

RISK FACTORS

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

We believe that there are certain risks and uncertainties involved in our operations, some of which are beyond our control. We have broadly categorised these risks and uncertainties into: (i) risks relating to our business, (ii) risks relating to the wine industry, (iii) risks relating to conducting business in Hong Kong, (iv) risks relating to [Redacted], and (v) risks relating to the statements made in this [Redacted].

RISKS RELATING TO OUR BUSINESS

As we procure most of our wine products from the open market, we are susceptible to fluctuations in the prevailing market prices of wine products. As such, we may not be able to maintain the competitiveness of the selling prices of our wine product at all times.

Most of the wine products we sell are procured from the open market. For the years ended 31 March 2014 and 2015, our cost of sales amounted to approximately HK\$45.4 million and HK\$105.6 million, respectively, which accounted for approximately 64.9% and 72.5% of our total revenue, respectively. The purchase prices of the wine products we procured from our suppliers are determined at our suppliers’ sole discretion in light of a number of factors, such as wine production levels, prevailing market prices, market demand and our relationship with wine suppliers. According to the IPSOS Report, poor grape harvest and declining global wine production may affect the reliability of supply and quality of wines, and increase the average price of existing wines, which may deter consumers from buying wines of a certain year, or from consuming more premium wines. In the event of such, we may be subject to risks of excess inventory and a decline in demand for wines of the relevant year. We cannot assure you that our suppliers will continue to supply wine products to us at current levels and at acceptable prices. If the purchase prices of wine products increase, we may not continue to procure at the same level, which in turn could materially disrupt our sales and adversely affect our business.

As is the common practice within the wine industry, given the purchase prices of and the demand for wine products may fluctuate significantly, we do not normally enter into long-term supply contract with our wine suppliers to fix the purchase prices of wine products. We determine the purchase prices of wine products shortly before these purchases with reference to the previous purchase prices and selling prices for similar wine products as well as the market prices shown on www.liv-ex.com and www.wine-searcher.com. Accordingly, we are unable to secure a stable supply of wine products from suppliers at a fixed price range, and it is difficult for us to accurately budget for our wine sourcing plan.

RISK FACTORS

Due to the volatility of the prevailing market prices of wine products, we sometimes procure wine products with similar origins, vintages and brands at different purchase prices. We cannot assure you that we will be able to pass on the increases in our cost of sales to our customers by increasing our selling prices. Our profitability could be adversely affected if the purchase prices for wine products increase significantly in the future.

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

We have entered into a lease expiring in March 2017 in respect of our head office in North Point with an option to renew for another term of 36 months at the then prevailing market rent. We have also entered into a lease expiring in March 2018 in respect of our new flagship store in Wan Chai with an option to renew for another term of 12 months at the then prevailing market rent. Unpredictable rental increase in Hong Kong may prevent us from renewing the existing lease on terms and conditions acceptable to us or we may have to renew these leases on less favourable terms. If we fail to renew the lease on terms commercially acceptable to us, there could be an adverse impact on our business, financial condition and results of operations.

The tastes, preferences and perceptions of consumers for wine products may change from time to time, which may result in a decrease in demand for our wine products.

The market demand for our wine products is subject to various factors including the tastes and preferences of consumers and their perceptions of wine products. Shifts in consumers' tastes, preferences and perceptions for wine products may be attributable to, inter alia, changes in market trends, recommendations or criticisms from wine critics or advertising and promotion campaigns. While we maintain an extensive product portfolio encompassing wine products from the world's top estates, vineyards and wineries, wine products, in particular, red wine, is the core of our product portfolio. If there is a shift in consumers' tastes, preferences and perceptions from wine products to other types of alcoholic beverages, our business, financial condition and results of operations could be adversely affected. According to the IPSOS Report, Hong Kong consumers 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. For the years ended 31 March 2014 and 2015, the revenue generated from the sales of our Fine Red Wine and Premier Collectible Red Wine amounted to approximately HK\$63.4 million and HK\$134.4 million, respectively, which accounted for approximately 90.5% and 92.3% of our total revenue, respectively. If the demand for Fine Red Wine and Premier Collectible Red Wine decreases, our sales may decline and our financial condition and results of operations could be adversely affected.

We rely on our key management personnels' vision, expertise and judgment to identify and purchase products that match the ever-changing tastes and preferences of Hong Kong consumers. We cannot assure you that we will be able to procure wine products that meet the demands of our target clientele in Hong Kong. If we fail to react to the changes in consumers' tastes and preferences for wine products in a timely manner, our sales may decline and our financial condition and results of operations may be adversely affected.

RISK FACTORS

We cannot control the quality of wine products and we rely on our quality control measures to ensure quality of our products. Any quality issues relating to our wine products could adversely affect our reputation and business.

The quality of wine products is primarily dependent on the winemaking processes, which may be affected by a number of events, including natural disasters, volume of rainfall, sunshine, infectious diseases, methods of harvesting, fermentation techniques, pest infestations and other inclement factors. As we are not winemakers and are not involved in the winemaking processes, we rely on wineries to ensure the quality of wine during the winemaking processes. In addition, as we normally procure wine products with long cellaring periods and from wine regions across the world, such wine products are often set aside for long-term storage and may often be transported from one place to another before they are supplied to us. Since wine products are susceptible to their storage environment and may be affected by various factors including humidity, temperature, vibration and light, our wine products may be spoiled, deteriorated or tampered with during storage and transportation processes. As we are not involved in the storage and transportation processes of wine products before we receive them from our suppliers, we rely on our suppliers to store and transfer wine products appropriately and carefully.

Quality issues with wine products which we are not aware of may cause undesirable side effects to our customers. We cannot assure you that the wine products we procure in the future will be free from any quality issues. If we sold defective wine products, consumers may lose confidence in our Company and our reputation could be severely damaged, which in turn could lead to a decrease in demand for our wine products and adverse impact on our financial condition and results of operations. In addition, in the event of quality issues with our wine products, we may be liable to product liability claims. For further details relating to the risks of product liability claims, please refer to the paragraph headed “Risks relating to our business — We are exposed to the risks of product liability claims which will adversely affect our business, financial condition and results of operations” in this section.

Our results of operations may fluctuate significantly from period to period due to seasonality and other factors.

Our overall results of operations may fluctuate significantly from period to period. During the Track Record Period, we generally derived a higher amount of revenue during October to March, and we derived a relatively lower amount of revenue during April to September. Our revenue recorded during peak seasons, being the six months period between October 2013 and March 2014 and the six months period between October 2014 and March 2015, accounted for approximately 68.5% and 73.6% of our total revenue, respectively. We believe this seasonal pattern is primarily due to (a) the popularity of wine products as festival gifts, and (b) consumers’ tendency to spend during the shopping seasons in Christmas and New Year. This seasonal pattern may cause our operating results to fluctuate from period to period. Therefore, comparisons of our results of operations across different periods of a given year as an indicator of our performance may not be meaningful and should not be relied upon as indicators of our future performance. Furthermore, if our operation is disrupted or affected by unpredictable events taking place during these holiday seasons, our business, financial condition and results of operations would be adversely affected.

RISK FACTORS

Our sales may be adversely affected by the relocation of our new flagship store.

We relocated to our new flagship store in mid June 2015. As we have been operating in the old store throughout the Track Record Period, it is difficult for us to assess the impact of the relocation and evaluate the effects on our business and results of operations. Relocation may result in (i) the loss of long-term customers, (ii) disruption to our business operations, and (iii) other unforeseen events which are beyond our control. Our business, financial performance and results of operations could be adversely affected if any of the aforementioned events occur.

We are exposed to the risks of slow-moving inventory, which may adversely affect our financial condition and results of operations.

The turnover rate of our inventories is susceptible to overall economic conditions, market trends and changes in individual preferences and tastes, all of which are beyond our control. Accordingly, we are exposed to the risks of slow-moving inventory. As at 31 March 2014 and 2015, we had inventories in the amount of approximately HK\$31.3 million and HK\$24.2 million, respectively, and our average inventory turnover days were approximately 278 days and 97 days, respectively. The balance of our inventories as at 31 March 2014 and 2015 accounted for approximately 61.1% and 35.6%, respectively, of our total current assets.

We cannot assure you that our inventory turnover days will not increase in the future, and we may need to write off our slow-moving inventory or sell off our slow-moving inventory at a lower price, any of which could adversely affect our financial condition and results of operations.

We may not be able to detect quality issues in wine products during our product inspection process.

When we receive wine products from suppliers, we inspect the delivered items by examining their physical appearance and overall packaging and labelling, and check whether the descriptions of the delivered items match our purchase orders. Due to the value and uniqueness of the wine products we procure, we do not normally conduct sampling or tasting inspections during our product inspection process. Hence, we are unable to discern the quality of wine products and to ascertain whether or not the wine products we procured are spoiled, deteriorated or tampered with. Accordingly, we rely on the reputation and goodwill of our suppliers to safeguard the quality of wine products.

We cannot assure you that the wine products we procure will always be free from any quality issues, and that our staff will be able to detect defective or damaged wine items during our product inspection process. If we fail to detect quality issues in wine products before acknowledging receipt, we may lose our rights to return defective products to suppliers and we will have to discard the same, which in turn will adversely affect our financial performance and results of operation.

RISK FACTORS

We are exposed to the risks of product liability claims which will adversely affect our business, financial condition and results of operations.

As our products are consumables, we are exposed to risks of product liability claims. The end-consumers of our wine products may bring product liability claims against us under tort. We may be subject to tortious liabilities for any damages caused by the quality issues in the wine products we sold.

We cannot assure you that we would not be named as a defendant in a lawsuit or proceedings brought by end consumers in the future in respect of our products. Claims against us may result in (i) significant financial costs to be incurred and management efforts to be spent in defending against such claim or other adverse allegations or rectifying such defects or making payment for damages, (ii) adverse impact on our corporate image, and (iii) material adverse effect on our business, financial condition and results of operations.

We have limited insurance coverage and do not maintain any insurance to cover any claims arising from product liability.

We maintain various insurance policies covering, among other things, our stocks in transit, business interruption, employer’s liability arising under the Employees’ Compensation Ordinance and medical insurance for all of our full-time employees. However, to keep our insurance costs within a commercially reasonable range, our insurance does not cover every aspect of risks and are subject to liability limits and exclusions. For example, we do not maintain product liability insurance with respect to all of our sales. Accordingly, in the event of any successful product liability claim against us, we will be liable for damages and may be ordered to suspend or cease our business operation. Any claims by customers or the government that our wine products caused injury, illness, or death not being covered by insurance could adversely affect our business, results of operations and financial performance.

In addition, there is no assurance that our insurance policies will be adequate to cover all losses incurred. In the event that we suffer a loss in an amount that exceeds our insurance coverage, the excess amount will be borne by us. Any losses and liabilities not being covered by insurance may have a material adverse effect on our results of operation. We may have to pay out of our own resources for any uninsured financial or other losses, damages and liabilities. Furthermore, damages and disruptions resulting from the occurrence of certain unforeseeable and uncontrollable incidents, including natural disasters, war, terrorist attacks, riots, epidemics or other disruptive events are not being covered by our insurance policies. If our business operations were disrupted or interrupted for a substantial period of time, we could incur significant costs and losses that could adversely affect our business, results of operations and financial performance.

RISK FACTORS

Any damages or losses of wine products during the transportation process will adversely affect our business and results of operations.

We are exposed to risks of losses when we transfer wine products. From time to time during the course of our business operation, we transfer wine products between our self-operated warehouse, our external warehouse and our new flagship store, and we deliver wine products to places in Hong Kong designated by our customers. If wine products are being handled inappropriately during the transportation process and their labelling, sealing and packaging are damaged, we may have to lower the selling prices of damaged wine products by offering discounts or promotions, resulting in a decrease in our profit margin, which may adversely affect our profitability. In addition, if we lose any wine products during the transportation process, our business could be adversely affected. We cannot assure you that we will be free from any such losses or damages in the future. In particular, transportation process could be interrupted by unforeseen events which are beyond our control, including adverse weather conditions, natural disasters and traffic accidents, any of which may damage the products in transit and adversely affect our business.

We are subject to certain risks relating to the storage of our wine products.

We store wine products at our new flagship store, our self-operated warehouse and our external warehouse. We rely on warehouse staff to handle the wine products in our possession and our storage facilities remain subject to operational risks, including (i) fires, (ii) explosions, (iii) mechanical failure, such as electricity failure or our temperature and humidity control system malfunction, and (iv) other events beyond our control. These operational risks can result from a number of factors including (a) misconduct and improper operation, (b) severe weather and natural disasters, (c) equipment aging, (d) any malfeasant or negligence acts of our employees, and (e) inadvertent contamination. We cannot assure you that there will be no disruption of our storage facilities in the future. Any disruptions of our storage facilities could spoil or adversely affect the quality and taste of wine products, and hamper our ability to deliver wine products to customers in a timely manner. In addition, taste and quality of wine may change and deteriorate during storage process due to its own spontaneous fermentation or heating, or other reasons beyond our control.

As we offer wine storage services to our customers, we may store unique and valuable wine items for our customers at our self-operated warehouse in North Point. If the wine products we store for our customers are spoiled or deteriorated for any reason, we may be sued by our customers for damages. Although we maintain insurance against any physical damages to property under our possession, such insurance may not be sufficient to cover our loss. In such event, our business, financial condition and results of operations could be adversely affected.

Our continuing success depends on certain key employees and our abilities to retain, motivate and recruit appropriately skilled talent.

Certain key employees play an important role in the continuing success of our Group. In particular, we rely on our executive Directors, each of whose unique attributes and indispensable traits provides invaluable insights in different facets of our business operation. We build up our reputation and cultivate our supplier networks based on the continuous contributions of our key employees. With the efforts of our key employees and their established relationship in the wine industry, wineries and

RISK FACTORS

wine merchants across the world often approach us proactively to introduce new wine products to us. Our suppliers may offer wine products to us at lower prices in view of the established relationship with certain of our key employees. If any of our key employees ceases to work for us, our business operation will be disrupted and we may not be able to source wine products from suppliers at current level and at competitive prices, which may adversely affect our profit margin and in turn adversely affect our business and results of operations.

For the years ended 31 March 2014 and 2015, our total staff costs accounted for approximately 7.7% and 6.5% of our total revenue, respectively. As our business continues to expand, we expect to hire additional staff and our staff costs will continue to increase. Given the competitive nature of the wine industry in Hong Kong, including the labour market, the salary level may increase from time to time. In order to ensure we are able to retain and maintain sufficient staff to support our business growth, we may have to increase our remuneration packages in order to attract talents to join our Company, which will adversely affect our financial performance and results of operations.

Our business also depends on our ability to retain, motivate and recruit employees with the necessary level of competence and knowledge of the wine industry so as to maintain our business operations and develop our clientele. As at the Latest Practicable Date, we have 31 employees, 5 of them possess various levels of wine certificates awarded by WSET ranging from level 1 (Foundation certificate in wines) to level 3 (Advanced certificate in wines and spirits). If one or more of our employees cease to work for us, we may not be able to identify and recruit suitable replacements in a timely manner. In addition, we may encounter shortages of appropriately skilled personnel in the future, which may hamper our ability to implement our business strategies and adversely affect our business.

For further details of the biographies of our Directors and senior management, please refer to the section headed “Directors and Senior Management” in this [Redacted].

We have a limited operating history and our business model is subject to uncertainties, which may make it difficult to evaluate our business.

We have a limited operating history and have experienced rapid revenue growth during the Track Record Period. Our revenue increased significantly from approximately HK\$70.0 million for the year ended 31 March 2014 to HK\$145.7 million for the year ended 31 March 2015, and our gross profit increased significantly from approximately HK\$24.7 million for the year ended 31 March 2014 to HK\$40.1 million for the year ended 31 March 2015.

Our short operating history makes it difficult to effectively assess our future prospects and to accurately evaluate our results of operations. As wine industry is highly competitive, we cannot assure you that our revenue and net profit will continue to increase on a quarterly or annual basis at previous rates or at all, or that we will be able to sustain profitability in the future. In addition, there may be difficulty in forecasting our future results of operations by referring to our past performance due to our limited operating history. You should consider our business and prospects in light of the risks, uncertainties and challenges that we encounter as an early-stage wine merchant operating in a rapidly evolving and competitive market.

RISK FACTORS

We rely on a few major customers, and we have not entered into any long-term sales contracts with them. If any of our major customers cease to purchase products from us, or there is any material default or delay in payment from any of them, our business, financial condition and results of operations may be adversely affected.

The sales of our wine products rely on a few major customers. For the years ended 31 March 2014 and 2015, the revenue generated from our five largest customers accounted for approximately 26.9% and 18.5% of our total revenue, respectively, the revenue generated from our single largest customer accounted for approximately 7.3% and 5.4% of our total revenue, respectively. All of our five largest customers during the Track Record Period are Independent Third Parties.

During the Track Record Period and up to the Latest Practicable Date, we did not enter into any long-term sales contracts with our top five customers. We cannot assure you that we will continue to receive purchase orders from our major customers at current levels and on similar terms, or that they will continue to purchase from us rather than from our competitors. If our major customers cease to purchase products from us or substantially reduce their purchase orders, there is no assurance that we would be able to recover the loss from other existing or new customers on comparable terms in a timely manner, or at all. In such case, our business, financial condition and results of operation may be adversely affected.

Our overall performance also depends on the financial status of our major customers. We cannot assure you that material default or delay in payment from our major customer will not occur in the future. If any one of our major customers become insolvent or otherwise unable to pay for the wine products supplied by us, our business, financial condition and results of operations will be adversely affected.

We rely on a few major suppliers to supply our products, and we have not entered into any long-term supply contracts with them. If there is any disruption or termination of our relationships with major suppliers, the inventory level of our wine products will be affected, and we may not be able to meet the demand of our customers.

The ability to source quality wine products at competitive prices in a timely manner is crucial to our Group’s success. For the years ended 31 March 2014 and 2015, the purchases from our five largest suppliers accounted for approximately 48.6% and 59.9% of our total purchases, respectively and the purchases from our single largest supplier accounted for approximately 16.0% and 24.3% of our total purchases, respectively. According, we rely on a few major suppliers for the procurement of our products.

Save as disclosed in the section headed “Business — Procurement and supply — Purchases from wine merchants and wineries — Purchases from wine merchants” in this [Redacted], we did not enter into any long-term supply contracts with our suppliers during the Track Record Period and up to the Latest Practicable Date. In the absence of long-term supply contracts with our major suppliers, we may be exposed to the risks of unexpected price fluctuations, or shortage in supply of, certain types of wine products. In such case, we may not be able to shift any increase in the purchase prices for wine products to our customers, and may not be able to procure substitute wine products for sale. We cannot assure you that our suppliers will continue to supply wine products to us at terms and prices acceptable

RISK FACTORS

to us and at current level, or that our suppliers will continue to supply wine products to us rather than to our competitors. If there is any disruption or termination of relationship with our major suppliers, and if we fail to source from alternative wine suppliers on comparable terms in a timely manner, we may have to procure wine products at a higher price. Consequently, our business and results of operations may be adversely affected.

Direct allocations of wine products from wineries are unstable and beyond our control.

Due to limited production levels, some wineries may only sell their own wine productions through direct allocations to a restricted list of buyers. The amount allocated to us depends on various factors including our relationship with relevant wineries, our reputation in the wine industry, our aggregate and consistent purchase history and the total number of wine products available for allocation. As the normal practice in the wine industry, wineries do not enter into written contract with us to document our entitlement to direct allocations. As the competition and demand for direct allocations of Premier Collectible Wine is fierce, in particular, those from top wineries, we cannot assure you that we will be able to continue to source wine products through direct allocation at similar levels, or at all. Consequently, we may have to source wine products from the open market at a relatively higher price, resulting in an increase in our procurement costs and adversely affecting our results of operations.

We have limited control over our consignee, Fook Lam Moon Kowloon, under our consignment arrangement in respect of the sale of our wine products by Fook Lam Moon Kowloon.

Since September 2014, we have been collaborating with Fook Lam Moon Kowloon, a Michelin starred Chinese restaurant in Hong Kong, under a consignment arrangement, pursuant to which, we agreed to offer our wine products for consignment sale at Fook Lam Moon Kowloon as their exclusive wine consignor. For further details, please refer to the section headed “Business — Sales — Sales channels — Consignment sales as consignor” in this [Redacted].

Save for the consignment agreement entered into with Fook Lam Moon Kowloon, pursuant to which, we have consigned some of our wine products with Fook Lam Moon Kowloon as consignee for the sale of our wine products at Fook Lam Moon Kowloon’s premises, we did not enter into consignment agreement with any consignee for the sale of our wine products during the Track Record Period and up to the Latest Practicable Date. There is no assurance that Fook Lam Moon Kowloon, or any other consignees we may engage from time to time in the future, could sell our wine products successfully. In addition, under the consignment arrangement with Fook Lam Moon Kowloon, we do not have any contact or contractual relationship with the ultimate wine purchasers. As a result, we do not possess any control over the customer services rendered by Fook Lam Moon Kowloon or the sales transaction. Furthermore, although we will perform stock count in Fook Lam Moon Kowloon on a timely basis and are entitled to request for the return of consigned products which generate limited or no sales for more than one month, we cannot assure you that we will perform stock count or exercise our right of return in a timely manner. If we have slow-moving inventory in Fook Lam Moon Kowloon, our business, financial condition and results of operations will be adversely affected.

RISK FACTORS

Our risk management and internal control systems may not be adequate or effective.

Our Directors together with our senior management are responsible for overseeing our internal control policies and procedures. We cannot assure you that our risk management and internal control systems will be sufficiently effective in identifying and preventing all such risks. In addition, as some of our risk management and internal control systems and procedures are relatively new, we may need to establish and implement additional policies and procedures to further improve our systems from time to time. Since our risk management and internal control systems depend on the implementation by our employees, we cannot assure you that such implementation will not involve any human errors or mistakes. If we fail to implement our policies and procedures in a timely manner, or fail to identify risks that affect our business with sufficient time to plan for contingencies for such events, our business, financial condition and results of operations could be materially and adversely affected.

Future acquisition of wine merchants in Hong Kong may not contribute to our Group’s business as planned.

After [Redacted], we plan to acquire wine merchants in Hong Kong to expand the scale of our operations and further development of our business. There is no guarantee that the legal and financial due diligence conducted on the potential target by us will be adequate to reveal all potential risks. In addition, there is no guarantee that the acquisition will contribute to our business and operations in the manner envisioned by us, if at all. If any potential acquisition by our Group contains hidden or unforeseen risks and/or does not contribute to our Group’s business according to expectations, our Group’s financial condition and operations may be adversely affected.

The promotion of frugality in the PRC may adversely affect the sales of our wine products.

Recently, the PRC government has launched a series of campaigns and reforms for the promotion of frugality, which include, among others, 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 behaviours. Notwithstanding that we derived our revenue solely in Hong Kong during the Track Record Period and we are not aware of any customers purchasing our products for consumption in the PRC or resale to the PRC market, there is no certainty or guarantee that our customers will not do so. According to the IPSOS Report, the industry noticed a slowdown in the growth of wine sales and consumption since the anti-corruption campaigns and reforms was introduced. The decline in wine purchases by the PRC visitors created a competitive environment for wine sellers in Hong Kong, and was one of the major contributors to the drop in the total number of wine sellers in Hong Kong from approximately 617 sellers in 2010 to 528 sellers in 2014. As some of our customers are PRC nationals residing in Hong Kong, such customers’ purchasing habits may be deferred by the frugality campaigns. Accordingly, our sales could be adversely affected by the campaigns and reforms for the promotion of frugality, which in turn could adversely affect our business and results of operations.

RISK FACTORS

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

Under the current laws and regulations in the PRC, the carriage of wine products into the PRC is limited to personal use only and subject to quantity control. The PRC government levies duty if the volume of wine products carried into the PRC exceeds regulatory limitations. As we do not arrange delivery of wine products to places outside Hong Kong, our business is not subject to relevant customs controls on wine products in the PRC. However, as some of our customers may purchase our wine products for consumption in or resale to the PRC, if the PRC government tightens its customs controls, such as increasing the levy chargeable or reducing the limits of wine products carried into the PRC, the demand for our wine products may decrease and our business and results of operations may therefore be adversely affected.

We did not comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Companies Ordinance during the Track Record Period which could lead to imposition of fines and penalties.

During the Track Record Period, we failed to comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Companies Ordinance. For further details of the non-compliances, please refer to the section headed “Business — Historical non-compliance incidents — Non-compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Companies Ordinance” in this [Redacted]. If the relevant authorities take any action against our relevant subsidiaries, we may be subject to substantial penalties or incur other liabilities. Furthermore, if our Controlling Shareholders fail to indemnify us fully, our reputation, cash flow and results of operations may be adversely affected.

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

We source and purchase our wine products globally, including Australia, France, Germany and the United Kingdom, etc., and the settlement currency for our purchases is in local currencies of our suppliers whereas the settlement currency for all of our sales is in Hong Kong dollar. During the Track Record Period, we have made purchases of approximately HK\$3,159,000, HK\$12,558,000 and HK\$6,982,000 denominated in US\$, EUR and GBP, respectively, for the year ended 31 March 2014 and we have made purchases of approximately HK\$1,441,000, HK\$5,219,000, HK\$11,267,000 and HK\$5,428,000 denominated in US\$, EUR, GBP and AUD, respectively, for the year ended 31 March 2015. Accordingly, fluctuations in foreign currency exchange rates can affect the results of our operations.

Furthermore, while all of our purchases made in foreign currencies are translated into Hong Kong dollars at the predetermined exchange rates, we determine the selling price of our wine products with reference to the prevailing market prices. In order to maintain our competitiveness in the wine market, we may not be able to increase the selling prices of our wine products to cover losses derived from fluctuations in foreign currency exchange rates. Accordingly, fluctuations in foreign currency exchange rates may adversely affect our results of operations.

RISK FACTORS

For further details, please refer to the section headed “Financial Information — Quantitative and qualitative disclosures about market risks — Currency risk” in this [Redacted].

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

Our future business growth primarily depends on the successful implementation of our business objectives, business strategies and future plans as set out in this [Redacted]. These business objectives are based on the existing plans and intentions of our Group, most of which are still in the initial stages and have not proceeded to the stage of actual implementation 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 which are beyond our control, such as changes in economic environment, market demands, government policies and relevant laws and regulations. As such, there is no assurance that our business objectives, business strategies and future plans will be accomplished, whether in whole or in part or be implemented within the estimated timeline. In the event that our future plans are not implemented and our business objectives are not accomplished, our business, profitability and financial positions in the future may be adversely affected.

RISKS RELATING TO THE WINE INDUSTRY

We operate in a highly competitive industry.

The Hong Kong wine industry is a competitive field. 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 Hong Kong. According to the IPSOS Report, the wine industry in Hong Kong is consolidated and dominated by the top market players, whereas the top five market players collectively contributing approximately 65.6% of the total market value for wine in Hong Kong for 2014, with the rest of the market highly fragmented. Competition is primarily manifested in the form of pricing concessions and intensive advertising and promotional campaigns. Some of our competitors may have a longer operating history than we have and may have substantially greater financial resources or more established relationship with wine suppliers than us. To sustain our competitive edge, we need to invest continuously in advertising and promotional activities, strengthen the bond with our suppliers and, as the case may require, reduce our profit margin by decreasing the selling prices of our wine products. If we are unable to compete effectively with our current or potential competitors, our business, financial condition and results of operations will be adversely affected.

Adverse public opinion and perception about wine products, as well as the changes in market trends, consumer preferences, tastes, perception and/or spending habits may affect the general demand for wine products.

Adverse public opinion and perception about wine products and reports on the adverse health consequences of wine could affect consumer perception of, and cause a reduction in the consumption of, wine products generally, which would adversely impact our profitability. Market trends, consumer preferences, tastes, perception and/or spending habits may change over time due to various factors, including changes in political and social conditions such as the “Occupy Central” movement in

RISK FACTORS

September 2014 that impact travel, vacation or leisure activity patterns, changes in weather pattern or seasonal consumption cycle, an economic downturn, or taxes that would increase the cost of sales of our products to consumers. Any of these factors may reduce consumers’ willingness to purchase our wine products.

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

Recent developments in the retail industry in Hong Kong may affect our operating environment.

As widely reported by the media recently, PRC visitors to Hong Kong have been treated with hostility. It has been reported by the media that, some PRC tourists have also been blamed and criticised for their behaviour while shopping in Hong Kong. If hostility between Hong Kong civilians and PRC visitors continue to rise and intensify, it could result in a negative impact on the tourism and general retail industry in Hong Kong, which may have a material adverse impact on our business and results of operations.

RISKS RELATING TO CONDUCTING BUSINESS IN HONG KONG

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

Market demand for wine is very sensitive to economic conditions. Purchases of wine tend to decline during recessionary periods. Since all of our Group’s revenue is generated from Hong Kong during the Track Record Period, a recession in the economy of Hong Kong, or uncertainties regarding future economic prospects of Hong Kong, could affect consumer spending habits in Hong Kong, including a reduction in their spending, and have an adverse effect on our business.

A sustained economic downturn in Hong Kong would likely have an adverse effect on our business, financial condition and results of operations. Factors such as the deterioration of the economy, decrease in disposable consumer income, fear of recession and changes in consumer

RISK FACTORS

confidence, may affect consumer preferences and spending. We cannot assure you that we will be able to maintain our historical growth in earnings or revenues, or remain profitable in the future. If the demand for our wine products is reduced or if there occurs any significant economic downturn in Hong Kong, our revenue, profitability and business prospects will be adversely affected.

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

We operate our business in Hong Kong only and do not intend to expand our operations outside Hong Kong in the near future. Accordingly, our business operations are dependent on the 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 by our Group.

During the “Occupy Central” movement in September 2014, the economic, political and social conditions in Hong Kong were disrupted which impacted travel, vacation or leisure activity pattern. We cannot assure you that there will not be other movements of similar scale in the near future or that there will not be other events which lead to the disruption of the economic, political and social conditions in Hong Kong. If such future movements or events persist for a substantial period of time or that the economic, political and social conditions in Hong Kong are to be disrupted, our overall business and results of operation may be adversely affected.

Risks relating to the state of economic, political and legal environment in Hong Kong.

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

Risks relating to change of currency exchange policies.

Since 1983 the Hong Kong dollar has been pegged to the US dollar at the rate of approximately HK\$7.80 to US\$1.00. Although the Hong Kong government has repeatedly re-affirmed its commitment to this pegging system, there is no assurance that this policy will not be changed in the near or distant future. If the pegging system collapses and the Hong Kong dollar suffers devaluation, the Hong Kong dollar costs of our Group’s foreign currency capital expenditures may increase. Furthermore, as our Group’s revenues are denominated in Hong Kong dollars, a devaluation of the Hong Kong dollars would increase capital costs and the related depreciation costs to our Group, and increase our Group’s Hong Kong dollars interest expense on indebtedness denominated in US dollars and other foreign

RISK FACTORS

currencies. This would in turn adversely affect the operation and profitability of our business. Please also refer to the paragraph headed “Risks relating to our business — We are exposed to fluctuations in foreign currency exchange rates, and our profit margin is sensitive to fluctuations in the cost of our wine products.” in this section.

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, financial condition and results of operations may be adversely affected if these events occur.

For example, epidemics threaten people’s lives and may adversely affect their livelihood 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. Any epidemic or pandemic occurring in Hong Kong, or even in areas out of Hong Kong, may adversely affect our business, financial condition and results of operations. Acts of war and terrorism may cause damage or disruption to us or our employees, facilities, markets, suppliers or customers, any of which may adversely impact our revenue, cost of sales, financial condition and results of operation or the trading price of our Share. Potential war or terrorist attacks may also cause uncertainty and cause our business to suffer in ways that we cannot currently predict.

RISKS RELATING TO [REDACTED]

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

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

The market price and liquidity of our Shares following [Redacted] may be volatile.

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

RISK FACTORS

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

- actual or anticipated fluctuations in our results of operations;
- changes in securities analysts’ estimates of our financial performance;
- addition or departure of key personnel;
- announcement by us of significant acquisitions, strategic alliances or joint ventures;
- 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 companies. As a result, investors in our Shares may experience volatility in the market price of their Shares and a decrease in the value of our Shares regardless of our operating performance or prospects.

Our financial performance would be adversely affected by expenses incurred in connection with [Redacted].

As set out in the section headed “Statement of Business Objective and Use of Proceeds” of this [Redacted], the estimated expenses to be incurred in connection with [Redacted] is approximately HK\$[Redacted], based on [Redacted] and assuming the [Redacted] is not exercised. Such estimated expenses are non-recurring in nature and approximately HK\$[Redacted] is expected to be recognised in the combined statements of profit or loss for the year ending 31 March 2016. You should note that the financial performance of our Group for the year ending 31 March 2016 would be materially and adversely affected by the estimated expenses in relation to [Redacted], and our net profit may be lower than that for the years ended 31 March 2014 and 2015.

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

Pursuant to the Share Option Scheme, options may be granted after completion of [Redacted] and the Eligible Participants (as defined in the Share Option Scheme) may be granted options to subscribe for an aggregate of up to [Redacted] Shares. Such options, if exercised in full, represent approximately 10% of our enlarged issued share capital immediately after completion of [Redacted] (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).

RISK FACTORS

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

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

Future sales by our Controlling Shareholders or our [Redacted] 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 and our [Redacted], or the possibility of such sales, could adversely affect the market price of our 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 [Redacted], details of which are set out in the section headed “Underwriting — Underwriting arrangements and [Redacted] — [Redacted]” in this [Redacted]. We are not in a position to give any assurance that our Controlling Shareholders will not dispose of any Shares they may own now or in the future.

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

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

RISK FACTORS

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 as pursuant to the laws of Hong Kong or such other jurisdictions. A summary of Cayman Islands law on protection of minorities is set out in the paragraph headed “Cayman Islands company law — Protection of minorities” in Appendix III to this [Redacted].

Dilution of Shareholders’ equity interests.

Our Group may need to raise additional funds to finance the future expansion of its 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 [Redacted]. 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 [Redacted], 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.

RISKS RELATING TO THE STATEMENTS MADE IN THIS [REDACTED]

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

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

RISK FACTORS

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

You should read this entire [Redacted] and we strongly caution you not to place any reliance on any information contained in press articles or media regarding us or [Redacted].

There may be press and media coverage regarding us or [Redacted], which may include certain events, financial information, financial projections and other information about us that do not appear in this [Redacted]. We have not authorised the disclosure of any other information not contained in this [Redacted]. 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 [Redacted] is inconsistent or conflicts with the information contained in this [Redacted], we disclaim responsibility for them. Accordingly, prospective investors should not rely on any such information. In making your decision as to whether to subscribe for our Shares, you should rely only on the financial, operational and other information included in this [Redacted].