The following is the text of a report received from the Company's reporting accountants, SHINEWING (HK) CPA Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document. It is prepared and addressed to the directors of the Company and to the Sponsor pursuant to the requirements of Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants.

信永中和 ShineWing

SHINEWING (HK) CPA Limited
43/F., Lee Garden One
33 Hysan Avenue
Causeway Bay, Hong Kong

[Redacted]

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 [Redacted] (the "[Redacted]") in connection with [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 21 September 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 31 March 2014	2015	Date of this report	Principal activities
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
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.

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.

A. FINANCIAL INFORMATION

COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 March	
	Notes	**2014**	**2015**
		HK$'000	*HK$'000*
Revenue	8	70,044	145,687
Cost of sales		(45,353)	(105,587)
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	—	(745)
Profit before tax		8,655	17,290
Income tax expense	11	(1,451)	(2,976)
Profit for the year and total comprehensive income for the year	12	7,204	14,314
Profit for the year and total comprehensive income for the year attributable to:			
Owners of the Company		7,204	14,159
Non-controlling interests		—	155
		7,204	14,314
Earnings per share (HK$)			
Basic and diluted	16	N/A	N/A

COMBINED STATEMENTS OF FINANCIAL POSITION

		As at 31 March	
	Notes	**2014**	**2015**
		HK$'000	*HK$'000*
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
		6,139	7,959
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
		51,222	67,931
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
		19,848	24,063
Net current assets		31,374	43,868
Net assets		37,513	51,827
Capital and reserves			
Share capital	26	78	78
Reserves		37,435	51,594
Equity attributable to owners of the Company		37,513	51,672
Non-controlling interests		—	155
Total equity		37,513	51,827

COMBINED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company					
	Share capital	**Other reserve**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total**
	HK$'000	*HK$'000* *(Note)*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'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	—	—	7,204	7,204	—	7,204
At 31 March 2014	78	23,669	13,766	37,513	—	37,513
Profit for the year and total comprehensive income for the year	—	—	14,159	14,159	155	14,314
At 31 March 2015	78	23,669	27,925	51,672	155	51,827

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.

COMBINED STATEMENTS OF CASH FLOWS

	Note	**Year ended 31 March** **2014** *HK$'000*	**2015** *HK$'000*
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
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
Cash generated from operations		15,413	19,398
Income tax refunded (paid)		21	(1,642)
NET CASH FROM OPERATING ACTIVITIES		15,434	17,756
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)
NET CASH USED IN INVESTING ACTIVITIES		(1,703)	(6,251)
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)
NET CASH (USED IN) FROM FINANCING ACTIVITIES		(1,897)	3,281
NET INCREASE IN CASH AND CASH EQUIVALENTS		11,834	14,786
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		1,402	13,236
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash		13,236	28,022

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 [Redacted]%, [Redacted]% and [Redacted]% 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 21 September 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.

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 14	Regulatory Deferral Accounts[2]
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 14 Regulatory Deferral Accounts

HKFRS 14 permits first-time adopters to continue to recognise amounts related to rate regulation in accordance with their previous Generally Accepted Accounting Principles ("GAAP") requirements when they adopt HKFRS. However, to enhance comparability with entities that already apply HKFRS and do not recognise such amounts, the standard requires that the effect of rate regulation must be presented separately from other items. An entity that already presents HKFRS financial statements is not eligible to apply the standard.

The amendments are effective for first annual HKFRS financial statements beginning on or after 1 January 2016 with earlier application permitted.

The directors of the Company do not anticipate that the application of HKFRS 14 will have a material impact on the Group's combined financial statements.

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 for its property, plant and equipment. 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.

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.

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.

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.

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).

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.

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.

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.

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 condition of debtors of the Group were to deteriorate, resulting in an impairment of their 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**
	HK$'000	*HK$'000*
Financial assets		
Loans and receivables (including cash and cash equivalents)	18,122	36,172
Financial liabilities		
At amortised cost	16,950	18,913

(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.

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**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
United States dollar ("US$")	4	—	4	—
Singapore dollar ("SGD")	—	—	40	—
Euro ("EUR")	—	430	—	423
Great British Pound ("GBP")	12	—	—	93
Australian dollar ("AUD")	—	—	—	76
Renminbi ("RMB")	—	—	54	—

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 opinions of the 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.

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	Total undiscounted cash flows	Carrying amount
	HK$'000	*HK$'000*	*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	7,154	7,154	7,154
	16,950	16,950	16,950

	On demand or within one year	Total undiscounted cash flows	Carrying amount
	HK$'000	*HK$'000*	*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	9,258	9,258	9,258
	18,913	18,913	18,913

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.

9. OTHER INCOME

	2014	**2015**
	HK$'000	*HK$'000*
Consignment income	—	1,146
Gain on disposal of a subsidiary	—	168
Others	28	132
	28	1,446

10. FINANCE COSTS

	2014	**2015**
	HK$'000	*HK$'000*
Interest on amount due to a director	—	745

11. INCOME TAX EXPENSE

	2014	**2015**
	HK$'000	*HK$'000*
Current tax:		
Hong Kong Profits Tax	1,642	3,243
Deferred taxation *(Note 18)*	(191)	(267)
	1,451	2,976

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.

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**
	HK$'000	*HK$'000*
Profit before tax	8,655	17,290
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	(10)	(40)
Income tax expense for the year	1,451	2,976

12. PROFIT FOR THE YEAR

	2014	**2015**
	HK$'000	*HK$'000*
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	158	281
Total staff costs	5,362	9,374
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	4,464	5,726

13. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of directors were as follows:

Year ended 31 March 2014

	Fees	Salaries, allowances and other benefits	Contributions to retirement benefits scheme	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
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)	—	—	—	—
	—	706	18	724

Year ended 31 March 2015

	Fees	Salaries, allowances and other benefits	Contributions to retirement benefits scheme	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Directors				
Mr. Ting Pang Wan Raymond	—	—	—	—
Mr. Lin Samuel Jr.	—	—	—	—
Mr. Zhu Qin	—	845	17	862
Mr. Kao Sheng-Chi	—	300	5	305
	—	1,145	22	1,167

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 a director of the Company on 15 April 2015 and re-designated as an executive director of the Company on 14 May 2015. Mr. Kao Sheng-Chi and Mr. Zhu Qin were appointed as executive directors of the Company on 14 May 2015.

During the Track Record Period, all of the independent non-executive directors have not yet been appointed and did not receive any remuneration. Subsequent to the Track Record Period, Ms. Debra Elaine Meiburg, Ms. Fan Wei and Mr. Chu Kin Wang Peleus were appointed as independent non-executive directors of the Company on 21 September 2015.

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**
	HK$'000	*HK$'000*
Salaries, allowances and other benefits	2,208	3,042
Contributions to retirement benefits scheme	56	69
	2,264	3,111

Their emoluments were within the following bands:

	Number of individuals	
	2014	**2015**
Nil to HK$1,000,000	4	4

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.

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
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
COST					
At 1 April 2013	4,348	568	201	—	5,117
Additions	—	25	168	—	193
At 31 March 2014	4,348	593	369	—	5,310
Additions	3,024	—	335	335	3,694
At 31 March 2015	7,372	593	704	335	9,004
ACCUMULATED DEPRECIATION					
At 1 April 2013	604	47	19	—	670
Charge for the year	1,449	118	51	—	1,618
At 31 March 2014	2,053	165	70	—	2,288
Charge for the year	2,134	118	126	100	2,478
At 31 March 2015	4,187	283	196	100	4,766
CARRYING VALUES					
At 31 March 2014	2,295	428	299	—	3,022
At 31 March 2015	3,185	310	508	235	4,238

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
	HK$'000
At 1 April 2013	—
Credited to profit or loss	191
At 31 March 2014	191
Credited to profit or loss	267
At 31 March 2015	458

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	**2015**
	HK$'000	*HK$'000*
Goods held for resale	31,331	24,221

20. TRADE AND OTHER RECEIVABLES, DEPOSITS

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

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**
	HK$'000	*HK$'000*
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	3,220	5,840

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.

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**
	HK$'000	*HK$'000*
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	—	95
Total	3,168	5,357

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**
	HK$'000	*HK$'000*
Trade payables	2,291	9,064
Receipts in advance	1,256	1,907
Other payables and accruals	607	591
Trade and other payables	4,154	11,562

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

	2014	**2015**
	HK$'000	*HK$'000*
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
Trade payables	2,291	9,064

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 had been 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 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.

On 20 April 2015, Madison International further allotted and issued 870 shares of US$1.00 each (equivalent to approximately HK$7,000 in aggregate) to Timebase Holdings Limited, an independent third party, at a consideration of HK$5,300,000.

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 21 September 2015, 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 which is principally engaged in the provision of financial services, to a related company, China Runking Financing Group Limited ("China Runking"), which is 70% beneficially owned by Mr. Ting Pang Wan Raymond, a director of the Company, at a cash consideration of HK$10,000.

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
	HK$'000
Other receivables	12
Amount due from a related company	10
Bank balances	1,867
Other payables	(18)
Amount due to a related company	(29)
Amount due to a director	(2,000)
Net liabilities disposed of	(158)

Gain on disposal of a subsidiary

	HK$'000
Cash consideration	10
Net liabilities disposed of	158
Gain on disposal	168

Net cash outflow arising on disposal

	HK$'000
Cash consideration	10
Less: Bank balances disposed of	(1,867)
	(1,857)

During the period from 11 September 2014 (date of incorporation) to 29 January 2015, Wine Financier contributed to the Group's revenue of nil and loss of approximately HK$168,000.

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
	HK$'000	*HK$'000*
Within one year	5,642	4,900
In the second to fifth year inclusive	4,499	6,369
	10,141	11,269

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 is respect of this scheme.

30. RELATED PARTY TRANSACTIONS

(a) **Transactions with related parties:**

Name of party	**Nature of transactions**	**2014** *HK$'000*	**2015** *HK$'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 *HK$'000*	**2015** *HK$'000*
Short-term employee benefits	1,238	1,717
Post-employment benefits	33	39
	1,271	1,756

B. EVENTS AFTER THE REPORTING PERIOD

Save as disclosed elsewhere in this report, the following significant events took place subsequent to 31 March 2015:

i) Reorganisation

The Company was incorporated on 15 April 2015 and the companies comprising the Group underwent a reorganisation to rationalise the Group’s structure in preparation for [Redacted] of the Company’s shares on the GEM of the Stock Exchange. Details of the Reorganisation are set out in the section headed “History, Reorganisation and Corporate Structure — Reorganisation” to the [Redacted]. As a result of the Reorganisation, the Company became the holding company of the Group on 21 September 2015.

ii) Share option scheme

Pursuant to shareholders’ written resolution passed on 21 September 2015, 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.

iii) Capitalisation issue

Pursuant to shareholders’ written resolution passed on 21 September 2015, conditional on the share premium account of the Company being credited as a result of the allotment and issue of [Redacted] under [Redacted], up to HK$[Redacted] standing to the credit of the share premium account of the Company shall be capitalised and applied to pay up in full at par a total of [Redacted] 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