



MADISON WINE®

## Madison Wine Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

STOCK CODE: 8057



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

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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. Fan Wei  
Mr. Chu Kin Wang Peleus  
Mr. Ip Cho Yin, *J.P.*  
(appointed on 1 February 2017)

#### **Audit Committee**

Mr. Chu Kin Wang Peleus  
(*Chairman*)  
Ms. Fan Wei  
Mr. Ip Cho Yin, *J.P.*  
(appointed on 1 February 2017)

#### **Nomination and Corporate Governance Committee**

Mr. Ting Pang Wan Raymond  
(*Chairman*)  
Ms. Fan Wei  
Mr. Chu Kin Wang Peleus  
Mr. Ip Cho Yin, *J.P.*  
(appointed on 1 February 2017)

#### **Remuneration Committee**

Ms. Fan Wei (*Chairlady*)  
Mr. Ting Pang Wan Raymond  
Mr. Chu Kin Wang Peleus  
Mr. Ip Cho Yin, *J.P.*  
(appointed on 1 February 2017)

### 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  
Room 2002, 20/F.  
Chinachem Century Tower  
178 Gloucester Road  
Wanchai, 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 2016, 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\$104.3 million for the nine months ended 31 December 2016 (nine months ended 31 December 2015: HK\$98.0 million), representing an increase of approximately 6.4% as compared with the corresponding period in 2015.
- loss attributable to the owners of the Company for the nine months ended 31 December 2016 amounted to approximately HK\$11.1 million (nine months ended 31 December 2015: HK\$6.9 million). Should the equity-settled share-based payment expenses for the share options granted of approximately HK\$4.7 million during the period be excluded, loss for the period and total comprehensive expense for the period attributable to owners of the Company for the nine months ended 31 December 2016 would be approximately HK\$6.4 million.
- the Directors do not recommend the payment of any dividend for the nine months ended 31 December 2016.

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 2016, together with the comparative unaudited figures for the corresponding period in 2015, as follows:

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

FOR THE THREE MONTHS AND NINE MONTHS ENDED  
31 DECEMBER 2016

	NOTES	Three months ended 31 December		Nine months ended 31 December	
		2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Revenue	4	32,593	40,767	104,290	97,999
Cost of sales		(26,528)	(28,155)	(83,661)	(70,033)
Gross profit		6,065	12,612	20,629	27,966
Other income	5	124	741	1,154	5,036
Selling and distribution expenses		(3,305)	(2,916)	(9,995)	(9,833)
Administrative expenses		(6,981)	(10,039)	(23,160)	(28,405)
(Loss) profit before tax		(4,097)	398	(11,372)	(5,236)
Income tax credit (expense)	6	150	(718)	282	(1,457)
Loss for the period and total comprehensive expense for the period	7	(3,947)	(320)	(11,090)	(6,693)
(Loss) profit for the period and total comprehensive (expense) income for the period attributable to:					
Owners of the Company		(3,937)	(443)	(11,142)	(6,901)
Non-controlling interests		(10)	123	52	208
		(3,947)	(320)	(11,090)	(6,693)
Loss per share (HK cents)	9		(restated)		(restated)
Basic and diluted		(0.10)	(0.01)	(0.28)	(0.21)

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE NINE MONTHS ENDED 31 DECEMBER 2016

	Attributable to owners of the Company							Total
	Share capital	Share premium	Other reserve	Share option reserve	Retained earnings	Total	Non-controlling interests	
	HK\$'000	HK\$'000	HK\$'000 (Note a)	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
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 ("Reorganisation") (Note b)	7	-	5,293	-	-	5,300	-	5,300
Arising from Reorganisation (Note c)	(85)	-	85	-	-	-	-	-
Capitalisation issue (Note d)	3,000	(3,000)	-	-	-	-	-	-
Issuance of ordinary shares in connection with the listing (the "Listing") (Note e)	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
<b>At 31 December 2015 (unaudited)</b>	<b>4,000</b>	<b>65,376</b>	<b>29,047</b>	<b>948</b>	<b>21,024</b>	<b>120,395</b>	<b>363</b>	<b>120,758</b>
At 1 April 2016 (audited)	4,000	65,376	29,047	6,636	18,478	123,537	298	123,835
(Loss) profit for the period and total comprehensive (expense) income for the period	-	-	-	-	(11,142)	(11,142)	52	(11,090)
Recognition of equity-settled share-based payments expenses	-	-	-	4,740	-	4,740	-	4,740
<b>At 31 December 2016 (unaudited)</b>	<b>4,000</b>	<b>65,376</b>	<b>29,047</b>	<b>11,376</b>	<b>7,336</b>	<b>117,135</b>	<b>350</b>	<b>117,485</b>



*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. Dealing of the Company's shares on the GEM commenced on 8 October 2015.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED 31 DECEMBER 2016

## 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 2015, using the principles of merger accounting in accordance with Accounting Guideline 5 "Merger Accounting for Common Control Combinations".

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 2016 are consistent with those adopted in the consolidated financial statements for the year ended 31 March 2016, 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 HKICPA that are relevant to the Group and effective for accounting periods beginning on or after 1 April 2016. 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.

#### 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	
	2016 <i>HK\$'000</i> (unaudited)	2015 <i>HK\$'000</i> (unaudited)	2016 <i>HK\$'000</i> (unaudited)	2015 <i>HK\$'000</i> (unaudited)
Bank interest income	-	-	-	1
Consignment income	90	245	724	4,336
Insurance claim	-	-	195	-
Net exchange gain (loss)	-	-	5	30
Promotion income	29	-	197	-
Others	5	496	33	669
	<b>124</b>	<b>741</b>	<b>1,154</b>	<b>5,036</b>

**6. INCOME TAX (CREDIT) EXPENSE**

	Three months ended 31 December		Nine months ended 31 December	
	2016 <i>HK\$'000</i> (unaudited)	2015 <i>HK\$'000</i> (unaudited)	2016 <i>HK\$'000</i> (unaudited)	2015 <i>HK\$'000</i> (unaudited)
Current tax:				
Hong Kong Profits Tax	(51)	718	24	1,058
Deferred taxation	(99)	-	(306)	399
	<b>(150)</b>	<b>718</b>	<b>(282)</b>	<b>1,457</b>

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

**7. LOSS FOR THE PERIOD**

	Three months ended 31 December		Nine months ended 31 December	
	2016 <i>HK\$'000</i> (unaudited)	2015 <i>HK\$'000</i> (unaudited)	2016 <i>HK\$'000</i> (unaudited)	2015 <i>HK\$'000</i> (unaudited)
Loss for the period has been arrived at after charging:				
Cost of inventories recognised as expense	<b>26,528</b>	28,155	<b>83,661</b>	70,033
Depreciation of plant and equipment	<b>760</b>	727	<b>2,246</b>	2,246
Equity-settled share-based payment expenses	-	948	<b>4,740</b>	948
Loss on written off of plant and equipment	-	-	<b>4</b>	-
Professional expenses incurred in connection with the Listing	-	3,101	-	13,037
Net exchange loss	-	60	-	-
Minimum lease payments under operating leases in respect of office premises, warehouses and shop	<b>1,332</b>	1,086	<b>3,532</b>	3,998

**8. 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 2016 (nine months ended 31 December 2015: nil).

## 9. LOSS PER SHARE

The calculation of the basic and diluted loss 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	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited and restated)	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited and restated)
<b>Loss</b>				
Loss for the purpose of basic and diluted loss per share for the period attributable to the owners of the Company	(3,937)	(443)	(11,142)	(6,901)
<b>Number of shares</b>				
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	4,000,000,000	3,923,913,040	4,000,000,000	3,309,090,910
Effect of dilutive potential ordinary shares: Share options	84,409,663	1,314,250	62,588,041	439,680
	<b>4,084,409,663</b>	<b>3,925,227,290</b>	<b>4,062,588,041</b>	<b>3,309,530,590</b>

Diluted loss per share is equal to the basic loss per share for the three months and nine months ended 31 December 2016, as there were no dilutive potential ordinary shares outstanding and the effect of the Company's outstanding share options would result in a decrease in loss per share for the three months and nine months ended 31 December 2016.

With effective from 8 November 2016, each of the existing issued and unissued ordinary share of par value of HK\$0.01 each in the share capital of the Company was subdivided into ten subdivided shares of HK\$0.001 each (the "Share Subdivision").

The weighted average number of ordinary shares in issue during the 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 2015. The weighted average number of ordinary shares has been adjusted and restated for the effect of the Share Subdivision.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

During the nine months ended 31 December 2016, revenue was increased by approximately 6.4% to approximately HK\$104.3 million (nine months ended 31 December 2015: HK\$98.0 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.

### Financial Review

#### *Revenue*

Revenue of the Group increased by approximately 6.4% from approximately HK\$98.0 million to HK\$104.3 million for the nine months ended 31 December 2015 and 2016 respectively. The increase was mainly the result of the competitive pricing strategy adopted during the economic downturn since November 2015 in order to maintain the sales network with a more competitive price during the nine months ended 31 December 2016.

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

For the nine months ended 31 December 2015 and 2016, (i) the gross profit of the Group decreased by approximately 26.4% from approximately HK\$28.0 million to approximately HK\$20.6 million; and (ii) gross profit margin of the Group decreased from 28.6% to 19.8%, respectively, which was mainly due to the application of a more competitive pricing approach with a lower profit for sales of the products during the nine months ended 31 December 2016.

### ***Other Income***

Other income of the Group decreased by approximately 76.0% from approximately HK\$5.0 million to approximately HK\$1.2 million for the nine months ended 31 December 2015 and 2016 respectively. The decrease was mainly due to the decrease in consignment sales during the period.

### ***Selling and Distribution Expenses***

Selling and distribution expenses of the Group increased by approximately 2.0% from approximately HK\$9.8 million to HK\$10.0 million for the nine months ended 31 December 2015 and 2016 respectively. The increase was mainly due to the increase in salary for the sales persons.

### ***Administrative Expenses***

Administrative expenses of the Group decreased by approximately 18.3% from approximately HK\$28.4 million to HK\$23.2 million for the nine months ended 31 December 2015 and 2016 respectively.

Should the one-off listing expenses of approximately HK\$13.0 million incurred by the Group for its listing exercise and the recognition of equity settled share-based payment expenses for the share options granted of approximately HK\$1.0 million during the nine months ended 31 December 2015 and the recognition of equity settled share-based payment expenses for the share options granted of approximately HK\$4.7 million during the nine months ended 31 December 2016 be excluded, the administrative expenses of the Group increased by approximately 28.5% from approximately HK\$14.4 million to approximately HK\$18.5 million for the nine months ended 31 December 2015 and 2016 respectively. The increase was mainly due to (i) the increase in Directors' remuneration and salary and bonus for administrative staffs of approximately HK\$1.3 million; (ii) the increase in professional fee of approximately HK\$0.8 million incurred upon the Listing; (iii) a donation of HK\$0.5 million made to a charitable organisation; and (iv) other administrative expenses of approximately HK\$1.5 million.

### ***Income Tax Expense***

Income tax expenses for the Group decreased from approximately HK\$1.5 million to approximately HK\$0.3 million tax credit for the nine months ended 31 December 2015 and 2016 respectively. The change was due to the loss before taxation was recorded during the period.



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

Loss for the period and the total comprehensive expense for the period attributable to owners of the Company for the nine months ended 31 December 2016 amounted to approximately HK\$11.1 million (nine months ended 31 December 2015: HK\$6.9 million). Should the equity-settled share-based payment expenses for the share options granted of approximately HK\$4.7 million during the period be excluded, loss for the period and total comprehensive expense for the period attributable to owners of the Company for the nine months ended 31 December 2016 would be approximately HK\$6.4 million. Such loss was mainly due to (i) the economic downturn in the retail market and (ii) the decrease in the gross profit margin for the purpose to maintain the competitiveness in the market, which leads to the drop in gross profit.

***Dividend***

The Directors do not recommend the payment of an interim dividend for the nine months ended 31 December 2016 (2015: nil).

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

On 9 February 2017, Perfect Zone Holdings Limited (the “Perfect Zone”), an indirect wholly-owned subsidiary of the Company, entered into the following agreements and deeds to pursue business opportunities in the financial market of Hong Kong. For details of the respective agreements and deeds, please refer to the announcements dated 9 February 2017 respectively.

### *Share subscription agreement*

Perfect Zone, as the subscriber, and CVP Capital Limited (“CVP Capital”) as the issuer entered into the subscription agreement (the “Share Subscription Agreement”) on 9 February 2017, pursuant to which Perfect Zone conditionally agreed to subscribe for, and CVP Capital conditionally agreed to allot and issue, approximately 60% of the entire issued share capital of CVP Capital as enlarged by the new CVP Capital shares (“CVP Capital Shares”) to be subscribed for by Perfect Zone at the subscription price of HK\$14 million (the “Proposed Subscription”).

### *Deeds*

Perfect Zone entered into the first deed (the “First Deed”) with Mr. Samuel Lin Jr. (“Mr. Lin”), an ex-director of certain subsidiaries of the Company in the past 12 months, and the second deed (the “Second Deed”) with Star Beauty Holdings Limited (“Star Beauty”) respectively on 9 February 2017, pursuant to which, (i) each of Mr. Lin and Star Beauty has conditionally agreed to grant Perfect Zone the right of first refusal, and (ii) Perfect Zone has conditionally agreed to grant each of Mr. Lin and Star Beauty (a) the tag along right, and (b) the put option (the “Put Option”). Each of Mr. Lin and Star Beauty, pursuant to the Put Option, during the 12-month period after the 2nd anniversary of the completion, has the right to require Perfect Zone to acquire all the CVP Capital Shares held by him/it immediately prior to the exercise of the Put Option, at the consideration of HK\$1.26 per CVP Capital Share. The consideration payable by Perfect Zone to each of Mr. Lin and Star Beauty shall be satisfied at the discretion of Mr. Lin or Star Beauty (as the case may be), either in cash or by Perfect Zone procuring the Company to issue and allot consideration shares (the “Consideration Shares”) under the specific mandate to be sought in the extraordinary general meeting at the issue price of HK\$1.1 per share.

### *Acquisition agreement*

On 9 February 2017, Perfect Zone, as the purchaser, and CVP Holdings Limited (“CVP Holdings”), as the vendor, entered into the acquisition agreement (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 (the “Proposed Acquisition”) 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.

### *Exchangeable bonds subscription agreement*

Perfect Zone, as the subscriber, and Bartha Holdings Limited (“Bartha Holdings”), as the issuer, entered into the exchangeable bonds subscription agreement (the “EB Subscription Agreement”) on 9 February 2017, 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, which was subsequently terminated by a deed of termination on 10 February 2017.

## **OUTLOOK AND PROSPECTS**

Since the wine retail industry is severely affected by economic downturn, it is expected to be a more challenging year ahead. As such, the Company has been actively looking for suitable acquisition opportunities to maximise the return of shareholders of the Company in a more sustainable manner.

Given that Hong Kong is an important global financial hub, bridging capital flows between the People’s Republic of China and international markets and fund raising through securities issuance and relevant corporate finance advisory in Hong Kong has been top of the global ranking, the Company is of the view that, through the entering into of the respective agreements and deeds dated 9 February 2017, the Proposed Subscription and the Proposed Acquisition can provide the Group with a platform to expose to the business opportunities brought by the prospective financial market of Hong Kong by offering corporate finance advisory and securities placement services, which eventually enhance the value of the shareholders of the Company in long term. For details of the respective agreements and deeds, please refer to the announcements dated 9 February 2017 respectively.

## OTHER INFORMATION

### Directors' and Chief Executive's Interests and Short Position in the Shares, Underlying Shares and Debentures of the Company and its Associated Corporation

As at 31 December 2016, 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 Securities Futures Ordinance (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	Aggregate interests	Approximate percentage of the Company's issued shares*
Mr. Ting <i>(Notes 1 and 2)</i>	Interest in controlled corporation	1,968,000,000	6,000,000 <i>(Note 3)</i>	2,466,000,000	49.35%

*Notes:*

1. The entire issued share capital in Royal Spectrum is legally and beneficially owned as to 96.63% by Devoss Global Holdings Limited ("Devoss Global") and 3.37% by Montrachet Holdings Ltd ("Montrachet"). Devoss Global is deemed to be interested in the shares of the Company 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 of the Company in which Devoss Global is interested in under Part XV of the SFO.
3. These interests represent the underlying shares of the Company comprised in the share options granted by the Company on 17 December 2015.
4. Upon the Share Subdivision becoming effective on 8 November 2016, adjustments were made to the exercise price of the outstanding Share Options and the number of Subdivided Shares to be allotted and issued upon full exercise of subscription rights attaching to the outstanding Share Options.

\* *The percentage represents the aggregate of (i) the number of shares of the Company interested and (ii) the number of underlying shares of the Company pursuant to share options divided by the number of issued shares of the Company as at 31 December 2016 (i.e. 4,000,000,000 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	Aggregate interests	Approximate percentage of the Company's issued shares*
Royal Spectrum <i>(Note 1)</i>	Mr. Ting	Interest in controlled corporation	1,968,000,000	0	1,968,000,000	49.20%
Devoss Global <i>(Note 2)</i>	Mr. Ting	Beneficial owner	1,968,000,000	6,000,000	1,974,000,000 <i>(Note 3)</i>	49.35%

*Notes:*

1. The entire issued share capital in Royal Spectrum is legally and beneficially owned as to 96.63% by Devoss Global and 3.37% by Montrachet. Devoss Global is deemed to be interested in the shares of the Company 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 of the Company in which Devoss Global is interested in under Part XV of the SFO.
  3. These interests represent the underlying shares of the Company comprised in the share options granted by the Company on 17 December 2015.
  4. Upon the Share Subdivision becoming effective on 8 November 2016, adjustments were made to the exercise price of the outstanding Share Options and the number of Subdivided Shares to be allotted and issued upon full exercise of subscription rights attaching to the outstanding Share Options.
- \* *The percentage represents the aggregate of (i) the number of shares of the Company interested and (ii) the number of underlying shares of the Company pursuant to share options divided by the number of issued shares of the Company as at 31 December 2016 (i.e. 4,000,000,000 Shares).*

Save as disclosed above, as at 30 September 2016, 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 2016, 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	Notes	Number of shares/ underlying shares interested <i>(Notes 8 and 9)</i>	Approximate percentage of the Company's issued shares*
Royal Spectrum	Beneficial owner	1	1,968,000,000	49.20%
Devoss Global	Interest in controlled corporation	2	1,974,000,000	49.35%
Mr. Ting	Interest in controlled corporation	2	1,974,000,000	49.35%
Ms. Luu Huyen Boi	Interest of spouse	3	1,974,000,000	49.35%
Mr. Ding Lu	Beneficial owner and Interest in controlled corporation	4 & 5	459,600,000	11.49%
Timebase	Beneficial owner	6	280,000,000	7.00%
Ms. Lu Mengjia ("Ms. Lu")	Interest in controlled corporation	6	280,000,000	7.00%
Keyword	Beneficial owner	7	220,000,000	5.50%
Mr. Han Hanting ("Mr. Han")	Interest in controlled corporation	7	220,000,000	5.50%

*Notes:*

1. The entire issued share capital in Royal Spectrum is legally and beneficially owned as to 96.63% by Devoss Global and 3.37% by Montrachet. Devoss Global is deemed to be interested in the shares of the Company 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. Ms. Luu Huyen Boi is the spouse of Mr. Ting. Ms. Luu Huyen Boi is deemed to be interested in all the shares in which Mr. Ting is interested in under Part XV of the SFO.
4. Mr. Ding Lu ("Mr. Ding") is beneficial interested in 451,000,000 shares of the Company.
5. The entire issued share capital in Flying Bridge Investment Limited ("Flying Bridge") is legally and beneficially owned by Mr. Ding. Mr. Ding is deemed to be interested in 8,600,000 shares which Flying Bridge is interested in under Part XV of the SFO.
6. 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.
7. 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.
8. These interests represent the underlying Shares comprised in the share options granted by the Company on 17 December 2015.
9. Upon the Share Subdivision becoming effective on 8 November 2016, adjustments were made to the exercise price of the outstanding Share Options and the number of Subdivided Shares to be allotted and issued upon full exercise of subscription rights attaching to the outstanding Share Options.

\* *The percentage represents the aggregate of (i) the number of shares of the Company interested and (ii) the number of underlying shares of the Company pursuant to share options divided by the number of issued shares of the Company as at 31 December 2016 (i.e. 4,000,000,000 Shares).*



Save as disclosed above, as at 31 December 2016, 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.

On 7 November 2016, an ordinary resolution was duly passed by the shareholders by way of poll at the extraordinary general meeting to subdivide every one (1) issued and unissued ordinary share of HK\$0.01 each in the share capital of the Company into ten (10) subdivided shares of HK\$0.001 each (the “Subdivided Shares”), such that the authorised share capital of the Company is HK\$10,000,000 divided into 10,000,000,000 shares with a par value of HK\$0.001 each. The board lot size of the Subdivided Shares for trading on the Stock Exchange will remain unchanged with 4,000 Subdivided Shares for each board lot.

Upon the Share Subdivision becoming effective on 8 November 2016, adjustments were made to the exercise price of the outstanding Share Options and the number of Subdivided Shares was allotted and issued upon full exercise of subscription rights attaching to the outstanding Share Options in the following manner:

	Immediately before the Share Subdivision becoming effective		Immediately after the Share Subdivision becoming effective	
	Number of Shares to be issued	Exercise price per Share	Adjusted number of Subdivided Shares to be issued	Adjusted exercise price per Subdivided Share
Date of grant				
17 December 2015	18,100,000	HK\$8.00	181,000,000	HK\$0.80

Save for the above adjustments, all other terms and conditions of the outstanding Share Options granted under the Share Option Scheme remain unchanged.

Details of movements of the share options granted under the Share Option Scheme during the nine months ended 31 December 2016 were as follows:

Category	Date of grant	Exercise period	Exercise price per share (Note 5)	Number of share options			As at 31 December 2016
				As at 1 April 2016	Granted during the period	Exercised/Cancelled/Lapsed during the period	
<b>Shareholders</b>							
Devoss Global (Note 2)	17 December 2015	17 June 2016 to 16 December 2025	HK\$0.80	-	6,000,000	-	6,000,000
Montrachet (Note 3)	17 December 2015	17 June 2016 to 16 December 2025	HK\$0.80	-	15,000,000	-	15,000,000
Others (Note 4)	17 December 2015	17 June 2016 to 16 December 2025	HK\$0.80	-	160,000,000	-	160,000,000
<b>Total</b>					<b>181,000,000</b>	<b>-</b>	<b>181,000,000</b>

**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 and adjusted on 8 November 2016.
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, and Montrachet is holding 2.7% shareholding interest in Royal Spectrum, as at 31 December 2016.

The Group recognised total expenses of approximately HK\$4.7 million for the nine months ended 31 December 2016 (nine months ended 31 December 2015: HK\$0.9 million) relation to the share options granted by the Company.

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

Neither the Company nor any of its subsidiaries have purchased, sold or redeemed any listed securities of the Company during the period.

### **Directors' Interests in Competing Business**

As at 31 December 2016, 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 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 “Code on Securities Dealings”). 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 Code on Securities Dealings for the nine months ended 31 December 2016 and up to the date of this report.

## 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 at the date of this report, 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.

According to rule 5.05(1) of the GEM Listing Rules, the Company is required to appoint at least 3 independent non-executive directors. Following the resignation of Ms. Debra Elaine Meiburg as an independent non-executive Director (“INED”) on 1 November 2016, the Board has only two INEDs, the number of which falls below the minimum number required under Rule 5.05(1) and Rule 5.28 of the GEM Listing Rules, respectively during the period from 1 November 2016 to 31 January 2017. The Company appointed Mr. Ip Cho Yin, *J.P.* (“Mr. Ip”) as an INED on 1 February 2017 (the “Appointment”). For details of the Appointment, please refer to the announcement of the Company published on 1 February 2017.

### **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 30 September 2016 and the 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 terms of reference of the Audit Committee was revised on 9 September 2016. 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 as at the date of this report, namely Mr. Chu Kin Wang Peleus (“Mr. Chu”), Ms. Fan Wei and Mr. Ip. 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 2016 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.

## **RESIGNATION OF DIRECTOR**

Ms. Debra Elaine Meiburg resigned as an INED and a member of each of the Audit Committee, the remuneration committee (the “Remuneration Committee”) and the nomination and corporate governance committee (the “Nomination and Corporate Governance Committee“), of the Company on 1 November 2016.

## **SUBSEQUENT EVENTS AFTER THE REPORTING PERIOD**

### **1. Appointment of Director**

Mr. Ip was appointed as an INED and a member of each of the Audit Committee, Remuneration Committee and Nomination and Corporate Governance Committee with effect from 1 February 2017.

### **2. Entering into the Share Subscription Agreement, the First Deed, the Second Deed, the Acquisition Agreement and the EB Subscription Agreement**

On 9 February 2017, Perfect Zone, an indirect wholly-owned subsidiary of the Company, entered into the following agreements and deeds to pursue business opportunities in the financial market of Hong Kong. For details of the respective agreements and deeds, please refer to the announcements dated 9 February 2017 and 10 February 2017 respectively.

**(i) Share subscription agreement**

Perfect Zone, as the subscriber, and CVP Capital, as the issuer entered into the Subscription Agreement on 9 February 2017, pursuant to which Perfect Zone conditionally agreed to subscribe for, and CVP Capital conditionally agreed to allot and issue, approximately 60% of the entire issued share capital of CVP Capital as enlarged by the new CVP Capital Shares to be subscribed for by Perfect Zone, at the Subscription Price of HK\$14 million.

**(ii) Deeds**

Perfect Zone entered into the First Deed with Mr. Lin, an ex-director of certain subsidiaries of the Company in the past 12 months, and the Second Deed with Star Beauty respectively on 9 February 2017, pursuant to which, (i) each of Mr. Lin and Star Beauty has conditionally agreed to grant Perfect Zone the right of first refusal, and (ii) Perfect Zone has conditionally agreed to grant each of Mr. Lin and Star Beauty (a) the tag along right, and (b) the Put Option. Each of Mr. Lin and Star Beauty, pursuant to the Put Option, during the 12-month period after the 2nd anniversary of the completion, has the right to require Perfect Zone to acquire all the CVP Capital Shares held by him/it immediately prior to the exercise of the Put Option, at the consideration of HK\$1.26 per CVP Capital Share. The consideration payable by Perfect Zone to each of Mr. Lin and Star Beauty shall be satisfied at the discretion of Mr. Lin or Star Beauty (as the case may be), either in cash or by Perfect Zone procuring the Company to issue and allot Consideration Shares under the specific mandate to be sought in the extraordinary general meeting at the issue price of HK\$1.1 per share.



**(iii) Acquisition Agreement**

On 9 February 2017, 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 Proposed Acquisition 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.

**(iv) EB Subscription Agreement**

Perfect Zone, as the subscriber, and Bartha Holdings, as the issuer, entered into the EB Subscription Agreement on 9 February 2017, 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, which was subsequently terminated by a deed of termination on 10 February 2017.

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

Hong Kong, 10 February 2017

*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. Fan Wei, Mr. Chu Kin Wang Peleus and Mr. Ip Cho Yin, J.P.*