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MADISON WINE®

Madison Wine Holdings Limited

麥迪森酒業控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8057)

**MAJOR AND CONNECTED TRANSACTIONS –
(1) THE ACQUISITION AGREEMENT IN RESPECT OF
THE PROPOSED ACQUISITION OF CVP ASSET MANAGEMENT;
AND
(2) THE SUBSCRIPTION AGREEMENT IN RESPECT OF
THE PROPOSED SUBSCRIPTION OF EXCHANGEABLE BONDS
FOR SHARES IN BARTHA INTERNATIONAL**

THE PROPOSED ACQUISITION

On 9 February 2017 (after trading hours), Perfect Zone, as the purchaser, and CVP Holdings, as the vendor, entered into the Acquisition Agreement, pursuant to which Perfect Zone conditionally agreed to acquire, and CVP Holdings conditionally agreed to sell, the entire issued share capital of CVP Asset Management for a consideration of HK\$14,000,000, which shall be satisfied by the Company issuing an interest-free promissory note in the sum of HK\$14,000,000 to CVP Holdings (or its nominee(s)) within three Business Days upon fulfillment of the post-completion undertaking, or upon Completion, whichever is later. The promissory note shall be due on the date falling on the third anniversary of the date of issue of the promissory note.

THE PROPOSED SUBSCRIPTION

On 9 February 2017 (after trading hours), Perfect Zone, as the subscriber, and Bartha Holdings, as the issuer, entered into the Subscription Agreement, pursuant to which Perfect Zone conditionally agreed to subscribe for, and Bartha Holdings conditionally agreed to issue, the Exchangeable Bonds for a consideration of HK\$150,000,000. The consideration shall be satisfied by Perfect Zone procuring the Company to issue the Convertible Bonds to Bartha Holdings (or its nominees) to convert into 136,363,636 Conversion Shares at the conversion price of HK\$1.1 per Conversion Share. The Exchangeable Bonds will entitle Perfect Zone to exchange for all of the shares in Bartha International owned by Bartha Holdings as at the date of exercising the Exchangeable Bonds. Assuming that save for the new Bartha Shares to be issued upon completion of the Bartha Loan Capitalisation, there would be no change to the issued share capital of Bartha International up to the date of exercising the Exchangeable Bonds, upon exercise of the Exchangeable Bonds, Bartha International shall be wholly-owned by Perfect Zone.

GEM LISTING RULES IMPLICATIONS

As at the date of this announcement, Mr. Ting, being an executive Director, the chairman of the Board and the controlling Shareholder, is a connected person of the Company. CVP Holdings, which is wholly-owned by Mr. Ting, and Bartha Holdings, which is owned as to 85.25% by CVP Holdings, are associates of Mr. Ting and therefore are connected persons of the Company. Accordingly, each of the Proposed Acquisition and the Proposed Subscription Agreement constitutes a connected transaction on the part of the Company under the GEM Listing Rules.

As certain applicable percentage ratios in respect of the Proposed Subscription are more than 25% but less than 100%, the Proposed Subscription itself constitutes a major transaction on the part of the Company under the GEM Listing Rules.

The Proposed Acquisition itself is fully exempt from notification and announcement requirements pursuant to Chapter 19 of the GEM Listing Rules as each of the applicable percentage ratios (as defined under the GEM Listing Rules) in respect of the Proposed Acquisition is less than 5%. Based on the fact that the Proposed Acquisition and the Proposed Subscription were entered into with the associates of Mr. Ting, the Proposed Acquisition should be aggregated with the Proposed Subscription. When the Proposed Acquisition is aggregated with the Proposed Subscription, the applicable percentage ratios remain more than 25% but less than 100%, the aggregation of the Proposed Acquisition and the Proposed Subscription constitutes a major transaction. Hence, both the Proposed Acquisition and the Proposed Subscription and the transactions contemplated thereunder are therefore subject to, among others, the reporting, announcement and the approval of the Independent Shareholders at the EGM under the GEM Listing Rules.

As Mr. Ting is having material interest in each of the Proposed Acquisition and the Proposed Subscription, Mr. Ting and his associates are required to abstain from voting on the resolution(s) to approve the Proposed Acquisition and the Proposed Subscription at the EGM. As at the date of this announcement, Mr. Ting and his associates were, directly or indirectly, in aggregate, interested in 1,968,000,000 Shares, representing approximately 49.20 % of the issued share capital of the Company.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

An Independent Board Committee comprising all the independent non-executive Directors will be formed and an independent financial adviser will be appointed to advise the Independent Shareholders on whether the terms of the Acquisition Agreement, the Subscription Agreement and the respective transactions contemplated thereunder are fair and reasonable, on normal commercial terms or better, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole, and will advise the Independent Shareholders on how to vote in respect to the resolutions to be proposed at the EGM to approve the Acquisition Agreement, the Subscription Agreement and the respective transactions contemplated thereunder.

GENERAL

The EGM will be convened for the Independent Shareholders to consider and, if thought fit, to approve among others, the Acquisition Agreement, the Subscription Agreement and the respective transactions contemplated thereunder. Mr. Ting and his associates, which holds approximately 49.20% shareholding of the Company, will abstain from voting at the EGM on the relevant resolutions to approve the Acquisition Agreement, the Subscription Agreement and the respective transactions contemplated thereunder.

A circular containing, among other matters, further details of the Proposed Acquisition and the Proposed Subscription, the recommendation of the Independent Board Committee to the Independent Shareholders, the letter of advice from the independent financial adviser to be appointed by the Company to the Independent Board Committee and the Independent Shareholders, the financial information of CVP Asset Management and the Bartha Group and a notice to convene the EGM will be despatched to the Shareholders as soon as practicable in compliance with the GEM Listing Rules.

Reference is made to the announcement of the Company dated 9 December 2016 in relation to (i) the First Term Sheet entered into between Perfect Zone and CVP Holdings on 9 December 2016 in relation to the Proposed Acquisition, and (ii) the Third Term Sheet entered into between Perfect Zone and Bartha Holdings on 9 December 2016 in relation to the Proposed Subscription respectively.

(I) THE PROPOSED ACQUISITION

The Company is pleased to announce that, on 9 February 2017 (after trading hours), Perfect Zone, as the purchaser, and CVP Holdings, as the vendor, entered into the Acquisition Agreement, pursuant to which Perfect Zone conditionally agreed to acquire, and CVP Holdings conditionally agreed to sell, the entire issued share capital of CVP Asset Management for a consideration of HK\$14,000,000, which shall be satisfied by the Company issuing an interest-free promissory note. The promissory note shall be due on the date falling on the third anniversary of the date of issue of the promissory note.

THE ACQUISITION AGREEMENT

Date: 9 February 2017

Parties Perfect Zone, as the purchaser; and
CVP Holdings, as the vendor

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, CVP Holdings is wholly-owned by Mr. Ting, an executive Director, the chairman of the Company and the controlling Shareholder.

Asset to be acquired

The entire issued share capital of CVP Asset Management as at the completion of the Proposed Acquisition.

Consideration

The consideration for the Proposed Acquisition is HK\$14,000,000, which will be satisfied by Perfect Zone procuring the Company to issue an interest-free promissory note in the sum of HK\$14,000,000 to CVP Holdings (or its nominee(s)) within three Business Days after the fulfillment of the post-completion undertaking or upon Completion, whichever is later.

The consideration was arrived at after arm's length negotiations between Perfect Zone and CVP Holdings, based on, among others, (i) the existing total paid-up share capital of CVP Asset Management of HK\$2,120,000 all contributed by CVP Holdings since its incorporation; (ii) the unaudited net asset value of CVP Asset Management as at 31 December 2016; (iii) the prospects of regulated activities (as defined under the SFO) conducted by CVP Asset Management. Please refer to the paragraph headed "Reasons for and benefits from the Proposed Acquisition" of this announcement.

The Directors (other than members of the Independent Board Committee, who will give their opinion after having considered the recommendation from the independent financial adviser) consider that the entering into of the Acquisition Agreement is on normal commercial terms, not in the ordinary course of business of the Group and the terms of the Proposed Acquisition including the consideration are fair and reasonable and in the interests of the Group and its Shareholders as a whole.

As Mr. Ting is interested in the Acquisition Agreement, he has abstained from voting in the Board meeting to approve the Acquisition Agreement and the transactions contemplated thereunder.

Conditions

Completion of the Proposed Acquisition shall be conditional upon:

- (1) Perfect Zone being satisfied with the results of the due diligence review of the assets, liabilities, operations and affairs of CVP Asset Management;
- (2) all necessary consents and approvals required to be obtained on the part of CVP Asset Management in respect of the Acquisition Agreement and the transactions contemplated thereby having been obtained;
- (3) all necessary consents and approvals required to be obtained on the part of Perfect Zone in respect of the Acquisition Agreement and the transactions contemplated thereby having been obtained;
- (4) the approval from the SFC for the change in substantial shareholder of CVP Asset Management having been obtained;

- (5) the passing by the Independent Shareholders at an extraordinary general meeting of the Company to be convened and held of ordinary resolution(s) to approve the Acquisition Agreement and the transactions contemplated thereunder in accordance with the GEM Listing Rules;
- (6) the warranties given by CVP Asset Management respectively remaining true and accurate in all respects; and
- (7) CVP Loan Capitalisation having been completed.

Save for conditions (2), (3), (4), (5) and (7) which are incapable of being waived, Perfect Zone may at its absolute discretion at any time waive in writing conditions (1) and (6) and such waiver may be made subject to such terms and conditions as are determined by Perfect Zone. As at the date of this announcement, Perfect Zone has no intention to waive such conditions.

If the above conditions have not been fulfilled on or before 4:00 p.m. on 30 June 2017 or such later date as CVP Holdings and Perfect Zone may agree in writing, the Acquisition Agreement shall cease and determine and neither party shall have any obligations and liabilities under the Acquisition Agreement save for any antecedent breaches of the terms thereof.

CVP Loan Capitalisation

As at the date of this announcement, CVP Asset Management is indebted to CVP Holdings and its associates in the aggregate amount of approximately HK\$231,880. Pursuant to the Acquisition Agreement, the entire amount of the indebtedness due by CVP Asset Management to CVP Holdings and its associates shall be capitalised into shares in CVP Asset Management prior to Completion, and shall be fully acquired by Perfect Zone at Completion.

Completion

Completion shall take place within three Business Days after the fulfillment (or waiver) of the conditions to the Acquisition Agreement.

Upon completion, Perfect Zone will own the entire issued share capital of CVP Asset Management, and CVP Asset Management will be accounted as an indirect wholly-owned subsidiary of the Company and the financial results of CVP Asset Management will be consolidated into the Group's accounts.

Post-completion undertaking

CVP Holdings warrants and undertakes to Perfect Zone that CVP Asset Management would have employed and appointed at least two qualified responsible officers as required by the SFO on or before the Long Stop Date (or such other dates the parties agreed in writing).

Promissory note

Set out below are the proposed principal terms of the promissory note:

Issuer:	the Company
Principal amount:	HK\$14 million (equal to the consideration of the Proposed Acquisition)
Maturity date:	the 3rd anniversary from the date of issue of the promissory note
Interest:	Nil
Early redemption:	neither the Company nor the holder(s) of the promissory note shall have any early redemption right
Transferability:	freely transferrable

INFORMATION OF THE CVP HOLDINGS AND CVP ASSET MANAGEMENT

CVP Holdings

CVP Holdings is a limited liability company established in Hong Kong, and is wholly-owned by Mr. Ting, an executive Director, the chairman of the Board and the controlling Shareholder as at the date of this announcement. CVP Holdings is principally engaged in investment holding. CVP Holdings does not have any business except being the immediate sole shareholder of CVP Asset Management and holding 85.25% shareholding in Bartha Holdings.

CVP Asset Management

CVP Asset Management is a corporation licensed by the SFC to conduct Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO, and is wholly-owned by CVP Holdings as at the date of this announcement.

CVP Asset Management is principally engaged in provision of investment advisory and discretionary asset management services. CVP Asset Management is subject to licensing conditions that it shall only provide services to professional investors and shall not hold client assets. Further, CVP Asset Management shall not conduct business involving the discretionary management of any collective investment scheme under the Type 9 (asset management) regulated activity. The terms “professional investor”, “hold”, “client assets” and “collective investment scheme” are as defined under the SFO.

Currently, CVP Asset Management has only one responsible officer for each of Type 4 (advising on securities) and Type 9 (asset management) regulated activities. CVP Holdings undertakes to Perfect Zone that CVP Asset Management will appoint at least two responsible officers for each of Type 4 (advising on securities) and Type 9 (asset management) regulated activities in compliance with the SFO.

The unaudited financial information of CVP Asset Management prepared under the Hong Kong Financial Reporting Standards since the date of incorporation (i.e. 31 July 2015) up to 31 December 2016 are as follows:

	From the date of incorporation up to 31 December 2015 <i>HK\$'000</i> (Unaudited)	For the year ended 31 December 2016 <i>HK\$'000</i> (Unaudited)
Turnover	–	350
(Loss) before tax	(179)	(1,196)
(Loss) after tax	(179)	(1,196)

The unaudited net asset of CVP Asset Management as at 31 December 2016 was approximately HK\$744,380.

(II) THE PROPOSED SUBSCRIPTION OF THE EXCHANGEABLE BONDS

The Company is pleased to announce that, on 9 February 2017 (after trading hours), Perfect Zone, as the subscriber, and Bartha Holdings, as the issuer, entered into the Subscription Agreement pursuant to which Perfect Zone conditionally agreed to subscribe for, and Bartha Holdings conditionally agreed to issue, the Exchangeable Bonds for a consideration of HK\$150,000,000. The consideration shall be satisfied by Perfect Zone procuring the Company to issue the Convertible Bonds to Bartha Holdings (or its nominees) to convert into 136,363,636 Conversion Shares at the conversion price of HK\$1.1 per Conversion Share. The Exchangeable Bonds will entitle Perfect Zone to exchange for all of the shares in Bartha International owned by Bartha Holdings as at the date of exercising the Exchangeable Bonds. Assuming that save for the new Bartha Shares to be issued upon completion of the Bartha Loan Capitalisation, there would be no change to the issued share capital of Bartha International up to the date of exercising the Exchangeable Bonds, upon exercise of the Exchangeable Bonds, Bartha International shall be wholly-owned by Perfect Zone.

THE SUBSCRIPTION AGREEMENT

Date: 9 February 2017

Parties Perfect Zone, as the subscriber; and
Bartha Holdings, as the issuer

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, Bartha Holdings is beneficially owned as to 85.25% by CVP Holdings, which, in turn, is wholly-owned by Mr. Ting, an executive Director, the chairman of the Board and the controlling Shareholder, and as to 14.75% by two Independent Third Parties.

Asset to be acquired

The Exchangeable Bonds will entitle Perfect Zone to exchange for all of the shares in Bartha International owned by Bartha Holdings as at the date of exercising the Exchangeable Bonds.

Subscription price

The subscription price of HK\$150 million will be satisfied by Perfect Zone by procuring the Company to issue the Convertible Bonds.

The subscription price was determined after arm's length negotiations between Perfect Zone and Bartha Holdings on normal commercial terms after taking into account, among other factors, (i) the acquisition cost by Bartha International in Eternal Pearl of approximately HK\$26,800,000; (ii) the existing total paid-up share capital of Eternal Pearl of HK\$100,000,000; (iii) the unaudited net asset value of Eternal Pearl of HK\$58,344,570 as at 31 December 2016; (iv) the prospects of regulated activities (as defined under the SFO) conducted by Eternal Pearl; and (v) the potential successful establishment of the joint venture licensed securities services company in the PRC. Please also refer to the paragraph headed "Reasons for and benefits from the Proposed Acquisition" of this announcement.

Conditions

Completion of the Proposed Subscription shall be conditional upon:

- (1) Perfect Zone being satisfied with the results of the due diligence review of the assets, liabilities, operations and affairs of the Bartha Group;
- (2) no event having occurred and subsisting which, is or would constitute an event of default or a prospective event of default;
- (3) all necessary approvals, permits, consents and authorisation from governmental, official authorities and any third party having been obtained by Bartha Group in connection with the Subscription Agreement, Exchangeable Bonds, Convertible Bonds and the transactions contemplated thereunder, whether pursuant to law, regulatory compliance or otherwise;
- (4) the passing by the Independent Shareholders at an extraordinary general meeting of the Company approving the Subscription Agreement and the transactions contemplated thereunder in accordance with the GEM Listing Rules and the applicable laws and regulations;
- (5) the Listing Division of the Stock Exchange having granted the approval for the listing of and permission to deal in the Conversion Shares;
- (6) there having been no occurrence of any event which has caused (or could have caused) a material adverse effect at the completion date; and
- (7) the warranties given by Bartha Holdings remaining true and accurate in all respects.

Perfect Zone may at its absolute discretion at any time waive in writing conditions (1) and (7) and such waiver may be made subject to such terms and conditions as are determined by Perfect Zone. As at the date of this announcement, Perfect Zone has no intention to waive such conditions.

If the above conditions have not been fulfilled on or before 4:00 p.m. on 30 June 2017 or such later date as Bartha Holdings and Perfect Zone may agree in writing, the Subscription Agreement shall cease and determine and neither party shall have any obligations and liabilities under the Subscription Agreement save for any antecedent breaches of the terms thereof.

Profit Guarantee

Bartha Holdings irrevocably and unconditionally warrants and guarantees to Perfect Zone that the audited consolidated net profit attributable to the Bartha Group after tax and any extraordinary or exceptional items of the Bartha Group for the 24 months ended 31 March 2019 (the “**Profit Guarantee Period**”) shall not be less than HK\$15,000,000 (the “**Guaranteed Profit**”).

In the event that the actual audited consolidated net profits attributable to the Bartha Group after tax and any extraordinary or exceptional items of the Bartha Group for the Profit Guarantee Period (the “**Actual Profit**”) as shown in the Profit Certificate is less than the Guaranteed Profit, Bartha Holdings covenants to early redeem the entire Exchangeable Bond at 100% of its principal amounts within 30 days after the issue of the Profit Certificate. Bartha Holdings and Perfect Zone agrees that the redemption money payable by Bartha Holdings to Perfect Zone arising from the redemption of the Exchangeable Bonds could be settled (i) in cash or (ii) by setting off the amount payable by the Company to Bartha Holdings under the Convertible Bonds.

Completion

Completion shall take place within five Business Days after the fulfillment (or waiver) of the conditions to the Subscription Agreement.

Upon exercise of the Exchangeable Bonds, Perfect Zone will own the entire issued share capital of Bartha International, and Bartha Group will be accounted as indirect wholly-owned subsidiaries of the Company and the financial results of Bartha Group will be consolidated into the Group’s accounts.

Post completion undertaking

As at the date of this announcement, Bartha International is indebted to Bartha Holdings in the aggregate amount of approximately HK\$76,009,664 (the "**Bartha Loan**"). Pursuant to the Subscription Agreement, Bartha Holdings undertakes to Perfect Zone that it shall procure the assignment of all Bartha Loan to it by its associates or affiliates and it shall subscribe for new Bartha Shares by way of capitalising the Bartha Loan at the request of Perfect Zone at any time when Perfect Zone is entitled to exercise the Exchange Rights attached to the Exchangeable Bonds.

Pursuant to the Subscription Agreement, Bartha Holdings also undertakes to Perfect Zone that it shall procure Bartha International not to declare, make or pay any dividend or other distribution after completion of the Subscription, and shall hold on trust for and immediately pay or transfer to Perfect Zone any payment or distribution of dividend or capital received by it after completion of the Subscription and up to the EB Maturity Date.

Principal terms of the Exchangeable Bonds

Set out below are the proposed principal terms of the Exchangeable Bonds:

Issuer:	Bartha Holdings
Principal amount:	HK\$150,000,000
Interest:	Nil
Maturity date:	the date falling on the last day of the 60th month from the date of issue of the Exchangeable Bonds (the " EB Maturity Date ")
Status:	the Exchangeable Bond constitutes direct, senior, unsubordinated, unconditional and unsecured obligations of Bartha Holdings and the Exchangeable Bond shall at all times rank pari passu in all respects and without any preference or priority among themselves and with all other shares of Bartha International in issue. No application will be made for the listing of the Exchangeable Bonds on the Stock Exchange or any other stock exchange
Interest:	Nil

Exchange Rights:	subject to the transfer and exchange restrictions imposed on the holder of the Exchangeable Bonds in the Exchangeable Bonds Instrument and any applicable laws (including but not limited to the obtaining of the prior approval of the SFC on change in substantial shareholder of Eternal Pearl), the Exchange Rights may be exercised, at the option of the holder of the Exchangeable Bonds, to exchange up to the whole principal amount of the Exchangeable Bonds into Exchange Shares as at the exercise of the Exchange Rights by the holder of the Exchangeable Bonds during the Exchange Period, in accordance of the terms and conditions of the Exchangeable Bonds
Exchange period:	the Exchangeable Bonds can be exercised after 3 years from the date of issue of the Exchangeable Bonds up to and including the EB Maturity Date (“ Exchange Period ”)
Transferability:	freely transferrable
Early redemption:	provided that Bartha Holdings fails to fulfill the profit guarantee as provided in the paragraph headed “Profit Guarantee” above, the holder of the Exchangeable Bonds may, at any time before the EB Maturity Date, give not less than 20 Business Days’ prior written notice to Bartha Holdings to redeem the Exchangeable Bonds and Bartha Holdings shall within one month pay a redemption price equivalent to 100% of the outstanding principal amount of the Exchangeable Bonds in cash or setting off the Convertible Bonds

Bartha Holdings does not have right to early redeem the Exchangeable Bonds

Principal terms of the Convertible Bonds

Set out below are the proposed principal terms of the Convertible Bonds:

Issuer:	the Company
Principal amount:	HK\$150,000,000
Interest:	Nil
Maturity Date:	the date falling on the 5th anniversary of the date of issue of the Exchangeable Bonds (the “ CB Maturity Date ”)

Conversion price: HK\$1.1 per Share, which represents:

- (i) a discount of approximately 45.27% to the closing price of HK\$2.01 per Share as quoted on the Stock Exchange on 9 February 2017, being the date of the Subscription Agreement;
- (ii) a discount of approximately 46.18% to the average of the closing price of approximately HK\$2.044 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Subscription Agreement;
- (iii) a discount of approximately 47.97% to the average of the closing price of approximately HK\$2.114 per Share as quoted on the Stock Exchange for the last ten consecutive trading days immediately prior to the date of the Subscription Agreement;
- (iv) a premium of approximately 3,534% to the unaudited net asset value attributable to owners of the Company per share as at 30 September 2016 of approximately HK\$0.0303 per share; and
- (v) a premium of approximately 1,367% to the placing price of the Shares at the initial public offering on 8 October 2015 (after adjusting for share subdivision effective on 8 November 2016).

The conversion price have been determined after arm's length negotiations between Perfect Zone and Bartha Holdings with reference to various factors such as, the unaudited net asset value of the Company as at 30 September 2016, the then prevailing market price and average trading volume of the Shares, the placing price of the Shares at the initial public offering on 8 October 2015, the net loss positions of the Company for the six months ended 30 September 2016 and for the year ended 31 March 2016 and the current business environment of wine retail market. The Directors consider that the conversion price is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Number of Conversion Shares:	<p>based on the conversion price of HK\$1.1, up to 136,363,636 Conversion Shares will be allotted and issued upon exercise in full of the conversion rights attaching to the Convertible Bonds, representing:</p> <p>(i) approximately 3.41% of the existing issued share capital of the Company as at the date of this announcement; and</p> <p>(ii) approximately 3.30% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares upon full conversion of the Convertible Bonds at the conversion price, assuming that there would be no other Shares to be allotted and issued</p>
Adjustment events:	the conversion price shall from time to time be subject to adjustment upon occurrence of consolidation or subdivision of the Shares
Conversion period:	the period commencing from the first anniversary of the date of issue of the Convertible Bonds and up to and including the date which is 3 days prior to the CB Maturity Date
Redemption:	<p>the Company shall be entitled to redeem all of the outstanding Convertible Bonds on the CB Maturity Date at its then outstanding principal amount</p> <p>no outstanding amount of Convertible Bonds shall be redeemed at the request of the Company nor the holders of the Convertible Bonds before the CB Maturity Date, save and except for in the circumstances that Bartha Holdings fails to fulfill the profit guarantee provided by it under the Subscription Agreement. In such circumstances, Bartha Holdings shall early redeem the entire Exchangeable Bond at 100% of its principal amounts within 30 days after the issue of the Profit Certificate. Bartha Holdings and Perfect Zone agrees that the redemption money payable by Bartha Holdings to Perfect Zone arising from the redemption of the Exchangeable Bond could be settled (i) in cash or (ii) by setting off the amount payable by the Company to Bartha Holdings under the Convertible Bonds</p>
Status:	the Conversion Shares, when issued and delivered in the manner contemplated by the Convertible Bonds will rank pari passu and carry the same rights and privileges in all respects with the other Shares in issue and shall be entitled to all dividends and other distributions declared, paid or made thereon

- Voting: the Convertible Bonds do not confer any voting right at any meetings of the Company
- Transferability: prior to the issue of the Profit Certificate, the Convertible Bonds cannot be transferred or assigned and thereafter, the Convertible Bonds are freely transferable to any persons except to connected persons of the Company
- Listing: no application will be made by the Company for the listing of the Convertible Bonds on the Stock Exchange. The Company shall make an application to the Stock Exchange for the listing of, and the permission to deal in, the Conversion Shares

Specific mandate

The Conversion Shares upon conversion of the Convertible Bonds will be allotted and issued under a specific mandate to be sought for approval from the Independent Shareholders at the EGM.

The Directors (other than the independent non-executive Directors, who will give their opinion after having considered the recommendation from the independent financial adviser) consider that the entering into of the Subscription Agreement is on normal commercial terms, not in the ordinary course of business of the Group and the terms of the Proposed Subscription including the subscription price and conversion price are fair and reasonable and is in the interests of the Group and its Shareholders as a whole.

Potential effects on the shareholding structure of the Company

Based on the conversion price of HK\$1.1, up to 136,363,636 Conversion Shares will be allotted and issued upon exercise in full of the conversion rights attaching to the Convertible Bonds, representing (i) approximately 3.41% of the existing issued share capital of the Company as at the date of this announcement; and (ii) 3.30% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares upon full conversion of the Convertible Bonds at the conversion price.

Set out below is the shareholding structure of the Company (i) as at the date of this announcement; (ii) immediately after the full conversion of Convertible Bonds at the conversion price, assuming there is no change in the existing shareholding of the Company:

	As at the date of this announcement		Immediately after the full conversion of the Convertible Bonds at the conversion price (for illustration only)	
	No. of Shares	Approx. %	No. of Shares	Approx. %
Royal Spectrum Holding Company Limited ("Royal Spectrum") ^{Note 1}	1,968,000,000	49.20%	1,968,000,000	47.58
Bartha Holdings ^{Note 2}	–	–	136,363,636	3.30
Public Shareholders	2,032,000,000	50.80%	2,032,000,000	49.12
Total:	4,000,000,000	100.00%	4,136,363,636	100.00%

Notes:

1. The entire issued share capital in Royal Spectrum is legally and beneficially owned as to 96.63% by Devoss Global Holdings Limited, which, in turn is legally and beneficially wholly-owned by Mr. Ting.
2. Bartha Holdings is owned as to 85.25% by CVP Holdings, which, in turn, is wholly-owned by Mr. Ting, and as to 14.75% by two Independent Third Parties.

INFORMATION OF BARTHA HOLDINGS, BARTHA INTERNATIONAL AND ETERNAL PEARL

Bartha Holdings

Bartha Holdings is a limited liability company established in Hong Kong, and is beneficially owned as to 85.25% by CVP Holdings, which, in turn, is wholly-owned by Mr. Ting, an executive Director, the chairman of the Board and the controlling Shareholder, and as to 14.75% by two Independent Third Parties. Bartha Holdings is principally engaged in investment holding.

Bartha International

Bartha International is wholly-owned by Bartha Holdings. Bartha International is principally engaged in investment holding. Bartha International has no business except being the immediate holding company of Eternal Pearl.

The unaudited financial information of Bartha International prepared under the Hong Kong Financial Reporting Standards for the year ended 31 December 2015 and 2016 are as follows:

	For the year ended 31 December	
	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Turnover	–	–
(Loss) before tax	(141.38)	(49.7)
(Loss) after tax	(141.38)	(49.7)

The unaudited net liabilities of Bartha International as at 31 December 2016 was approximately HK\$191,079.

Eternal Pearl

Eternal Pearl is wholly-owned by Bartha International and is a corporation licensed by the SFC to conduct Type 1 (dealing in securities) and Type 2 (dealing in futures contracts) regulated activities under the SFO. Eternal Pearl is principally engaged in provision of securities and futures contracts brokerage and margin financing, with no licensing conditions imposed by the SFC.

The audited and unaudited financial information of Eternal Pearl prepared under the Hong Kong Financial Reporting Standards for the year ended 31 December 2015 and 2016 are as follows:

	For the year ended 31 December	
	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Audited)	(Unaudited)
Turnover	8,592	6,840
(Loss) before tax	(4,576)	(10,471)
(Loss) after tax	(4,576)	(10,471)

The unaudited net asset of Eternal Pearl as at 31 December 2016 was approximately HK\$58,344,570.

As disclosed in the section below headed “Reasons for the Proposed Acquisition and the Proposed Subscription” of this announcement, Eternal Pearl is now applying to the China Securities Regulatory Committee (“CSRC”) to set up a joint venture licensed securities services company (the “JV Securities Company”) with 廣東粵財投資控股有限公司 (Guangdong Yuecai Investment Holdings Limited*) and several other co-investors (together with Eternal Pearl and Guangdong Yuecai Investment Holdings Limited, the “Co-Investors”) in Guangzhou Pilot Free Trade Zone, Nanshan area in the PRC.

Within 30 days of obtaining the approval from the relevant regulatory authorities in relation to the formation of the JV Securities Company, a preparatory working committee shall be formed by the Co-Investors to establish the JV Securities Company in accordance with the requirements of the CSRC, which include, among other things, subscription to the registered capital by each of the Co-Investors, completion of registration with relevant authorities in the PRC, obtaining the Securities and Futures Business License from the CSRC and the establishment of the corporate governance and management policies and systems of the JV Securities Company. The Co-Investors shall contribute capital in cash to the JV Securities Company in proportion to their respective equity interests as agreed in an agreement entered into by the Co-Investors.

REASONS FOR THE PROPOSED ACQUISITION AND THE PROPOSED SUBSCRIPTION

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.

As stated in the annual report of the Company for the year ended 31 March 2016, the wine retail industry is severely affected by economic downturn and it is expected to be a more challenging year ahead. In order to deliver long-term increase in Shareholders’ value, the Company has been actively looking for suitable acquisition opportunities so as to maximise Shareholders’ return in a more sustainable manner.

Recent stricter regulatory environment for the investment markets in the PRC has reinforced the demand for the PRC companies to invest overseas. According to a press release from the Hong Kong government on 8 September 2016 titled “Invest Hong Kong encourages Mainland companies to “go global” by leveraging Hong Kong’s financing advantage”, Hong Kong remains a reliable platform for fund-raising and a “super-connector” between the PRC and the rest of the world for the PRC companies to “go global”. Both Hong Kong government and PRC government have occasionally implemented measures to fuel growth momentum to the Hong Kong stock market (including the Shanghai-Hong Kong Stock Connect in 2014 and the Shenzhen-Hong Kong Stock Connect in 2016). As such, the Group considers that the Proposed Acquisition and the Proposed Subscription will represent an opportunity for the Group to capitalize on the growth prospects of the Hong Kong securities investment market and the leading position of Hong Kong as one of the reputable international financial centers.

With respect to the Proposed Acquisition, in December 2016, CVP Asset Management entered into a non-legally binding cooperating arrangement with a subsidiary of a state-owned enterprise in the PRC, to co-raise and co-manage an investment fund with an intended assets under management (“AUM”) of approximately HK\$1.5 billion to HK\$2 billion at initial stage and a target AUM of HK\$5 billion. The exact terms and conditions will be subject to further negotiation between the parties to the arrangement. The Directors believes that upon successful establishment of the investment fund, the Group will benefit from the reputation and potential investor base to be brought by the reputable state-owned enterprise and the diversified source of income from tapping into the asset management business.

With respect to the Proposed Subscription, as disclosed above Eternal Pearl is now applying for the setting up of the JV Securities Company. Please refer to the paragraph headed “Eternal Pearl” in the section headed “Information of Bartha Holdings, Bartha International and Eternal Pearl” of this announcement for more information.

Currently, the securities market size in the PRC as a whole is one of the largest among major countries. However, it is difficult for foreign investment to enter into the securities service business in the PRC as foreign investment in securities services sector in the PRC is subject to different regulatory restrictions. There are certain requirements for a sino-foreign joint venture company to be able to engage in the securities business in the PRC including but not limited to the obtaining of the Securities and Futures Business License from the China Securities Regulatory Commission and fulfilment of other regulatory requirements from relevant authorities. According to Supplement 10 to the Closer Economic Partnership Agreement, only one joint venture securities company could be established in each of Shanghai, Shenzhen, Guangdong Province and certain reform experiment zones* (改革試驗區) for “piloting financial reforms”(「在金融改革方面先行先試」) as approved by the State Council of the PRC, and can obtain approval from the PRC government. It is anticipated that the JV Securities Company will be first and the only joint venture securities company in Guangzhou Pilot Free Trade Zone under the current PRC policy. The Directors (other than the independent non-executive Directors) believe that upon successful establishment of the JV Securities Company, the prospect of Eternal Pearls will be substantially enhanced. Through the Proposed Subscription, the Group will benefit from the prospective development of the comprehensive securities business in the PRC and the JV Securities Company which is a key for the Group to explore the PRC’s vast securities service market.

Given all of the above, together with (i) the expectation that the Group can leverage on CVP Asset Management and/or Eternal Pearl as a platform to diversify its business into the financial services industry and thereby broaden the Group’s source of income; (ii) the prospects of regulated activities (as defined under the SFO) conducted by CVP Asset Management and Eternal Pearl; (iii) the potential synergies created by the Proposed Acquisition and/or Proposed Subscription by providing high-end wine products and services to clients of CVP Asset Management and Eternal Pearl as an investment alternative; and (iv) the added services brought to clients of the Group who look for various investment opportunities, the Directors are of the view that the terms of the Acquisition Agreement and the Subscription Agreement are fair and reasonable and they are in the interest of the Company and the Shareholders as a whole.

GEM LISTING RULES IMPLICATIONS

As at the date of this announcement, Mr. Ting, being an executive Director, the chairman of the Board and the controlling Shareholder, is a connected person of the Company. CVP Holdings, which is wholly-owned by Mr. Ting, and Bartha Holdings, which is owned as to 85.25% by CVP Holdings, are associates of Mr. Ting and therefore are connected persons of the Company. Accordingly, each of the Proposed Acquisition and the Proposed Subscription Agreement constitutes a connected transaction on the part of the Company under the GEM Listing Rules.

As certain applicable percentage ratios in respect of the Proposed Subscription are more than 25% but less than 100%, the Proposed Subscription itself constitutes a major transaction on the part of the Company under the GEM Listing Rules.

The Proposed Acquisition itself is fully exempt from notification and announcement requirements pursuant to Chapter 19 of the GEM Listing Rules as each of the applicable percentage ratios (as defined under the GEM Listing Rules) in respect of the Proposed Acquisition is less than 5%. Based on the fact that the Proposed Acquisition and the Proposed Subscription were entered into with the associates of Mr. Ting, the Proposed Acquisition should be aggregated with the Proposed Subscription. When the Proposed Acquisition is aggregated with the Proposed Subscription, the applicable percentage ratios remain more than 25% but less than 100%, the aggregation of the Proposed Acquisition and the Proposed Subscription constitutes a major transaction. Hence, both the Proposed Acquisition and the Proposed Subscription and the transactions contemplated thereunder are therefore subject to, among others, the reporting, announcement and the approval of the Independent Shareholders at the EGM under the GEM Listing Rules.

As Mr. Ting is having material interest in each of the Proposed Acquisition and the Proposed Subscription, Mr. Ting and his associates are required to abstain from voting on the resolution(s) to approve the Proposed Acquisition and the Proposed Subscription at the EGM. As at the date of this announcement, Mr. Ting and his respective associates were, directly or indirectly, in aggregate, interested in 1,968,000,000 Shares, representing approximately 49.20% of the issued share capital of the Company.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

An Independent Board Committee comprising all the independent non-executive Directors will be formed and an independent financial adviser will be appointed to advise the Independent Shareholders on whether the terms of the Acquisition Agreement, the Subscription Agreement and the respective transactions contemplated thereunder are fair and reasonable, on normal commercial terms or better, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole, and will advise the Independent Shareholders on how to vote in respect to the resolutions to be proposed at the EGM to approve the Acquisition Agreement, the Subscription Agreement and the respective transactions contemplated thereunder.

GENERAL

The EGM will be convened for the Independent Shareholders to consider and, if thought fit, to approve among others, the Acquisition Agreement, the Subscription Agreement and the respective transactions contemplated thereunder. Mr. Ting and his associates, which holds approximately 49.20% shareholding of the Company, will abstain from voting at the EGM on the relevant resolutions to approve the Acquisition Agreement, the Subscription Agreement and the respective transactions contemplated thereunder.

A circular containing, among other matters, further details of the Proposed Acquisition and the Proposed Subscription, the recommendation of the Independent Board Committee to the Independent Shareholders, the letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders, the financial information of CVP Asset Management and the Bartha Group and a notice to convene the EGM will be despatched to the Shareholders as soon as practicable in compliance with the GEM Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings when used herein:

“Acquisition Agreement”	the acquisition agreement entered into between CVP Holdings and Perfect Zone dated 9 February 2017 in relation to the Proposed Acquisition
“Bartha Group”	together, Bartha International and Eternal Pearl
“Bartha Holdings”	Bartha Holdings Limited, a company incorporated in Hong Kong with limited liability, the issuer of the Exchangeable Bonds
“Bartha International”	Bartha International Limited, a company incorporated in Hong Kong with limited liability, the sole shareholder of Eternal Pearl
“Bartha Loan Capitalisation”	the subscription of shares in Bartha International by Bartha Holdings by capitalising the indebtedness due by Bartha International to Bartha Holdings and its associates
“Bartha Shares”	share(s) of HK\$1.00 each in the capital of Bartha International
“Board”	the board of Directors

“Business Day(s)”	a day (other than a Saturday, Sunday or public holiday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
“Company”	Madison Wine Holdings Limited, a company incorporated in the Cayman Islands, whose Shares are listed on GEM (Stock code: 8057)
“connected person”	has the meaning subscribed to it under the GEM Listing Rules
“Conversion Share(s)”	the Share(s) to be allotted and issued upon exercise of the conversion rights attached to the Convertible Bonds
“Convertible Bonds”	the convertible bonds to be issued by the Company to Bartha Holdings pursuant to the Subscription Agreement
“CVP Asset Management”	CVP Asset Management Limited, a company incorporated in Hong Kong with limited liability in July 2015, formerly known as Startfort Holdings Limited, then changed to its name to its current name in August 2015, a corporation licensed by the SFC to conduct Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO
“CVP Holdings”	CVP Holdings Limited, a company incorporated in Hong Kong with limited liability, the vendor of the Proposed Acquisition, the sole shareholder of CVP Asset Management and the controlling shareholder of Bartha Holdings
“CVP Loan Capitalisation”	the subscription of shares in CVP Asset Management by CVP Holdings by capitalising all the indebtedness due by CVP Asset Management to CVP Holdings and its associates
“Director(s)”	Director(s) of the Company
“EGM”	the extraordinary general meeting to be held and convened for the purpose of considering and if thought fit, approve (i) the Acquisition Agreement, the Subscription Agreement and the respective transactions contemplated thereunder; and (ii) the specific mandate for the allotment and issue of the Conversion Shares upon conversion of the Convertible Bonds

“Eternal Pearl”	Eternal Pearl Securities Limited, a company incorporated in Hong Kong with limited liability, a corporation licensed by the SFC to conduct Type 1 (dealing in securities) and Type 2 (dealing in futures contracts) regulated activities under the SFO
“Exchangeable Bonds”	the exchangeable bonds to be issued by Bartha Holdings to Perfect Zone, which will entitle Perfect Zone to exchange for the entire issued share capital of Bartha International as at the date of exercising the Exchangeable Bonds
“Exchangeable Bonds Instrument”	the instrument constituting the Exchangeable Bonds
“Exchange Rights”	the rights of the holder of the Exchangeable Bonds to exchange the principal amount of the Exchangeable Bonds into the shares of Bartha International which were beneficially owned by Bartha Holdings as at the exercise of the Exchange Rights
“First Term Sheet”	the non-legally binding term sheet entered into between CVP Holdings and Perfect Zone dated 9 December 2016 in relation to the Proposed Acquisition
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee of the Board comprising all the independent non-executive Directors established to advise the Independent Shareholders in respect of the Proposed Acquisition and the Proposed Subscription
“Independent Shareholder(s)”	Shareholder(s) who is/are not required to abstain from voting at the extraordinary general meeting of the Company to approve the Acquisition Agreement and the Subscription Agreement and the respective transactions contemplated thereunder

“Independent Third Party”	an individual(s) or a company(ies) who or which is/are independent of and not connected with (within the meaning of the GEM Listing Rules) any of the directors, chief executives or substantial shareholders of the Company or subsidiaries of the Company or any of their respective associates
“Long Stop Date”	30 June 2017, or such other dates the parties agreed in writing
“Mr. Ting”	Mr. Ting Pang Wan Raymond, an executive Director, chairman of the Board and the sole shareholder of CVP Holdings
“Perfect Zone”	Perfect Zone Holdings Limited, a company incorporated in the British Virgin Islands with limited liability, and an indirect wholly-owned subsidiary of the Company, the purchaser of the Proposed Acquisition and the subscriber of the Exchangeable Bonds
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Profit Certificate”	the written certificate to be issued by a practicing accountant to be appointed by Perfect Zone showing the Actual Profit
“Proposed Acquisition”	the proposed acquisition by Perfect Zone of the entire equity interest in CVP Asset Management from CVP Holdings
“Proposed Subscription”	the proposed subscription of the Exchangeable Bonds by Perfect Zone for the equity interest in Bartha International
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
“Share(s)”	share(s) of HK\$0.001 each in the capital of the Company

“Shareholders”	holders of the issued Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Agreement”	the subscription agreement entered into between Bartha Holdings and Perfect Zone dated 9 February 2017 in relation to the Proposed Subscription
“Third Term Sheet”	the non-legally binding term sheet entered into between Bartha Holdings and Perfect Zone dated 9 December 2016 in relation to the Proposed Subscription
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

* *The English translation of certain Chinese names or words in this announcement are included for reference purpose only and should not be regarded as the official English translation of such Chinese names or words.*

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

Hong Kong, 9 February 2017

As at the date of this announcement, 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. Fan Wei, Mr. Chu Kin Wang Peleus and Mr. Ip Cho Yin, J.P.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose 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 announcement 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 announcement misleading.

This announcement will remain on the “Latest Company Announcements” page of the GEM website at www.hkgem.com for at least 7 days from the date of its posting and on the website of the Company at www.madison-wine.com.