



**MADISON WINE®**

## **Madison Wine Holdings Limited**

(Incorporated in the Cayman Islands with limited liability)

STOCK CODE: 8057



Interim Report

2016

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

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

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

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

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## CORPORATE INFORMATION

### Directors

#### **Executive Directors**

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

#### **Independent Non-executive Directors**

Ms. Debra Elaine Meiburg  
(resigned on 1 November 2016)  
Ms. Fan Wei  
Mr. Chu Kin Wang Peleus

### Company Secretary

Ms. Tse Ka Yan

### Compliance Officer

Mr. Kao Sheng-Chi

### Authorised Representatives

Mr. Ting Pang Wan Raymond  
Ms. Tse Ka Yan

### Audit Committee

Mr. Chu Kin Wang Peleus  
(Chairman)  
Ms. Debra Elaine Meiburg  
(resigned on 1 November 2016)  
Ms. Fan Wei

### Remuneration Committee

Ms. Fan Wei (Chairlady)  
Mr. Ting Pang Wan Raymond  
Ms. Debra Elaine Meiburg  
(resigned on 1 November 2016)  
Mr. Chu Kin Wang Peleus

### Nomination and Corporate Governance Committee

Mr. Ting Pang Wan Raymond  
(Chairman)  
Ms. Debra Elaine Meiburg  
(resigned on 1 November 2016)  
Ms. Fan Wei  
Mr. Chu Kin Wang Peleus

### 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

### Independent 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 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

### **Website**

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

### **Stock Code**

08057

## FINANCIAL HIGHLIGHTS

For the six months ended 30 September 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\$71.7 million for the six months ended 30 September 2016 (six months ended 30 September 2015: HK\$57.2 million), representing an increase of approximately 25.3% as compared with the corresponding period in 2015;
- loss attributable to the owners of the Company for the six months ended 30 September 2016 amounted to approximately HK\$7.2 million (six months ended 30 September 2015: HK\$6.5 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 six months ended 30 September 2016 would be approximately HK\$2.5 million; and
- the Directors do not recommend the payment of an interim dividend for the six months ended 30 September 2016.

The board of Directors (the “Board”) is pleased to present the unaudited condensed consolidated results of the Group for the six months ended 30 September 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 SIX MONTHS ENDED  
30 SEPTEMBER 2016

	NOTES	Three months ended 30 September		Six months ended 30 September	
		2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Revenue	4	32,737	27,457	71,697	57,232
Cost of sales		(27,183)	(19,758)	(57,133)	(41,878)
Gross profit		5,554	7,699	14,564	15,354
Other income	5	335	1,627	1,050	4,355
Selling and distribution expenses		(3,584)	(3,497)	(6,690)	(6,917)
Administrative expenses		(6,338)	(7,793)	(16,199)	(18,426)
Loss before tax		(4,033)	(1,964)	(7,275)	(5,634)
Income tax expense	6	579	(201)	132	(739)
Loss for the period and total comprehensive expense for the period	7	(3,454)	(2,165)	(7,143)	(6,373)
(Loss) profit for the period and total comprehensive (expense) income for the period attributable to:					
Owners of the Company		(3,402)	(2,195)	(7,205)	(6,458)
Non-controlling interests		(52)	30	62	85
		(3,454)	(2,165)	(7,143)	(6,373)
Loss per share (HK cents)	9				
Basic		(0.85)	(0.73)	(1.80)	(2.15)
Diluted		(0.85)	(0.73)	(1.80)	(2.15)

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2016

	NOTES	30 September 2016 HK\$'000 (unaudited)	31 March 2016 HK\$'000 (audited)
Non-current assets			
Plant and equipment	10	4,431	5,616
Deposits	11	1,219	643
Deferred tax asset		494	287
		<b>6,144</b>	6,546
Current assets			
Inventories		56,668	41,465
Trade and other receivables	11	50,392	34,909
Amount due from ultimate holding company		11	11
Amount due from immediate holding company		24	24
Tax recoverable		1,202	1,202
Bank balances and cash		11,665	44,985
		<b>119,962</b>	122,596
Current liabilities			
Trade and other payables	12	4,352	5,059
Tax payable		319	245
		<b>4,671</b>	5,304
Net current assets		<b>115,291</b>	117,292
Total assets less current liabilities		<b>121,435</b>	123,838
Capital and reserves			
Share capital	13	4,000	4,000
Reserves		117,072	119,537
Equity attributable to owners of the Company		<b>121,072</b>	123,537
Non-controlling interests		360	298
Total equity		<b>121,432</b>	123,835
Non-current liability			
Deferred tax liability		3	3
		<b>121,435</b>	123,838



## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

	Attributable to owners of the Company							Total
	Share capital	Share premium	Other reserve	Share options 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	-	-	-	-	(6,458)	(6,458)	85	(6,373)
Issue of shares upon reorganisation (the "Reorganisation") (Note b)	7	-	5,293	-	-	5,300	-	5,300
Arising from Reorganisation (Note 13)	(85)	-	85	-	-	-	-	-
At 30 September 2015 (unaudited)	-	-	29,047	-	21,467	50,514	240	50,754
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	-	-	-	-	(7,205)	(7,205)	62	(7,143)
Recognition of equity-settled share-based payment expenses	-	-	-	4,740	-	4,740	-	4,740
At 30 September 2016 (unaudited)	4,000	65,376	29,047	11,376	11,273	121,072	360	121,432

**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.

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

	Six months ended 30 September	
	2016 <i>HK\$'000</i> (unaudited)	2015 <i>HK\$'000</i> (unaudited)
Net cash used in operating activities	(33,015)	(9,746)
Net cash used in investing activities	(305)	(1,585)
Net cash used in financing activities	-	(3,958)
Net decrease in cash and cash equivalents	(33,320)	(15,289)
Cash and cash equivalents as at 1 April	44,985	28,022
Cash and cash equivalents as at 30 September, represented by bank balances and cash	11,665	12,733

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 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 and its shares are 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. Lin Samuel Jr. and Mr. Zhu Hui Xin throughout the period or since their respective dates of incorporation up to 30 September 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 six months ended 30 September 2015, using the principles of merger accounting in accordance with Accounting Guideline 5 "Merger Accounting for Common Control Combinations".

The condensed consolidated financial statements of the Group for the six months ended 30 September 2016 have been prepared in accordance with the applicable disclosure provisions of Chapter 18 of the GEM Listing Rules and with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

### 3. SIGNIFICANT ACCOUNTING POLICIES

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

The accounting policies used in the preparation of these condensed consolidated financial statements for the six months ended 30 September 2016 are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 March 2016.

In the current period, the Group has adopted all the new standards, amendments and interpretation ("new 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 or 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 30 September		Six months ended 30 September	
	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	274	1,406	634	4,091
Insurance claim	46	-	195	-
Net exchange gain	-	103	25	90
Promotion income	9	-	168	-
Others	6	118	28	173
	<b>335</b>	<b>1,627</b>	<b>1,050</b>	<b>4,355</b>

**6. INCOME TAX EXPENSE**

	Three months ended 30 September		Six months ended 30 September	
	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	(365)	28	75	340
Deferred taxation	(214)	173	(207)	399
	<b>(579)</b>	<b>201</b>	<b>(132)</b>	<b>739</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 30 September		Six months ended 30 September	
	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>27,183</b>	19,758	<b>57,133</b>	41,878
Depreciation of plant and equipment	<b>750</b>	704	<b>1,486</b>	1,519
Equity-settled share-based payment expenses	-	-	<b>4,740</b>	-
Loss on written off of plant and equipment	<b>1</b>	-	<b>4</b>	-
Professional expenses incurred in connection with the listing	-	3,173	-	9,936
Net exchange loss	<b>12</b>	-	-	-
Minimum lease payments under operating leases in respect of office premises, warehouses and shop	<b>1,278</b>	1,345	<b>2,200</b>	2,912

**8. DIVIDEND**

No dividend was paid, declared or proposed during the six months ended 30 September 2016 (six months ended 30 September 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 30 September		Six months ended 30 September	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
<b>Loss</b>				
Loss for the purpose of basic and diluted loss per share for the period attributable to the owners of the Company	(3,402)	(2,195)	(7,205)	(6,458)
<b>Number of shares</b>				
Weighted average number of ordinary shares for the purpose of basic loss per share	400,000,000	300,000,000	400,000,000	300,000,000
Effect of dilutive potential ordinary shares:				
Share options	4,398,177	N/A	4,791,568	N/A
	<b>404,398,177</b>	300,000,000	<b>404,791,568</b>	300,000,000

The weighted average number of ordinary shares in issue during the three months and six months ended 30 September 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.

Diluted loss per share is equal to the basic loss per share for the three months and six months ended 30 September 2015, as there were no dilutive potential ordinary shares outstanding during the three months and six months ended 30 September 2015.

Diluted loss per share is equal to the basic loss per share for the three months and six months ended 30 September 2016, as the effect of the Company's outstanding share options would result in a decrease in loss per share for the three months and six months ended 30 September 2016.



**10. MOVEMENTS IN PLANT AND EQUIPMENT**

During the six months ended 30 September 2016, the Group spent approximately HK\$305,000 (six months ended 30 September 2015: approximately HK\$4,653,000) on acquisition of plant and equipment.

In addition, the Group had written off property, plant and equipment with an aggregate carrying values of approximately HK\$4,000 during the six months ended 30 September 2016 (six months ended 30 September 2015: HK\$504,000).

**11. TRADE AND OTHER RECEIVABLES, DEPOSITS**

	<b>30 September 2016 HK\$'000 (unaudited)</b>	31 March 2016 HK\$'000 (audited)
Trade receivables	9,541	11,573
Payments in advance	39,372	22,220
Prepayments	657	668
Deposits and other receivables	2,041	1,091
	<hr/>	
Trade and other receivables	<b>51,611</b>	35,552
	<hr/>	
Analysed as:		
Current	50,392	34,909
Non-current (rental deposits)	1,219	643
	<hr/>	
	<b>51,611</b>	35,552
	<hr/>	

Generally, the Group allows credit period of a range from 0 to 30 days to its customers.

The Group does not hold any collateral over its trade and other receivables.



**11. TRADE AND OTHER RECEIVABLES, DEPOSITS (Cont'd)**

The following is an aged analysis of trade receivables net of allowance for doubtful debts presented based on the delivery dates, which approximated the respective revenue recognition dates, at the end of the reporting period.

	<b>30 September 2016 HK\$'000 (unaudited)</b>	31 March 2016 HK\$'000 (audited)
Within 30 days	2,002	4,229
31 to 60 days	1,885	668
61 to 90 days	277	440
91 to 180 days	4,643	5,370
181 to 365 days	587	669
Over 365 days	147	197
<b>Total</b>	<b>9,541</b>	<b>11,573</b>

**12. TRADE AND OTHER PAYABLES**

	<b>30 September 2016 HK\$'000 (unaudited)</b>	31 March 2016 HK\$'000 (audited)
Trade payables	606	1,168
Receipts in advance	2,521	3,000
Other payables and accruals	1,225	891
<b>Trade and other payables</b>	<b>4,352</b>	<b>5,059</b>

**12. TRADE AND OTHER PAYABLES** *(Cont'd)*

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

	<b>30 September 2016 HK\$'000 (unaudited)</b>	31 March 2016 HK\$'000 (audited)
Within 30 days	<b>168</b>	311
31 to 60 days	<b>45</b>	701
61 to 90 days	<b>23</b>	16
91 to 180 days	<b>15</b>	97
181 to 365 days	<b>350</b>	43
Over 365 days	<b>5</b>	–
<b>Total</b>	<b>606</b>	1,168

The average credit period on purchases of goods ranged from 30 to 90 days. The Group has financial risk management in place to ensure that all payables are settled within the credit timeframe.

**13. SHARE CAPITAL****The Group**

As the Company was not incorporated prior to 31 March 2015 and the Reorganisation was not completed as at 31 March 2015, the issued share capital of the Group as at 1 April 2015 represented the share capital of Madison International. The issued share capital of the Group as at 30 September 2015 represented the share capital of the Company.

On 21 November 2013, 100 shares of US\$1.00 each (equivalent to approximately HK\$1,000 in aggregate) had been allotted and issued by Madison International, all credited as fully paid, to Quick Express International Limited ("Quick Express"), a company wholly-owned by Mr. Ting Pang Wan Raymond.

On 25 November 2013, Madison International further allotted and issued 9,900 shares of US\$1.00 each (equivalent to approximately HK\$77,000 in aggregate), all credited as fully paid, to Quick Express for the transfer of the entire issued share capital and shareholder's loan of approximately HK\$23,735,000 in Madison Wine (HK) to Madison International.

**13. SHARE CAPITAL (Cont'd)****The Company**

	<i>Notes</i>	<b>Number of shares</b>	<b>Share capital HK\$</b>
<b>Ordinary shares of HK\$0.01 each</b>			
Authorised:			
At 15 April 2015			
(date of incorporation)	<i>(a)</i>	38,000,000	380,000
Increase during the period	<i>(b)</i>	962,000,000	9,620,000
<hr/>			
At 30 September 2015, 1 April 2016 and 30 September 2016		1,000,000,000	10,000,000
<hr/>			
Issued and fully paid:			
At 15 April 2015			
(date of incorporation)	<i>(a)</i>	1	–
Issue of shares upon Reorganisation	<i>(c)</i>	999	10
<hr/>			
At 30 September 2015		1,000	10
Capitalisation issue	<i>(d)</i>	299,999,000	2,999,990
Issue of shares upon placing	<i>(e)</i>	100,000,000	1,000,000
<hr/>			
At 1 April 2016 and 30 September 2016		400,000,000	4,000,000
<hr/>			

**Notes:**

- (a) The Company was incorporated on 15 April 2015 with an authorised share capital of HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each. On the same date, one share was allotted and issued in nil-paid form to the initial subscriber of the Company and was transferred to Royal Spectrum Holding Company Limited (“Royal Spectrum”) at nil consideration on the same date. Prior to the Reorganisation, Royal Spectrum had been the sole shareholder of the Company.
- (b) Pursuant to the resolutions in writing passed by the shareholders of the Company on 21 September 2015, the authorised share capital of the Company was increased from HK\$380,000 to HK\$10,000,000 by the creation of an additional of 962,000,000 shares of HK\$0.01 each, each of which ranks *pari passu* with the shares then in issue in all respects.

**13. SHARE CAPITAL (Cont'd)****The Company (Cont'd)***Notes: (Cont'd)*

- (c) On 21 September 2015, the Company acquired the entire issued share capital in Madison International from Royal Spectrum, Keywood Limited ("Keywood") 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 being credited as fully paid to Royal Spectrum, Keywood and Timebase, respectively.
- (d) Pursuant to shareholders' written resolution passed on 21 September 2015, the directors of the Company 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 of their then respective shareholdings in the Company.
- (e) In connection with the Company's placing and the listing, the Company issued 100,000,000 ordinary shares of HK\$0.01 each at a price of HK\$0.75 for a total consideration (before expenses) of HK\$75,000,000. Dealings of the Company's shares on GEM commenced on 8 October 2015.

**14. OPERATING LEASES****The Group as lessee**

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	<b>30 September 2016 HK\$'000 (unaudited)</b>	31 March 2016 HK\$'000 (audited)
Within one year	<b>5,267</b>	4,114
In the second to fifth year inclusive	<b>5,742</b>	2,255
	<b>11,009</b>	6,369

Operating lease payments represent rentals payable by the Group for certain of its office premises, warehouses and shop. Leases are negotiated for terms ranged from one to three years and rentals are fixed over the term of lease. No provision for contingent rent and terms of renewal was established in the leases.

## 15. RELATED PARTY TRANSACTIONS

### Compensation of key management personnel

The remuneration of Directors and other members of key management during the period are as follows:

	Three months ended 30 September		Six months ended 30 September	
	2016 <i>HK\$'000</i> (unaudited)	2015 <i>HK\$'000</i> (unaudited)	2016 <i>HK\$'000</i> (unaudited)	2015 <i>HK\$'000</i> (unaudited)
Short-term benefits	1,835	1,125	3,665	2,152
Post-employment benefits	27	18	54	36
	<b>1,862</b>	1,143	<b>3,719</b>	2,188

## 16. EVENT AFTER THE END OF THE REPORTING PERIOD

On 20 October 2016, the Board proposed to subdivide every one existing issued and unissued share into ten subdivided shares (the "Share Subdivision"). Ordinary resolution to approve the Share Subdivision was duly passed by the shareholders at the extraordinary general meeting held on 7 November 2016.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

During the six months ended 30 September 2016, revenue was increased by approximately 25.3% to approximately HK\$71.7 million (six months ended 30 September 2015: HK\$57.2 million). The Group is 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 the competitive pricing strategy adopted during the economic downturn since November 2015 in order to maintain the sales network with a more competitive price.

### Financial Review

#### *Revenue*

Revenue of the Group increased by approximately 25.3% from approximately HK\$57.2 million to approximately HK\$71.7 million for the six months ended 30 September 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 six months ended 30 September 2016.

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

For the six months ended 30 September 2015 and 2016, (i) gross profit of the Group decreased by approximately 5.2% from approximately HK\$15.4 million to approximately HK\$14.6 million; and (ii) gross profit margin of the Group decreased from 26.8% to 20.3%, 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 six months ended 30 September 2016.

### ***Other Income***

Other income of the Group decreased by approximately 75.0% from approximately HK\$4.4 million to approximately HK\$1.1 million for the six months ended 30 September 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 remained stable for the six months ended 30 September 2015 and 2016.

### ***Administrative Expenses***

Administrative expenses of the Group decreased by approximately 12.0% from approximately HK\$18.4 million to approximately HK\$16.2 million for the six months ended 30 September 2015 and 2016 respectively.

Should the one-off listing expenses of approximately HK\$9.9 million incurred by the Group for its listing exercise during the six months ended 30 September 2015 and the recognition of equity-settled share-based payment expenses for the share options granted of approximately HK\$4.7 million during the six months ended 30 September 2016 be excluded, the administrative expenses of the Group increased by approximately 35.3% from approximately HK\$8.5 million to approximately HK\$11.5 million for the six months ended 30 September 2015 and 2016 respectively. The increase was mainly due to (i) the increase in professional fee of approximately HK\$1.0 million incurred upon listing; (ii) the increase in Directors' remuneration and salary and bonus for administrative staffs of approximately HK\$1.0 million; and (iii) other administrative expenses of approximately HK\$1.0 million.

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

Income tax expense of the Group decreased from approximately HK\$0.7 million to approximately HK\$0.1 million tax credit for the six months ended 30 September 2015 and 2016 respectively. The decrease was due to the decrease in profit before tax and increase in deferred tax asset arising from temporary timing difference.

***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 six months ended 30 September 2016 amounted to approximately HK\$7.2 million (six months ended 30 September 2015: HK\$6.5 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 six months ended 30 September 2016 would be approximately HK\$2.5 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.

**Foreign Exchange Exposure**

As at 30 September 2016, the Group had certain bank balances and payables denominated in foreign currencies, mainly Euro, Great British Pound and United States dollar, which exposed the Group to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

**Capital Structure, Liquidity and Financial Resources**

During the period, the Group's source of funds was mainly from the cash generated from operations. For the six months ended 30 September 2016, the Group recorded a net cash outflow of approximately HK\$33.3 million (six months ended 30 September 2015: HK\$15.3 million), while its total cash and cash equivalents decreased to HK\$11.7 million (31 March 2016: HK\$45.0 million).

As at 30 September 2016, the Group had net current assets of approximately HK\$115.3 million (31 March 2016: HK\$117.3 million). The current ratio of the Group was 25.7 times as at 30 September 2016 (31 March 2016: 23.1 times). The increase was mainly attributable to the net effect from (i) the increase in inventories of approximately HK\$15.2 million; (ii) the increase in trade and other receivables of approximately HK\$15.5 million; and (iii) the decrease in bank balances and cash of approximately HK\$33.3 million.

As at 30 September 2016 and up to the date of this interim report, the Group had no bank borrowings (31 March 2016: nil).



### **Significant Investments Held**

As at 30 September 2016, the Group did not hold any significant investments (31 March 2016: nil).

### **Charges on the Group's Assets**

As at 30 September 2016, the Group did not have any charge on its assets (31 March 2016: nil).

### **Gearing Ratio**

As at 30 September 2016, the gearing ratio of the Group was nil (31 March 2016: nil) as the Group did not have any loans or borrowings as at the respective dates.

### **Capital Commitment**

As at 30 September 2016, the Group did not have any significant capital commitments (31 March 2016: nil).

### **Contingent Liabilities**

As at 30 September 2016, the Group did not have any material contingent liabilities (31 March 2016: nil).

### **Interim Dividend**

The Directors do not recommend the payment of an interim dividend for the six months ended 30 September 2016 (six months ended 30 September 2015: nil).

### **Employees and Remuneration Policies**

As at 30 September 2016, the Group employed a total of 33 (31 March 2016: 32) full-time employees and nil (31 March 2016: 2) part-time employees. The staff costs, including Directors' emoluments, of the Group for the six months ended 30 September 2016 were approximately HK\$7.8 million (six months ended 30 September 2015: HK\$6.2 million). Remuneration is determined with reference to market terms and the performance, qualification and experience of individual employee. In addition to a basic salary, year-end bonus may be offered to employees with outstanding performance to attract and retain eligible employees in the Group. Share options may also be granted under the Share Option Scheme (as defined below) to eligible employees by reference to the Group's performance as well as individual's contribution.

## Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

During the six months ended 30 September 2016, the Group did not have any material acquisitions nor disposals of subsidiaries and affiliated companies.

## Future Plans for Material Investments and Capital Assets

The Company entered into a non-legally binding memorandum of understanding in respect of the proposed acquisition of up to 45% equity interest in Acker Merrall & Condit Limited on 13 April 2016. However, the 3-month exclusivity period has and the 6-month due diligence period will soon be expired respectively, and the parties were unable to reach a formal sale and purchase agreement. As at the date of this report, the Group was still in the course of identifying other acquisition target(s).

## Comparison of Business Objectives with Actual Business Progress

An analysis comparing the business objectives as set out in the Company's Prospectus to 30 September 2016 is set out below:

Business objectives	Actual progress
a) Expanding and diversifying the Group's product portfolio	The Group purchased over 30,000 bottles of wine, with over 30 new vintages or brands during the period from 31 March 2016 to 30 September 2016. The inventory level has been raised from HK\$41.5 million to HK\$56.7 million as at 31 March 2016 and 30 September 2016 respectively.
b) Acquiring one or more wine merchants in Hong Kong	In respect of the non-legally binding memorandum of understanding for the proposed acquisition of up to 45% equity interest in Acker Merrall & Condit Limited entered by the Company on 13 April 2016, the 3-month exclusivity period has and the 6-month due diligence period will soon be expired respectively, whereby the parties were unable to reach a formal sale and purchase agreement. As at the date of this report, the Group was still in the course of identifying other acquisition target(s).
c) Solidifying and broadening the Group's customer base	The number of members in the "Madison Premier Membership Scheme" has increased from over 800 to over 1,200 as at 31 March 2016 and 30 September 2016 respectively.  The Group's customer base, which includes wholesales and retails clients, has increased by over 200 customers being registered in the Group's database during the period from 31 March 2016 to 30 September 2016.

## Use of Proceeds

The shares of the Company were successfully listed on GEM on 8 October 2015 (the “Listing Date”) by way of placing of 100,000,000 new shares at the placing price of HK\$0.75 each (the “Placing”). After deducting underwriting commission and expenses in connection with the placing, the net proceeds were approximately HK\$56.3 million.

As disclosed in the Prospectus, the Company intended to use approximately 30% of the net proceeds, representing approximately HK\$16.9 million, for acquiring one or more wine merchants in Hong Kong. Pursuant to the non-legally binding memorandum of understanding in respect of the proposed acquisition of up to 45% equity interest in Acker Merrall & Condit Limited entered by the Company on 13 April 2016, the 3-month exclusivity period has and the 6-month due diligence period will soon be expired respectively, whereby the parties were unable to reach a formal sale and purchase agreement. Further, due to the economic downturn which affected the retail market as well as the wine industry seriously during the past year, the Group is still in the course of identifying other acquisition target(s) and therefore did not have a concrete timetable for acquiring one or more wine merchants in Hong Kong.

As such, the Board considered that it would not be cost effective nor in the best interest of the Company and its shareholders if the Company insisted to pursue the original plan of applying the net proceeds, and therefore resolved to utilise the net proceeds to expand and diversify its product portfolio before the peak season (i.e. the period from December to February). Approximately HK\$29.1 million was spent on expanding and diversifying the product portfolio, including the increase in inventory level of approximately HK\$15.2 million during the six months ended 30 September 2016 and approximately HK\$13.9 million deposit paid to the vendors which were the stocks in transit before the reporting period.

An analysis of the utilisation of the net proceeds from the Placing as at 30 September 2016 and the revised intended usage after reallocation of net proceeds is set out below:

	Intended usage of net proceeds (HK\$' million) (approximately)	Intended usage of net proceeds up to 30 September 2016 (HK\$' million) (approximately)	Actual usage of the net proceeds up to 30 September 2016 (HK\$' million) (approximately)	Revised intended usage after reallocation of net proceeds (HK\$' million) (approximately)
(a) Expand and diversify the Group's product portfolio	28.2	14.1	(37.5)	37.5
(b) Acquiring one or more wine merchants in Hong Kong	16.9	-	-	7.6
(c) Enhance public awareness of the Company by increasing marketing and promotion efforts	5.6	2.8	(1.5)	5.6
(d) General working capital	5.6	5.6	(5.6)	5.6
<b>Total</b>	<b>56.3</b>	<b>22.5</b>	<b>(44.6)</b>	<b>56.3</b>

## Risk and Uncertainties

The Group's results of operations may fluctuate significantly from time to time due to seasonality and other factors. The Group is exposed to (i) the risks of slow-moving inventory, which may adversely affect the financial condition and results of operations; and (ii) the risks of product liability claims which will adversely affect the business, financial condition and results of operations. The Group has limited insurance coverage and does not maintain any insurance to cover any claims arising from product liability.

Future acquisition of wine merchants in Hong Kong may not contribute to the Group's business as planned. The Group is exposed to fluctuations in foreign currency exchange rates, and the profit margin is sensitive to fluctuations in the cost of the wine products. The Group operates in a highly competitive industry. Any significant economic downturn in Hong Kong will adversely affect the Group's business in Hong Kong.

## Outlook and Prospects

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

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

## OTHER INFORMATION

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

As at 30 September 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, Underlying Shares or Debentures of the Company

Name of Director	Capacity/ Nature of interest	Number of shares	Number of underlying shares pursuant to share options (Note 3)	Aggregate interests	Approximate percentage of the Company's issued shares*
Mr. Ting (Notes 1 and 2)	Interest in controlled corporations	196,800,000	600,000	197,400,000	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.
- \* *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 30 September 2016 (i.e. 400,000,000 Shares).*

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

Name of associated corporations	Name of Director	Capacity/ Nature of interest	Number of shares interested	Number of underlying shares pursuant to share options	Aggregate interests	Approximate percentage of the Company's issued shares*
Royal Spectrum (Note 1)	Mr. Ting	Interest in controlled corporation	196,800,000	-	196,800,000	49.20%
Devoss Global (Note 2)	Mr. Ting	Beneficial owner	196,800,000	600,000	197,400,000 (Note 3)	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.
- \* *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 30 September 2016 (i.e. 400,000,000 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 30 September 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, Underlying Shares or Debentures of the Company*

Name	Capacity/ Nature of interest	Note	Number of shares interested	Number of underlying shares pursuant to share options (Note 5)	Aggregate interests	Approximate percentage of the Company's issued shares*
Royal Spectrum	Beneficial owner	1	196,800,000	-	196,800,000	49.20%
Devoss Global	Interest in controlled corporation	1	196,800,000	600,000	197,400,000	49.35%
Ms. Luu Huyen Boi ("Ms. Luu")	Interest of spouse	2	196,800,000	600,000	197,400,000	49.35%
Mr. Ding Lu	Beneficial owner		69,100,000	-	69,100,000	17.28%
Timebase	Beneficial owner	3	24,000,000	4,000,000	28,000,000	7.0%
Ms. Lu Mengjia ("Ms. Lu")	Interest in controlled corporation	3	24,000,000	4,000,000	28,000,000	7.0%
Keywood Limited ("Keywood")	Beneficial owner	4	18,000,000	4,000,000	22,000,000	5.5%
Mr. Han Hanqing ("Mr. Han")	Interest in controlled corporation	4	18,000,000	4,000,000	22,000,000	5.5%

**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. Ms. Luu is the spouse of Mr. Ting. Ms. Luu is deemed to be interested in all the shares of the Company in which Mr. Ting is interested in under Part XV of the SFO.
  3. 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 of the Company in which Timebase is interested in under Part XV of the SFO.
  4. The entire issued share capital in Keywood is legally and beneficially owned by Mr. Han. Mr. Han is deemed to be interested in the shares of the Company in which Keywood is interested in under Part XV of the SFO.
  5. These interests represent the underlying shares of the Company comprised in the share options granted by the Company on 17 December 2015.
- \* *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 30 September 2016 (i.e. 400,000,000 Shares).*

Save as disclosed above, as at 30 September 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.

Details of movements of the share options granted under the Share Option Scheme during the six months ended 30 September 2016 were as follows:

Category	Date of grant	Exercise period	Exercise price per share (Note 1)	Number of share options			
				As at 1 April 2016	Granted during the period	Exercised/ Cancelled/ Lapsed during the period	As at 30 September 2016
<b>Shareholders</b>							
Devoss Global (Note 2)	17 December 2015	17 June 2016 to 16 December 2025	HK\$8.00	600,000	-	-	600,000
Montrachet (Note 3)	17 December 2015	17 June 2016 to 16 December 2025	HK\$8.00	1,500,000	-	-	1,500,000
Others (Note 4)	17 December 2015	17 June 2016 to 16 December 2025	HK\$8.00	16,000,000	-	-	16,000,000
<b>Total</b>				<b>18,100,000</b>	<b>-</b>	<b>-</b>	<b>18,100,000</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.
2. Devoss Global is a company wholly-owned by Mr. Ting, being the chairman and an executive Director and the controlling shareholder of Royal Spectrum, a substantial shareholder of the Company.
3. Montrachet, a company wholly-owned by Mr. Zhu Hui Xin, the father of Mr. Zhu Qin, an executive Director, and Montrachet is holding 3.37% shareholding interest in Royal Spectrum, as at 30 September 2016.
4. The category “Others” represents consultants of the Group. Consultants are corporations which render consultancy services to the Group.
5. During the six months period ended 30 September 2016, no share options were exercised, cancelled and lapsed under the share option scheme.

The Group recognised total expenses of approximately HK\$4.7 million for the six months ended 30 September 2016 (six months ended 30 September 2015: nil) in relation to the share options granted by the Company.

Referring to the section “SUBSEQUENT EVENT AFTER THE REPORTING PERIOD” below, upon the Share Subdivision becoming effective on 8 November 2016, adjustments will be made to the exercise price of the outstanding Share Options. For details of the adjustments on the outstanding Share Options, please refer to the announcement dated 7 November 2016.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the shares during the six months ended 30 September 2016.

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

As at 30 September 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 among the Company and the controlling shareholders of the Company, namely by Royal Spectrum, Devoss Global and Mr. Ting, in favour of the Company (for the Company and for the benefit of its subsidiaries) regarding certain non-competition undertakings. Details of the Deed of Non-competition were disclosed in the section headed “Relationship with Controlling Shareholders” in 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 six months ended 30 September 2016.

## 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.

Ms. Debra Elaine Meiburg (“Ms. Meiburg”) has resigned as an independent non-executive Director (“INED”) and as a member of each of the audit committee, remuneration committee and nomination and corporate governance committee of the Company with effect from 1 November 2016.

Following the resignation of Ms. Meiburg as an 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.

The Company will take all necessary measures to identify an appropriate person to be appointed as an INED and to fill the vacancy in the audit committee of the Company within three months from 1 November 2016 pursuant to Rules 5.06 and 5.33 of the GEM Listing Rules. Further announcement(s) will be made by the Company when the relevant changes to the Board are made.

### **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 two independent non-executive Directors, namely Mr. Chu Kin Wang Peleus ("Mr. Chu") and Ms. Fan Wei. Mr. Chu is the chairman of the Audit Committee.

The financial information in this report has not been audited by the auditor of the Company, but the Audit Committee has reviewed the unaudited consolidated results of the Group for the six months ended 30 September 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.

## **SUBSEQUENT EVENT AFTER THE REPORTING PERIOD**

### **Share Subdivision**

On 20 October 2016, the Board proposed 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 shares are currently traded in board lot size of 4,000 shares. Upon the Share Subdivision becoming effective, 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.

Ordinary resolution to approve the Share Subdivision was duly passed by the shareholders by way of poll at the extraordinary general meeting (the “EGM”) held on 7 November 2016. The effective date of the Share Subdivision is 8 November 2016. Further details of the Share Subdivision were set out in the announcement of the Company dated 20 October 2016, the circular issued by the Company dated 21 October 2016 and the EGM poll results announcement dated 7 November 2016.

### **Adjustments to the Outstanding Share Options**

Prior to the completion of the Share Subdivision, there were outstanding Share Options granted entitling the holders thereof to subscribe for a total of 18,100,000 new Shares at an exercise price of HK8.00 per Share. In accordance with the terms and conditions of the Share Option Scheme and Rule 23.03(13) of the GEM Listing Rules, upon the Share Subdivision becoming effective on 8 November 2016, adjustments shall be made to the exercise price of the outstanding Share Options. For details of the adjustments on the outstanding Share Options, please refer to the announcement dated 7 November 2016.

## Change in information of director

Mr. Chu, an INED of the Company, was appointed as an independent non-executive director and a member of each of the nomination committee and remuneration committee of Mingfa Group (International) Company Limited, a company listed on the Main Board of the Stock Exchange (Stock Code 846:HK) with effect from 1 November 2016.

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

Hong Kong, 7 November 2016

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