

## **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].

### **REASONS FOR [REDACTED]**

The purpose of seeking [Redacted] is to:

- expand our capital base to enable our Group to do more bulk purchases, which are capital intensive, and thereby enabling our Group to enjoy a higher discount rate from our suppliers;
- increase our profile and visibility in the market; and
- enhance our Group’s operational efficiency and corporate governance through compliance with rigorous disclosure standards which our Directors believe would lead to improvement in our Group’s internal control and operating systems.

### **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.

## STATEMENT OF BUSINESS OBJECTIVE AND USE OF PROCEEDS

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"> <li>We intend to use approximately [Redacted]% of the net proceeds, or approximately HK\$[Redacted], 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 <u>Ipsos</u> 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. As we normally enjoy a higher discount rate when we purchase in bulk, we intend to use not more than HK\$[Redacted] million by the end of December 2016 to purchase wine product in bulk volume, of which, approximately [Redacted]% will be used to purchase Fine Red Wine and approximately [Redacted]% will be used to purchase Premier Collectible Red Wine. As at the Latest Practicable Date, no specific purchasing target had been identified by us and no formal negotiation had been engaged with any wine merchant by us. When we evaluate a purchasing target, we will consider factors including (i) the discount rate offers by wine merchants for bulk purchases, (ii) the related procurement costs, (iii) our anticipation in market demands for the sale of such wine products in Hong Kong, and (iv) the availability of such wine products in the open market in Hong Kong.</li> <li>We intend to further promote our “Madison Premier Collectors Program” to our customers so as to expand our inventory with consignment products.</li> <li>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</li> </ul>	<ul style="list-style-type: none"> <li>Proceeds from [Redacted]</li> <li>Our internal resources</li> <li>Our internal resources</li> </ul>

## STATEMENT OF BUSINESS OBJECTIVE AND USE OF PROCEEDS

Business Strategies	Implementation activities	Source of funding
Acquiring one or more wine merchants in Hong Kong	<ul style="list-style-type: none"> <li>We intend to use approximately [Redacted]% of the net proceeds, or approximately HK\$[Redacted], 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].</li> </ul>	<ul style="list-style-type: none"> <li>Proceeds from [Redacted] and our internal resources</li> </ul>
Solidifying and broadening our customer base	<ul style="list-style-type: none"> <li>We intend to use approximately [Redacted]% of the net proceeds, or approximately HK\$[Redacted], to increase marketing and promotion efforts to enhance public awareness of our Company. From time to time as our Directors consider appropriate, we will increase our marketing and promotional efforts in, among others, (i) advertising campaigns, (ii) marketing events conducted at our point of sales, such as wine pairing dinners, (iii) internet marketing campaigns or (iv) telemarketing and direct mailing.</li> <li>We intend to increase collaborations with other renowned restaurants in Hong Kong by replicating the collaboration model with Fook Lam Moon Kowloon.</li> <li>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.</li> <li>We intend to expand our sale team with the recruitment of five additional sales staff to strengthen the bonds with our existing customers and to enhance our customer services.</li> </ul>	<ul style="list-style-type: none"> <li>Proceeds from [Redacted] and our internal resources</li> <li>Our internal resources</li> <li>Our internal resources</li> <li>Our internal resources</li> </ul>

## **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;
- [Redacted] will be completed in accordance with and as described in the section headed “Structure and Conditions of [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 [REDACTED] AND USE OF PROCEEDS**

#### **Reasons for [Redacted]**

We believe that [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” in this [Redacted] and the paragraph headed “Implementation plans” in this section.

---

## **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 [Redacted] which we will receive, assuming a [Redacted] of HK\$[Redacted] per [Redacted], being the mid-point of the indicative [Redacted] range, will be approximately HK\$[Redacted], after deduction of underwriting fees and commissions and other estimated expenses in connection with [Redacted].

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

If [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], assuming the [Redacted] is not exercised, and (ii) net proceeds of approximately HK\$[Redacted], assuming the [Redacted] is exercised in full.

If [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 to approximately HK\$[Redacted], assuming the [Redacted] is not exercised, and (ii) approximately HK\$[Redacted], assuming the [Redacted] is exercised in full.

### **Commission and expenses**

The Underwriters will receive an underwriting commission being [Redacted]% of the aggregate [Redacted] of all [Redacted], out of which they will pay any sub-underwriting commission. The Sole Sponsor will receive a total sponsor fee of HK\$[Redacted] in relation to [Redacted] and will be reimbursed for their expenses. Such commission, advisory and documentation fee and expenses, together with the GEM listing fees (as prescribed in the GEM Listing Rules), legal and other professional fees, and printing and other expenses relating to [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] 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 [Redacted] of HK\$[Redacted] per [Redacted], being the mid-point of the indicative [Redacted] range, and an estimated net proceeds from [Redacted] of approximately HK\$[Redacted] after deducting the underwriting commission and expenses relating to [Redacted], we intend to utilise the net proceeds from [Redacted] as follows:

	From the Latest Practicable Date to 31 March 2016	For the 6 months ending 30 September 2016	For the 6 months ending 31 March 2017	For the 6 months ending 30 September 2017	Total	Approximate percentage
	(HK\$' million)	(HK\$' million)	(HK\$' million)	(HK\$' million)	(HK\$' million)	(%)
Expand and diversify our product portfolio	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]
Acquiring one or more wine merchants in Hong Kong <sup>(Note)</sup>	—	—	—	—	[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]
					<b>Total</b>	<b>[Redacted]</b>

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

In the event that the [Redacted] is exercised in full, based on [Redacted] of HK\$[Redacted] per [Redacted], being the mid-point of the indicative [Redacted] range, the net proceeds will be increased by approximately HK\$[Redacted] to approximately HK\$[Redacted]. Our Directors intend to apply such additional proceeds for the above purposes on a pro-rata basis.

To the extent that our net proceeds are more or less than expected, for instance, in the event that [Redacted] is set at the high-end of the indicative [Redacted] range or [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 [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.