

SUMMARY

This summary aims to give you an overview of the information contained in this [Redacted]. As it is a summary, it does not contain all the information that may be important to you. You should read this [Redacted] in its entirety before you decide to invest in the [Redacted]. There are risks associated with any investment. Some of the particular risks in investing in the [Redacted] are set out in the section headed “Risk Factors” from page 25 to page 43 in this [Redacted]. You should read that section carefully before you decide to invest in the [Redacted].

OVERVIEW

We are a wine specialist in Hong Kong engaged in the sale of a wide spectrum of wine products and other alcoholic beverages with a focus on Premier Collectible Red Wine and Fine Red Wine as well as the provision of a range of customer-centric value-added services.

We implement an integrated one-stop shop business model with a full range of products and value-added services with an objective to enhancing our customer convenience, satisfaction and retention. Our one-stop shop concept encompasses our (i) wine products, which is classified into Premier Collectible Red Wine, Fine Red Wine, Premier Collectible White Wine and Fine White Wine, (ii) other alcoholic beverages, which include our selections of champagnes, proseccos, sparkling wines, cognacs, whiskies and nobel wines, (iii) wine accessory products such as wine opening devices, decanters and wine glasses, (iv) consultation services, (v) sourcing services, (vi) delivery services, (vii) storage services, (viii) evaluation services and (ix) consignment services. Predominantly, we focus on the sale of wine products and in particular, Premier Collectible Red Wine and Fine Red Wine. For the years ended 31 March 2014 and 2015, revenue generated from the sales of our Premier Collectible Red Wine and Fine Red Wine collectively accounted for approximately 90.5% and 92.3% of our total revenue, respectively, and as at 31 March 2014 and 2015, our inventory of Premier Collectible Red Wine and Fine Red Wine collectively accounted for approximately 89.3% and 86.4% of our total inventories, respectively.

As at the Latest Practicable Date, we offered our products for sale at (i) our current store, which will cease business operations upon the opening of our new flagship store in or around mid June 2015, and (ii) our head office.

During the Track Record Period and up to the Latest Practicable Date, all of our sales were derived in Hong Kong. For the years ended 31 March 2014 and 2015, our revenue amounted to approximately HK\$70.0 million and HK\$145.7 million, respectively, and our net profit amounted to approximately HK\$7.2 million and HK\$14.3 million, respectively.

COMPETITIVE STRENGTHS

We believe our key strengths attributable to our success include (i) our team of seasoned wine enthusiasts with each member possessing in-depth knowledge and industry experience, (ii) our comprehensive product portfolio, which encompasses wine products from the world’s top estates, vineyards and wineries, (iii) our extensive supply network, which enables us to procure

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coveted wine products, (iv) our one-stop shop business model entailing our full range of wine products, other alcoholic beverages and wine accessory products and value-added services and (v) our concrete customers base. For further details, please refer to the section headed “Business — Competitive strengths” from page 84 to page 87 in this [Redacted].

BUSINESS STRATEGIES

Our business strategies to sustain our business growth and to attain a leading position in the wine industry in Hong Kong include (i) product portfolio expansion and diversification, (ii) strategic acquisition of one or more wine merchants in Hong Kong, (iii) enhanced marketing and promotional efforts, (iv) strengthened human resources and (v) addition of further supplemental products and services to enrich our current one-stop shop business model. For further details, please refer to the section headed “Business — Business strategies” from page 87 to page 89 in this [Redacted].

RISK FACTORS

There are risks associated with any investment, which may be broadly categorised into risks relating to our business, the wine industry in Hong Kong, conducting business in Hong Kong and the [Redacted]. Our major risks include (i) fluctuations in the prevailing market prices of the products we procure from the open market, (ii) the condition of the rental market, (iii) changes in consumers’ tastes, preferences and perceptions, (iv) defective quality as we are unable to control the quality of products we procure, (v) deficiencies with our product inspection process, (vi) intense competition within the wine industry in Hong Kong, (vii) adverse public opinion and perception about alcoholic beverages, (viii) changes relating to levies on alcoholic beverages, (ix) changes in applicable policies and regulations in Hong Kong and (ix) changes in the economic, political and social conditions in Hong Kong. For further details, please refer to the section headed “Risk Factors” from page 25 to page 43 in this [Redacted].

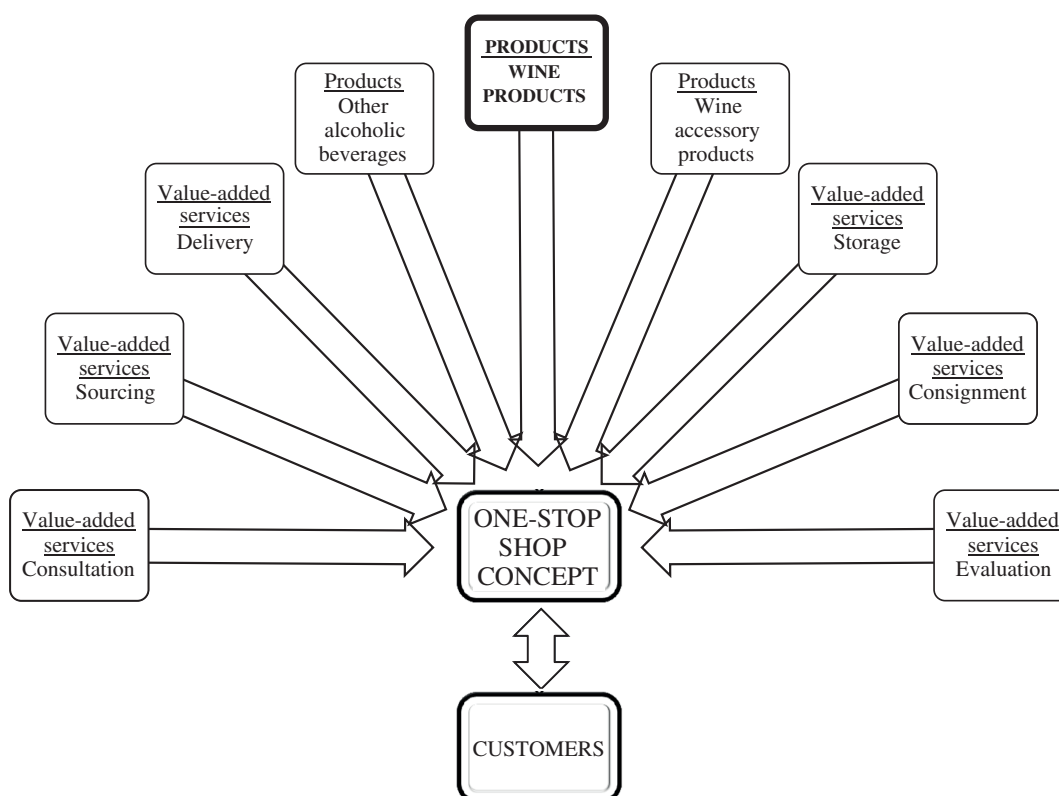
COMPETITIVE LANDSCAPE

According to the IPSOS Report, the market value of the wine industry in Hong Kong has seen continuous robust growth since the elimination of import duties on wine in 2008. The total market value of the wine industry in Hong Kong had increased from approximately HK\$1,879.8 million in 2010 to approximately HK\$2,779.1 million in 2014 at a CAGR of approximately 10.3%. The wine industry in Hong Kong consisted of red wines primarily. According to the Commerce and Economic Development Bureau of Hong Kong, over 80% of wine consumed in 2014 were red wine and the import value of red wine between 2010 and 2014 accounted for over 95% of all wine imported to Hong Kong. The wine industry in Hong Kong is consolidated and dominated by the top market players, with the top five market players collectively contributing approximately 65.6% of the total market value for wine in Hong Kong in 2014 and the rest of the market being highly fragmented. For further details, please refer to the section headed “Industry Overview” from page 52 to page 63 in this [Redacted].

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BUSINESS MODEL

We implement an integrated one-stop shop business model with a full range of wine products, other alcoholic beverages, wine accessory products and value-added services. For further details, please refer to the section headed “Business — Our one-stop shop concept” from page 90 to page 91 in this [Redacted]. The following diagram illustrates our one-stop shop concept:



SALES AND MARKETING

During the Track Record Period and up to the Latest Practicable Date, all of our sales were derived in Hong Kong. As at the Latest Practicable Date, we offered our products for sale at our current store situated in Wan Chai and head office situated in North Point. We will strategically relocate our current store to our new flagship store with higher street traffic, which is also situated in Wan Chai and is expected to attract higher public awareness. We anticipate to commence business operations in or around mid June 2015, and business operations at our current store will cease upon the opening of our new flagship store. Given our established relationships with most of our customers and the close proximity of our new flagship store and our current store, our Directors believe the relocation will not have any material impact on our business operations.

Currently, we expect to incur total capital expenditure of approximately HK\$3.6 million in connection with the renovation of our new flagship store, which will be recognised in our financial statements for the year ending 31 March 2016. Taking into account of, among others, (i) the monthly lease payment for the new flagship store of HK\$205,000 (exclusive of government rates and

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management fee), which is HK\$75,000 less than the monthly rate of our current store in the amount of HK\$280,000 (exclusive of government rates, management fees and air-conditioning charges) and (ii) other operating costs relating to our new flagship store, which are expected to be comparable to our current store, the investment payback period of our new flagship store is currently estimated to be approximately six months. Having considered the amount of estimated total capital expenditure and the estimated investment payback period, our Directors are of the view that the relocation will not have a material adverse impact on our financial performance for the year ending 31 March 2016.

During the Track Record Period, we had conducted various marketing activities, including promotional events at our point of sales, internet marketing, telemarketing, direct mailing, online marketing as well as strategic collaboration and consignment arrangement with a renowned restaurant in Hong Kong. For the years ended 31 March 2014 and 2015, our advertising and promotion expenses were HK\$1.4 million and HK\$1.2 million, respectively, which accounted for approximately 2.0% and 0.8% of our total revenue, respectively. For further details, please refer to the section headed “Business — Marketing and public relations” from page 99 to page 102 in this [Redacted].

PRODUCTS AND SERVICES

At the heart of our one stop-shop concept is our product portfolio, comprising (a) wine products, which is classified into Premier Collectible Red Wine, Fine Red Wine, Premier Collectible White Wine and Fine White Wine, (b) other alcoholic beverages, which include our selections of champagnes, proseccos, sparkling wines, cognacs, whiskies and nobel wines, and (c) wine accessory products such as wine opening devices, decanters and wine glasses. For further details, please refer to the sections headed “Business — Product portfolio” from page 91 to page 94 in this [Redacted].

The following table sets forth the revenue, percentage of total revenue, total sales volume and average selling price of each of our wine products and other alcoholic beverages for the periods indicated:

	For the year ended 31 March									
	2014					2015				
	Revenue (HK\$'000)	Percentage of total revenue (%)(HK\$'000)	Gross profit (HK\$'000)	Quantity (Bottles)	Average selling price (HK\$)	Revenue (HK\$'000)	Percentage of total revenue (%)(HK\$'000)	Gross profit (HK\$'000)	Quantity (Bottles)	Average selling price (HK\$)
Wine products										
<i>Premier Collectible</i>										
<i>Red Wine</i>	53,057	75.8	15,528	9,794	5,417	102,566	70.4	26,015	19,618	5,228
<i>Fine Red Wine</i>	10,319	14.7	5,749	20,455	504	31,877	21.9	10,685	73,082	436
<i>Premier Collectible</i>										
<i>White Wine</i>	2,002	2.9	861	614	3,260	5,866	4.0	1,873	1,412	4,154
<i>Fine White Wine</i>	1,133	1.6	420	1,721	658	1,615	1.1	407	2,810	575
Other alcoholic beverages	<u>3,513</u>	<u>5.0</u>	<u>2,133</u>	<u>1,854</u>	<u>1,894</u>	<u>3,724</u>	<u>2.6</u>	<u>1,120</u>	<u>2,695</u>	<u>1,382</u>
Total:	<u><u>70,024</u></u>	<u><u>100.0</u></u>	<u><u>24,691</u></u>	<u><u>34,438</u></u>	<u><u>—</u></u>	<u><u>145,648</u></u>	<u><u>100.0</u></u>	<u><u>40,100</u></u>	<u><u>99,617</u></u>	<u><u>—</u></u>

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Our value-added services are services supplemental to our core product offerings to enhance our customers’ convenience and satisfaction, and include consultation services, sourcing services, delivery services, storage services, evaluation services and consignment services. Our evaluation and consignment services are part of our “Madison Premier Collectors Program” launched in November 2014, pursuant to which, we evaluate and sell wine products of members to our “Madison Premier Collectors Program” by way of consignment via our sales network. As at the Latest Practicable Date, we had entered into five consignment agreements. Since November 2014 and up to 31 March 2015, we sold 360 bottles of wine products by way of consignment and recorded a consignment income of approximately HK\$1.1 million for the year ended 31 March 2015. For further details, please refer to the section headed “Business — Value-added services” from page 94 to page 96 in this [Redacted].

CUSTOMERS

As observed by our Directors, most of our customers are local and overseas wine merchants, avid wine collectors in Hong Kong and China, renowned Hong Kong restaurants and high net worth individuals and businessmen. For the years ended 31 March 2014 and 2015, the revenue generated from our five largest customers accounted for approximately 26.9% and 18.5% of our total revenue, respectively, and the revenue generated from our single largest customer accounted for approximately 7.3% and 5.4% of our total revenue, respectively. Generally, we do not offer a credit period to our customers save with the approval of our management where we may offer a credit period of up to 30 days to our customers.

During the Track Record Period and up to the Latest Practicable Date, we did not enter into any long term sales agreement with any of our customers.

PROCUREMENT AND SUPPLY

Primarily, we procure our products from the open market and during the Track Record Period, we have procured our products through (i) purchases from wine merchants and wineries, (ii) purchases through auction houses and (iii) purchases from individual wine collectors. For the years ended 31 March 2014 and 2015, the purchases from our five largest suppliers accounted for approximately 48.6% and 59.9% of our total purchases, respectively, and the purchases from our single largest supplier accounted for approximately 16.0% and 24.3% of our total purchases, respectively.

OVERLAPPING OF CUSTOMERS AND SUPPLIERS

According to the IPSOS report, in light of the limited supply pool, it is not uncommon in this industry for wine merchants to be customers and sellers at the same time within the wine market. For further details, please refer to the section headed “Industry Overview” from page 52 to page 63 in this [Redacted].

During the Track Record Period, there are 18 Customers-Suppliers consisting of (i) one auction house Customer-Supplier, (ii) 13 local and overseas wine merchant Customers-Suppliers, (iii) two individual Customers-Suppliers, and (iv) two connected persons, namely, Mr. Ting and Lucky Target. Out of our 18 Customers-Suppliers, (a) the auction house Customer-Supplier is one of our five largest customers for the year ended 31 March 2015 as well as one of our five largest suppliers for the years ended 31 March 2014 and 2015, and (b) one of the wine merchant Customers-Suppliers is one of our

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five largest suppliers for the year ended 31 March 2015. Our Directors confirmed that all of our sales to and purchases from our Customers-Suppliers were incidental transactions, were not inter-conditional, inter-related or otherwise considered as one transaction and did not involve the same products. To the best information and knowledge of our Directors, save for the sales and purchases with Mr. Ting and Lucky Target, all of our Customers-Suppliers are Independent Third Parties and none of our Group’s Customers-Suppliers have any past or present relationships with our Group, shareholders, directors, senior management, employees or their respective associates during the Track Record Period and up to the Latest Practicable Date. For further details, please refer to the sections headed “Business — Overlapping Customers-Suppliers” from page 108 to page 111 and “Discontinued Connected Transactions — Discontinued connected transactions” from page 130 to page 132 in this [Redacted].

SUMMARY OF HISTORICAL COMBINED FINANCIAL INFORMATION

Our financial results are affected by a number of factors, including, among others, (i) fluctuations in our operation costs, which consisted of cost of sales, staff cost and rental expenses, (ii) fluctuations in prevailing market prices of wine products, (iii) seasonal fluctuations, (iv) economic conditions in Hong Kong, (v) competition and (vi) fluctuations in foreign exchange rates. For further details, please refer to the section headed “Financial Information — Key factors affecting our financial conditions and results of operations” from page 150 to page 153 in this [Redacted].

Extract of the combined statements of profit or loss and other comprehensive income

The following table sets forth a summary of the combined statements of profit or loss and other comprehensive income of our Group for the years ended 31 March 2014 and 2015:

	Year ended 31 March	
	2014	2015
	(HK\$’000)	(HK\$’000)
Revenue	70,044	145,687
Cost of sales	(45,353)	(105,587)
Gross profit	24,691	40,100
Profit before tax	8,655	17,290
Profit for the year and total comprehensive income for the year	7,204	14,314

During the Track Record Period, our revenue increased from approximately HK\$70.0 million for the year ended 31 March 2014 to approximately HK\$145.7 million for the year ended 31 March 2015, and our net profit increased from approximately HK\$7.2 million for the year ended 31 March 2014 to approximately HK\$14.3 million for the year ended 31 March 2015, respectively. Such increase was primarily attributable to the increase in the sale of our Premier Collectible Red Wine, our key product category. For further details, please refer to the section headed “Financial Information — Year-on-year review of our results of operations — Year ended 31 March 2015 compared to year ended 31 March 2014 — Revenue” from page 165 to page 169 in this [Redacted].

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Selected financial ratios

The table below sets forth a summary of our key financial ratios during the Track Record Period:

	Year ended 31 March	
	2014	2015
Gross profit margin	35.3%	27.5%
Net profit margin	10.3%	9.7%
Return on equity	19.2%	27.3%
Current ratio	2.6	2.8
Quick ratio	1.0	1.8
Gearing ratio	25.1	25.3

LEGAL AND REGULATORY COMPLIANCE

During the Track Record Period, we failed to comply with the Predecessor Companies Ordinance and the Companies Ordinance. For further details, please refer to the section headed “Business — Historical non-compliance incidents” on page 118 in this [Redacted]. As advised by our legal advisers as to Hong Kong laws, save as disclosed in this [Redacted], we had been in compliance with the applicable laws, rules and regulations in Hong Kong, which are material to our business operations during the Track Record Period.

OUR SHAREHOLDING STRUCTURE

Immediately upon completion of the [Redacted] and the Capitalisation Issue, without taking into account any Shares that may be allotted and issued pursuant to the exercise of the [Redacted] and any options that may be granted under the Share Option Scheme, Royal Spectrum will be interested in [Redacted]% of the issued share capital of our Company. Royal Spectrum is a company controlled as to 77.3% by Devoss Global, which in turn is wholly-owned by Mr. Ting. Hence, Royal Spectrum, Devoss Global and Mr. Ting will be our Controlling Shareholders within the meaning of the GEM Listing Rules.

[REDACTED] INVESTMENTS

There have been two rounds of [Redacted] Investments in our Company. On 20 April 2015, (i) Keyword acquired 1,087 shares in Madison International from Royal Spectrum at a consideration of HK\$[Redacted] million and the payment of the consideration of such share transfer was settled on 30 April 2015, and (ii) Timebase subscribed for 870 new shares in Madison International at a consideration of HK\$[Redacted] million and the payment of the consideration of such subscription was settled on 30 April 2015. Upon completion of the Reorganisation, the Capitalisation Issue and the [Redacted] (but without taking into account any Shares which may be allotted and issued upon the exercise of the [Redacted] and any options that may be granted under the Share Option Scheme), Keyword and Timebase will hold approximately [Redacted]% and [Redacted]% of the enlarged share capital of our Group upon [Redacted], respectively. As confirmed by our Directors, Keyword and

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Timebase, and their ultimate beneficial owners are Independent Third Parties and [Redacted].

DIVIDENDS

During the Track Record Period, we did not declare or pay any dividends to our then Shareholders. We currently do not have a fixed dividend policy and may declare dividends from time to time as our Directors consider appropriate in compliance with our Memorandum and Articles, the Companies Law and applicable laws and regulations.

[REDACTED] EXPENSES

Our Directors are of the view that the financial results of our Group for the year ending 31 March 2016 are expected to be adversely affected by, among others, [Redacted] expenses in relation to the [Redacted], the nature of which is non-recurring. The total [Redacted] expenses in relation to the [Redacted], primarily consisting of fees paid or payable to professional parties and underwriting fees and commission, are estimated to be approximately HK\$[Redacted] million (based on a [Redacted] of HK\$[Redacted] per [Redacted], being the [Redacted] of the indicative [Redacted] range and assuming the [Redacted] is not exercised), of which approximately HK\$[Redacted] million is expected to be recognised in the combined statements of profit or loss for the year ending 31 March 2016.

Our Directors would like to emphasise that the amount of [Redacted] expenses is a current estimate for reference only and the final amount to be recognised in the combined financial statements of our Group for the year ending 31 March 2016 is subject to adjustment based on audit and the then changes in variables and assumptions. Prospective investors should note that the financial performance of our Group for the year ending 31 March 2016 is expected to be adversely affected by the estimated non-recurring [Redacted] expenses mentioned above, and may or may not be comparable to the financial performance of our Group in the past.

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USE OF PROCEEDS

In the event that the [Redacted] is not exercised, we estimate the net proceeds of the [Redacted] which we will receive, assuming a [Redacted] of HK\$[Redacted] per [Redacted], being the [Redacted] of the indicative [Redacted] range, will be approximately HK\$[Redacted] million, after deduction of underwriting fees and commissions and other estimated expenses in connection with the [Redacted]. We intend to apply the net proceeds from the [Redacted] for the following purposes:

	From the Latest Practicable Date to 31 March 2016	For the 6 months ending 30 September 2016	For the 6 months ending 31 March 2017	For the 6 months ending 30 September 2017	Total	Approximate percentage
	<i>(HK\$' million)</i>	<i>(HK\$' million)</i>	<i>(HK\$' million)</i>	<i>(HK\$' million)</i>	<i>(HK\$' million)</i>	<i>(%)</i>
Expand and diversify our product portfolio	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]
Acquiring one or more wine merchants in Hong Kong ^(Note)	—	—	—	—	[Redacted]	[Redacted]
Enhance public awareness of our Company by increasing marketing and promotion efforts	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]
General working capital	[Redacted]	—	—	—	[Redacted]	[Redacted]
					Total	100

Note: We intend to use approximately [Redacted] of the net proceeds, representing approximately HK\$[Redacted] million, for acquiring one or more wine merchants in Hong Kong. As at the Latest Practicable Date, we do not have a timetable for the proposed acquisition.

[REDACTED] STATISTICS

[Redacted]

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RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

Our business model, revenue structure, financial performance, profitability and cost structure remained unchanged since 31 March 2015. Based on our unaudited management accounts, we continued to record a stable growth in our revenue for the one month ended 30 April 2015, as compared to the one month ended 30 April 2014, which is primarily attributable to the continuous expansion of our business.

For the month ended 30 April 2015, approximately 8.1% of our inventories balance had been subsequently sold. As at 31 May 2015, approximately 86.7% of the outstanding trade receivable balance as at 31 March 2015 had been subsequently settled and the entire outstanding trade payables balance as at 31 March 2015 had been subsequently settled.

During the month ended 30 April 2015, we sold 1,277 bottles of Premier Collectible Red Wines, representing an increase of approximately 28.6% and the average selling price of our Premier Collectible Red Wines increased by approximately 30.4%, as compared to 993 bottles in the month ended 30 April 2014. As the result, we recorded growth for the month ended 30 April 2015 as compared to the month ended 30 April 2014.

As at 30 April 2015, save for the amount due to one of our Directors of approximately HK\$9.3 million, which will be settled in full prior to [Redacted], and our intra-group liabilities, our Group did not have any outstanding indebtedness, any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptance or acceptable credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities.

Save as disclosed in the paragraphs headed “[Redacted]” and “[Redacted] investments” in this section, our Directors, after performing reasonable due diligence, confirmed that since 31 March 2015 and up to the date of this [Redacted], (i) there had been no material adverse change in the market conditions, the industry and the regulatory environment in which our Group operates that would affect our financial or operating position materially and adversely, (ii) there was no material change in the business, trading and financial position and prospects of our Group, and (iii) no event had occurred that would affect the information shown in the Accountants’ Report set out in Appendix I to this [Redacted] materially and adversely.