



**MADISON WINE®**

**Madison Wine Holdings Limited**

(Incorporated in the Cayman Islands with limited liability)

STOCK CODE: 8057

**2015**

**Third Quarterly Report**



## **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

**GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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*This report, for which the directors (the “Directors”) of Madison Wine Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (the “GEM Listing Rules”) for the purposes of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*

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## CORPORATE INFORMATION

### Board of Directors

#### *Executive Directors*

Mr. Ting Pang Wan Raymond  
*(Chairman)*  
Mr. Kao Sheng-Chi  
Mr. Zhu Qin

#### *Independent Non-executive Directors*

Ms. Debra Elaine Meiburg  
Ms. Fan Wei  
Mr. Chu Kin Wang Peleus

### Audit Committee

Mr. Chu Kin Wang Peleus  
*(Chairman)*  
Ms. Debra Elaine Meiburg  
Ms. Fan Wei

### Nomination and Corporate Governance Committee

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

### Remuneration Committee

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

### Company Secretary

Ms. Tse Ka Yan

### Compliance Officer

Mr. Kao Sheng-Chi

### Authorised Representatives

Mr. Ting Pang Wan Raymond  
Ms. Tse Ka Yan

### Auditor

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

### Compliance Adviser

Innovax Capital Limited  
Office 1, 1/F Lucky Building  
No. 39 Wellington Street  
Central, Hong Kong

### Registered Office

Cricket Square, Hutchins Drive  
P.O. Box 2681, Grand Cayman  
KY1-1111, Cayman Islands

**Principal Place of Business  
in Hong Kong**

Flat A & B, 10/F  
North Point Industrial Building  
499 King's Road  
North Point, Hong Kong

**Principal Share Registrar and  
Transfer Office  
in the Cayman Islands**

Codan Trust Company  
(Cayman) Limited  
Cricket Square, Hutchins Drive  
P.O. Box 2681, Grand Cayman  
KY1-1111, Cayman Islands

**Hong Kong Branch Share  
Registrar and Transfer Office**

Tricor Investor Services Limited  
Level 22, Hopewell Centre  
183 Queen's Road East  
Hong Kong

**Principal Bankers**

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

China Construction Bank (Asia)  
Corporation Limited  
139 Hennessy Road, Wan Chai  
Hong Kong

**Company's Website**

[www.madison-wine.com](http://www.madison-wine.com)

**Stock Code**

08057

## FINANCIAL HIGHLIGHTS

For the nine months ended 31 December 2015, unaudited operating results of the Company and its subsidiaries (collectively referred to as the “Group”) were as follows:

- the Group recorded a revenue of approximately HK\$98.0 million for the nine months ended 31 December 2015 (nine months ended 31 December 2014: HK\$74.3 million), representing an increase of approximately 31.9% as compared with the corresponding period in 2014.
- loss attributable to the owners of the Company for the nine months ended 31 December 2015 amounted to approximately HK\$6.9 million (nine months ended 31 December 2014: HK\$394,000). Should the one-off listing expenses of approximately HK\$13.0 million incurred by the Company for its listing exercise be excluded, profit for the period and total comprehensive income for the period attributable to owners of the Company for the nine months ended 31 December 2015 would reach approximately HK\$6.1 million.
- the Directors do not recommend the payment of any dividend for the nine months ended 31 December 2015.

The board of Directors (the “Board”) is pleased to present the unaudited condensed consolidated results of the Group for the nine months ended 31 December 2015, together with the comparative unaudited figures for the corresponding period in 2014, as follows:

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE THREE MONTHS AND NINE MONTHS ENDED 31 DECEMBER 2015

	NOTES	Three months ended 31 December		Nine months ended 31 December	
		2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
Revenue	4	40,767	35,817	97,999	74,309
Cost of sales		(28,155)	(26,928)	(70,033)	(58,028)
Gross profit		12,612	8,889	27,966	16,281
Other income	5	741	782	5,036	857
Selling and distribution expenses		(2,916)	(3,189)	(9,833)	(9,853)
Administrative expenses		(10,039)	(2,629)	(28,405)	(6,932)
Finance costs	6	-	(194)	-	(710)
Profit (loss) before tax		398	3,659	(5,236)	(357)
Income tax expense	7	(718)	(29)	(1,457)	(29)
(Loss) profit for the period and total comprehensive (expense) income for the period	8	(320)	3,630	(6,693)	(386)
(Loss) profit for the period and total comprehensive (expense) income for the period attributable to:					
Owners of the Company		(443)	3,622	(6,901)	(394)
Non-controlling interests		123	8	208	8
		(320)	3,630	(6,693)	(386)
(Loss) earnings per share (HK cents)	10				
Basic		(0.11)	1.21	(2.09)	(0.13)
Diluted		(0.11)	1.21	(2.09)	(0.13)

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE NINE MONTHS ENDED 31 DECEMBER 2015

	Attributable to owners of the Company							Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Other reserve HK\$'000 <i>(Note a)</i>	Share option reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000	Non- controlling interests HK\$'000	
At 1 April 2014 (audited)	78	-	23,669	-	13,766	37,513	-	37,513
(Loss) profit for the period and total comprehensive (expense) income for the period	-	-	-	-	(394)	(394)	8	(386)
At 31 December 2014 (unaudited)	78	-	23,669	-	13,372	37,119	8	37,127
At 1 April 2015 (audited)	78	-	23,669	-	27,925	51,672	155	51,827
(Loss) profit for the period and total comprehensive (expense) income for the period	-	-	-	-	(6,901)	(6,901)	208	(6,693)
Issue of shares upon reorganisation (the "Reorganisation") <i>(Note b)</i>	7	-	5,293	-	-	5,300	-	5,300
Arising from Reorganisation <i>(Note c)</i>	(85)	-	85	-	-	-	-	-
Capitalisation issue <i>(Note d)</i>	3,000	(3,000)	-	-	-	-	-	-
Issuance of ordinary shares in connection with the listing (the "Listing") <i>(Note e)</i>	1,000	74,000	-	-	-	75,000	-	75,000
Transaction costs in connection with the Listing	-	(5,624)	-	-	-	(5,624)	-	(5,624)
Recognition of equity-settled share-based payments expenses	-	-	-	948	-	948	-	948
At 31 December 2015 (unaudited)	4,000	65,376	29,047	948	21,024	120,395	363	120,758

*Notes:*

- (a) The other reserve was arisen from the transfer of the entire issued share capital and shareholder's loan in Madison Wine (HK) Company Limited ("Madison Wine (HK)") to Madison International Wine Company Limited ("Madison International") upon the Reorganisation.
- (b) On 20 April 2015, Madison International allotted and issued 870 shares of US\$1.00 each (equivalent to approximately HK\$7,000 in aggregate) to Timebase Holdings Limited ("Timebase"), an independent third party, at a consideration of HK\$5,300,000.
- (c) On 21 September 2015, the Company acquired the entire issued share capital in Madison International from Royal Spectrum Holding Company Limited ("Royal Spectrum"), Keyword Limited ("Keyword") and Timebase, in consideration of the Company allotting and issuing 819 shares, 100 shares and 80 shares of HK\$0.01 each (equivalent to HK\$10 in aggregate), all credited as fully paid to Royal Spectrum, Keyword and Timebase, respectively.
- (d) Pursuant to shareholders' written resolution passed on 21 September 2015, the Directors were authorised to capitalise a sum of HK\$2,999,990 standing to the credit of the share premium account of the Company by applying such sum towards the paying up in full at par a total of 299,999,000 shares for allotment and issue to the then shareholders of the Company as at 21 September 2015 in proportion to their then respective shareholdings in the Company.
- (e) In connection with the Company's placing and the Listing, the Company issued 100,000,000 ordinary shares of HK\$0.01 each at a price of HK\$0.75 for a total consideration (before expenses) of HK\$75,000,000. Dealings of the Company's shares on GEM commenced on 8 October 2015.

## **NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

*FOR THE NINE MONTHS ENDED 31 DECEMBER 2015*

### **1. GENERAL**

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. The shares of the Company have been listed on GEM on 8 October 2015. The addresses of the registered office and the principal place of business of the Company are Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and Flat A & B, 10/F, North Point Industrial Building, 499 King's Road, North Point, Hong Kong respectively.

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 Group is Hong Kong dollar ("HK\$"), which is the same as the presentation currency of the condensed consolidated financial statements.

### **2. BASIS OF PREPARATION**

Pursuant to the Reorganisation as detailed in the section headed "History, Reorganisation and Corporate Structure – Reorganisation" in the prospectus of the Company dated 29 September 2015 (the "Prospectus"), the Company became the holding company of the companies now comprising the Group on 21 September 2015. The companies now comprising the Group have been under the common control of the ultimate shareholders including Mr. Ting Pang Wan Raymond ("Mr. Ting"), Mr. Lin Samuel Jr. and Mr. Zhu Hui Xin throughout the period or since their respective dates of incorporation up to 31 December 2015, whichever is the shorter period. The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity. Accordingly, the combined financial statements of the Group have been prepared as if the Company had always been the holding company of the companies now comprising the Group throughout the nine months ended 31 December 2014, using the principles of merger accounting in accordance with Accounting Guideline 5 "Merger Accounting for Common Control Combinations".

## 2. BASIS OF PREPARATION *(Cont'd)*

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Chapter 18 of the GEM Listing Rules.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

The significant accounting policies that have been used in the preparation of these condensed consolidated financial statements for the nine months ended 31 December 2015 are consistent with those adopted in the accountants' report included in the Prospectus for the year ended 31 March 2015, except for the adoption of the new and revised Hong Kong Financial Reporting Standards ("HKFRSs").

In the current period, the Group has adopted all the new and revised HKFRSs, amendments to HKASs and interpretations ("Ints") (hereinafter collectively referred to as "new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are relevant to the Group and effective for accounting periods beginning on or after 1 April 2015. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies and amounts reported for the current and prior periods.

The Group has not early adopted the new and revised HKFRSs issued by the HKICPA that have been issued but are not yet effective for the current period. The Directors anticipate that the application of the new and revised HKFRSs will have no material impact on the results and financial position of the Group.

## 4. REVENUE AND SEGMENT INFORMATION

Revenue represents the fair value of the consideration received and receivable for goods sold and services provided 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) 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.

#### 4. REVENUE AND SEGMENT INFORMATION *(Cont'd)*

##### Geographical information

The Group's operations are located in Hong Kong (country of domicile) during the periods.

During the periods, the Group's revenue is derived solely in Hong Kong from customers. As at the end of each reporting period, the Group's non-current assets by location of assets are all located in Hong Kong.

#### 5. OTHER INCOME

	Three months ended 31 December		Nine months ended 31 December	
	2015 <i>HK\$'000</i> (unaudited)	2014 <i>HK\$'000</i> (unaudited)	2015 <i>HK\$'000</i> (unaudited)	2014 <i>HK\$'000</i> (unaudited)
Bank interest income	-	-	1	-
Consignment income	245	768	4,336	768
Net exchange gain	-	-	30	-
Others	496	14	669	89
	<b>741</b>	<b>782</b>	<b>5,036</b>	<b>857</b>

#### 6. FINANCE COSTS

	Three months ended 31 December		Nine months ended 31 December	
	2015 <i>HK\$'000</i> (unaudited)	2014 <i>HK\$'000</i> (unaudited)	2015 <i>HK\$'000</i> (unaudited)	2014 <i>HK\$'000</i> (unaudited)
Interest on amount due to a Director	-	194	-	710

## 7. INCOME TAX EXPENSE

	Three months ended 31 December		Nine months ended 31 December	
	2015	2014	2015	2014
	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)
Current tax:				
Hong Kong Profits Tax	718	29	1,058	29
Deferred taxation	-	-	399	-
	<b>718</b>	<b>29</b>	<b>1,457</b>	<b>29</b>

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profits during the relevant periods.

## 8. (LOSS) PROFIT FOR THE PERIOD

	Three months ended 31 December		Nine months ended 31 December	
	2015	2014	2015	2014
	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)
(Loss) profit for the period has been arrived at after charging:				
Cost of inventories recognised as expense	28,155	26,928	70,033	58,028
Depreciation of plant and equipment	727	702	2,246	1,774
Professional expenses incurred in connection with the Listing	3,101	-	13,037	-
Net exchange loss	60	13	-	20
Minimum lease payments under operating leases in respect of office premises, warehouses and shop	1,086	1,491	3,998	4,516
Share-based payment expenses	948	-	948	-

## 9. DIVIDEND

No dividend was paid, declared or proposed during the period. The Directors do not recommend the payment of any dividend for the nine months ended 31 December 2015 (nine months ended 31 December 2014: nil).

## 10. (LOSS) EARNINGS PER SHARE

The calculation of the basic and diluted (loss) earnings per share attributable to the owners of the Company is based on the following data:

	Three months ended 31 December		Nine months ended 31 December	
	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
<b>(Loss) earnings</b>				
(Loss) earnings for the purpose of basic and diluted (loss) earnings per share for the period attributable to the owners of the Company	<b>(443)</b>	3,622	<b>(6,901)</b>	(394)
<b>Number of shares</b>				
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	<b>392,391,304</b>	300,000,000	<b>330,909,091</b>	300,000,000
<b>Effect of dilutive potential ordinary shares:</b>				
Share options	<b>131,425</b>	N/A	<b>43,968</b>	N/A
	<b>392,522,729</b>	300,000,000	<b>330,953,059</b>	300,000,000

**10. (LOSS) EARNINGS PER SHARE** *(Cont'd)*

The weighted average number of ordinary shares in issue during the three months and nine months ended 31 December 2015 used in the calculation of basic loss per share is determined on the assumption that the 1,000 ordinary shares and the 299,999,000 ordinary shares issued upon the capitalisation issue and Reorganisation as described in the Prospectus had been in issue since 1 April 2014, and the weighted average of 100,000,000 ordinary shares issued upon placing.

The weighted average number of ordinary shares in issue during the three months and nine months ended 31 December 2014 used in the calculation of basic earnings (loss) per share is determined on the assumption that the 1,000 ordinary shares and the 299,999,000 ordinary shares issued upon the capitalisation issue and Reorganisation as described in the Prospectus had been in issue since 1 April 2014.

Diluted loss per share is equal to the basic loss per share for the three months and nine months ended 31 December 2015, as the effect of the Company's outstanding share options would result in a decrease in loss per share for the respective periods.

Diluted earnings (loss) per share is equal to the basic earnings (loss) per share for the three months and nine months ended 31 December 2014 as there were no dilutive potential ordinary shares outstanding during the respective periods.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

During the nine months ended 31 December 2015, revenue was increased by approximately 31.9% to approximately HK\$98.0 million (nine months ended 31 December 2014: HK\$74.3 million). We are engaged in the retail sales and wholesales of a wide spectrum of wine products and other alcoholic beverages in Hong Kong with a focus on red wine. The increase in revenue was mainly the result of our expanding market appearance by the relocation of our retail store. Our new flagship store commenced business operations in mid June 2015 at a location within close proximity to luxury car retail shops which share a similar customer base with our Group.

### Financial Review

#### *Revenue*

Revenue of the Group increased by approximately 31.9% from approximately HK\$74.3 million to HK\$98.0 million for the nine months ended 31 December 2014 and 2015 respectively. The increase was mainly due to the expanding market appearance and the expansion of the sales team during the nine months ended 31 December 2015.

#### *Gross Profit and Gross Profit Margin*

Gross profit of the Group increased by approximately 71.8% from approximately HK\$16.3 million to approximately HK\$28.0 million for the nine months ended 31 December 2014 and 2015 respectively. The increase was mainly due to the increase in revenue during the period.

Gross profit margin of the Group increased from 21.9% to 28.5% for the nine months ended 31 December 2014 and 2015 respectively. The increase was mainly due to the application of a more competitive pricing approach with a lower profit margin for our sales during the nine months ended 31 December 2014.

***Other Income***

Other income of the Group increased significantly from approximately HK\$857,000 to approximately HK\$5.0 million for the nine months ended 31 December 2014 and 2015 respectively. The increase was mainly due to the increase in consignment sales which has been commenced since November 2014.

***Selling and Distribution Expenses***

Selling and distribution expenses of the Group remained stable for the nine months ended 31 December 2014 and 2015.

***Administrative Expenses***

Administrative expenses of the Group increased by approximately 311.6% from approximately HK\$6.9 million to HK\$28.4 million for the nine months ended 31 December 2014 and 2015 respectively. The increase was mainly due to (i) the one-off listing expenses of approximately HK\$13.0 million incurred by the Group for its listing exercise during the nine months ended 31 December 2015; (ii) the increase in salary of approximately HK\$2.9 million for our management and administrative staff; (iii) the increase in other administrative expenses of approximately HK\$4.6 million incurred by the Group with the increase in number of staff and (iv) the recognition of share-based payment expenses of approximately HK\$1.0 million upon the grant of share options on 17 December 2015.

***Income Tax Expense***

Income tax expenses for the Group increased from HK\$29,000 to HK\$1.5 million. The increase was due to the increase in profit before tax excluding the listing expenses which is non-deductible for the tax assessment.

***Loss for the Period and Total Comprehensive Expense for the Period Attributable to Owners of the Company***

Loss for the period attributable to owners of the Company increased significantly from approximately HK\$394,000 to HK\$6.9 million for the nine months ended 31 December 2014 and 2015 respectively. Such change was mainly attributable to the listing expenses incurred by the Group for its listing exercise during the nine months ended 31 December 2015.

Should the one-off listing expenses of approximately HK\$13.0 million incurred by the Company for its listing exercise be excluded, profit for the period and total comprehensive income for the period attributable to owners of the Company for the nine months ended 31 December 2015 would reach approximately HK\$6.1 million.

***Dividend***

The Directors do not recommend the payment of any dividend for the nine months ended 31 December 2015 (nine months ended 31 December 2014: nil).

***Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies***

During the nine months ended 31 December 2015, the Group did not have any material acquisitions nor disposals of subsidiaries and affiliated companies save for those in relation to the reorganisation in preparation of the Listing as set out in section headed “History, Reorganisation and Corporate Structure – Reorganisation” in the Prospectus.

### ***Outlook and Prospects***

The shares of the Company were listed on GEM on 8 October 2015. The net proceeds from the Listing have laid a solid foundation for the future development of the Group.

Looking forward, the Group will endeavor to strengthen its position in the retail sales and wholesales of wine products in Hong Kong. The Group will continue to expand its existing product portfolio, which aims at providing its customers with a wider range of choices so as to facilitate the broadening of its existing customer base as well as reinforcing its market presence in the wine industry in Hong Kong.

Moving forward, the Group will also pursue suitable acquisition opportunities in Hong Kong so as to further expand its presence in the wine industry in Hong Kong and thereby maximise the shareholders' return in the long run. It is expected that successful acquisition can contribute to (i) an increase in our customer base; (ii) an addition to wine supply channels; and (iii) the acquisition of staff with relevant skill sets and connections in the wine industry, which as a whole can create synergies to the existing business of the Group.

## OTHER INFORMATION

### Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or Any Associated Corporation

As at 31 December 2015, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

#### (i) Long Position in the Shares of the Company

Name of Director	Capacity/ Nature of interest	Number of shares interested	Number of underlying shares pursuant to share options (Note 3)	Aggregate interests	Approximate percentage of the Company's issued shares*
Mr. Ting (Notes 1 and 2)	Interest in controlled corporation	246,000,000	600,000	246,600,000	61.65%

*Notes:*

1. The entire issued share capital in Royal Spectrum is legally and beneficially owned as to 77.3% by Devoss Global Holdings Limited (“Devoss Global”), 20% by Universal Chinese Limited (“Universal Chinese”), and 2.7% by Montrachet Holding Limited (“Montrachet”). Devoss Global is deemed to be interested in the shares held by Royal Spectrum under Part XV of the SFO.
  2. The entire issued share capital in Devoss Global is legally and beneficially owned by Mr. Ting. Mr. Ting is deemed to be interested in the shares in which Devoss Global is interested in under Part XV of the SFO.
  3. These interests represent the underlying Shares comprised in the share options granted by the Company on 17 December 2015.
  4. Details of share options granted to the Directors pursuant to the share option scheme of the Company are set out in the “Share Option Scheme” section of this report.
- \* The percentage represents the aggregate of (i) the number of shares interested and (ii) the number of underlying shares pursuant to share options divided by the number of issued shares as at 31 December 2015 (i.e. 400,000,000 shares).

**(ii) Long Position in the Shares of Associated Corporations**

Name of associated corporations	Name of Director	Capacity/ Nature of interest	Number of shares interested	Number of underlying shares pursuant to share options <i>(Note 3)</i>	Aggregate interests	Approximate percentage of the Company's issued shares*
Royal Spectrum <i>(Note 1)</i>	Mr. Ting	Interest in controlled corporation	246,000,000	0	246,000,000	61.50%
Devoss Global <i>(Note 2)</i>	Mr. Ting	Beneficial owner	246,000,000	600,000	246,600,000	61.65%

*Notes:*

1. The entire issued share capital in Royal Spectrum is legally and beneficially owned as to 77.3% by Devoss Global, 20% by Universal Chinese, and 2.7% by Montrachet. Devoss Global is deemed to be interested in the shares held by Royal Spectrum under Part XV of the SFO.
  2. The entire issued share capital in Devoss Global is legally and beneficially owned by Mr. Ting. Mr. Ting is deemed to be interested in the shares in which Devoss Global is interested in under Part XV of the SFO.
  3. These interests represent the underlying Shares comprised in the share options granted by the Company on 17 December 2015.
  4. Details of share options granted to the Directors pursuant to the share option scheme of the Company are set out in the “Share Option Scheme” section of this report.
- \* The percentage represents the aggregate of (i) the number of shares interested and (ii) the number of underlying shares pursuant to share options divided by the number of issued shares as at 31 December 2015 (i.e. 400,000,000 shares).

Save as disclosed above, as at 31 December 2015, none of the Directors or chief executive of the Company had any interests and short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 and 5.67 of the GEM Listing Rules.

## Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares of the Company

So far as the Directors are aware, as at 31 December 2015, other than the Directors and chief executive of the Company, the following persons or corporations had interests and short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under section 336 of the SFO:

### Long Position in the Shares of the Company

Name	Capacity/ Nature of interest	Note	Number of shares interested	Number of underlying shares pursuant to share options (Note 6)	Aggregate interests	Approximate percentage of the Company's issued shares*
Royal Spectrum	Beneficial owner	1	246,000,000	0	246,000,000	61.50%
Devoss Global	Interest in controlled corporation	2	246,000,000	600,000	246,600,000	61.65%
Mr. Ting	Interest in controlled corporation	2	246,000,000	600,000	246,600,000	61.65%
Ms. Luu Huyen Boi	Interest of spouse	3	246,000,000	600,000	246,600,000	61.65%
Keywood Limited ("Keywood")	Beneficial owner	4	30,000,000	4,000,000	34,000,000	8.5%
Mr. Han Hanting ("Mr. Han")	Interest in controlled corporation	4	30,000,000	4,000,000	34,000,000	8.5%
Timebase Holdings Limited ("Timebase")	Beneficial owner	5	24,000,000	4,000,000	28,000,000	7.0%
Ms. Lu Mengjia ("Ms. Lu")	Interest in controlled corporation	5	24,000,000	4,000,000	28,000,000	7.0%

#### Notes:

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

3. Ms. Luu is the spouse of Mr. Ting. Ms. Luu is deemed to be interested in all the shares in which Mr. Ting is interested in under Part XV of the SFO.
  4. The entire issued share capital in Keyword is legally and beneficially owned by Mr. Han. Mr. Han is deemed to be interested in the shares in which Keyword is interested in under Part XV of the SFO.
  5. The entire issued share capital in Timebase is legally and beneficially owned by Ms. Lu. Ms. Lu is deemed to be interested in the shares in which Timebase is interested in under Part XV of the SFO.
  6. These interests represent the underlying Shares comprised in the share options granted by the Company on 17 December 2015.
  7. Details of share options granted to the substantial shareholders pursuant to the share option scheme of the Company are set out in the "Share Option Scheme" section of this report.
- \* The percentage represents the aggregate of (i) the number of shares interested and (ii) the number of underlying shares pursuant to share options divided by the number of issued shares as at 31 December 2015 (i.e. 400,000,000 shares).

Save as disclosed above, as at 31 December 2015, the Directors are not aware of any substantial shareholders or other persons or corporations (other than the Directors and chief executive of the Company) who/which had any interests or short positions in the shares or underlying shares of the Company or any of its associated companies which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

### **Share Option Scheme**

The Company has conditionally adopted a share option scheme pursuant to a written resolution of the shareholders of the Company passed on 21 September 2015 (the "Share Option Scheme") for the purpose of providing incentives or rewards to eligible persons for their contribution to the Group and/or enabling the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules.

On 17 December 2015, the Company granted an aggregate of 18,100,000 share options to the grantees of the Company, to subscribe, in aggregate, for up to 18,100,000 ordinary shares of HK\$0.01 each in the share capital of the Company under the Share Option Scheme.

Details of movements of the share options granted under the Share Option Scheme during the nine months ended 31 December 2015 were as follows:

Category	Date of grant	Exercise period	Exercise price per share	Number of share options			
				As at 1 April 2015	Granted during the period	Exercised/ Cancelled/ Lapsed during the period	As at 31 December 2015
<b>Shareholders</b>							
Devoss Global <i>(Note 2)</i>	17 December 2015	17 June 2016 to 16 December 2025	HK\$8.00	-	600,000	-	600,000
Montrachet <i>(Note 3)</i>	17 December 2015	17 June 2016 to 16 December 2025	HK\$8.00	-	1,500,000	-	1,500,000
<b>Others</b> <i>(Note 4)</i>	17 December 2015	17 June 2016 to 16 December 2025	HK\$8.00	-	16,000,000	-	16,000,000
<b>Total</b>					18,100,000	-	18,100,000

*Notes:*

1. The share options granted on 17 December 2015 are exercisable from 17 June 2016. The closing price of the shares of the Company immediately before the date on which the share options were granted was HK\$7.10 per share.
2. Devoss Global is a company wholly-owned by Mr. Ting, being the chairman and an executive Director and the controlling shareholder of Royal Spectrum, a substantial shareholder of the Company.
3. Montrachet, a company wholly-owned by Mr. Zhu Hui Xin, the father of Mr. Zhu Qin, an executive Director, and Montrachet is holding 2.7% shareholding interest in Royal Spectrum, as at 31 December 2015.
4. The category “Others” represents consultants of the Group. Consultants are corporations which render consultancy services to the Group.
5. During the nine-month period ended 31 December 2015, no share options were exercised, cancelled and lapsed under the share option scheme.

The Group recognised total expenses of approximately HK\$1 million for the nine months ended 31 December 2015 (nine months ended 31 December 2014: Nil) in relation to the share options granted by the Company.

**Purchase, Sale or Redemption of Listed Securities of the Company**

The shares of the Company were listed on GEM on 8 October 2015. Neither the Company nor any of its subsidiaries have purchased, sold or redeemed any listed securities of the Company after Listing and up to 31 December 2015.

**Directors’ Interests in Competing Business**

As at 31 December 2015, none of the Directors or their respective associates had any business or interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

## Deed of Non-competition

A deed of non-competition dated 29 September 2015 (the “Deed of Non-competition”) was entered into among the Company and the controlling shareholders of the Company, namely by Royal Spectrum, Devoss Global and Mr. Ting, in favour of the Company (for the Company and for the benefit of its subsidiaries) regarding certain non-competition undertakings. Details of the Deed of Non-competition were disclosed in the section headed “Relationship with Controlling Shareholders” to the Prospectus.

## Code of Conduct Regarding Securities Transactions by Directors

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the “Model Code”). As the shares of the Company were not listed on GEM until 8 October 2015, the Model Code was not applicable to the Company before the date of the Listing. The Company, having made specific enquiry of all the Directors, confirmed that all the Directors have complied with the required standard of dealings as set out in the Model Code since the date of the Listing and up to 31 December 2015.

## Corporate Governance Practices

The Company is committed to achieving high standards of corporate governance to safeguard the interests of the shareholders of the Company and enhance its corporate value. The Company has adopted the principles and code provisions of the Corporate Governance Code and Corporate Governance Report (the “CG Code”) as set out in Appendix 15 to the GEM Listing Rules as its corporate governance practices.

As the shares of the Company were not listed on GEM until 8 October 2015, the code provisions were not applicable to the Company before the date of Listing. Throughout the period since the date of the Listing and up to 31 December 2015, to the best knowledge of the Board, the Company had complied with the code provisions in the CG Code, save for the deviation from the code provision A.2.1 as explained below:

Pursuant to the code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and the chief executive should be clearly established and set out in writing.

Mr. Ting is the chairman (the “Chairman”) of the Board and is responsible for major decision-making, implementation of business strategies and overseeing the overall operation of the Group. The Chairman also takes the lead to ensure that the Board works effectively and acts in the best interest of the Company by encouraging the Directors to make active contributions to Board’s affairs and promoting a culture of openness and debate.

The Company has no such position as the chief executive officer (the “CEO”) and therefore the daily operation and management of the Group is monitored by the executive Directors as well as the senior management.

The Board is of the view that, notwithstanding without the presence of CEO, the balance of power and authority is ensured by the operation of the Board, which comprises experienced individuals who would meet from time to time to discuss issues affecting the operation of the Group.

### **Interests of Compliance Adviser**

As notified by the Company’s compliance adviser, Innovax Capital Limited (the “Compliance Adviser”), save for the compliance adviser agreement dated 24 September 2015 entered into between the Company and the Compliance Adviser, neither the Compliance Adviser nor any of its directors, employees or close associates had any interest in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities) or otherwise in relation to the Company which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules as at 31 December 2015 and date of this report.

## Audit Committee

The audit committee of the Company (the “Audit Committee”) was established on 21 September 2015 with written terms of reference in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules and code provision C.3.3 of the CG Code. The primary duties of the Audit Committee are mainly to review the financial reporting, risk management and internal control systems of the Group; to review the accounting policy and financial position of the Group; to communicate with external auditors; and to assess the performance of internal financial and audit personnel.

The Audit Committee comprises three independent non-executive Directors, namely Mr. Chu Kin Wang Peleus (“Mr. Chu”), Ms. Debra Elaine Meiburg and Ms. Fan Wei. Mr. Chu is the chairman of the Audit Committee.

The financial information in this report has not been audited by the auditor of the Company, but the Audit Committee has reviewed the unaudited consolidated results of the Group for the nine months ended 31 December 2015 and is of the opinion that such results complied with the applicable accounting standards, the requirements under the GEM Listing Rules and other applicable legal requirements, and that adequate disclosures had been made.

By order of the Board  
**Madison Wine Holdings Limited**  
**Ting Pang Wan Raymond**  
*Chairman and Executive Director*

Hong Kong, 3 February 2016

*As at the date of this report, the executive Directors are Mr. Ting Pang Wan Raymond, Mr. Kao Sheng-Chi, and Mr. Zhu Qin; and the independent non-executive Directors are Ms. Debra Elaine Meiburg, Ms. Fan Wei and Mr. Chu Kin Wang Peleus.*