwriting Agreement.

2. Summary of intellectual property rights of our Group

(a) Trademarks

As at the Latest Practicable Date, our Group is the registered proprietor of the following trademarks which, in the opinion of our Directors, are material to our business:

<u>Trademark</u>	<u>Name of registered owner</u>	<u>Trademark number</u>	<u>Place of registration</u>	<u>Class</u>	<u>Date of registration</u>	<u>Expiry date</u>
	Starlight Worldwide	303747709	Hong Kong	33, 35	18 April 2016	17 April 2026
 	Starlight Worldwide	303747718	Hong Kong	35	18 April 2016	17 April 2026
	Starlight Worldwide	303747727	Hong Kong	33	18 April 2016	17 April 2026
	Starlight Worldwide	303747736	Hong Kong	33	18 April 2016	17 April 2026
	Starlight Worldwide	303752929	Hong Kong	33, 35	22 April 2016	21 April 2026
						
	Starlight Worldwide	303747637	Hong Kong	16, 33, 35, 39	18 April 2016	17 April 2026
						

<u>Trademark</u>	<u>Name of registered owner</u>	<u>Trademark number</u>	<u>Place of registration</u>	<u>Class</u>	<u>Date of registration</u>	<u>Expiry date</u>
威揚(酒業)有限公司 WINE'S LINK LIMITED	Starlight Worldwide	303747673	Hong Kong	16, 33, 35, 39	18 April 2016	17 April 2026
ROYCE CELLAR	Starlight Worldwide	303747691	Hong Kong	33	18 April 2016	17 April 2026
	Starlight Worldwide	303752938	Hong Kong	33	22 April 2016	21 April 2026
						

(b) Domain names

As at the Latest Practicable Date, our Group has registered the following domain names which, in the opinion of our Directors, are material to our business:

<u>Domain name</u>	<u>Registrant</u>	<u>Term/Expiry Date</u>
cellar-royce.com	our Company	17 December 2019
cellarroyce.com	our Company	17 December 2019
dazzle-grand.com	our Company	12 January 2018
dazzlegrand.com	our Company	12 January 2018
grand-dazzle.com	our Company	12 January 2018
granddazzle.co	our Company	12 January 2018
granddazzle.com	our Company	12 January 2018
granddazzles.com	our Company	12 January 2018
hkiwine.com	our Company	27 October 2018
royce-cellar.com	our Company	17 December 2019
roycecellar.co	our Company	16 December 2019
roycecellar.com	our Company	17 December 2019
roycecellars.com	our Company	17 December 2019
roycescellar.com	our Company	17 December 2019
stripdaily.com	our Company	3 August 2018
thegranddazzle.com	our Company	12 January 2018
wines-link.com	our Company	27 July 2018

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Interests and short positions of Directors and the chief executives of our Company in the Shares, underlying Shares or debentures of our Company and its associated corporations

Immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account the exercise of the Offer Size Adjustment Option and any Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme), the interests or short positions of each of our Directors and our chief executive in the Shares, underlying Shares and debentures of our Company or our associated corporations (within the meaning of Part XV 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 which they were taken or deemed to have taken 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 the Rules 5.46 to 5.67 of the GEM Listing Rules, will be as follows:

(i) *Interests in our Company*

<u>Name</u>	<u>Nature of Interest</u>	<u>Number of Shares held⁽¹⁾</u>	<u>Approximate percentage of shareholding</u>
Ms. Shirley Wong ⁽²⁾	Interest of a controlled corporation/Interest of spouse	280,000,000 (L)	70%

Notes:

- (1) The letter “L” denotes the person’s long position in the Shares.
- (2) Ms. Shirley Wong is the sole shareholder of Shirz Limited and she is therefore deemed to be interested in the Shares held by Shirz Limited. Ms. Shirley Wong is also the spouse of Mr. Roy Ting and is therefore deemed to be interested in all the Shares Mr. Roy Ting is interested in pursuant to the SFO.

(ii) *Interests in associated corporations of our Company*

<u>Name of director</u>	<u>Name of associated corporation</u>	<u>Nature of interests</u>	<u>Number of shares held</u>	<u>Approximate percentage of shareholding</u>
Ms. Shirley Wong	Shirz Limited	Beneficial owner	100 (L) ⁽¹⁾	100%

Note: The letter “L” denotes the person’s long position in the shares.

2. Interests and/or short positions of substantial shareholders in the Shares, and underlying Shares of our Company and its associated corporations

So far as our Directors are aware, immediately following completion of the Capitalisation Issue and the Share Offer (but without taking into account the exercise of the Offer Size Adjustment Option and any Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme), the following persons will have an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

<u>Name</u>	<u>Nature of Interest</u>	<u>Number of Shares held</u>	<u>Approximate percentage of shareholding</u>
Shirz Limited	Beneficial owner	168,000,000	42%
Ms. Shirley Wong ⁽¹⁾	Interest of a controlled corporation/Interest of spouse	280,000,000	70%
Sunshine Consultancy	Beneficial owner	112,000,000	28%
Mr. Roy Ting ⁽²⁾	Interest of a controlled corporation/Interest of spouse	280,000,000	70%

Notes:

- (1) Ms. Shirley Wong is the sole shareholder of Shirz Limited and she is therefore deemed to be interested in the Shares held by Shirz Limited. Ms. Shirley Wong is also the spouse of Mr. Roy Ting and is therefore deemed to be interested in all the Shares Mr. Roy Ting is interested in pursuant to the SFO.

- (2) Mr. Roy Ting is the sole shareholder of Sunshine Consultancy and he is therefore deemed to be interested in the Shares held by Sunshine Consultancy. Mr. Roy Ting is also the spouse of Ms. Shirley Wong and is therefore deemed to be interested in all the Shares Ms. Shirley Wong is interested in pursuant to the SFO.

3. Particulars of Directors' service agreements and letters of appointment

(a) *Executive Directors*

Each of our executive Directors Ms. Shirley Wong and Mr. Chan Sze Tung has on 18 December 2017 entered into a service agreement with our Company regarding their appointment as executive Directors for an initial term of three years commencing from the Listing Date unless terminated by not less than six months prior written notice or otherwise in accordance with the service agreement. According to the terms of the service agreements entered into between our Company and the executive Directors, the annual remuneration (excluding discretionary and performance bonuses) of our executive Directors is as follows:

<u>Name</u>	<u>Salaries and allowances</u> (HK\$)
Ms. Shirley Wong	540,000
Mr. Chan Sze Tung	300,000

The basic monthly salary payable by our Company to our relevant executive Director is subject to annual review by our Board and the remuneration committee of our Company.

Our executive Director will be entitled to a discretionary bonus and a performance bonus as may be determined by the remuneration committee of our Company from time to time by reference to the financial performance of our Company as well as the individual performance of the relevant executive Director.

(b) *Non-executive Directors and independent non-executive Directors*

Each of our non-executive Directors and independent non-executive Directors has signed a letter of appointment dated 18 December 2017 with our Company for an initial term of three years.

The annual director's fees payable by our Company to each of our non-executive Directors and independent non-executive Directors are an aggregate amount of approximately HK\$120,000 respectively according to the letters of appointment.

Save as disclosed above, none of our Directors has entered or is proposed to enter into a service agreement with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

4. Directors' remuneration

Our Company's policies concerning remuneration of executive Directors are (i) the amount of remuneration is determined on the basis of the relevant Directors' experience, responsibility, workload and the time devoted to our Company; and (ii) non-cash benefits may be provided to the Directors under their remuneration package.

For the years ended 31 March 2015, 2016 and 2017 and the three months ended 30 June 2017, the total remuneration (including salaries and bonus, allowances and pension costs) paid to our Directors by our Group was HK\$0.7 million, HK\$0.7 million, HK\$0.7 million and HK\$0.2 million respectively.

For the years ended 31 March 2015, 2016 and 2017 and the three months ended 30 June 2017, the total remuneration (including salaries and other benefits, performance related bonuses, and retirement benefit scheme contribution) paid to our Group's five highest paid individuals, including Ms. Shirley Wong, was HK\$1.9 million, HK\$1.8 million, HK\$1.8 million and HK\$0.6 million respectively.

During the Track Record Period, no remuneration was paid by us to, or receivable by, our Directors or the five highest paid individuals as an inducement to join or upon joining our Company. No compensation was paid by us to, or receivable by, our Directors or former Directors or the five highest paid individuals for each of the years during the Track Record Period for the loss of any office in connection with the management of the affairs of any subsidiary of our Company.

There was no arrangement under which a director waived or agreed to waive any emoluments for the Track Record Period.

Save as disclosed above, no other payments has been made or are payable in respect of the Track Record Period by any member of our Group to any of our Directors.

Pursuant to the current arrangements in force, it is anticipated that, for the year ending 31 March 2018, an aggregate amount of approximately HK\$0.8 million will be payable to our Directors as remuneration and benefits in kind (excluding any commission or discretionary bonus) by our Group.

5. Agency fees or commissions received

Save as disclosed in the section headed “Underwriting — Underwriting arrangement and expenses — Fees, commission and expenses” in this prospectus, within the two years immediately preceding the date of this prospectus, no commissions, discounts, brokerages 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 our subsidiaries.

6. Related party transaction

Save as disclosed in Note 28 to the Accountants’ Report set out in Appendix I to this prospectus, for the years ended 31 March 2015, 2016 and 2017 and the three months ended 30 June 2017, our Group has not engaged in any other material related party transactions.

7. Disclaimers

Save as disclosed in this Appendix to this prospectus:

- (a) our Directors are not aware of any person (other than our Directors or the chief executive of our Company) who will, immediately following completion of the Share Offer (but without taking into account the exercise of the Offer Size Adjustment Option and any Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme), have an interest and/or a short position in the Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO (including interests and/or short positions which they are deemed to have under such provisions of the SFO) or who will, either directly or indirectly, be expected to be interested in 10% or more of nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other member of our Group;
- (b) none of our Directors or the chief executives of our Company had any interest or short position in any of the Shares, underlying Shares or debentures of our Company or any of its associated corporations (within the meaning of Part XV 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 which they are 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 us and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, in each case once the Shares are listed;
- (c) none of our Directors nor any of the persons whose names are listed in the section headed “E. Other information — 9. Qualifications of experts” in this Appendix IV was directly or indirectly interested in the promotion of our Company, or has any

direct or indirect interest in any assets which have been acquired or disposed of by or leased to our Company or any of its subsidiaries, within the two years immediately preceding the date of this prospectus, or were proposed to be acquired or disposed of by or leased to our Company or any of its subsidiaries nor will any Director apply for Offer Shares either in his own name or in the name of a nominee;

- (d) none of the persons whose names are listed in the section headed “E. Other information — 9. Qualifications of experts” of this Appendix IV is materially interested in any contract or arrangement subsisting at the date of this prospectus which was significant in relation to the business of our Group;
- (e) none of our Directors nor any of the persons whose names are listed in the section headed “E. Other information — 9. Qualifications of experts” in this Appendix IV has received any agency fee, commissions, discounts, brokerage or other special terms from our Group within the two years immediately preceding the date of this prospectus in connection with the issue or sale of any capital of any member of our Group;
- (f) 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; and
- (g) none of the parties listed in the section headed “E. Other information — 9. Qualifications of experts” of this Appendix IV:
 - (i) are interested legally or beneficially in any securities of any member of our Group; and
 - (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities of any member of our Group.

D. SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme on 18 December 2017. 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.

1. Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to enable our Group to grant Share Options to the eligible persons as incentives or rewards for their contribution to our Group and/or to enable our Group to recruit and retain high-calibre employees and attract human resources that are valuable to our Group or any entity in which any member of our Group holds any equity interest (the “Invested Entity”). As at the Latest Practicable Date, there was no Invested Entity other than members of our Group, and our Group has not identified any potential Invested Entity for investment.

2. Who may join and basis for determining eligibility

The Board may, at its absolute discretion, offer eligible persons (being any director or employee (whether full time or part time), consultant or adviser of our Group who in the sole discretion of the Board has contributed to and/or will contribute to our Group) (the “Eligible Persons”) to subscribe for such number of Shares in accordance with the terms of the Share Option Scheme.

3. Grant of options

- (a) On and subject to the terms of the Share Option Scheme, our Board shall be entitled at any time on a business day within ten years commencing on the effective date of the Share Option Scheme to offer the grant of a Share Option to any Eligible Person as our Board may in its absolute discretion select in accordance with the eligibility criteria set out in the Share Option Scheme. An offer shall be accepted when we receive the duly signed offer letter together with a non-refundable payment of HK\$1.00 (or such other sum in any currency as our Board may determine).
- (b) Subject to the provisions of the Share Option Scheme, the GEM Listing Rules and any relevant laws and regulations, our Board may, on a case by case basis and at its discretion when offering the grant of a Share Option, impose any conditions, restrictions or limitations in relation thereto additional to those expressly set forth in the Share Option Scheme as it may think fit (which shall be stated in the letter containing the offer of the grant of the Share Option) including (without prejudice to the generality of the foregoing):
 - (i) the continuing eligibility of the grantee under the Share Option Scheme, and in particular, where our Board resolves that the grantee has failed or otherwise is or has been unable to meet the continuing eligibility criteria, the option (to the extent it has not already been exercised) shall lapse, subject to the requirements in paragraph 9 below;

- (ii) the continuing compliance of any such terms and conditions that may be attached to the grant of the option, failing which the option (to the extent that it has not already been exercised) shall lapse unless otherwise resolved to the contrary by our Board, subject to the requirements in paragraph 9 below;
 - (iii) in the event that the Eligible Person is a corporation, that any change of the management and/or shareholding of the Eligible Person shall constitute a failure to meet the continuing eligibility criteria under the Share Option Scheme;
 - (iv) in the event that the Eligible Person is a trust, that any change of the beneficiary of the Eligible Person shall constitute a failure to meet the continuing eligibility criteria under the Share Option Scheme.
- (c) Our Board shall not offer the grant of a Share Option to any Eligible Person:
- (i) after a price sensitive development has occurred or a price sensitive matter has been the subject of a decision, until such price sensitive information has been announced pursuant to the relevant requirements of the GEM Listing Rules; or
 - (ii) within the period commencing one month immediately preceding the earlier of:
 - (1) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the GEM Listing Rules for the approval of our Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the GEM Listing Rules); and
 - (2) deadline for our Company to publish an announcement of its result for any year, half-year under the GEM Listing Rules, or quarterly or any other interim period (whether or not required under the GEM Listing Rules), and ending on the date of the results announcement. The period during which no Share Option may be granted will cover any period of delay in the publication of a results announcement.
- (d) Any grant of Share Options to any Director, substantial Shareholder, chief executive of our Company or their respective associates must be approved by all of our Company's independent non-executive Directors (excluding any independent non-executive Director who is a proposed grantee).

4. Exercise Price

The exercise price for any Share under the Share Option Scheme shall be a price determined by our Board and notified to each grantee and shall be not less than the highest of (i) the closing price of a Share as stated in the Stock Exchange's daily

quotations sheet on the date of grant of the relevant option, which must be a business day, (ii) an amount equivalent to the average closing price of a Share as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant of the relevant option and (iii) the nominal value of a Share on the date of grant. The exercise price shall also be subject to any adjustments made in a situation contemplated under paragraph 10 below.

5. Maximum number of Shares

- (a) The maximum aggregate number of Shares which may be issued upon exercise of all outstanding Share Options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company, must not, in aggregate, exceed 10% of the total number of Shares in issue from time to time.
- (b) The maximum number of Shares in respect of which options may be granted under the Share Option Scheme and any other share option schemes involving the issue or grant of options or similar rights over Shares or other securities by our Company shall not, in aggregate, exceed 10% of the issued share capital of our Company as at the Listing Date (without taking into account the Shares which may be issued and allotted pursuant to the exercise of the options which may be granted under the Share Option Scheme) (the "Scheme Mandate Limit") unless Shareholders' approval has been obtained pursuant to sub-paragraph (d) below.
- (c) The Scheme Mandate Limit may be renewed by the Shareholders of our Company in general meeting from time to time provided always that the Scheme Mandate Limit so renewed must not exceed 10% of the issued share capital of our Company as at the date of the approval of such renewal by the shareholders of our Company in general meeting. Upon such renewal, all Share Options granted under the Share Option Scheme and any other share options schemes of our Company (including those exercised, outstanding, cancelled, lapsed in accordance with the Share Option Scheme or any other share options of our Company) prior to the approval of such renewal shall not be counted for the purpose of calculating the Scheme Mandate Limit. A circular must be sent to the Shareholders of our Company containing such relevant information from time to time as required by the GEM Listing Rules.
- (d) Our Board may seek separate Shareholders' approval in general meeting to grant options beyond the Scheme Mandate Limit provided that the Share Options in excess of the Scheme Mandate Limit are granted only to the Eligible Persons specifically identified by our Company before such approval is sought and our Company must issue a circular to the Shareholders of our Company containing such relevant information from time to time as required by the GEM Listing Rules in relation to any such proposed grant to such Eligible Persons.

- (e) No Share Option may be granted to any Eligible Person which, if exercised in full, would result in the total number of Shares issued and to be issued upon exercise of the options already granted or to be granted to such Eligible Person under the Share Option Scheme (including exercised, cancelled and outstanding share options) in the twelve-month period up to and including the date of such new grant exceeding 1% in aggregate of the issued share capital of our Company as at the date of such grant. Any grant of further share options above this limit shall be subject to certain requirements provided under the GEM Listing Rules.
- (f) The maximum number of Shares referred to in sub-paragraph (a) shall be adjusted, in such manner as our Company's auditors or our Company's independent financial adviser shall confirm in writing that the adjustments satisfy the requirements set forth in paragraph 10.

6. Time of exercise of option

- (a) Subject to certain restrictions contained in the Share Option Scheme, a Share Option may be exercised in accordance with the terms of the Share Option Scheme and the terms of grant thereof at any time during the applicable option period, which is not more than ten years from the date of grant of option.
- (b) There is no general requirement on the minimum period for which a Share Option must be held or the performance targets which must be achieved before a Share Option can be exercised under the terms of the Share Option Scheme. However, at the time of granting any Share Option, our Board may, on a case by case basis, make such grant subject to such conditions, restrictions or limitations including (without limitation) those in relation to the minimum period of the Share Options to be held and/or the performance targets to be achieved as our Board may determine in its absolute discretion.

7. Rights are personal to grantee

A Share Option shall be personal to the grantee and shall not be assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest in favour of any third party over or in relation to any Share Option.

8. Rights on ceasing to be an Eligible Person

Should our Board resolve that a grantee fails/has failed or otherwise is/has been unable to meet the continuing eligibility criteria under the Share Option Scheme, our Company would (subject to any relevant laws and regulations) be entitled to deem any outstanding option or part thereof, granted to such grantee and to the extent not already exercised, as lapsed, subject to the requirements of paragraph 9 below.

9. Rights on death/ceasing employment

- (a) If the grantee (being an individual) dies before exercising the Share Option in full, his or her legal personal representative(s) may exercise the Share Option up to the grantee's entitlement (to the extent exercisable as at the date of his death and not exercised) within a period of twelve months following his death or such longer period as our Board may determine.
- (b) Subject to sub-paragraphs (c) and (d), if the grantee who is an employee ceases to be an employee for any reason other than his death, disability or the termination of his employment on one or more of the following grounds that:
 - (i) any liquidator, provisional liquidator, receiver or any person carrying out any similar function has been appointed anywhere in the world in respect of the whole or any part of the asset or undertaking of the grantee (being a corporation);
 - (ii) the grantee (being a corporation) has ceased or suspended payment of its debts, become unable to pay its debts (within a meaning of section 178 of the Companies (WUMP) Ordinance or any similar provisions under the Companies Law) or otherwise become insolvent;
 - (iii) there is unsatisfied judgement, order or award outstanding against the grantee or our Company has reason to believe that the grantee is unable to pay or to have no reasonable prospect of being able to pay his debts;
 - (iv) there are circumstances which entitle any person to take any action, appoint any person, commence proceedings or obtain any order of the type mentioned in sub-paragraph (i) above;
 - (v) a bankruptcy order has been made against the grantee in any jurisdiction; or
 - (vi) a petition for bankruptcy has been presented against the grantee in any jurisdiction; the grantee may exercise the Share Option (to the extent exercisable as at the date of the relevant event and not exercised) within 60 days following the date of such cessation.
- (c) If the grantee is an employee, director, consultant, professional, agent, partner, advisor of or contractor to our Group or its affiliate at the time of the grant of the relevant option(s) and his employment or service to our Company is terminated on the ground of disability, the grantee may exercise the option (to the extent exercisable as at the date on which such grantee ceases to be an employee, director, consultant, professional, agent, partner, advisor of or contractor to our Group or its affiliate and not exercised) within six months following such cessation or such longer period as our Board may determine.

- (d) If the grantee is an employee at the time of the grant of the relevant Share Option(s), in the event that such grantee shall cease to be an employee but becomes, or continues to be, a consultant, professional, customer, supplier, agent, partner or adviser of or contractor to our Group or an affiliate, then the option (to the extent exercisable as at the date on which such grantee ceases to be an employee and not exercised) shall be exercised within three months following the date of such cessation or such longer period as our Board may determine.
- (e) If the grantee is an employee at the time of the grant of the relevant Share Option(s), in the event that such grantee shall cease to be an employee but becomes, or continues to be, a director of our Group or an affiliate, then the Share Option(s) (to the extent exercisable as at the date on which such grantee ceases to be an employee and not exercised) granted prior to the date of his becoming a director of our Group or its affiliate shall remain exercisable until its expiry in accordance with the provisions of the Share Option Scheme and the terms and conditions upon which such Share Option(s) is granted unless our Board shall determine to the contrary.
- (f) If the grantee, who is a director, consultant, professional, customer, supplier, agent, partner or adviser of or contractor to our Group or an affiliate but not an employee, ceasing to be a director, consultant, customer, supplier, agent, partner or adviser of or contractor to our Group or an affiliate (as the case may be) for any reason other than his death (in the case of a grantee being an individual) or disability (in the case of a grantee being a director or consultant of our Group or its affiliate), the option (to the extent exercisable as at the date of such cessation and not exercised) shall be exercised within 30 days following the date of such cessation or such longer period as the Board may determine.

10. Effects of alterations to capital

In the event of any alteration in our capital structure while a Share Option remains exercisable, and such event arises from, including a capitalisation of our Company profits or reserves, rights issue, consolidation, reclassification, subdivision or reduction of the share capital of our Company, such corresponding alterations (if any) shall be made to the number or nominal amount of Shares subject to the Share Options so far as unexercised; and/or the exercise price; and/or the method of exercise of the Share Options; and/or the maximum number of Shares subject to the Share Option Scheme. Any adjustments required under this paragraph must give a grantee the same proportion of the equity capital as that to which that grantee was previously entitled, but no such adjustments may be made to the extent that Shares would be issued at less than their nominal value or (unless with the prior approval from our shareholders in general meeting) to the extent that such adjustments are made to the advantage of the grantee. For the avoidance of doubt, the issue of securities as consideration in a transaction may not be regarded as a circumstance requiring adjustment. In respect of any such

adjustments, other than any made on a capitalisation issue, independent financial adviser appointed by our Company or our Company's auditors must confirm to the Directors in writing that the adjustments satisfy the requirements set out in this paragraph.

11. Rights on a Takeover

If a general offer (whether by way of takeover offer or scheme of arrangement or otherwise in like manner) is made to all the holders of Shares (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror) and such offer becomes or is declared unconditional (within the meaning of the Takeovers Code), the grantee shall be entitled to exercise the option (to the extent exercisable as at the date on which the general offer becomes or is declared unconditional and not exercised) in full or in part at any time within one month after the date on which the offer becomes or is declared unconditional (within the meaning of the Takeovers Code).

12. Rights on a Scheme of Arrangement

In the event of a compromise or arrangement between us and our members or creditors being proposed in connection with a scheme for reconstruction or amalgamation of our Company (other than any relocation schemes as contemplated in Rule 10.18(3) of the GEM Listing Rules), we shall give notice thereof to all grantees on the same date as it gives notice of the meeting to our members or creditors to consider such a scheme of arrangement, and thereupon the grantee may, by notice in writing to our Company accompanied by the remittance for the total exercise price payable in respect of the exercise of the relevant option (such notice to be received by our Company not later than two business days (excluding any period(s) of closure of our share registers) prior to the proposed meeting) exercise the Share Option (to the extent exercisable as at the date of the notice to the grantee and not exercised) either in full or in part and we shall, as soon as possible and in any event no later than the business day (excluding any period(s) of closure of our share registers) immediately prior to the date of the proposed meeting, allot and issue such number of Shares to the grantee which falls to be issued on such exercise credited as fully paid and registered the grantee as holder thereof.

13. Rights on a Voluntary Winding up

In the event notice is given by us to our Shareholders to convene a Shareholders' meeting for the purpose of considering and, if thought fit, approving a resolution to voluntarily wind up us, we shall forthwith give notice thereof to the grantee and the grantee may, by notice in writing to our Company accompanied by the remittance for the total exercise price payable in respect of the exercise of the relevant option (such notice to be received by our Company not later than two business days (excluding any period(s) of closure of our share registers) prior to the proposed meeting) exercise the Share Option (to the extent exercisable as at the date of the notice to the grantee and not exercised) either in full or in part and we shall, as soon as possible and in any event no

later than the business day (excluding any period(s) of closure of our share registers) immediately prior to the date of the proposed shareholders' meeting, allot and issue such number of Shares to the grantee which falls to be issued on such exercise.

14. Rights attaching to Shares upon exercise of an option

Shares allotted upon the exercise of a Share Option shall rank *pari passu* in all respects with the existing fully paid Shares in issue at the date of allotment.

15. Lapse of options

A Share Option (to the extent such option has not already been exercised) shall lapse and not be exercisable on the earliest of:

- (a) the expiry of the exercise period; the expiry of the periods referred to in paragraph 9;
- (b) the date of commencement of our Company's winding-up in respect of the situation contemplated in paragraph 13;
- (c) the date when the proposed compromise or arrangement becomes effective in respect of the situation contemplated in paragraph 12;
- (d) the date of which the grantee who is an employee ceases to be an employee by reason of the termination of his employment on the grounds that he has been guilty of serious misconduct or has been convicted of any criminal offence involving his integrity or honesty;
- (e) the happening of any of the following events, unless otherwise waived by our Board:
 - (i) any liquidator, provisional liquidator, receiver or any person carrying out any similar function has been appointed anywhere in the world in respect of the whole or any part of the asset or undertaking of the grantee (being a corporation);
 - (ii) the grantee (being a corporation) has ceased or suspended payment of its debts, become unable to pay its debts (within a meaning of section 178 of the Companies (WUMP) Ordinance or any similar provisions under the Companies Law) or otherwise become insolvent;
 - (iii) there is unsatisfied judgement, order or award outstanding against the grantee or our Company has reason to believe that the grantee is unable to pay or to have no reasonable prospect of being able to pay his/her/its debts;

- (iv) there are circumstances which entitle any person to take any action, appoint any person, commence proceedings or obtain any order of the type mentioned in sub-paragraphs (i), (ii) and (iii) above;
- (v) a bankruptcy order has been made against the grantee or any director of the grantee (being a corporation) in any jurisdiction; or
- (vi) a petition for bankruptcy has been presented against the grantee or any director of the grantee (being a corporation) in any jurisdiction;
- (f) the date on which a situation as contemplated under paragraph 7 arises;
- (g) the date on which the grantee commits a breach of any terms or conditions attached to the grant of the Share Option, unless otherwise resolved to the contrary by our Board; or
- (h) the date on which our Board resolves that the grantee has failed or otherwise is or has been unable to meet the continuing eligibility criteria as may be prescribed pursuant to paragraph 8.

16. Cancellation of options granted

Our Board shall have the absolute discretion to cancel any options granted at any time if the grantee so agreed provided that where a Share Option is cancelled and a new option is proposed to be issued to the same grantee, the issue of such new Share Option may only be made with available but unissued Shares in the authorised share capital of our Company, and available ungranted Share Options (excluding for this purpose all the cancelled Share Options) within the limits referred to in paragraph 5.

17. Period of the Share Option Scheme

Share Options may be granted to Eligible Persons under the Share Option Scheme during the period of ten years commencing on the effective date of the Share Option Scheme.

18. Alteration to Share Option Scheme and Termination

- (a) The Share Option Scheme may be altered in any respect by resolution of our Board except those specific provisions relating to matters in Rule 23.03 of the GEM Listing Rules (or any other relevant provisions of the GEM Listing Rules from time to time applicable) be altered to the advantage of grantees or prospective grantees except with the prior approval of the Shareholders of our Company in general meeting.

- (b) Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature must be approved by the Shareholders of our Company in general meeting, except where such alterations take effect automatically under the existing terms of the Share Option Scheme.
- (c) We by resolution in general meeting or our Board may at any time terminate the operation of the Share Option Scheme and in such event, no further Share Options will be offered but the provisions of the Share Option Scheme shall remain in force in all other respects.
- (d) Any such adjustments shall be made in accordance with the provisions as stipulated under Chapter 23 of the GEM Listing Rules and supplementary guidance on the interpretation of the GEM Listing Rules issued by the Stock Exchange from time to time (including the supplemental guidance attached to the letter from the Stock Exchange dated September 5, 2005 to all issuers relating to Share Option Schemes).

19. Conditions of the Share Option Scheme

The Share Option Scheme shall take effect subject to the passing of the necessary resolution to adopt the Share Option Scheme by our Shareholders in a special general meeting of our Company and is conditional upon the Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal in, any Shares to be issued and allotted by our Company pursuant to the exercise of options in accordance with the terms and conditions of the Share Option Scheme.

20. Administration of the Share Option Scheme

The Share Option Scheme shall be subject to the administration of our Board or any committee established by our Board from time to time, whose decision (save as otherwise provided in the Share Option Scheme) shall be final and binding on all parties.

As at the Latest Practicable Date, no other options have been granted or agreed to be granted by our Company under the Share Option Scheme as at the date of this prospectus.

The terms of the Share Option Scheme are in compliance with Chapter 23 of the GEM Listing Rules.

E. OTHER INFORMATION**1. Estate duty, tax and other indemnities***Estate Duty*

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries in the Cayman Islands or the BVI or Hong Kong in which the companies comprising our Group are incorporated. There are currently no taxes in the form of estate duties under Cayman Islands law, and no estate tax is currently payable by persons who are not resident in the BVI with respect of any shares, debt obligations or other securities of a BVI company.

Stamp Duty

Dealings in the Shares will be subject to Hong Kong stamp duty. The current ad valorem rate of Hong Kong stamp duty is 0.1% on the higher of the consideration for or the market value of the Shares and it is charged on the purchaser on every purchase and on the seller on every sale of the Shares. A total stamp duty of 0.2% is currently payable on a typical sale and purchase transaction involving the Shares.

Deed of Indemnity

The Controlling Shareholders (the “Indemnifiers”) have executed the Deed of Indemnity in favour of our Company (for ourselves and as trustee for our subsidiaries) to provide indemnities in respect of, among other matters:

- (a) any taxation (including estate duty) falling on any member of our Group resulting from or by reference to any income, profits, gains, transactions, events, matters or things earned, accrued, received, entered into (or deemed to be so earned, accrued, received or entered into) or occurring on or before the date on which the Share Offer becomes unconditional; and
- (b) all costs which any member of our Group may incur, suffer or accrue, directly or indirectly, from or on the basis of or in connection with any alleged or actual violation or non-compliance by any member of our Group with any laws, regulations or administrative orders or measures in Hong Kong on or before the Listing Date, if any.

The Indemnifiers will, however, not be liable under the Deed of Indemnity to the extent that, among others:

- (i) in relation to items (a) and (b) above, provision has been made for such liability in the audited consolidated accounts of our Company or any member of our Group for the Track Record Period;

- (ii) in relation to item (a) above, the taxation liability arises or is incurred as a result of a retrospective change in law or a retrospective increase in tax rates coming into force after the Listing Date; or
- (iii) in relation to item (a) above, the taxation liability arises in the ordinary course of acquiring and disposing of capital assets after the Listing Date.

2. Litigation

Save as disclosed in the section headed “Business — Legal Proceedings and Regulatory Matters” in this prospectus, as at the Latest Practicable Date, no member of our Group is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to our Directors to be pending or threatened against any member of our Group, that would have a material adverse effect on our business, results of operations or financial condition.

3. Sole Sponsor

Innovax Capital Limited has made an application on behalf of our Company to the Stock Exchange for listing of, and permission to deal in, the Shares in issue and the Shares to be issued as described in this prospectus.

The Sole Sponsor satisfies the independence criteria applicable to sponsor as set out in Rule 6A.07 of the GEM Listing Rules.

The sponsor’s fee in relation to the Listing is approximately HK\$4.43 million.

4. Promoter

Our Company has no promoter for the purpose of the GEM Listing Rules.

5. Agency fees or commissions received

Within the two years immediately preceding the date of this prospectus, no commission, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of our Company or any of its subsidiaries.

6. Preliminary expenses

The preliminary expenses relating to the incorporation of our Company are estimated to be about HK\$30,000 and are payable by our Company.

7. Registration procedures

The principal register of members of our Company will be maintained in the Cayman Islands by Maples Fund Services (Cayman) Limited and a Hong Kong branch register of members of our Company will be maintained in Hong Kong by Tricor Investor Services

Limited. Save where our Directors otherwise agree, all transfers and other documents of title to Shares must be lodged for registration with, and registered by, our Company's Hong Kong branch share registrar in Hong Kong and may not be lodged in the Cayman Islands.

8. Taxation of holders of Shares

Dealings in Shares will be subject to Hong Kong stamp duty. The sale, purchase and transfer of Shares are subject to Hong Kong stamp duty, the current rate of which is 0.2% of the consideration or, if higher, the value of the Shares being sold or transferred. Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

Potential holders of 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 Shares.

None of our Company, our Directors or other parties involved in the Listing can accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares.

9. Qualifications of experts

The following are the respective qualifications of the experts who have given opinion or advice which are included in this prospectus:

<u>Name</u>	<u>Qualification</u>
Innovax Capital Limited	A corporation licensed to carry on for type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
Deloitte Touche Tohmatsu	Certified Public Accountants
Maples and Calder (Hong Kong) LLP	Cayman Islands attorneys at law
Ipsos Limited	Industry consultant

10. Consents of experts

Each of the experts named in the paragraph headed "9. Qualifications of experts" under this section of this Appendix IV has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its report and/or letter and/or certificates and/or opinions and/or references to its name (as the case may be) included in the form and context in which they are respectively included.

11. Compliance adviser

In accordance with the requirements of the GEM Listing Rules, our Company has appointed Innovax Capital Limited as our compliance adviser to provide advisory 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 our financial results for the second full financial year commencing after 31 March 2018, or until the compliance adviser agreement is otherwise terminated upon the terms and conditions set out therein.

12. Binding effect

This prospectus shall have the effect, if an application is made in pursuance of it, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding up and Miscellaneous Provisions) Ordinance so far as applicable.

13. Bilingual prospectus

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong) and Rule 14.25 of the GEM Listing Rules. In case of any discrepancies between the English language version and the Chinese language version, the English language version shall prevail.

14. Miscellaneous

Save as disclosed in this prospectus:

- (a) within the two years immediately preceding the date of this prospectus:
 - (i) no share or loan capital of our Company or of any of our subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash; and
 - (ii) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of our Company or any of our subsidiaries;
- (b) no share, warrant or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
- (c) none of the equity and debt securities of our Company is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought;

- (d) all necessary arrangements have been made enabling the Shares to be admitted into CCASS;
- (e) our Company had not issued any debentures nor did it have any outstanding debentures or convertible debt securities;
- (f) neither our Company nor any of our subsidiaries has issued or agreed to issue any founder shares or management shares or deferred shares or any debentures;
- (g) our Directors confirm that none of them shall be required to hold any shares by way of qualification and none of them has any interest in the promotion of our Company;
- (h) 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 2017 (being the date to which the latest audited combined financial statements of our Group were made up); and
- (i) there has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group in the 24 months immediately preceding the date of this prospectus.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

A copy of this prospectus, together with copies of the Application Forms, the written consents referred to in the paragraph headed “E. Other Information — 10. Consents of experts” in Appendix IV to this prospectus, certified copies of material contracts referred to in the paragraph headed “B. Further Information about the business of our Group — 1. Summary of material contracts” in Appendix IV to this prospectus and the statement of adjustments referred to in the paragraph headed “Documents available for inspection” below were delivered to the Registrar of Companies in Hong Kong for registration.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of P. C. Woo & Co. at 12/F, Prince’s Building, 10 Chater 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 the Articles;
- (b) the Accountants’ Report of our Company from Deloitte Touche Tohmatsu, the text of which is set out in Appendix I to this prospectus together with the statement of adjustments;
- (c) the audited consolidated financial statements of Starlight Worldwide for the period from its date of incorporation to 31 March 2017 and the three months ended 30 June 2017;
- (d) the report from Deloitte Touche Tohmatsu relating to the unaudited pro forma financial information, the text of which is set out in Appendix II to this prospectus;
- (e) the letter of advice prepared by Maples and Calder (Hong Kong) LLP, legal advisers to our Company as to Cayman Islands law, summarising certain aspects of the Cayman Companies Law referred to in Appendix III to this prospectus;
- (f) the Companies Law;
- (g) the rules of the Share Option Scheme referred to in the section headed “D. Share Option Scheme” in Appendix IV to this prospectus;
- (h) the material contracts referred to in the section headed “B. Further information about the business of our Group — 1. Summary of material contracts” in Appendix IV to this prospectus;
- (i) the written consents referred to in the paragraph headed “E. Other information — 10. Consents of experts” in Appendix IV to this prospectus;

- (j) the service agreements and letters of appointment referred to in the paragraph headed “C. Further information about our Directors and substantial Shareholders — 3. Particulars of Directors’ service agreements and letters of appointment” in Appendix IV to this prospectus; and
- (k) the industry report prepared by Ipsos Limited referred to in the section headed “Industry Overview” in this prospectus.

WINE'S LINK INTERNATIONAL HOLDINGS LIMITED
威揚酒業國際控股有限公司