

The Stock Exchange of Hong Kong Limited and the Securities and Futures Commission take no responsibility for the contents of this Application Proof, 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 Application Proof.

Application Proof of
Madison Wine Holdings Limited
麥迪森酒業控股有限公司
(the “Company”)
(Incorporated in the Cayman Islands with limited liability)

WARNING

The publication of this Application Proof is required by The Stock Exchange of Hong Kong Limited (the “Stock Exchange”)/the Securities and Futures Commission (the “Commission”) solely for the purpose of providing information to the public in Hong Kong.

This Application Proof is in draft form. The information contained in it is incomplete and is subject to change which can be material. By viewing this document, you acknowledge, accept and agree with the Company, its sponsor, advisers or member of the underwriting syndicate that:

- (a) this document is only for the purpose of providing information about the Company to the public in Hong Kong and not for any other purposes. No investment decision should be based on the information contained in this document;
- (b) the publication of this document or supplemental, revised or replacement pages on the Exchange’s website does not give rise to any obligation of the Company, its sponsor, advisers or members of the underwriting syndicate to proceed with an offering in Hong Kong or any other jurisdiction. There is no assurance that the Company will proceed with the offering;
- (c) the contents of this document or supplemental, revised or replacement pages may or may not be replicated in full or in part in the actual final listing document;
- (d) the Application Proof is not the final listing document and may be updated or revised by the Company from time to time in accordance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange;
- (e) this document does not constitute a prospectus, offering circular, notice, circular, brochure or advertisement offering to sell any securities to the public in any jurisdiction, nor is it an invitation to the public to make offers to subscribe for or purchase any securities, nor is it calculated to invite offers by the public to subscribe for or purchase any securities;
- (f) this document must not be regarded as an inducement to subscribe for or purchase any securities, and no such inducement is intended;
- (g) neither the Company nor any of its affiliates, advisers or underwriters is offering, or is soliciting offers to buy, any securities in any jurisdiction through the publication of this document;
- (h) no application for the securities mentioned in this document should be made by any person nor would such application be accepted;
- (i) the Company has not and will not register the securities referred to in this document under the United States Securities Act of 1933, as amended, or any state securities laws of the United States;
- (j) as there may be legal restrictions on the distribution of this document or dissemination of any information contained in this document, you agree to inform yourself about and observe any such restrictions applicable to you; and
- (k) the application to which this document relates has not been approved for listing and the Stock Exchange and the Commission may accept, return or reject the application for the subject public offering and/or listing.

If an offer or an invitation is made to the public in Hong Kong in due course, prospective investors are reminded to make their investment decisions solely based on the Company’s prospectus registered with the Registrar of Companies in Hong Kong, copies of which will be distributed to the public during the offer period.

IMPORTANT

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

Madison Wine Holdings Limited
麥迪森酒業控股有限公司

(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 [Redacted]**

**Number of [Redacted] : [Redacted] Shares (subject to the
[Redacted])**
**[Redacted] : Not more than HK\$[Redacted] per
[Redacted] and expected to be not less than
HK\$[Redacted] per [Redacted] 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 [Redacted]
Stock code : [Redacted]

Sole Sponsor, [Redacted] and [Redacted]



Innovax Capital Limited

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this [Redacted], 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 [Redacted].

A copy of this [Redacted], together with the documents specified in the section headed “Documents Available for Inspection” in Appendix V to this [Redacted], 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 [Redacted] or any other documents referred to above.

The [Redacted] is expected to be fixed by the [Redacted] between the [Redacted] (for itself and on behalf of the Underwriters) and our Company on or before [Redacted]. If, for any reason, the [Redacted] (for itself and on behalf of the Underwriters) and our Company are unable to reach an agreement on the [Redacted] by that date or such later date, the [Redacted] will not become unconditional and will lapse immediately. In such case, an announcement will be published by our Company on the website of the Stock Exchange at www.hkexnews.hk and the website of our Company at www.madison-wine.com. The [Redacted] is expected to be not more than HK\$[Redacted] per [Redacted] and not less than HK\$[Redacted] per [Redacted]. The [Redacted] (for itself and on behalf of the Underwriters) may, with the prior consent of our Company, reduce the indicative [Redacted] range below that as stated in this [Redacted] at any time prior to the [Redacted]. In such a case, a notice of the reduction in the indicative [Redacted] range will be published on the website of the Stock Exchange at www.hkexnews.hk and the website of our Company at www.madison-wine.com.

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

Prospective investors of the [Redacted] should note that the Underwriters are entitled to terminate their obligations under the Underwriting Agreement by notice in writing to be given by the [Redacted] (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 [Redacted] at any time prior to 8:00 a.m. (Hong Kong time) on the [Redacted].

[Redacted]

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 of 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 GEM website at www.hkgem.com in order to obtain up-to-date information on companies listed on GEM.

EXPECTED TIMETABLE

[Redacted]

CONTENTS

This [Redacted] is issued by our Company solely in connection with the [Redacted] and does not constitute an offer to sell or a solicitation of an offer to buy any securities other than the [Redacted] offered by this [Redacted] pursuant to the [Redacted]. This [Redacted] 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 [Redacted] to make your investment decision. Our Company has not authorised anyone to provide you with information that is different from what is contained in this [Redacted]. Any information or representation not made in this [Redacted] must not be relied on by you as having been authorised by our Company, the Sole Sponsor, the [Redacted], the [Redacted], any of the Underwriters, any of our or their respective affiliates, directors, officers, employees, agents or representatives, or any other person or party involved in the [Redacted].

	<u>Page</u>
CHARACTERISTICS OF GEM	i
EXPECTED TIMETABLE	ii
CONTENTS	iii
SUMMARY	1
DEFINITIONS	11
GLOSSARY OF TECHNICAL TERMS	21
FORWARD-LOOKING STATEMENTS	23
RISK FACTORS	25
INFORMATION ABOUT THIS [REDACTED] AND THE [REDACTED]	44
DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]	48
CORPORATE INFORMATION	50
INDUSTRY OVERVIEW	52
LAWS AND REGULATIONS	64
HISTORY, REORGANISATION AND CORPORATE STRUCTURE	69
BUSINESS	83
RELATIONSHIP WITH CONTROLLING SHAREHOLDERS	122
DISCONTINUED CONNECTED TRANSACTIONS	130
DIRECTORS AND SENIOR MANAGEMENT	133
SUBSTANTIAL SHAREHOLDERS	143

CONTENTS

	<u>Page</u>
SHARE CAPITAL	145
FINANCIAL INFORMATION	148
STATEMENT OF BUSINESS OBJECTIVE AND USE OF PROCEEDS	186
SOLE SPONSOR’S INTEREST	191
UNDERWRITING	192
STRUCTURE AND CONDITIONS OF THE [REDACTED]	200
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 COMPANIES 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 you an overview of the information contained in this [Redacted]. As it is a summary, it does not contain all the information that may be important to you. You should read this [Redacted] in its entirety before you decide to invest in the [Redacted]. There are risks associated with any investment. Some of the particular risks in investing in the [Redacted] are set out in the section headed “Risk Factors” from page 25 to page 43 in this [Redacted]. You should read that section carefully before you decide to invest in the [Redacted].

OVERVIEW

We are a wine specialist in Hong Kong engaged in the sale of a wide spectrum of wine products and other alcoholic beverages with a focus on Premier Collectible Red Wine and Fine Red Wine as well as the provision of a range of customer-centric value-added services.

We implement an integrated one-stop shop business model with a full range of products and value-added services with an objective to enhancing our customer convenience, satisfaction and retention. Our one-stop shop concept encompasses our (i) wine products, which is classified into Premier Collectible Red Wine, Fine Red Wine, Premier Collectible White Wine and Fine White Wine, (ii) other alcoholic beverages, which include our selections of champagnes, proseccos, sparkling wines, cognacs, whiskies and nobel wines, (iii) wine accessory products such as wine opening devices, decanters and wine glasses, (iv) consultation services, (v) sourcing services, (vi) delivery services, (vii) storage services, (viii) evaluation services and (ix) consignment services. Predominantly, we focus on the sale of wine products and in particular, Premier Collectible Red Wine and Fine Red Wine. For the years ended 31 March 2014 and 2015, revenue generated from the sales of our Premier Collectible Red Wine and Fine Red Wine collectively accounted for approximately 90.5% and 92.3% of our total revenue, respectively, and as at 31 March 2014 and 2015, our inventory of Premier Collectible Red Wine and Fine Red Wine collectively accounted for approximately 89.3% and 86.4% of our total inventories, respectively.

As at the Latest Practicable Date, we offered our products for sale at (i) our current store, which will cease business operations upon the opening of our new flagship store in or around mid June 2015, and (ii) our head office.

During the Track Record Period and up to the Latest Practicable Date, all of our sales were derived in Hong Kong. For the years ended 31 March 2014 and 2015, our revenue amounted to approximately HK\$70.0 million and HK\$145.7 million, respectively, and our net profit amounted to approximately HK\$7.2 million and HK\$14.3 million, respectively.

COMPETITIVE STRENGTHS

We believe our key strengths attributable to our success include (i) our team of seasoned wine enthusiasts with each member possessing in-depth knowledge and industry experience, (ii) our comprehensive product portfolio, which encompasses wine products from the world’s top estates, vineyards and wineries, (iii) our extensive supply network, which enables us to procure

SUMMARY

coveted wine products, (iv) our one-stop shop business model entailing our full range of wine products, other alcoholic beverages and wine accessory products and value-added services and (v) our concrete customers base. For further details, please refer to the section headed “Business — Competitive strengths” from page 84 to page 87 in this [Redacted].

BUSINESS STRATEGIES

Our business strategies to sustain our business growth and to attain a leading position in the wine industry in Hong Kong include (i) product portfolio expansion and diversification, (ii) strategic acquisition of one or more wine merchants in Hong Kong, (iii) enhanced marketing and promotional efforts, (iv) strengthened human resources and (v) addition of further supplemental products and services to enrich our current one-stop shop business model. For further details, please refer to the section headed “Business — Business strategies” from page 87 to page 89 in this [Redacted].

RISK FACTORS

There are risks associated with any investment, which may be broadly categorised into risks relating to our business, the wine industry in Hong Kong, conducting business in Hong Kong and the [Redacted]. Our major risks include (i) fluctuations in the prevailing market prices of the products we procure from the open market, (ii) the condition of the rental market, (iii) changes in consumers’ tastes, preferences and perceptions, (iv) defective quality as we are unable to control the quality of products we procure, (v) deficiencies with our product inspection process, (vi) intense competition within the wine industry in Hong Kong, (vii) adverse public opinion and perception about alcoholic beverages, (viii) changes relating to levies on alcoholic beverages, (ix) changes in applicable policies and regulations in Hong Kong and (ix) changes in the economic, political and social conditions in Hong Kong. For further details, please refer to the section headed “Risk Factors” from page 25 to page 43 in this [Redacted].

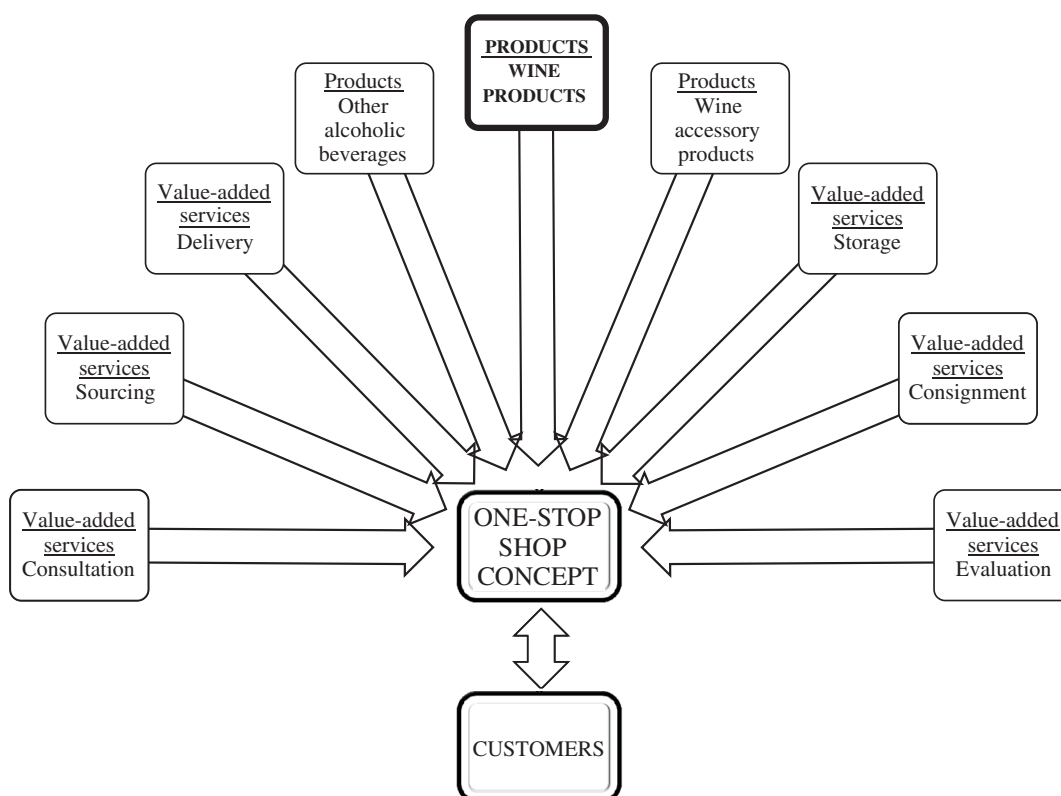
COMPETITIVE LANDSCAPE

According to the IPSOS Report, the market value of the wine industry in Hong Kong has seen continuous robust growth since the elimination of import duties on wine in 2008. The total market value of the wine industry in Hong Kong had increased from approximately HK\$1,879.8 million in 2010 to approximately HK\$2,779.1 million in 2014 at a CAGR of approximately 10.3%. The wine industry in Hong Kong consisted of red wines primarily. According to the Commerce and Economic Development Bureau of Hong Kong, over 80% of wine consumed in 2014 were red wine and the import value of red wine between 2010 and 2014 accounted for over 95% of all wine imported to Hong Kong. The wine industry in Hong Kong is consolidated and dominated by the top market players, with the top five market players collectively contributing approximately 65.6% of the total market value for wine in Hong Kong in 2014 and the rest of the market being highly fragmented. For further details, please refer to the section headed “Industry Overview” from page 52 to page 63 in this [Redacted].

SUMMARY

BUSINESS MODEL

We implement an integrated one-stop shop business model with a full range of wine products, other alcoholic beverages, wine accessory products and value-added services. For further details, please refer to the section headed “Business — Our one-stop shop concept” from page 90 to page 91 in this [Redacted]. The following diagram illustrates our one-stop shop concept:



SALES AND MARKETING

During the Track Record Period and up to the Latest Practicable Date, all of our sales were derived in Hong Kong. As at the Latest Practicable Date, we offered our products for sale at our current store situated in Wan Chai and head office situated in North Point. We will strategically relocate our current store to our new flagship store with higher street traffic, which is also situated in Wan Chai and is expected to attract higher public awareness. We anticipate to commence business operations in or around mid June 2015, and business operations at our current store will cease upon the opening of our new flagship store. Given our established relationships with most of our customers and the close proximity of our new flagship store and our current store, our Directors believe the relocation will not have any material impact on our business operations.

Currently, we expect to incur total capital expenditure of approximately HK\$3.6 million in connection with the renovation of our new flagship store, which will be recognised in our financial statements for the year ending 31 March 2016. Taking into account of, among others, (i) the monthly lease payment for the new flagship store of HK\$205,000 (exclusive of government rates and

SUMMARY

management fee), which is HK\$75,000 less than the monthly rate of our current store in the amount of HK\$280,000 (exclusive of government rates, management fees and air-conditioning charges) and (ii) other operating costs relating to our new flagship store, which are expected to be comparable to our current store, the investment payback period of our new flagship store is currently estimated to be approximately six months. Having considered the amount of estimated total capital expenditure and the estimated investment payback period, our Directors are of the view that the relocation will not have a material adverse impact on our financial performance for the year ending 31 March 2016.

During the Track Record Period, we had conducted various marketing activities, including promotional events at our point of sales, internet marketing, telemarketing, direct mailing, online marketing as well as strategic collaboration and consignment arrangement with a renowned restaurant in Hong Kong. For the years ended 31 March 2014 and 2015, our advertising and promotion expenses were HK\$1.4 million and HK\$1.2 million, respectively, which accounted for approximately 2.0% and 0.8% of our total revenue, respectively. For further details, please refer to the section headed “Business — Marketing and public relations” from page 99 to page 102 in this [Redacted].

PRODUCTS AND SERVICES

At the heart of our one stop-shop concept is our product portfolio, comprising (a) wine products, which is classified into Premier Collectible Red Wine, Fine Red Wine, Premier Collectible White Wine and Fine White Wine, (b) other alcoholic beverages, which include our selections of champagnes, proseccos, sparkling wines, cognacs, whiskies and nobel wines, and (c) wine accessory products such as wine opening devices, decanters and wine glasses. For further details, please refer to the sections headed “Business — Product portfolio” from page 91 to page 94 in this [Redacted].

The following table sets forth the revenue, percentage of total revenue, total sales volume and average selling price of each of our wine products and other alcoholic beverages for the periods indicated:

	For the year ended 31 March									
	2014					2015				
	Revenue (HK\$'000)	Percentage of total revenue (%)(HK\$'000)	Gross profit (HK\$'000)	Quantity (Bottles)	Average selling price (HK\$)	Revenue (HK\$'000)	Percentage of total revenue (%)(HK\$'000)	Gross profit (HK\$'000)	Quantity (Bottles)	Average selling price (HK\$)
Wine products										
<i>Premier Collectible</i>										
<i>Red Wine</i>	53,057	75.8	15,528	9,794	5,417	102,566	70.4	26,015	19,618	5,228
<i>Fine Red Wine</i>	10,319	14.7	5,749	20,455	504	31,877	21.9	10,685	73,082	436
<i>Premier Collectible</i>										
<i>White Wine</i>	2,002	2.9	861	614	3,260	5,866	4.0	1,873	1,412	4,154
<i>Fine White Wine</i>	1,133	1.6	420	1,721	658	1,615	1.1	407	2,810	575
Other alcoholic beverages	<u>3,513</u>	<u>5.0</u>	<u>2,133</u>	<u>1,854</u>	<u>1,894</u>	<u>3,724</u>	<u>2.6</u>	<u>1,120</u>	<u>2,695</u>	<u>1,382</u>
Total:	<u><u>70,024</u></u>	<u><u>100.0</u></u>	<u><u>24,691</u></u>	<u><u>34,438</u></u>	<u><u>—</u></u>	<u><u>145,648</u></u>	<u><u>100.0</u></u>	<u><u>40,100</u></u>	<u><u>99,617</u></u>	<u><u>—</u></u>

SUMMARY

Our value-added services are services supplemental to our core product offerings to enhance our customers' convenience and satisfaction, and include consultation services, sourcing services, delivery services, storage services, evaluation services and consignment services. Our evaluation and consignment services are part of our “Madison Premier Collectors Program” launched in November 2014, pursuant to which, we evaluate and sell wine products of members to our “Madison Premier Collectors Program” by way of consignment via our sales network. As at the Latest Practicable Date, we had entered into five consignment agreements. Since November 2014 and up to 31 March 2015, we sold 360 bottles of wine products by way of consignment and recorded a consignment income of approximately HK\$1.1 million for the year ended 31 March 2015. For further details, please refer to the section headed “Business — Value-added services” from page 94 to page 96 in this [Redacted].

CUSTOMERS

As observed by our Directors, most of our customers are local and overseas wine merchants, avid wine collectors in Hong Kong and China, renowned Hong Kong restaurants and high net worth individuals and businessmen. 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, and the revenue generated from our single largest customer accounted for approximately 7.3% and 5.4% of our total revenue, respectively. Generally, we do not offer a credit period to our customers save with the approval of our management where we may offer a credit period of up to 30 days to our customers.

During the Track Record Period and up to the Latest Practicable Date, we did not enter into any long term sales agreement with any of our customers.

PROCUREMENT AND SUPPLY

Primarily, we procure our products from the open market and during the Track Record Period, we have procured our products through (i) purchases from wine merchants and wineries, (ii) purchases through auction houses and (iii) purchases from individual wine collectors. 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.

OVERLAPPING OF CUSTOMERS AND SUPPLIERS

According to the IPSOS report, in light of the limited supply pool, it is not uncommon in this industry for wine merchants to be customers and sellers at the same time within the wine market. For further details, please refer to the section headed “Industry Overview” from page 52 to page 63 in this [Redacted].

During the Track Record Period, there are 18 Customers-Suppliers consisting of (i) one auction house Customer-Supplier, (ii) 13 local and overseas wine merchant Customers-Suppliers, (iii) two individual Customers-Suppliers, and (iv) two connected persons, namely, Mr. Ting and Lucky Target. Out of our 18 Customers-Suppliers, (a) the auction house Customer-Supplier is one of our five largest customers for the year ended 31 March 2015 as well as one of our five largest suppliers for the years ended 31 March 2014 and 2015, and (b) one of the wine merchant Customers-Suppliers is one of our

SUMMARY

five largest suppliers for the year ended 31 March 2015. Our Directors confirmed that all of our sales to and purchases from our Customers-Suppliers were incidental transactions, were not inter-conditional, inter-related or otherwise considered as one transaction and did not involve the same products. To the best information and knowledge of our Directors, save for the sales and purchases with Mr. Ting and Lucky Target, all of our Customers-Suppliers are Independent Third Parties and none of our Group’s Customers-Suppliers 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. For further details, please refer to the sections headed “Business — Overlapping Customers-Suppliers” from page 108 to page 111 and “Discontinued Connected Transactions — Discontinued connected transactions” from page 130 to page 132 in this [Redacted].

SUMMARY OF HISTORICAL COMBINED FINANCIAL INFORMATION

Our financial results are affected by a number of factors, including, among others, (i) fluctuations in our operation costs, which consisted of cost of sales, staff cost and rental expenses, (ii) fluctuations in prevailing market prices of wine products, (iii) seasonal fluctuations, (iv) economic conditions in Hong Kong, (v) competition and (vi) fluctuations in foreign exchange rates. For further details, please refer to the section headed “Financial Information — Key factors affecting our financial conditions and results of operations” from page 150 to page 153 in this [Redacted].

Extract of the combined statements of profit or loss and other comprehensive income

The following table sets forth a summary of the combined statements of profit or loss and other comprehensive income of our Group for the years ended 31 March 2014 and 2015:

	Year ended 31 March	
	2014	2015
	(HK\$’000)	(HK\$’000)
Revenue	70,044	145,687
Cost of sales	(45,353)	(105,587)
Gross profit	24,691	40,100
Profit before tax	8,655	17,290
Profit for the year and total comprehensive income for the year	7,204	14,314

During the Track Record Period, our revenue increased from approximately HK\$70.0 million for the year ended 31 March 2014 to approximately HK\$145.7 million for the year ended 31 March 2015, and our net profit increased from approximately HK\$7.2 million for the year ended 31 March 2014 to approximately HK\$14.3 million for the year ended 31 March 2015, respectively. Such increase was primarily attributable to the increase in the sale of our Premier Collectible Red Wine, our key product category. For further details, please refer to the section headed “Financial Information — Year-on-year review of our results of operations — Year ended 31 March 2015 compared to year ended 31 March 2014 — Revenue” from page 165 to page 169 in this [Redacted].

SUMMARY

Selected financial ratios

The table below sets forth a summary of our key financial ratios during the Track Record Period:

	Year ended 31 March	
	2014	2015
Gross profit margin	35.3%	27.5%
Net profit margin	10.3%	9.7%
Return on equity	19.2%	27.3%
Current ratio	2.6	2.8
Quick ratio	1.0	1.8
Gearing ratio	25.1	25.3

LEGAL AND REGULATORY COMPLIANCE

During the Track Record Period, we failed to comply with the Predecessor Companies Ordinance and the Companies Ordinance. For further details, please refer to the section headed “Business — Historical non-compliance incidents” on page 118 in this [Redacted]. As advised by our legal advisers as to Hong Kong laws, save as disclosed in this [Redacted], we had been in compliance with the applicable laws, rules and regulations in Hong Kong, which are material to our business operations during the Track Record Period.

OUR SHAREHOLDING STRUCTURE

Immediately upon completion of the [Redacted] and the Capitalisation Issue, without taking into account any Shares that may be allotted and issued pursuant to the exercise of the [Redacted] and any options that may be granted under the Share Option Scheme, Royal Spectrum will be interested in [Redacted]% of the issued share capital of our Company. Royal Spectrum is a company controlled as to 77.3% by Devoss Global, which in turn is wholly-owned by Mr. Ting. Hence, Royal Spectrum, Devoss Global and Mr. Ting will be our Controlling Shareholders within the meaning of the GEM Listing Rules.

[REDACTED] INVESTMENTS

There have been two rounds of [Redacted] Investments in our Company. On 20 April 2015, (i) Keyword acquired 1,087 shares in Madison International from Royal Spectrum at a consideration of HK\$[Redacted] million and the payment of the consideration of such share transfer was settled on 30 April 2015, and (ii) Timebase subscribed for 870 new shares in Madison International at a consideration of HK\$[Redacted] million and the payment of the consideration of such subscription was settled on 30 April 2015. Upon completion of the Reorganisation, the Capitalisation Issue and the [Redacted] (but without taking into account any Shares which may be allotted and issued upon the exercise of the [Redacted] and any options that may be granted under the Share Option Scheme), Keyword and Timebase will hold approximately [Redacted]% and [Redacted]% of the enlarged share capital of our Group upon [Redacted], respectively. As confirmed by our Directors, Keyword and

SUMMARY

Timebase, and their ultimate beneficial owners are Independent Third Parties and [Redacted].

DIVIDENDS

During the Track Record Period, we did not declare or pay any dividends to our then Shareholders. We currently do not have a fixed dividend policy and may declare dividends from time to time as our Directors consider appropriate in compliance with our Memorandum and Articles, the Companies Law and applicable laws and regulations.

[REDACTED] EXPENSES

Our Directors are of the view that the financial results of our Group for the year ending 31 March 2016 are expected to be adversely affected by, among others, [Redacted] expenses in relation to the [Redacted], the nature of which is non-recurring. The total [Redacted] expenses in relation to the [Redacted], primarily consisting of fees paid or payable to professional parties and underwriting fees and commission, are estimated to be approximately HK\$[Redacted] million (based on a [Redacted] of HK\$[Redacted] per [Redacted], being the [Redacted] of the indicative [Redacted] range and assuming the [Redacted] is not exercised), of which approximately HK\$[Redacted] million is expected to be recognised in the combined statements of profit or loss for the year ending 31 March 2016.

Our Directors would like to emphasise that the amount of [Redacted] expenses is a current estimate for reference only and the final amount to be recognised in the combined financial statements of our Group for the year ending 31 March 2016 is subject to adjustment based on audit and the then changes in variables and assumptions. Prospective investors should note that the financial performance of our Group for the year ending 31 March 2016 is expected to be adversely affected by the estimated non-recurring [Redacted] expenses mentioned above, and may or may not be comparable to the financial performance of our Group in the past.

SUMMARY

USE OF PROCEEDS

In the event that the [Redacted] is not exercised, we estimate the net proceeds of the [Redacted] which we will receive, assuming a [Redacted] of HK\$[Redacted] per [Redacted], being the [Redacted] of the indicative [Redacted] range, will be approximately HK\$[Redacted] million, after deduction of underwriting fees and commissions and other estimated expenses in connection with the [Redacted]. We intend to apply the net proceeds from the [Redacted] for the following purposes:

	From the Latest Practicable Date to 31 March 2016 (HK\$' million)	For the 6 months ending 30 September 2016 (HK\$' million)	For the 6 months ending 31 March 2017 (HK\$' million)	For the 6 months ending 30 September 2017 (HK\$' million)	Total (HK\$' million)	Approximate percentage (%)
Expand and diversify our product portfolio	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]
Acquiring one or more wine merchants in Hong Kong ^(Note)	—	—	—	—	[Redacted]	[Redacted]
Enhance public awareness of our Company by increasing marketing and promotion efforts	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]
General working capital	[Redacted]	—	—	—	[Redacted]	[Redacted]
					Total	100

Note: We intend to use approximately [Redacted] of the net proceeds, representing approximately HK\$[Redacted] million, for acquiring one or more wine merchants in Hong Kong. As at the Latest Practicable Date, we do not have a timetable for the proposed acquisition.

[REDACTED] STATISTICS

[Redacted]

SUMMARY

RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

Our business model, revenue structure, financial performance, profitability and cost structure remained unchanged since 31 March 2015. Based on our unaudited management accounts, we continued to record a stable growth in our revenue for the one month ended 30 April 2015, as compared to the one month ended 30 April 2014, which is primarily attributable to the continuous expansion of our business.

For the month ended 30 April 2015, approximately 8.1% of our inventories balance had been subsequently sold. As at 31 May 2015, approximately 86.7% of the outstanding trade receivable balance as at 31 March 2015 had been subsequently settled and the entire outstanding trade payables balance as at 31 March 2015 had been subsequently settled.

During the month ended 30 April 2015, we sold 1,277 bottles of Premier Collectible Red Wines, representing an increase of approximately 28.6% and the average selling price of our Premier Collectible Red Wines increased by approximately 30.4%, as compared to 993 bottles in the month ended 30 April 2014. As the result, we recorded growth for the month ended 30 April 2015 as compared to the month ended 30 April 2014.

As at 30 April 2015, save for the amount due to one of our Directors of approximately HK\$9.3 million, which will be settled in full prior to [Redacted], and our intra-group liabilities, our Group did not have any outstanding indebtedness, any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptance or acceptable credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities.

Save as disclosed in the paragraphs headed “[Redacted]” and “[Redacted] investments” in this section, our Directors, after performing reasonable due diligence, confirmed that since 31 March 2015 and up to the date of this [Redacted], (i) there had been no material adverse change in the market conditions, the industry and the regulatory environment in which our Group operates that would affect our financial or operating position materially and adversely, (ii) there was no material change in the business, trading and financial position and prospects of our Group, and (iii) no event had occurred that would affect the information shown in the Accountants’ Report set out in Appendix I to this [Redacted] materially and adversely.

DEFINITIONS

In this [Redacted], unless the context otherwise requires, the following words and expressions shall have the following meanings. Certain technical terms are explained in the section headed “Glossary of Technical Terms” in this [Redacted].

“Articles of Association” or “Articles”	the articles of association of our Company, conditionally adopted on [●] 2015 and to take effect on the [Redacted], 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”	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
“Buy-Back Mandate”	the general mandate to buy back Shares given to our Directors by our Shareholders, particulars of which are summarised in the section headed “Further Information about our Group — Written resolutions of our Shareholders dated [●]” in Appendix IV to this [Redacted]
“BVI”	the British Virgin Islands
“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 section headed “Further Information about our Group — Written resolutions of our Shareholders dated [●] 2015” in Appendix IV to this [Redacted]
“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 a general clearing participant
“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, joint individuals or a corporation

DEFINITIONS

“CCASS Participant”	a CCASS Clearing Participant, CCASS Custodian Participant or 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 [Redacted], references to China or the PRC exclude Hong Kong, Macau and Taiwan
“close associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Companies Law”	the Companies Law, Chapter 22 of the Cayman Islands (Law 3 of 1961, as consolidated and revised), as amended, supplemented or otherwise modified from time to time
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) which took effect from 3 March 2014, as amended, supplemented or otherwise modified from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company” or “our Company”	Madison Wine Holdings Limited (麥迪森酒業控股有限公司), a company incorporated in the Cayman Islands as an exempted company with limited liability on 15 April 2015
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed thereto under the GEM Listing Rules and, for the purpose of this [Redacted], refers to Royal Spectrum, Devoss Global and Mr. Ting
“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)
“Deed of Indemnity”	a deed of indemnity dated [●] 2015 executed by our Controlling Shareholders as indemnifiers in favour of our Company (for itself and as trustee for our subsidiaries), particulars of which are summarised in the section headed “Other Information — Tax and other indemnities” in Appendix IV to this [Redacted]

DEFINITIONS

“Deed of Non-competition”	a deed of non-competition dated [●] 2015 executed by our Controlling Shareholders in favour of our Company (for itself and as trustee of each of our subsidiaries from time to time), particulars of which are summarised in the section headed “Relationship with Controlling Shareholders” in this [Redacted]
“Devoss Global”	Devoss Global Holdings Limited, a company incorporated in the BVI with limited liability on 22 August 2014, which is directly wholly-owned by Mr. Ting, and our Controlling Shareholder
“Director(s)”	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
“Employees’ Compensation Ordinance”	the Employees’ Compensation Ordinance (Chapter 282 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 that adopted the single currency in accordance with the Treaty establishing the European Community (signed in Rome on 25 March 1957), as amended by the Treaty on European Union (signed in Maastricht on 7 February 1992)
“Firebird Global”	Firebird Global Investment Holdings Limited, a company incorporated in the BVI with limited liability on 2 April 2012, formerly known as Wing Kei Investment Limited (永麒投資有限公司), then changed its name to Madison Wine Investment Company Limited (美迪森酒業投資有限公司) on 3 August 2012 and to its current name on 20 August 2014, which is directly wholly-owned by Mr. Ting

DEFINITIONS

“Fook Lam Moon Kowloon”	Fook Lam Moon (福臨門魚翅海鮮酒家), a Chinese restaurant located at 1/F, and Shop 8, G/F, Luna Court, 53-59 Kimberley Road, Tsimshatsui, Kowloon which is wholly-owned by Fook Lam Moon (Kowloon) Restaurant Limited, a company incorporated in Hong Kong with limited liability and an Independent Third Party
“France”	the French Republic
“GBP”	British pounds, the lawful currency of the United Kingdom
“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
“Germany”	the Federal Republic of Germany
“Group” or “our Group”	our Company together with our subsidiaries or, where the context refers to any time prior to its incorporation, the business in which the predecessors of its present subsidiaries were engaged and which were subsequently assumed by such subsidiaries pursuant to the Reorganisation
“HKFRS”	Hong Kong Financial Reporting Standards issued by HKICPA
“HKICPA”	Hong Kong Institute of Certified Public Accountants
“HKQAA”	Hong Kong Quality Assurance Agency, a non-profit-distributing organisation by the Hong Kong government, which helps industry and commerce in the development of quality, environmental, safety, hygiene and social management systems
“HKSCC”	Hong Kong Securities Clearing Company 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”	[Redacted]

DEFINITIONS

“Incorporation Share”	one Share which was allotted and issued to the initial subscriber on 15 April 2015 and was transferred to Royal Spectrum on the same date
“Independent Third Party(ies)”	individual(s), company(ies) or party(ies) who or which is/are independent of and not connected with (within the meaning of the GEM Listing Rules) any Directors, chief executives or substantial shareholders of our Company, our subsidiaries or any of our or their respective associates
“Internal Control Adviser”	SHINEWING Risk Services Limited, the internal control consultant engaged by our Company
“IPSOS”	IPSOS Hong Kong Limited, an independent industry consultant engaged by our Company
“IPSOS Report”	an independent industry research report commissioned by our Company prepared by IPSOS on the wine industry in Hong Kong dated [9 June] 2015
“Issue Mandate”	the general mandate to issue Shares given to our Directors by our Shareholders, particulars of which are summarised in the section headed “Further Information about our Group — Written resolutions of our Shareholders dated [●]” in Appendix IV to this [Redacted]
“iVega Investment”	iVega Investment Limited, a company incorporated in the BVI with limited liability on 7 September 2012, formerly known as Madison Wine Trading Company Limited (美迪森酒業貿易有限公司), and changed to its current name on 20 August 2014, which is indirectly wholly-owned by Mr. Ting
“Keyword”	Keyword Limited, a company incorporated in the BVI with limited liability on 2 January 2015, which is directly wholly-owned by Mr. Han Hanting (韓瀚霆)
“Latest Practicable Date”	31 May 2015, being the latest practicable date for ascertaining certain information in this [Redacted] prior to the printing of this [Redacted]
	[Redacted]
“[Redacted]”	the date on which our Shares are listed and dealings in our Shares first commence on GEM, which is expected to be on or about [Redacted]
“Listing Division”	the listing division of the Stock Exchange

DEFINITIONS

“Lucky Target”	Lucky Target Arts Limited (峻岭藝術有限公司), a company incorporated in Hong Kong with limited liability on 18 December 1990, which is wholly-owned by Mr. Ting
“Macau”	the Macau Special Administrative Region of the PRC
“Madison (China)”	Madison (China) Limited (麥迪森(中國)有限公司), a company incorporated in Hong Kong with limited liability on 14 April 1997, formerly known as Shanghai Asset Holdings Limited (上海置業控股有限公司), then changed its name to LT Investment Limited (峻岭投資有限公司) on 14 August 1998 and to its current name on 8 February 2002, and an indirect wholly-owned subsidiary of our Company upon completion of the Reorganisation
“Madison Fine Wine”	Madison Fine Wine Company Limited, a company incorporated in Seychelles with limited liability on 26 August 2014 and an indirect wholly-owned subsidiary of our Company upon completion of the Reorganisation
“Madison International”	Madison International Wine Company Limited (麥迪森國際酒業有限公司), a company incorporated in Seychelles with limited liability on 21 November 2013 and a direct wholly-owned subsidiary of our Company and the intermediate holding company of our Group upon completion of the Reorganisation
“Madison Wine (HK)”	Madison Wine (HK) Company Limited (美迪森酒業(香港)有限公司), a company incorporated in the BVI with limited liability on 10 January 2013 and an indirect wholly-owned subsidiary of our Company upon completion of the Reorganisation
“Madison Wine Club”	Madison Wine Club Limited, a company incorporated in Hong Kong with limited liability on 12 January 2012, formerly known as Rich International Investment Limited (富祥國際投資有限公司), and changed to its current name on 27 January 2012, and an indirect wholly-owned subsidiary of our Company upon completion of the Reorganisation
“Madison Wine Trading”	Madison Wine Trading Company Limited, a company incorporated in Hong Kong with limited liability on 19 November 2014, and an indirect non-wholly-owned subsidiary of our Company upon completion of the Reorganisation

DEFINITIONS

“Memorandum of Association” or “Memorandum”	the memorandum of association of our Company adopted on [●] 2015, as supplemented, amended or otherwise modified from time to time
“Montrachet”	Montrachet Holdings Ltd, a company incorporated in Seychelles with limited liability on 18 March 2014, which is wholly-owned by Mr. Zhu Hui Xin (朱惠心), the father of Mr. Zhu
“Mr. Kao”	Mr. Kao Sheng-Chi (高聖祺), alias Andrew Arthur Bigbee, an executive Director
“Mr. Ting”	Mr. Ting Pang Wan Raymond (丁鵬雲), previously known as Ting Hiu (丁曉), an executive Director, and our Controlling Shareholder
“Mr. Zhu”	Mr. Zhu Qin (朱欽), an executive Director

[Redacted]

DEFINITIONS

“Predecessor Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) prior to its repeal and replacement on 3 March 2014 by the Companies Ordinance and the Companies (Winding Up and Miscellaneous Provisions) Ordinance
“[Redacted] Investments”	(i) the acquisition of 1,087 shares in Madison International by Keywood from Royal Spectrum pursuant to the sale and purchase agreement dated 20 April 2015 entered into between Royal Spectrum and Keywood; and (ii) the subscription of 870 new shares in Madison International by Timebase pursuant to the share subscription agreement dated 20 April 2015 entered into between Madison International and Timebase
“[Redacted]”	the agreement to be entered into by the [Redacted] (for itself and on behalf of the Underwriters) and us on the [Redacted] to determine the [Redacted]
	[Redacted]
“Quick Express”	Quick Express International Limited, a company incorporated in the BVI with limited liability on 7 January 1994, which is directly wholly-owned by Mr. Ting
“Reorganisation”	the corporate reorganisation of our Group in preparation for [Redacted], as described in the section headed “History, Reorganisation and Corporate Structure” in this [Redacted]
“RMB”	Renminbi, the lawful currency of the PRC
“Royal Spectrum”	Royal Spectrum Holding Company Limited, a company incorporated in Seychelles with limited liability on 17 March 2014, which is owned as to 77.3% by Devoss Global, 20% by Universal Chinese, and 2.7% by Montrachet upon completion of the Reorganisation, and our Controlling Shareholder
“Seychelles”	the Republic of Seychelles
“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
“SGD”	Singapore dollars, the lawful currency of Singapore

DEFINITIONS

“Singapore”	the Republic of Singapore
“Share Option Scheme”	the share option scheme our Company conditionally adopted on [●], the principal terms of which are summarised in the section headed “Share Option Scheme” in Appendix IV to this [Redacted]
“Shareholder(s)”	the holder(s) of our Shares
“Shares”	ordinary shares with a nominal value of HK\$0.01 each in the share capital of our Company, which are to be traded in Hong Kong dollars and listed on GEM
“Sole Sponsor”, “[Redacted]” or “[Redacted]”	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, the [Redacted] and the [Redacted] to the [Redacted]
“sq. ft.”	square foot
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the GEM Listing Rules
“substantial shareholder(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers and Share Buy-backs
“Timebase”	Timebase Holdings Limited (時基控股有限公司), a company incorporated in the BVI with limited liability on 10 March 2015, which is directly wholly-owned by Ms. Lu Mengjia (陸夢嘉)
“Track Record Period”	the period comprising the two financial years ended 31 March 2015
“Underwriters”	the underwriters of the [Redacted] set out in the section headed “Underwriting — Underwriters” in this [Redacted]
“Underwriting Agreement”	the underwriting agreement to be entered into among our Company, our executive Directors, the [Redacted] and the Underwriters relating to the [Redacted] on or about [Redacted]

DEFINITIONS

“Universal Chinese”	Universal Chinese Limited, a company incorporated in the BVI with limited liability on 19 November 1996, formerly known as Universal Chinese Inc. and changed to its current name on 24 March 1997, which is directly wholly-owned by Mr. Lin Samuel Jr. (林斯澤)
“US” or “United States”	the United States of America
“USD” or “US\$”	United States dollars, the lawful currency of the United States
“Wine Financier”	Wine Financier Limited, a company incorporated in Hong Kong with limited liability on 11 September 2014
“we”, “us” or “our”	our Company or our Group (as the context may require)
“%”	per cent.

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

Certain amounts and percentage figures included in this [Redacted] have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be as arithmetic aggregation of the figures receding 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 [Redacted] 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 beverages”	refers to 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 were grown
“cellaring”	storing wine under ideal conditions to promote maturation and optimal quality
“CAGR”	compound annual growth rate
“Fine Red Wine”	refers to red wine with unit prices less than HK\$1,000, as classified based on our own categorisation, which is in line with the classification adopted by IPSOS
“Fine White Wine”	refers to white wine with unit prices less than HK\$1,000, as classified based on our own categorisation, which is in line with the classification adopted by IPSOS
“Fine Wine”	refers to Fine Red Wine and Fine White Wine
“GDP”	gross domestic product
“grand cru”	a French wine term corresponding to “Great Growth” which can be used to refer to classified vineyards, wineries and wine, with different meanings in different wine regions
“mg”	milligram
“ml”	millilitre
“Premier Collectible Red Wine”	refers to red wine with unit prices at or above HK\$1,000, as classified based on our own categorisation, which is in line with the classification adopted by IPSOS
“Premier Collectible White Wine”	refers to white wine with unit prices at or above HK\$1,000, as classified based on our own categorisation, which is in line with the classification adopted by IPSOS
“Premier Collectible Wine”	refers to Premier Collectible Red Wine and Premier Collectible White Wine

GLOSSARY OF TECHNICAL TERMS

“premier cru”	a French wine term corresponding to “First Growth” which can be used to refer to classified vineyards, wineries and wine, with different meanings in different wine regions
“varietal”	principal grape from which a wine product is made
“wine industry”	refers to the companies and activities related to the sales of wine through sales and distribution channels in Hong Kong
“vintage”	the yield of wine or grapes from a vineyard or district during a single specified year
“wine”	refers to alcoholic drinks 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 merchants”	merchants who are engaged in the sales of wine products
“WSET”	The Wine & Spirits Education Trust, an organisation which provides courses and exams in the field of wine and spirits

FORWARD-LOOKING STATEMENTS

This [Redacted] contains forward-looking statements, including, without limitation, words and expressions such as “expect”, “believe”, “plan”, “intend”, “estimate”, “project”, “anticipate”, “seek”, “may”, “will”, “would” and “could” or similar words or statements 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 this [Redacted]. 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 [Redacted] that are not historical facts.

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 “Risk Factors” in this [Redacted].

FORWARD-LOOKING STATEMENTS

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.

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 [Redacted], 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 [Redacted] 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 [Redacted] are qualified by reference to the cautionary statements set out in this section.

In this [Redacted], 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

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.

In addition to the risks and uncertainties described below, other risks and uncertainties not presently known to us, or not expressed or implied below, or that we currently deem immaterial, may also adversely affect our business, financial condition and results of operations, and may lead to a decline in the trading price of our Shares.

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 in Hong Kong, (iii) risks relating to conducting business in Hong Kong, (iv) risks relating to the [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 the 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. Although we adopt a “cost-plus” approach in pricing our wine products during the Track Record Period, and we were generally able to pass on the increases in our cost of sales to our customers in the past, in order to maintain our competitiveness and market share, we cannot assure you that we will continue to 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 conditions and results of operation.

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 care 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. While we have in the past successfully procured wine products that satisfied the demands of our target clientele in Hong Kong, we cannot assure you that we will continue to do so. 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 conditions 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 therefore we 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. While we did not receive any complaints from customers in relation to any quality issues historically and up to the Latest Practicable Date, we cannot assure you that the wine products we procure in the future will be free from any quality issues. If we sell 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 conditions 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. During the years ended 31 March 2014 and 2015, 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 the popularity of wine products as festival gifts and 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

RISK FACTORS

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.

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

We will relocate our new flagship store in or around mid June 2015 and will vacate the current premises upon expiry of the relevant lease. As we have been operating in the current premises 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, (iii) spoiling or damaging our wine products during relocation and (iv) 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.

As our management considered that long cellaring period will not affect the value and quality of wine, our Group did not make any allowance for inventories during the Track Record Period. 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 inventories 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.

While we did not return any wine products to our suppliers because of quality issues during the Track Record Period, we cannot assure you that the wine products we procure will always be free from

RISK FACTORS

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.

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.

During the Track Record Period and as at the Latest Practicable Date, we did not receive any product liability claim against us. However, 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, operating results, financial condition and prospects.

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 warehouse in North Point, our external warehouse in Kennedy Town and our current store in Wan Chai, 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. While stocks in transit are covered by insurance and we did not experience any material losses or damages in relation to the transport of wine products during the Track Record Period, we cannot assure you that we will continue to 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 current store in Wan Chai, our warehouse in North Point and our external warehouse in Kennedy Town. Even though our warehouse and our external warehouse have been certified by HKQAA and are equipped with specialised storage facilities, 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, 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. While we did not experience any disruption of our storage facilities during the Track Record Period, 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 in our warehouse. 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 financial condition and results of operations could be adversely affected.

RISK FACTORS

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 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 continue 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 23 employees, 5 of them possess various levels of wine certificates awarded by WSET ranging from level one foundation certificate in wines to level three advanced certificate in wines. 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.

RISK FACTORS

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.

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.

RISK FACTORS

Save as disclosed 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 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 is 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 Fook Lam Moon Kowloon under our consignment arrangement.

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 — Marketing and public relations — Strategic collaboration and our consignment arrangement with Fook Lam Moon Kowloon” in this [Redacted].

Save for the consignment agreement entered into with Fook Lam Moon Kowloon, we did not enter into any other consignment agreement 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

RISK FACTORS

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 financial condition and results of operations will be adversely affected.

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 have established risk management and internal control systems consisting of relevant organisational framework policies, procedures and risk management methods that we believe are appropriate for our business operations. However, 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], our Group has future 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 China may adversely affect the sales of our wine products.

Recently, the Chinese government has launched a series of campaigns and reforms for the promotion of frugality, which include, among others, restricting (i) the civil servants of China from using public funds on gifts and social activities, (ii) the receive or provide gifts to civil servants in China, and (iii) ostentatious and extravagant behaviour. Notwithstanding that all of our revenue were derived solely in Hong Kong during the Track Record Period, some of our customers may purchase wine products from us for consumption in China or resale to Chinese market. 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 Chinese government tightens its customs controls on wine products, the demand from customers who purchase our wine products for consumption in or resale to China may decrease.

Under the current laws and regulations in China, the carriage of wine products into China is limited to personal use only and subject to quantity control. The Chinese government levies duty if the volume of wine products carried into China 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 China. However, as some of our customers may purchase our wine products for consumption in or resale to China, if the Chinese government tightens its customs controls, such as increasing the levy chargeable or reducing the limits of wine products carried into China, 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 Predecessor Companies 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 Predecessor Companies 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 Predecessor Companies 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. 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.

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

RISK FACTORS

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 proceed 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. As we continue to expand our business in Hong Kong and further diversify our product portfolio, we expect to face more intense competition in the future. 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, results of operations and financial conditions will be adversely affected. In particular, in order to compete effectively, our ability to continue to price our products at desired levels on a “cost-plus” may be adversely affected, resulting in an adverse impact to our profitability.

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 its 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 depend 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 “Risk Relating to our Business — We are exposed to the fluctuations in foreign currency exchange rates, and our profit margin is sensitive to fluctuations results in 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 THE [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 itself 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 the [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 the [Redacted].

RISK FACTORS

The price at which our Shares will trade after this [Redacted] 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] million, based on the [Redacted] of HK\$[Redacted] per [Redacted] and assuming the [Redacted] is not exercised. Such estimated expenses are non-recurring in nature and approximately HK\$[Redacted] million 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 the [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 the [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] investors 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] investors, 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 undertakings, details of which are set out in the section headed “Underwriting — Underwriting arrangements and expenses — Undertaking” 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.

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

RISK FACTORS

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 section headed “Cayman Islands Companies 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 the [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 the [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.

RISK 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.

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

RISK FACTORS

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 detail, 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 the [Redacted].

There may be press and media coverage regarding us or the [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].

INFORMATION ABOUT THIS [REDACTED] AND THE [REDACTED]

[Redacted]

INFORMATION ABOUT THIS [REDACTED] AND THE [REDACTED]

[Redacted]

INFORMATION ABOUT THIS [REDACTED] AND THE [REDACTED]

[Redacted]

INFORMATION ABOUT THIS [REDACTED] AND THE [REDACTED]

[Redacted]

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

DIRECTORS

Executive Directors

Name	Address	Nationality
Mr. Ting Pang Wan Raymond (丁鵬雲)	Flat A, 50/F Tower 8A Bel-air No. 8 8 Bel-air Peak Avenue Cyber Port Hong Kong	Chinese
Mr. Kao Sheng-Chi (高聖祺), alias Andrew Arthur Bigbee	5W/F, Savoy Court 101 Robinson Road Mid-levels Hong Kong	Taiwanese
Mr. Zhu Qin (朱欽)	Flat B, 10/F, Block 7 The Beaumont 8 Shek Kok Road Tseung Kwan O New Territories Hong Kong	Chinese

Independent non-executive Directors

Name	Address	Nationality
Ms. Debra Elaine Meiburg	House B3, Villa Cecil 200 Victoria Road Pokfulam Hong Kong	American
Ms. Fan Wei (范偉)	Flat B, 23/F Broadville 4 Broadwood Road Happy Valley Hong Kong	Chinese
Mr. Chu Kin Wang, Peleus (朱健宏)	Flat 1, 10/F Tower D Galaxia 3 Lung Poon Street Diamond Hill Kowloon Hong Kong	Chinese

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

PARTIES INVOLVED IN THE [REDACTED]

Sole Sponsor, [Redacted] and [Redacted]	Innovax Capital Limited Office 1, 1st Floor Lucky Building 39 Wellington Street Hong Kong
Underwriters	[●]
Legal advisers to our Company	<i>as to Hong Kong law</i> Michael Li & Co. 19/F, Prosperity Tower No. 39 Queen’s Road Central Central Hong Kong <i>as to Cayman Islands law</i> Conyers Dill & Pearman Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Legal advisers to the Sole Sponsor and the [Redacted]	<i>as to Hong Kong law</i> Sidley Austin 39/F, Two International Finance Centre Central Hong Kong
Auditors and reporting accountants	SHINEWING (HK) CPA Limited <i>Certified Public Accountants</i> 43/F, Lee Garden One 33 Hysan Avenue Causeway Bay Hong Kong
Compliance adviser	[Innovax Capital Limited] [Office 1, 1st Floor Lucky Building 39 Wellington Street Hong Kong]
Independent industry consultant	IPSOS Hong Kong Limited 22/F, Leighton Centre 77 Leighton Road Causeway Bay Hong Kong

CORPORATE INFORMATION

Registered office	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Headquarters, head office and principal place of business in Hong Kong	Flat A & B, 10/F North Point Industrial Building 499 King’s Road North Point Hong Kong
Company’s website	<u>www.madison-wine.com</u> <i>(the contents of the website do not form part of this [Redacted])</i>
Company secretary	Ms. Tse Ka Yan (ACIS, ACS) Flat G, 21/F, Block 2 Well On Garden 9 Yuk Nga Lane Tseung Kwan O New Territories Hong Kong
Compliance officer	Mr. Kao Sheng-Chi (高聖祺) alias Andrew Arthur Bigbee
Authorised representatives (for the purpose of the GEM Listing Rules)	Mr. Ting Pang Wan Raymond Flat A, 50/F Tower 8A Bel-air No. 8 8 Bel-air Peak Avenue Cyber Port Hong Kong Ms. Tse Ka Yan (ACIS, ACS) Flat G, 21/F, Block 2 Well On Garden 9 Yuk Nga Lane Tseung Kwan O New Territories Hong Kong
Audit committee	Mr. Chu Kin Wang, Peleus (<i>Chairman</i>) Ms. Debra Elaine Meiburg Ms. Fan Wei

CORPORATE INFORMATION

Remuneration committee

Ms. Fan Wei (*Chairlady*)
Mr. Ting Pang Wan Raymond
Ms. Debra Elaine Meiburg
Mr. Chu Kin Wang, Peleus

Nomination and corporate governance committee

Mr. Ting Pang Wan Raymond (*Chairman*)
Ms. Debra Elaine Meiburg
Ms. Fan Wei
Mr. Chu Kin Wang, Peleus

Principal share registrar and transfer office in the Cayman Islands

[Redacted]

Hong Kong branch share registrar and transfer office

[Redacted]

Principal bankers

The Hongkong and Shanghai Banking Corporation
Limited
HSBC Main Building
1 Queen’s Road Central
Hong Kong

China Construction Bank (Asia) Corporation Limited
139 Hennessy Road
Wanchai
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 [Redacted], the [Redacted], the Underwriters or any of our or their respective affiliates, advisers, directors, officers or representatives or any other person involved in the [Redacted]. Neither our Group, the Sole Sponsor, the [Redacted], the [Redacted], the Underwriters or any of our or their respective affiliates, advisers, directors, officers or representatives nor any other person involved in the [Redacted] 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. Our Directors believe that the sources of information extracted from the IPSOS Report 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 material fact has been omitted that would render such information false or misleading. Our Directors confirm that after taking reasonable care, there is no adverse change in the market information since the date of the IPSOS Report.

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 2010 to 2019 at a fee of HK\$360,000, 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 desk research to gather background information and to obtain the relevant information and statistics on the wine industry, and (c) conducting in-depth interviews including face to face interviews 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 company 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 Company and none of our Directors or their associates has any interest in IPSOS.

INDUSTRY OVERVIEW

Our Directors confirmed 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 [Redacted].

Except as otherwise noted, all of the 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

Analysis in the IPSOS Report is based on the following assumptions:

- The supply of and demand for products of the wine industry in Hong Kong will remain stable during the forecast period.
- 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 of the wine industry in Hong Kong during the forecast period.
- Data for the total number of wine sellers in 2014 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.
- Data for market value refers to the sales value of on-trade and off-trade sellers. This assumption is applicable throughout the IPSOS Report, unless otherwise specified.

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 2010 to 2014
- GDP per capita and GDP per capita growth rate in Hong Kong from 2010 to 2014
- Annual household disposable income in Hong Kong from 2010 to 2014
- Annual household consumption expenditure in Hong Kong from 2010 to 2014
- Annual private consumption expenditure of goods and services in Hong Kong from 2010 to 2014
- Annual private consumption expenditure of alcoholic beverages per capita in Hong Kong from 2010 to 2014
- Total import value of alcoholic beverages in Hong Kong from 2010 to 2014
- Total import value of wine in Hong Kong from 2010 to 2014
- Total number of wine sellers in Hong Kong in from 2010 to 2014
- Total market value of alcoholic beverages in Hong Kong from 2010 to 2014
- Total market value of wine in Hong Kong from 2010 to 2014
- Total market value of Premier Collectible Red Wine and Premier Collectible White Wine in Hong Kong from 2010 to 2014
- Total market value of wine merchants in Hong Kong from 2010 to 2014

INDUSTRY OVERVIEW

RELIABILITY OF INFORMATION IN THE IPSOS REPORT

Our Directors, after due and reasonable consideration, are of the view that there has been no adverse change in the market information since the date of the IPSOS Report 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 2010 and 2014, GDP in Hong Kong grew from approximately HK\$1,846.1 billion to HK\$2,070.8 billion at a CAGR of approximately 2.9%. GDP in Hong Kong is forecasted to reach HK\$2,440.1 billion in 2019 from HK\$2,137.0 billion in 2015, representing a CAGR of approximately 3.4% as a result of the anticipated increase in economic partnership with China in terms of trade, tourism and financial investments in the next five years.

Average annual household disposable income in Hong Kong grew from approximately HK\$307,109 to approximately HK\$347,125 at a CAGR of about 2.4% from 2010 to 2014, and is expected to continue to grow from around HK\$354,672 to approximately HK\$390,900 at a CAGR of about 2.5% from 2015 to 2019.

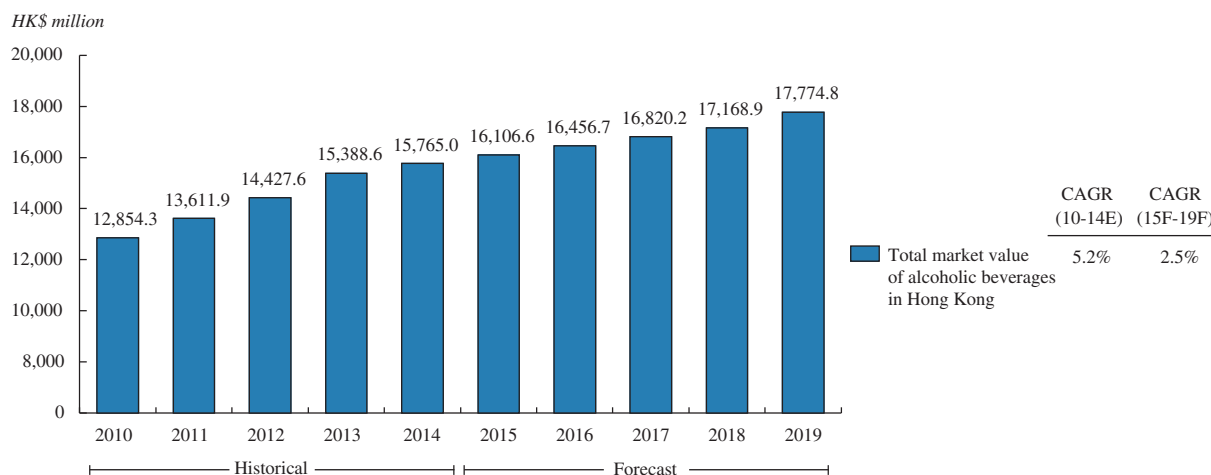
OVERVIEW OF THE ALCOHOLIC BEVERAGES INDUSTRY IN HONG KONG

Average annual private consumption expenditure of alcoholic beverages per capita in Hong Kong has grown significantly from approximately HK\$1,303.6 in 2010, to HK\$2,911.3 in 2014 at a CAGR of approximately 22.3%. The growth in average annual private consumption expenditure for alcoholic beverages in Hong Kong was mainly attributed to the higher disposable income and consumption expenditure of consumers in Hong Kong, allowing consumers to spend more on alcoholic beverages for fine dining and social drinking, resulting in a growing momentum of demands for alcoholic beverages in Hong Kong. Along with rising GDP per capita and average household disposable income, average annual private consumption expenditure of alcoholic beverages per capita in Hong Kong is expected to continue growing from approximately HK\$3,113.4 in 2015, to approximately HK\$3,616.4 in 2019 at an estimated CAGR of approximately 3.8%.

After elimination of import duties on wines and certain spirits products in 2008, Hong Kong experienced growth in demand for alcoholic beverages. The total market value of alcoholic beverages in Hong Kong increased from approximately HK\$12,854.3 million in 2010, to approximately HK\$15,765.0 million in 2014 at an estimated CAGR of approximately 5.2%. In conjunction with the positive growth in private consumption expenditure on alcoholic drinks, the total market value of alcoholic drinks in Hong Kong is expected to continue increasing from approximately HK\$16,106.6 million in 2015, to approximately HK\$17,774.8 million in 2019 at an estimated CAGR of approximately 2.5%.

INDUSTRY OVERVIEW

Total Market Value of Alcoholic Beverages in Hong Kong



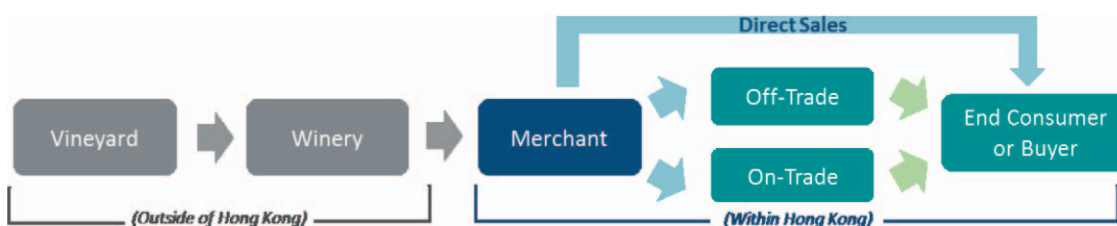
Source: IPSOS Report

OVERVIEW OF THE WINE INDUSTRY IN HONG KONG

As a non-grape-growing area, 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 a wine trading and distribution hub to meet the growing demands in Asia, the Hong Kong government removed all import duties and administrative controls for wine 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. There were approximately 528 total wine sellers in the Hong Kong market as at the date of the IPSOS Report.

The supply chain of Hong Kong’s wine distribution industry typically involves 5 major groups of participants, including vineyards, winery, merchants, off-trade and on-trade sellers, and retail customers. In Hong Kong, importers, distributors and direct sellers of wine are often carried out by the same wine merchant company. Due to high rentals for retail space, close geographic proximity within Hong Kong, and merged wholesale and retail operations of the company, it is common practice for wine merchants to have a showroom at their sales office, or an online store instead of investing in a traditional retail outlet in Hong Kong. The majority of wines in the fine wines segment are often sold to off-trade and on-trade channels due to the high volume availability per product, while wines in the premier collectible wines segment are mainly sold through direct sales channels, with some sales to off-trade and on-trade channels. Merchants also supply and procure wines to and from each other due to the limited quantity of each wine in the premier collectible wine segment.

INDUSTRY OVERVIEW



Over time, wine products become limited and scarce due to the uniqueness of each wine produced, and the inability to replenish supply after each production. 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 wines, particularly wines produced by top vineyards and wineries are popular collectibles among wine connoisseurs due to the rare and scarce nature of the product. Given the limited volume and availability of these wines in the market, wine merchants may face difficulties in producing certain wines, particularly Premier Collectible Wines for their customers and their collection. In light of the supply nature of wine products, it is not uncommon in this industry for wine merchants to be customers and sellers at the same time within the wine market.

Market value of the wine industry in Hong Kong

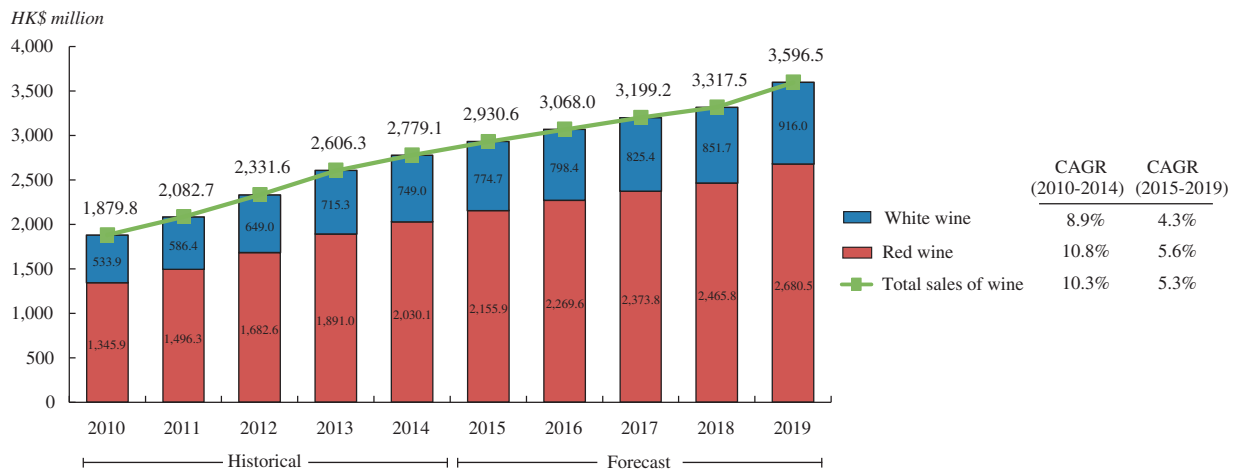
The market value of the wine industry in Hong Kong has seen continuous robust growth since the elimination of all import duties on wine in 2008. Total market value of the wine industry in Hong Kong increased from approximately HK\$1,879.8 million in 2010, to approximately HK\$2,779.1 million in 2014 at a CAGR of approximately 10.3%. Out of the overall market value of wine, the total market value of red wine in Hong Kong increased from approximately HK\$1,345.9 million in 2010 to approximately HK\$2,030.1 million in 2014 at a CAGR of approximately 10.8%, and the total market value of white wine in Hong Kong increased from approximately HK\$533.9 million in 2010 to approximately HK\$749.0 million in 2014 at a CAGR of approximately 8.9%.

The Hong Kong wine industry consists predominantly of red wines in comparison to other wines. According to the Commerce and Economic Development Bureau of Hong Kong, over 80.0% of wines consumed in 2014 were red wines and the import value of red wine between 2010 and 2014 accounted for over 95.0% of all wine imported to Hong Kong.

Benefiting from a maturing and expanding wine consumer base, increasing preference for premium quality wines, and the development of Hong Kong as Asia’s wine trading hub, the total market value of wines is expected to enjoy strong positive growth in the next five years. The total market value of wine in Hong Kong is forecasted to continue growing from approximately HK\$2,930.6 million in 2015 to approximately HK\$3,596.5 million in 2019 at an estimated CAGR of approximately 5.3%. Of which, the total market value of red wine is expected to increase from approximately HK\$2,155.9 million in 2015 to approximately HK\$2,680.5 million in 2019 at an estimated CAGR of 5.6%, and the total market value of white wine is anticipated to grow from approximately HK\$774.7 million in 2015 to HK\$916.0 million in 2019 at an estimated CAGR of approximately 4.3%.

INDUSTRY OVERVIEW

Total Market Value of Wine in Hong Kong



Note: Wine includes red wine and white wine, excluding champagne, vermouth and others.

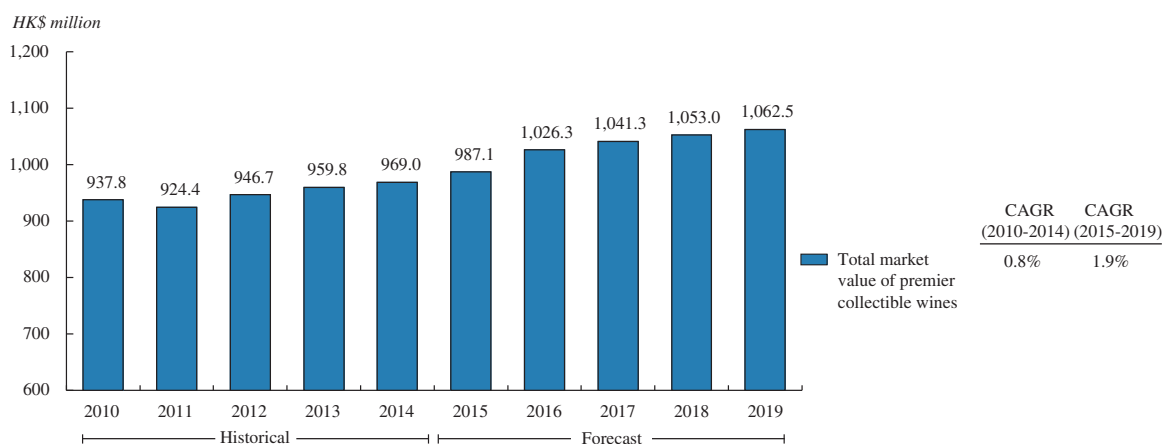
Source: IPSOS Report

Market Value of Premier Collectible Red Wine and Premier Collectible White Wine in Hong Kong

Wine products in Hong Kong can be split into two selling price segments: Fine wines, which includes red and white wines with a selling price of less than HK\$1,000 per bottle, and Premier Collectible Wines, which covers red and white wines with a selling price at or above HK\$1,000 per bottle. Premier Collectible Wines typically consist of boutique wines, rare wines, collector wines, and vintages that are well sought after by wine connoisseurs. Premier Collectible Wines are wines originating from prestigious vineyards and regions known for producing the high quality wines paired with good grape production years, and usually have limited availability in the open market.

INDUSTRY OVERVIEW

Total Market Value of Premier Collectible Wines in Hong Kong



Note: Wine includes red wine and white wine, excluding champagne, vermouth and others.

Source: IPSOS Report

Between 2010 and 2014, the total market value of Premier Collectible Wines in Hong Kong increased from approximately HK\$937.8 million to approximately HK\$969.0 million at a CAGR of approximately 0.8%. The Premier Collectible Wine market value experienced a slight dip in 2011 as a result of a decline in demand for Premier Collectible Wines from the visitors of the PRC affected by the anti-graft measures to curb spending on luxury items introduced in the same year. Despite the slight decline, the market value of Premier Collectible Wines rebounded to 2010 levels in 2012 and 2013.

The total market value of Premier Collectible Wines in Hong Kong is expected to continue to increase from approximately HK\$987.1 million to approximately HK\$1,062.5 million at an estimated CAGR of approximately 1.9% from 2015 to 2019, reflecting the growing domestic and regional demand for procuring and purchasing Premier Collectible Wines in Hong Kong.

Diverse price range for wine products

According to the IPSOS Report, as both Fine Wine and Premier Collectible Wine have a diverse range of unit prices, it is not feasible to show the historical unit prices of wine products.

INDUSTRY OVERVIEW

COMPETITIVE LANDSCAPE OF THE WINE INDUSTRY IN HONG KONG

In 2014, the wine industry is consolidated and dominated by the top market players, whereas the top five players already contributed approximately 65.6% of the total market value for wine in Hong Kong. In the same year, our Group accounted for around 5.2% of the total market value of the wine industry in Hong Kong, and approximately 15.0% of the market value for the Premier Collectible Wine segment.

Top five wine sellers in Hong Kong in 2014

The following table sets forth the information on the five largest wine sellers in Hong Kong in 2014:

Rank	Name of Company	Headquarters Location	Revenue in 2014 (HK\$ million)	Share of Total Industry Revenue (%)	Key Products
1	Company A	Hong Kong	667.0	24.0%	Premier Collectible Wines and other alcoholic beverages, accessories, and cigars. Wine offering includes over 2,000 different wines and vintages, and more than 400 are exclusive to Company A
2	Company B	Hong Kong	406.4	14.6%	Alcoholic beverages such as liquor, beer, wine, high strength premixes
3	Company C	Hong Kong	283.0	10.2%	Premier Collectible Wines and other alcoholic beverages, accessories, and cigars
4	Company D	Hong Kong	253.2	9.1%	Premier Collectible Wines and other alcoholic beverages
5	Company E	Hong Kong	213.9	7.7%	Premier Collectible Wines and other alcoholic beverages
N/A	Our Group	Hong Kong	145.7	5.2%	Premier Collectible Wines and other alcoholic beverages
	Others		809.9	29.2%	
	Total		2,779.1	100.0%	

Notes:

- (1) Revenue shown in the above ranking table only includes the wine sales revenue of the respective company.
- (2) The total revenue in 2014 refers to the revenue generated in the wine industry in Hong Kong in 2014 (January to December).
- (3) Revenue shown in the above for our Group refers to the revenue generated in the year ended 31 March 2015.

Source: IPSOS Report

INDUSTRY OVERVIEW

Factors of competition

Product diversification helps wine sellers differentiate themselves from competitors

A curated list of wines by price, appellation, wine type, production year and availability will set competitors apart. The ability to secure exclusive distributorship or retailing will provide wine sellers with the competitive edge.

Premium customer services

Providing additional services to the customer such as professional wine selection advice, procurement, and professional wine storage and transportation will ensure that the quality and value of wine is maintained, and provide premium service experience to customers.

Established customer base

Wine sellers with an established customer base will secure the demand for the seller’s product segment, particularly if the seller offers loyalty programs, additional 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.

Market drivers

Growth in disposable income and private expenditure driving the consumption of wine in Hong Kong

Increased disposable income has endowed more customers to be able to consume wine more frequently, or trade up to Premier Collectible Wines. As wine is a knowledge-based consumable product, consumers are becoming more sophisticated and selective on the wine varieties, particularly from more affluent consumers who are willing to spend more on specialty wines, and even on boutique, collection, vintage and rare wines.

Shortages in global grape production leading to an increase in market price of wines

According to the Organisation of Vine and Wine, global wine consumption has remained steady at 234 million hectoliters up to 2014, however, global wine production decreased by 6% in 2014, particularly in Europe, caused by poor harvests and declining vineyard areas which will push up the average price of wine per bottle. For the Premier Collectible Wine segment, price hikes will have little impact on sales as the segment’s target customers are generally more affluent, and are willing to pay a premium for the wine of their choice.

INDUSTRY OVERVIEW

Preference for fine dining and social drinking, particularly in younger age group, contributing to the growth of the wine industry in Hong Kong

Fine dining and social drinking has been increasingly popular by younger consumers in Hong Kong. This demographic group is willing to try new products and spend on fine dining and social events where more upscale wine, even Premier Collectible Wines are commonly consumed at these occasions. The increase in consumption from younger consumers will drive consumption growth of wines in Hong Kong.

Entry barriers

Substantial capital requirement for staffing, storing and stocking wine inventories

As wine sellers typically offer a range of products by pricing, taste and appellation, high investment capital is required for recruiting staff with specific knowledge on wine products, to set up appropriate warehouse of retail storage facilities to maintain the quality of wines, and for the stocking of wine inventories to build a competitive wine product portfolio offering to customers.

Established business relations between existing market players and wine suppliers

Well established long term relationships with wineries and suppliers by existing larger wine sellers often includes exclusive distributorship rights of certain brands, or range of products from a key supplier. For more boutique wines and vintages, well developed working relations with suppliers can provide wine sellers with first notice or stock on certain products. Furthermore, a proven reliable business relationship between seller and supplier can lead to better value for money on product purchasing, giving sellers a high price competitive advantage on the wines sourced, making it difficult for new entrants to stock from the same supplier, or offer similar price points as a competitor stocking from the same supplier.

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 and consumption expenditure of wine will drive growth in the wine industry in Hong Kong

The consumer base for wine consumption in Hong Kong has extended into younger group who partake in social drinking and nightlife. Wine consumption has also increased in business related social events where it is seen as a sophisticated and appropriate choice of alcohol.

INDUSTRY OVERVIEW

There is a developing and maturing wine culture in Hong Kong with a stable pool of existing consumers, and a group of new customers who are introduced to wine consumption

Wine is becoming a common alternative to beer in fine dining, casual dining settings, and social drinking. In addition to rising affluence, Hong Kong’s wine consumers are also developing more mature tastes in wine and are trading up into higher price points for more premium and boutique wines that meet their personal preferences, providing ample opportunity for the wine industry to expand not only in the fine wine segment, but also the Premier 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 aims at providing sales, trade and procurement opportunities to address the evolving preferences and tastes of Hong Kong’s consumers.

Market threats

Increasing operational costs such as costs of knowledgeable and experienced staff or rental expenses posing potential threat to the wine industry in Hong Kong

Being ranked as one of the world’s highest-priced office markets, the continuous increase in rental expenses in Hong Kong is expected to increase the operational costs, imposing significant cost pressure and threats to the wine industry in Hong Kong. Several wine sellers have already transitioned to online retail platforms to sell wine, opting to directly transport products to customers from warehouses, rather than commit to the overhead on a point of sale that can only showcase a limited variety of products to locational base foot traffic.

Poor grape harvest and decline of global wine production may result in volatile wine prices

Price fluctuation as a result of 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 can deter consumers from buying wines of a certain year, region, or from consuming more premium wines as a result of increased prices. This can negatively impact sellers in terms of overstock in inventory, and a decline in sales due to pricing and supply issues.

Competitive advantages of our Group

Readily available stock of rare and curated wines

With years of cooperation with wine merchants and individual wine collectors, we are able to procure some of the rarest and finest wines at competitive prices in the wine market. Additionally, we are able to curate and procure a unique collection of wines, typically Premier Collectible Red Wine and Fine Red Wine from renowned wine producing regions and vineyards.

INDUSTRY OVERVIEW

Our well stocked inventory in Hong Kong covers different price segments, appellations, wine types, production years, vintages and rare wines. Our product offerings allow customers to purchase wines that are not readily available in the open market at competitive prices immediately.

Well-established customer base and premium wine services

We have developed a loyal customer base over years of operation, and through our loyalty membership program namely, “Madison Premier Membership Scheme” and our attractive product offerings and competitive wine selling prices.

The provision of our value-added services to our customers also ensure that the quality and value of wine is maintained, and provide premium wine service experience to customers.

Possession of in-house wine experts and consultation services

Our Group possesses in-house wine experts, who have in-depth knowledge and appreciation of wines. The level of expertise on the wine industry allows the company to provide valuable comprehensive consultations on wine selection, storage, pairings and wine appreciation services to customers.

Aimed for excellence in product quality, selection and services, our warehouse was awarded “HKQAA Wine Storage Management Systems Certification Scheme: 2013”, and our sales services was awarded the ‘Quality Tourism Services Scheme’.

LAWS AND REGULATIONS

GENERAL

Occupational Safety and Health Ordinance

The Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong) is purported to ensure the safety and health of employees and improve 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 articles 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.

Failure to comply with the above provisions constitutes an offence and the employer is liable on conviction to a fine of HK\$200,000. An employer who fails to do so 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 caused by accidents arising out of and in the course of employment, or by prescribed occupational diseases.

Under the Employees’ Compensation Ordinance, 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 even if the employee might have contributed to the accident occurred.

LAWS AND REGULATIONS

Pursuant to the Employees' Compensation Ordinance, all employers (including contractors and sub-contractors) 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' committed acts of faults or negligence when the accident occurred. 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 2015, the Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong) provides for a statutory minimum wage level at HK\$32.5 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.

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.

LAWS AND REGULATIONS

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 and 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**”). The Dutiable Commodities Ordinance also 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 degrees Celsius

Type 2 - Liquors, other than wine, with an alcoholic strength of not more than 30% by volume measured at a temperature of 20 degrees 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 degrees Celsius, which is obtained from the fermentation of fresh grapes

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 liquors and wines 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 customs duties on Type 2 and Type 3 liquors and wines. 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.

LAWS AND REGULATIONS

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 liquors and wines in Hong Kong, no removal permit is required for the removal or transportation of these liquors and wines 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 Customs 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 liquors and wines into or out of Hong Kong, the importer or exporter must lodge an accurate and complete import or export declaration with the Customs 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;
- 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.

LAWS AND REGULATIONS

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 liquors and wines

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 years 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 liquors and wines are sold for on-premises consumption.

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.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

BUSINESS DEVELOPMENT

Introduction

Our history can be traced back to April 1997, when Madison (China), the first operating subsidiary of our Group, was incorporated in Hong Kong with limited liability, by Mr. Ting and Mr. Ting Yan Chun, the father of Mr. Ting, using their personal funds. Madison (China) began the business in the sale of alcoholic beverages, predominantly in red wines and white wines, in Hong Kong, under the business name “Madison Wine” in April 2011. To promote our brand, in June 2012, we entered into a lease agreement for the purpose of setting up our current store under the business name “Madison Wine” in Wan Chai, an area connecting Central and Causeway Bay with a mixed traffic of financial relaxed people and tourists.

In February 2014, we entered into a lease agreement for the purpose of setting up our wine storage warehouse in North Point, which provides professional wine storage services to our customers. Our wine cellar is designed with advanced temperature and humidity control system, installed with insulation and anti-vibration materials on floor and ceiling, and equipped with a professional security system. Our storage warehouse is run by our own logistics team, and we provide multiple storage plans to cater for the needs of individual customers. In April 2015, we entered into a lease agreement for the purpose of setting up our flagship store in Wan Chai, which is expected to be opened in or around mid June 2015.

We have established a reputation for high quality services in Hong Kong, allowing us to compete in the highly competitive wine industry in Hong Kong. In October 2014, Madison (China) obtained the “Fine Wine Storage Management Systems Standard of HKQAA Wine Storage Management Systems Certification Scheme: 2013 applicable to provision of wine storage service (limited site)” certification, awarded by the HKQAA, which recognised our professional and unified wine storage standard established to protect wine quality and value. Further, in March 2015, Madison Wine obtained the “Quality Tourism Services Scheme — Retail Shops” certification, which is a prestigious achievement in the service industry, awarded by the Hong Kong Tourism Board which recognised the excellent service provided by our Company.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Business Milestones

The following table summarises various milestones of our Group’s business development:

April 1997	Madison (China) was incorporated in Hong Kong.
April 2011	Madison (China) began the business in the sale of alcoholic beverages in Hong Kong.
November 2012	Our current store under the business name “Madison Wine” was opened in Wan Chai.
June 2014	Our wine storage warehouse was set up in North Point.
September 2014	We have been collaborating with Fook Lam Moon Kowloon, a Michelin starred Chinese restaurant in Hong Kong, under a consignment arrangement, and we become the exclusive wine consignor of Fook Lam Moon Kowloon.
October 2014	Madison (China) was awarded the “Fine Wine Storage Management Systems Standard of HKQAA Wine Storage Management Systems Certification Scheme: 2013 applicable to provision of wine storage service (limited site)” certification by the HKQAA.
March 2015	Madison Wine was awarded the “Quality Tourism Services (QTS) Scheme — Retail Shops” certification by the Hong Kong Tourism Board.

OUR CORPORATE DEVELOPMENT

Our Company

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 15 April 2015, with an authorised share capital of HK\$380,000 divided into 38,000,000 Shares, of which the Incorporation Share, representing the then entire issued share capital, was allotted and issued to the initial subscriber, which was transferred to Royal Spectrum on the same date. Prior to the Reorganisation, Royal Spectrum had been our sole Shareholder.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

On [●], our Company entered into a share purchase agreement with Royal Spectrum, Keyword and Timebase to acquire the entire issued share capital of Madison International from Royal Spectrum, Keyword and Timebase, in consideration of our Company allotting and issuing 819 Shares, 100 Shares and 80 Shares, all credited as fully paid, to Royal Spectrum, Keyword and Timebase, respectively, and the share transfers were completed on [●] 2015. Upon completion of the share transfers, Madison International will become a direct wholly-owned subsidiary of our Company. For further details, please refer to the paragraph headed “Reorganisation” in this section.

Pursuant to the written resolutions of our Shareholders dated [●], the authorised share capital of our Company was increased from HK\$380,000 to HK\$[Redacted] by the creation of additional [Redacted] Shares.

Our Company is principally engaged in investment holding.

As at the Latest Practicable Date, our Group comprised seven members. Apart from our Company, we have three major operating subsidiaries namely Madison (China), Madison Wine Club and Madison Wine Trading and three subsidiaries principally engaged in investment holding, namely Madison International, Madison Fine Wine and Madison Wine (HK).

Madison (China)

On 14 April 1997, Madison (China) was incorporated in Hong Kong with limited liability. On 7 May 1997, its issued share capital was HK\$10,000 divided into 10,000 shares, all credited as fully paid, of which 5,000 shares and 5,000 shares, representing 50% and 50% of the issued share capital, were allotted and issued to Mr. Ting and Mr. Ting Yan Chun, respectively. On 14 August 1998, the name of Shanghai Asset Holdings Limited was changed to LT Investment Limited, and on 8 February 2002, the name was further changed to Madison (China).

In or around 2002, Mr. Ting Yan Chun started to engage in a negotiation with an Independent Third Party to form a joint venture to carry on the sale of wine refrigerators business (the “**Joint Venture Business**”). Given that Madison (China) was inactive and had no business operation at the relevant time, Mr. Ting Yan Chun considered it to be more convenient to use Madison (China) which was readily available at the relevant time to set up the joint venture with such Independent Third Party. In view of such joint venture arrangement, which Mr. Ting was not involved in such joint venture arrangement at the relevant time, it was agreed between Mr. Ting and Mr. Ting Yan Chun that Mr. Ting would transfer his entire interest in Madison (China) to an entity wholly-owned by Mr. Ting Yan Chun such that Mr. Ting Yan Chun could make use of Madison (China) to pursue the Joint Venture Business with the Independent Third Party. Accordingly, on 15 March 2002, Mr. Ting transferred 5,000 shares, representing 50% of the issued share capital in Madison (China) to Renown Enterprise Limited, a company which is wholly-owned by Mr. Ting Yan Chun, at the consideration of HK\$5,000.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

As part of the joint venture arrangement, on 15 March 2002, Mr. Ting Yan Chun transferred 5,000 shares, representing 50% of the issued share capital in Madison (China) to the Independent Third Party, at the consideration of HK\$5,000.

Subsequent to such transfer, Mr. Ting Yan Chun and the Independent Third Party considered it to be unfeasible to pursue further with the Joint Venture Business and decided to abandon the plan to carry on the Joint Venture Business. Given that no business has been carried on after the transfer of shares to the Independent Third Party, on 5 January 2004, at the direction of Mr. Ting Yan Chun and as part of the family arrangement, the Independent Third Party transferred his 5,000 shares, representing 50% of the issued share capital in Madison (China) to Ms. Luu Huyen Boi, the spouse of Mr. Ting, who held such shares for and on behalf of Mr. Ting, at the consideration of HK\$5,000. The share transfer was completed on 5 January 2004.

In or about 2005, with a view to consolidating all his interests in companies owned by him under a holding company, namely Quick Express and as part of the family arrangement, on 31 January 2005, each of Ms. Luu Huyen Boi and Renown Enterprise Limited transferred their 5,000 shares and 5,000 shares respectively to Quick Express, at the consideration of HK\$5,000 each, and the share transfers were completed on 31 January 2005. As Madison (China) has no business operation since its incorporation in 1997 and until March 2009, all the consideration of the above transfers was determined based on the par value of the shares in Madison (China).

On 21 January 2013, Quick Express transferred its entire issued share capital in Madison (China) to Madison Wine (HK), in consideration of Madison Wine (HK) allotting and issuing 100 shares, all credited as fully paid, to iVega Investment, the then direct wholly-owned subsidiary of Quick Express, at the direction of Quick Express, and iVega Investment allotting and issuing 7,650 shares, all credited as fully paid, to Quick Express, and the share transfer was completed on 21 January 2013.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

On 25 November 2013, iVega Investment transferred its entire issued share capital in Madison Wine (HK) to Madison International, in consideration of Madison International allotting and issuing 9,900 shares, all credited as fully paid, to Quick Express at the direction of iVega Investment, and the share transfer was completed on 25 November 2013.

Upon completion of the share transfers, Madison Wine (HK) became a direct wholly-owned subsidiary of Madison International, and Madison (China) became an indirect wholly-owned subsidiary of Madison International. Upon completion of the Reorganisation, Madison International will become a direct wholly-owned subsidiary of our Company, and Madison Wine (HK) and Madison (China) will become indirect wholly-owned subsidiaries of our Company. Madison Wine (HK) is principally engaged in investment holding and Madison (China) is principally engaged in sale of alcoholic beverages.

All the abovementioned transfers of shares in Madison (China) and Madison Wine (HK) were properly and legally completed and settled.

Madison Wine Club

On 12 January 2012, Madison Wine Club was incorporated in Hong Kong with limited liability. As at the date of its incorporation, its issued share capital was HK\$1 divided into one share, credited as fully paid, and allotted and issued to a secretarial service company as the initial subscriber. On 27 January 2012, the name of Rich International Investment Limited was changed to Madison Wine Club. On 7 February 2012, Madison (China) acquired the initial subscriber share, representing the entire issued share capital in Madison Wine Club, at the consideration of HK\$1, and the share transfer was completed on 7 February 2012. Upon completion of the share transfer, Madison Wine Club became an indirect wholly-owned subsidiary of Madison International. Upon completion of the Reorganisation, Madison Wine Club will become an indirect wholly-owned subsidiary of our Company. Madison Wine Club is principally engaged in sale of alcoholic beverages and wine storage.

The abovementioned transfers of shares in Madison Wine Club were properly and legally completed and settled.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Madison Wine Trading

On 19 November 2014, Madison Wine Trading was incorporated in Hong Kong with limited liability. As at the date of its incorporation, its issued share capital was HK\$100 divided into 100 shares, all credited as fully paid, and allotted and issued to Mr. Ting. Mr. James Peter Woodhead, the sales director of Madison (China), who possesses valuable skill set and has extensive network in the wine related business, proposed our Group to expand the business in the sale of alcoholic beverages by setting up a new company. As part of our Group’s risk management and in order to secure the commitment of Mr. James Peter Woodhead to the business in the sale of alcoholic beverages, our Group entered into a joint venture business with Mr. James Peter Woodhead. On 1 December 2014, Mr. Ting transferred 80 shares and 20 shares, representing 80% and 20% of the issued share capital in Madison Wine Trading to Madison Fine Wine and Mr. James Peter Woodhead, respectively, at the consideration of HK\$80 and HK\$20, respectively, and the share transfers were completed on 1 December 2014. Upon completion of the share transfers, Madison Wine Trading became an indirect non-wholly-owned subsidiary of Madison International. Upon completion of the Reorganisation, Madison Wine Trading will become an indirect non-wholly-owned subsidiary of our Company. Madison Wine Trading is principally engaged in sale of alcoholic beverages.

The abovementioned transfers of shares in Madison Wine Trading were properly and legally completed and settled.

Madison International

On 21 November 2013, Madison International was incorporated in Seychelles with limited liability with an authorised share capital of US\$1,000,000 divided into 1,000,000 shares of US\$1 each. As at the date of incorporation, its issued share capital was US\$100 divided into 100 shares, all credited as fully paid, and allotted and issued to Quick Express. On 25 November 2013, Madison International further allotted and issued 9,900 shares to Quick Express. On 1 December 2013, Quick Express transferred 3,500 shares in Madison International to a third party investor, namely Universal Chinese, at the consideration of HK\$14,000,000, with reference to the net asset value of approximately HK\$40,000,000, as stated in the unaudited management accounts as at 30 November 2013 and the share transfer was completed on 1 December 2013.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

On 18 March 2014, for the purpose of shareholding restructuring of Quick Express and Universal Chinese in Madison International, each of Quick Express and Universal Chinese transferred their respective shareholding interests in Madison International to Royal Spectrum, in consideration of Royal Spectrum allotting and issuing 6,435 shares and 3,465 shares, all credited as fully paid, to Quick Express and Universal Chinese, respectively, to maintain their respective shareholdings in Royal Spectrum as to 65% and 35%. Universal Chinese subsequently disposed of certain of its equity interest in Royal Spectrum to Montrachet and investment vehicles of Mr. Ting, and resulting in its shareholding interests in Royal Spectrum be reduced to 20%. The share transfers were completed on 1 December 2014. On 26 August 2014, Madison International incorporated Madison Fine Wine in Seychelles with limited liability with an authorised share capital of US\$1,000,000 divided into 1,000,000 shares of US\$1 each, of which one share had been allotted and issued, credited as fully paid.

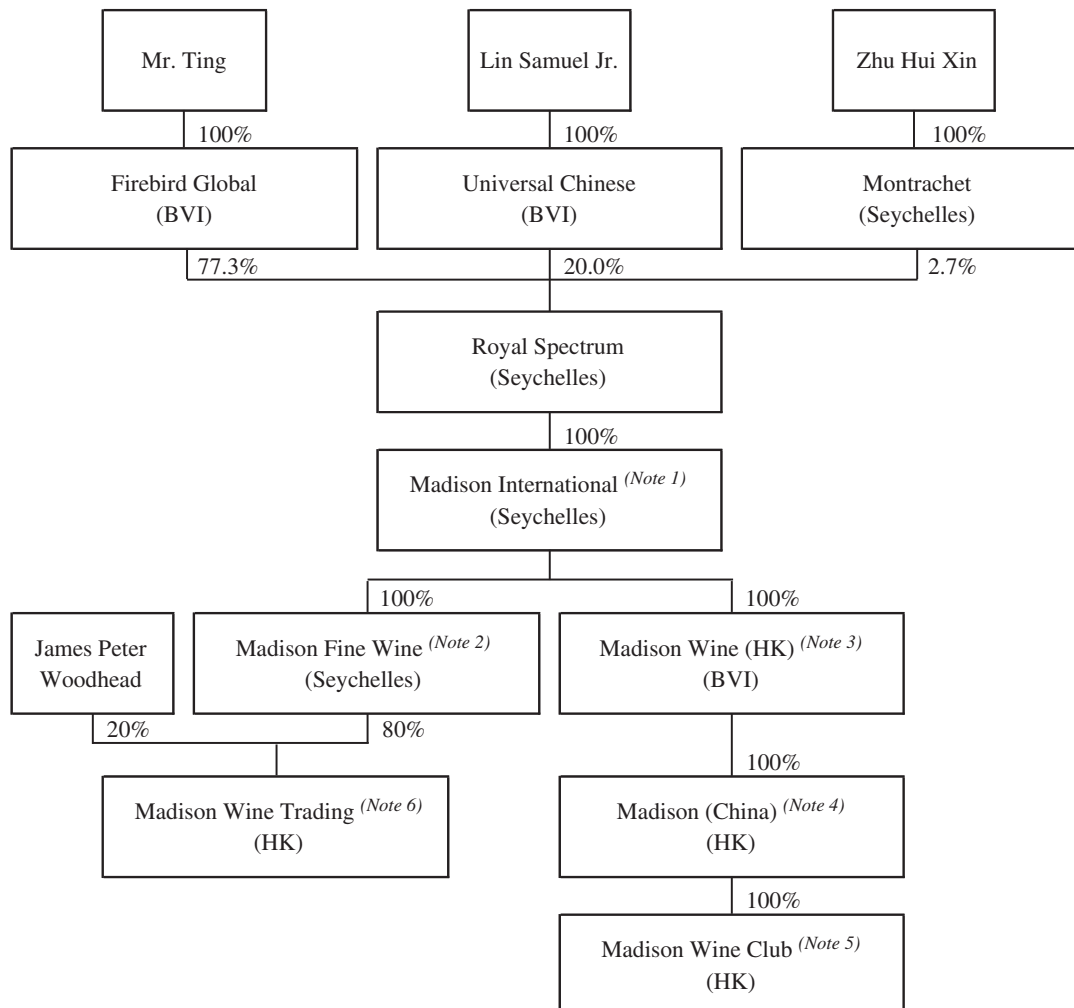
On 20 April 2015, Keywood acquired 1,087 shares in Madison International from Royal Spectrum, and Timebase subscribed for 870 new shares in Madison International, at the consideration of HK\$[Redacted] and HK\$[Redacted], respectively, and the transactions were completed on 20 April 2015. On [●], each of Royal Spectrum, Keywood and Timebase transferred 8,913 shares, 1,087 shares and 870 shares, respectively, in Madison International to our Company, in consideration of our Company allotting and issuing 819 Shares, 100 Shares and 80 Shares, all credited as fully paid, to Royal Spectrum, Keywood and Timebase, respectively, and the share transfers were completed on [●] 2015. Upon completion of the share transfers, Madison International will become a direct wholly-owned subsidiary of our Company. Madison International and Madison Fine Wine are principally engaged in investment holding.

The abovementioned transfers of shares in Madison International were properly and legally completed and settled.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

CORPORATE STRUCTURE

The following chart shows the shareholding and corporate structure of our Group immediately before the Reorganisation, the [Redacted] and the Capitalisation Issue.



Notes:

1. Madison International is principally engaged in investment holding.
2. Madison Fine Wine is principally engaged in investment holding.
3. Madison Wine (HK) is principally engaged in investment holding.
4. Madison (China) is principally engaged in sale of alcoholic beverages.
5. Madison Wine Club is principally engaged in sale of alcoholic beverages and wine storage.
6. Madison Wine Trading is principally engaged in sale of alcoholic beverages.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

REORGANISATION

The companies comprising our Group underwent a reorganisation in preparation for [Redacted], pursuant to which our Company became the holding company of our Group. The Reorganisation involved the following major steps:

Incorporation of our Company

On 15 April 2015, our Company was incorporated in the Cayman Islands with limited liability. At the time of its incorporation, our Company had an authorised share capital of HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each, of which the Incorporation Share was allotted and issued to the initial subscriber, which was transferred to Royal Spectrum on the same date.

[Redacted] Investments in Madison International

On 20 April 2015, Keywood acquired 1,087 shares in Madison International from Royal Spectrum, at the consideration of HK\$[Redacted], with reference to the price-to-earnings ratio of approximately [Redacted] times based on the earnings per share as at 31 March 2015, and the transaction was completed on 20 April 2015. The consideration was financed by the shareholder’s loan advanced by Mr. Han Hanting, using his own personal resources.

On 20 April 2015, Timebase subscribed for 870 new shares in Madison International at the consideration of HK\$[Redacted], with reference to the price-to-earnings ratio of approximately [Redacted] times based on the earnings per share as at 31 March 2015, and the transaction was completed on 20 April 2015. The consideration was financed by the shareholder’s loan advanced by Ms. Lu Mengjia, using her own personal resources.

Upon completion of the [Redacted] Investments, Madison International is owned as to 82% by Royal Spectrum, as to 10% by Keywood and as to 8% by Timebase respectively.

Acquisition of Royal Spectrum by Devoss Global

On 4 June 2015, Firebird Global transferred 7,730 shares in Royal Spectrum to Devoss Global, in consideration of Devoss Global allotting and issuing one share, credited as fully paid, to Mr. Ting, at the direction of Firebird Global. Upon completion of the share transfer, Royal Spectrum is owned as to 77.3% by Devoss Global, as to 20% by Universal Chinese, and as to 2.7% by Montrachet.

Acquisition of Madison International by our Company

On [●], our Company entered into a share purchase agreement with Royal Spectrum, Keywood and Timebase to acquire the entire issued share capital in Madison International, from Royal Spectrum, Keywood and Timebase, in consideration of our Company allotting and issuing 819 Shares, 100 Shares and 80 Shares, all credited as fully paid, representing [Redacted]%, [Redacted]% and [Redacted]% of its issued share capital, to Royal Spectrum, Keywood and Timebase, respectively. Upon completion of such acquisitions, Madison International will become the direct wholly-owned subsidiary of our Company.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

[REDACTED] INVESTMENTS

On 20 April 2015, Keyword acquired 1,087 shares in Madison International from Royal Spectrum, and Timebase subscribed for 870 new shares in Madison International. On [●] 2015, each of Keyword and Timebase sold 1,087 shares and 870 shares in Madison International, respectively, to our Company, in consideration of our Company allotting and issuing 100 Shares and 80 Shares to Keyword and Timebase, respectively. The table below sets forth the details of our [Redacted] Investments:

	Keyword	Timebase
Date of investment	20 April 2015	20 April 2015
Consideration paid (HK\$)	[Redacted]	[Redacted]
Basis of determining the consideration	The price-to-earnings ratio of approximately [Redacted] times based on the earnings per share as at 31 March 2015	The price-to-earnings ratio of approximately [Redacted] times based on the earnings per share as at 31 March 2015
Payment date of consideration	30 April 2015	30 April 2015
Number of shares in Madison International	1,087	870
Number of Shares allotted for share swap	[Redacted]	[Redacted]
Number of Shares held after Capitalisation Issue	[Redacted]	[Redacted]
Approximate cost of Shares paid after Capitalisation Issue (HK\$ per Share)	[Redacted]	[Redacted]
Approximate discount to mid-point of [Redacted] range	[Redacted]	[Redacted]
Approximate percentage of shareholding held in our Company upon completion of the [Redacted] Investments	[Redacted]	[Redacted]
Approximate percentage of shareholding held in our Company upon [Redacted] (assuming [Redacted] and any options that may be granted under the Share Option Scheme are not exercised)	[Redacted]	[Redacted]
Use of proceeds	Not applicable	Working capital

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Brief description of the [Redacted] investors

Based on the information provided by the [Redacted] investors, set out below is a brief description of the [Redacted] investors:

1. *Keyword*

Keyword is a company incorporated in the BVI with limited liability on 2 January 2015, which is directly wholly-owned by Mr. Han Hanting. Keyword is an investment holding company. The sale and purchase agreement was entered into on normal commercial terms and the consideration was determined after arm’s length negotiation, and the share transfer was properly and legally completed and settled. [Redacted].

2. *Timebase*

Timebase is a company incorporated in the BVI with limited liability on 10 March 2015, which is directly wholly-owned by Ms. Lu Mengjia. Ms. Lu Mengjia is an employee of Mr. Ting’s other business. Timebase is an investment holding company. The share subscription agreement was entered into on normal commercial terms and the consideration was determined after arm’s length negotiation, and the share transfer was properly and legally completed and settled. [Redacted].

Our Directors believe that the introduction of Keyword and Timebase will strengthen our Shareholder base for [Redacted]. The investment cost per Share of the [Redacted] investors is approximately HK\$[Redacted] per Share and represents a discount of approximately [Redacted]% to the [Redacted] of HK\$[Redacted] being the [Redacted] of the [Redacted] between HK\$[Redacted] and HK\$[Redacted]. Upon completion of the Reorganisation, the Capitalisation Issue and the [Redacted] (but without taking into account any Shares which may be allotted and issued upon the exercise of the [Redacted] and any options that may be granted under the Share Option Scheme), Keyword and Timebase will own approximately [Redacted]% and [Redacted]%, respectively, of the entire issued share capital of our Group, and approximately [Redacted]% and [Redacted]% upon [Redacted], respectively.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Completion of the [Redacted] Investments took place on 20 April 2015, and the payment of the considerations of both [Redacted] Investments were made on 30 April 2015. The considerations were used as working capital of our Group. No special right was granted to Keyword and Timebase pursuant to the terms of the sale and purchase agreement and the share subscription agreement. Other than the investment in our Group as disclosed in this [Redacted], the [Redacted] investors and their ultimate beneficial owners are independent from our Group and connected persons of our Company.

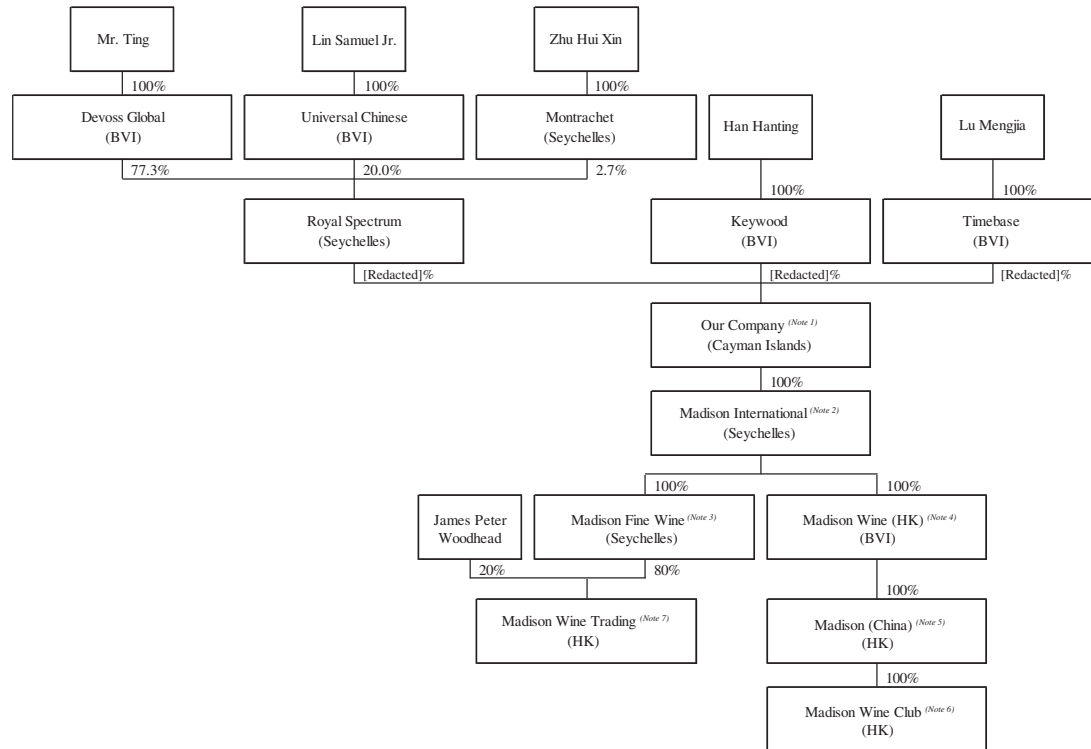
[Redacted]

Confirmation from the Sole Sponsor

The Sole Sponsor has confirmed that the [Redacted] Investments are in compliance with the Interim Guidance on [Redacted] Investments issued by the Stock Exchange on 13 October 2010 and reproduced on 16 January 2012, the Guidance Letter HKEx-GL43-12 issued by the Stock Exchange on 25 October 2012, and the Guidance Letter HKEx-GL44-12 issued by the Stock Exchange on 25 October 2012.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

The following diagram shows the shareholding and corporate structure of our Group immediately after completion of the Reorganisation but before completion of the [Redacted] and the Capitalisation Issue:

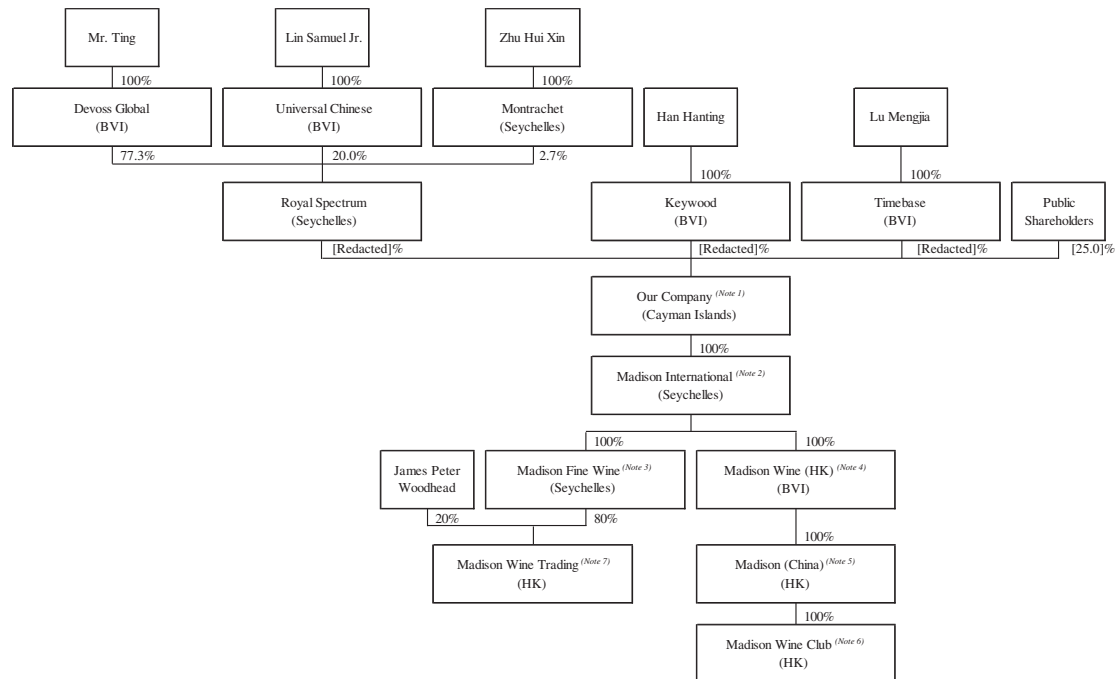


Notes:

1. Our Company is principally engaged in investment holding.
2. Madison International is principally engaged in investment holding.
3. Madison Fine Wine is principally engaged in investment holding.
4. Madison Wine (HK) is principally engaged in investment holding.
5. Madison (China) is principally engaged in sale of alcoholic beverages.
6. Madison Wine Club is principally engaged in sale of alcoholic beverages and wine storage.
7. Madison Wine Trading is principally engaged in sale of alcoholic beverages.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

The following chart shows the shareholding and corporate structure of our Group immediately after completion of the Reorganisation, the [Redacted] and the Capitalisation Issue, without taking into account any Shares that may be allotted and issued pursuant to the exercise of the [Redacted] and any options that may be granted under the Share Option Scheme or any allotment and issue and/or buy-back of Shares by our Company under the general mandates as referred to in the section headed “Further information about our Group — Written resolutions of our Shareholders dated [●]” in Appendix IV to this [Redacted].



Notes:

1. Our Company is principally engaged in investment holding.
2. Madison International is principally engaged in investment holding.
3. Madison Fine Wine is principally engaged in investment holding.
4. Madison Wine (HK) is principally engaged in investment holding.
5. Madison (China) is principally engaged in sale of alcoholic beverages.
6. Madison Wine Club is principally engaged in sale of alcoholic beverages and wine storage.
7. Madison Wine Trading is principally engaged in sale of alcoholic beverages.

BUSINESS

OVERVIEW

We are a wine specialist in Hong Kong engaged in the sale of a wide spectrum of wine products and other alcoholic beverages with a focus on Premier Collectible Red Wine and Fine Red Wine as well as the provision of a range of customer-centric supplemental services.

We implement an integrated one-stop shop concept with a full range of products and value-added services with an objective to enhancing our customer convenience, satisfaction and retention. Our one stop-shop concept encompasses our (i) wine products, which is classified into Premier Collectible Red Wine, Fine Red Wine, Premier Collectible White Wine and Fine White Wine, (ii) other alcoholic beverages, which include our selections of champagnes, proseccos, sparkling wines, cognacs, whiskies and noble wines, (iii) wine accessory products such as wine opening devices, decanters and wine glasses, (iv) consultation services, (v) sourcing services, (vi) delivery services, (vii) storage services, (viii) evaluation services and (ix) consignment services. Our evaluation and consignment services are part of our “Madison Premier Collectors Program” launched in November 2014, pursuant to which, we evaluate and sell wine products of members by way of consignment via our sales network. As at the Latest Practicable Date, we had entered into five consignment agreements. Since November 2014 up to 31 March 2015, we had sold 360 bottles of wine products by way of consignment and recorded a consignment income of approximately HK\$1.1 million for the year ended 31 March 2015.

Predominantly, we focus on the sale of wine products and in particular, Premier Collectible Red Wine and Fine Red Wine. For the years ended 31 March 2014 and 2015, revenue generated from the sales of our Premier Collectible Red Wine and Fine Red Wine collectively accounted for approximately 90.5% and 92.3% of our total revenue, respectively, and as at 31 March 2014 and 2015, our inventory of Premier Collectible Red Wine and Fine Red Wine collectively accounted for approximately 89.3% and 86.4% of our total inventories.

The following table sets forth the revenue, percentage of total revenue, total sales volume and average selling price of each of our wine products and other alcoholic beverages for the periods indicated:

	For the year ended 31 March									
	2014					2015				
	Revenue (HK\$'000)	Percentage of total revenue (%)	Gross profit (HK\$'000)	Quantity (Bottles)	Average selling price (HK\$)	Revenue (HK\$'000)	Percentage of total revenue (%)	Gross profit (HK\$'000)	Quantity (Bottles)	Average selling price (HK\$)
Wine products										
<i>Premier Collectible</i>										
<i>Red Wine</i>	53,057	75.8	15,528	9,794	5,417	102,566	70.4	26,015	19,618	5,228
<i>Fine Red Wine</i>	10,319	14.7	5,749	20,455	504	31,877	21.9	10,685	73,082	436
<i>Premier Collectible</i>										
<i>White Wine</i>	2,002	2.9	861	614	3,260	5,866	4.0	1,873	1,412	4,154
<i>Fine White Wine</i>	1,133	1.6	420	1,721	658	1,615	1.1	407	2,810	575
Other alcoholic beverages	<u>3,513</u>	<u>5.0</u>	<u>2,133</u>	<u>1,854</u>	<u>1,894</u>	<u>3,724</u>	<u>2.6</u>	<u>1,120</u>	<u>2,695</u>	<u>1,382</u>
Total:	<u><u>70,024</u></u>	<u><u>100.0</u></u>	<u><u>24,691</u></u>	<u><u>34,438</u></u>	<u><u>—</u></u>	<u><u>145,648</u></u>	<u><u>100.0</u></u>	<u><u>40,100</u></u>	<u><u>99,617</u></u>	<u><u>—</u></u>

BUSINESS

As at the Latest Practicable Date, we offered our products for sale at (i) our current store, which will cease business operations upon the opening of our new flagship store in or around mid June 2015, and (ii) our head office. Our Directors believe the relocation will not have any material impact on our business operations and will not have a material adverse impact on our financial performance for the year ending 31 March 2016. As at the Latest Practicable Date, our sales team consisted of six members under the leadership of Mr. Kao, our executive Director. During the Track Record Period, we had conducted various marketing activities, including promotional events at our point of sales, internet marketing, telemarketing, direct mailing, online marketing as well as strategic collaboration and consignment arrangement with a renowned restaurant in Hong Kong. For the years ended 31 March 2014 and 2015, our advertising and promotion expenses were HK\$1.4 million and HK\$1.2 million, respectively, which accounted for approximately 2.0% and 0.8% of our total revenue, respectively.

Primarily, we procured our products from the open market and during the Track Record Period, we had procured our products through (i) purchases from wine merchants and wineries, (ii) purchases from auction houses and (iii) purchases from individual wine collectors. 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.

During the Track Record Period and up to the Latest Practicable Date, all of our sales were derived in Hong Kong. For the years ended 31 March 2014 and 2015, our revenue amounted to approximately HK\$70.0 million and HK\$145.7 million, respectively, and our net profit amounted to approximately HK\$7.2 million and HK\$14.3 million, respectively.

COMPETITIVE STRENGTHS

We believe the following strengths and competitive advantages enable us to capitalise on future growth opportunities in the wine industry of Hong Kong.

We are a team of seasoned wine enthusiasts with in-depth knowledge and extensive industry experience.

Our core management team is a team of wine enthusiasts under the leadership of our three executive Directors, each of whose unique attributes and indispensable traits provides invaluable insights in different facets of our business operations. Our three executive Directors include:

- ***a dedicated wine collector:*** Mr. Ting, our chairman and executive Director, is a wine collector. Prior to the Track Record Period, Mr. Ting injected some of his wine collection from his personal cellar to our Group, which formed part of our initial inventory and facilitated the development of our market share during the early stages of our business. As an avid wine lover, Mr. Ting has shared his collector’s insights, enabling us to deliver a product portfolio consisting of coveted wine. We trust Mr. Ting will continue to bring his entrepreneurial vision, business savvy and proven leadership skills to our Group;

BUSINESS

- ***a wine ambassador:*** Mr. Kao, our deputy chairman and executive Director, has been the Maître of the Shanghai Chapter of the Commanderie de Bordeaux since November 2005. Mr. Kao has well-established relationships with wineries and wine merchants globally and most notably, the wineries in Bordeaux, the birthplace of one of the world’s most sought-after wineries. Mr. Kao’s industry connections equip us with a reliable, resourceful and rewarding supply network; and
- ***an active wine critic:*** Mr. Zhu, our president and executive Director, possesses in-depth understanding of Premier Collectible Red Wine and Fine Red Wine. Mr. Zhu has in-depth wine knowledge and published a number of wine related articles and wine recommendations in the past. His expertise in wine collection building and collection management is indispensable in our pursuit of developing a product portfolio pleasing to the palates.

Apart from our executive Directors, members of our sales team also possess in-depth wine knowledge. Our extensive knowledge and expertise in wine enable us to provide comprehensive advisory on wine selection, wine storage, wine pairings and wine appreciation to customers. The collective experience and collaboration of our core management team and our sales team led us in our rapid growth and outstanding track record of surging revenue from approximately HK\$70.0 million for the year ended 31 March 2014 to approximately HK\$145.7 million for the year ended 31 March 2015. We believe that our core management team and our sales team will continue to serve as a strong pillar for our success and future development. For further details of the biographies of our executive Directors, please refer to the section headed “Directors and Senior Management” in this [Redacted].

We have a comprehensive product portfolio encompassing wine from the world’s top estates, vineyards and wineries with an emphasis on Premier Collectible Red Wine and Fine Red Wine.

We strive to be and remain at the vanguard of Premier Collectible Red Wine and Fine Red Wine to wine aficionados in Hong Kong with our product portfolio, which encompasses an extensive selection of red wine from the world’s top estates, vineyards and wineries. We take pride in our focused yet diversified selection of Premier Collectible Red Wine and Fine Red Wine, which can be categorised by:

- ***origins:*** our portfolio spans across approximately 11 countries, ranging from rare and back vintage Bordeaux, to our stocks of Burgundy, US cult wines and Italian wines, as well as a hand-picked selection of Australian and Spanish offerings;
- ***estates and vineyards:*** we focus on red wines produced from estates of the premier cru in Bordeaux, namely Château Lafite Rothschild in Pauillac, Château Latour in Pauillac, Château Margaux in Margaux, Château Haut-Brion in Pessac-Léognan and Château Mouton Rothschild in Pauillac, and the grand cru in Burgundy, namely, La Romanée, La Tâche, Musigny, Chambertin and Richebourg;

BUSINESS

- **vintage:** we maintain a collection for certain aged vintages, such as 1945, 1961, 1982, 2000, 2005 and 2009 for Bordeaux, and 1978, 1985, 1990 for Burgundy, which are considered by our Directors the best vintages in winemaking history, as well as a collection for old vintages of over 200 years of age dating back to the 1700’s; and
- **varietals:** we maintain a diverse range of varietals, including Cabernet Sauvignon, Pinot Noir, Shiraz, Malbec, Merlot, Cabernet Franc, in the case of red wine, and Chardonnay, Riesling, Sauvignon blanc in the case of white wine.

We believe our extensive product portfolio of Premier Collectible Red Wine and Fine Red Wine, coupled with our stable inventory, equips us to meet the diverse preferences and demands of our clientele of wine aficionados in Hong Kong. Through the continued development of our portfolio of Premier Collectible Red Wine and Fine Red Wine, we believe we will continue to strengthen our corporate image as a Premier Collectible Red Wine and Fine Red Wine specialist in Hong Kong.

We are able to procure coveted wine at competitive prices through our extensive supply network.

With our reliable, resourceful and mature supply network, we believe our ability to procure wine, including Premier Collectible Red Wine and Fine Red Wine, is unparalleled by any other market competitors in Hong Kong.

We have developed mutual trust with our suppliers through our sustained course of dealings, which enable us to enjoy a stable and reliable supply without any contractual commitments or sales restrictions. Capitalising on our supply network, we are able to procure coveted wines that are rare, scarce and not widely available in the open market at competitive prices. Our established supply network assisted in the development of our flexible product portfolio, which could be easily adjusted pro-actively to capture evolving customer preferences and market trends efficiently. During the Track Record Period, our major suppliers included, among others, exclusive wine merchants and overseas wineries, which eliminated mark-up costs from importers and thus enables us to procure high-quality Premier Collectible Red Wine and Fine Red Wine at competitive prices.

We believe the depth of our concrete relationships with our suppliers have made it difficult for other market competitors in Hong Kong to replicate our supply model. For further details of our supply network, please refer to the paragraph headed “Suppliers” in this section.

We provide an integrated one-stop shop for a full range of wine related products and services.

Our core value proposition is to provide our target clientele with comprehensive integrated one-stop wine related products and services that cut across every aspect of the wine industry at competitive prices. In order to enhance our customers’ convenience and satisfaction, we offer a multitude of wine related services ranging from wine consultation services, wine evaluation services, wine delivery services, wine storage services to wine sourcing services supplemental to our diverse product portfolio. Through our coverage of wine related products and value-added wine related services, we believe we have extended our market reach in all dimensions and to the vast majority of market participants, thus enabling us to keep abreast of the latest market trends and further facilitating our pursuit of becoming a pioneer within the wine industry in Hong Kong.

BUSINESS

We have cultivated a concrete base of loyal customers comprising, among others, wine enthusiasts and wine collectors.

Through our dedication to developing a customer-centric product portfolio and delivering excellent customer services, we have established our loyal and solid customer base comprising, among others, wine enthusiasts, wine collectors, renowned restaurants and wine merchants. In furtherance of our customer loyalty, in November 2012, we launched our “Madison Premier Membership Scheme”, an individualistic loyalty membership, which attained wide popularity and recognition. We maintained over 500 members in our “Madison Premier Membership Scheme” as at the Latest Practicable Date. With our “Madison Premier Membership Scheme”, we believe we have established an interactive platform for information exchange among wine enthusiasts, enabling us to obtain direct feedbacks from our customers and identify our strengths and demands of our target clientele, altogether deepening our customer reach and solidifying our customer loyalty.

Building on the success of our “Madison Premier Membership Scheme”, in November 2014, we have further launched our “Madison Premier Collectors Program” encouraging our customers to offer their Premier Collectible Red Wine and Fine Red Wine for sale on consignment. As most customers are active market players, namely, end-users, traders or suppliers, we believe our consignment program can assist our customers in their wine management, which in turn facilitates the development of our customer loyalty and procurement and sales network while broadening our product portfolio with minimal capital commitment. For further details of our consignment services, please refer to the paragraph headed “Value-added services — Evaluation and consignment services” in this section. As at the Latest Practicable Date, we had entered into five consignment agreements and maintained a consignment portfolio consisting of over 2,200 bottles of wine products for consignment sales.

BUSINESS STRATEGIES

We believe business strategies built upon our core strengths will enable us to sustain our business growth and we will strive to attain a leading position in the wine industry in Hong Kong. For further details of the implementation of our business strategies, please refer to the section headed “Statement of Business Objective and Use of Proceeds — Implementation plan” in this [Redacted].

We plan to diversify our existing product portfolio strategically, and thereby provide our customers with a wider range of choices and broaden our existing customer base.

We believe continuous expansion of our existing product portfolio and accommodation of evolving demand and customers’ preferences will distinguish us from our competitors; while providing our customers with a wider range of choices will facilitate the broadening of our customer base as well as reinforcing our market presence in Hong Kong wine industry.

Capitalising on our extensive supply network, we plan to continue to solidify our relationships with our existing suppliers as well as identifying new suppliers. We intend to increase our market share by diversifying our existing product portfolio and procuring wine products which we anticipate demand. According to the IPSOS Report, Hong Kong consumers 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.

BUSINESS

Accordingly, we will continue to focus on Premier Collectible Red Wine and Fine Red Wine strategically by increasing our vintage spectrum as well as increasing our levels of inventories to enable us to capture future growth opportunities within these segments. We believe that our strategic diversification will further complement our existing product portfolio, enhance our product mix and strengthen our market position in the wine industry of Hong Kong.

We may acquire one or more wine merchants in Hong Kong.

In order to further expand our presence in the wine industry in Hong Kong, we plan to pursue suitable acquisition opportunities in Hong Kong. It is currently proposed that the acquisition targets will be one or more wine merchants in Hong Kong which can contribute to, among other things, (i) an increase in our customer base, (ii) the addition to wine supply channels, and (iii) the acquisition of staff with relevant skill sets and connections in the wine industry. In any event, our Group will only consider acquiring wine merchants in Hong Kong which can create synergies with the existing business of our Group. We will assess acquisition targets by evaluating their value to our business.

As at the Latest Practicable Date, no specific acquisition target had been identified and no formal negotiation had been engaged with any wine merchant.

When we evaluate an acquisition target, we will consider factors including (i) the consideration and the related costs of acquisition, (ii) the financial performance of the potential acquisition target; (iii) the reputation of the acquisition target in the wine industry, (iv) the acquisition target's track records, (v) the acquisition target's existing customer base, (vi) the acquisition target's supplier portfolio, (vii) the expertise and experience of the staff of the acquisition target, and (viii) the wine inventory of the acquisition target. Our Directors believe that successful acquisition will bring synergies to our Group and enhance our Shareholders' value.

Given the current market condition, the current budgeted amount in connection with the acquisition of wine merchants in Hong Kong will be approximately HK\$[Redacted] million, depending on the final amount of the net proceeds from the [Redacted] allocated for the acquisitions. In case the acquisition price is greater than the amount of [Redacted] proceeds allocated for the acquisition, our Group will finance the shortfall with our internal resources. For further details of the risks involved, please refer to the section headed “Risk Factors — Risks relating to our business — Future acquisition of wine merchants in Hong Kong may not contribute to our Group's business as planned” in this [Redacted].

We will strengthen our corporate image by increasing marketing and promotion efforts.

We believe our corporate image is critical to our business development. To further enhance customer awareness of our corporate image in Hong Kong, we will continue our effective and targeted marketing efforts. This may include (i) [Redacted] mass media commercials, (ii) advertising in newspapers, magazines, the internet, billboards and banners, and (iii) sponsoring programs. We also make use of innovative multimedia promotional channels such as social media and mobile phone applications.

BUSINESS

We will attract, motivate and retain high-quality talent.

Our customer-oriented business philosophy emphasises on delivering excellent customer service. We believe maintaining a positive working environment will encourage better staff relations and talent retention, as well as enhancing the quality of our customer service by motivating staff. In order to foster a work environment that attracts and inspires our people to achieve excellent performance, we will also seek to motivate and retain valuable and talented staff by implementing an incentive scheme to align compensation and remuneration with performance. Our Directors will review the remuneration package on a regular basis to ensure it remains competitive at all times.

As part of our continuing efforts to enhance our customer service, we will also continue to enhance our employee training programs by developing our orientation program, coaching, on-the-job training to enhance individual staff skills and knowledge of sales and marketing techniques, client management skills, customer service, product information, quality control and industry knowledge.

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

We will continue to strive to provide our customers with the convenience of our one-stop shopping experience and a wide variety of unique, quality products at reasonable and competitive prices, we believe this is one of the keys to differentiating ourselves from our competitors in the wine industry in Hong Kong. To further strengthen our supplementary services, we will continue to refine our wine related services to our customers by enhancing each of our wine consultation services, wine sourcing services, wine delivery services, wine storage services and wine evaluation and consignment services with improved customer service and service options. Furthermore, we plan to develop such services by devoting additional resources and implementing a structured service manual. With our continued expansion and dedication to exploring additional wine related services to amplify our one-stop services to our customers, we believe we can strengthen and maintain our position as a wine specialist in Hong Kong.

MARKET AND COMPETITION

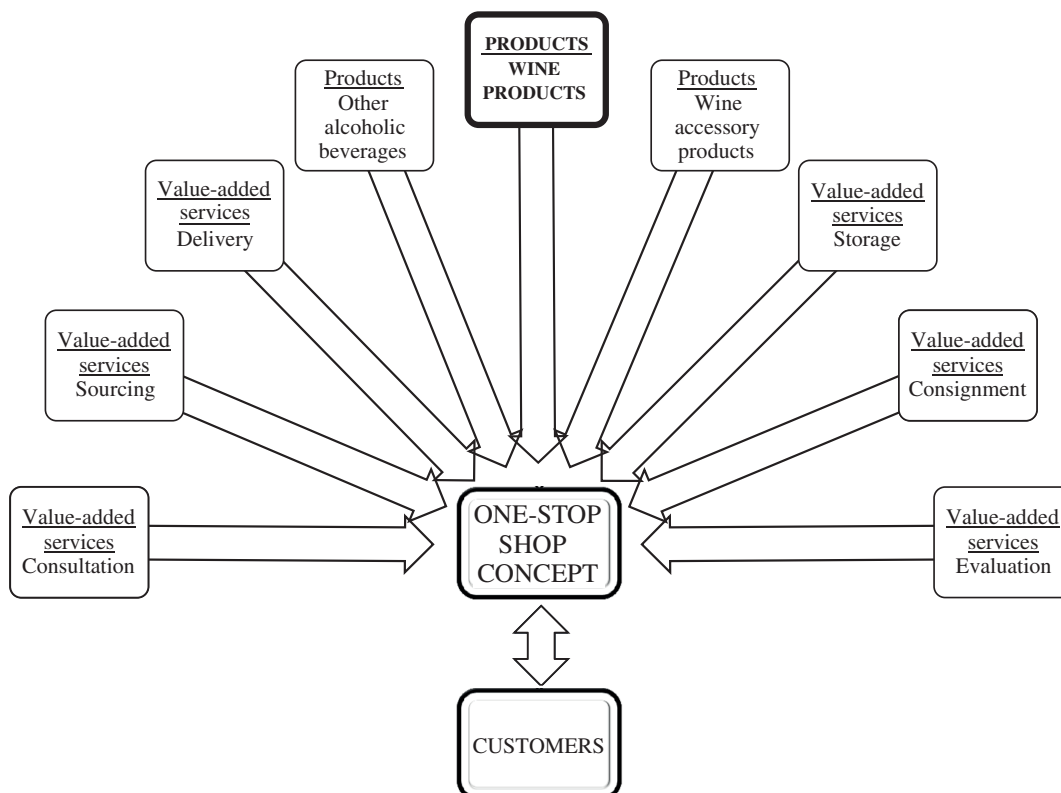
According to the IPSOS Report, the wine industry in Hong Kong has seen continuous robust growth since the elimination of import duties on wine in 2008. In 2014, the total market value of wine industry in Hong Kong amounted to approximately HK\$2,780 million, and the total market value of Premier Collectible Wines in Hong Kong amounted to approximately HK\$969 million. 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, with the top five market players collectively contributing approximately 65.6% of the total market value for wine in Hong Kong in 2014 and the rest of the market being highly fragmented. In 2014, our Group accounted for approximately 5.2% of the total market value of the wine industry in Hong Kong, and approximately 15% of the market value for the Premier Collectible Wine segment.

BUSINESS

The entry barriers to set up and operate in this market are considered by our Directors to be high as substantial capital investment for staffing, storing and stocking wine inventories, high quality management team, quality suppliers and customer network are required. According to the IPSOS Report, there are mainly three key advantages of our Group compared to our competitors, including (i) our readily available stock of rare and curated wines, (ii) our well-established customer base and premium wine services, and (iii) possession of in-house wine experts and ability to provide comprehensive consultation services. We focus on Premier Collectible Red Wine and Fine Red Wine and make continuous effort in sourcing wine products that are highly sought after by Hong Kong consumers, which benefit us with more opportunities for continuous sales and growth. For further details, please refer to the sections headed “Risk Factors — Risks relating to the wine industry — We operate in a highly competitive industry” and “Industry Overview” in this [Redacted].

OUR ONE-STOP SHOP CONCEPT

Predominantly, our business is customer-driven, customer-oriented and customer-directed with an objective to enhancing our customer convenience, satisfaction and retention. To this end, we have implemented an integrated one-stop shop concept, which is illustrated in the following diagram, covering wine related products and supplementary services that cut across every aspect of the wine industry:

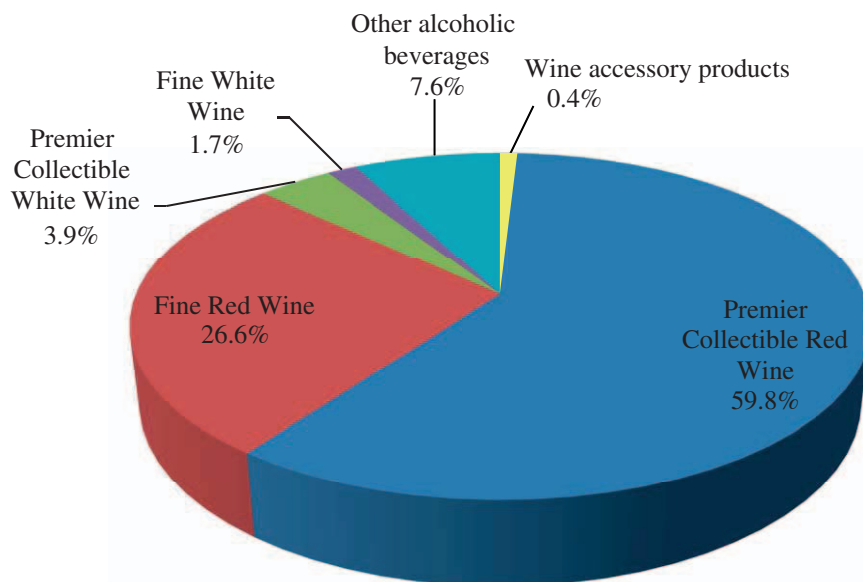


BUSINESS

At the heart of our one-stop shop concept is our product portfolio, comprising (i) wine products, (ii) other alcoholic beverages, and (iii) wine accessory products, and which is supplemented by our value-added customer services spanning consultation services, sourcing services, delivery services, storage services to evaluation and consignment services. For further details, please refer to the paragraphs headed “Product portfolio” and “Value-added services” in this section.

PRODUCT PORTFOLIO

Our product portfolio, which is the core of our business as well as our principal source of revenue, is divided into three product categories, (i) wine products, (ii) other alcoholic beverages and (iii) wine accessory products, within which, our wine products are further classified into Premier Collectible Red Wine, Fine Red Wine, Premier Collectible White Wine and Fine White Wine. The chart below illustrates the approximate composition of our product portfolio with reference to our inventories as at 31 March 2015:



For further details of our revenue by product categories and classifications, please refer to the section headed “Financial Information — Management discussion and analysis — Description of selected combined statements of profit or loss line items — Revenue” in this [Redacted].

Wine products

Our wine products have four categories, namely Premier Collectible Red Wine, Fine Red Wine, Premier Collectible White Wine and Fine White Wine. In compiling our wine products portfolio, we aim to develop a market-driven and customer-oriented product portfolio while maximising our cost-effectiveness and taking into account our cash flow, liquidity and cash reserves. We review and assess our wine products portfolio from time to time based on direct customer feedback and market information collected through communication and interaction with other market participants, such as our suppliers as well as through public industry reports and other publications.

BUSINESS

As at 31 March 2014 and 2015, our wine products inventories accounted for approximately HK\$31.3 million and HK\$24.2 million, respectively. For further details of our inventories by product categories and classifications, please refer to the section headed “Financial Information — Management discussion and analysis — Net current assets and selected items of combined statements of financial position — Inventories” in this [Redacted].

As at the Latest Practicable Date, we offered over 32,000 bottles of wine products for sale.

Premier Collectible Red Wine

In line with the classification adopted by IPSOS, Premier Collectible Red Wine refers to red wine with unit price at or above HK\$1,000. Our Premier Collectible Red Wine selection primarily consists of wines originating from countries such as France, Germany and Italy, which are renowned for producing high quality wines. Our collection of Premier Collectible Red Wine is characterised by our premier cru in Bordeaux and the grand cru in Burgundy, red wine selections with cellaring period over 10 years and which are rare or otherwise not readily available in the market. The target clientele of our Premier Collectible Red Wine are primarily high-end spending class individual collectors and connoisseurs and other wine merchants specialised in selling Premier Collectible Red Wine.

For the years ended 31 March 2014 and 2015, we generated revenue in the amount of approximately HK\$53.1 million and HK\$102.6 million, respectively, from the sales of our Premier Collectible Red Wine. As at the Latest Practicable Date, we offered over 7,600 bottles of Premier Collectible Red Wine for sale, representing approximately 23.7% of our total number of bottles of wine products.

Fine Red Wine

In line with the classification adopted by IPSOS, Fine Red Wine refers to red wine with unit price below HK\$1,000. Our Fine Red Wine selection primarily consists of wines originating from countries such as Australia, the United States and Chile. Our collection of Fine Red Wine is characterised by our premier cru, Australian and US red wine selections and other wine selections which are highly sought after by Hong Kong customers and have a consensus among wine critics and lovers as to their taste and quality. The target clientele of our Fine Red Wine are primarily relatively small scale wine merchants and individual connoisseurs.

For the years ended 31 March 2014 and 2015, we generated revenue in the amount of approximately HK\$10.3 million and HK\$31.9 million, respectively, from the sales of our Fine Red Wine. As at the Latest Practicable Date, we offered over 19,900 bottles of Fine Red Wine for sale, representing approximately 61.7% of our total number of bottles of wine products.

BUSINESS

Premier Collectible White Wine

In line with the classification adopted by IPSOS, Premier Collectible White Wine refers to white wine with unit price at or above HK\$1,000. Our collection of Premier Collectible White Wine include our Bordeaux, Burgundy and Rhone in France and Mosel in Germany, white wine selections with cellaring period over 10 years which are rare or otherwise not readily available in the market. The target clientele of our Premier Collectible White Wine are primarily high-end spending class individual collectors and connoisseurs and other wine merchants specialised in selling Premier Collectible White Wine.

For the years ended 31 March 2014 and 2015, we generated revenue in the amount of approximately HK\$2.0 million and HK\$5.9 million, respectively, from the sales of our Premier Collectible White Wine. As at the Latest Practicable Date, we offered over 590 bottles of Premier Collectible White Wine for sale, representing approximately 1.8% of our total number of bottles of wine products.

Fine White Wine

In line with the classification adopted by IPSOS, Fine White Wine refers to white wine with unit price below HK\$1,000. Our collection of Fine White Wine is characterised by our white wine selections which are highly sought after by Hong Kong customers and have a consensus among wine critics as to their taste and quality. The target clientele of our Fine White Wine are primarily relatively small scale wine merchants and individual connoisseurs.

For the years ended 31 March 2014 and 2015, we generated revenue in the amount of approximately HK\$1.1 million and HK\$1.6 million, respectively, from the sales of our Fine White Wine. As at the Latest Practicable Date, we offered over 2,360 bottles of Fine White Wine for sale, representing approximately 7.3% of our total number of bottles of wine products.

Other alcoholic beverages

Other alcoholic beverages included our selections of champagnes, proseccos, sparkling wines, cognacs, whiskies, nobel wines, which span across Sauternes & Barsac, Austria, and Germany with vintages from 1920s to 2010s as well as non-vintaged products. The target clientele of our other alcoholic beverages are individual connoisseurs seeking for other types of taste.

For the years ended 31 March 2014 and 2015, we generated revenue in the amount of approximately HK\$3.5 million and HK\$3.7 million, respectively, from the sales of our other alcoholic beverages. As at the Latest Practicable Date, we offered over 1,750 bottles of other alcoholic beverages for sale, representing approximately 5.4% of our total number of bottles of wine products.

BUSINESS

Wine accessory products

We offer wine accessory products principally for our customers’ convenience to enhance our one-stop shop concept. Our wine accessory products are products ancillary to our wine products and other alcoholic beverages and includes wine opening devices, decanters and wine glasses. As such, the target clientele of our wine accessory products includes all of our customers, and primarily, customers visiting our current store. For the years ended 31 March 2014 and 2015, we generated revenue in the amount of approximately HK\$22,000 and HK\$34,000, respectively, from the sales of our wine accessory products.

VALUE-ADDED SERVICES

Our value-added services are services supplemental to our core product offerings, which are intended to enhance our customer convenience satisfaction and retention. By combining the strengths of our consultation, sourcing, assessment, delivery, storage and consignment services, we believe we are able to assist our customers in replenishing and managing all aspects of their wine portfolios.

Consultation services

To ensure our customers are satisfied with their purchases, we offer a variety of complimentary consultancy services, including personalised wine consultancy, wine cellar management consultancy and wine appreciation consultancy services. Our personalised wine consultancy involves identifying our customers’ specific preferences and recommending appropriate products for our customers’ consideration, and providing food pairing advices. Wine cellar management consultancy refers to consultancy advice such as storage advices in respect of our customers’ private cellar. Wine appreciation consultancy involves suggestions by our sales on consuming a particular wine product, and providing wine handling and decanting advices.

Sourcing services

We believe one of our key strengths lies in our procurement and supply network, which equips us with the ability to source virtually any wine, be it rare, old vintage, or otherwise not readily available in the open market. We assist customers to search for specific wine products by sourcing the relevant products upon confirmation of purchase orders and full payment in advance. This service supplements our product portfolio and enables us to broaden our product portfolio beyond our inventory limitations.

Delivery services

To ease our customers’ logistics concerns and to enhance our customers’ convenience, we provide complimentary delivery in Hong Kong upon requests by our customers for purchase orders with a net amount of over HK\$3,500, while in all other purchase orders, we charge a standard delivery fee of not more than HK\$350 depending on the location for delivery in Hong Kong. For further detail of our logistics, please refer to paragraph headed “Logistics and warehousing” in this section.

BUSINESS

Storage services

We offer a range of storage options at our warehouse in North Point to our customers. All of our storage options include complimentary insurance fees, pick-up and one-time delivery. As at the Latest Practicable Date, we have over 400 bottles of wine products stored in our warehouse for our customers. We did not store any wine products for our customers in our external warehouse in Kennedy Town during the Track Record Period and as at the Latest Practicable Date.

Our storage facilities

Wine products are susceptible to their storage environment. In order to preserve the quality of wine products, we have placed great emphasis on the cellar design and facilities in our warehouse. Our warehouse is equipped with temperature and humidity control system to maintain an optimal environment, and has insulation and anti-vibration materials on the floor and ceilings to protect wines from light and vibration in the external environment. To secure the safety of wine products, we have further engaged a security alarm company in Hong Kong to install and monitor our burglar alarm system. Our dedication to our warehouse facilities has earned us the HKQAA certification issued by the Hong Kong Quality Assurance Agency.

During the Track Record Period and up to the Latest Practicable Date, we experienced no material damages, deterioration or contamination of wine products in the course of our storage process.

Evaluation and consignment services

In view of the number of private collectors and speculative collectors within our customer base, we launched our “Madison Premier Collectors Program” in November 2014, which includes our evaluation and consignment services aimed at encouraging our customers to offer their Premier Collectible Red Wine and Fine Red Wine for sale on consignment. During the Track Record Period and up to the Latest Practicable Date, we had entered into five consignment agreements, three of which were still in effect as at the Latest Practicable Date.

Evaluation services

Evaluation assessment of wine products is conducted by means of inspecting their physical appearance and obtaining and comparing the latest market selling prices by utilising our procurement and supply network and with reference to the market prices shown on www.liv-ex.com and www.wine-searcher.com.

Consignment services

Subject to satisfactory inspection, we offer consignment services to members of our “Madison Premier Collectors Program” to assist the sale of their private collection or speculative wine products via our sales network, thereby assisting our customers in their wine management. As with our inventory sales, we adopt a “cost-plus” approach in determining the selling prices of our consignment products. Pursuant to our standard consignment agreement, we are entitled to retain the remaining

BUSINESS

balance from the selling price less the minimum selling price acknowledged by our consignors. We encourage consignment sales as consignment promotes a flexible operation model and a healthy financial model by reducing the stress on cash flow for compiling our product portfolio while expanding our inventory with consignment products. Since the launch of our “Madison Premier Collectors Program” in November 2014 and up to 31 March 2015, we successfully sold 360 bottles of wine products by way of consignment and recorded a consignment income of approximately HK\$1.1 million. In all consignment arrangements, we do not have to make any upfront payments or guarantees to our consignors. We do not provide any sales commitment to our consignors. Details of our standard form consignment agreement are summarised as follows:

- ***description of consignment products:*** the estate, vintage, bottle size and quantity of the consignment products will be set out in the consignment agreement;
- ***minimum selling price:*** the agreed minimum selling prices of the consignment products will be set out in the consignment agreement;
- ***settlement with consignees:*** the settlement shall be made on the last business day of every month by way of bank draft unless the consignor specified otherwise;
- ***risks and liabilities:*** the consignment agreement has specified that our Group, as consignee, will not be responsible for any loss or damage on the consigned products pending for consignment sale; and
- ***termination:*** our Group, as consignee, can unilaterally terminate the consignment agreement and return the consignment stock to the consignor.

SALES

As a wine specialist in Hong Kong, we are engaged in the sale of a wide spectrum of wine products from major wine regions across the world with a focus on Premier Collectible Red Wine and Fine Red Wine as well as the provision of a range of customer-centric wine related supplemental services.

We have established an extensive sales network which is coordinated and supported by our sales team. To enhance our customers’ convenience, customers may purchase our products with us via physical sales orders concluded at our point of sales and telephone orders or email orders placed with our sales team concluded electronically. We do not accept product returns, requests for refund or exchange from our customers for wine products with vintage over 10 years, with selling price over HK\$1,000 per bottle, or for all champagne or spirits sold. Our Directors considered such return policy is customary within the wine industry in Hong Kong. During the Track Record Period, we did not record any incident of product recall, significant amounts of product return and we were not involved in any product liability claim.

BUSINESS

For the years ended 31 March 2014 and 2015, our total revenue amounted to approximately HK\$70.0 million and HK\$145.7 million, respectively. During the Track Record Period and up to the Latest Practicable Date, all of our sales were derived in Hong Kong. For further details of our customer portfolio, please refer to the paragraph headed “Customers” in this section.

Point of sales

As at the Latest Practicable Date, we offered our products for sale at (i) our current store, which will cease business operations upon the opening of our new flagship store in or around mid June 2015 and (ii) our head office.

Current store

We commenced our operations with the opening of our current store in November 2012, which is situated in Wan Chai. In March 2015, Madison Wine obtained the “Quality Tourism Services Scheme — Retail Shops” certification, which is a prestigious achievement in the service industry, awarded by the Hong Kong Tourism Board which recognised the excellent service provided by our Company.

Head office

Our head office, which includes our storage warehouse, is currently situated in North Point, serves as our headquarters to oversee our overall business operations, and handles some of our sales and all of our administrative matters, including logistics, marketing, warehousing, liaisons with regards customers’ purchase orders.

New flagship store

Our Directors decided to relocate business operations at our current store to our new flagship store with an objective to further enhance our customers’ shopping experience and increase public awareness. We are currently expecting to commence business operations at our new flagship store in or around mid June 2015. Building on the success of our current store in Wan Chai, our new flagship store is also situated in Wan Chai. Furthermore, our new flagship store is situated within close proximity to luxury car retail shops, which we believe, share a similar customers base with our Company and will further strengthen our corporate image as a wine specialist in, among others, Premier Collectible Red Wine. In addition, as we are expecting higher street traffic at our new flagship store, our Directors considered our new flagship store will attract a higher level of public awareness and a wider range of customer base.

Given our established relationships with most of our customers and the proximity of our new flagship store and our current store, our Directors believe our strategic relocation to our new flagship store will not have any material impact on our business operations.

BUSINESS

Currently, we expect to incur total capital expenditure of approximately HK\$3.6 million in connection with the renovation of our new flagship store, which will be recognised in our financial statements for the year ending 31 March 2016. Taking into account of, among others, (i) the monthly lease payment for the new flagship store being HK\$205,000 (exclusive of government rates and management fee), which is approximately HK\$75,000 less than the monthly rate of our current store which is HK\$280,000 (exclusive of government rates, management fees and air-conditioning charges) and (ii) other operating costs relating to our new flagship store, which are expected to be comparable to our current store, the investment payback period of our new flagship store is currently estimated to be approximately six months. Having considered the amount of estimated total capital expenditure and the estimated investment payback period, our Directors are of the view that the relocation will not have a material adverse impact on our financial performance for the year ending 31 March 2016.

Cash management

Our sales is primarily settled by bank transfer, bank cheques, cash and credit cards. Customary with most sales businesses, we implement tight controls over the unauthorised access to cash proceeds and improper handling of cash. Cash payment by our customers at our current store are handled by our sales staff and cashier and all cash sales proceeds are deposited directly into the banks before the close of next business day and our account department would check the cash sales proceeds against sales invoices and bank records on a timely basis.

Pricing strategy

In view of the volatility of procurement prices of various wine products, we determine the prices of our wine products competitively and dynamically by adopting a “cost-plus” approach with reference to numerous considerations including but not limited to: (i) the prevailing market prices (ii) the procurement costs, (iii) product availability, (iv) market demand, (v) vintages, (vi) product quality, (vii) frequency of purchase made by relevant customers, and (viii) our relationship with the relevant customers. Our primary objective underlying our pricing strategy is to maintain and expand our market share and to further develop our presence in Hong Kong. According to the IPSOS Report, the wine industry in Hong Kong is primarily dominated by the major market players while the remaining market is highly fragmented. In view of such, our management reviews our pricing strategy from time to time to ensure our selling prices remain competitive as compared to our competitors.

Discounts

In order to reward sizeable purchases, which exceed a designated transaction value determined from time to time, we allow our sales to offer discounts of up to 15% off the regular selling price. In addition, members of our “Madison Premier Membership Scheme” are eligible for up to 12% discount of the regular selling price. For further details, please refer to the paragraph headed “Customers — Madison Premier Membership Scheme” in this section.

BUSINESS

Sales team

As at the Latest Practicable Date, our sales team consisted of six members under the leadership of Mr. Kao, our executive Director. Four of our sales team members possess various levels of wine certificates awarded by WSET ranging from level one foundation certificate in wines to level three advance certificate in wines. In order to enhance the shopping experience of our walk-in customers, most of the customers attending our current store are served by one of our sales team members. In order to enhance our sales performance, each of our sales team members is entitled to a commission with reference to the sales volume achieved by them.

Seasonal fluctuations

Our business and operating results are subject to seasonal fluctuations. 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. For further details, please refer to the section headed “Financial Information — Key factors affecting our financial conditions and results of operations — Seasonal fluctuations” in this [Redacted].

MARKETING AND PUBLIC RELATIONS

We market ourselves as a corporate wine connoisseur with the goal of attracting and accumulating a loyal customer base of wine collectors and wine lovers. To this end, we actively promote our extensive product portfolio and supplementary wine related services targeting and serving our private and corporate customers. This is achieved through promotional events conducted at our point of sales, internet marketing, telemarketing, direct mailing, online marketing as well as strategic collaboration and consignment arrangement with a renowned restaurant in Hong Kong. We also strive to maintain positive public relations and awareness via integrated marketing media such as printed advertisements and customer services. For the years ended 31 March 2014 and 2015, our advertising and promotion expenses were HK\$1.4 million and HK\$1.2 million, respectively, accounting for approximately 2.0% and 0.8% of our total revenue, respectively.

During the Track Record Period, our sales and marketing team carried out the following marketing and public relation activities:

Advertising campaigns

In order to attract and maintain public awareness, from time to time we commissioned printed advertisements, published wine reviews and related publications and assisted with wine recommendations in food and wine magazines, newspapers and other industry publications. Occasionally and upon invitations, members of our core management team made personal contributions through appearances, attending trade interviews, and contributing publications in magazines and newspapers.

BUSINESS

Marketing events

As a means of tightening bonds with our customers, promoting our wine products and our corporate image and ultimately, cultivating customers’ loyalty, we hosted parties and marketing events for our customers, for which we invited our customers to explore our wine products, to encourage wine appreciation and/or to promote better enjoyment of our wine products. Historically, we hosted marketing events such as wine pairing dinners with top wineries, informal stand-up wine tastings and wine appreciation talks and seminars. Most notably, we invited the owner of a winery from St. Julian to host a wine-pairing dinner, invited a renowned champagne expert to host an educational class on champagne knowledge and organised a dinner with a renowned fashion brand and the owner of a Spanish winery.

Internet and social networks

Our website, www.madison-wine.com, serves as an important channel for us to communicate with our customers as well as an information sharing platform for the wine dedicated community of our customers, suppliers and ourselves. Through our website, we update our customers and suppliers from time to time on developments in our product portfolio, and our customers are informed of our latest marketing and promotional initiatives, such as details relating to our upcoming events and special promotions.

To take advantage of the rapid development of digital communication channels, we have also increased our marketing and public relation activities by leveraging online social networks such as Weibo (微博), WeChat (微信), Instagram, Facebook and YouTube with the goal of creating interaction and exchanges with customers, thereby promoting our wine products, wine events and wine dinners.

Strategic collaboration and our consignment arrangement with Fook Lam Moon Kowloon

Since September 2014, we have been collaborating with Fook Lam Moon Kowloon, a Michelin starred Chinese restaurant in Hong Kong. We host wine dinners in Fook Lam Moon Kowloon with wineries from time to time. Up to the Latest Practicable Date, we had organised a total of two wine dinners at Fook Lam Moon Kowloon. We hosted a wine dinner with a winery in September 2014, and a wine dinner with Pommard, Corton, St-Estephe and Beaune wines from a boutique burgundy winery in April 2015. The strategic collaboration with Fook Lam Moon Kowloon not only contributes to our sales directly, but also promotes our corporate image and our wine collection to our target clientele, which in turn enhances our corporate image and reinforces our position in the Hong Kong wine industry.

BUSINESS

As part of our collaboration with Fook Lam Moon Kowloon, we became their exclusive wine supplier under a consignment arrangement in September 2014 with a view to demonstrating the unmatched culinary experience of Chinese cuisine with our wines. We compile the wine list for Fook Lam Moon Kowloon and supply not less than 250 wine labels from around the world on a best effort basis for consignment sale in Fook Lam Moon Kowloon. Since entering the consignment agreement with Fook Lam Moon Kowloon in September 2014 and up to 31 March 2015, we have derived a total revenue of approximately HK\$0.2 million from the consignment arrangement and recorded a gross profit of approximately HK\$38,000. We sold more than 300 bottles of wine products through Fook Lam Moon Kowloon up to 31 March 2015 and we have more than 650 bottles of wine which costed more than HK\$0.9 million in the cellar of Fook Lam Moon Kowloon available for consignment sale as at 31 March 2015.

The table below sets forth the salient terms of our consignment agreement with Fook Lam Moon Kowloon. Please also see the section headed “Risk Factors — Risks relating to our business — We have limited control over Fook Lam Moon Kowloon under our consignment arrangement” for the risks involved.

Consignment sales	<p>We shall supply not less than 250 wine labels from around the world on a best effort basis to Fook Lam Moon Kowloon for sale on a consignment basis. The title to and ownership of all consigned products shall remain with our Group until they are sold by Fook Lam Moon Kowloon.</p> <p>We have not set any sales targets for Fook Lam Moon Kowloon in respect of the consignment sales.</p>
Selling prices	<p>Fook Lam Moon Kowloon can determine the selling prices of our consigned wine products which shall not in any event be lower than the minimum floor prices set by us. For the sale of each consigned wine product, we shall be entitled to the amount equivalent to the minimum floor price and Fook Lam Moon Kowloon shall be entitled to the remaining balance.</p> <p>Such minimum floor prices shall be the same as the selling prices of our inventory sales conducted in our points of sale in accordance with our pricing strategy.</p>
Payment and credit terms	<p>Fook Lam Moon Kowloon shall settle the invoice issued by us within 30 days in cash or by cheque.</p>
Products return arrangements	<p>Products sold to end customers through Fook Lam Moon Kowloon under the consignment arrangement are not entitled to product exchange or product refunds from us.</p>

BUSINESS

Inventory storage	<p>Fook Lam Moon Kowloon shall store the consigned products appropriately. If our operation team members discover any labelling damage or leakage of the consigned wine products, the relevant products will be taken as having been purchased by Fook Lam Moon Kowloon at the minimum floor price set by us.</p> <p>Fook Lam Moon Kowloon shall provide inventory summaries to us on a monthly basis. Upon receiving an inventory summary, members of our operation team shall visit Fook Lam Moon Kowloon to perform stock counts, which will allow us to determine and manage the amount of excess inventory.</p>
Slow-moving stock arrangements	<p>If any consignment wine products generated limited or no sales for more than one month, we may request Fook Lam Moon Kowloon to return these consigned wine products to us.</p>
Term of agreement	<p>The existing consignment agreement will expire in December 2015.</p>
Termination	<p>The agreement may be terminated by either party with a minimum of 30 days prior written notice.</p>

CUSTOMERS

As observed by our Directors, most of our customers are local and overseas wine merchants, avid wine collectors in Hong Kong and China, renowned Hong Kong restaurants, high net worth individuals and businessmen. We endeavour to maximise the satisfaction of our customers by offering a series of value-added services to them. For further details, please refer to the paragraph headed “Our one-stop shop concept” in this section.

Generally, we do not offer credit period to our customers, save with the approval of our management where we may offer a credit period of up to 30 days to our customers.

During the Track Record Period, we have not entered into any long term sales agreement with any of our customers. Save for the consignment agreement with Fook Lam Moon Kowloon, we did not enter into any distributorship, franchising, and consignment with any of our customers. For details, please refer to the paragraph headed “Marketing and public relations — Strategic collaboration and our consignment arrangement with Fook Lam Moon Kowloon” in this section.

BUSINESS

Largest customers during the Track Record Period

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, and the revenue generated from our single largest customer accounted for approximately 7.3% and 5.4% of our total revenue, respectively. The table below sets out details of our five largest customers during the Track Record Period:

Ranking	Customer	Principal business	Location	Size of operation	Year(s) of business relationship with our Group	Percentage of total revenue
<i>For the year ended 31 March 2014</i>						
1	A	Individual customer	PRC	N/A	2	7.3%
2	B	Wine merchant	HK	Private company	2	5.9%
3	C	Individual customer	PRC	N/A	3	5.4%
4	D	Individual customer	PRC	N/A	2	4.5%
5	E	Wine merchant	Macau	Private company	2	3.8%
<i>For the year ended 31 March 2015</i>						
1	F	Restaurant	HK	Private company	1	5.4%
2	G	Wine merchant	Macau	Private company	2	4.1%
3	H	Restaurant	HK	Private company	1	3.9%
4	I	Auction House	HK	Private company	3	2.6%
5	J	Individual customer	HK	N/A	1	2.5%

So far as is known to our Directors, none of our Directors or executive officers, or our Controlling Shareholders, or any of their respective close associates held any interests, directly or indirectly, in any of our five largest customers during the Track Record Period.

BUSINESS

Madison Premier Membership Scheme

In order to reward and retain our customers, we implemented the “Madison Premier Membership Scheme”. The “Madison Premier Membership Scheme” comprises two tiers, namely, Black Diamond and Diamond, whose members can enjoy up to 12% and 5% discounts on regular priced beverages, respectively. These special privileges are granted to our customers who become members through spending up to a certain amount on purchases. As of the year ended 31 March 2015, we have over 500 members in the “Madison Premier Membership Scheme”, with 34% in the Black Diamond tier and 66% in the Diamond tier.

PROCUREMENT AND SUPPLY

Procurement and compilation of our product portfolio is conducted by our purchasing staff under the leadership of our Board. Our core management team and our purchasing staff meet from time to time to discuss the market demand and supply and price trend of different types of wine products in order to determine the type, the quantity and the acceptable price range for different types of wine products to be procured.

As our core business strategy, we endeavour to procure wine products which our Directors consider are in demand. As Hong Kong consumers generally prefer red wine over other types of wine products, we focus on Premier Collectible Red Wine and Fine Red Wine strategically by increasing our vintage spectrum as well as our red wine inventory level so as to enable us to capture future growth opportunities. Nonetheless, to expand our customer base and cultivate our relationship with those newcomers interested in expanding their knowledge and appreciation of the different wines of the world, we maintain an extensive product portfolio with different types, varieties, vintages at an extensive range of selling prices for our customers’ selection.

We compile our product portfolio by procuring wine products from around the world including, among other places, Australia, France, Singapore and the United States. Building on our extensive supply network, we believe we have sufficient alternative sources for our wine products that can provide us with substitutes wine products with comparable quality and prices.

We procure our wine products through (i) purchases from wine merchants and wineries, (ii) purchases through auction houses and (iii) purchases from individual wine collectors. The table below sets forth the breakdown of our purchases by sourcing channels during the Track Record Period:

	For the year ended 31 March			
	2014		2015	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Purchases from wine merchants and wineries	27,527	65.8	70,352	70.9
Purchases through auction houses	12,088	28.9	27,558	27.8
Purchases from individual wine collectors	2,236	5.3	1,248	1.3
Total:	<u>41,851</u>	<u>100</u>	<u>99,158</u>	<u>100</u>

BUSINESS

During the Track Record Period and up to the Latest Practicable Date, we did not experience any material shortage in supply or any material delays in supply.

Purchases from wine merchants and wineries

Our core management team and our purchasing staff maintain contacts with wineries, wine merchants and wine distributors across the world. The years of established relationships with these market players allow us to purchase their quality wine products at competitive market price as well as to get up-to-date information in the wine industry, including the ratings, the prevailing market prices and the demand of the wine products available in the market. Prior to [Redacted] our orders with wine merchants and wineries, we carefully inspect sample wine products provided to us, if any, and we ask for photos for old and expensive stock for checking. To bargain for the best price for purchase, we make reference to our 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. We also conduct quality control inspection upon receiving our orders and we may return wine products that do not pass our quality control inspection.

For the years ended 31 March 2014 and 2015, the amount of wine products purchased from wine merchant and wineries accounted for approximately 65.8% and 70.9% of our total purchases, respectively. During the Track Record Period, we have business relation with wine merchants and wineries located in, among other places, Australia, France, Singapore and the United States.

Purchases from wine merchants

During the Track Record Period, we have entered into a three-year distributorship agreement expiring on 1 December 2015, pursuant to which, we had been appointed as the exclusive distributor of two named wines, which, to the best knowledge of our Directors, had been sold out as at the Latest Practicable Date. Accordingly, we will not renew the distributorship agreement upon its expiration. Save for the aforesaid, we did not enter into any long-term supply contracts during the Track Record Period and up to the Latest Practicable Date. We procure wine products by purchase orders which include pricing terms, product specifications and quantity requirements. Without long-term supply contracts, we are able to purchase flexibly and may cease procuring from any wine merchants whose wine products do not meet our standard.

Purchases from wineries

We procure wine products from wineries directly by applying for their direct allocations whenever possible so as to eliminate any intermediary margin and develop business relationships with wineries directly. To the best information and knowledge of our Directors, due to the limited production volume of wine products, wineries only sell their own productions to an exclusive list of purchasers who had applied for direct allocations. As the competition and demand for direct allocations of Premier Collectible Wine is fierce, in particular, those from top wineries, wineries prefer to allocate wine products to applicants who had developed relationships with them and those who had established a reputation within the wine industry. Leveraging on our reputation and established relationships with wineries, a number of wineries are willing to grant direct allocations to us and had included our Company in their exclusive list of applicants.

BUSINESS

For further details of relevant risks, please refer to the section headed “Risk Factors — Risks relating to our business — Direct allocations of wine products from wineries are unstable and beyond our control” in this [Redacted].

Purchases through auction houses

In order to offer rare and unique wine products for our customers’ selection, we participate at auctions in Hong Kong and overseas organised by auction houses for the purchase of wine products, especially for Premier Collectible Red Wine. During the Track Record Period, we have also purchased from auction houses directly for wine products which our Directors consider are in demand. For the years ended 31 March 2014 and 2015, the total amount of purchases from auction houses accounted for approximately 28.9% and 27.8% of our total purchases, respectively.

Prior to making our bids in auctions, we carefully peruse the product catalogues issued by auction houses which listed out the relevant details of the wine products to be auctioned including the vintage, the package and the volume of the wine product. We will also make reference to our previous purchase prices and selling prices for similar products, as well as the market prices shown on www.liv-ex.com and www.wine-searcher.com.

Purchases from individual wine collectors

Due to our reputation in the industry, individual wine collectors may occasionally offer to sell their wine collection to us. For the years ended 31 March 2014 and 2015, the amount of wine products purchased from individual wine collectors accounted for approximately 5.3% and 1.3% of our total purchases, respectively.

Prior to [Redacted] our orders with individual wine collectors, we carefully inspect sample wine products provided to us, if any, and we ask for photos for old and expensive stock for checking. To bargain for the best price for purchase, we make reference to our 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. We also conduct quality control inspection upon receiving our orders and we may return wine products that do not pass our quality control inspection.

SUPPLIERS

As part of our quality control measures and in order to preserve our corporate image, we typically select our suppliers based on their reputation for product quality and supply reliability, history of operations, our trading records with them, size of business, overall reputation, ability to procure delivery on a timely basis, products portfolio, product availability, and promotions offered by the suppliers. The average credit period for the purchases from our suppliers ranged from 30 to 90 days. We normally settle our purchases in the local currencies of our suppliers by way of bank transfer.

BUSINESS

Largest suppliers during the Track Record Period

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. All of our top five suppliers during the Track Record Period are Independent Third Parties. The table below sets out details of our five largest suppliers during the Track Record Period:

Ranking	Supplier	Principal business	Location	Size of operation	Years of business relationship with our Group	Percentage of purchase attributed
<i>For the year ended 31 March 2014</i>						
1	A	Wine merchant	Denmark	Private company	2	16.0%
2	B	Auction house	Hong Kong	Private company	3	12.0%
3	C	Wine distributor	Australia	Private company	2	11.3%
4	D	Wine merchant	Singapore	Private company	2	4.9%
5	E	Auction house	US	Private company	2	4.4%

For the year ended 31 March 2015

1	B	Auction house	Hong Kong	Private company	3	24.3%
2	C	Wine distributor	Australia	Private company	2	23.3%
3	F	Wine distributor	Hong Kong	Private company	2	5.2%
4	G	Online wine merchant	The United Kingdom	Private company	2	3.9%
5	H	Wine merchant	France	Private company	2	3.2%

Save as disclosed 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. For further details, please refer to the paragraph headed “Procurement and supply — Purchases from wine merchants and wineries — Purchases from wine merchants” in this [Redacted].

So far as is known to our Directors, none of our Directors or executive officers, or our Controlling Shareholders, or any of their respective close associates held any interests, directly or indirectly, in any of our five largest suppliers during the Track Record Period.

BUSINESS

Procurement cost

In line with industry practices, purchase prices of wine products generally vary depending on, among others, the vintage, the reputation of the vineyard and brand, market demand and supply, and grading and reviews by wine critics. All wine purchases from our suppliers are subject to preliminary review by our procurement staff, and the purchase prices must be approved by at least one of our Directors prior to [Redacted] purchase order.

Return of unsatisfactory products to suppliers

In line with industry practice, we adhere to the return policies of our suppliers pursuant to the terms of the relevant purchases. We may request for refund in the event that our Directors conclude that the product is unsatisfactory after conducting our quality control inspections. Under such circumstances, our purchasing team will liaise with the relevant supplier informing it of such defects with photograph images in support of our complaint, and will arrange for return of the defective product, and subsequently, refund of our purchase order. We have not obtained any refund guarantee on our purchase orders of wine accessory products from the suppliers of our wine accessory products.

During the Track Record Period and up to the Latest Practicable Date, we did not have any material requests for return of wine products delivered to us.

OVERLAPPING CUSTOMERS-SUPPLIERS

According to the IPSOS report, due to the wine-making process, and the inability to replenish supply after each wine production, each wine produced is unique and limited in volume, and is therefore subject to the risks of scarcity. As time goes by, the supply of each wine product in the market decreases as the wine products are consumed, preserved, and collected by wine collectors, or damaged in transit or by poor storage. In addition, given the rare and scarce nature of Premier Collectible Wine, the long cellaring period, and drinking-window plateau, these products have become a popular collectible among wine connoisseurs. As a result, Premier Collectible Wines, 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 Premier Collectible Wines. Furthermore, as the information on the number of premier collectible wines becomes private or limited over time, it becomes difficult to assess the availability of particular wine products, particularly Premier Collectible Wines, for purchasing and selling in the market. Consequently, in light of the limited supply pool, it is not uncommon in this industry for wine merchants to be customers and sellers the same time within the wine market. For further details, please refer to the section headed “Industry Overview” in this [Redacted].

During the Track Record Period, there are 18 Customers-Suppliers consisting of (i) one auction house Customer-Supplier, (ii) 13 local and overseas wine merchant Customers-Suppliers, (iii) two individual Customers-Suppliers, and (iv) two connected persons, namely, Mr. Ting and Lucky Target. Out of our 18 Customers-Suppliers, (a) the auction house Customer-Supplier is one of our five largest customers for the year ended 31 March 2015 as well as one of our five largest suppliers for the years ended 31 March 2014 and 2015, and (b) one of the wine merchant Customers-Suppliers is one of our five largest suppliers for the year ended 31 March 2015. Our Directors confirmed that all of our sales

BUSINESS

to and purchases from our Customers-Suppliers were incidental transactions, were not inter-conditional, inter-related or otherwise considered as one transaction and did not involve the same products. To the best information and knowledge of our Directors, save for the sales and purchases with two connected persons, all of our Customers-Suppliers are Independent Third Parties and none of our Group’s Customers-Suppliers have any past or present relationships with our Group, shareholders, Directors, senior management, employees or their respective associates during the Track Record and up to the Latest Practicable Date.

The following tables sets out the total sales and total purchases attributable to our 18 Customers-Suppliers for the periods indicated:

	For the year ended 31 March	
	2014	2015
	<i>(HK\$’000)</i>	<i>(HK\$’000)</i>
SALES TO CUSTOMERS-SUPPLIERS		
Revenue	2,805	13,175
Percentage of our Company’s total revenue	4.0%	9.0%
Total cost of sales	2,244	10,948
Percentage of our Company’s total cost of sales	4.9%	10.4%
Average gross profit margin	20.0%	16.9%
PURCHASES FROM CUSTOMERS-SUPPLIERS		
Total purchases	11,132	32,127
Percentage of our Company’s total purchases	26.6%	32.4%

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 Customer-Suppliers were (i) entered into after due consideration taking into account of 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 from other Independent Third Party who are not Customer-Supplier.

Auction house major Customer-Supplier

The auction house Customer-Supplier (the “**Auction House Major Customer-Supplier**”) is one of our five largest customers for the year ended 31 March 2015 as well as one of our five largest suppliers for the years ended 31 March 2014 and 2015. For the year ended 31 March 2014, the total purchases attributable to the Auction House Major Customer-Supplier amounted to approximately HK\$5.0 million, representing approximately 11.4% of our total purchases. For the year ended 31 March 2015, the total revenue and the total purchases attributable to the Auction House Major

BUSINESS

Customer-Supplier amounted to approximately HK\$3.8 million and HK\$24.0 million, respectively, representing approximately 2.6% of our total revenue and approximately 24.2% of the purchases, respectively. We mainly purchase Premier Collectible Red Wine from the Auction House Major Customer-Supplier.

To the best information and knowledge of our Directors, the Auction House Major Customer-Supplier possesses an extensive network of high net-worth customer base of private wine collectors as well as its self operated wine merchant store. Therefore, it is able to procure certain vintage wine products that are not readily available in the open market, organise auctions and private sales and offer for public sales through its store featuring Premier Collectible Wine and fine wine targeted at high net-worth customers. Accordingly, we participate at auctions and private sales and offer our Premier Collectible Red Wine for sale via auctions from time to time. Our Directors considered sale via auctions an effective means of sales and marketing, which enables our Company to extend our reach to high net-worth customers while enhancing our corporate image. For further details, please refer to the paragraph headed “Procurement and supply — Purchases through auction houses” in this section.

Wine Merchant major Customer-Supplier

One of the wine merchant Customers-Suppliers is one of our five largest suppliers for the year ended 31 March 2015 (“**Wine Merchant Major Customer-Supplier**”). For the year ended 31 March 2015, the total revenue attributable to the Wine Merchant Major Customer-Supplier amounted to approximately HK\$1.9 million, representing approximately 1.3% of our total revenue, respectively. For the years ended 31 March 2014 and 2015, the total purchases attributable to the Wine Merchant Major Customer-Supplier amounted to approximately HK\$1.5 million and HK\$3.9 million, respectively, representing approximately 3.6% and 3.9% of our purchases, respectively.

To the best information and knowledge of our Directors, the Wine Merchant Major Customer-Supplier is an overseas wine merchant with an extensive product portfolio of Premier Collectible Red Wine and Fine Red Wine and an extensive network of overseas high net-worth customer base, and is our supplier primarily. Through our course of dealings, we exchange and share market information and inventory information with the Wine Merchant Major Customer-Supplier and we believe the Wine Merchant Major Customer-Supplier had developed confidence with our provenance and quality control measures and with the diversity of the availability of our product portfolio. As such, from time to time, we receive queries from the Wine Merchant Major Customer-Supplier for certain wine products that are not within the inventory and are not readily available in the open market.

Connected Customers-Suppliers

Prior to the Track Record Period, Mr. Ting injected some of his wine collection from his personal cellar, which are held by himself and his indirect wholly-owned company, Lucky Target, to our Group. During the Track Record Period, where we considered it expedient and efficient taking into account the logistics time for delivery, we procured such products from Mr. Ting’s personal wine collection, where available. From time to time, Mr. Ting, personally as well as through Lucky Target, purchases wine products from our Company for his personal consumption.

BUSINESS

For the years ended 31 March 2014 and 2015, (i) our sales to Mr. Ting and Lucky Target collectively accounted for approximately 0.1% and nil of our total revenue, respectively, (ii) our purchases from Mr. Ting and Lucky Target collectively accounted for approximately 2.5% and 0.9% of our total purchases, respectively, (iii) our gross profit derived from the sale to Mr. Ting and Lucky Target collectively accounted for approximately HK\$40,000 and HK\$6,000, respectively, and (iv) our gross profit margin in respect of the sales to Mr. Ting and Lucky Target collectively accounted for approximately 40.8% and 17.5%, respectively. The gross profit margin from those sales is within the range of our general profit margin from the years ended 31 March 2014 and 2015.

Sales to Mr. Ting and Lucky Target had been discontinued since the year ended 31 March 2014 and purchases from Mr. Ting and Lucky Target had been discontinued since the year ended 31 March 2015. For further details, please refer to the section headed “Discontinued connected transactions — Discontinued connected transactions” in this [Redacted].

PROVENANCE AND QUALITY CONTROL

We believe wine provenance is of great importance and the quality of provenance of a wine product may adversely affect its selling price in the market. During our wine product procurement process, our core management team and procurement staff will get up-to-date information in the wine industry, including the ratings, market prices and quality of the wine products available in the market. We also gather information about the grape production and wine making process from wineries. In addition, before we procure wine products from our suppliers, we may ask for photos of old and expensive wine products for checking. As at the Latest Practicable Date, our provenance and quality control team was led by Mr. Kao, our deputy chairman and executive Director, consisted of three members of our operations team, which include one staff who possesses level II of the certificate in wines and spirits awarded by WSET.

Our staff will inspect and examine the procured wine products upon arrival at our head office. Due to the nature of consumable products we procured, 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 products based on their labelling, wine level, sealing and overall appearance.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any material damages, deterioration and contamination of wine products in the course of our wine product transportation and storage process. For further details in connection with provenance and quality control related risks, please refer to the section headed “Risk Factors — Risks relating to our business — 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” in this [Redacted].

BUSINESS

INVENTORY MANAGEMENT

We maintain inventory at our current store, our warehouse and our external warehouse. At our current store, we maintain sufficient selection of wine products to satisfy our expected demand and orders from customers. Upon opening of our new flagship store in or around mid June 2015, we plan to display our most prestigious, rare and vintage wine products at our new flagship store.

Inventory management

With a view to developing a structured inventory management system, we have implemented a structured manual to regulate our inventory and storage management. To facilitate product identification and management, each of our products is assigned an identification number, and all relevant product details, such as the brand, description, vintage, volume, region, category, unit and net cost are maintained in our electronic system, which is monitored and reviewed from time to time. Furthermore, we conduct bi-annual stock-take of our inventories to ensure the accuracy of our inventory records. We differentiate our stock inventories with wine products belonging to our customers at our warehouse by compartmenting our warehouse storage space and we set a maximum storage capacity to ensure we maintain an optimal storage condition at each compartment.

During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material loss of inventory as a result of the defects of our storage management system and our external warehouse.

Inventory turnover days

For the years ended 31 March 2014 and 2015, our inventory turnover days were 278 days and 97 days, respectively, while our inventory was approximately HK\$31.3 million and HK\$24.2 million, respectively. For further details, please refer to the section headed “Financial Information — Net current assets and selected items of combined statements of financial position — Inventories” in this [Redacted].

Policy for inventory provisions

As our management considered that the value and quality of wine will not be affected by its cellaring period, our Group did not make any provisions for our inventories during the Track Record Period. We did not record any impairment loss of inventories during the Track Record Period.

For further details on the aging analysis on our inventories, please refer to the section headed “Financial Information — Net current assets and selected items of combined statements of financial position — Aging analysis on inventories” in this [Redacted].

BUSINESS

LOGISTICS AND WAREHOUSING

Logistics

In order to ensure cost-effective and timely transportation of wine products between our current store, our new flagship store, our warehouse and our external warehouse, and to provide delivery services to places designated by our customers in Hong Kong, we have one van and one full time driver as at the Latest Practicable Date.

During the Track Record Period, we did not face any material disruption in the delivery of our products and we did not suffer any loss or pay any compensation as a result of delays in delivery.

Warehousing

Our operations team consists of seven full time members and one part time member, which is responsible for our warehousing and responsible for coordinating with various departments of our Group for the purposes of (i) allocating appropriate storage places for upcoming products, (ii) inspecting the condition of the products upon their arrival to our warehouse, and (iii) arranging the delivery of the products to our customers according to the purchase orders received by our sales division.

Our security system

We have in place a comprehensive and robust security system to safeguard our inventory, which include 24-hour surveillance at our warehouse and our current store as well as insurance coverage. Further, our warehouse has restricted access and only a limited number of staff have the keys and passwords and visitors have access to it. We also record the visitors' information before they enter our warehouse.

External warehouse

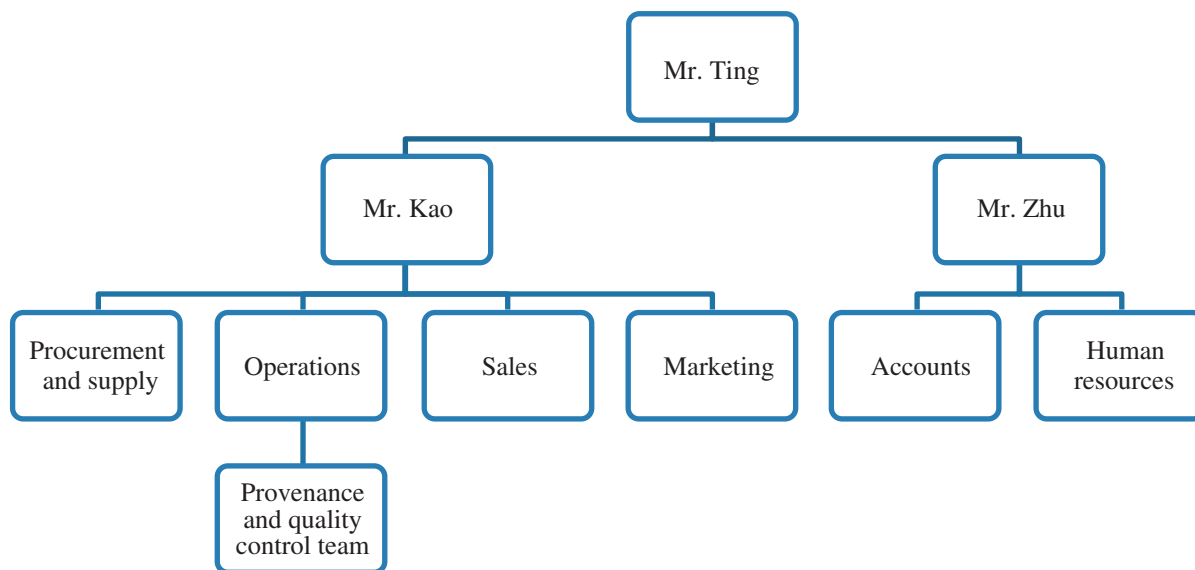
Due to the bulk size of some of the wine boxes containing our wine products, which cannot be stored at our storage facility, we have stored some of such wine boxes at a HKQAA certified public wine storage service provider (the “External Storage Service Provider”). To ensure our products are properly stored at the external wine storage service provider, we will review the storage capabilities from time to time. As we did not enter into a long term storage plan with our External Storage Service Provider, no lease agreement was entered into for such lease arrangement. Currently, our storage payments were determined with reference to the number of wine bottles stored and on a monthly basis, which can be terminated at any time by our Company.

During the Track Record Period and up to the Latest Practicable Date, there had been no material loss of inventory at our warehouse and our external warehouse as a result of theft, embezzlement or other acts of misappropriation.

BUSINESS

EMPLOYEES

Our core management team is a team of wine enthusiasts comprising our three executive Directors and we are dedicated to establishing our cultural tones, our corporate values and our customer-centric culture. As at the Latest Practicable Date, we had a total of 22 full-time employees and one part-time employee. The diagram below illustrates the management structure of our Group and identifies the major business functions of our Group:



In order to foster a work environment that attracts and inspires our people to achieve excellent performance, remuneration packages and staff benefits are reviewed on an annual basis. Our standard remuneration package includes base salary, discretionary bonuses and medical insurance. In addition, each of our sales team members is entitled to a commission with reference to the sales volume achieved by them. Each of our employee’s remuneration package is determined in light of his/her qualification, position and seniority. For the years ended 31 March 2014 and 2015, we incurred staff costs of approximately HK\$5.4 million and HK\$9.4 million, respectively, representing 7.7% and 6.5% of our total revenue for the corresponding financial years.

As at the Latest Practicable Date, we had not experienced any material disputes with our employees in the past and have not experienced any significant difficulties in recruiting or retaining staff.

Training

We are committed to employee development and have implemented various training programs to strengthen their industry, technical and product knowledge. All our newly recruited employees are required to attend induction training. We believe our training program will equip our employees with skills and knowledge to enhance our services to our customers.

BUSINESS

INSURANCE

As at the Latest Practicable Date, our insurance coverage included, among others, an all property risks insurance in respect of the stock in our current store, our new flagship store and our warehouse, a business trust insurance in respect of our current store and head office, business interruption insurance in respect of our head office, employees’ 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, motor vehicle insurance for our motor vehicle, as well as marine insurance in respect of products imported to Hong Kong by our Group. Our Group did not maintain any product liability in Hong Kong during the Track Record Period and we rely on the insurance coverage of our external warehouse service provider. 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 did not receive 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 have limited insurance coverage and do not maintain any insurance to cover any claims arising from product liability” in this [Redacted].

Health and work safety

Our Group strives to provide employees with a safe and healthy environment. Our Directors confirm that there were no material accidents, health injuries or any non-compliance incidents with the relevant laws and regulations during the Track Record Period and up to the Latest Practicable Date.

BUSINESS

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	Monthly rental	Gross floor area
1.	Current store <i>(Note)</i>	Shop B, Ground Floor, Tung Hey Building, No. 14/16 & 20 Queen’s Road East, Hong Kong	Three years commencing from 25 July 2012 to 24 July 2015	HK\$280,000.00 (exclusive of government rates and management fees)	2,132 sq.ft.
2.	New flagship store	Shops 1 & 2, Ground Floor, Chinachem Century Tower, No.178 Gloucester Road, Hong Kong	Three years commencing from 1 April 2015 to 31 March 2018	HK\$205,000.00 (exclusive of government rates, management fees and air-conditioning charges per month)	2,200 sq.ft.
3.	Head office and warehouse	Flat A & B, 10/F, North Point Industrial Building, 499 King’s Road, North Point, Hong Kong	Three years commencing from 15 March 2014 to 14 March 2017	HK\$143,800.00 (inclusive of government rates, government rent and management fee)	9,000 sq.ft.

Note: We will not renew the relevant lease upon expiry in July 2015. Business operations at our current store will cease upon the opening of our new flagship store in or around mid June 2015.

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

INTELLECTUAL PROPERTY RIGHTS

We recognise the importance of protecting our Group’s intellectual property rights and we have registered the trademark and domain name used by our Group in the course of our business in Hong Kong. Our Directors believe that we have taken all appropriate actions to protect our own intellectual property rights. During the Track Record Period and up to the Latest Practicable Date, we were not aware of any pending or threatened claims against us, nor has any claim 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 details on our registered trademark and domain name, please refer to the section headed “Further Information about our Group — Intellectual property rights” in Appendix IV to this [Redacted].

BUSINESS

LEGAL PROCEEDINGS AND REGULATORY COMPLIANCE

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 [Redacted].

As advised by our legal advisers as to Hong Kong laws, save as disclosed in this [Redacted], 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

As advised by our Hong Kong legal advisers, the sale and distribution of wine products, alcoholic beverages and wine accessory products are not licensed activities in Hong Kong and save for a valid business registration certificate issued by the Inland Revenue Department of the Hong Kong government, we are not required to obtain or maintain any other licences, permits or approvals to engage in our business operations 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 as at the Latest Practicable Date, we were not involved in any legal proceedings, investigations and claims and we were not aware of any pending or threatened litigation or arbitration proceedings against any member of our Group.

BUSINESS

HISTORICAL NON-COMPLIANCE INCIDENTS

Non-compliance with the Predecessor Companies Ordinance and the Companies Ordinance

During the Track Record Period, Madison (China) and Madison Wine Club had inadvertently breached certain sections of the Predecessor Companies Ordinance and the Companies Ordinance. The table below summarises the historical non-compliance with the requirements of the Predecessor Companies Ordinance and the Companies Ordinance by Madison (China) and Madison Wine Club during the Track Record Period:

No.	Item of non-compliance	Particulars of the non-compliance	Cause for the non-compliance	Remedial actions	Potential maximum penalty/fine	Whether provisions have been made
1.	Non-compliance with section 158(4) of the Predecessor Companies Ordinance	Madison (China) failed to file Form D2A with the Registrar of Companies in Hong Kong within 14 days after the resignation of its company secretary on 12 January 2014	The directors relied on the services provided by a secretarial service company engaged by Madison (China)	Filing was subsequently made on 4 February 2014	As confirmed by our legal advisers as to Hong Kong laws, Madison (China) and the officer who is in default shall be liable to a potential maximum fine of HK\$10,000 and daily default fine of HK\$300 for continued default	No. For details, please see below
2.	Non-compliance with section 645(4) of the Companies Ordinance	Madison (China) and Madison Wine Club failed to file Form ND2B with the Registrar of Companies in Hong Kong within 15 days after the change of address of one of their directors on 1 May 2014	The directors relied on the services provided by a secretarial service company engaged by Madison (China) and Madison Wine Club	Both filings were subsequently made on 13 August 2014	As confirmed by our legal advisers as to Hong Kong laws, Madison (China), Madison Wine Club and the officer who is in default shall be liable to a potential maximum fine of HK\$25,000 and daily default fine of HK\$700 for continued default	No. For details, please see below

During the Track Record Period and up to the Latest Practicable Date, there has not been any prosecution initiated against our Group or the current directors of the Hong Kong subsidiaries, nor has any of them been subjected to any fine relating to the above disclosed incidents of non-compliance. Pursuant to the Deed of Indemnity, our Controlling Shareholders have irrevocably undertaken, to fully indemnify our Group, on a joint and several basis, against all claims, actions, demands, proceedings, judgments, losses, liabilities, damages, costs, charges, fees, expenses, penalties and fines suffered or incurred or accrued by our Group directly or indirectly, arising from, as a result of or in connection with any loss and/or penalty resulting from or in respect of the above incidents of non-compliance. For further details of the indemnities given by our Controlling Shareholder, please refer to the section headed “Other Information — Tax and other indemnities” in Appendix IV to this [Redacted]. Therefore, no provision has been made in our financial statements in respect of the above potential liabilities. Our Directors are of the view that the above incidents of non-compliance should not result in a material operational or financial impact on our Group.

BUSINESS

INTERNAL CONTROL

It is the responsibility of our Board to ensure that we maintain sound and effective internal controls to safeguard our Shareholders’ investment and our assets at all times. In preparation of [Redacted], we have engaged the Internal Control Adviser in March 2015 as our independent external adviser to undertake a review of (i) our financial, operational and compliance procedures, (ii) our systems and controls (including accounting and management systems); and (iii) our risk management functions. The Internal Control Adviser has performed internal control review in March 2015 and follow-up review in May 2015. The Internal Control Adviser has provided some recommendations for our management’s consideration to enhance our internal control system. As confirmed by our Directors, all the remedial measures will be fully implemented by us upon [Redacted].

We have adopted a series of internal control policies and procedures designed to provide reasonable assurance for achieving objectives including effective and efficient operations, reliable financial reporting and compliance with applicable laws and regulations. Highlights of our internal control system include the following:

- ***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.
- ***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.
- ***Internal audit*** — Internal audit functions will be outsourced to independent professional party to evaluate and assess our internal control mechanism periodically. Our financial controller is responsible for supervising our internal audit function.
- ***Compliance with GEM Listing Rules and relevant laws and regulations*** — We will continue to monitor our compliance with relevant laws and regulations and our senior management team will work closely with our employees to implement actions required to 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.

BUSINESS

For our non-compliances with the Predecessor Companies Ordinance and the Companies Ordinance, the Internal Control Adviser has reviewed our rectification measures and put forward recommendations to our Company. We have implemented such rectification measures and our internal control consultant has completed its follow-up review in May 2015. In order to prevent the above non-compliance in the future, we have undertaken the following measures:

- (a) the financial controller of our Company, with the assistance of our company secretary, will oversee the company secretarial matters of our Group to ensure compliance with the Companies Ordinance and other applicable regulatory and compliance requirements;
- (b) we intend to engage external Hong Kong legal advisers to continue to provide legal advice and on-going training on various compliance matters from time to time, as and when needed; and
- (c) we intend to engage a compliance adviser to advise us on compliance with the GEM Listing Rules and applicable laws.

The non-compliances were mainly caused by the reliance on the services provided by a secretarial service company. The inadvertent omission of such secretarial service company did not involve any issue in the integrity, character or competence of our Directors. Our Directors and the Sole Sponsor are of the view that (i) our internal control system is adequate, effective and sufficient and (ii) the above non-compliances do not affect the suitability of our Directors under Rules 5.01 and 5.02 of the GEM Listing Rules or our suitability for [Redacted] under Rule 11.06 of the GEM Listing Rules.

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 market risks” in this [Redacted]. 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 and Senior Management” in this [Redacted].

BUSINESS

CORPORATE GOVERNANCE

We continually strive to strengthen the role of our Board as a collective decision-making body responsible for defining our fundamental policies, resolving our executive management issues, and supervising the execution of our business operations.

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 the respective themselves. Our Directors believe that we had implemented adequate corporate governance measures to protect the interest of our Shareholders. For further details on the corporate governance measures adopted by our Company to avoid potential conflict of interests between our Controlling Shareholders and our Company, please refer to the section headed “Relationship with Controlling Shareholders — Corporate governance measures” in this [Redacted].

AWARDS AND CERTIFICATES

During the Track Record Period, we have received a number of certificates, detailed as follows:

Year of grant	Expiry date (if any)	Certificate No.	Certificate	Certification body
2013	28 February 2016	R1688	Madison Wine complies with the assessment criteria of the Quality Tourism Services Scheme	Quality Tourism Services
2014	28 October 2017	CC 5887	Madison (China) Limited complies with the requirements of Fine Wine Storage Management Systems Standard of HKQAA Wine Storage Management Systems Certification Scheme of 2013 in respect of provision of fine wine storage services	Hong Kong Quality Assurance Agency

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

CONTROLLING SHAREHOLDERS

Immediately after completion of the [Redacted] and the Capitalisation Issue without taking into account any Shares which may be allotted and issued pursuant to the exercise of the [Redacted] and any options which may be granted under the Share Option Scheme, the following persons collectively are entitled to exercise or control the exercise of 30% or more of the voting power at the general meetings of our Company and are therefore regarded as Controlling Shareholders under the GEM Listing Rules:

Name	Capacity/Nature of interest	Number of Shares held immediately after completion of the [Redacted] and the Capitalisation Issue	Approximate percentage of shareholding immediately after completion of the [Redacted] and the Capitalisation Issue
Royal Spectrum	Beneficial owner ^(Note 1)	[Redacted] Shares	[Redacted]%
Devoss Global	Interest in controlled corporation ^(Note 2)	[Redacted] Shares	[Redacted]%
Mr. Ting	Interest in controlled corporation ^(Note 2)	[Redacted] Shares	[Redacted]%

Notes:

1. The entire issued share capital of Royal Spectrum is legally and beneficially owned as to 77.3% by Devoss Global, 20% by Universal Chinese, and 2.7% by Montrachet. Devoss Global is deemed to be interested in the Shares held by Royal Spectrum under Part XV of the SFO.
2. The entire issued share capital of Devoss Global is legally and beneficially owned by Mr. Ting. Mr. Ting is deemed to be interested in the Shares in which Devoss Global is interested in under Part XV of the SFO.

So far as our Directors are aware and save for the persons/corporations disclosed above, there are no other entities/persons who will, immediately following completion of the [Redacted] and the Capitalisation Issue, have interests and/or short positions in the Shares or underlying Shares of our Company which will be directly interested in 10% or more of the voting rights at general meetings of our Company.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

INDEPENDENCE FROM CONTROLLING SHAREHOLDERS

Our Directors are satisfied that our Group is capable of operating independently of our Controlling Shareholders and their respective associates after [Redacted], on the basis of the following information:

Management independence

The day-to-day management and operation of the business of our Group will be the responsibility of all of the executive Directors and senior management personnel of our Company. Our Board has six Directors comprising three executive Directors and three independent non-executive Directors. Mr. Ting, our executive Director, is also the ultimate Controlling Shareholder of our Company. Save for Mr. Ting, none of the other Directors nor any of the members of the senior management is a Controlling Shareholder.

We consider that our Board and senior management will function independently from our Controlling Shareholders because:

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

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.

During the Track Record Period, we also conducted certain sale and purchase transactions with two related parties, namely, Mr. Ting and Lucky Target. For the years ended 31 March 2014 and 2015, (i) our sales to Mr. Ting and Lucky Target collectively accounted for approximately 0.1% and nil, respectively, of our total revenue, (ii) our purchases from Mr. Ting and Lucky Target collectively accounted for approximately 2.5% and 0.9%, respectively, of our total cost of sales, (iii) our gross profit derived from the sale to Mr. Ting and Lucky Target collectively accounted for approximately

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

HK\$40,000 and HK\$6,000, respectively. The relevant financial figures were insignificant to our Group and as at the Latest Practicable Date there is no other business transaction between our Group and our Controlling Shareholders and their respective associates. For further details in respect of the transactions with Mr. Ting and Lucky Target, please refer to the section headed “Discontinued Connected Transaction — Discontinued connected transactions” in this [Redacted].

Save for selling wine products to our Group, each of Mr. Ting and Lucky Target is not engaged in trading of wine products of other customers.

Save as disclosed above, our suppliers and customers are all independent from our Controlling Shareholders. We do not rely on our Controlling Shareholders or their associates. We have our independent access to our suppliers for the provision of services and materials and we have an independent management team to handle our day-to-day operations.

Financial independence

Our Group has independent financial and accounting systems and makes financial decisions according to its own business needs.

During the Track Record Period, Mr. Ting, our Controlling Shareholder provided a shareholder’s loan with a principal amount of HK\$13.5 million to our Group, which was paid off in January 2015. Details of the shareholder’s loan are disclosed in the section headed “Discontinued Connected Transactions — Discontinued connected transactions” in this [Redacted].

In view all the shareholder’s loan had been paid off and the amount due to Mr. Ting will be fully settled before [Redacted], our Directors are of the view that our Group is not financially dependent on our Controlling Shareholders and/or their respective associates in our business operations and our Group is able to obtain external financing on market terms and conditions for our business operations as and when required.

EXCLUDED BUSINESS

Apart from our Group, during the Track Record Period, a PRC established company indirectly wholly-owned by Mr. Ting, our Controlling Shareholder, had engaged in wine related business in the PRC, where the PRC company had purchased wine products for trading purposes in November 2012 and January 2013, respectively. The PRC company had sold all its wine inventory in May 2015. Since May 2015, the company has no longer been engaged in any wine trading business in the PRC.

INTERESTS OF OUR CONTROLLING SHAREHOLDERS IN OTHER BUSINESSES

As at the Latest Practicable Date, our Controlling Shareholders, individually and/or collectively also held interests in (i) investment holding companies and (ii) companies providing micro-loans, which are not related to the wine trading business.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

DEED OF NON-COMPETITION

Each of our Controlling Shareholders (each a “**Covenantor**” and collectively, the “**Covenantors**”) entered into the Deed of Non-competition in favour of our Company on [●], under which each of the Covenantors has irrevocably and unconditionally, jointly and severally, warranted and undertaken to our Company (for ourselves and as trustee for each of its subsidiaries) that:

- (a) each of the Covenantors shall not, and shall procure each of his/her/its associates and/or companies controlled by he/it, whether on his/its own account or in conjunction with or on behalf of any person, firm or company and whether directly or indirectly, carry on a business which is, or be interested or involved or engaged in or acquire or hold any rights or interest or otherwise involved in (in each case whether as a shareholder, partner, agent or otherwise and whether for profit, reward or otherwise) any business which competes or is likely to compete directly or indirectly with the business currently and from time to time engaged by our Group (including the trading of wines and spirits and businesses ancillary to any of the foregoing), in Hong Kong and any other country or jurisdiction to which the Group markets, sells, distributes, supplies or otherwise provides such products and/or in which any member of the Group carries on businesses mentioned above from time to time (the “**Restricted Business**”). Each of the Covenantors has represented and warranted to our Group that neither he/it nor any of his/its associates is currently interested, involved or engaging, directly or indirectly, in (whether as a shareholder, partner, agent or otherwise and whether for profit, reward or otherwise) the Restricted Business otherwise than through our Group;
- (b) if each of the Covenantors and/or any of his/its associates is offered or becomes aware of any project or new business opportunity (“**New Business Opportunity**”) that relates to the Restricted Business, whether directly or indirectly, he/it shall: (i) promptly in any event not later than seven days notify the Company in writing of such opportunity and provide such information as is reasonably required by our Company in order to enable our Company to come to an informed assessment of such opportunity; and (ii) use his/its best endeavours to procure that such opportunity is offered to our Company on terms no less favourable than the terms on which such opportunity is offered to him/it and/or his/its associates; and
- (c) if our Group has not given written notice of its desire to invest in such New Business Opportunity or has given written notice denying the New Business Opportunity within 30 business days (the “**30-day Offering Period**”) after receipt of notice from the Covenantors, the Covenantors and/or his/its associates shall be permitted to invest in or participate in the New Business Opportunity on his/its own accord. The Covenantors also agree to extend the 30 business days to a maximum of 60 business days if our Company requires so by giving a written notice to the Covenantors within the 30-day Offering Period.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

In addition, upon [Redacted], each of the Covenantors has also undertaken:

- (i) in favour of our Company to provide our Company and our Directors from time to time (including our independent non-executive Directors) with all information necessary, including but not limited to monthly turnover records and any other relevant documents considered necessary by our independent non-executive Directors, for the annual review by our independent non-executive Directors with regard to compliance of the terms of the Deed of Non-competition and the enforcement of the non-competition undertakings in the Deed of Non-competition;
- (ii) to provide to our Group after the end of each financial year of our Company, a declaration made by each of the Covenantors which shall state whether or not the Covenantors have during that financial year complied with the terms of the Deed of Non-competition, and if not, particulars of any non-compliance, which declaration (or any part thereof) may be reproduced, incorporated, extracted and/or referred to in the annual report of our Company for the relevant financial year, such annual declaration shall be consistent with the principles of making voluntary disclosures in the corporate governance report; and
- (iii) to our Company to allow our Directors (including our independent non-executive Directors), their respective representatives and the auditors to have sufficient access to the records of the Covenantor and his/its close associates to ensure their compliance with the terms and conditions under the Deed of Non-competition.

Further, each of the Covenantors has undertaken that during the period in which he/it and/or his/its associates, individually or taken as a whole, remains as a Controlling Shareholder:

- (i) he/it will not invest or participate in any project or business opportunity that competes or may compete, directly or indirectly, with the business activities engaged by our Group from time to time unless pursuant to the provisions stipulated in the Deed of Non-competition;
- (ii) he/it will not solicit any existing or then existing employee of our Group for employment by him/it or his/its associates (excluding our Group);
- (iii) he/it will not without the consent from the Company, make use of any information pertaining to the business of our Group which may have come to his/its knowledge in his/its capacity as our Controlling Shareholder for any purposes; and
- (iv) he/it will procure his/its associates (excluding our Group) not to invest or participate in any project or business opportunity mentioned above unless pursuant to the provisions stipulated in the Deed of Non-competition.

The above undertakings (i) and (iv) are subject to the exception that any of the Covenantors and their respective associates (excluding our Group) are entitled to invest, participate and be engaged in any Restricted Business or any project or business opportunity, regardless of value, which has been offered or made available to our Group, provided always that information about the principal terms thereof has been disclosed to our Company and our Directors, and our Company shall have, after

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

review and approval by our Directors (including our independent non-executive Directors without the attendance by any Director with beneficial interest in such project or business opportunities, in which resolutions have been duly passed by the majority of our independent non-executive Directors), confirmed its rejection to be involved or engaged, or to participate, in the relevant Restricted Business and provided also that the principal terms on which that the relevant Covenantor or the relevant associate of the Covenantors invests, participates or engages in the Restricted Business are substantially the same as or not more favourable than those disclosed to our Company. Subject to the above, if the relevant Covenantor or the relevant associate of the Covenantors decides to be involved, engaged, or participated in the relevant Restricted Business, whether directly or indirectly, the terms of such involvement, engagement or participation must be disclosed to our Company and our Directors as soon as practicable.

The non-competition undertaking will take effect from the date on which dealings in the Shares first commence on GEM and will cease to have any effect upon the earliest of the date on which (i) such Covenantors and his/its associates, individually or taken as a whole, cease to own, in aggregate, 30% or more of the then issued share capital of our Company directly or indirectly or cease to be deemed as our Controlling Shareholder and do not have power to control the Board or there is at least one other independent Shareholder other than the Covenantors and his/its respective associates holding more Shares than the Covenantors and his/its respective associates taken together; or (ii) the Shares cease to be listed and traded on GEM or other recognised stock exchange.

In order to strengthen the corporate governance and to effectively monitor the observance under the Deed of Non-competition in respect of the potential conflict of interests between our Group and the Covenantors, upon [Redacted]:

- (1) our Company will disclose in the annual reports the compliance and enforcement of the undertakings by the Covenantors in respect of the Deed of Non-competition and the appropriate action to be taken by the Company;
- (2) our Company will disclose the details and basis of the decisions on the matters reviewed by the independent non-executive Directors in relation to the compliance and enforcement of arrangement of the New Business Opportunity in the annual reports;
- (3) our independent non-executive Directors will be responsible for deciding, in the absence of any executive Director (except as invited by our independent non-executive Directors to assist them or provide any relevant information, but in no circumstances shall our executive Director(s), who participate in such meeting, be counted towards the quorum or allowed to vote in such meeting), whether or not to take up, or whether or not to allow any Covenantor(s) or his/its associate(s) to participate in, a New Business Opportunity referred to us under the terms of the Deed of Non-competition from time to time and if so, any conditions to be imposed;
- (4) our Board will ensure reporting any event relating to potential conflict of interests to our independent non-executive Directors as soon as practicable when it realises or suspects any event relating to potential conflict of interests may occur during the daily operations;

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

- (5) following the reporting of any event relating to potential conflict of interests, our Board will hold a management meeting to review and evaluate the implications and risk exposures of such event and the compliance of the GEM Listing Rules in order to monitor any irregular business activities and alert the Board, including our independent non-executive Directors, to take any precautionous actions; and
- (6) in the event that there is any potential conflict of interest relating to the business of our Group between our Group and our Controlling Shareholders, the interested Directors, or as the case may be, our Controlling Shareholders would, according to the Articles or the GEM Listing Rules, be required to declare his/its interests and, where required, abstain from in the relevant board meeting and/or general meeting voting on the transaction and not count as quorum where required.

RULE 11.04 OF THE GEM LISTING RULES

Our Controlling Shareholders and our Directors do not have any interest in a business apart from our Group’s business which competes or is likely to compete, directly or indirectly, with our Group’s business, and would require disclosure pursuant to Rule 11.04 of the GEM Listing Rules.

UNDERTAKINGS

Our Company and each of our Controlling Shareholders has given certain undertakings in respect of our Shares, the Sole Sponsor and the Underwriter, details of which are set out in the section headed “Underwriting — Underwriting arrangements and expenses — Undertakings” in this [Redacted].

CORPORATE GOVERNANCE MEASURES

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

- (1) the Articles provide that a Director shall 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;
- (2) our audit committee will review, on an annual basis, compliance with the Deed of Non-competition given by our Controlling Shareholders;
- (3) 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;

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

- (4) our Company will disclose decisions on matters reviewed by our independent non-executive Directors relating to compliance and enforcement of the Deed of Non-competition of our Controlling Shareholders in the annual reports of our Company;
- (5) our independent non-executive Directors may appoint independent financial adviser and other professional advisers as they consider appropriate to advise them on any matter relating to the non-competition undertaking or connected transaction(s) at the cost of our Company;
- (6) our independent non-executive Directors will be responsible for deciding whether or not to allow any Controlling Shareholder and/or his/her/its close associates to be involved in or participate in a Restricted Business and if so, specifying any condition to be imposed; and
- (7) our Company will appoint Innovax Capital Limited as the compliance adviser which shall provide the Company with professional advice and guidance in respect of compliance with the GEM Listing Rules and applicable laws.

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.

DISCONTINUED CONNECTED TRANSACTIONS

CONNECTED PERSONS

Mr. Ting is our executive Director and our Controlling Shareholder, and Lucky Target is legally and beneficially wholly-owned by Mr. Ting. As such, each of Mr. Ting and Lucky Target is a connected person of our Company.

DISCONTINUED CONNECTED TRANSACTIONS

During the Track Record Period, we had entered into the following transactions with the relevant connected persons of our Company but such transactions had been discontinued or ceased prior to [Redacted]:

1. Wine products purchased from Mr. Ting and Lucky Target

During the Track Record Period, we have purchased certain wine products from Mr. Ting, our chairman and executive Director who is a wine collector, and Lucky Target.

- (a) On 1 September 2014, our Group purchased certain wine products from Mr. Ting that worth approximately HK\$139,000, in the ordinary course of business, on normal commercial terms and on arm’s length basis, as set out under note 30 to the Accountants’ Report in Appendix I to this [Redacted].

The purchase price for the wine products sold by Mr. Ting to our Group was determined with reference to the historical purchase price for similar wine products, as well as the market price shown on www.liv-ex.com and www.wine-searcher.com, which is in accordance with the pricing policy of our Group for wine products purchased by our Group from Independent Third Party suppliers. No similar transaction has been entered into between our Group and Mr. Ting since September 2014.

During the years ended 31 March 2010 and 2011, Mr. Ting purchased certain wine products on behalf of our Group, with his personal funds. As at 31 March 2015, the aggregate amount due to Mr. Ting by our Group amounted to approximately HK\$9,258,000 and such amount will be fully settled before [Redacted]. Save for selling wine products to our Group, Mr. Ting is not engaged in trading of wine products to other customers.

- (b) For the years ended 31 March 2014 and 2015, our Group purchased certain wine products from Lucky Target that worth approximately HK\$1,027,000 and HK\$748,000, respectively, in the ordinary course of business, on normal commercial terms and on arm’s length basis, as set out under note 30 to the Accountants’ Report in Appendix I to this [Redacted]. Save for selling wine products to our Group, Lucky Target is not engaged in trading of wine products to other customers.

DISCONTINUED CONNECTED TRANSACTIONS

The purchase price for the wine products sold by Lucky Target to our Group was determined with reference to the historical purchase price for similar wine products, as well as the market price shown on www.liv-ex.com and www.wine-searcher.com, which is in accordance with the pricing policy of our Group for wine products purchased by our Group from Independent Third Party suppliers. No similar transaction has been entered into between our Group and Lucky Target since October 2014.

As at 31 March 2015, the aggregate amount due to Lucky Target by our Group in respect of wine products sold by Lucky Target to our Group prior to the Track Record Period and up to October 2014 amounted to approximately HK\$6,898,000 and such amount had been fully settled during the year ended 31 March 2015.

Our Directors confirm that our Group has no intention of entering into similar transaction with Mr. Ting and/or his associates after [Redacted].

2. Wine products sold to Mr. Ting and Lucky Target

During the Track Record Period, Mr. Ting has purchased certain wine products from our Group for his personal consumption. Notwithstanding the wine products we sold to Mr. Ting were for his own consumption, we sold some of our wine products to Lucky Target instead of Mr. Ting at the direction of Mr. Ting in order to set off the trade payables we owed to Lucky Target which were arisen from our purchase of wine products from Lucky Target.

- (a) In September 2014, our Group sold certain wine products to Mr. Ting that worth approximately HK\$32,000, in the ordinary course of business, on normal commercial terms and on arm's length basis, as set out under note 30 to the Accountants' Report in Appendix I to this [Redacted]. The selling price for the wine products sold by our Group to Mr. Ting was determined on a cost-plus approach, which is in accordance with the pricing policy of our Group for wine products sold by our Group to Independent Third Party customers.

No similar transaction has been entered into between our Group and Mr. Ting since October 2014.

- (b) In December 2013, our Group sold certain wine products to Lucky Target that worth approximately HK\$98,000, in the ordinary course of business, on normal commercial terms and on arm's length basis, as set out under note 30 to the Accountants' Report in Appendix I to this [Redacted].

The selling price for the wine products sold by our Group to Lucky Target was determined on a cost-plus approach, which is in accordance with the pricing policy of our Group for wine products sold by our Group to Independent Third Party customers.

No similar transaction has been entered into between our Group and Lucky Target since January 2014.

DISCONTINUED CONNECTED TRANSACTIONS

3. Shareholder’s loan provided by Mr. Ting

Mr. Ting provided a shareholder’s loan with a principal amount of HK\$13,500,000 to Madison (China) pursuant to a loan agreement dated 15 May 2014. Pursuant to the aforementioned loan agreement, the loan from Mr. Ting was unsecured and interest-bearing at 12% per annum, repayable on or before the first anniversary of the loan. The shareholder’s loan, which was funded by his own resources, was used for general working capital by Madison (China). The terms of the loan agreement was determined after arm’s length negotiation between Mr. Ting and Madison (China) on normal commercial terms. The interest paid by us to Mr. Ting amounted to approximately HK\$745,000, and the entire loan amount and interest accrued were fully repaid in January 2015.

DIRECTORS AND SENIOR MANAGEMENT

OVERVIEW

Our Board currently consists of six Directors, comprising three executive Directors and three independent non-executive Directors. Our Directors are supported by our senior management in the day-to-day management of our business. The following table sets out information regarding our Directors and our senior management:

DIRECTORS

Name	Age	Position	Date of joining our Group	Date of appointment as Director	Responsibilities	Relationship with other Directors and senior management
Mr. Ting Pang Wan, Raymond (丁鵬雲)	42	Chairman and executive Director	April 1997	Appointed as a Director on 15 April 2015 and re-designated as an executive Director on 14 May 2015	Responsible for major decision-making; implementation of business strategies; and overseeing the overall operation of our Group	None
Mr. Kao Sheng-Chi (高聖祺)	51	Deputy chairman and executive Director	January 2015	Appointed as an executive Director on 14 May 2015	Responsible for general and day-to-day management, administration and operation of our Group	None
Mr. Zhu Qin (朱欽)	37	President and executive Director	February 2012	Appointed as an executive Director on 14 May 2015	Responsible for managing the operation of our Group; planning and executing our corporate strategies; and the handling of external relationship of our Group	None

DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Position	Date of joining our Group	Date of appointment as Director	Responsibilities	Relationship with other Directors and senior management
Ms. Debra Elaine Meiburg	54	Independent non-executive Director	[●]	[●]	Responsible for overseeing the management of our Group independently	None
Ms. Fan Wei (范偉)	59	Independent non-executive Director	[●]	[●]	Responsible for overseeing the management of our Group independently	None
Mr. Chu Kin Wang, Peleus (朱健宏)	50	Independent non-executive Director	[●]	[●]	Responsible for overseeing the management of our Group independently	None

Executive Directors

Mr. TING Pang Wan, Raymond (丁鵬雲先生) (“Mr. Ting”), aged 42, is the founder and the chairman of our Group. He was appointed as a Director on 15 April 2015 and re-designated as an executive Director on 14 May 2015 and is our Controlling Shareholder. Mr. Ting is also the chairman of the nomination and corporate governance committee and a member of the remuneration committee and also held directorships in various subsidiaries of our Group. He is primarily responsible for major decision-making, implementation of business strategies and overseeing the overall operation of our Group.

Prior to founding our Group in April 1997, Mr. Ting had been executive director, the chairman and non-executive director of a mobile communications company which was then known as China Motion Telecom International Limited (now known as Ground Properties Company Limited) and listed on the Main Board of the Stock Exchange (Stock code 0989:HK) from October 2006 to November 2013, from November 2006 to November 2013 and from November 2013 to August 2014, respectively. He had also been the adviser of the board of directors, executive director and the chairman of Credit China Holdings Limited, a company listed on GEM (Stock code 8207:HK) and principally engaged in providing financing services to small to medium sized enterprises and individuals in China and Hong Kong for the period from November 2010 to September 2012, from September 2012 to July 2014 and from October 2012 to July 2014, respectively.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Ting studied in Beloit College in the US from June 1992 to May 1994. Save as disclosed above, during the three years immediately preceding the Latest Practicable Date, Mr. Ting has not been a director of a public company, the securities of which are listed on any securities market in Hong Kong or overseas.

Mr. Ting was also the director of Pacific Lucky Development Limited (瑞樺發展有限公司), a company which was incorporated in Hong Kong and dissolved by deregistration by the Registrar of Companies of Hong Kong as a defunct company pursuant to section 291 of the Predecessor Companies Ordinance and such company was dissolved on 9 August 2002.

Mr. KAO Sheng-Chi (高聖祺先生) (“Mr. Kao”), aged 51, is the deputy chairman of our Group and was appointed as an executive Director on 14 May 2015. He also held directorships in various subsidiaries of our Group. Mr. Kao is primarily responsible for general and day-to-day management, administration and operation of our Group. He is also in charge of the procurement and supply, sales, operations and marketing functions of our Group.

Mr. Kao has been the Maître of the Shanghai Chapter of the Commanderie de Bordeaux since November 2005 and was the chief executive officer of Acker, Merrall & Condit (Asia) Limited, which is a fine and rare wine auction house, during the period from January 2014 to December 2014, where he was part of the management team overseeing the overall business.

Mr. Kao graduated from The University of Texas at Austin in the US in May 1987 with a bachelor’s degree in natural sciences. During the three years immediately preceding the Latest Practicable Date, Mr. Kao has not been a director of a public company the securities of which are listed on any securities market in Hong Kong or overseas.

Mr. ZHU Qin (朱欽先生) (“Mr. Zhu”), aged 37, is the president of our Group and was appointed as an executive Director on 14 May 2015. He also held directorships in various subsidiaries of our Group. Mr. Zhu is primarily responsible for managing the operation of our Group; planning and executing our corporate strategies; and the handling of external relationship of our Group. He is also in charge of the human resources and accounts functions of our Group. Prior to joining our Group, Mr. Zhu had been the marketing director of Shanghai Volkswagen Automotive Co., Ltd., a company engaging in the manufacturing and sales of automobiles, where he was primarily responsible for sales and marketing.

Mr. Zhu graduated from Shanghai Jiao Tong University in the PRC with a bachelor’s degree in industrial foreign trade in July 1999. During the three years immediately preceding the Latest Practicable Date, Mr. Zhu has not been a director of a public company the securities of which are listed on any securities market in Hong Kong or overseas.

DIRECTORS AND SENIOR MANAGEMENT

Independent non-executive Directors

Ms. Debra Elaine MEIBURG (“Ms. Meiburg”), aged 54, was appointed as an independent non-executive Director of our Company on [●] and is also a member of each of the audit committee, remuneration committee and the nomination and corporate governance committee. She is an award-winning wine journalist and was awarded the Master of Wine title by the Institute of Masters of Wine, which has been promoting professional excellence and knowledge of the art, science and business of wine for 60 years and now spans 24 countries, in November 2008. In March 2012, she was also awarded the Premio Internazionale Vinitaly. Ms. Meiburg is a Certified Wine Educator of the Society of Wine Educators and a Certified Wine Judge of American Wine Society. She completed the Advanced Wine Assessment Course offered by The Australian Wine Research Institute in October 2005 and obtained the Higher Certificate (now known as Level 3 Award in Wines and Spirits) from Wine and Spirit Education Trust in August 1997. She is the author of “Debra Meiburg’s Guide to the Hong Kong Wine Trade” and “Debra Meiburg’s Guide to the Shanghai Wine Trade”.

Since December 2008, Ms. Meiburg has been the director of Meiburg Wine Media Ltd. (formerly known as Win Universal Limited), which organises wine events, conferences, training and issues wine related publications. She is a director of AFS Intercultural Exchanges Limited, which is an affiliate of a New York based international non-governmental and non-profit voluntary organisation dedicated to promoting international exchange activities, from September 2007. She was also a director of Win Media (Hong Kong) Company Ltd, which principally involved in broadcast media, from October 2009 to March 2014.

Ms. Meiburg completed the Board Directorship Program offered by the faculty of business and economics of The University of Hong Kong in June 2014 and obtained a master’s degree of science in service management from Rochester Institute of Technology in November 2005. She graduated from Sonoma State University, California, with a bachelor’s degree of arts in Management (Accounting) in June 1990 and a bachelor’s degree of arts in Spanish in June 1990. During the three years immediately preceding the Latest Practicable Date, Ms. Meiburg has not been a director of a public company the securities of which are listed on any securities market in Hong Kong or overseas.

Ms. FAN Wei (范偉女士) (“Ms. Fan”), aged 59, was appointed as an independent non-executive Director of our Company on [●] and is also the chairlady of the remuneration committee and a member of each of the audit committee and the nomination and corporate governance committee. Since September 2013, Ms. Fan has been the general secretary of 深圳市博雅文化研究基金會 (Boya Culture Foundation*), which is committed to improving quality of academic researches, popularising traditional Chinese culture, facilitating the cultural exchange with its foreign counterparts, and funding activities which promote traditional Chinese culture. She served at Dong Yuan (Hong Kong) International Limited, which principally engaged in strategic investments, consulting, financial services, logistics and trading business, and held the position of executive vice president from March 2011 to June 2012. From December 2005 to October 2010, Ms. Fan was the deputy chief executive officer, a member of the remuneration committee and held directorships in various subsidiaries of a company which was then known as China Motion Telecom International Limited (now known as Ground Properties Company Limited) and listed on the Main Board of the Stock Exchange (Stock code 0989:HK).

DIRECTORS AND SENIOR MANAGEMENT

Ms. Fan graduated from Murdoch University in Australia with a master’s degree in business administration in March 2001. During the three years immediately preceding the Latest Practicable Date, Ms. Fan has not been a director of a public company the securities of which are listed on any securities market in Hong Kong or overseas.

Ms. Fan was also the director of Empress Development Limited (帝后發展有限公司), a company which was incorporated in Hong Kong and dissolved by deregistration by the Registrar of Companies of Hong Kong as a defunct company pursuant to section 291 of the Predecessor Companies Ordinance and such company was dissolved on 21 December 2001.

Mr. CHU Kin Wang, Peleus (朱健宏先生) (“Mr. Chu”), aged 50, was appointed as an independent non-executive Director of our Company on [●] and is also the chairman of the audit committee and a member of each of the remuneration committee and the nomination and corporate governance committee. Since December 2008, he has been the executive director of Chinese People Holdings Company Limited (Stock code 0681:HK), a company listed on the Main Board of the Stock Exchange. During the period from September 2005 to March 2007, Mr. Chu was an executive director of Mastermind Capital Limited (Stock code 0905:HK), a company listed on the Main Board of the Stock Exchange, and known as Haywood Investments Limited during the relevant period. Mr. Chu has been an independent non-executive director of the following companies listed on the Main Board of the Stock Exchange or GEM:

- Telecom Service One Holdings Limited (Stock code 8145:HK) since May 2013
- EDS Wellness Holdings Limited (Stock code 8176:HK) since March 2012
- China Vehicle Components Technology Holdings Limited (Stock code 1269:HK) since October 2011
- Flyke International Holdings Ltd. (Stock code 1998:HK) since February 2010
- Huayu Expressway Group Limited (Stock code 1823:HK) since May 2009
- EYANG Holdings (Group) Co., Limited (Stock code 0117:HK) since April 2007

Mr. Chu graduated from The University of Hong Kong with a master’s degree in business administration in December 1998. Mr. Chu is a fellow practicing member of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Association of Chartered Certified Accountants, an associate member of the Hong Kong Institute of Chartered Secretaries (formerly known as the Hong Kong Institute of Company Secretaries) and the Institute of Chartered Secretaries and Administrators.

DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Name	Age	Position	Date of joining our Group	Date of appointment of current position	Responsibilities	Relationship with other Directors and senior management
Ms. Chan Suk Yin (陳淑賢)	43	Vice president	June 2015	June 2015	Responsible for the overall audit, accounting, budgeting and financial operations of the Group	None
Mr. Wong Hok Leung, Felix (黃學良)	30	Financial controller	October 2012	October 2012	Responsible for overseeing the financial operations of our Group	None
Ms. Tse Ka Yan (謝嘉欣)	30	Company secretary	May 2015	May 2015	Responsible for the company secretarial matters of our Group	None

Ms. CHAN Suk Yin (陳淑賢女士) (“Ms. Chan”), aged 43, was appointed as vice president of our Company on 1 June 2015 and is principally responsible for the overall audit, accounting, budgeting and financial operations of our Group. She has over 17 years of experience in financial reporting and management reporting in listed companies. Between October 2012 and August 2014, Ms. Chan was the senior finance manager of Vigo Hong Kong Investment Limited, a subsidiary of Credit China Holdings Limited, which is listed on GEM (Stock code 8207:HK), and principally engaging in the provision of loan services and financing consultancy services and she was transferred to China Runking Financing Group Holdings Limited, also a subsidiary of Credit China Holdings Limited, with the same position from August 2014 to May 2015. Ms. Chan was the accounting manager of TCL Electronics (HK) Limited, a subsidiary of TCL Multimedia Technology Holdings Limited, which is listed on the Main Board of the Stock Exchange (Stock code 1070:HK), and engaging in the manufacturing and sales of TV and other audio visual products as the accounting manager from October 2007 to October 2012. Ms. Chan was the senior accountant responsible for financial reporting of Shougang Concord International Enterprises Company Limited, which is listed on the Main Board of the Stock Exchange (Stock code 0697:HK) from October 2001 to July 2007.

DIRECTORS AND SENIOR MANAGEMENT

Ms. Chan graduated from The Hong Kong Polytechnic University with a master’s degree in professional accounting in November 2004 and obtained her bachelor’s degree in business administration (in accounting) from Hong Kong Baptist University in November 1995. She is an associate member of the Institute of Chartered Accountants in England and Wales, a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants (formerly known as Hong Kong Society of Accountants). During the three years immediately preceding the Latest Practicable Date, Ms. Chan has not been a director of a public company the securities of which are listed on any securities market in Hong Kong or overseas.

Mr. WONG Hok Leung Felix (黃學良先生) (“Mr. Wong”), aged 30, is the financial controller of our Company. Mr. Wong joined the Group as the financial controller of Madison (China) on 15 October 2012 and is principally responsible for our Group’s financial management. He has over six years of experience in financial reporting and management reporting. Prior to joining our Group, Mr. Wong was senior consultant of BMI Merger and Acquisition Market Limited from January 2010 to October 2012. He worked in Citibank (Hong Kong) Limited responsible for the preparation of management reports, revenue projection and budget for the period from September 2008 to September 2009.

Mr. Wong graduated from The University of New South Wales in Australia with a bachelor’s degree in economics (in finance and financial economics) in September 2008. During the three years immediately preceding the Latest Practicable Date, Mr. Wong has not been a director of a public company the securities of which are listed on any securities market in Hong Kong or overseas.

COMPANY SECRETARY

Ms. TSE Ka Yan (謝嘉欣女士) (“Ms. Tse”), aged 30, was appointed as the company secretary of our Company on 14 May 2015. She is responsible for handling the company secretarial matters of our Group. Ms. Tse has over eight years of experience in company secretarial sector of listed companies and professional firm. Prior to joining our Group, she was the senior company secretarial officer of Vigo Hong Kong Investment Limited, a wholly-owned subsidiary of Credit China Holdings Limited, which is listed on GEM (Stock code: 8207:HK), from February 2014 to August 2014 and she was subsequently transferred to China Runking Financing Group Holdings Limited, also a subsidiary of Credit China Holdings Limited, with the same position from August 2014 to April 2015. She joined Hopewell Holdings Limited (Stock code 0054:HK), a company engaged in property development and investment, highway infrastructure, power, hotel and hospitality and other businesses for the period from November 2009 to December 2013. Ms. Tse also worked for Intertrust Corporate Services Limited from June 2007 to November 2009.

Ms. Tse graduated from Lingnan University in Hong Kong with a bachelor’s degree in business administration in October 2007. Ms. Tse is an associate member of the Hong Kong Institute of Chartered Secretaries and an associate member of Institute of Chartered Secretaries and Administrators.

DIRECTORS AND SENIOR MANAGEMENT

COMMITTEES OF THE BOARD OF DIRECTORS

Our Board of Directors delegates certain responsibilities to various committees. In accordance with our Articles of Association and the GEM Listing Rules, we have formed three board committees, namely the audit committee, remuneration committee and the nomination and corporate governance committee.

Audit committee

Our Company established the audit committee with written terms of reference in compliance with Rule 5.28 of the GEM Listing Rules pursuant to a resolution of our Directors passed on [●]. The primary duties of our audit committee are mainly to make recommendations to our Board on the appointment and removal of the external auditor, review the financial statements and material advice in respect of financial reporting and oversee the internal control procedures of our Company. At present, our audit committee comprises Mr. Chu, Ms. Meiburg and Ms. Fan, all being independent non-executive Directors. Mr. Chu is the chairman of our audit committee.

Remuneration committee

Our Company established the remuneration committee pursuant to a resolution of Directors passed on [●] in compliance with Rule 5.34 of the GEM Listing Rules with written terms of reference in compliance with the Corporate Governance Code. The primary functions of our remuneration committee are to make recommendation to our Board on the overall remuneration policy and structure relating to all Directors and senior management of our Group, review performance based remuneration and ensure none of our Directors determine their own remuneration. At present, our remuneration committee comprises Mr. Ting, Mr. Chu, Ms. Meiburg and Ms. Fan. Ms. Fan is the chairlady of our remuneration committee.

Nomination and corporate governance committee

Our Company established the nomination and corporate governance committee pursuant to a resolution of our Directors passed on [●] with written terms of reference in compliance with the Corporate Governance Code. The primary functions of our nomination and corporate governance committee are to make recommendations to our Board regarding candidates to fill vacancies on our Board and policies/practices on corporate governance of our Group. At present, our nomination and corporate governance committee comprises Mr. Ting, Mr. Chu, Ms. Meiburg and Ms. Fan. Mr. Ting is the chairman of our nomination and corporate governance committee.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Our Directors receive remuneration in the form of director fees, salaries, allowances and other benefits as well as contributions to retirement benefit scheme. The total compensation accrued to our Directors for the years ended 31 March 2014 and 2015 was approximately HK\$0.7 million and HK\$1.2 million, respectively.

DIRECTORS AND SENIOR MANAGEMENT

The aggregate compensation (including Directors fees, salaries, contributions to retirement benefit scheme, allowances and other benefits) paid to our five highest paid individuals during the two years ended 31 March 2014 and 2015 was approximately HK\$2.9 million and HK\$4.0 million, respectively.

Under the arrangement currently in force, we estimate the total compensation to be paid or accrued to our Directors for the year ending 31 March 2016 to be HK\$4.3 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 2014 and 2015. 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 two financial years ended 31 March 2014 and 2015 by us or any of our subsidiaries to our Directors.

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 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.

After [Redacted], our Company’s remuneration committee will review and determine the remuneration and compensation packages of our Directors with reference to their responsibilities, workload, the time devoted to our Group and the performance of our Group.

SHARE OPTION SCHEME

We have conditionally adopted the Share Option Scheme on [●], the purpose of which is to motivate the relevant participants to optimise their future contributions to our Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with such participants who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of our Group.

The principal terms of this Share Option Scheme are summarised in the section headed “Share Option Scheme” in Appendix IV to this [Redacted].

The maximum number of Shares which may be issued, upon exercise of all options that may be granted under the Share Option Scheme and any other option scheme involving the issue or grant of options over Shares or other securities by our Company or any of its subsidiaries or invested entity shall not in aggregate exceed 10% of the aggregate nominal amount of the share capital of our

DIRECTORS AND SENIOR MANAGEMENT

Company in issue as of the [Redacted]; and the Board has been authorised to determine the grant of a right to subscribe for Shares under, and pursuant to the terms of the Share Option Scheme and to determine the grantees, number of options to be granted to each grantee and the terms and conditions of such grants pursuant to the terms of, the Share Option Scheme.

DIRECTORS’ INTEREST

Save as disclosed in this section, each of our Directors (i) did not hold other positions in our Company or other members of our Group as of the Latest Practicable Date, (ii) had no other relationship with any Directors, senior management or substantial or Controlling Shareholders of our Company as of the Latest Practicable Date, and (iii) did not hold any directorship in any other listed companies in the three years immediately preceding the Latest Practicable Date.

To the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, save as disclosed herein, there was no additional matter with respect to the appointment of our Directors that needs to be brought to the attention of the Shareholders, and there was no additional information relating to our Directors that is required to be disclosed pursuant to 17.50(2)(h) to 17.50(2)(v) of the GEM Listing Rules as of the Latest Practicable Date.

COMPLIANCE ADVISER

In accordance with Rule 6A.19 of the GEM Listing Rules, we will appoint Innovax Capital Limited as our compliance adviser which will have access to all relevant records and information relating to our Group that it may reasonably require to properly perform its duties. Pursuant to Rule 6A.23 of the GEM Listing Rules, the compliance adviser will advise us, among others, at the following circumstances:

- (1) before the publication of any regulatory announcement, circular or financial report;
- (2) where a transaction, which might be a notifiable or connected transaction under the GEM Listing Rules, is contemplated including share issues and share buy-back;
- (3) where our Company proposes to use the proceeds of the [Redacted] in a manner different from that detailed in this [Redacted] or where our business activities, developments or results deviate from any forecast, estimate, or other information in this [Redacted]; and
- (4) where the Stock Exchange makes an inquiry of us regarding unusual movements in the price or trading volume of our Shares.

The appointment of our compliance adviser shall commence on the [Redacted] and end on the date on which our Company complies with Rule 18.03 of the GEM Listing Rules in respect of its financial results for the second full financial year commencing after the [Redacted] and such appointment shall be subject to extension by mutual agreement.

SUBSTANTIAL SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

Immediately following completion of the [Redacted] and the Capitalisation Issue (without taking into account the Shares which may be allotted and issued pursuant to the exercise of the [Redacted] and 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:

(a) *Long position in our Shares*

Name	Capacity/Nature of interest	As at the Latest Practicable Date		Immediately after completion of the [Redacted] and the Capitalisation Issue	
		No. of Shares held	Approximate percentage of shareholding	No. of Shares held	Approximate percentage of shareholding
Royal Spectrum	Beneficial owner ^(Note 1)	1 Share	100%	[Redacted] Shares	[Redacted]%
Devoss Global	Interest in controlled corporation ^(Note 2)	1 Share	100%	[Redacted] Shares	[Redacted]%
Mr. Ting	Interest in controlled corporation ^(Note 2)	1 Share	100%	[Redacted] Shares	[Redacted]%
Ms. Luu Huyen Boi	Interest of spouse ^(Note 3)	1 Share	100%	[Redacted] Shares	[Redacted]%

Notes:

1. The entire issued share capital of Royal Spectrum is legally and beneficially owned as to 77.3% by Devoss Global, 20% by Universal Chinese, and 2.7% by Montrachet. Devoss Global is deemed to be interested in the Shares held by Royal Spectrum under Part XV of the SFO.
2. The entire issued share capital of Devoss Global is legally and beneficially owned by Mr. Ting. Mr. Ting is deemed to be interested in the Shares in which Devoss Global is interested in under Part XV of the SFO.
3. Ms. Luu Huyen Boi is the spouse of Mr. Ting. Ms. Luu Huyen Boi is deemed to be interested in all the Shares in which Mr. Ting is interested in under Part XV of the SFO.

SUBSTANTIAL SHAREHOLDERS

(b) *Person interested in 10% or more of the nominal value of the share capital of other members of our Group*

Name	Name of member of our Group	Number of shares held <i>(Note)</i>	Approximate percentage of shareholding
Mr. James Peter Woodhead	Madison Wine Trading	20 ^(L)	20%

Note: The letter “L” denotes to the long position in the shares.

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

Each of the Controlling Shareholders has given certain undertakings in respect of the Shares held by them to our Company, the Sole Sponsor, the [Redacted] and the Underwriters, details of which are set out under the section headed “Underwriting — Underwriting arrangements and expenses — Undertakings” in this [Redacted]. Each of the Controlling Shareholders has 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

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

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

		HK\$
<i>Authorised share capital:</i>		
[Redacted]	Shares	[Redacted]
<i>Shares in issue or to be issued, fully paid or credited as fully paid:</i>		
[Redacted]	Shares in issue as at the date of this [Redacted]	[Redacted]
[Redacted]	Shares to be issued pursuant to Capitalisation Issue	[Redacted]
[Redacted]	New Shares to be issued pursuant to the [Redacted]	[Redacted]
<u>[Redacted]</u>	Total	<u>[Redacted]</u>

Note: If the [Redacted] is exercised in full, then [Redacted] additional Shares will be issued resulting in a total issued share capital of [Redacted] Shares with an aggregate nominal value of HK\$[Redacted].

ASSUMPTIONS

The table as shown above assume the [Redacted] becoming unconditional and the allotment and issue of Shares pursuant thereto and under the Capitalisation Issue is made as described herein. It does not take into account of any Shares which may be allotted and issued pursuant to the exercise of the [Redacted] and any options which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or bought back by our Company pursuant to the general mandate given to our Directors to allot and issue or buy back Shares referred to in the paragraph headed “General mandate to issue Shares” or the paragraph headed “General mandate to buy-back Shares” in this section, as the case may be.

MINIMUM PUBLIC FLOAT

[Redacted]

RANKING

The [Redacted] will rank *pari passu* in all respects with all the Shares in issue or to be issued as mentioned in this [Redacted] and will qualify for all dividends and other distributions declared, paid or made on the Shares in respect of a record date which falls after the [Redacted] (except for the entitlement under the Capitalisation Issue).

SHARE CAPITAL

SHARE OPTION SCHEME

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

GENERAL MANDATE TO ISSUE SHARES

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

- (a) 20% of the aggregate nominal value of the share capital of the Company in issue immediately following the completion of the [Redacted] and the Capitalisation Issue; and
- (b) the aggregate nominal value of the share capital of the Company bought back pursuant to the authority granted to our Directors as referred to in the paragraph headed “General mandate to buy back Shares” in this section.

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

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

For further details of this general mandate, please refer to the section headed “Further Information about our Group — Written resolutions of our Shareholders dated [●]” in Appendix IV to this [Redacted].

SHARE CAPITAL

GENERAL MANDATE TO BUY BACK SHARES

Subject to the conditions set forth in the section headed “Structure and conditions of the [Redacted]” in this [Redacted] being fulfilled, our Directors have been granted a general mandate to exercise all the powers of our Company to purchase on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, such number of Shares as will represent up to 10% of the aggregate nominal value of the Shares in issue immediately following completion of the [Redacted] and the Capitalisation Issue.

For further details of this general mandate, please refer to the section headed “Further Information about our Group — Buy-back by our Company of its own securities” in Appendix IV to this [Redacted].

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

Pursuant to the Companies Law and the terms of the Memorandum and Articles of Association, our Company may from time to time by ordinary resolution of shareholders (i) increase its capital, (ii) consolidate and divide its capital into Shares of larger amount, (iii) divide its Shares into several classes, (iv) subdivide its Shares into Shares of smaller amount, and (v) cancel any Shares which have not been taken. In addition, our Company may subject to the provisions of the Companies Law reduce its share capital or capital redemption reserve by its Shareholders passing a special resolution. For further details, please refer to the section headed “Summary of the Constitution of the Company and the Cayman Islands Companies law — Articles of association — Alteration of capital” in Appendix III to this [Redacted].

Pursuant to the Companies Law and the terms of the Memorandum and Articles of Association, all or any of the special rights attached to the Share or any class of Shares may be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued Shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the Shares of that class. For further details, please refer to the section headed “Summary of the Constitution of the Company and the Cayman Islands Companies Law — Articles of Association — Variation of rights of existing shares or classes of shares” in Appendix III to this [Redacted].

FINANCIAL INFORMATION

You should read this section in conjunction with our combined financial statements for the years ended 31 March 2014 and 2015, including the notes thereto as set out in our Accountants’ Report in Appendix I to this [Redacted] (the “Combined Financial Statements”). The Combined Financial Statements have been prepared in accordance with the HKFRS, which may differ in significant respects from generally accepted accounting principles in other jurisdictions.

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

OVERVIEW

We are a wine specialist in Hong Kong engaged in the sale of a wide spectrum of wine products and other alcoholic beverages with a focus on Premier Collectible Red Wine and Fine Red Wine as well as the provision of a range of customer-centric supplemental services.

We implement an integrated one-stop shop concept with a full range of products and value-added services with an objective to enhancing our customer convenience, satisfaction and retention. Our one stop-shop concept encompasses our (i) wine products, which is classified into Premier Collectible Red Wine, Fine Red Wine, Premier Collectible White Wine and Fine White Wine, (ii) other alcoholic beverages, which include our selections of champagnes, proseccos, sparkling wines, cognacs, whiskies and nobel wines, (iii) wine accessory products such as wine opening devices, decanters and wine glasses, (iv) consultation services, (v) sourcing services, (vi) delivery services, (vii) storage services, (viii) evaluation services and (ix) consignment services. Predominantly, we focus on the sale of wine products and in particular, Premier Collectible Red Wine and Fine Red Wine. For the years ended 31 March 2014 and 2015, revenue generated from the sales of Premier Collectible Red Wine and Fine Red Wine collectively accounted for approximately 90.5% and 92.3% of our total revenue, respectively, and as at 31 March 2014 and 2015, our inventory of Premier Collectible Red Wine and Fine Red Wine collectively accounted for approximately 89.3% and 86.4% of our total inventories.

During the Track Record Period and up to the Latest Practicable Date, all of our sales were derived in Hong Kong. During the Track Record Period, our revenue increased from approximately HK\$70.0 million for the year ended 31 March 2014 to approximately HK\$145.7 million for the year ended 31 March 2015, and our net profit increased from approximately HK\$7.2 million for the year ended 31 March 2014 to approximately HK\$14.3 million for the year ended 31 March 2015, respectively. Such increase was primarily attributable to the increase in the sale of our Premier Collectible Red Wine, being our key product category, which accounted for approximately 75.8% and 70.4% of our total revenue for the years ended 31 March 2014 and 2015, respectively.

FINANCIAL INFORMATION

RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

Our business model, revenue structure, financial performance, profitability and cost structure remained unchanged since 31 March 2015. Based on our unaudited management accounts, we continued to record a stable growth in our revenue for the one month ended 30 April 2015, as compared to the one month ended 30 April 2014, which is primarily attributable to the continuous expansion of our business.

For the month ended 30 April 2015, approximately 8.1% of our inventories balance had been subsequently sold. As at 31 March 2015, approximately 86.7% of the outstanding trade receivable balance as at 31 March 2015 had been subsequently settled and the entire outstanding trade payables balance as at 31 March 2015 had been subsequently settled.

During the month ended 30 April 2015, we sold 1,277 bottles of Premier Collectible Red Wines, representing an increase of approximately 28.6% and the average selling price of our Premier Collectible Red Wines increased by approximately 30.4%, as compared to 993 bottles in the month ended 30 April 2014. As the result, we recorded growth for the month ended 30 April 2015 as compared to the month ended 30 April 2014.

As at 30 April 2015, save for the amount due to one of our Directors of approximately HK\$9.3 million, which will be settled in full prior to [Redacted], and our intra-group liabilities, our Group did not have any outstanding indebtedness, any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptance or acceptable credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities.

Save as disclosed in the paragraphs headed “[Redacted]” and “[Redacted] investments” in this section, our Directors, after performing reasonable due diligence, confirmed that since 31 March 2015 and up to the date of this [Redacted], (i) there had been no material adverse change in the market conditions, the industry and the regulatory environment in which our Group operates that would affect our financial or operating position materially and adversely, (ii) there was no material change in the business, trading and financial position and prospects of our Group, and (iii) no event had occurred that would affect the information shown in the Accountants’ Report set out in Appendix I to this [Redacted] materially and adversely.

BASIS OF PRESENTATION OF OUR COMBINED FINANCIAL INFORMATION

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 15 April 2015. Upon completion of our Reorganisation, our Company became 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 — Reorganisation” in this [Redacted]. Our Company acts as an investment holding company and has not carried out any business since the date of its incorporation save for the Reorganisation.

The financial information of our Group has been prepared by our Directors based on the underlying financial statements of our Group in accordance with HKFRS issued by the HKICPA, on the basis provided in note 2 of section A to the Accountants’ Report set out in Appendix I to this [Redacted], with no adjustments thereto, and in accordance with the applicable disclosures required by the GEM Listing Rules and by the Companies Ordinance.

The financial information has been prepared on a historical basis, which is generally based on the fair value of the consideration given in exchange for goods and services. These financial statements are presented in Hong Kong dollars, all values are rounded to the nearest thousand, except where otherwise indicated.

FINANCIAL INFORMATION

KEY FACTORS AFFECTING OUR FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

Our financial condition and results of operations have been and will continue to be affected by a number of factors, many of which may be beyond our control, including those factors set out in the section headed “Risk Factors” in this [Redacted] and those set out below:

- Fluctuations in our operational costs
- Fluctuations in prevailing market prices of wine products
- Seasonal fluctuations
- Economic conditions in Hong Kong
- Competition

Fluctuations in our operational costs

Our operational costs primarily consist of cost of sales, staff cost and rental expenses.

Cost of sales

Cost of sales represented our cost in relation to the purchases of wine products from our suppliers, which will be recognised when we conclude a sales transaction. Cost of sales is the largest component of our operational cost and overheads, and has a direct and significant impact on our profit margins. For the years ended 31 March 2014 and 2015, our cost of sales were approximately HK\$45.4 million and HK\$105.6 million, respectively, representing approximately 64.9% and 72.5% of our total revenue, respectively. We consider the increase in cost of sales is generally in line with our business growth and the increase in our sales volume during the Track Record Period. 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 have any other long-term supply contracts with our suppliers as at the Latest Practicable Date and we make our purchases on an order-by-order basis. As such, changes in product pricing listed by our suppliers will have a direct impact on our profit margin. For further details regarding our procurement, please refer to the section headed “Business — Procurement and supply” in this [Redacted].

FINANCIAL INFORMATION

The following sensitivity analysis illustrates the impact of hypothetical fluctuations in our cost of sales on our gross profit for the years ended 31 March 2014 and 2015. Fluctuations are assumed to be 4.0%, 8.0% and 12.0% for the years ended 31 March 2014 and 2015, which correspond to the range of historical fluctuations of our cost of sales during the Track Record Period.

Hypothetical fluctuation	-12%	-8%	-4%	4%	8%	12%
--------------------------	------	-----	-----	----	----	-----

Impact on certain combined statements of comprehensive income items for the year ended 31 March 2014 (HK\$'000)

Change in cost of sales	(5,442)	(3,628)	(1,814)	1,814	3,628	5,442
Change in gross profit	5,442	3,628	1,814	(1,814)	(3,628)	(5,442)

Impact on certain combined statements of comprehensive income items for the year ended 31 March 2015 (HK\$'000)

Change in cost of sales	(12,670)	(8,447)	(4,223)	4,223	8,447	12,670
Change in gross profit	12,670	8,447	4,223	(4,223)	(8,447)	(12,670)

Staff costs

We seek to motivate and retain valuable and talented staff by offering competitive compensation and remuneration packages. For the years ended 31 March 2014 and 2015, our total staff costs amounted to approximately HK\$5.4 million and HK\$9.4 million, respectively, representing approximately 7.7% and 6.5% of our total revenue, respectively. Our staff costs comprised (i) the remuneration we paid to our Directors, (ii) the salaries, allowance and other benefits we paid to our employees, (iii) sales commission, and (iv) our contributions to retirement benefit scheme. As our business operations expand, we expect to hire more staff and our staff costs will continue to increase. We consider any future changes in minimum wage rate have limited implications on our operations as we offer attractive remuneration packages beyond the minimum wage rate. Nevertheless, 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 affect our results of operations.

Rental expenses

Rental expense is one of the major costs in our business operations. As at the Latest Practicable Date, we did not own any properties. For the years ended 31 March 2014 and 2015, the operating lease payments in respect of our head office, our current store and our external warehouse amounted to approximately HK\$4.5 million and HK\$5.7 million, respectively, representing approximately 6.4% and 3.9% of our total revenue, respectively. As at the Latest Practicable Date, (i) our head office, which includes our storage warehouse, is situated in North Point with an aggregate area of 9,000 sq. ft. and lease term of three years commencing from 15 March 2014 to 14 March 2017, (ii) our current store is situated in Wan Chai with an aggregate area of 2,132 sq. ft. and lease term of three years

FINANCIAL INFORMATION

commencing from 25 July 2012 to 24 July 2015 and (iii) our external warehouse which is situated in Kennedy Town. In or around mid June 2015, we will relocate our current store to our new flagship store premises in Wan Chai with an area of 2,200 sq. ft. in aggregate and lease term of three years commencing from 1 April 2015 to 31 March 2018.

According to the relevant leases, we can negotiate with relevant landlords for renewal three months before the expiry of the lease agreements. 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 the existing leases on terms and conditions that are commercially acceptable to us, or we may have to renew such leases on a more expensive basis. Any substantial increase in rental expenses in future will increase the costs of our operation and may have a material adverse impact on our profitability. For further details, please refer to the section headed “Risk Factors — Our lease renewals are affected by the condition of the rental market” in this [Redacted].

Fluctuations in prevailing market prices of wine products

While we adopt a “cost-plus” approach as our primary pricing strategy, in order to maintain our competitiveness, we also make reference to prevailing market prices when we price our wine products. The market prices of most wine products are publicly available and can be found on www.liv-ex.com and www.wine-searcher.com. The market prices of wine products may fluctuate significantly and are subject to numerous factors including the tastes and preferences of consumers and their perceptions to the quality and safety of wine products. The shift of consumers’ tastes, preferences and perceptions for wine products may be attributable to, inter alia, a change in market trend, a recommendation or criticism from wine critic, a promotion campaign or a change in marketing strategies. During the Track Record Period, we did not experience any significant decrease in the market price and marketability of our wine purchases. However, if the market prices of wine products decrease in the future, we may not be able to effectively adopt our “cost-plus” approach by passing on the increase in our operating costs to our customers, which in turn may adversely affect our results of operations.

Seasonal fluctuations

Our business and operating results are subject to seasonal fluctuations. 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. During the years ended 31 March 2014 and 2015, 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, and our revenue during slack seasons, being the six months period between April 2013 and September 2013 and the six months period between April 2014 and September 2014, accounted for approximately 31.5% and 26.4% of our total revenue, respectively. These seasonal patterns may cause our operating results 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.

FINANCIAL INFORMATION

Economic conditions and regulatory framework in Hong Kong

Our business is based in Hong Kong. Our revenue is derived solely in Hong Kong during the Track Record Period, and our non-current assets are all located in Hong Kong as at 31 March 2015. Accordingly, our performance is particularly sensitive to the economic developments and regulatory framework in Hong Kong and the purchasing power of consumers in Hong Kong. According to the IPSOS Report, Hong Kong’s GDP per capita increased at a CAGR of approximately 5.2% from approximately HK\$253,000 in 2010 to approximately HK\$310,000 in 2014, and is expected to increase at a CAGR of approximately 4.1% from approximately HK\$325,000 in 2015 to approximately HK\$382,000 in 2019. Economic growth in Hong Kong over the past few years has led to a substantial growth in personal disposable income and has resulted in an increase in purchasing power and greater demand for non-necessity goods, including alcoholic beverages. According to the IPSOS Report, the average annual private consumption expenditure of alcoholic drinks per capital in Hong Kong has grown at a CAGR of approximately 22.3% from approximately HK\$1,303 in 2010 to approximately HK\$2,911 in 2014, and is expected to increase at a CAGR of approximately 3.8% from approximately HK\$3,113 in 2015 to approximately HK\$3,616 in 2019. Further, 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 was eliminated. As a result of the improved economic conditions and favourable regulatory framework toward Hong Kong wine industry in Hong Kong, we experienced significant growth in our revenue during the Track Record Period. Our total revenue increased by 108.1% from approximately HK\$70.0 million for the year ended 31 March 2014 to approximately HK\$145.7 million for the year ended 31 March 2015.

However, a recession in the economy of Hong Kong, or uncertainties regarding future economic prospects of Hong Kong, could affect consumer spending habits. We expect that our results of operations will continue to be significantly affected by changes in economic conditions and corresponding changes in disposable income and consumer spending in Hong Kong.

Competition

The Hong Kong wine industry is a competitive field. 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. According to the IPSOS Report, the wine industry in Hong Kong is consolidated and dominated by the top market players, with 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. Intensified competition could reduce our operating margins and profitability. We strive to enhance our competitiveness by implementing our business strategic as set out in the section headed “Business — Business strategies” in this [Redacted]. Our financial condition and results of operations will be affected by our ability to maintain and expand our market share and compete effectively by rapidly responding to market trend and differentiating our product offerings from those offered by our competitors.

FINANCIAL INFORMATION

KEY SOURCES OF ESTIMATION UNCERTAINTY

The key assumptions concerning the future and other key sources of estimation uncertainty as at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are provided in note 5 to the Accountants’ Report set out in Appendix I to this [Redacted].

CRITICAL ACCOUNTING POLICIES

We have identified certain accounting policies that are significant to the preparation of our financial information. These significant accounting policies are important for an understanding of our financial condition and results of operation and provided in note 4 of the Accountants’ Report set out in Appendix I to this [Redacted]. The following paragraphs discuss certain significant accounting policies applied in preparing our Group’s financial information.

Basis of consolidation

The financial information of our Group during the Track Record Period incorporates the financial information of the entities to be controlled by our Company upon the Reorganisation. Control is achieved when our Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

Our Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

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

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

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

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

FINANCIAL INFORMATION

Changes in our Group’s ownership interests in existing subsidiaries

When our Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if our Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Merger accounting for business combination involving entities under common control

The combined financial statements incorporate the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are consolidated 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 this is a shorter period, regardless of the date of the common control combination.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

Revenue from the sale of goods is recognised when the goods are delivered and title has passed, at which time all the following conditions are satisfied:

- our Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- our 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;

FINANCIAL INFORMATION

- it is probable that the economic benefits associated with the transaction will flow to our Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Consignment income is recognised when the consignment inventories are sold.

Storage service income is recognised when services are rendered.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to our Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset’s net carrying amount on initial recognition.

Plant and equipment

Plant and equipment are stated in the combined statements of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets over their estimated useful lives, using the straight-line method. The estimated useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Inventories

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

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.

Our Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease.

FINANCIAL INFORMATION

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

Employee benefits

Retirement benefit cost

Payments to the Mandatory Provident Fund Scheme and state-managed retirement benefit scheme are recognised as an expense when employees have rendered services entitling them to the contributions.

Short-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Taxation

Income tax expense represented the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from “profit before tax” 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. Our Group’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary

FINANCIAL INFORMATION

differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

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

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

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

Current and deferred tax are recognised in profit or loss, 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Summary of results of operations

For the purpose of resources allocation and performance assessment, our Directors reviewed the overall results and financial position of our Group as a whole. Accordingly, our Group has only one single operating segment.

The following table presents selected financial data relating to our results of operations during the Track Record Period as extracted from the Accountants' Report set out in Appendix I to this [Redacted]. Potential investors should read this section in conjunction with the Accountants' Report contained in Appendix I to this [Redacted] and not merely rely on the information contained in this section.

FINANCIAL INFORMATION

Combined statements of profit or loss and other comprehensive income

	Year ended 31 March	
	2014	2015
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
Revenue	70,044	145,687
Cost of sales	(45,353)	(105,587)
Gross profit	24,691	40,100
Other income	28	1,446
Selling and distribution expenses	(10,290)	(13,034)
Administrative expenses	(5,774)	(10,477)
Finance costs	—	(745)
Profit before tax	8,655	17,290
Income tax expense	(1,451)	(2,976)
Profit for the year and total comprehensive income for the year	7,204	14,314

Description of selected combined statements of profit or loss line items

Revenue

Our Group recorded an increase in overall revenue during the Track Record Period. For the years ended 31 March 2014 and 2015, our revenue amounted to approximately HK\$70.0 million and HK\$145.7 million, respectively, representing a year-on-year increase of approximately 108.1%.

We generate revenue principally from the sale of wine products. We offer an extensive range of wine products for sale, namely (i) Premier Collectible Red Wine, (ii) Fine Red Wine, (iii) Premier Collectible White Wine, and (iv) Fine White Wine. For further details of our product portfolio, please refer to the section headed “Business — Product portfolio” in this [Redacted]. During the Track Record Period, all of our revenue were solely derived in Hong Kong.

As observed by our Directors, most of our customers are local or overseas wine merchants, avid wine collectors in Hong Kong and China, renowned Hong Kong restaurants, high net individuals and businessmen. For further details of our customer portfolio, please refer to the section headed “Business — Customers” in this [Redacted]. As we continue to increase our market shares in Hong Kong and actively cultivate our clientele by implementing various marketing initiatives, including the collaboration with Fook Lam Moon Kowloon, independent customers being registered in our data base increased from a total of 556 customers for the year ended 31 March 2014 to a total of 916 customers for the year ended 31 March 2015. The expansion of our customer portfolio also reduced the level of reliance on our major customers. The revenue generated from our five largest customers accounted for approximately 26.9% and 18.5% of our total revenue, respectively, representing a decrease of

FINANCIAL INFORMATION

approximately 8.4%. The revenue generated from our single largest customer for the years ended 31 March 2014 and 2015 accounted for approximately 7.3% and 5.4% of our total revenue, respectively, representing a decrease of approximately 1.9%. During the Track Record Period, no single customer contributed over 10% of our total revenue.

We had been collaborating with Fook Lam Moon Kowloon since September 2014. Income from the consignment sales in Fook Lam Moon Kowloon is recognised when our consigned wine products are sold.

The following table sets out the breakdown of our revenue by product categories and classifications for the periods indicated:

	For the year ended 31 March			
	2014		2015	
	<i>Amount</i>	<i>Percentage of</i>	<i>Amount</i>	<i>Percentage of</i>
	<i>(HK\$'000)</i>	<i>total revenue</i>	<i>(HK\$'000)</i>	<i>total revenue</i>
		<i>(%)</i>		<i>(%)</i>
WINE PRODUCTS				
<i>Premier Collectible Red Wine</i>	53,057	75.8	102,566	70.4
<i>Fine Red Wine</i>	10,319	14.7	31,877	21.9
<i>Premier Collectible White Wine</i>	2,002	2.9	5,866	4.0
<i>Fine White Wine</i>	1,133	1.6	1,615	1.1
OTHER ALCOHOLIC BEVERAGES	3,513	5.0	3,724	2.6
WINE ACCESSORY PRODUCTS	<u>20</u>	—	<u>39</u>	—
Total	<u><u>70,044</u></u>	<u>100</u>	<u><u>145,687</u></u>	<u>100</u>

We generated a significant portion of our revenue from the sale of our wine products. For the years ended 31 March 2014 and 2015, revenue generated from the sales of wine products accounted for approximately 95.0% and 97.4% of our total revenue, respectively.

During the Track Record Period, we generated significantly more revenue from the sales of red wine than the sales of white wine. This revenue distribution pattern was a result of our business strategies to focus on the sales of red wine rather than white wine. According to the IPSOS Report, Hong Kong consumers generally prefer red wine over other types of wine products. As a result, during the years ended 31 March 2014 and 2015, revenue generated from the sales of Premier Collectible Red Wine accounted for approximately 75.8% and 70.4% of our total revenue, respectively and revenue generated from the sales of Fine Red Wine accounted for approximately 14.7% and 21.9% of our total revenue, respectively.

FINANCIAL INFORMATION

The following table sets out the average selling price and the quantity sold in respect of our wine products and other alcoholic beverages for the periods indicated:

	For the year ended 31 March			
	2014		2015	
	<i>Average selling price</i> (HK\$)	<i>Quantity sold</i> (Bottle(s))	<i>Average selling price</i> (HK\$)	<i>Quantity sold</i> (Bottle(s))
WINE PRODUCTS				
<i>Premier Collectible Red Wine</i>	5,417	9,794	5,228	19,618
<i>Fine Red Wine</i>	504	20,455	436	73,082
<i>Premier Collectible White Wine</i>	3,260	614	4,154	1,412
<i>Fine White Wine</i>	658	1,721	575	2,810
OTHER ALCOHOLIC BEVERAGES	1,894	1,854	1,382	2,695

In view of the high level of our inventories as at 31 March 2014, our management decided to increase our inventory turnover, improve our capital efficiency and generating cash flow for our business operations by applying a more competitive “cost-plus” pricing approach whereby we strategically priced at a lower profit margin for our sales in the year ended 31 March 2015. Accordingly, save for Premier Collectible White Wine, we recorded a decrease in our average selling prices of our wine products for the year ended 31 March 2015 as compared with the year ended 31 March 2014. The increase in the average selling prices of Premier Collectible White Wine for the year ended 31 March 2015 as compared with the year ended 31 March 2014 was primarily due to the increase in our sales volume of higher priced Premier Collectible White Wine.

For further details of the year-on-year change in our revenue, please refer to the paragraph headed “Year-on-year review of our results of operations — Year ended 31 March 2015 compared to year ended 31 March 2014 — Revenue” in this section.

Cost of sales

Cost of sales represented our cost in relation to the purchases of wine products from our suppliers, which is recognised when we conclude a sales transaction. During the Track Record Period, we procured our wine products through (i) purchases from wine merchants and wineries, (ii) purchases through auction houses and (iii) purchases from individual wine collectors. For further details of our procurement, please refer to the section headed “Business — Procurement and supply” in this [Redacted].

Our Group recorded an increase in overall cost of sales during the Track Record Period. 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, representing approximately 64.9% and 72.5% of our total revenue, respectively. For further details of the year-on-year change in our cost of sales, please refer to the paragraph headed “Year-on-year review of our results of operations — Year ended 31 March 2015 compared to year ended 31 March 2014 — Cost of sales” in this section.

FINANCIAL INFORMATION

Gross profit

Our gross profit represented our revenue less cost of sales. For the years ended 31 March 2014 and 2015, our gross profit amounted to approximately HK\$24.7 million and HK\$40.1 million, respectively.

For further details of the year-on-year change in our gross profit, please refer to the paragraph headed “Year-on-year review of our results of operations — Year ended 31 March 2015 compared to year ended 31 March 2014 — Gross profit” in this section.

Other income

Other income primarily consisted of (i) income from our consignment services under our “Madison Premier Collectors Program” and (ii) gain on disposal of a subsidiary. For further details, please refer to the section headed “Business — Value-added services — Evaluation and consignment services” in this [Redacted].

For the years ended 31 March 2014 and 2015, our other income amounted to approximately HK\$28,000 and HK\$1.4 million, respectively. The following table sets out the breakdown of our other income for the periods indicated:

	For the year ended 31 March			
	2014		2015	
	<i>Amount</i>	<i>Percentage of</i>	<i>Amount</i>	<i>Percentage of</i>
	<i>(HK\$'000)</i>	<i>total other</i>	<i>(HK\$'000)</i>	<i>total other</i>
		<i>income</i>		<i>income</i>
		<i>(%)</i>		<i>(%)</i>
Consignment income	—	—	1,146	79
Gain on disposal of a subsidiary	—	—	168	12
Others	28	100	132	9
Total	<u>28</u>	<u>100</u>	<u>1,446</u>	<u>100</u>

For further details of the year-on-year change in our other income, please refer to the paragraph headed “Year-on-year review of our results of operations — Year ended 31 March 2015 compared to year ended 31 March 2014 — Other income” in this section.

Selling and distribution expenses

Our selling and distribution expenses primarily consisted of (i) our rental expenses and related expenses in connection with our operations, (ii) salaries and benefits of our sales team, (iii)

FINANCIAL INFORMATION

depreciation and (iv) warehouse and related charges. Our Group recorded an increase in overall selling and distribution expenses during the Track Record Period. For the years ended 31 March 2014 and 2015, our selling and distribution expenses amounted to approximately HK\$10.3 million and HK\$13.0 million, respectively.

The following table sets out the breakdown of our selling and distribution expenses for the periods indicated:

	For the year ended 31 March			
	2014		2015	
	<i>Amount</i>	<i>Percentage of</i>	<i>Amount</i>	<i>Percentage of</i>
	<i>(HK\$'000)</i>	<i>total selling</i>	<i>(HK\$'000)</i>	<i>total selling</i>
		<i>and distribution</i>		<i>and distribution</i>
		<i>expenses</i>		<i>expenses</i>
		<i>(%)</i>		<i>(%)</i>
Rental expenses and related expenses in connection with our operations	4,921	47.8	5,357	41.1
Salaries and benefits of our sales team	3,062	29.8	4,787	36.7
Depreciation	1,567	15.2	1,669	12.8
Warehouse and related charges	538	5.2	1,087	8.3
Other expenses	<u>202</u>	<u>2.0</u>	<u>134</u>	<u>1.1</u>
Total	<u><u>10,290</u></u>	<u><u>100</u></u>	<u><u>13,034</u></u>	<u><u>100</u></u>

For further details of the year-on-year change in our selling and distribution expenses, please refer to the paragraph headed “Year-on-year review of our results of operations — Year ended 31 March 2015 compared to year ended 31 March 2014 — Selling and distribution expenses” in this section.

Administrative expenses

Our administrative expenses primarily consisted of (i) staff costs and benefits in connection with our administration and operation staff, (ii) directors’ remuneration, (iii) advertising and promotion expenses, (iv) rental expenses and related expenses in connection with the operations of our head office, (v) depreciation and (vi) other expenses including bank charges, legal and professional fee and auditor’s remuneration. Our Group recorded an increase in overall administrative expenses during the Track Record Period. For the years ended 31 March 2014 and 2015, our administrative expenses amounted to approximately HK\$5.8 million and HK\$10.5 million, respectively.

FINANCIAL INFORMATION

The following table sets out the breakdown of our administrative expenses for the periods indicated:

	For the year ended 31 March					
	2014	<i>Percentage of total administrative expenses</i>		2015	<i>Percentage of total administrative expenses</i>	
	<i>Amount (HK\$'000)</i>	<i>(%)</i>	<i>Amount (HK\$'000)</i>	<i>(%)</i>	<i>Amount (HK\$'000)</i>	<i>(%)</i>
Staff costs and benefits in connection with our operation and administration staff	1,916	33.2	3,927	37.5		
Directors' remuneration	724	12.5	1,167	11.1		
Advertising and promotion expenses	1,413	24.5	1,196	11.4		
Rental expenses and related expenses in connection with the operations of our head office	139	2.4	1,308	12.5		
Depreciation	51	0.9	810	7.8		
Other expenses	<u>1,531</u>	<u>26.5</u>	<u>2,069</u>	<u>19.7</u>		
Total	<u><u>5,774</u></u>	<u><u>100</u></u>	<u><u>10,477</u></u>	<u><u>100</u></u>		

For further details of the year-on-year change in our administrative expenses, please refer to the paragraph headed “Year-on-year review of our results of operations — Year ended 31 March 2015 compared to year ended 31 March 2014 — Administrative expenses” in this section.

Finance costs

We recorded finance costs of approximately HK\$0.7 million for the year ended 31 March 2015, and we did not record any finance costs for the year ended 31 March 2014. Such finance costs represented the interests paid to Mr. Ting pursuant to an interests-bearing shareholder's loan in the sum of HK\$13.5 million granted to our Group in May 2014 with an interest rate of 12.0% per annum. For further details, please refer to the section headed “Discontinued Connected Transactions — Discontinued connected transactions — Shareholder's loan provided by Mr. Ting” in this [Redacted].

For further details of the year-on-year change in our financial costs, please refer to the paragraph headed “Year-on-year review of our results of operations — Year ended 31 March 2015 compared to year ended 31 March 2014 — Finance costs” in this section.

Income tax expense

We recorded an increase in income tax expense during the Track Record Period. For the years ended 31 March 2014 and 2015, our income tax expense amounted to approximately HK\$1.5 million and HK\$3.0 million, respectively, representing approximately 2.1% and 2.1% of our total revenue, respectively.

FINANCIAL INFORMATION

Profits tax in Hong Kong is calculated at 16.5% of the estimated assessable profits. The following table sets out the breakdown of our income tax expense for the periods indicated:

	For the year ended 31 March	
	2014	2015
	<i>Amount</i>	<i>Amount</i>
	<i>(HK\$ '000)</i>	<i>(HK\$ '000)</i>
Current tax:		
<i>Hong Kong Profits Tax</i>	1,642	3,243
Deferred taxation	<u>(191)</u>	<u>(267)</u>
Total	<u><u>1,451</u></u>	<u><u>2,976</u></u>

For further details of the year-on-year change in our income tax expense, please refer to the paragraph headed “Year-on-year review of our results of operations — Year ended 31 March 2015 compared to year ended 31 March 2014 — Income tax expense” in this section.

Profit attributable to non-controlling interests

Non-controlling interests represented the interests held by the non-controlling shareholder of Madison Wine Trading, in which our Company indirectly held a controlling interest (through Madison Fine Wine, an indirectly wholly-owned subsidiary, holding a 80% shareholding interests in Madison Wine Trading) since December 2014. For details, please refer to the section headed “History, Reorganisation and Corporate Structure — Madison Wine Trading” in this section. We had profit attributable to non-controlling interests of approximately HK\$155,000 for the year ended 31 March 2015.

YEAR-ON-YEAR REVIEW OF OUR RESULTS OF OPERATIONS

Year ended 31 March 2015 compared to year ended 31 March 2014

Revenue

Our revenue increased from approximately HK\$70.0 million for the year ended 31 March 2014 to approximately HK\$145.7 million for the year ended 31 March 2015, representing an increase of approximately 108.1%. The increase was primarily attributable to:

- (i) *Premier Collectible Red Wine (accounting for approximately 75.8% and 70.4% of our total revenue for the years ended 31 March 2014 and 2015, respectively)*

Our revenue generated from the sale of Premier Collectible Red Wine, which increased by approximately 93.2% from approximately HK\$53.1 million for the year ended 31 March 2014 to approximately HK\$102.6 million for the year ended 31 March 2015. For the years ended 31 March 2014 and 2015, we sold 9,794 bottles and 19,618 bottles of Premier Collectible Red Wine, respectively, at average selling prices of HK\$5,417 and HK\$5,228, respectively. The increase was primarily attributable to the increase in the number of bottles

FINANCIAL INFORMATION

sold from 9,794 bottles for the year ended 31 March 2014 to 19,618 bottles for the year ended 31 March 2015, in response to our marketing initiatives and the reduction in the average selling price of Premier Collectible Red Wine by approximately 3.5% during the year ended 31 March 2015. The slight decrease in our average selling price represented our adjustment to our profit margin after taking into account the prevailing market selling prices in order to increase the competitiveness of our selling prices and increase our inventory turnover, which in line with our business objective to maintain and expand our market share and to further develop our presence in Hong Kong;

- (ii) *Fine Red Wine (accounting for approximately 14.7% and 21.9% of our total revenue for the years ended 31 March 2014 and 2015, respectively)*

Our revenue generated from the sale of Fine Red Wine, which increased by approximately 209.7% from approximately HK\$10.3 million for the year ended 31 March 2014 to approximately HK\$31.9 million for the year ended 31 March 2015. Such increase was primarily driven by the increase in the number of bottle sold from 20,445 for the year ended 31 March 2014 to 73,082 for the year ended 31 March 2015, due to our success in procuring certain wine products which were highly sought after by consumers in Hong Kong, together with the lowering of the average selling price of Fine Red Wine by approximately 13.5% from approximately HK\$504 for the year ended 31 March 2014 to HK\$436 for the year ended 31 March 2015 in order to increase the competitiveness of our selling prices, increase our inventory turnover and to maintain and expand our market share;

- (iii) *Premier Collectible White Wine (accounting for approximately 2.9% and 4.0% of our total revenue for the years ended 31 March 2014 and 2015, respectively)*

Our revenue generated from the sale of Premier Collectible White Wine, which increased by approximately 195.0% from approximately HK\$2.0 million for the year ended 31 March 2014 to approximately HK\$5.9 million for the year ended 31 March 2015. Such increase was primarily driven by (i) the increase in the average selling price of our Premier Collectible White Wine from approximately HK\$3,260 for the year ended 31 March 2014 to HK\$4,154 for the year ended 31 March 2015 after taking into account the prevailing market selling prices and (ii) the increase in number of bottle sold from 614 for the year ended 31 March 2014 to 1,412 for the year ended 31 March 2015 due to the marketing initiatives implemented by us; and

- (iv) *Fine White Wine (accounting for approximately 1.6% and 1.1% of our total revenue for the years ended 31 March 2014 and 2015, respectively)*

Our revenue generated from the sale of Fine White Wine, which increased by approximately 45.5% from approximately HK\$1.1 million for the year ended 31 March 2014 to approximately HK\$1.6 million for the year ended 31 March 2015. Such increase was primarily driven by the increase in the number of bottle sold from 1,721 for the year ended 31 March 2014 to 2,810 for the year ended 31 March 2015, due to the marketing initiatives

FINANCIAL INFORMATION

implemented by us, together with the lowering of the average selling price of Fine White Wine from approximately HK\$658 for the year ended 31 March 2014 to HK\$575 for the year ended 31 March 2015 in order to increase the competitiveness of our selling prices and to maintain our market share.

Cost of sales

Our cost of sales increased from approximately HK\$45.4 million for the year ended 31 March 2014 to approximately HK\$105.6 million for the year ended 31 March 2015, representing an increase of approximately 132.6%. As we recognise our cost of sales upon conclusion of a sales transaction, our cost of sales is directly correlated with our revenue.

Gross profit

As a result of the foregoing factors, our gross profit increased from approximately HK\$24.7 million for the year ended 31 March 2014 to approximately HK\$40.1 million for the year ended 31 March 2015, representing an increase of approximately 62.3%.

Gross profit margin

Our gross profit margin decreased from 35.3% for the year ended 31 March 2014 to 27.5% for the year ended 31 March 2015. The decrease in our gross profit margin was primarily attributable to our sales strategy adopted during the year ended 31 March 2015, which focused on increasing our inventory turnover, improving our capital efficiency and generating cash flow for our business operations by applying a more competitive pricing approach whereby we strategically priced at a lower profit margin for our sales for the year ended 31 March 2015.

Other income

Our other income increased significantly from approximately HK\$28,000 for the year ended 31 March 2014 to approximately HK\$1.4 million for the year ended 31 March 2015. The increase in our other income was mainly attributable to the launch of our “Madison Premier Collectors Program” in November 2014, pursuant to which, we, as consignee, offered for sale by way of consignment wine products consigned to our Company from members of our “Madison Premier Collectors Program”. Since the launch of our “Madison Premier Collectors Program” in November 2014 to 31 March 2015, we had generated consignment income of approximately HK\$1.1 million. For further details of our “Madison Premier Collectors Program”, please refer to the section headed “Business — Value-added services — Evaluation and consignment services” in this [Redacted].

In addition, we also recorded a gain in the sum of HK\$0.2 million in relation to the disposal of Wine Financier in January 2015.

FINANCIAL INFORMATION

Selling and distribution expenses

Our selling and distribution expenses increased from approximately HK\$10.3 million for the year ended 31 March 2014 to approximately HK\$13.0 million for the year ended 31 March 2015, representing an increase of approximately 26.2%. The increase was primarily due to the increase in the salaries and benefits of our sales team from approximately HK\$3.1 million for the year ended 31 March 2014 to approximately HK\$4.8 million for the year ended 31 March 2015, which primarily due to the salary increment of our sales team and increase in headcounts during the year ended 31 March 2015.

Administrative expenses

Our administrative expenses increased from approximately HK\$5.8 million for the year ended 31 March 2014 to approximately HK\$10.5 million for the year ended 31 March 2015, representing an increase of approximately 81.0%. The increase was primarily due to (i) the increase in the staff costs and benefits in connection with our operation and administration staff from approximately HK\$1.9 million for the year ended 31 March 2014 to approximately HK\$3.9 million for the year ended 31 March 2015, which primarily due to the salary increment of our operation and administration staff and increase in headcounts during the year ended 31 March 2015, (ii) rental expenses and related expenses in connection with the operations of our head office leased in February 2014 whereby we incurred additional expenses of approximately HK\$1.2 million for the year ended 31 March 2015, and (iii) the increase in our depreciation from approximately HK\$51,000 to HK\$810,000 as we have been subject to the depreciation in respect of our head office leased in February 2014.

Finance costs

We recorded finance costs of approximately HK\$0.7 million for the year ended 31 March 2015, and we did not record any finance costs for the year ended 31 March 2014. Such finance costs represented the interest we paid to Mr. Ting pursuant to an interest-bearing shareholders' loan in the sum of HK\$13.5 million granted to our Group in May 2014 with an interest rate of 12.0% per annum. For further details, please refer to the section headed “Discontinued Connected Transactions — Discontinued connected transactions — Shareholder’s loan provided by Mr. Ting” in this [Redacted].

Income tax expense

Our income tax expense increased from approximately HK\$1.5 million for the year ended 31 March 2014 to approximately HK\$3.0 million for the year ended 31 March 2015, representing an increase of approximately 100.0%. The income tax expense for the years can be reconciled to the profit before tax per the combined statements of profit or loss and other comprehensive income.

FINANCIAL INFORMATION

Profit for the year and total comprehensive income for the year

As a result for the foregoing factors, our profit for the year and total comprehensive income for the year increased from approximately HK\$7.2 million for the year ended 31 March 2014 to approximately HK\$14.3 million for the year ended 31 March 2015, representing an increase of approximately 98.6%.

NET CURRENT ASSETS AND SELECTED ITEMS OF COMBINED STATEMENTS OF FINANCIAL POSITION

The following sets out our Group’s current assets, current liabilities and selected items of the combined statements of financial position as at the respective financial position dates below.

	As at 31 March	
	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current Assets		
Inventories	31,331	24,221
Trade and other receivables	6,638	15,666
Amount due from ultimate holding company	9	9
Amount due from intermediate holding company	8	13
Bank balances and cash	<u>13,236</u>	<u>28,022</u>
Total current assets	<u>51,222</u>	<u>67,931</u>
Current Liabilities		
Trade and other payables	4,154	11,562
Amount due to a related company	6,898	—
Amount due to a director	7,154	9,258
Tax payable	<u>1,642</u>	<u>3,243</u>
Total current liabilities	<u>19,848</u>	<u>24,063</u>
Net Current Assets	<u>31,374</u>	<u>43,868</u>

FINANCIAL INFORMATION

Inventories

The table below sets out a breakdown of our inventories by product categories and classifications in terms of value for the periods indicated:

	As at 31 March			
	2014		2015	
	<i>(HK\$'000)</i>	<i>(%)</i>	<i>(HK\$'000)</i>	<i>(%)</i>
WINE PRODUCTS				
<i>Premier Collectible Red Wine</i>	24,747	79.0	14,498	59.8
<i>Fine Red Wine</i>	3,237	10.3	6,441	26.6
<i>Premier Collectible White Wine</i>	1,651	5.3	935	3.9
<i>Fine White Wine</i>	258	0.8	409	1.7
OTHER ALCOHOLIC BEVERAGES	1,359	4.3	1,834	7.6
WINE ACCESSORY PRODUCTS	<u>79</u>	<u>0.3</u>	<u>104</u>	<u>0.4</u>
Total	<u><u>31,331</u></u>	<u><u>100</u></u>	<u><u>24,221</u></u>	<u><u>100</u></u>

The following table sets out our inventories by product categories and classifications in terms of quantity for the periods indicated:

	As at 31 March	
	2014	2015
	<i>(Bottles)</i>	<i>(Bottles)</i>
WINE PRODUCTS		
<i>Premier Collectible Red Wine</i>	17,000	5,417
<i>Fine Red Wine</i>	9,943	20,335
<i>Premier Collectible White Wine</i>	1,260	550
<i>Fine White Wine</i>	944	2,139
OTHER ALCOHOLIC BEVERAGES	<u>1,685</u>	<u>2,461</u>
Total	<u><u>30,832</u></u>	<u><u>30,902</u></u>

Our inventories of Premier Collectible Red Wine and Premier Collectible White Wine decreased from approximately HK\$24.7 million and approximately HK\$1.7 million as at 31 March 2014, respectively, to approximately HK\$14.5 million and approximately HK\$0.9 million as at 31 March 2015, respectively. The number of bottles of Premier Collectible Red Wine and Premier Collectible White Wine in our inventory decreased from 17,000 bottles and 1,260 bottles as at 31 March 2014, respectively, to 5,417 bottles and 550 bottles as at 31 March 2015, respectively. These decreases were primarily attributable to the increases in our sales volume for the year ended 31 March 2015 because of the combine effects of (i) a more competitive pricing approach adopted by our management for the sales conducted in the year ended 31 March 2015 in order to increase our inventory turnover, improve our capital efficiency and generate cash flow for our business operations; and (ii) the implementation of various marketing initiatives including the collaboration with Fook Lam Moon Kowloon.

FINANCIAL INFORMATION

Despite the increase in our inventory turnovers for the year ended 31 March 2015, our inventories of Fine Red Wine and Fine White Wine increased from approximately HK\$3.2 million and approximately HK\$0.3 million as at 31 March 2014, respectively, to approximately HK\$6.4 million and approximately HK\$0.4 million as at 31 March 2015, respectively. The number of bottles of Fine Red Wine and Fine White Wine in our inventory increased from 9,943 bottles and 944 bottles as at 31 March 2014, respectively, to approximately 20,335 bottles and 2,139 bottles as at 31 March 2015, respectively. These increases were primarily attributable to certain bulk purchases of Fine Red Wine and Fine White Wine made by our Group during the year ended 31 March 2015 as our management believed that such purchases are rewarding and are expected to experience strong market demand.

The table below sets out the aging analysis of our inventories for the periods indicated:

Aging analysis on inventories	As at 31 March	
	2014	2015
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
0 to 90 days	11,165	7,230
91 to 180 days	4,886	1,433
181 to 360 days	4,665	10,708
Over 360 days	<u>10,615</u>	<u>4,850</u>
Total:	<u><u>31,331</u></u>	<u><u>24,221</u></u>

Save for inventories which aged for 181 to 360 days, our inventory aging generally decreased from 31 March 2014 to 31 March 2015. Such decrease was primarily attributable to the increases in our sales volume for the year ended 31 March 2015 because of the combine effects of (i) a more competitive pricing approach adopted by our management for the sales conducted in the year ended 31 March 2015 in order to increase our inventory turnover, improve our capital efficiency and generate cash flow for our business operations; and (ii) the implementation of various marketing initiatives including the collaboration with Fook Lam Moon Kowloon.

The increase in our inventories which aged for 181 to 360 days was primarily attributable to certain bulk purchases of Fine Red Wine and Fine White Wine made by our Group between April 2014 and September 2014 as our management believed that such purchases are rewarding and are expected to experience strong market demand.

For the years ended 31 March 2014 and 2015, our inventory turnover days were 278 days and 97 days, respectively. For further details about our inventory turnover days, please refer to the paragraph headed “Financial ratio — Capital adequacy ratios — Inventory turnover days” in this section.

As at 30 April 2015, 8.1% of our inventory balance as at 31 March 2015 was subsequently sold.

FINANCIAL INFORMATION

As our management considered that long cellaring period will not affect the value and quality of wine, our Group did not make any provisions for our inventories during the Track Record Period. We did not record any impairment loss in respect of our inventories during the Track Record Period.

Trade and other receivables

The table below sets out a breakdown of our trade and other receivables by categories for the periods indicated:

	As at 31 March	
	2014	2015
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
Trade receivables	3,220	5,840
Payments in advance	2,366	7,095
Prepayments	836	1,518
Deposits and other receivables	<u>1,649</u>	<u>2,288</u>
Trade and other receivables	<u>8,071</u>	<u>16,741</u>
Analysed as:		
Current	6,638	15,666
Non-current (rental deposits)	<u>1,433</u>	<u>1,075</u>
	<u>8,071</u>	<u>16,741</u>

Our trade and other receivable increased from approximately HK\$6.6 million as at 31 March 2014 to approximately HK\$15.7 million as at 31 March 2015, representing an increase of approximately 137.9%. The increase was primarily due to the increase of payments in advance from approximately HK\$2.4 million to approximately HK\$7.1 million, representing an increase of approximately 195.8% in connection with the payment made by us during the year ended 31 March 2015 for certain wine orders pending delivery.

FINANCIAL INFORMATION

The following is an aging analysis of trade receivables from third parties net of allowance for doubtful debts presented based on the delivery date at the end of the reporting period, which approximated the respective revenue recognition dates:

Aging analysis on trade receivables	As at 31 March	
	2014	2015
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
Within 30 days	381	2,189
31 to 60 days	1,464	3,084
61 to 90 days	626	17
91 to 180 days	688	223
181 to 365 days	61	232
Over 365 days	—	95
Total:	<u>3,220</u>	<u>5,840</u>

Generally, we do not offer credit period to our customers, save with the approval of our management, where we may offer a credit period of up to 30 days to our customers. Our trade receivables turnover days were 10 days and 12 days for the years ended 31 March 2014 and 2015, respectively. For further details of trade receivable turnover days, please refer to the paragraph headed “Financial ratios — Capital adequacy ratios — Trade receivables turnover days” in this section.

All the trade receivables that are neither past due nor impaired are due from customers with good settlement history and no default on settlement were noted. No allowance for doubtful debts was recognised as at 31 March 2014 and 2015. 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.

As at 31 March 2014 and 2015, we have included in our trade receivables, debtors with a carrying amount of approximately HK\$3.2 million and HK\$5.4 million, respectively, which are past the respective payment due dates as at the end of the respective reporting periods for which we have not provided for impairment loss as there were either subsequent settlement or no historical default of payments by the respective customers and the amounts are still considered recoverable. We did not hold any collateral over these balances.

As at 31 May 2015, 86.7% of the outstanding trade receivable balance as at 31 March 2015 has been subsequently settled.

FINANCIAL INFORMATION

Trade and other payables

The following is the breakdown of our trade payables:

	As at 31 March	
	2014	2015
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
Trade payables	2,291	9,064
Receipts in advance	1,256	1,907
Other payables and accruals	<u>607</u>	<u>591</u>
Total:	<u><u>4,154</u></u>	<u><u>11,562</u></u>

Our trade and other payables increased from approximately HK\$4.2 million as at 31 March 2014 to approximately HK\$11.6 million as at 31 March 2015, representing an increase of approximately 176.2%. The increase was primarily due to an amount payable to one of our suppliers in relation to a purchase made by us in February 2015 for the sum of HK\$8.4 million which was subsequently settled by us in April 2015.

The average credit period for purchases of goods is 30 to 90 days. Our trade payables turnover days were 15 days and 20 days for the years ended 31 March 2014 and 2015, respectively. For further details of trade payable turnover days, please refer to the paragraph headed “Financial ratios — Capital adequacy ratios — Trade payables turnover days” in this section.

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	As at 31 March	
	2014	2015
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
Within 30 days	—	194
31 to 60 days	—	8,447
61 to 90 days	43	—
91 to 180 days	1,825	—
181 to 365 days	423	—
Over 365 days	<u>—</u>	<u>423</u>
Total:	<u><u>2,291</u></u>	<u><u>9,064</u></u>

FINANCIAL INFORMATION

As at 31 March 2014, we recorded a trade payable aged between 91 days to 180 days in the sum of approximately HK\$1.8 million. Such outstanding trade payables primarily represented the final payment in connection with a purchase order in the aggregate sum of approximately HK\$1.6 million placed with one of our suppliers. Such outstanding trade payables was settled in full in March 2015.

As at 31 March 2014, we recorded a trade payable aged between 181 days to 365 days in the sum of approximately HK\$423,000, and as at 31 March 2015, we recorded a trade payable aged over 365 days in the sum of approximately HK\$423,000. Such outstanding trade payable represented the final payment in connection with a purchase order in the aggregate sum of approximately €391,000 (representing approximately HK\$4.0 million) placed with one of our suppliers. Due to the volume of our purchase order and the lengthy administrative procedures involved to reconcile the transaction details, such trade payable remained outstanding as at 31 March 2014 and 2015. Such outstanding trade payable was settled in full in May 2015 upon completion of the relevant administrative procedures.

As at 31 May 2015, 100.0% of the outstanding trade payables balance as at 31 March 2015 has been subsequently settled. We have financial risk management in place to ensure that all payables are settled within the credit timeframe.

RELATED PARTY TRANSACTIONS

Shareholder’s loan provided by Mr. Ting

Pursuant to a loan agreement dated 15 May 2014, Mr. Ting provided a shareholder’s loan in the principal amount of HK\$13.5 million to Madison (China) with an interest rate of 12% per annum. During the year ended 31 March 2015, interest paid to Mr. Ting pursuant to the shareholder’s loan amounted to approximately HK\$745,000, and the principal loan amount together with all interests were repaid in full before January 2015. For further details, please refer to the section headed “Discontinued Connected Transactions — Discontinued connected transactions — Shareholder’s loan provided by Mr. Ting” in this [Redacted].

Sales to and purchases from our connected Customers—Suppliers

We purchased certain wine products from and sold certain wine products to Mr. Ting and Lucky Target. Such transactions had been discontinued or would not subsist after [Redacted]. For the year ended 31 March 2015, our sales to Mr. Ting amounted to approximately HK\$32,000 and our purchases from Mr. Ting amounted to approximately HK\$139,000. As at 31 March 2015, we had an amount due to Mr. Ting in the sum of approximately HK\$9.3 million which will be settled in full prior to [Redacted].

For the year ended 31 March 2014, our sales to Lucky Target amounted to approximately HK\$98,000. For the years ended 31 March 2014 and 2015, our purchases from Lucky Target amounted to approximately HK\$1.0 million and HK\$0.7 million, respectively. As at 31 March 2014, we accrued an amount due to Lucky Target in the sum of approximately HK\$6.9 million which had been settled in full during the year ended 31 March 2015, and no balance was outstanding as at 31 March 2015.

For further details, please refer to the sections headed “Business — Overlapping Customers — Suppliers — Connected Customers — Suppliers” and “Discontinued Connected Transactions — Discontinued connected transaction” in this [Redacted].

FINANCIAL INFORMATION

General

With respect to the related party transactions set out above and other related party transactions provided in the Accountants’ Report set out in Appendix I to this [Redacted], our Directors confirm that these transactions were conducted on normal commercial terms and on arm’s length basis and did not have a material impact of our results of operations during the Track Record Period.

LIQUIDITY AND CAPITAL RESOURCES CASH FLOWS

The table below sets out a summary of our cash flows for the periods indicated:

	Year ended 31 March	
	2014	2015
	<i>(HK\$’000)</i>	<i>(HK\$’000)</i>
Net cash from operating activities	15,434	17,756
Net cash used in investing activities	(1,703)	(6,251)
Net cash (used in) from financing activities	(1,897)	3,281

Operating activities

We derive our cash inflow from operating activities primarily through the receipt of payments from the sale of our products. Our cash outflow from operating activities is primarily for the purchase of wine products for resale, settlement of rental expenses, staff costs and advertising and promotion expenses. Our net cash flow generated from operating activities reflects our profit before income tax, as adjusted for non-cash items, and the effect of changes in inventories, trade and other receivables, deposits and prepayments, trade and other payables, accrued expenses and deposits received and amounts due to related parties.

Year ended 31 March 2014

For the year ended 31 March 2014, we had net cash generated from operating activities of approximately HK\$15.4 million, which was primarily attributable to (i) profit before tax of approximately HK\$8.7 million, (ii) adjustments for depreciation of plant and equipment of approximately HK\$1.6 million, (iii) decrease in inventories of approximately HK\$6.2 million and (iv) increase in amount due to a related company, i.e. Lucky Target, of approximately HK\$0.9 million, which was partially offset by the increase in trade and other receivables and deposits of approximately HK\$2.0 million.

Year ended 31 March 2015

For the year ended 31 March 2015, we had net cash generated from operating activities of approximately HK\$17.8 million, which was primarily attributable to (i) profit before tax of approximately HK\$17.3 million, (ii) adjustments for depreciation of plant and equipment of approximately HK\$2.5 million, (iii) adjustments for finance costs, (iv) decrease in inventories of

FINANCIAL INFORMATION

approximately HK\$7.1 million, and (v) increase in trade and other payables of approximately HK\$7.4 million, which was partially offset by (i) increase in trade and other receivables, deposits of approximately HK\$8.7 million, (ii) decrease in amount due to a related company, i.e. Lucky Target, of approximately HK\$6.9 million, and (iii) income tax paid.

Investing activities

Our investing activities consist primarily of deposits paid for acquisition of plant and equipment and purchases of plant and equipment.

Year ended 31 March 2014

For the year ended 31 March 2014, we had net cash used in investing activities in the amount of approximately HK\$1.7 million, which was primarily attributable to (i) deposits paid for acquisition of plant and equipment of approximately HK\$1.5 million, and (ii) purchases of property, plant and equipment of approximately HK\$0.2 million.

Year ended 31 March 2015

For the year ended 31 March 2015, we had net cash used in investing activities in the amount of approximately HK\$6.3 million, which was primarily attributable to (i) deposits paid for acquisition of plant and equipment of approximately HK\$2.2 million, (ii) purchases of property, plant and equipment of approximately HK\$2.2 million, and (iii) net cash outflow from disposal of a subsidiary of approximately HK\$1.9 million.

Financing activities

Our financing activities consist primarily of cash flows related to borrowings from our related parties.

Year ended 31 March 2014

For the year ended 31 March 2014, we had net cash used in financing activities in the amount of approximately HK\$1.9 million, which was attributable to the repayment to the advance from Mr. Ting of approximately HK\$1.9 million.

Year ended 31 March 2015

For the year ended 31 March 2015, we had net cash from financing activities in the amount of approximately HK\$3.3 million, which was attributable to (i) loan from Mr. Ting of approximately HK\$13.5 million, (ii) the advance from Mr. Ting of approximately HK\$4.0 million and (iii) the advance from Lucky Target of approximately HK\$29,000, which was partially offset by the interest paid of approximately HK\$0.7 million and repayment of loan from Mr. Ting of approximately HK\$13.5 million.

FINANCIAL INFORMATION

WORKING CAPITAL

Our Directors are of the opinion that, and the Sole Sponsor concurs, that taking into account of the financial resources presently available to us, including internally generated funds and the estimated net proceeds of the [Redacted], the working capital available to our Group is sufficient for our present requirements, that is, for at least the next 12 months from the date of this [Redacted].

INDEBTEDNESS

As at 30 April 2015, being the latest practicable date for the purpose of this statement of indebtedness, our Group had an amount due to a director of approximately HK\$9,258,000, which was unsecured, non-interest bearing and repayable on demand and will be fully settled before the [Redacted].

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, our Group did not have outstanding as at the close of business on 30 April 2015, any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptance or acceptable credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities. Our Directors have confirmed that there have been no material changes in the indebtedness of our Group since 31 March 2015 and up to the date of this [Redacted].

CONTINGENT LIABILITIES

As at 30 April 2015, we did not have any material contingent liabilities.

Our Directors confirmed that there was no material adverse change in our Group’s contingent liabilities since 30 April 2015, being the latest practicable date for determining our Group’s contingent liabilities.

CAPITAL COMMITMENTS

As at 31 March 2014 and 2015, we did not have capital commitments.

PROPERTY INTERESTS

During the Track Record Period and up to the Latest Practicable Date, we did not own any properties. For further details, please refer to the section headed “Business — Properties” in this [Redacted].

OFF-BALANCE SHEET ARRANGEMENTS

We did not have any outstanding off-balance sheet guarantees, interest rate swap transactions, foreign currency and commodity forward contracts or other off-balance sheet arrangements during the Track Record Period. We do not engage in trading activities involving non-exchange traded contracts.

FINANCIAL INFORMATION

In the course of our normal business, we do not enter into transactions involving, or otherwise form relationships with, unconsolidated entities or financial partnerships that are established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

[REDACTED]

Our Directors are of the view that the financial results of our Group for the year ending 31 March 2016 are expected to be adversely affected by, among others, [Redacted] expenses in relation to the [Redacted], the nature of which is non-recurring. The total [Redacted] in relation to the [Redacted], primarily consisting of fees paid or payable to professional parties and underwriting fees and commission, are estimated to be approximately HK\$[Redacted] million (based on a [Redacted] of HK\$[Redacted] per [Redacted], being the [Redacted] of the indicative [Redacted] range and assuming the [Redacted] is not exercised), of which approximately HK\$[Redacted] million is expected to be recognised in the statements of profit or loss for the year ending 31 March 2016.

Our Directors would like to emphasise that the amount of [Redacted] is a current estimate for reference only and the final amount to be recognised in the combined financial statements of our Group for the year ending 31 March 2016 is subject to adjustment based on audit and the then changes in variables and assumptions. Prospective investors should note that the financial performance of our Group for the year ending 31 March 2016 is expected to be adversely affected by the estimated non-recurring [Redacted] mentioned above, and may or may not be comparable to the financial performance of our Group in the past.

FINANCIAL RATIOS

The following table sets forth the key financial ratios of our Group during the Track Record Period:

	<i>Notes</i>	Year ended 31 March	
		2014	2015
PROFITABILITY RATIOS			
Gross profit margin	1	35.3%	27.5%
Net profit margin	2	10.3%	9.7%
Return on equity	3	19.2%	27.3%
LIQUIDITY RATIOS			
Current ratio	4	2.6	2.8
Quick ratio	5	1.0	1.8
CAPITAL ADEQUACY RATIOS			
Gearing ratio	6	25.1	25.3
Inventory turnover days	7	278 days	97 days
Trade receivables turnover days	8	10 days	12 days
Trade payables turnover days	9	15 days	20 days

FINANCIAL INFORMATION

Notes:

1. Gross profit margin is calculated based on the gross profit for the year divided by revenue and multiplied by 100%.
2. Net profit margin is calculated based on the profit for the year of our Group divided by revenue and multiplied by 100%.
3. Return on equity is calculated based on the profit for the year of our Group divided by total equity at the end of the year and multiplied by 100%.
4. Current ratio is calculated based on the total current assets divided by the total current liabilities as at the end of the year.
5. Quick ratio is calculated based on the total current assets minus inventories divided by the total current liabilities as at the end of the year.
6. Gearing ratio is calculated based on the debts of non-trade nature including other payables and accrued charges, amount due to a director and tax payable divided by total equity at the end of the year and multiplied by 100%.
7. Inventory turnover days is calculated based on the average of opening and closing inventory balances for the year, divided by the total cost of sales during the year multiplied by 365 days.
8. Trade receivables turnover days is calculated based on the average of opening and closing trade receivable balances for the year, divided by total revenue during the year multiplied by 365 days.
9. Trade payables turnover days is calculated based on the average of opening and closing trade payables balances for the year, divided by total cost of sales for the year multiplied by 365 days.

Profitability ratios

Gross profit margin

For the years ended 31 March 2014 and 2015, our gross profit margin amounted to approximately 35.3% and 27.5%, respectively. For further details of the decrease in gross profit margin, please refer to paragraph headed “Year-on-year review of our results of operations — Year ended 31 March 2015 compared to year ended 31 March 2014 — Gross profit margin” in this section.

Net profit margin

For the years ended 31 March 2014 and 2015, our net profit margin amounted to approximately 10.3% and 9.7%, respectively. The decrease of our gross profit margin was in line with the decrease in our gross profit margin.

Return on equity

For the years ended 31 March 2014 and 2015, our return on equity amounted to approximately 19.2% and 27.3%, respectively. The increase of our return on equity was primarily due to the increase in the profit and total comprehensive income for the year attributable to the owners of our Company.

FINANCIAL INFORMATION

Liquidity ratios

Current ratio

As at 31 March 2014 and 2015, our current ratio amounted to approximately 2.6 and 2.8, respectively. The current ratio remained stable over the period.

Quick ratio

As at 31 March 2014 and 2015, our quick ratio amounted to approximately 1.0 and 1.8, respectively. The increase in quick ratio was primarily attributable to the decrease in our inventory value.

Capital adequacy ratios

Gearing ratio

As at 31 March 2014 and 2015, our gearing ratio amounted to approximately 25.1 and 25.3, respectively. The gearing ratio remained stable over the period.

Inventory turnover days

For the years ended 31 March 2014 and 2015, our inventory turnover days amounted to approximately 278 days and 97 days, respectively. The decrease in inventory turnover days was primarily attributable to the promotional sales of certain wine products from our old inventory at a discounted rate in order to utilise our capital more efficiently and generate cash flow for our business operation.

Trade receivables turnover days

For the years ended 31 March 2014 and 2015, our trade receivables turnover days amounted to approximately 10 days and 12 days, respectively. The increase of trade receivables turnover days remained stable over the period.

Trade payables turnover days

For the years ended 31 March 2014 and 2015, our trade payables turnover days amounted to approximately 15 days and 20 days, respectively. The increase in trade payable turnover days was primarily attributable to an amount payable to one of our suppliers in relation to a purchase made by us in February 2015 for the sum of HK\$8.4 million which was subsequently settled by us in April 2015.

FINANCIAL INFORMATION

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

Currency risk

The functional currency of our Group’s major operating subsidiaries is HK\$. Our Group’s major operating subsidiaries have foreign currency purchases, which expose our Group to foreign currency risk. Our Group currently does not have a foreign currency hedging policy. However, our management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Our Group’s exposure to foreign currency risk relates principally to its bank balances and payables denominated in foreign currencies other than the functional currency of relevant group entities.

The carrying amounts of our Group’s monetary assets and liabilities that are denominated in currencies other than the functional currency of relevant group entities at the end of the reporting periods are as follows:

	2014		2015	
	Assets	Liabilities	Assets	Liabilities
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
US\$	4	—	4	—
SGD	—	—	39	—
EUR	—	526	—	349
GBP	12	—	—	87
AUD	—	—	—	75
RMB	—	—	54	—

No sensitivity analysis is presented in the opinions of the Directors, the expected change in foreign currency rates will not have significant impact on the profit for the year during the Track Record Period.

Interest rate risk

Our Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances. To mitigate the impact of interest rate fluctuations, our Group continually assesses and monitors the exposure to interest rate risk.

Our Group’s exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this paragraph. Our Group’s cash flow interest rate risk is mainly concentrated on the fluctuation of the prevailing market rates on bank balances.

FINANCIAL INFORMATION

In the opinion of the Directors, the expected change in interest rate on bank balances will not be significant in the near future, hence no sensitivity analysis is presented.

Credit risk

As at the end of each reporting period, our Group’s maximum exposure to credit risk which will cause a financial loss to our Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the combined statements of financial position.

In order to minimise the credit risk, the management of our Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, our Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, our Directors consider that our Group’s credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by authorised credit-rating agencies.

Our Group’s concentration of credit risk by geographical location is in Hong Kong, which accounted for 65% and 57% of the total trade receivables as at 31 March 2014 and 2015, respectively. Our Group has limited concentration of credit risk as it has a large number of customers.

Liquidity risk

In the management of the liquidity risk, our Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance our Group’s operations and mitigate the effects of fluctuations in cash flows.

The following table details our Group’s remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which our Group can be required to pay. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

FINANCIAL INFORMATION

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of each reporting period.

	On demand or within one year (HK\$'000)	Total undiscounted cash flows (HK\$'000)	Carrying amount (HK\$'000)
As at 31 March 2014			
Non-derivative financial liabilities			
Trade and other payables	2,898	2,898	2,898
Amount due to a related company	6,898	6,898	6,898
Amount due to a director	<u>7,154</u>	<u>7,154</u>	<u>7,154</u>
	<u>16,950</u>	<u>16,950</u>	<u>16,950</u>
As at 31 March 2015			
Non-derivative financial liabilities			
Trade and other payables	9,655	9,655	9,655
Amount due to a director	<u>9,258</u>	<u>9,258</u>	<u>9,258</u>
	<u>18,913</u>	<u>18,913</u>	<u>18,913</u>

The amount included above for variable interest rate 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 the reporting period.

DISTRIBUTABLE RESERVE

The distributable reserve of our Company, representing the retained earnings and share premium of our Company, was nil as at 31 March 2015.

DIVIDENDS

We may declare dividends after taking into account, among other things, our results, cash flows and financial condition and position, operating and capital requirements. The amount of distributable profits is based on HKFRSs, the memorandum and articles of association of our Company, the Companies Law, applicable laws and regulations and other factors that are relevant to us.

No dividend was paid or declared by companies now comprising our Group during the Track Record Period.

FINANCIAL INFORMATION

TAXATION

We are incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law and, accordingly, are exempted from the payment of the Cayman Islands income tax. For our subsidiaries incorporated in the BVI, they are incorporated as BVI business companies under the BVI Business Companies Act 2004 and are exempted from payment of income tax of BVI.

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 2014 and 2015, on the estimated assessable profits of our subsidiaries operating in Hong Kong. For the income tax expense recognised by our Group during the Track Record Period, please refer to note 11 of Appendix I to this [Redacted].

DISCLOSURE UNDER CHAPTER 17 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 OBJECTIVE AND USE OF PROCEEDS

BUSINESS OBJECTIVE AND STRATEGIES

Our business objective is to become one of the leading wine merchants in the wine industry of Hong Kong by expanding and diversifying our product portfolio, acquiring one or more wine merchants in Hong Kong and solidifying and broadening our customer base. We will endeavour to achieve our business objective by implementing our business strategies as set out in the section headed “Business — Business strategies” in this [Redacted].

IMPLEMENTATION PLAN

Our Directors have drawn up an implementation plan for the period up to 30 September 2017 with a view to achieving our business objective.

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” in this section. 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 [Redacted]. Our actual course of business may vary from our business strategies set out in this [Redacted]. There is no assurance that our plans will materialise in accordance with our expected time frame or that our objective 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.

For the period from the Latest Practicable Date to 30 September 2017:

Business Strategies	Implementation activities	Source of funding
Expanding and diversifying our product portfolio	<ul style="list-style-type: none">We intend to use approximately [Redacted]% of the net proceeds, or approximately HK\$[Redacted] million, for increasing our vintage spectrum as well as our level of wine inventory to accommodate the evolving demand and preference of Hong Kong consumers. As per the IPSOS Report, Hong Kong consumers generally prefer red wine over other types of wine products. Accordingly, our purchases will have a focus on Premier Collectible Red Wine and Fine Red Wine.	<ul style="list-style-type: none">Proceeds from the [Redacted]

STATEMENT OF BUSINESS OBJECTIVE AND USE OF PROCEEDS

Business Strategies	Implementation activities	Source of funding
	<ul style="list-style-type: none"> We intend to further promote our “Madison Premier Collectors Program” to our customers so as to expand our inventory with consignment products. 	<ul style="list-style-type: none"> Our internal resources
	<ul style="list-style-type: none"> We intend to expand our procurement and supply team to strengthen the bonds with our existing suppliers so as to get up to date market information in the wine industry 	<ul style="list-style-type: none"> Our internal resources
Acquiring one or more wine merchants in Hong Kong	<ul style="list-style-type: none"> We intend to use approximately [Redacted]% of the net proceeds, or approximately HK\$[Redacted] million, and our internal resources for acquiring one or more wine merchants in Hong Kong. For further details, please refer to the section headed “Business — Business strategies — We may acquire one or more wine merchants in Hong Kong” in this [Redacted] 	<ul style="list-style-type: none"> Proceeds from the [Redacted] and our internal resources

Business Strategies	Implementation activities	Source of funding
Solidifying and broadening our customer base	<ul style="list-style-type: none"> We intend to use approximately [Redacted]% of the net proceeds, or approximately HK\$[Redacted] million, to increase marketing and promotion efforts to enhance public awareness of our Company. 	<ul style="list-style-type: none"> Proceeds from the [Redacted] and our internal resources
	<ul style="list-style-type: none"> We intend to increase collaborations with other renowned restaurants in Hong Kong by replicating the collaboration model with Fook Lam Moon Kowloon. 	<ul style="list-style-type: none"> Our internal resources
	<ul style="list-style-type: none"> We intend to further promote our “Madison Premier Membership Scheme” to our customers so as to reward our loyal customers, thereby deepening our customer reach and solidifying our customer loyalty. 	<ul style="list-style-type: none"> Our internal resources
	<ul style="list-style-type: none"> We intend to expand our sale team to strengthen the bonds with our existing customers with a view to enhance our customer services. 	<ul style="list-style-type: none"> Our internal resources

STATEMENT OF BUSINESS OBJECTIVE AND USE OF PROCEEDS

BASES AND KEY ASSUMPTIONS

We have adopted the following principal assumptions in the preparation of the future plans up to 30 September 2017:

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 and business development requirements during the period to which the business objective relates;
- the [Redacted] will be completed in accordance with and as described in the section headed “Structure and Conditions of the [Redacted]” in this [Redacted];
- our Directors and key senior management will continue to be involved in the development of our existing and future development and we will be able to retain our key management personnel;
- we will be able to recruit additional key management personnel and staff when required;
- there will be no change in the funding requirement for each of the business strategies described in this [Redacted] from the amount as estimated by our Directors;
- we will not be adversely affected by the risk factors as set out in the section headed “Risk Factors” in this [Redacted]; 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.

REASONS FOR THE [REDACTED] AND USE OF PROCEEDS

Reasons for the [Redacted]

We believe that the [Redacted] will enhance our profile, strengthen our competitiveness and financial position, and provide us with additional working capital to implement our future plans as set out in the section headed “Business — Business strategies” and the paragraph headed “Implementation plans” in this [Redacted].

STATEMENT OF BUSINESS OBJECTIVE AND USE OF PROCEEDS

Net proceeds

In the event that the [Redacted] is not exercised, we estimate the net proceeds of the [Redacted] which we will receive, assuming a [Redacted] of HK\$[Redacted] per [Redacted], being the [Redacted] of the indicative [Redacted] range, will be approximately HK\$[Redacted] million, after deduction of underwriting fees and commissions and other estimated expenses in connection with the [Redacted].

In the event the [Redacted] is exercised in full and assuming a [Redacted] of HK\$[Redacted] per [Redacted], being the [Redacted] of the indicative [Redacted] range, we will receive net proceeds of approximately HK\$[Redacted] million.

If the [Redacted] is fixed at HK\$[Redacted] per [Redacted], being the high-end of the indicative [Redacted] range, we will receive (i) net proceeds of approximately HK\$[Redacted] million, assuming the [Redacted] is not exercised; and (ii) net proceeds of approximately HK\$[Redacted] million, assuming the [Redacted] is exercised in full.

If the [Redacted] is fixed at HK\$[Redacted] per [Redacted], being the low-end of the indicative [Redacted] range, the net proceeds we receive will be (i) reduced by approximately HK\$[Redacted] million, assuming the [Redacted] is not exercised; and (ii) approximately HK\$[Redacted] million, assuming the [Redacted] is exercised in full.

Commission and expenses

The Underwriters will receive an underwriting commission being [Redacted]% of the gross proceeds, out of which they will pay any sub-underwriting commission. The Sole Sponsor will receive a sponsorship, financial advisory and documentation fee of HK\$[Redacted] million in relation to [Redacted] and will be reimbursed for their expenses. Such commission, advisory and documentation fee and expenses, together with the GEM [Redacted] fees (as prescribed in the GEM Listing Rules), legal and other professional fees, and printing and other expenses relating to the [Redacted] and [Redacted] (as negotiated and agreed between each service provider and our Company on an arm's length basis), which are estimated to amount in aggregate to approximately HK\$[Redacted] million and are to be borne by our Company.

STATEMENT OF BUSINESS OBJECTIVE AND USE OF PROCEEDS

Use of proceeds

In the event that the [Redacted] is not exercised, based on the [Redacted] of HK\$[Redacted] per [Redacted], being the [Redacted] of the indicative [Redacted] range, and an estimated net proceeds from the [Redacted] of approximately HK\$[Redacted] million after deducting the underwriting commission and expenses relating to the [Redacted], we intend to utilise the net proceeds from the [Redacted] as follows:

	From the Latest Practicable Date to 31 March 2016 (HK\$' million)	For the 6 months ending 30 September 2016 (HK\$' million)	For the 6 months ending 31 March 2017 (HK\$' million)	For the 6 months ending 30 September 2017 (HK\$' million)	Total (HK\$' million)	Approximate percentage (%)
Expand and diversify our product portfolio	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]
Acquiring one or more wine merchants in Hong Kong ^(Note)	—	—	—	—	[Redacted]	[Redacted]
Enhance public awareness of our Company by increasing marketing and promotion efforts	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]
General working capital	[Redacted]	—	—	—	[Redacted]	[Redacted]
					Total	100

Note: We intend to use approximately 30% of the net proceeds, representing approximately HK\$[Redacted] million, for acquiring one or more wine merchants in Hong Kong. As at the Latest Practicable Date, we had not identified any target and did not have a concrete timetable for the proposed acquisition.

To the extent that our net proceeds are more or less than expected, for instance, in the event that the [Redacted] is set at the high-end of the indicative [Redacted] range or the [Redacted] is set at the low-end of the indicative [Redacted] range, we will adjust our allocation of the net proceeds for the above purposes on a pro rata basis.

The possible use of proceeds outlined above may change in light of our evolving business needs and conditions and management requirements. In the event of any material modification to the use of proceeds as described above, we will issue an announcement in accordance with the GEM Listing Rules and disclose in our annual report for the relevant year as required by the Stock Exchange.

To the extent that the net proceeds from the [Redacted] are not immediately applied for the above purposes, it is our present intention to deposit such sums into an interest-bearing bank account with licensed financial institutions in Hong Kong.

SOLE SPONSOR’S INTEREST

Save as provided for under the Underwriting Agreement and save as disclosed in this [Redacted], neither the Sole Sponsor nor any of its associates has or may have, as a result of the [Redacted], 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 [Redacted], other than the following:

- (a) by way of documentation and financial advisory fee to be paid to the Sole Sponsor for acting as the sponsor of the [Redacted];
- (b) in taking up the underwriting obligations under the Underwriting Agreement;
- (c) by way of an underwriting commission to be paid to the [Redacted] for acting as one of the Underwriters to the [Redacted] pursuant to the Underwriting Agreement;
- (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 [Redacted] to the date on which our Company distributes the annual report for the second full financial year commencing after the [Redacted] 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 [Redacted] on GEM.

None of the directors and employees of the Sole Sponsor has any directorship in our Company or any of our Group companies.

UNDERWRITING

UNDERWRITERS

[●]

[●]

[●]

UNDERWRITING ARRANGEMENTS AND EXPENSES

The Underwriting Agreement

[Redacted]

Grounds for termination

[Redacted]

UNDERWRITING

[Redacted]

UNDERWRITING

[Redacted]

UNDERWRITING

[Redacted]

UNDERWRITING

[Redacted]

UNDERWRITING

Undertakings

[Redacted]

UNDERWRITING

[Redacted]

UNDERWRITING

Fees, commission and expenses

Pursuant to the Underwriting Agreement, the [Redacted] are being offered for subscription, subject to the terms and conditions in this [Redacted], at the [Redacted] of HK\$[Redacted] to HK\$[Redacted] per [Redacted]. The Underwriters will receive an underwriting commission of [Redacted]% of the aggregate [Redacted] of all [Redacted] (including any additional Shares that may be issued pursuant to the exercise of the [Redacted]), out of which they will pay any sub-underwriting commissions. We may also in our sole discretion pay the Underwriters an additional incentive fee for the [Redacted] offered by our Company under the [Redacted].

Assuming the [Redacted] is HK\$[Redacted], being the [Redacted] of the indicative [Redacted] range, the total underwriting commission, fees and expenses relating to the [Redacted] and [Redacted] (including the GEM [Redacted] fees, SFC transaction levy, Stock Exchange trading fee, legal and other professional fees, and printing), are estimated to be approximately HK\$[Redacted] million, all of which is expected to be incurred for the year ending 31 March 2016. A sponsor's fee of HK\$[Redacted] was paid to the Sole Sponsor.

Underwriters' interest in our Company

Save as provided for under the Underwriting Agreement, none of the Underwriters has any shareholding interests in any member of our Group nor has any right or option to subscribe for or nominate persons to subscribe for any Shares.

STRUCTURE AND CONDITIONS OF THE [REDACTED]

[Redacted]

STRUCTURE AND CONDITIONS OF THE [REDACTED]

[Redacted]

STRUCTURE AND CONDITIONS OF THE [REDACTED]

[Redacted]

STRUCTURE AND CONDITIONS OF THE [REDACTED]

[Redacted]

APPENDIX I

ACCOUNTANTS’ REPORT

[Date]

The Board of Directors
Madison Wine Holdings Limited
Innovax Capital Limited

Dear Sirs,

INTRODUCTION

We set out below our report on the financial information (the “Financial Information”) regarding Madison Wine Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) for each of the two years ended 31 March 2015 (the “Track Record Period”) for inclusion in the [Redacted] of the Company dated [●] (the “[Redacted]”) in connection with the [Redacted] of shares of the Company on the Growth Enterprise Market (the “GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company was incorporated in the Cayman Islands under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands as an exempted company with limited liability on 15 April 2015. Pursuant to a group reorganisation as detailed in the section headed “History, Reorganisation and Corporate Structure — Reorganisation” of the [Redacted] (the “Reorganisation”), the Company became the holding company of the companies now comprising the Group on [●] 2015. The Company acts as an investment holding company and has not carried out any business since the date of its incorporation save for the aforementioned Reorganisation.

Upon the Reorganisation, the Company has direct and indirect interests in the following subsidiaries comprising the Group:

Name of subsidiary	Place and date of incorporation/ establishment	Place of operation	Issued and fully paid share capital/ registered capital	Percentage of equity interest attributable to the Group			Principal activities
				31 March		Date of this report	
				2014	2015		
Madison International Wine Company Limited (“Madison International”)	Republic of Seychelles (“Seychelles”) 21 November 2013	Hong Kong	Ordinary United States dollar (“US\$”) 10,870	100%	100%	100%	Investment holding
Madison Fine Wine Company Limited (“Madison Fine Wine”)	Seychelles 26 August 2014	Hong Kong	Ordinary US\$1	—	100%	100%	Investment holding
Madison Wine Trading Company Limited (“Madison Wine Trading”)	Hong Kong 19 November 2014	Hong Kong	Ordinary Hong Kong dollar (“HK\$”) 100	—	80%	80%	Sales of alcoholic beverages
Madison Wine (HK) Company Limited (“Madison Wine (HK)”)	British Virgin Islands 10 January 2013	Hong Kong	Ordinary US\$200	100%	100%	100%	Investment holding

APPENDIX I

ACCOUNTANTS’ REPORT

Name of subsidiary	Place and date of incorporation/ establishment	Place of operation	Issued and fully paid share capital/ registered capital	Percentage of equity interest attributable to the Group			Principal activities
				31 March		Date of this report	
				2014	2015		
Madison (China) Limited (“Madison (China)”)	Hong Kong 14 April 1997	Hong Kong	Ordinary HK\$10,000	100%	100%	100%	Sales of alcoholic beverages
Madison Wine Club Limited (“Madison Wine Club”)	Hong Kong 12 January 2012	Hong Kong	Ordinary HK\$1	100%	100%	100%	Sales of alcoholic beverages and wine storage
Wine Financier Limited (“Wine Financier”) (Note)	Hong Kong 11 September 2014	Hong Kong	Ordinary HK\$10,000	—	—	—	Inactive

Note: Wine Financier was disposed of on 29 January 2015. Details are set out in note 27.

All companies now comprising the Group have adopted 31 March as their financial year end date.

No statutory audited financial statements have been prepared for the Company, Madison International, Madison Fine Wine, Madison Wine (HK) since their respective dates of incorporation as there is no such statutory requirement under the relevant rules and regulations in their jurisdictions of incorporation. However, for the purpose of this report, we have reviewed all significant transactions of these companies for the period from their respective dates of incorporation to the date of this report and carried out such procedures as we considered necessary for inclusion of the Financial Information in relation to these companies in this report.

The audited statutory financial statements of Madison (China) and Madison Wine Club for each of the two years ended 31 March 2015; and Madison Wine Trading for the period from its date of incorporation to 31 March 2015 were prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and were audited by SHINEWING (HK) CPA Limited, certified public accountants registered in Hong Kong.

BASIS OF PREPARATION

For the purpose of this report, the directors of the Company have prepared the combined financial statements of the Company and its subsidiaries now comprising the Group for the Track Record Period in accordance with HKFRSs issued by the HKICPA (the “Underlying Financial Statements”). We have undertaken an independent audit on the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA for the Track Record Period.

The Financial Information has been prepared by the directors of the Company based on the Underlying Financial Statements on the basis set out in note 2 of Section A below, with no adjustments thereto, and in accordance with the applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “GEM Listing Rules”) and by the Hong Kong Companies Ordinance.

APPENDIX I

ACCOUNTANTS’ REPORT

RESPECTIVE RESPONSIBILITIES OF THE DIRECTORS AND REPORTING ACCOUNTANTS

The directors of the Company are responsible for the preparation of the Financial Information that gives a true and fair view in accordance with HKFRSs issued by the HKICPA, the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the GEM Listing Rules, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error.

Our responsibility is to form an independent opinion on the Financial Information based on our procedures and to report our opinion thereon to you.

BASIS OF OPINION

As a basis for forming an opinion on the Financial Information, for the purpose of this report, we have examined the Underlying Financial Statements and have carried out such appropriate procedures as we considered necessary in accordance with Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” issued by the HKICPA.

We have not audited any financial statements of the Company, its subsidiaries or the Group in respect of any period subsequent to 31 March 2015.

OPINION

In our opinion, for the purpose of this report, and on the basis of preparation set out in note 2 of Section A below, the Financial Information gives a true and fair view of the state of affairs of the Group as at 31 March 2014 and 2015, and of the combined profits and cash flows of the Group for the Track Record Period.

APPENDIX I

ACCOUNTANTS’ REPORT

A. FINANCIAL INFORMATION

COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	<i>Notes</i>	Year ended 31 March	
		2014	2015
		<i>HK\$’000</i>	<i>HK\$’000</i>
Revenue	8	70,044	145,687
Cost of sales		<u>(45,353)</u>	<u>(105,587)</u>
Gross profit		24,691	40,100
Other income	9	28	1,446
Selling and distribution expenses		(10,290)	(13,034)
Administrative expenses		(5,774)	(10,477)
Finance costs	10	<u>—</u>	<u>(745)</u>
Profit before tax		8,655	17,290
Income tax expense	11	<u>(1,451)</u>	<u>(2,976)</u>
Profit for the year and total comprehensive income for the year	12	<u><u>7,204</u></u>	<u><u>14,314</u></u>
Profit for the year and total comprehensive income for the year attributable to:			
Owners of the Company		7,204	14,159
Non-controlling interests		<u>—</u>	<u>155</u>
		<u><u>7,204</u></u>	<u><u>14,314</u></u>
Earnings per share (HK\$)			
Basic and diluted	16	<u><u>N/A</u></u>	<u><u>N/A</u></u>

APPENDIX I

ACCOUNTANTS’ REPORT

COMBINED STATEMENTS OF FINANCIAL POSITION

	<i>Notes</i>	As at 31 March	
		2014	2015
		<i>HK\$’000</i>	<i>HK\$’000</i>
Non-current assets			
Plant and equipment	17	3,022	4,238
Deposits paid for acquisition of plant and equipment		1,493	2,188
Deposits	20	1,433	1,075
Deferred tax asset	18	191	458
		<u>6,139</u>	<u>7,959</u>
Current assets			
Inventories	19	31,331	24,221
Trade and other receivables	20	6,638	15,666
Amount due from ultimate holding company	21	9	9
Amount due from intermediate holding company	21	8	13
Bank balances and cash	22	13,236	28,022
		<u>51,222</u>	<u>67,931</u>
Current liabilities			
Trade and other payables	23	4,154	11,562
Amount due to a related company	24	6,898	—
Amount due to a director	25	7,154	9,258
Tax payable		1,642	3,243
		<u>19,848</u>	<u>24,063</u>
Net current assets		<u>31,374</u>	<u>43,868</u>
Net assets		<u>37,513</u>	<u>51,827</u>
Capital and reserves			
Share capital	26	78	78
Reserves		37,435	51,594
Equity attributable to owners of the Company		<u>37,513</u>	<u>51,672</u>
Non-controlling interests		<u>—</u>	<u>155</u>
Total equity		<u>37,513</u>	<u>51,827</u>

APPENDIX I

ACCOUNTANTS’ REPORT

COMBINED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company			Non-controlling		Total HK\$’000
	Share capital HK\$’000	Other reserve HK\$’000 (Note)	Retained earnings HK\$’000	Total HK\$’000	interests HK\$’000	
At 1 April 2013	2	9	6,562	6,573	—	6,573
Issue of shares upon reorganisation (“Reorganisation”) (Note 26)	1	—	—	1	—	1
Issue of shares upon Reorganisation (Note 26)	77	23,658	—	23,735	—	23,735
Arising from Reorganisation (Note 26)	(2)	2	—	—	—	—
Profit for the year and total comprehensive income for the year	<u>—</u>	<u>—</u>	<u>7,204</u>	<u>7,204</u>	<u>—</u>	<u>7,204</u>
At 31 March 2014	78	23,669	13,766	37,513	—	37,513
Profit for the year and total comprehensive income for the year	<u>—</u>	<u>—</u>	<u>14,159</u>	<u>14,159</u>	<u>155</u>	<u>14,314</u>
At 31 March 2015	<u>78</u>	<u>23,669</u>	<u>27,925</u>	<u>51,672</u>	<u>155</u>	<u>51,827</u>

Note:

The other reserve was arisen from the transfer of the entire issued share capital and shareholder loan in Madison Wine (HK) to Madison International upon the Reorganisation.

APPENDIX I

ACCOUNTANTS’ REPORT

COMBINED STATEMENTS OF CASH FLOWS

	<i>Note</i>	Year ended 31 March	
		2014	2015
		<i>HK\$’000</i>	<i>HK\$’000</i>
OPERATING ACTIVITIES			
Profit before tax		8,655	17,290
Adjustments for:			
Depreciation of plant and equipment		1,618	2,478
Gain on disposal of a subsidiary		—	(168)
Finance costs		—	745
		<u>10,273</u>	<u>20,345</u>
Operating cash flows before movements in working capital		10,273	20,345
Decrease in inventories		6,262	7,110
Increase in trade and other receivables, deposits		(1,957)	(8,692)
(Decrease) increase in trade and other payables		(94)	7,426
Increase (decrease) in amount due to a related company		929	(6,898)
Increase in amount due to a director		—	107
		<u>15,413</u>	<u>19,398</u>
Cash generated from operations		15,413	19,398
Income tax refunded (paid)		21	(1,642)
		<u>15,434</u>	<u>17,756</u>
NET CASH FROM OPERATING ACTIVITIES		<u>15,434</u>	<u>17,756</u>
INVESTING ACTIVITIES			
Deposits paid for acquisition of plant and equipment		(1,493)	(2,188)
Purchases of plant and equipment		(193)	(2,201)
Net cash outflow from disposal of a subsidiary	27	—	(1,857)
Advance to ultimate holding company		(9)	—
Advance to intermediate holding company		(8)	(5)
		<u>(1,703)</u>	<u>(6,251)</u>
NET CASH USED IN INVESTING ACTIVITIES		<u>(1,703)</u>	<u>(6,251)</u>
FINANCING ACTIVITIES			
Loan from a director		—	13,500
(Repayment to) advance from a director		(1,897)	3,997
Advance from a related company		—	29
Interest paid		—	(745)
Repayment of loan from a director		—	(13,500)
		<u>(1,897)</u>	<u>3,281</u>
NET CASH (USED IN) FROM FINANCING ACTIVITIES		<u>(1,897)</u>	<u>3,281</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		11,834	14,786
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		<u>1,402</u>	<u>13,236</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash		<u>13,236</u>	<u>28,022</u>

NOTES TO THE FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands as an exempted company with limited liability on 15 April 2015 in preparation for [Redacted] of the Company’s shares on the Growth Enterprise Market of the Stock Exchange. The addresses of the registered office and the principal place of business of the Company are stated in the “Corporate Information” section of the [Redacted].

The Company is an investment holding company. Its major operating subsidiaries are mainly engaged in sales of alcoholic beverages and provision of wine storage services.

The functional currency of the Company and its subsidiaries is Hong Kong dollar (“HK\$”), which is the same as the presentation currency of the Financial Information.

2. BASIS OF PREPARATION OF FINANCIAL INFORMATION

Before the completion of the Reorganisation, Madison International was ultimately owned by Mr. Ting Pang Wan, Raymond, Mr. Lin Samuel Jr. and Mr. Zhu Hui Xin (collectively referred to as the “Shareholders”) as to 77.3%, 20.0% and 2.7% respectively through three investment holding companies. Pursuant to the Reorganisation, which was completed by interspersing the Company between the Shareholders and Madison International, the Company became the holding company of the companies now comprising the Group on [●] 2015. The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity, accordingly, the Financial Information has been prepared as if the Company had always been the holding company of the companies comprising the Group throughout the Track Record Period, using the principles of merger accounting as set out in note 4 below.

The combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows including the results and cash flows of the companies comprising the Group have been prepared as if the current group structure had been in existence throughout the Track Record Period or since their respective dates of incorporation up to 31 March 2015, whichever is the shorter period. The combined statements of financial position of the Group as at 31 March 2014 and 2015 have been prepared to present the assets and liabilities of the companies comprising the Group as if the current group structure had been in existence as at those dates.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

For the purpose of preparing and presenting the Financial Information of the Track Record Period, the Group has consistently adopted all the new and revised Hong Kong Accounting Standards (“HKASs”), HKFRSs, amendments and interpretations (“Ints”) (hereinafter collectively referred to as “new and revised HKFRSs”) issued by the HKICPA which are effective for the Group’s financial year beginning on 1 April 2014 throughout the Track Record Period.

APPENDIX I**ACCOUNTANTS’ REPORT**

At the date of this report, the HKICPA has issued the following new and revised HKFRSs which are not yet effective. The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9 (2014)	Financial Instruments ⁴
HKFRS 15	Revenue from Contracts with Customers ³
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle ²
Amendments to HKAS 1	Disclosure Initiative ²
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ²
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants ²
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions ¹
Amendments to HKAS 27	Equity Method in Separate Financial Statements ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception ²
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations ²

¹ Effective for annual periods beginning on or after 1 July 2014.

² Effective for annual periods beginning on or after 1 January 2016.

³ Effective for annual periods beginning on or after 1 January 2017.

⁴ Effective for annual periods beginning on or after 1 January 2018.

HKFRS 9 (2014) Financial Instruments

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a ‘fair value through other comprehensive income’ (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of HKFRS 9 (2014) are described below:

- All recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability’s credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities’ credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.
- 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 new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an ‘economic relationship’. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity’s risk management activities have also been introduced.

The directors of the Company anticipate that the application of HKFRS 9 in the future may have a material impact on amounts reported in respect of the Group’s financial assets and financial liabilities (e.g. the Group’s investments in redeemable notes that are currently classified as available-for-sale investments may have to be measured at fair value at the end of subsequent reporting periods, with changes in the fair value being recognised in profit or loss). Regarding the Group’s financial assets and financial liabilities, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

HKFRS 15 Revenue from Contracts with Customers

In July 2014, HKFRS 15 was issued which 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.

The directors of the Company anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group’s combined financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

Annual Improvements to HKFRSs 2010-2012 Cycle

The Annual Improvements to HKFRSs 2010-2012 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 2 (i) change the definitions of ‘vesting condition’ and ‘market condition’; and (ii) add definitions for ‘performance condition’ and ‘service condition’ which were previously included within the definition of ‘vesting condition’. The amendments to HKFRS 2 are effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

The amendments to HKFRS 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of HKFRS 9 or HKAS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit and loss. The amendments to HKFRS 3 are effective for business combinations for which the acquisition date is on or after 1 July 2014.

The amendments to HKFRS 8 (i) require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have ‘similar economic characteristics’; and (ii) clarify that a reconciliation of the total of the reportable segments’ assets to the entity’s assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

The amendments to the basis for conclusions of HKFRS 13 clarify that the issue of HKFRS 13 and consequential amendments to HKAS 39 and HKFRS 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial. As the amendments do not contain any effective date, they are considered to be immediately effective.

The amendments to HKAS 16 and HKAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The amendments to HKAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The directors of the Company do not anticipate that the application of these amendments will have a material effect on the Group’s combined financial statements.

Annual Improvements to HKFRSs 2011-2013 Cycle

The Annual Improvements to HKFRSs 2011-2013 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to HKFRS 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, HKAS 39 or HKFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within HKAS 32.

The amendments to HKAS 40 clarify that HKAS 40 and HKFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:

- (a) the property meets the definition of investment property in terms of HKAS 40; and
- (b) the transaction meets the definition of a business combination under HKFRS 3.

The directors of the Company do not anticipate that the application of these amendments will have a material effect on the Group’s combined financial statements.

Annual Improvements to HKFRSs 2012-2014 Cycle

The Annual Improvements to HKFRSs 2012-2014 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 5 introduce specific guidance in HKFRS 5 for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa), or when held-for-distribution accounting is discontinued. The amendments apply prospectively.

The amendments to HKFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets and clarify that the offsetting disclosures (introduced in the amendments to HKFRS 7 Disclosure — Offsetting Financial Assets and Financial Liabilities issued in December 2011 and effective for periods beginning on or after 1 January 2013) are not explicitly required for all interim periods. However, the disclosures may need to be included in condensed interim financial statements to comply with HKAS 34 Interim Financial Reporting.

The amendments to HKAS 19 clarify that the high quality corporate bonds used to estimate the discount rate for post-employment benefits should be issued in the same currency as the benefits to be paid. These amendments would result in the depth of the market for high quality corporate bonds

being assessed at currency level. The amendments apply from the beginning of the earliest comparative period presented in the financial statements in which the amendments are first applied. Any initial adjustment arising should be recognised in retained earnings at the beginning of that period.

The amendments to HKAS 34 clarify the requirements relating to information required by HKAS 34 that is presented elsewhere within the interim financial report but outside the interim financial statements. The amendments require that such information be incorporated by way of a cross-reference from the interim financial statements to the other part of the interim financial report that is available to users on the same terms and at the same time as the interim financial statements.

The directors of the Company do not anticipate that the application of these will have a material effect on the Group’s combined financial statements.

Amendments to HKAS 1 Disclosure Initiative

The amendments clarify that companies should use professional judgement in determining what information as well as where and in what order information is presented in the combined financial statements. Specifically, an entity should decide, taking into consideration all relevant facts and circumstances, how it aggregates information in the combined financial statements, which include the notes. An entity does not require to provide a specific disclosure required by a HKFRS if the information resulting from that disclosure is not material. This is the case even if the HKFRS contain a list of specific requirements or describe them as minimum requirements.

Besides, the amendments provide some additional requirements for presenting additional line items, headings and subtotals when their presentation is relevant to an understanding of the entity’s financial position and financial performance respectively. Entities, in which they have investments in associates or joint ventures, are required to present the share of other comprehensive income of associates and joint ventures accounted for using the equity method, separated into the share of items that (i) will not be reclassified subsequently to profit or loss; and (ii) will be reclassified subsequently to profit or loss when specific conditions are met.

Furthermore, the amendments clarify that:

- (i) an entity should consider the effect on the understandability and comparability of its combined financial statements when determining the order of the notes; and
- (ii) significant accounting policies are not required to be disclosed in one note, but instead can be included with related information in other notes.

The amendments will become effective for financial statements with annual periods beginning on or after 1 January 2016. Earlier application is permitted.

The directors of the Company anticipate that the application of Amendments to HKAS 1 in the future may have a material impact on the disclosures made in the Group’s combined financial statements.

Amendments to HKAS 16 and HKAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to HKAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to HKAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

- (a) when the intangible asset is expressed as a measure of revenue; or
- (b) when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Currently, the Group uses the straight-line method for depreciation and amortisation for its property, plant and equipment, and intangible assets respectively. The directors of the Company believe that the straight-line method is the most appropriate method to reflect the consumption of economic benefits inherent in the respective assets and accordingly, the directors of the Company do not anticipate that the application of these amendments to HKAS 16 and HKAS 38 will have a material impact on the Group’s combined financial statements.

Amendments to HKAS 16 and HKAS 41 Agriculture: Bearer Plants

The amendments to HKAS 16 and HKAS 41 define a bearer plant and require biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment in accordance with HKAS 16, instead of HKAS 41. The produce growing on bearer plants continues to be accounted for in accordance with HKAS 41.

The directors of the Company do not anticipate that the application of these amendments to HKAS 16 and HKAS 41 will have a material impact on the Group’s combined financial statements as the Group is not engaged in agricultural activities.

Amendments to HKAS 19 Defined Benefit Plans: Employee Contributions

The amendments to HKAS 19 clarify how an entity should account for contributions made by employees or third parties to defined benefit plans, based on whether those contributions are dependent on the number of years of service provided by the employee.

For contributions that are independent of the number of years of service, the entity may either recognise the contributions as a reduction in the service cost in the period in which the related service is rendered, or to attribute them to the employees’ periods of service using the projected unit credit method; whereas for contributions that are dependent on the number of years of service, the entity is required to attribute them to the employees’ periods of service.

APPENDIX I**ACCOUNTANTS’ REPORT**

The directors of the Company do not anticipate that the application of these amendments to HKAS 19 will have a significant impact on the Group’s combined financial statements as the Group does not have any defined benefit plans.

Amendments to HKAS 27 Equity Method in Separate Financial Statements

The amendments allow an entity to account for investments in subsidiaries, joint ventures and associates in its separate financial statements:

- At cost,
- In accordance with HKFRS 9 Financial Instruments (or HKAS 39 Financial Instruments: Recognition and Measurement for entities that have not yet adopted HKFRS 9), or
- Using the equity method as described in HKAS 28 Investments in Associates and Joint Ventures.

The accounting option must be applied by category of investments.

The amendments also clarify that when a parent ceases to be an investment entity, or becomes an investment entity, it shall account for the change from the date when the change in status occurred.

In addition to the amendments to HKAS 27, there are consequential amendments to HKAS 28 to avoid a potential conflict with HKFRS 10 Consolidated Financial Statements and to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards.

The directors of the Company do not anticipate that the application of these amendments to HKAS 27 will have a material impact on the Group’s combined financial statements.

Amendments to HKFRS 10 and HKAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

Amendments to HKAS 28:

- The requirements on gains and losses resulting from transactions between an entity and its associate or joint venture have been amended to relate only to assets that do not constitute a business.
- A new requirement has been introduced that gains or losses from downstream transactions involving assets that constitute a business between an entity and its associate or joint venture must be recognised in full in the investor’s financial statements.
- A requirement has been added that an entity needs to consider whether assets that are sold or contributed in separate transactions constitute a business and should be accounted for as a single transaction.

Amendments to HKFRS 10:

- An exception from the general requirement of full gain or loss recognition has been introduced into HKFRS 10 for the loss control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method.
- New guidance has been introduced requiring that gains or losses resulting from those transactions are recognised in the parent’s profit or loss only to the extent of the unrelated investors’ interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement at fair value of investments retained in any former subsidiary that has become an associate or a joint venture that is accounted for using the equity method are recognised in the former parent’s profit or loss only to the extent of the unrelated investors’ interests in the new associate or joint venture.

The directors of the Company do not anticipate that the application of these amendments to HKFRS 10 and HKAS 28 will have a material impact on the Group’s combined financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 Investment Entities: Applying the Consolidation Exception

The amendments clarify the requirements when accounting for investment entities as well as provide relief in particular circumstances, which will reduce the costs of applying the standards. Specifically, a parent entity that is a subsidiary of an investment entity is exempted from preparing combined financial statements. A parent entity which is also a subsidiary of an investment entity and hold interests in associates and joint ventures is exempted from applying equity method if it meets all the conditions stated in paragraph 4(a) of HKFRS 10.

Besides, the amendments clarify if an investment entity has a subsidiary that is not itself an investment entity and whose main purpose and activities are providing investment-related services that relate to the investment entity’s investment activities to the entity or other parties, it should consolidate that subsidiary. If the subsidiary that provides the investment-related services or activities is itself an investment entity, the investment entity parent should measure that subsidiary at fair value through profit or loss. If an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when apply the equity method, retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate’s or joint venture’s interests in subsidiaries.

Furthermore, if a parent that is an investment entity and has measured all of its subsidiaries at fair value through profit or loss, that investment entity should present the disclosures relating to investment entities required by HKFRS 12 in its financial statements. If an investment entity has consolidated its subsidiary in which the subsidiary itself is not an investment entity and whose main purpose and activities are providing services that relate to the investment activities of its investment entity parent, the disclosure requirements in HKFRS 12 apply to financial statements in which the investment entity consolidates that subsidiary.

The amendments to HKFRS 10, HKFRS 12 and HKAS 28 will become effective for financial statements with annual periods beginning on or after 1 January 2016. Earlier application is permitted.

As the Company does not have any investments in investment entities, the directors of the Company do not anticipate that the application of the amendments to HKFRS 10, HKFRS 12 and HKAS 28 will have a material impact on the Group’s combined financial statements.

Amendments to HKFRS 11 Accounting for Acquisitions of Interests in Joint Operations

The amendments to HKFRS 11 provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in HKFRS 3 Business Combinations. Specifically, the amendments state that the relevant principles on accounting for business combinations in HKFRS 3 and other standards (e.g. HKAS 36 Impairment of Assets regarding impairment testing of a cash generating unit to which goodwill on acquisition of a joint operation has been allocated) should be applied. The same requirements should be applied to the formation of a joint operation if and only if an existing business is contributed to the joint operation by one of the parties that participate in the joint operation.

A joint operator is also required to disclose the relevant information required by HKFRS 3 and other standards for business combinations.

The amendments to HKFRS 11 apply prospectively for annual periods beginning on or after 1 January 2016. The directors of the Company do not anticipate that the application of these amendments to HKFRS 11 will have a material impact on the Group’s combined financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The Financial Information has been prepared on the historical cost basis at the end of each reporting period, as explained in the accounting policies set out below.

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

APPENDIX I**ACCOUNTANTS’ REPORT**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these combined financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

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 are set out below.

Basis of consolidation

The Financial Information incorporates the financial information of the entities to be controlled by the Company upon the reorganisation. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the 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.

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

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

Changes in the Group’s ownership interests in existing subsidiaries

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Merger accounting for business combination involving entities under common control

The combined financial statements incorporate the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are consolidated 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 this is a shorter period, regardless of the date of the common control combination.

APPENDIX I**ACCOUNTANTS’ REPORT**

Plant and equipment

Plant and equipment are stated in the combined statements of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets over their estimated useful lives, using the straight-line method. The estimated useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Impairment on tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or the 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 the cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

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

APPENDIX I**ACCOUNTANTS’ REPORT**

Cash and cash equivalents

Bank balances and cash in the combined statements of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less. For the purpose of the combined statements of cash flows, cash and cash equivalents consist of bank balances and cash, and short-term deposits as defined above.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group’s financial assets are loans and receivables. The classification 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 and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the 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.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, amount due from ultimate holding company, amount due from intermediate holding company and bank balances and cash) are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

APPENDIX I

ACCOUNTANTS’ REPORT

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 financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For all financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade and other receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group’s past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset’s carrying amount and the present value of the estimated future cash flows discounted at the financial asset’s original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, amount due from ultimate holding company and amount due from intermediate holding company, 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 or other receivable, amount due from ultimate holding company or amount due from intermediate holding company is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the 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.

APPENDIX I**ACCOUNTANTS’ REPORT**

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 an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities including trade and other payables, amount due to a related company and amount due to a director are subsequently measured at the amortised cost, using the effective interest method.

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset’s carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group’s obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

APPENDIX I**ACCOUNTANTS’ REPORT**

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

Revenue from the sale of goods is recognised when the goods are delivered and title has 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.

Consignment income is recognised when the consignment inventories are sold.

Storage service income is recognised when services are rendered.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset’s net carrying amount on initial recognition.

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

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease.

APPENDIX I**ACCOUNTANTS’ REPORT**

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Employee benefits***Retirement benefit cost***

Payments to the Mandatory Provident Fund Scheme and state-managed retirement benefit schemes are recognised as an expense when employees have rendered services entitling them to the contributions.

Short-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from “profit before tax” 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 the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary 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.

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

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

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

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

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.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group’s accounting policies, which are described in note 4, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

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

Estimated useful lives of plant and equipment

The management of the Group determines the estimated useful lives and related depreciation charges for its plant and equipment. This estimate is based on the historical experience of the actual useful lives of plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. The management of the Group will increase the depreciation charges where useful lives are less than previously estimated, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. As at 31 March 2014 and 2015, the carrying values of plant and equipment were approximately HK\$3,022,000 and HK\$4,238,000 respectively.

Estimated impairment of plant and equipment

The impairment loss for plant and equipment are recognised for the amounts by which the carrying values exceed their recoverable amounts, in accordance with the Group’s accounting policy. The recoverable amounts of plant and equipment have been determined based on value-in-use calculations. These calculations require the use of estimates such as future revenue and discount rates. As at 31 March 2014 and 2015, the carrying values of plant and equipment were approximately HK\$3,022,000 and HK\$4,238,000 respectively. No accumulated impairment loss was recognised for plant and equipment as at 31 March 2014 and 2015.

Allowance for inventories

The management of the Group reviews the ageing of the inventories at the end of the reporting period, and makes allowance for obsolete and slow-moving inventory items identified that are no longer saleable in the market. The identification of obsolete inventories requires the use of estimation of the net realisable value of items of inventories and judgements on the conditions of items of inventories. Where the expected net realisable value is lower than the cost of certain items, a write-down of inventories may arise. As at 31 March 2014 and 2015, the carrying amounts of inventories were approximately HK\$31,331,000 and HK\$24,221,000 respectively. No allowance was recognised for inventories as at 31 March 2014 and 2015.

Estimated impairment of trade and other receivables

The policy for making impairment loss on trade and other receivables of the Group is based on the evaluation of collectability and ageing analysis of accounts and on management’s judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each debtor. If the financial conditions of debtors of the Group were to deteriorate, resulting in an impairment of their

APPENDIX I**ACCOUNTANTS’ REPORT**

ability to make payments, additional impairment loss may be required. As at 31 March 2014 and 2015, the carrying amounts of trade and other receivables were approximately HK\$6,638,000 and HK\$15,666,000 respectively. No accumulated impairment loss was recognised for trade and other receivables as at 31 March 2014 and 2015.

6. 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 shareholders through the optimisation of the debt and equity balance. The Group’s overall strategy remains unchanged during the Track Record Period.

The capital structure of the Group consists of net debt, which includes amount due to a related company and amount due to a director net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, reserves and retained earnings.

The directors of the Company review the capital structure regularly. As part of this review, the directors of the Company consider the cost of capital and risks associated with each class of capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through the payment of dividends, new share issues and issue of new debt.

7. FINANCIAL INSTRUMENTS**(a) Categories of financial instruments**

	2014	2015
	<i>HK\$’000</i>	<i>HK\$’000</i>
Financial assets		
Loans and receivables (including cash and cash equivalents)	<u>18,122</u>	<u>36,172</u>
Financial liabilities		
At amortised cost	<u>16,950</u>	<u>18,913</u>

(b) Financial risk management objectives and policies

The Group’s major financial instruments include deposits, trade and other receivables, amount due from ultimate holding company, amount due from intermediate holding company, bank balances and cash, trade and other payables, amount due to a related company and amount due to a director. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. 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.

APPENDIX I**ACCOUNTANTS’ REPORT**

Market risk**(i) Currency risk**

The functional currency of the Group’s major operating subsidiaries is HK\$. The Group’s major operating subsidiaries have foreign currency purchases, which expose the Group to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The Group’s exposure to foreign currency risk relates principally to its bank balances and payables denominated in foreign currencies other than the functional currency of relevant group entities.

The carrying amounts of the Group’s monetary assets and liabilities that are denominated in currencies other than the functional currency of relevant group entities at the end of the reporting periods are as follows:

	2014		2015	
	Assets	Liabilities	Assets	Liabilities
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
United States dollar (“US\$”)	4	—	4	—
Singapore dollar (“SGD”)	—	—	39	—
Euro (“EUR”)	—	526	—	349
Great British Pound (“GBP”)	12	—	—	87
Australian dollar (“AUD”)	—	—	—	75
Renminbi (“RMB”)	—	—	54	—
	<u>—</u>	<u>—</u>	<u>54</u>	<u>—</u>

No sensitivity analysis is presented as in the opinions of the directors of the Company, the expected change in foreign exchange rates will not have significant impact on the profit during the Track Record Period.

(ii) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances. To mitigate the impact of interest rate fluctuations, the Group assesses and monitors the exposure to interest rate risk.

The Group’s exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group’s cash flow interest rate risk is mainly concentrated on the fluctuation of the prevailing market rates on bank balances.

In the opinion of directors of the Company, the expected change in interest rate on bank balances will not be significant in the near future, hence no sensitivity analysis is presented.

Credit risk

As at the end of each reporting period, the Group’s maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the combined statements of financial position.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group’s credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by authorised credit-rating agencies.

The Group’s concentration of credit risk by geographical location is in Hong Kong, which accounted for 65% and 57% of the total trade receivables as at 31 March 2014 and 2015 respectively.

The Group has limited concentration of credit risk as it has a large number of customers.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group’s operations and mitigate the effects of fluctuations in cash flows.

APPENDIX I

ACCOUNTANTS’ REPORT

The following table details the Group’s remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of each reporting period.

Liquidity tables

	On demand or within one year HK\$’000	Total undiscounted cash flows HK\$’000	Carrying amount HK\$’000
At 31 March 2014			
Non-derivative financial liabilities			
Trade and other payables	2,898	2,898	2,898
Amount due to a related company	6,898	6,898	6,898
Amount due to a director	<u>7,154</u>	<u>7,154</u>	<u>7,154</u>
	<u>16,950</u>	<u>16,950</u>	<u>16,950</u>

	On demand or within one year HK\$’000	Total undiscounted cash flows HK\$’000	Carrying amount HK\$’000
At 31 March 2015			
Non-derivative financial liabilities			
Trade and other payables	9,655	9,655	9,655
Amount due to a director	<u>9,258</u>	<u>9,258</u>	<u>9,258</u>
	<u>18,913</u>	<u>18,913</u>	<u>18,913</u>

The amounts included above for variable interest rate 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 the reporting period.

(c) Fair value measurements of financial instruments

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis. The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Financial Information approximate their fair values due to their immediate or short-term maturities.

8. REVENUE AND SEGMENT INFORMATION

Revenue represents the fair value of the consideration received or receivable for goods sold by the Group to outside customers less discounts.

The Group’s operation is mainly derived from sales of alcoholic beverages. For the purpose of resources allocation and performance assessment, the chief operating decision maker (“CODM”) (i.e. the directors of the Company) reviews the overall results and financial position of the Group as a whole prepared in accordance with accounting policies which conform to HKFRSs. Accordingly, the Group has only one single operating segment and no further analysis of this single segment is presented.

Geographical information

The Group’s operations are located in Hong Kong (country of domicile) during the Track Record Period.

During the Track Record Period, the Group’s revenue is derived solely in Hong Kong from customers. As at 31 March 2014 and 2015, the Group’s non-current assets by location of assets are all located in Hong Kong.

Information about major customers

During the Track Record Period, there is no customer contributing over 10% of the total revenue of the Group.

APPENDIX I

ACCOUNTANTS' REPORT

9. OTHER INCOME

	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Consignment income	—	1,146
Gain on disposal of a subsidiary	—	168
Others	28	132
	<u>28</u>	<u>1,446</u>

10. FINANCE COSTS

	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on amount due to a director	—	745
	<u>—</u>	<u>745</u>

11. INCOME TAX EXPENSE

	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current tax:		
Hong Kong Profits Tax	1,642	3,243
Deferred taxation (Note 18)	(191)	(267)
	<u>1,451</u>	<u>2,976</u>

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profits during the Track Record Period.

During the year of assessments 2013/2014 and 2014/2015, Hong Kong Profits Tax concession was amounted to HK\$10,000 and HK\$20,000 respectively.

APPENDIX I

ACCOUNTANTS’ REPORT

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

	2014	2015
	<i>HK\$’000</i>	<i>HK\$’000</i>
Profit before tax	<u>8,655</u>	<u>17,290</u>
Tax at Hong Kong Profits Tax rate of 16.5%	1,428	2,853
Tax effect of expenses not deductible for tax purpose	33	190
Tax effect of income not taxable for tax purpose	—	(28)
Tax effect of tax losses not recognised	—	1
Effect of tax exemption granted	<u>(10)</u>	<u>(40)</u>
Income tax expense for the year	<u>1,451</u>	<u>2,976</u>

12. PROFIT FOR THE YEAR

	2014	2015
	<i>HK\$’000</i>	<i>HK\$’000</i>
Profit for the year has been arrived at after charging:		
Directors’ emoluments (Note 13)	724	1,167
Salaries, allowances and other benefits	3,922	7,519
Sales commission	558	407
Contributions to retirement benefits scheme	<u>158</u>	<u>281</u>
Total staff costs	<u>5,362</u>	<u>9,374</u>
Auditor’s remuneration	340	350
Cost of inventories recognised as expense	45,353	105,587
Depreciation of plant and equipment	1,618	2,478
Net exchange loss	333	97
Minimum lease payments under operating leases in respect of office premises, warehouses and shop	<u>4,464</u>	<u>5,726</u>

APPENDIX I

ACCOUNTANTS’ REPORT

13. DIRECTORS’ EMOLUMENTS

The emoluments paid or payable to each of directors were as follows:

Year ended 31 March 2014

	Fees <i>HK\$’000</i>	Salaries, allowances and other benefits <i>HK\$’000</i>	Contributions to retirement benefits scheme <i>HK\$’000</i>	Total <i>HK\$’000</i>
Directors				
Mr. Ting Pang Wan, Raymond	—	60	3	63
Mr. Lin Samuel Jr.	—	—	—	—
Mr. Zhu Qin	—	646	15	661
Mr. Kao Sheng-Chi	—	—	—	—
Mr. Ting Yan Chun (resigned on 31 March 2014)	—	—	—	—
	<u>—</u>	<u>706</u>	<u>18</u>	<u>724</u>

Year ended 31 March 2015

	Fees <i>HK\$’000</i>	Salaries, allowances and other benefits <i>HK\$’000</i>	Contributions to retirement benefits scheme <i>HK\$’000</i>	Total <i>HK\$’000</i>
Directors				
Mr. Ting Pang Wan, Raymond	—	—	—	—
Mr. Lin Samuel Jr.	—	—	—	—
Mr. Zhu Qin	—	845	17	862
Mr. Kao Sheng-Chi	—	300	5	305
	<u>—</u>	<u>1,145</u>	<u>22</u>	<u>1,167</u>

The emoluments shown above represent emoluments received from the Group by these directors in their capacity as directors of the companies now comprising the Group during the Track Record Period.

Subsequent to the Track Record Period, Mr. Ting Pang Wan, Raymond was appointed as an executive director of the Company on 15 April 2015. Mr. Kao Sheng-Chi and Mr. Zhu Qin were appointed as executive directors of the Company on 14 May 2015.

APPENDIX I

ACCOUNTANTS' REPORT

During the Track Record Period, all of the independent non-executive directors have not yet been appointed and did not receive any remuneration.

The Group did not appoint a chief executive during the Track Record Period.

During the Track Record Period, no emoluments were 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 emoluments during the Track Record Period.

14. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, one was director of the Company for the years ended 31 March 2014 and 2015, whose emoluments are disclosed in note 13 above. The emoluments of the remaining four individuals for the years ended 31 March 2014 and 2015 were as follows:

	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Salaries, allowances and other benefits	2,208	3,042
Contributions to retirement benefits scheme	<u>56</u>	<u>69</u>
	<u><u>2,264</u></u>	<u><u>3,111</u></u>

Their emoluments were within the following bands:

	Number of individuals	
	2014	2015
Nil to HK\$1,000,000	<u>4</u>	<u>4</u>

No emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the Track Record Period.

15. DIVIDEND

No dividend was paid or declared by companies now comprising the Group during the Track Record Period.

APPENDIX I

ACCOUNTANTS’ REPORT

16. EARNINGS PER SHARE

Earnings per share information is not presented as its inclusion, for the purpose of the Financial Information, is not considered meaningful with regard to the Reorganisation and the presentation of the results for the Track Record Period on a combined basis as disclosed in note 2.

17. PLANT AND EQUIPMENT

	Leasehold improvements	Shop equipment	Furniture, fixtures and office equipment	Motor vehicles	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
COST					
At 1 April 2013	4,348	568	201	—	5,117
Additions	<u>—</u>	<u>25</u>	<u>168</u>	<u>—</u>	<u>193</u>
At 31 March 2014	4,348	593	369	—	5,310
Additions	<u>3,024</u>	<u>—</u>	<u>335</u>	<u>335</u>	<u>3,694</u>
At 31 March 2015	<u>7,372</u>	<u>593</u>	<u>704</u>	<u>335</u>	<u>9,004</u>
ACCUMULATED DEPRECIATION					
At 1 April 2013	604	47	19	—	670
Charge for the year	<u>1,449</u>	<u>118</u>	<u>51</u>	<u>—</u>	<u>1,618</u>
At 31 March 2014	2,053	165	70	—	2,288
Charge for the year	<u>2,134</u>	<u>118</u>	<u>126</u>	<u>100</u>	<u>2,478</u>
At 31 March 2015	<u>4,187</u>	<u>283</u>	<u>196</u>	<u>100</u>	<u>4,766</u>
CARRYING VALUES					
At 31 March 2014	<u>2,295</u>	<u>428</u>	<u>299</u>	<u>—</u>	<u>3,022</u>
At 31 March 2015	<u>3,185</u>	<u>310</u>	<u>508</u>	<u>235</u>	<u>4,238</u>

APPENDIX I

ACCOUNTANTS' REPORT

The above items of plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Leasehold improvements	Over the term of the lease
Shop equipment	20%
Furniture, fixtures and office equipment	20%
Motor vehicles	30%

18. DEFERRED TAX ASSET

The following is the major deferred tax asset recognised by the Group and movements thereon during the Track Record Period:

	Accelerated tax depreciation <i>HK\$'000</i>
At 1 April 2013	—
Credited to profit or loss	<u>191</u>
At 31 March 2014	191
Credited to profit or loss	<u>267</u>
At 31 March 2015	<u><u>458</u></u>

At 31 March 2014 and 2015, the Group had unused tax loss of nil and approximately HK\$7,000 available for offset against future profits. No deferred tax asset has been recognised in respect of such tax loss due to the unpredictability of future profit streams. All tax losses may be carried forward indefinitely.

19. INVENTORIES

	2014 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Goods held for resale	<u>31,331</u>	<u>24,221</u>

APPENDIX I

ACCOUNTANTS’ REPORT

20. TRADE AND OTHER RECEIVABLES, DEPOSITS

	2014	2015
	<i>HK\$’000</i>	<i>HK\$’000</i>
Trade receivables	3,220	5,840
Payments in advance	2,366	7,095
Prepayments	836	1,518
Deposits and other receivables	<u>1,649</u>	<u>2,288</u>
Trade and other receivables	<u><u>8,071</u></u>	<u><u>16,741</u></u>
Analysed as:		
Current	6,638	15,666
Non-current (rental deposits)	<u>1,433</u>	<u>1,075</u>
	<u><u>8,071</u></u>	<u><u>16,741</u></u>

Generally, the Group allows credit period of a range from 0 to 30 days to its customers.

The Group does not hold any collateral over its trade and other receivables.

The following is an aged analysis of trade receivables net of allowance for doubtful debts presented based on the delivery dates, which approximated the respective revenue recognition dates, at the end of the reporting period.

	2014	2015
	<i>HK\$’000</i>	<i>HK\$’000</i>
Within 30 days	381	2,189
31 to 60 days	1,464	3,084
61 to 90 days	626	17
91 to 180 days	688	223
181 to 365 days	61	232
Over 365 days	<u>—</u>	<u>95</u>
Total	<u><u>3,220</u></u>	<u><u>5,840</u></u>

Trade receivables that were neither past due nor impaired as at 31 March 2015 related to a wide range of customers for whom there was no recent history of default.

APPENDIX I

ACCOUNTANTS' REPORT

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of approximately HK\$3,168,000 and HK\$5,357,000 as at 31 March 2014 and 2015 respectively which are past due as at the end of the reporting period for which the Group has not provided for impairment loss as these balances were either subsequently settled or there has not been a significant change in credit quality and the amounts are still considered recoverable.

Ageing of trade receivables which are past due but not impaired is as follows:

	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 30 days	329	1,706
31 to 60 days	1,464	3,084
61 to 90 days	626	17
91 to 180 days	688	223
181 to 365 days	61	232
Over 365 days	<u>—</u>	<u>95</u>
Total	<u>3,168</u>	<u>5,357</u>

No allowance for doubtful debts was recognised as at 31 March 2014 and 2015. Trade receivables are individually impaired and recognised based on the credit history of its customers, such as financial difficulties or default in payments, and current market conditions.

21. AMOUNTS DUE FROM ULTIMATE HOLDING COMPANY / INTERMEDIATE HOLDING COMPANY

The amounts are unsecured, non-interest bearing and repayable on demand.

22. BANK BALANCES AND CASH

Bank balances carried at prevailing market rates of 0.01% per annum as at 31 March 2014 and 2015.

23. TRADE AND OTHER PAYABLES

	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	2,291	9,064
Receipts in advance	1,256	1,907
Other payables and accruals	<u>607</u>	<u>591</u>
Trade and other payables	<u>4,154</u>	<u>11,562</u>

APPENDIX I**ACCOUNTANTS’ REPORT**

The following is an aged analysis of trade payables presented based on invoice date at the end of the reporting period.

	2014	2015
	<i>HK\$’000</i>	<i>HK\$’000</i>
Within 30 days	—	194
31 to 60 days	—	8,447
61 to 90 days	43	—
91 to 180 days	1,825	—
181 to 365 days	423	—
Over 365 days	—	423
	<hr/>	<hr/>
Trade payables	<u>2,291</u>	<u>9,064</u>

The average credit period on purchases of goods is ranging from 30 to 90 days. The Group has financial risk management in place to ensure that all payables are settled within the credit timeframe.

24. AMOUNT DUE TO A RELATED COMPANY

The amount was due to a related company, Lucky Target Arts Limited (“Lucky Target”), in which Mr. Ting Pang Wan, Raymond has beneficial interest. The amount was arisen from normal purchase transactions and was unsecured, non-interest bearing and expected to be settled according to respective credit terms which are similar to those with third parties. The amount was fully settled during the year ended 31 March 2015.

25. AMOUNT DUE TO A DIRECTOR

During the year ended 31 March 2015, the Group obtained advance of HK\$13,500,000 from Mr. Ting Pang Wan, Raymond, the director of the Company, which carried interest rate at 12% per annum. The amount was fully repaid during the year ended 31 March 2015.

As at 31 March 2014 and 2015, the amount due to a director is unsecured, non-interest bearing and repayable on demand and [will be fully settled before [Redacted] of the Company’s shares on the Growth Enterprise Market of the Stock Exchange].

26. SHARE CAPITAL

As the Company was not incorporated prior to 31 March 2015 and the Reorganisation was not completed as at 31 March 2015. The share capital of the Group in the combined statements of financial position as at 1 April 2013 represented the share capital of Madison Wine (HK) and as at 31 March 2014 and 2015 represented the share capital of Madison International Wine attributable to owners of the Company.

On 21 November 2013, 100 shares of US\$1.00 each (equivalent to approximately HK\$1,000 in aggregate) had been allotted and issued by Madison International, all credited as fully paid, to Quick Express International Limited (“Quick Express”), a company wholly-owned by Mr. Ting Pang Wan, Raymond.

On 25 November 2013, Madison International further allotted and issued 9,900 shares of US\$1.00 each (equivalent to approximately HK\$77,000 in aggregate), all credited as fully paid, to Quick Express for the transfer of the entire issued share capital and shareholder loan of approximately HK\$23,735,000 in Madison Wine (HK) to Madison International.

The Company was incorporated on 15 April 2015 with an authorised share capital of HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each. On the same date, one share was allotted and issued in nil-paid form to the initial subscriber of the Company and was transferred to Royal Spectrum Holding Company Limited (“Royal Spectrum”) at nil consideration on the same date. Prior to the Reorganisation, Royal Spectrum had been the sole shareholder of the Company.

Pursuant to the resolutions in writing passed by the shareholders of the Company on [●], the authorised share capital of the Company was increased from HK\$380,000 to HK\$[Redacted] by the creation of an additional of [Redacted] shares of HK\$0.01 each, each ranks *pari passu* with the shares then in issue in all respects.

27. DISPOSAL OF A SUBSIDIARY

On 29 January 2015, the Group disposed of its entire equity interest in Wine Financier to a related company, China Runking Financing Group Limited (“China Runking”), which is 70% beneficially owned by Mr. Ting Pang Wang, Raymond, a director of the Company, at a cash consideration of HK\$10,000.

APPENDIX I

ACCOUNTANTS' REPORT

Upon the completion, the Company ceased to hold any interest in Wine Financier. The net liabilities of Wine Financier at the date of disposal were as follows:

Analysis of assets and liabilities over which control was lost

	29 January 2015
	<i>HK\$'000</i>
Trade and other receivables	22
Bank balances	1,867
Trade and other payables	(18)
Amount due to a related company	(29)
Amount due to a director	<u>(2,000)</u>
Net liabilities disposed of	<u><u>(158)</u></u>

Gain on disposal of a subsidiary

	<i>HK\$'000</i>
Cash consideration	10
Net liabilities disposed of	<u>158</u>
Gain on disposal	<u><u>168</u></u>

Net cash outflow arising on disposal

	<i>HK\$'000</i>
Cash consideration	10
Less: Bank balances disposed of	<u>(1,867)</u>
	<u><u>(1,857)</u></u>

During the period from 11 September 2014 (date of incorporation) to 29 January 2015, Wine Financier contributed to the Group's revenue and loss of nil and approximately HK\$168,000 respectively.

APPENDIX I

ACCOUNTANTS’ REPORT

28. OPERATING LEASES

The Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2014	2015
	<i>HK\$’000</i>	<i>HK\$’000</i>
Within one year	5,642	4,900
In the second to fifth year inclusive	<u>4,499</u>	<u>6,369</u>
	<u><u>10,141</u></u>	<u><u>11,269</u></u>

Operating lease payments represent rentals payable by the Group for certain of its office premises, warehouses and shop. Leases are negotiated for terms ranged from one to three years and rentals are fixed over the term of lease. No provision for contingent rent and terms of renewal was established in the leases.

29. RETIREMENT BENEFITS SCHEME

Hong Kong

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of the relevant payroll costs and up to maximum of HK\$1,250 from 1 April 2013 to 31 May 2014, and HK\$1,500 from 1 June 2014 onwards for each employee to the scheme, to which the same amount of contribution is matched by employees.

The only obligation of the Group with respect to the retirement benefit plans is to make the statutory specified contributions. During the years ended 31 March 2014 and 2015, the total retirement benefits scheme contributions charged to the combined statements of profit or loss and other comprehensive income amounted to approximately HK\$176,000 and HK\$282,000 respectively.

The People’s Republic of China (the “PRC”), other than Hong Kong

As stipulated by rules and regulations in the PRC, it is required to contribute to a state-managed retirement plan for all its employees at a certain percentage of the basic salaries of its employees. The state-managed retirement plan is responsible for the entire pension obligations payable to all retired employees. Under the state-managed retirement plan, the Group has no further obligations for the actual pension payments or post-retirement benefits beyond the annual contributions. During the year ended 31 March 2014 and 2015, a total contribution of nil and approximately HK\$15,000 were made by the Group in respect of this scheme.

APPENDIX I

ACCOUNTANTS’ REPORT

30. RELATED PARTY TRANSACTIONS

(a) Transactions with related parties:

Name of party	Nature of transactions	2014	2015
		HK\$’000	HK\$’000
Mr. Ting Pang Wan, Raymond	Sale of goods therefrom	—	32
	Purchase of goods thereto	—	139
	Interest paid thereto	—	745
Lucky Target	Sale of goods therefrom	98	—
	Purchase of goods thereto	1,027	748

Mr. Ting Pang Wan, Raymond, the director of the Company, has beneficial interest in Lucky Target. The transactions were conducted in the ordinary and usual course of business at prices and terms as agreed between the transacting parties.

(b) As disclosed in note 27, the Group disposed of its entire equity interest in Wine Financier to China Runking at a cash consideration of HK\$10,000.

(c) Compensation of key management personnel

The remuneration of directors and other members of key management during the Track Record Period are as follows:

	2014	2015
	HK\$’000	HK\$’000
Short-term employee benefits	1,238	1,717
Post-employment benefits	<u>33</u>	<u>39</u>
	<u>1,271</u>	<u>1,756</u>

APPENDIX I

ACCOUNTANTS’ REPORT

B. EVENTS AFTER THE REPORTING PERIOD

i) Share option scheme

Pursuant to shareholders’ written resolution passed on [●], a share option scheme has been conditionally adopted by the Company (the “Share Option Scheme”). The principle terms of the Share Option Scheme are summarised in the paragraphs headed “Share Option Scheme” in Appendix IV to this [Redacted]. No share option has been granted under the Share Option Scheme up to the date of this report.

ii) Capitalisation issue

Pursuant to shareholders’ written resolution passed on [●], subject to the share premium account of the Company having sufficient balance, or otherwise being credited as a result of the allotment and issue of the [Redacted] under the [Redacted], up to HK\$[●] standing to the credit of the share premium account of the Company shall be capitalised and applied to pay up in full at par [●] shares for allotment and issue to the shareholders of the Company as at the close of business on the date of passing that resolution (or such other date as the directors of the Company may direct). Details are set out in the paragraphs headed “Further information about Our Group - Written resolutions” in Appendix IV to this [Redacted].

C. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Group, the Company or any of its subsidiaries have been prepared in respect of any period subsequent to 31 March 2015.

Yours faithfully,

SHINEWING (HK) CPA Limited

Certified Public Accountants

Wong Chuen Fai

Practising Certificate Number: P05589

Hong Kong

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The information set out in this Appendix does not form part of the Accountants’ Report prepared by the reporting accountants of the Company, SHINEWING (HK) CPA Limited as set out in Appendix I to this [Redacted], and is included herein for information only.

The unaudited pro forma financial information should be read in conjunction with the section headed “Financial Information” in this [Redacted] and the Accountants’ Report as set out in Appendix I to this [Redacted].

(A) UNAUDITED PRO FORMA STATEMENT OF ADJUSTED COMBINED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted combined net tangible assets of the Group (the “Unaudited Pro Forma NTA”) prepared in accordance with Rule 7.31 of the GEM Listing Rules is for illustrative purposes only, and is set out below to illustrate the effect of the [Redacted] on the combined net tangible assets of the Group attributable to the owners of the Company as of 31 March 2015 as if the [Redacted] had taken place on 31 March 2015.

The Unaudited Pro Forma NTA has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the combined net tangible assets of the Group as at 31 March 2015 or at any future dates following the [Redacted].

The Unaudited Pro Forma NTA is prepared based on the audited combined net tangible assets of the Group attributable to the owners of the Company as at 31 March 2015 as shown in the Accountants’ Report as set out in Appendix I to this [Redacted], and adjusted as described below.

	Audited combined net tangible assets of the Group attributable to the owners of the Company as at 31 March 2015	Estimated net proceeds from the [Redacted]	Unaudited pro forma adjusted combined net tangible assets of the Group attributable to the owners of the Company immediately after the completion of the [Redacted]	Unaudited pro forma adjusted combined net tangible assets of the Group attributable to the owners of the Company per Share as at 31 March 2015
	<i>HK\$’000 (Note 1)</i>	<i>HK\$’000 (Note 2)</i>	<i>HK\$’000</i>	<i>HK\$ (Note 3)</i>
Based on the [Redacted] of HK\$[Redacted] per Share	<u>[Redacted]</u>	<u>[Redacted]</u>	<u>[Redacted]</u>	<u>[Redacted]</u>
Based on the [Redacted] of HK\$[Redacted] per Share	<u>[Redacted]</u>	<u>[Redacted]</u>	<u>[Redacted]</u>	<u>[Redacted]</u>

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

Notes:

1. The audited combined net tangible assets of the Group attributable to the owners of the Company as at 31 March 2015 is extracted from the Accountants’ Report as set out in Appendix I to this [Redacted].
2. The estimated net proceeds from the [Redacted] are based on the respective low and high-ends of the indicative [Redacted] range of HK\$[Redacted] and HK\$[Redacted] per Share, respectively, after deduction of the underwriting fees and other related expenses payable by the Company in relation to the [Redacted]. The estimated net proceeds from the [Redacted] do not take into account any Shares which may be issued upon the exercise of any options granted under the Share Option Scheme.
3. The unaudited pro forma adjusted combined net tangible assets of the Group attributable to the owners of the Company per Share is calculated based on [Redacted] Shares in issue as at 31 March 2015 (including Shares in issue as at the date of this [Redacted] and those Shares to be issued pursuant to the [Redacted] and the Capitalisation Issue but not taking into account any Shares which may be issued upon the exercise of any options granted under the Share Option Scheme).
4. No adjustments have been made to the unaudited pro forma adjusted combined net tangible assets of the Group attributable to the owners of the Company to reflect any trading results or other transactions of the Group entered into subsequent to 31 March 2015.

THIS DOCUMENT IS IN DRAFT FORM, INCOMPLETE AND SUBJECT TO CHANGE AND THAT THE INFORMATION MUST BE READ IN CONJUNCTION WITH THE SECTION HEADED “WARNING” ON THE COVER OF THIS DOCUMENT.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

(B) ACCOUNTANTS’ REPORT ON PRO FORMA FINANCIAL INFORMATION

[Redacted]

THIS DOCUMENT IS IN DRAFT FORM, INCOMPLETE AND SUBJECT TO CHANGE AND THAT THE INFORMATION MUST BE READ IN CONJUNCTION WITH THE SECTION HEADED “WARNING” ON THE COVER OF THIS DOCUMENT.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

[Redacted]

THIS DOCUMENT IS IN DRAFT FORM, INCOMPLETE AND SUBJECT TO CHANGE AND THAT THE INFORMATION MUST BE READ IN CONJUNCTION WITH THE SECTION HEADED “WARNING” ON THE COVER OF THIS DOCUMENT.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

[Redacted]

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND THE CAYMAN ISLANDS COMPANIES LAW

SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN COMPANY LAW

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 15 April 2015 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the “Companies Law”). The Memorandum of Association (the “Memorandum”) and the Articles of Association (the “Articles”) comprise its constitution.

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the Shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on [●] to take effect on the [Redacted]. The following is a summary of certain provisions of the Articles:

(a) Directors

(i) *Power to allot and issue shares and warrants*

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the board may determine). Subject to the Companies Law, the rules of any Designated Stock Exchange (as defined in the Articles) and the Memorandum and Articles, any share may be issued on terms that, at the option of the Company or the holder thereof, they are liable to be redeemed.

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND THE CAYMAN ISLANDS COMPANIES LAW

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may from time to time determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of any Designated Stock Exchange (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) *Power to dispose of the assets of the Company or any subsidiary*

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iii) *Compensation or payments for loss of office*

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(iv) *Loans and provision of security for loans to Directors*

There are provisions in the Articles prohibiting the making of loans to Directors.

(v) *Disclosure of interests in contracts with the Company or any of its subsidiaries*

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and, subject to the Articles, upon such terms as the board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND THE CAYMAN ISLANDS COMPANIES LAW

otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. Subject as otherwise provided by the Articles, the board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

Subject to the Companies Law and the Articles, no Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates (as defined in the Articles) is materially interested, but this prohibition shall not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND THE CAYMAN ISLANDS COMPANIES LAW

- (dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or
- (ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s) as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(vi) ***Remuneration***

The ordinary remuneration of the Directors shall from time to time be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors shall also be entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND THE CAYMAN ISLANDS COMPANIES LAW

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vii) *Retirement, appointment and removal*

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot. There are no provisions relating to retirement of Directors upon reaching any age limit.

The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the members may by ordinary resolution appoint another in his place at the meeting at which such Director is removed. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND THE CAYMAN ISLANDS COMPANIES LAW

The office of director shall be vacated:

- (aa) if he resigns his office by notice in writing delivered to the Company at the registered office of the Company for the time being or tendered at a meeting of the Board;
- (bb) becomes of unsound mind or dies;
- (cc) if, without special leave, he is absent from meetings of the board (unless an alternate director appointed by him attends) for six (6) consecutive months, and the board resolves that his office is vacated;
- (dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) if he is prohibited from being a director by law;
- (ff) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may from time to time appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(viii) *Borrowing powers*

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

Note: These provisions, in common with the Articles in general, can be varied with the sanction of a special resolution of the Company.

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND THE CAYMAN ISLANDS COMPANIES LAW

(ix) *Proceedings of the Board*

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(x) *Register of Directors and Officers*

The Companies Law and the Articles provide that the Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

(b) **Alterations to constitutional documents**

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(c) **Alteration of capital**

The Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Companies Law:

- (i) increase its capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe;
- (ii) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;
- (iv) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares; or

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND THE CAYMAN ISLANDS COMPANIES LAW

- (v) cancel any shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may subject to the provisions of the Companies Law reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(d) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(e) Special resolution-majority required

Pursuant to the Articles, a special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles (see paragraph 2(i) below for further details).

A copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles.

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND THE CAYMAN ISLANDS COMPANIES LAW

(f) Voting rights

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Articles, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorised representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Designated Stock Exchange (as defined in the Articles), required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(g) Requirements for annual general meetings

An annual general meeting of the Company must be held in each year, other than the year of adoption of the Articles (within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of not more than eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of any Designated Stock Exchange (as defined in the Articles)) at such time and place as may be determined by the board.

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND THE CAYMAN ISLANDS COMPANIES LAW

(h) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records shall be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting. However, an exempted company shall make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2009 Revision) of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Designated Stock Exchange (as defined in the Articles), the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

Auditors shall be appointed and the terms and tenure of such appointment and their duties at all times regulated in accordance with the provisions of the Articles. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor shall be submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than the Cayman Islands. If so, the financial statements and the report of the auditor should disclose this fact and name such country or jurisdiction.

**APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY
AND THE CAYMAN ISLANDS COMPANIES LAW**

(i) Notices of meetings and business to be conducted thereat

An annual general meeting must be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days. All other general meetings (including an extraordinary general meeting) must be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. In addition notice of every general meeting shall be given to all members of the Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to the auditors for the time being of the Company.

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above if permitted by the rules of the Designated Stock Exchange, it shall be deemed to have been duly called if it is so agreed:

- (i) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together representing not less than ninety-five per cent (95%) of the total voting rights at the meeting of all the members.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

- (aa) the declaration and sanctioning of dividends;
- (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
- (cc) the election of directors in place of those retiring;
- (dd) the appointment of auditors and other officers;
- (ee) the fixing of the remuneration of the directors and of the auditors;
- (ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and
- (gg) the granting of any mandate or authority to the directors to buy back securities of the Company.

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND THE CAYMAN ISLANDS COMPANIES LAW

(j) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange (as defined in the Articles) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit, in its discretion, to do so and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof. The board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

The board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor may shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in the Cayman Islands or such other place at which the principal register is kept in accordance with the Companies Law.

The board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The board may decline to recognise any instrument of transfer unless a fee of such maximum sum as any Designated Stock Exchange (as defined in the Articles) may determine to be payable or such lesser sum as the Directors may from time to time require is paid to the Company in respect thereof, the instrument of transfer, if applicable, is properly stamped, is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND THE CAYMAN ISLANDS COMPANIES LAW

The registration of transfers may be suspended and the register closed on giving notice by advertisement in a relevant newspaper and, where applicable, any other newspapers in accordance with the requirements of any Designated Stock Exchange (as defined in the Articles), at such times and for such periods as the board may determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole thirty (30) days in any year.

(k) Power for the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to purchase its own Shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by any Designated Stock Exchange (as defined in the Articles).

(l) Power for any subsidiary of the Company to own shares in the Company and financial assistance to purchase shares of the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

Subject to compliance with the rules and regulations of the Designated Stock Exchange (as defined in the Articles) and any other relevant regulatory authority, the Company may give financial assistance for the purpose of or in connection with a purchase made or to be made by any person of any shares in the Company.

(m) Dividends and other methods of distribution

Subject to the Companies Law, the Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND THE CAYMAN ISLANDS COMPANIES LAW

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit. The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(n) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND THE CAYMAN ISLANDS COMPANIES LAW

to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(o) Call on shares and forfeiture of shares

Subject to the Articles and to the terms of allotment, the board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or instalments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(p) Inspection of register of members

Pursuant to the Articles the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the Registration Office (as defined in the Articles), unless the register is closed in accordance with the Articles.

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND THE CAYMAN ISLANDS COMPANIES LAW

(q) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

Save as otherwise provided by the Articles the quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

A corporation being a member shall be deemed for the purpose of the Articles to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

(r) Rights of the minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman law, as summarised in paragraph 3(f) of this Appendix.

(s) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares (i) if the Company shall be wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively and (ii) if the Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND THE CAYMAN ISLANDS COMPANIES LAW

If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(t) Untraceable members

Pursuant to the Articles, the Company may sell any of the shares of a member who is untraceable if (i) all cheques or warrants in respect of dividends of the shares in question (being not less than three in total number) for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) upon the expiry of the 12 year period, the Company has not during that time received any indication of the existence of the member; and (iii) the Company has caused an advertisement to be published in accordance with the rules of the Designated Stock Exchange (as defined in the Articles) giving notice of its intention to sell such shares and a period of three (3) months, or such shorter period as may be permitted by the Designated Stock Exchange (as defined in the Articles), has elapsed since the date of such advertisement and the Designated Stock Exchange (as defined in the Articles) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

(u) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND THE CAYMAN ISLANDS COMPANIES LAW

(a) Operations

As an exempted company, the Company’s operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the “share premium account”. At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members, (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares, (c) the redemption and buy-back of shares (subject to the provisions of section 37 of the Companies Law), (d) writing-off the preliminary expenses of the company, and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the “Court”), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

The Articles includes certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

(c) Financial assistance to purchase shares of a company or its holding company

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries, its holding company or any subsidiary of such holding company in order that they may buy Shares in the Company or shares in any subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of Shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND THE CAYMAN ISLANDS COMPANIES LAW

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

Subject to the provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company shall be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company shall not be treated as a member for any purpose and shall not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share shall not be voted, directly or indirectly, at any meeting of the company and shall not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law. Further, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND THE CAYMAN ISLANDS COMPANIES LAW

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

With the exception of section 34 of the Companies Law, there is no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 2(m) above for further details).

(f) Protection of minorities

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Management

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND THE CAYMAN ISLANDS COMPANIES LAW

(h) Accounting and auditing requirements

A company shall cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 5 May 2015.

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 a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND THE CAYMAN ISLANDS COMPANIES LAW

(m) Inspection of corporate records

Members of the Company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register shall be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2009 Revision) of the Cayman Islands.

(n) Winding up

A company may be wound up compulsorily by order of the Court; voluntarily; or, under supervision of the Court. The Court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Court, just and equitable to do so.

A company may be wound up voluntarily when the members so resolve in general meeting by special resolution, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum or articles expires, or the event occurs on the occurrence of which the memorandum or articles provides that the company is to be dissolved, or, the company does not commence business for a year from its incorporation (or suspends its business for a year), or, the company is unable to pay its debts. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court, there may be appointed one or more than one person to be called an official liquidator or official liquidators; and the Court may appoint to such office such qualified person or persons, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court shall declare whether any act hereby required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court. A person shall be qualified to accept an appointment as an official liquidator if he is duly qualified in terms of the Insolvency Practitioners Regulations. A foreign practitioner may be appointed to act jointly with a qualified insolvency practitioner.

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND THE CAYMAN ISLANDS COMPANIES LAW

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators for the purpose of winding up the affairs of the company and distributing its assets. A declaration of solvency must be signed by all the directors of a company being voluntarily wound up within twenty-eight (28) days of the commencement of the liquidation, failing which, its liquidator must apply to Court for an order that the liquidation continue under the supervision of the Court.

Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval.

A liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories), settle the list of creditors and, subject to the rights of preferred and secured creditors and to any subordination agreements or rights of set-off or netting of claims, discharge the company's liability to them (*pari passu* if insufficient assets exist to discharge the liabilities in full) and to settle the list of contributories (shareholders) and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. At least twenty-one (21) days before the final meeting, the liquidator shall send a notice specifying the time, place and object of the meeting to each contributory in any manner authorised by the company's articles of association and published in the Gazette in the Cayman Islands.

(o) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(p) Compulsory acquisition

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within

**APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY
AND THE CAYMAN ISLANDS COMPANIES LAW**

one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(q) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the section headed "Documents available for inspection" in Appendix V to this [Redacted]. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

A. FURTHER INFORMATION ABOUT OUR GROUP

1. Incorporation

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 15 April 2015. Our Company’s registered office is at the office of Codan Trust Company (Cayman) Limited at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. Our Company has established a principal place of business in Hong Kong at Flat A & B, 10/F, North Point Industrial Building, 499 King’s Road, North Point, Hong Kong, and was registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance on 14 May 2015. Mr. Ting has been appointed as the authorised representative of our Company for the acceptance of service of process in Hong Kong.

As our Company was incorporated in the Cayman Islands, its operation is subject to the laws of the Cayman Islands and its constitutive documents comprising the Memorandum and the Articles of Association. A summary of certain provisions of its constitution and relevant aspects of the Companies Law is set out in Appendix III to this [Redacted].

2. Changes in share capital of our Company

The authorised share capital of our Company as at the date of its incorporation was HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each. The following alterations in the share capital of our Company have taken place since the date of its incorporation:

- (a) on 15 April 2015, the Incorporation Share was allotted and issued, credited as fully paid at par, to the initial subscriber, which was transferred to Royal Spectrum on the same date;
- (b) on [●], our Company entered into a share purchase agreement with Royal Spectrum, Keyword and Timebase to acquire the entire issued share capital of Madison International from Royal Spectrum, Keyword, and Timebase, in consideration of our Company allotting and issuing 819 Shares, 100 Shares, and 80 Shares, all credited as fully paid, by our Company to Royal Spectrum, Keyword, and Timebase, respectively;
- (c) pursuant to the written resolutions of our Shareholders dated [●], our Company increased its authorised share capital from HK\$380,000 to HK\$[Redacted] by the creation of an additional [Redacted] Shares;
- (d) immediately following completion of the [Redacted] and the Capitalisation Issue (not taking into account (i) any Shares which may be allotted and issued by our Company pursuant to the exercise of the [Redacted], (ii) any Shares which may be allotted and issued by our Company pursuant to the exercise of any options which may be granted under the Share Option Scheme; and (iii) any Shares which may be allotted and issued or bought back by our Company under the Issue Mandate and the Buy-Back Mandate), the authorised share capital of our Company will be HK\$[Redacted] divided into [Redacted] Shares and the issued share capital will be HK\$[Redacted] divided into [Redacted] Shares, all fully paid or credited as fully paid and [Redacted] Shares will remain unissued. Other than the

allotment and issue of Shares pursuant to the exercise of the [Redacted] or any options which may be granted under the Share Option Scheme, there is no present intention to issue any of the authorised but unissued share capital of our Company and, without the prior approval of our Shareholders in its general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Save as aforesaid and as mentioned in the sections headed “Share Capital” and “History, Reorganisation and Corporate Structure — Reorganisation” in this [Redacted], there has been no other alteration in the share capital of our Company since the date of its incorporation.

3. Written resolutions of our Shareholders dated [●]

Pursuant to the written resolutions of our Shareholders dated [●]:

- (a) our Company approved and adopted the Memorandum and, with effect from [Redacted], the Articles of Association;
- (b) the authorised share capital of our Company was increased from HK\$380,000 to HK\$[Redacted] by the creation of an additional [Redacted] Shares to rank *pari passu* with the existing Shares in all respects;
- (c) conditional on the same conditions as stated in the section headed “Structure and Conditions of the [Redacted] — The [Redacted] — Conditions of the [Redacted]” in this [Redacted]:
 - (i) the [Redacted] was approved and our Directors were authorised to allot and issue the [Redacted] subject to the terms and conditions stated in this [Redacted];
 - (ii) the [Redacted] was approved and our Directors were authorised to effect the same and to allot and issue the Shares upon the exercise of the [Redacted];
 - (iii) the rules of the Share Option Scheme, the principal terms of which are set out in the paragraph headed “Share Option Scheme” of this appendix, were approved and adopted and our Directors were authorised to implement the same, grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant thereto and to take all such steps as they consider necessary or desirable to implement the Share Option Scheme including without limitation: (1) administering the Share Option Scheme; (2) modifying and/or amending the Share Option Scheme from time to time provided that such modifications and/or amendments are effected in accordance with the provisions of the Share Option Scheme relating to modifications and/or amendments and the requirements of the GEM Listing Rules; (3) granting options under the Share Option Scheme and issuing and allotting from time to time any Shares pursuant to the exercise of the options that may be granted under the Share Option Scheme with an aggregate nominal value not exceeding 10% of the total nominal value of the share capital of our Company in issue on [Redacted]; and

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

- (4) making application at the appropriate time or times to the Stock Exchange for [Redacted] 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 options granted under the Share Option Scheme;
- (iv) conditional on the share premium account of our Company being credited as a result of the [Redacted], an amount of HK\$[Redacted] which will then be standing to the credit of the share premium account of our Company be capitalised and applied to pay up in full at par a total of [Redacted] Shares for allotment and issue to holders of Shares whose names appear on the register of members of our Company at the close of business on [●] (or as they may direct) in proportion (as nearly as possible without involving fractions) to their respective then existing shareholdings in our Company, and our Directors were authorised to give effect to the Capitalisation Issue and such distribution and the Shares to be allotted and issued shall, save for the entitlements to the Capitalisation Issue, rank *pari passu* in all respects with all the then existing Shares;
- (v) a general unconditional mandate was given to our Directors to allot, issue and deal with (otherwise than by way of rights issue, scrip dividend schemes or similar arrangements providing for allotment of Shares in lieu of the whole or in part of any dividend on Shares in accordance with the Articles of Association, or pursuant to the exercise of any options which may be granted under the Share Option Scheme or under the [Redacted] or the Capitalisation Issue) unissued Shares with an aggregate nominal amount of not exceeding 20% of the aggregate nominal amount of the share capital of our Company in issue and as enlarged immediately following completion of the [Redacted] and the Capitalisation Issue (excluding any issue of Shares pursuant to the exercise of the [Redacted] and any Shares which may fall to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme) until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles of Association 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;
- (vi) a general unconditional mandate was given to our Directors authorising them to exercise all powers of our Company to buy back 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 the completion of the [Redacted] and the Capitalisation Issue (excluding any issue of Shares pursuant to the exercise of the [Redacted] and Shares which may fall to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme), until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles of Association 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; and

(vii) conditional on the passing of the resolutions referred to in sub-paragraphs (v) and (vi) above, the general unconditional mandate mentioned in sub-paragraph (v) above was extended by the addition of the aggregate nominal value of the share capital of our Company which may be allotted, issued or dealt with by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of our Company bought back by our Company pursuant to the mandate to buy back Shares referred to in sub-paragraph (vi) above.

4. Reorganisation

The companies comprising our Group underwent the Reorganisation, pursuant to which our Company became the holding company of our Group. The Reorganisation involved the following major steps:

- (a) on 15 April 2015, our Company was incorporated in the Cayman Islands with limited liability. At the time of its incorporation, our Company had an authorised share capital of HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each, of which the Incorporation Share was allotted and issued to the initial subscriber, which was transferred to Royal Spectrum on the same date;
- (b) on 20 April 2015, (i) Keyword acquired 1,087 shares in Madison International from Royal Spectrum, and (ii) Timebase subscribed for 870 new shares in Madison International, at the consideration of HK\$[Redacted] and HK\$[Redacted], respectively, with reference to the price-to-earnings ratio of approximately [Redacted] times based on the earnings per share as at 31 March 2015. Upon completion of the [Redacted] Investments, Madison International is owned as to 82% by Royal Spectrum, as to 10% by Keyword, and as to 8% by Timebase;
- (c) on 4 June 2015, Firebird Global transferred 7,730 shares in Royal Spectrum to Devoss Global, in consideration of Devoss Global allotting and issuing one share, credited as fully paid, to Mr. Ting, at the direction of Firebird Global. Upon completion of the share transfer, Royal Spectrum is owned as to 77.3% by Devoss Global, as to 20% by Universal Chinese, and as to 2.7% by Montrachet; and
- (d) on [●], our Company entered into a share purchase agreement with Royal Spectrum, Keyword and Timebase to acquire the entire issued share capital in Madison International, from Royal Spectrum, Keyword and Timebase, in consideration of our Company allotting and issuing 819 Shares, 100 Shares and 80 Shares, all credited as fully paid, representing [Redacted]%, [Redacted]% and [Redacted]% of its issued share capital, to Royal Spectrum, Keyword and Timebase, respectively. Upon completion of such acquisitions, Madison International will become the direct wholly-owned subsidiary of our Company.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

5. Changes in share capital of subsidiaries in our Company

The subsidiaries of our Company are listed in the paragraph headed “Further information about the business of our Group — Further information about the subsidiaries of our Company” in this appendix.

The following alterations in the share capital or the registered capital of the subsidiaries of our Company have taken place within two years preceding the date of this [Redacted]:

- (a) Madison International was incorporated in Seychelles on 21 November 2013 as a limited liability company. The issued share capital was US\$100 divided into 100 shares of US\$1 each, which was fully paid or credited as fully paid;
- (b) Madison International increased its issued share capital on 25 November 2013, to US\$10,000 divided into 10,000 shares of US\$1 each, which was fully paid or credited as fully paid;
- (c) Madison Fine Wine was incorporated in Seychelles on 26 August 2014 as a limited liability company. The issued share capital was US\$1 divided into one share of US\$1, which was fully paid or credited as fully paid;
- (d) Madison Wine Trading was incorporated in Hong Kong on 19 November 2014 as a limited liability company. The issued share capital was HK\$100 divided into 100 shares, which was fully paid or credited as fully paid; and
- (e) Madison International increased its issued share capital on 20 April 2015, to US\$10,870 divided into 10,870 shares of US\$1 each, which was fully paid or credited as fully paid.

Save as disclosed above and in the section headed “History, Reorganisation and Corporate Structure” in this [Redacted], there has been no other alteration in the share capital of any of the subsidiaries of our Company within the two years immediately preceding the date of this [Redacted].

6. Buy-Back by our Company of its own securities

This section includes information relating to the buy-back of the Shares, including information required by the Stock Exchange to be included in this [Redacted] concerning such buy-back.

(a) *Relevant legal and regulatory requirements*

The GEM Listing Rules permit our Shareholders to grant our Directors a general mandate to buy back the Shares that are listed on the Stock Exchange.

(b) *Shareholders’ approval*

All proposed buy-backs of Shares (which must be fully paid up) must be approved in advance by an ordinary resolution of our Shareholders in a general meeting, either by way of general mandate or by specific approval of a particular transaction.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

The Buy-Back Mandate was granted to our Directors by our Shareholders pursuant to a written resolution dated [●] authorising them to exercise all powers of our Company to buy back 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 the completion of the [Redacted] and the Capitalisation Issue (excluding Shares which may fall to be issued pursuant to the exercise of the [Redacted] and the exercise of any options which may be granted under the Share Option Scheme) until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles of Association 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.

(c) Source of funds

Buy-Backs must be funded out of funds legally available for the purpose in accordance with the Memorandum and Articles of Association, the GEM Listing Rules and the applicable laws of the Cayman Islands. A listed company may not buy back its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the GEM Listing Rules. Under the Cayman Islands law, any buy-backs of Shares by our Company may be made out of profits or share premium of our Company or out of the proceeds of a fresh issue of Shares made for the purpose of the buy-backs or, subject to the provisions of the Companies Law, out of capital. Any premium payable on a redemption or purchase over the par value of the Shares to be bought back must be provided for out of the profits of our Company or from sums standing to the credit of the share premium account of our Company or, subject to the provisions of the Companies Law, out of capital.

(d) Trading restrictions

Our Company may buy back up to 10% of the aggregate nominal amount of the share capital of our Company in issue immediately following the completion of the [Redacted] and the Capitalisation Issue (excluding Shares which may fall to be issued pursuant to the exercise of the [Redacted] and the exercise of any options which may be granted under the Share Option Scheme). Our Company may not issue or announce a proposed issue of the Shares for a period of 30 days immediately following a buy-back of Shares without the prior approval of the Stock Exchange. Our Company is also prohibited from buying back the Shares on the Stock Exchange if the buy-back would result in the number of listed Shares which are in the hands of the public falling below the minimum percentage required by the Stock Exchange. The broker appointed by our Company to effect a buy-back of the Shares is required to disclose to the Stock Exchange any information with respect to a Share buy-back as the Stock Exchange may require.

(e) Status of bought back Shares

All Shares bought back (whether on the Stock Exchange or otherwise) will be cancelled and the certificates for those Shares must be cancelled and destroyed. Under the Cayman Islands law, a company's shares bought back may be treated as cancelled and the amount of the company's issued share capital shall be reduced by the aggregate nominal value of the shares bought back accordingly although the authorised share capital of the company will not be reduced.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

(f) *Suspension of buy-back*

Buy-backs of Shares are prohibited after a price-sensitive development has occurred or has been the subject of a decision until such time as the price-sensitive information has been made publicly available. In particular, during the period of one month immediately preceding the earlier of (aa) 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 the results of our Company for any year, half-year or quarter-year period or any other interim period (whether or not reported under the GEM Listing Rules); and (bb) the deadline for our Company to announce its results for any year, 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), our Company may not buy back its securities on GEM unless the circumstances are exceptional. In addition, the Stock Exchange reserves the right to prohibit buy-backs of Shares on the Stock Exchange if our Company has breached the GEM Listing Rules.

(g) *Reporting requirements*

Certain information relating to buy-back of securities on GEM 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 following Business Day. In addition, our Company’s annual report and accounts are required to disclose details regarding buy-backs of Shares made during the financial year under review, including the number of Shares bought back each month (whether on the Stock Exchange or otherwise) and the purchase price per Share or the highest and lowest prices paid for all such buy-backs, where relevant, and the aggregate prices paid. The directors’ report is also required to contain reference to the buy-backs made during the year and the directors’ reasons for making such buy-backs.

(h) *Connected persons*

According to the GEM Listing Rules, a company is prohibited from knowingly buying back securities on the Stock Exchange from a “connected person”, that is, a director, chief executive or substantial shareholder of such company or any of its subsidiaries or any of their associates and a connected person shall not knowingly sell his/her/its securities to the company on the Stock Exchange.

(i) *Reasons for buy-backs*

Our Directors believe that it is in the best interests of our Company and our Shareholders for our Directors to have a general authority from our Shareholders to enable our Company to buy back Shares in the market. Such buy-backs may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value of our Company and/or earnings per Share and will only be made when our Directors believe that such buy-backs will benefit our Company and our Shareholders.

(j) *Funding of buy-backs*

In repurchasing Shares, our Company may only apply funds legally available for such purpose in accordance with the Memorandum and Articles of Association, the GEM Listing Rules and the applicable laws of the Cayman Islands.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

On the basis of the current financial position of our Group as disclosed in this [Redacted] and taking into account the current working capital position of our Group, our Directors consider that, if the Buy-Back Mandate were to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of our Group as compared with the position disclosed in this [Redacted]. Our Directors do not propose to exercise the Buy-Back Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Group or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Group.

(k) *General*

The exercise in full of the Buy-Back Mandate, on the basis of [Redacted] Shares in issue immediately after completion of the [Redacted] and the Capitalisation Issue (not taking into account (i) any Shares which may be allotted and issued by our Company pursuant to the exercise of the [Redacted]; (ii) any Shares which may be allotted and issued by our Company pursuant to the exercise of any options which may be granted under the Share Option Scheme; and (iii) any Shares which may be allotted and issued or bought back by our Company under the Issue Mandate and the Buy-Back Mandate), would result in up to [Redacted] Shares being bought back by our Company during the period in which the Buy-Back Mandate remains in force.

None of our Directors nor, to the best of their knowledge having made all reasonable inquiries, any of their associates currently intends 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 Buy-Back Mandate in accordance with the GEM Listing Rules and the applicable laws of the Cayman Islands.

If, as a result of a buy-back of Shares, a Shareholder’s proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purpose of the Takeovers Code.

Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not presently aware of any consequences which would arise under the Takeovers Code as a consequence of any buy-backs pursuant to the Buy-Back Mandate immediately after [Redacted] of the Shares on the Stock Exchange.

No connected person (as defined in the GEM Listing Rules) has notified our Company that he/she/it has a present intention to sell Shares to our Company, or has undertaken not to do so if the Buy-Back Mandate is exercised.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

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 [Redacted], and are or may be material:

- (a) the sale and purchase agreement dated 25 November 2013 and entered into between Madison International, as purchaser, and Madison Wine Trading Company Limited (currently known as iVega Investment Limited) (“**iVega Investment**”), as vendor, pursuant to which Madison International agreed to purchase the entire issued share capital in Madison Wine (HK) from iVega Investment, in consideration of Madison International allotting and issuing 9,900 shares to Quick Express, all credited as fully paid;
- (b) the subscription agreement dated 20 April 2015 and entered into between Madison International, as issuer, and Timebase, as subscriber, pursuant to which Madison International agreed to issue, and Timebase agreed to subscribe for 870 new shares in Madison International, representing approximately 8% of its issued share capital, at the consideration of HK\$[Redacted] with reference to the price-to-earnings ratio of approximately [Redacted] times based on the earnings per share as at 31 March 2015, and satisfied by cash, and registered in the name of Timebase;
- (c) the share purchase agreement dated [●] and entered into between our Company, as purchaser, and Royal Spectrum, Keyword and Timebase, as vendors, pursuant to which our Company agreed to acquire the entire issued share capital in Madison International, from Royal Spectrum, Keyword and Timebase, in consideration of our Company allotting and issuing 819 Shares, 100 Shares and 80 Shares to Royal Spectrum, Keyword and Timebase, respectively, all credited as fully paid;
- (d) the Deed of Indemnity;
- (e) the Deed of Non-competition; and
- (f) the Underwriting Agreement.

2. Intellectual property rights

(a) *Trademark*

As at the Latest Practicable Date, our Group had applied for registration of the following trademark in Hong Kong, and the application is still in process:

Trademark	Name of applicant	Class	Date of application	Application No.
	Madison (China)	35, 39	11 February 2015	303301848

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

(b) *Domain Name*

As at the Latest Practicable Date, our Group had registered the following domain name:

Domain name	Registered owner	Registration date	Expiry date
madison-wine.com	Madison (China)	20 December 2011	19 December 2017

3. **Further information about the subsidiaries of our Company**

(i) *Madison International*

Place of incorporation	:	Seychelles
Date of incorporation	:	21 November 2013
Registered office	:	P.O. Box 1239, Offshore Incorporations Centre, Victoria, Mahé, Republic of Seychelles
Authorised share capital	:	US\$1,000,000 divided into 1,000,000 shares of US\$1 each
Issued share capital	:	US\$10,870 divided into 10,870 shares of US\$1 each
Shareholder	:	our Company (100%)
Director(s)	:	Mr. Ting, Mr. Kao, Mr. Zhu and Mr. Lin Samuel Jr.
General nature of business	:	Investment holding

(ii) *Madison Fine Wine*

Place of incorporation	:	Seychelles
Date of incorporation	:	26 August 2014
Registered office	:	P.O. Box 1239, Offshore Incorporations Centre, Victoria, Mahé, Republic of Seychelles
Authorised share capital	:	US\$1,000,000 divided into 1,000,000 shares of US\$1 each
Issued share capital	:	US\$1 divided into 1 share of US\$1 each
Shareholder	:	Madison International (100%)
Director(s)	:	Mr. Ting, Mr. Zhu and Mr. Lin Samuel Jr.
General nature of business	:	Investment holding

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

(iii) *Madison Wine (HK)*

Place of incorporation	:	BVI
Date of incorporation	:	10 January 2013
Registered office	:	P.O. Box 957, Offshore Incorporations Limited, Road Town, Tortola, British Virgin Islands
Authorised share capital	:	50,000 shares of a single class of par value of US\$1 each
Issued share capital	:	US\$200 divided into 200 shares of US\$1 each
Shareholder	:	Madison International (100%)
Director(s)	:	Mr. Ting, Mr. Kao, and Mr. Zhu
General nature of business	:	Investment holding

(iv) *Madison (China)*

Place of incorporation	:	Hong Kong
Date of incorporation	:	14 April 1997
Registered office	:	Flat A & B, 10/F, North Point Industrial Building, 499 King’s Road, North Point, Hong Kong
Issued share capital	:	HK\$10,000 divided into 10,000 shares
Shareholder	:	Madison Wine (HK) (100%)
Director(s)	:	Mr. Ting, Mr. Kao, Mr. Zhu and Mr. Lin Samuel Jr.
General nature of business	:	Sale of alcoholic beverages

(v) *Madison Wine Club*

Place of incorporation	:	Hong Kong
Date of incorporation	:	12 January 2012
Registered office	:	Flat A & B, 10/F, North Point Industrial Building, 499 King’s Road, North Point, Hong Kong
Issued share capital	:	HK\$1 divided into 1 share
Shareholder	:	Madison (China) (100%)
Director(s)	:	Mr. Ting, Mr. Kao, and Mr. Zhu
General nature of business	:	Sale of alcoholic beverages and wine storage

APPENDIX IV**STATUTORY AND GENERAL INFORMATION**

(vi) *Madison Wine Trading*

Place of incorporation	:	Hong Kong
Date of incorporation	:	19 November 2014
Registered office	:	Flat A & B, 10/F, North Point Industrial Building, 499 King’s Road, North Point, Hong Kong
Issued share capital	:	HK\$100 divided into 100 shares
Shareholder(s)	:	Madison Fine Wine (80%), and Mr. James Peter Woodhead (20%)
Director(s)	:	Mr. Ting
General nature of business	:	Sale of alcoholic beverages

C. FURTHER INFORMATION ABOUT DIRECTORS, MANAGEMENT, STAFF AND EXPERTS

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 [Redacted] and the Capitalisation Issue (not taking into account (i) any Shares which may be allotted and issued by our Company pursuant to the exercise of the [Redacted], (ii) any options which may be granted under the Share Option Scheme and (iii) any Shares which may be allotted and issued or bought back by our Company under the Issue Mandate and the Buy-Back Mandate), the interests and short positions of our Directors or chief executive of our Company in the Shares, underlying Shares or debentures of our Company and its associated corporations (within the meaning of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO) or which will be required pursuant to section 352 of the SFO to be entered in the register referred to therein, or which will be required to notify to our Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, will be as follows:

(a) *Long position in our Shares*

Name of Director	Capacity/ Nature of interest	Number of Shares held ^(Note 1)	Approximate percentage of issued share capital
Mr. Ting	Interest in controlled corporation ^(Notes 2 & 3)	[Redacted] ^(L)	[Redacted]%

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

Notes:

1. The letter “L” denotes to the long position in the Shares.
2. The entire issued share capital of Royal Spectrum is legally and beneficially owned as to 77.3% by Devoss Global, 20% by Universal Chinese, and 2.7% by Montrachet. Devoss Global is deemed to be interested in the Shares held by Royal Spectrum under Part XV of the SFO.
3. The entire issued share capital of Devoss Global is legally and beneficially owned by Mr. Ting. Mr. Ting is deemed to be interested in the Shares in which Devoss Global is interested in under Part XV of the SFO.

(b) *Long position in the shares of associated corporations*

Name of associated corporation	Name of Director	Capacity/ Nature of interest	Number of Shares held <i>(Note 1)</i>	Approximate percentage of issued share capital
Royal Spectrum ^{<i>(Note 2)</i>}	Mr. Ting	Interest in controlled corporation ^{<i>(Note 3)</i>}	[Redacted] ^(L)	[Redacted]%
Devoss Global	Mr. Ting	Beneficial owner	[Redacted] ^(L)	[Redacted]%

Notes:

1. The letter “L” denotes to the long position in the Shares.
2. The entire issued share capital of Royal Spectrum is legally and beneficially owned as to 77.3% by Devoss Global, 20% by Universal Chinese, and 2.7% by Montrachet. Devoss Global is deemed to be interested in the Shares held by Royal Spectrum under Part XV of the SFO.
3. The entire issued share capital of Devoss Global is legally and beneficially owned by Mr. Ting. Mr. Ting is deemed to be interested in the Shares in which Devoss Global is interested in under Part XV of the SFO.

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 is known to our Directors, immediately following completion of the [Redacted] and the Capitalisation Issue (not taking into account (i) any Shares which may be allotted and issued by our Company pursuant to the exercise of the [Redacted], (ii) any Shares which may be allotted and issued by our Company pursuant to the exercise of any options which may be granted under the Share Option Scheme and (iii) any Shares which may be allotted and issued or bought back by our Company under the Issue Mandate and the Buy-Back Mandate), the following persons (not being a Director or chief executive of our Company) will have an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

XV of the SFO, or who will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other members of our Group:

(a) *Long position in our Shares*

Name	Capacity/ Nature of interest	Number of Shares held ^(Note 1)	Approximate percentage of issued share capital
Royal Spectrum	Beneficial owner ^(Note 2)	[Redacted] ^(L)	[Redacted]%
Devoss Global	Interest in controlled corporation ^(Note 3)	[Redacted] ^(L)	[Redacted]%
Ms. Luu Huyen Boi	Interest of spouse ^(Note 4)	[Redacted] ^(L)	[Redacted]%

Notes:

1. The letter “L” denotes to the long position in the Shares.
2. The entire issued share capital of Royal Spectrum is legally and beneficially owned as to 77.3% by Devoss Global, 20% by Universal Chinese, and 2.7% by Montrachet. Devoss Global is deemed to be interested in the Shares held by Royal Spectrum under Part XV of the SFO.
3. The entire issued share capital of Devoss Global is legally and beneficially owned by Mr. Ting. Mr. Ting is deemed to be interested in the Shares in which Devoss Global is interested in under Part XV of the SFO.
4. Ms. Luu Huyen Boi is the spouse of Mr. Ting. Ms. Luu Huyen Boi is deemed to be interested in all the Shares in which Mr. Ting is interested under Part XV of the SFO.

(b) *Person interested in 10% or more of the nominal value of the share capital of other members of our Group*

Name	Name of member of our Group	Number of shares held ^(Note)	Approximate percentage of shareholding
Mr. James Peter Woodhead	Madison Wine Trading	20 ^(L)	20%

Note: The letter “L” denotes to the long position in the shares.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

3. Particulars of service contracts

Each of Mr. Ting, Mr. Kao, and Mr. Zhu, all being our executive Directors, will enter into a service agreement with our Company for an initial term of three years commencing from [Redacted], and will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other. Each of our executive Directors is entitled to their respective basic salary set out below (subject to an annual increment, which will be made one year after the commencement date of the service agreement at the discretion of our Directors, of not more than 10% of the annual salary immediately prior to such increase).

Each of our independent non-executive Directors will enter into a letter of appointment with our Company. The terms and conditions of each of such letters of appointment are similar in all material respects. Each of our independent non-executive Directors is appointed with an initial term of three years commencing from [Redacted] subject to termination in certain circumstances as stipulated in the relevant letters of appointment.

Save as aforesaid, none of our Directors has or is proposed to have a service contract with our Company or any of our subsidiaries (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

Each of the above remunerations is determined by our Company with reference to duties and level of responsibilities of each Director and the remuneration policy of our Company and the prevailing market conditions.

4. Directors' emoluments

- (i) For the two years ended 31 March 2014 and 31 March 2015, the aggregate emoluments paid and benefits in kind granted by our Group to our Directors were approximately HK\$724,000 and HK\$1,167,000, respectively.
- (ii) Under the arrangements currently in force, the aggregate emoluments payable by our Group to and benefits in kind receivable by our Directors for the year ending 31 March 2016 is expected to be approximately HK\$4,300,000.
- (iii) None of our Directors or any past directors of any member of our Group has been paid any sum of money for each of the two years ended 31 March 2015 (1) as an inducement to join or upon joining our Company or (2) for loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.
- (iv) Save as disclosed in the sections headed “Directors and Senior Management” and “Financial Information” in this [Redacted], there has been no arrangement under which a Director has waived or agreed to waive any emoluments for each of the two years ended 31 March 2015.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

- (v) Under the arrangements currently proposed, conditional upon [Redacted], the basic annual emoluments (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by our Group to each of our Directors will be as follows:

Executive Directors	HK\$
Mr. Ting	1,950,000
Mr. Kao	1,300,000
Mr. Zhu	975,000

Independent non-executive Directors	HK\$
Ms. Debra Elaine Meiburg	120,000
Ms. Fan Wei	120,000
Mr. Chu Kin Wang, Peleus	120,000

- (vi) Each of our executive Directors and independent non-executive Directors is entitled to reimbursement of all necessary and reasonable out-of-pocket expenses properly incurred in relation to all business and affairs carried out by our Group from time to time or in discharge of his/her duties to our Group under his/her service contract.

5. Agency fees or commissions received

Save as disclosed in this [Redacted], within the two years immediately preceding the date of this [Redacted], 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 transactions

Save as disclosed in note 30 to the Accountants' Report set out in Appendix I to this [Redacted], during the two years immediately preceding the date of this [Redacted], our Group has not engaged in any other material related party transactions.

7. Disclaimers

Save as disclosed in this [Redacted]:

- (i) without taking into account (i) any Shares which may be allotted and issued by our Company pursuant to the exercise of the [Redacted], (ii) any options which may be granted under the Share Option Scheme and (iii) any Shares which may be allotted and issued or bought back by our Company under the Issue Mandate and the Buy-Back Mandate or upon the exercise of any options which may be granted under the Share Option Scheme, our Directors are not aware of any person who immediately following the completion of the [Redacted] will have an interest or short position in the Shares and underlying Shares which

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who is, either directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other member of our Group;

- (ii) none of our Directors has for the purpose of Divisions 7 and 8 of Part XV of the SFO or the GEM Listing Rules, nor is any of them taken to or deemed to have under Divisions 7 and 8 of Part XV of the SFO, any interests and short positions in the Shares, underlying shares; and debentures of our Company or any associated corporations (within the meaning of the SFO) or any interests which will have to be entered in the register to be kept by our Company pursuant to section 352 of the SFO or which will be required to be notified to our Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules once the Shares are listed on the Stock Exchange;
- (iii) none of our Directors or the experts named in the paragraph headed “Other information — Qualifications of experts” in this appendix has been interested in the promotion of, or has any direct or indirect interest in any assets acquired or disposed of by or leased to, any member of our Group within the two years immediately preceding the date of this [Redacted], or which are proposed to be acquired or disposed of by or leased to any member of our Group nor will any Director apply for the [Redacted] either in his own name or in the name of a nominee;
- (iv) none of our Directors is materially interested in any contract or arrangement subsisting at the date of this [Redacted] which is significant in relation to the business of our Group taken as a whole; and
- (v) none of the experts named in the paragraph headed “Other information — Qualifications of experts” in this appendix has any shareholding in any company in our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any company in our Group.

D. SHARE OPTION SCHEME

1. Summary of the terms of the Share Option Scheme

(i) *Purpose of the Share Option Scheme*

The purpose of the Share Option Scheme is to provide an incentive or a reward to eligible persons 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 our Group holds any equity interest (“**Invested Entity**”).

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

(ii) *Who may join*

Subject to the provisions in the Share Option Scheme, the Board shall be entitled at any time and from time to time within the period of 10 years after the date of adoption of the Share Option Scheme to make an offer to any of the following classes of persons (“**Eligible Participant(s)**”):

- (1) any employee (whether full-time or part-time) of our Company, any of our subsidiaries and any Invested Entity;
- (2) any director (including executive, non-executive and independent non-executive directors) of our Company, any of our subsidiaries or any Invested Entity;
- (3) any supplier of goods or services to any member of our Group or any Invested Entity;
- (4) any customer of our Group or any Invested Entity; and
- (5) any consultant, adviser, manager, officer or entity that provides research, development or other technological support to our Group or any Invested Entity

(iii) *Maximum number of Shares*

- (1) Notwithstanding anything to the contrary herein, the maximum number of Shares which may be issued upon the exercise of all outstanding 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 30% of the total number of Shares in issue from time to time.
- (2) The total number of Shares in respect of which options may be granted under the Share Option Scheme and any other share option schemes of our Company shall not exceed [Redacted] Shares, being 10% of the total number of Shares (assuming the [Redacted] is not exercised), in issue as at [Redacted] unless our Company obtains the approval of our Shareholders in general meeting for renewing the 10% limit (“**Scheme Mandate Limit**”) under the Share Option Scheme provided that options lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of our Company will not be counted for the purpose of calculating whether the Scheme Mandate Limit has been exceeded.
- (3) Our Company may seek approval of our Shareholders in general meeting to renew the Scheme Mandate Limit such that the total number of Shares in respect of which options may be granted under the Share Option Scheme and any other share option schemes of our Company as “renewed” shall not exceed 10% (“**Renewal Limit**”) of the total number of Shares (assuming the [Redacted] is not exercised) in issue as at the date of the approval of our Shareholders on the renewal of the Scheme Mandate Limit, provided that options previously granted under the Share Option Scheme or any other share option schemes of our Company (including options outstanding, cancelled, lapsed in accordance with the terms of the Share Option Scheme or any other share option scheme of our Company or exercised) will not be counted for the purpose of calculating the Renewal Limit.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

For the purpose of seeking the approval of our Shareholders for the Renewal Limit, a circular containing the information and the disclaimer as required under the GEM Listing Rules must be sent to our Shareholders.

- (4) Our Company may seek separate approval of our Shareholders in general meeting for granting options beyond the Scheme Mandate Limit provided that the proposed grantee(s) of such option(s) must be specifically identified by our Company before such approval is sought. For the purpose of seeking the approval of our Shareholders, our Company must send a circular to our Shareholders containing a generic description of the specified proposed grantees of such options, the number and terms of the options to be granted, the purpose of granting such options to the proposed grantees with an explanation as to how the terms of options serve such purpose and the information as required under the GEM Listing Rules.

(iv) *Maximum entitlement of each Eligible Participant*

No option shall be granted to any Eligible Participant if any further grant of options would result in the Shares issued and to be issued upon exercise of all options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12-month period up to and including such further grant exceeding 1% of the total number of Shares in issue, unless:

- (1) such further grant has been duly approved, in the manner prescribed by the relevant provisions of Chapter 23 of the GEM Listing Rules, by resolution of our Shareholders in general meeting at which the Eligible Participant and his associates shall abstain from voting;
- (2) a circular regarding the further grant has been despatched to our Shareholders in a manner complying with, and containing the information specified in, the relevant provisions of Chapter 23 of the GEM Listing Rules (including the identity of the Eligible Participant, the number and terms of the options to be granted and options previously granted to such eligible person); and
- (3) the number and terms (including the subscription price) of such option are fixed before the general meeting of our Company at which the same are approved.

(v) *Grant of options to connected persons*

- (1) The grant of options to a Director, chief executive or substantial shareholder of our Company or any of their respective associates (including discretionary trust in which any connected persons are beneficiary) requires the approval of all our independent non-executive Directors (excluding any independent non-executive Director who is a prospective grantee of the option) and shall comply with the relevant provisions of Chapter 23 of the GEM Listing Rules.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

- (2) Where an option is to be granted to a substantial shareholder or an independent non-executive Director (or any of their respective associates), and such grant will result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:
- (a) exceeding 0.1% of the total number of Shares in issue at the relevant time of grant; and
 - (b) exceeding an aggregate value (based on the closing price of the Shares on the Stock Exchange on the date of each grant) of HK\$5 million, such grant shall not be valid unless
 - I. a circular containing the details of the grant has been despatched to our Shareholders in a manner complying with, and containing the matters specified in, the relevant provisions of Chapter 23 of the GEM Listing Rules, including, in particular, (i) details of the number and terms (including subscription price) of the options to be granted to each connected person of our Company, which must be fixed before the Shareholders’ meeting and the date of the Board meeting for proposing such further grant is to be taken as the date of grant for the purposes of calculating the subscription price, and (ii) a recommendation from our independent non-executive Directors (excluding our independent non-executive Director who is the prospective grantee of the option) to our independent Shareholders as to voting; and
 - II. the grant has been approved by our Shareholders in general meeting (taken on a poll) at which all connected persons of our Company shall abstain from voting in favour of the grant.

(vi) Time of acceptance and exercise of an option

An offer of grant of an option may be accepted by an Eligible Participant within the date as specified in the offer letter issued by our Company, being a date not later than 21 Business Days from the date upon which it is made, by which the Eligible Participant must accept the offer or be deemed to have declined it, provided that such date shall not be more than ten (10) years after the date of adoption of the Share Option Scheme.

A consideration of HK\$1 is payable on acceptance of the offer of grant of an option. Such consideration shall in no circumstances be refundable. An option may be exercised in whole or in part by the grantee (or his personal representative(s)) at any time before the expiry of the period to be determined and notified by the Board to the grantee which in any event shall not be longer than ten (10) years commencing on the date of the offer letter and expiring on the last day of such ten (10)-year period subject to the provisions for early termination as contained in the Share Option Scheme.

(vii) Performance targets

There is no performance target that has to be achieved before the exercise of any option.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

(viii) *Subscription price for Shares*

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be a price determined by the Board in its absolute discretion and notified to an eligible person, and shall be at least the higher of: (1) the closing price of the Shares as stated in the Stock Exchange’s daily quotations sheet on the Offer Date (as defined below), (2) the average closing price of the Shares as stated in the Stock Exchange’s daily quotation sheets for the five consecutive Business Days immediately preceding the Offer Date, and (3) the nominal value of a Share on the Offer Date.

Where an option is to be granted to an eligible employee, the date of the Board meeting at which the grant was proposed shall be taken to be the date of the offer of such option, which must be a Business Day (“**Offer Date**”). For the purpose of calculating the subscription price, where an option is to be granted fewer than five Business Days after [Redacted] of the Shares on the Stock Exchange, the [Redacted] shall be taken to be the closing price for any Business Day before [Redacted].

(ix) *Ranking of Shares*

The Shares to be issued and allotted upon the exercise of an option shall be subject to the Memorandum and Articles of Association of our Company for the time being in force and shall rank *pari passu* in all respects with the fully-paid Shares in issue of our Company as at the date of allotment and issue (“**Exercise Date**”), and will entitle the holders to participate in all dividends or other distributions paid or made on or after the Exercise Date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the Exercise Date.

(x) *Restrictions on the time of grant of options*

No option shall be granted after a price-sensitive development concerning our Company or any subsidiary has occurred or a price-sensitive matter concerning our Company or any subsidiary has been the subject of a decision of our Group until such price-sensitive information has been announced pursuant to the requirements of the GEM Listing Rules. In particular, during the period commencing one month immediately preceding the earlier of:

- (1) the date of the meeting of the Board (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) the deadline for our Company to publish an announcement of its results for any year or half-year under the GEM Listing Rules, or quarterly or any other interim period (whether or not required under the GEM Listing Rules),

and ending on the date of the results announcement, no option shall be granted.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

(xi) Period of the Share Option Scheme

Subject to any prior termination by our Company in a general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period of ten (10) years commencing on the date of adoption of the Share Option Scheme (“**Option Period**”), after which period no further option shall be granted but in respect of all Options which remain exercisable at the end of such period, the provisions of the Scheme shall remain in full force and effect.

(xii) Rights on cessation of employment

Where the grantee of an outstanding option ceases to be an employee of our Group for any reason other than his death or the termination of his employment on one or more of the grounds specified in (xxi)(e), the option shall lapse on the date of cessation (to the extent not already exercised) and not be exercisable unless our Board otherwise determines to grant an extension (to the extent which has become exercisable and not already exercised) and subject to any other terms and conditions decided at the discretion of the Board. For the avoidance of doubt, such period of extension (if any) shall be granted within and in any event ended before the expiration of the period of one month following the date of his cessation to be an employee of our Group.

(xiii) Rights on death

Where the grantee of an outstanding option dies before exercising the option in full or at all, and none of the events specified in (xxi)(e) which would be a ground for termination of his employment or engagement arises, the option may be exercised in full or in part (to the extent not already exercised) by his personal representative(s) within 12 months following the date of his death or such longer period as the Board may at its absolute discretion determine from the date of death to exercise the option up to the entitlement of such Grantee as at the date of death (to the extent which has become exercisable and not already exercised).

(xiv) Rights on a general offer

In the event of a general or partial offer (whether by way of take-over offer, share buy-back offer or scheme of arrangement or otherwise in like manner) being made to all the holders of Shares, or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror, our Company shall use all reasonable endeavours to procure that such offer is extended to all the grantees on the same terms, mutatis mutandis and assuming that they will become, by the exercise in full of the options granted to them, Shareholders. If such offer becomes or is declared unconditional, a grantee shall be entitled to exercise his option (to the extent not already exercised) to its full extent or to the extent specified in the grantee’s notice to our Company in exercise of his option within one month after the date on which the offer becomes or is declared unconditional.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

(xv) Rights on winding-up

In the event that a notice is given by our Company to its Shareholders to convene a general meeting for the purposes of considering and, if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall, on the same date as, or soon after it, despatches such notice to each Shareholder, give notice thereof to all grantees (together with a notice of existence of this provision) and thereupon, each grantee (or his personal representative(s)) shall, subject to the provisions of all applicable laws, be entitled to exercise all or any of his options (to the extent which has become exercisable and not already exercised) at any time not later than two Business Days prior to the proposed general meeting of our Company, by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate exercise price for the Shares in respect of which the notice is given, whereupon our Company shall as soon as possible and, in any event, no later than the Business Day immediately prior to the date of the proposed general meeting referred to above, allot and issue the relevant Shares to the grantee credited as fully paid, which Shares shall rank *pari passu* with all other Shares in issue on the date prior to the passing of the resolution to wind-up our Company to participate in the distribution of assets of our Company available in liquidation.

(xvi) Rights on compromise or arrangement between our Company and its creditors

In the event of a compromise or arrangement between our Company and its creditors (or any class of them) or between our Company and our Shareholders (or any class of them) in connection with a scheme for the reconstruction or amalgamation of our Company, our Company shall give notice thereof to all grantees on the same day as it gives notice of the meeting to our Shareholders or creditors to consider such a scheme or arrangement, and thereupon any grantee (or his personal representative(s)) may by notice in writing to the Company accompanied by the remittance of the Subscription Price in respect of the relevant Option (such notice to be received by our Company not later than two Business Days before the proposed meeting) exercise any of his options (to the extent which has become exercisable and not already exercised) whether in full or in part, but the exercise of an option as aforesaid shall be conditional upon such compromise or arrangement being sanctioned by the court of competent jurisdiction and becoming effective. Our Company shall as soon as possible and in any event no later than the Business Day immediately prior to the date of the proposed meeting referred to above, allot and issue such number of Shares to the grantee which may fall to be issued on such exercise credited as fully paid and register the grantee as holder of such Shares. Upon such compromise or arrangement becoming effective, all options shall lapse except insofar as previously exercised under the Share Option Scheme. Our Company may require the grantee (or his personal representative(s)) to transfer or otherwise deal with the Shares issued as a result of the exercise of options in these circumstances so as to place the grantee in the same position as nearly as would have been the case had such Shares been subject to such compromise or arrangement.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

(xvii) Reorganisation of capital structure

In the event of any alteration in the capital structure of our Company whilst any option has been granted and remains exercisable, whether by way of capitalisation of profits or reserves, rights issue, consolidation, subdivision or reduction of the share capital of our Company (other than an issue of Shares as consideration in respect of a transaction), our Company shall (if applicable) make corresponding alterations (if any), in accordance with the GEM Listing Rules and any applicable guidance/interpretation of the GEM Listing Rules issued by the Stock Exchange from time to time (including but not limited to the supplementary guidance issued on 5 September 2005), to:

- (1) the number and/or nominal amount of Shares subject to the options already granted so far as they remain exercisable; and/or
- (2) the subscription price; and/or
- (3) the maximum number of Shares referred to in paragraphs (iii) and (iv) above provided that:
 - (aa) no such alteration shall be made in respect of an issue of Shares or other securities by our Company as consideration in a transaction;
 - (bb) any such alterations must be made so that each grantee is given the same proportion of the equity capital of our Company as that to which he was previously entitled;
 - (cc) no such alterations shall be made which would result in the subscription price for a Share being less than its nominal value; and
 - (dd) any such alterations, save those made on a capitalisation issue, shall be confirmed by an independent financial adviser or the auditors in writing to our Directors, to be in their opinion fair and reasonable, as satisfying the requirements of provisos paragraphs (bb) and (cc) above.

(xviii) Cancellation of options

The Board may, with the consent of the relevant grantee, at any time at its absolute discretion cancel any option granted but not exercised. Where our Company cancels options and offers new options to the same option holder, the offer of such new options may only be made under this Share Option Scheme with available options (to the extent not yet granted and excluding the cancelled options) within the Scheme Mandate Limit approved by our Shareholders.

(xix) Termination of Share Option Scheme

Our Company, by resolution in general meeting, or the Board may at any time terminate the operation of the Share Option Scheme and in such event no further option will be offered but in all other respects the provisions of the Share Option Scheme shall remain in full force and effect. Options granted prior to such termination and not then exercised shall continue to be valid and exercisable in accordance with the Share Option Scheme and the GEM Listing Rules.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

(xx) Rights are personal to grantee

An option shall be personal to the grantee and shall not be assignable nor transferable, and no grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (whether legal or beneficial) in favour of any third party over or in relation to any option or enter into any agreement to do so. Any breach of the foregoing by the grantee shall entitle our Company to cancel any option or part thereof granted to such grantee (to the extent not already exercised) without incurring any liability on the part of our Company.

(xxi) Lapse of option

An option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

- (a) the expiry of the Option Period (subject to the provision referred to in sub-paragraph (xix));
- (b) the expiry of the periods referred to in sub-paragraphs (xii) or (xiii);
- (c) the date on which the offer referred to in sub-paragraph (xiv) closes;
- (d) subject to the court of competent jurisdiction not making an order prohibiting the offeror from acquiring the remaining Shares in the offer, the expiry of the period referred to in sub-paragraph (xiv);
- (e) subject to the scheme of arrangement becoming effective, the expiry of the period referred to in sub-paragraph (xvi);
- (f) the date on which the grantee ceases to be an Eligible Participant by reason of summary dismissal for misconduct or other breach of the terms of his employment or other contract constituting him an eligible person, on which he begins to appear to be unable to pay or has no reasonable prospect of being able to pay his debts or has become insolvent or has made any arrangements or composition with his creditors generally or on which he has been convicted of any criminal offence involving his integrity or honesty;
- (g) the date of the commencement of the winding-up of our Company;
- (h) the date on which the grantee sells, transfers, charges, mortgages, encumbers or creates any interest (whether legal or beneficial) in favour of any third party over or in relation to any option or purports to do any of the foregoing in breach of the Share Option Scheme; and
- (i) the date on which our Directors shall at their absolute discretion determine that the grantee (other than an eligible employee) or his associate has committed any breach of any contract entered into between the grantee or his associate on the one part and our Group or any Invested Entity on the other part or that the grantee has committed any act of bankruptcy

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

or has become insolvent or is subject to any winding-up, liquidation or analogous proceedings or has made any arrangement or composition with his or her creditors generally. In such event, his options will lapse automatically and will not in any event be exercisable on or after the date on which our Directors have so determined.

(xxii) Alterations to the Share Option Scheme

- (1) The Share Option Scheme may be amended or altered in any respect to the extent allowed by the GEM Listing Rules by resolution of the Board except that the following alterations must be approved by a resolution of our Shareholders in general meeting:
 - (aa) any changes to the definitions of eligible person, grantee and option period;
 - (bb) any changes to the terms and conditions of the Share Option Scheme to the advantage of the grantees of the options;
 - (cc) any alteration to the terms and conditions of the Share Option Scheme which are of a material nature;
 - (dd) any change to the terms of options granted; and
 - (ee) any change to the authority of the Board in relation to any alteration to the terms of the Share Option Scheme except where such alterations take effect automatically under the existing terms of the Share Option Scheme, provided that: (aa) the amended terms of the Share Option Scheme or the options must comply with Chapter 23 of the GEM Listing Rules; and (bb) no such alteration shall operate to affect adversely the terms of issue of any option granted or agreed to be granted prior to such alteration except with the consent or sanction in writing of such number of grantees as shall together hold options in respect of not less than three-fourths in nominal value of all Shares then subject to the option granted under the Share Option Scheme.
- (2) Notwithstanding the other provisions of the Share Option Scheme, the Share Option Scheme may be amended or altered in any respect by resolution of the Board without the approval of our Shareholders or the grantee(s) to the extent such amendment or alteration is required by the GEM Listing Rules or any guidelines issued by the Stock Exchange from time to time.
- (3) Our Company must provide to all grantees all details relating to changes in the terms of the Share Option Scheme during the life of the Share Option Scheme immediately upon such changes taking effect.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

(xxiii) *Conditions*

The Share Option Scheme is conditional on:

- (aa) [Redacted] Committee of the Stock Exchange granting approval of [Redacted] of, and permission to deal in, the Shares in issue, the Shares to be issued pursuant to the Capitalisation Issue, the [Redacted] and any Shares which may fall to be issued pursuant to the exercise of the [Redacted] and any options under the Share Option Scheme;
- (bb) the obligations of the Underwriters under the Underwriting Agreement becoming unconditional and not being terminated in accordance with the terms of the Underwriting Agreement or otherwise; and
- (cc) the commencement of dealings in the Shares on the Stock Exchange.

2. Present status of the Share Option Scheme

(i) *Approval and adoption of the rules of the Share Option Scheme*

The rules of the Share Option Scheme were approved and adopted by our Shareholder on [●].

(ii) *Approval of the Stock Exchange required*

The Share Option Scheme is conditional, among other matters, on the Stock Exchange granting [Redacted] of, and permission to deal in, such number of Shares to be issued pursuant to the exercise of the options under the Share Option Scheme up to the 10% of the Shares in issue as at [Redacted].

(iii) *Application for [Redacted]*

Application has been made to the Stock Exchange for [Redacted] of, and permission to deal in, the Shares to be issued pursuant to the exercise of options which may be granted under the Share Option Scheme. The total number of Shares in respect of which options may be granted under the Share Option Scheme and any other share option schemes of our Company shall not exceed [Redacted] Shares, being 10% of the total number of Shares in issue (assuming the [Redacted] is not exercised) as at [Redacted] unless our Company obtains the approval of our Shareholders in general meeting for renewing the said 10% limit under the Share Option Scheme provided that options lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of our Company will not be counted for the purpose of calculating the 10% limit above-mentioned.

(iv) *Grant of option*

As at the Latest Practicable Date, no options have been granted or agreed to be granted under the Share Option Scheme.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

(v) *Value of options*

Our Directors consider it inappropriate to disclose the value of options which may be granted under the Share Option Scheme as if they had been granted as at the Latest Practicable Date. Any such valuation will have to be made on the basis of certain option pricing model or other methodology, which depends on various assumptions including the exercise price, the exercise period, interest rate, expected volatility and other variables. As no options have been granted, certain variables are not available for calculating the value of options. Our Directors believe that any calculation of the value of options as at the Latest Practicable Date based on a number of speculative assumptions would not be meaningful and would be misleading to investors.

E. OTHER INFORMATION

1. Tax and other indemnities

The Controlling Shareholders entered into the Deed of Indemnity with and in favour of our Company (for itself and as trustee for each of our present subsidiaries) (being the material contract (b) referred to in the paragraph headed “Further information about the business of our Group — Summary of material contracts” in this appendix) to provide indemnities in respect of, among other matters, any liability which might be incurred by any member of our Group as a direct or indirect result of or in consequence of (i) any claim relating to the amount of any and all taxation 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 occurring or deemed to occur up to the date on which the [Redacted] becomes unconditional; and (ii) our Group’s non-compliance of certain statutory requirements of Hong Kong, details of which are set out in the section headed “Business — Historical non-compliance incidents” in this [Redacted].

Our Directors have been advised that no material liability for estate duty would be likely to fall upon any member of our Group.

2. Litigation

As at the Latest Practicable Date, neither our Company nor any of our subsidiaries was engaged in any litigation or arbitration of material importance, and no litigation or claim of material importance was known to the Directors to be pending or threatened against our Company or any of our subsidiaries.

3. Sole Sponsor

The Sole Sponsor has made an application on behalf of our Company to the Stock Exchange for [Redacted] of, and permission to deal in, the Shares in issue and to be issued as mentioned in this [Redacted] and any Shares which may fall to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme on the Stock Exchange.

The Sole Sponsor satisfies the independence criteria applicable to sponsors under Rule 6A.07 of the GEM Listing Rules. The Sole Sponsor is entitled to the sponsor’s fee in the amount of HK\$4,000,000.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

4. Preliminary expenses

The preliminary expenses of our Company in relation to the [Redacted] are approximately HK\$[Redacted] and are payable by our Company.

5. Promoter

- (a) Our Company has no promoter for the purpose of the GEM Listing Rules.
- (b) Save as disclosed herein, within the two years immediately preceding the date of this [Redacted], no amount or benefit has been paid or given to the promoter above in connection with the [Redacted] or the related transactions described in this [Redacted].

6. Qualifications of experts

The qualifications of the experts who have given opinions and/or whose names are included in this [Redacted] are as follows:

Name	Qualifications
Innovax Capital Limited	licensed corporation holding a licence to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
SHINEWING (HK) CPA Limited	Certified Public Accountants
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
Michael Li & Co.	Legal advisers as to Hong Kong law
IPSOS Hong Kong Limited	Independent industry consultant
SHINEWING Risk Services Limited	Internal control adviser

7. Consents of experts

Each of the experts named in the paragraph headed “Other information — Qualifications of experts” in this appendix above has given and has not withdrawn its respective written consent to the issue of this [Redacted] with copies of its reports and/or letters and/or valuation certificate and/or the references to its name included herein in the form and context in which they are respectively included.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

None of the experts named in the paragraph headed “Other information — Qualifications of experts” in this appendix above has any shareholding interests in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

8. Binding effect

This [Redacted] 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.

9. Share registrar

Our Company’s principal register of members will be maintained in the Cayman Islands by our Cayman Islands share registrar, [Redacted], and a register of members will be maintained in Hong Kong by our Hong Kong Branch Share Registrar, [Redacted]. Unless our Directors otherwise agree, all transfers and other documents of title of the Shares must be lodged for registration with and registered by our share registrar in Hong Kong and may not be lodged in the Cayman Islands

10. Bilingual [Redacted]

The English language and Chinese language versions of this [Redacted] are being published separately in reliance upon the exemption provided by section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong). In case of any discrepancies between the English language version and the Chinese language version, the English language version shall prevail.

11. Miscellaneous

Save as disclosed in this [Redacted]:

- (a) within the two years immediately preceding the date of this [Redacted]:
 - (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 Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

- (c) none of the equity and debt securities of our Company is listed or dealt with in any other stock exchange nor is any [Redacted] 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 has no outstanding 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 2015 (being the date to which the latest audited combined financial statements of our Group were made up);
- (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 [Redacted]; and
- (j) none of the experts listed in the paragraph headed “Other information — Qualifications of experts” in this appendix:
 - (i) is interested beneficially or non-beneficially in any shares in any member of our Group; or
 - (ii) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any shares in any member of our Group.

