
HISTORY, REORGANISATION AND CORPORATE STRUCTURE

BUSINESS DEVELOPMENT

Introduction

Our history can be traced back to April 1997, when Madison (China), the first operating subsidiary of our Group, was incorporated in Hong Kong with limited liability, by Mr. Ting and Mr. Ting Yan Chun, the father of Mr. Ting, using their personal funds. Madison (China) began the business in the sale of alcoholic beverages, predominantly in red wines and white wines, in Hong Kong, under the business name “Madison Wine” in April 2011. To promote our brand, in June 2012, we entered into a lease agreement for the purpose of setting up our current store under the business name “Madison Wine” in Wan Chai, an area connecting Central and Causeway Bay with a mixed traffic of financial relaxed people and tourists.

In February 2014, we entered into a lease agreement for the purpose of setting up our wine storage warehouse in North Point, which provides professional wine storage services to our customers. Our wine cellar is designed with advanced temperature and humidity control system, installed with insulation and anti-vibration materials on floor and ceiling, and equipped with a professional security system. Our storage warehouse is run by our own logistics team, and we provide multiple storage plans to cater for the needs of individual customers. In April 2015, we entered into a lease agreement for the purpose of setting up our flagship store in Wan Chai, which is expected to be opened in or around mid June 2015.

We have established a reputation for high quality services in Hong Kong, allowing us to compete in the highly competitive wine industry in Hong Kong. In October 2014, Madison (China) obtained the “Fine Wine Storage Management Systems Standard of HKQAA Wine Storage Management Systems Certification Scheme: 2013 applicable to provision of wine storage service (limited site)” certification, awarded by the HKQAA, which recognised our professional and unified wine storage standard established to protect wine quality and value. Further, in March 2015, Madison Wine obtained the “Quality Tourism Services Scheme — Retail Shops” certification, which is a prestigious achievement in the service industry, awarded by the Hong Kong Tourism Board which recognised the excellent service provided by our Company.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Business Milestones

The following table summarises various milestones of our Group’s business development:

April 1997	Madison (China) was incorporated in Hong Kong.
April 2011	Madison (China) began the business in the sale of alcoholic beverages in Hong Kong.
November 2012	Our current store under the business name “Madison Wine” was opened in Wan Chai.
June 2014	Our wine storage warehouse was set up in North Point.
September 2014	We have been collaborating with Fook Lam Moon Kowloon, a Michelin starred Chinese restaurant in Hong Kong, under a consignment arrangement, and we become the exclusive wine consignor of Fook Lam Moon Kowloon.
October 2014	Madison (China) was awarded the “Fine Wine Storage Management Systems Standard of HKQAA Wine Storage Management Systems Certification Scheme: 2013 applicable to provision of wine storage service (limited site)” certification by the HKQAA.
March 2015	Madison Wine was awarded the “Quality Tourism Services (QTS) Scheme — Retail Shops” certification by the Hong Kong Tourism Board.

OUR CORPORATE DEVELOPMENT

Our Company

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 15 April 2015, with an authorised share capital of HK\$380,000 divided into 38,000,000 Shares, of which the Incorporation Share, representing the then entire issued share capital, was allotted and issued to the initial subscriber, which was transferred to Royal Spectrum on the same date. Prior to the Reorganisation, Royal Spectrum had been our sole Shareholder.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

On [●], our Company entered into a share purchase agreement with Royal Spectrum, Keyword and Timebase to acquire the entire issued share capital of Madison International from Royal Spectrum, Keyword and Timebase, in consideration of our Company allotting and issuing 819 Shares, 100 Shares and 80 Shares, all credited as fully paid, to Royal Spectrum, Keyword and Timebase, respectively, and the share transfers were completed on [●] 2015. Upon completion of the share transfers, Madison International will become a direct wholly-owned subsidiary of our Company. For further details, please refer to the paragraph headed “Reorganisation” in this section.

Pursuant to the written resolutions of our Shareholders dated [●], the authorised share capital of our Company was increased from HK\$380,000 to HK\$[Redacted] by the creation of additional [Redacted] Shares.

Our Company is principally engaged in investment holding.

As at the Latest Practicable Date, our Group comprised seven members. Apart from our Company, we have three major operating subsidiaries namely Madison (China), Madison Wine Club and Madison Wine Trading and three subsidiaries principally engaged in investment holding, namely Madison International, Madison Fine Wine and Madison Wine (HK).

Madison (China)

On 14 April 1997, Madison (China) was incorporated in Hong Kong with limited liability. On 7 May 1997, its issued share capital was HK\$10,000 divided into 10,000 shares, all credited as fully paid, of which 5,000 shares and 5,000 shares, representing 50% and 50% of the issued share capital, were allotted and issued to Mr. Ting and Mr. Ting Yan Chun, respectively. On 14 August 1998, the name of Shanghai Asset Holdings Limited was changed to LT Investment Limited, and on 8 February 2002, the name was further changed to Madison (China).

In or around 2002, Mr. Ting Yan Chun started to engage in a negotiation with an Independent Third Party to form a joint venture to carry on the sale of wine refrigerators business (the “**Joint Venture Business**”). Given that Madison (China) was inactive and had no business operation at the relevant time, Mr. Ting Yan Chun considered it to be more convenient to use Madison (China) which was readily available at the relevant time to set up the joint venture with such Independent Third Party. In view of such joint venture arrangement, which Mr. Ting was not involved in such joint venture arrangement at the relevant time, it was agreed between Mr. Ting and Mr. Ting Yan Chun that Mr. Ting would transfer his entire interest in Madison (China) to an entity wholly-owned by Mr. Ting Yan Chun such that Mr. Ting Yan Chun could make use of Madison (China) to pursue the Joint Venture Business with the Independent Third Party. Accordingly, on 15 March 2002, Mr. Ting transferred 5,000 shares, representing 50% of the issued share capital in Madison (China) to Renown Enterprise Limited, a company which is wholly-owned by Mr. Ting Yan Chun, at the consideration of HK\$5,000.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

As part of the joint venture arrangement, on 15 March 2002, Mr. Ting Yan Chun transferred 5,000 shares, representing 50% of the issued share capital in Madison (China) to the Independent Third Party, at the consideration of HK\$5,000.

Subsequent to such transfer, Mr. Ting Yan Chun and the Independent Third Party considered it to be unfeasible to pursue further with the Joint Venture Business and decided to abandon the plan to carry on the Joint Venture Business. Given that no business has been carried on after the transfer of shares to the Independent Third Party, on 5 January 2004, at the direction of Mr. Ting Yan Chun and as part of the family arrangement, the Independent Third Party transferred his 5,000 shares, representing 50% of the issued share capital in Madison (China) to Ms. Luu Huyen Boi, the spouse of Mr. Ting, who held such shares for and on behalf of Mr. Ting, at the consideration of HK\$5,000. The share transfer was completed on 5 January 2004.

In or about 2005, with a view to consolidating all his interests in companies owned by him under a holding company, namely Quick Express and as part of the family arrangement, on 31 January 2005, each of Ms. Luu Huyen Boi and Renown Enterprise Limited transferred their 5,000 shares and 5,000 shares respectively to Quick Express, at the consideration of HK\$5,000 each, and the share transfers were completed on 31 January 2005. As Madison (China) has no business operation since its incorporation in 1997 and until March 2009, all the consideration of the above transfers was determined based on the par value of the shares in Madison (China).

On 21 January 2013, Quick Express transferred its entire issued share capital in Madison (China) to Madison Wine (HK), in consideration of Madison Wine (HK) allotting and issuing 100 shares, all credited as fully paid, to iVega Investment, the then direct wholly-owned subsidiary of Quick Express, at the direction of Quick Express, and iVega Investment allotting and issuing 7,650 shares, all credited as fully paid, to Quick Express, and the share transfer was completed on 21 January 2013.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

On 25 November 2013, iVega Investment transferred its entire issued share capital in Madison Wine (HK) to Madison International, in consideration of Madison International allotting and issuing 9,900 shares, all credited as fully paid, to Quick Express at the direction of iVega Investment, and the share transfer was completed on 25 November 2013.

Upon completion of the share transfers, Madison Wine (HK) became a direct wholly-owned subsidiary of Madison International, and Madison (China) became an indirect wholly-owned subsidiary of Madison International. Upon completion of the Reorganisation, Madison International will become a direct wholly-owned subsidiary of our Company, and Madison Wine (HK) and Madison (China) will become indirect wholly-owned subsidiaries of our Company. Madison Wine (HK) is principally engaged in investment holding and Madison (China) is principally engaged in sale of alcoholic beverages.

All the abovementioned transfers of shares in Madison (China) and Madison Wine (HK) were properly and legally completed and settled.

Madison Wine Club

On 12 January 2012, Madison Wine Club was incorporated in Hong Kong with limited liability. As at the date of its incorporation, its issued share capital was HK\$1 divided into one share, credited as fully paid, and allotted and issued to a secretarial service company as the initial subscriber. On 27 January 2012, the name of Rich International Investment Limited was changed to Madison Wine Club. On 7 February 2012, Madison (China) acquired the initial subscriber share, representing the entire issued share capital in Madison Wine Club, at the consideration of HK\$1, and the share transfer was completed on 7 February 2012. Upon completion of the share transfer, Madison Wine Club became an indirect wholly-owned subsidiary of Madison International. Upon completion of the Reorganisation, Madison Wine Club will become an indirect wholly-owned subsidiary of our Company. Madison Wine Club is principally engaged in sale of alcoholic beverages and wine storage.

The abovementioned transfers of shares in Madison Wine Club were properly and legally completed and settled.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Madison Wine Trading

On 19 November 2014, Madison Wine Trading was incorporated in Hong Kong with limited liability. As at the date of its incorporation, its issued share capital was HK\$100 divided into 100 shares, all credited as fully paid, and allotted and issued to Mr. Ting. Mr. James Peter Woodhead, the sales director of Madison (China), who possesses valuable skill set and has extensive network in the wine related business, proposed our Group to expand the business in the sale of alcoholic beverages by setting up a new company. As part of our Group’s risk management and in order to secure the commitment of Mr. James Peter Woodhead to the business in the sale of alcoholic beverages, our Group entered into a joint venture business with Mr. James Peter Woodhead. On 1 December 2014, Mr. Ting transferred 80 shares and 20 shares, representing 80% and 20% of the issued share capital in Madison Wine Trading to Madison Fine Wine and Mr. James Peter Woodhead, respectively, at the consideration of HK\$80 and HK\$20, respectively, and the share transfers were completed on 1 December 2014. Upon completion of the share transfers, Madison Wine Trading became an indirect non-wholly-owned subsidiary of Madison International. Upon completion of the Reorganisation, Madison Wine Trading will become an indirect non-wholly-owned subsidiary of our Company. Madison Wine Trading is principally engaged in sale of alcoholic beverages.

The abovementioned transfers of shares in Madison Wine Trading were properly and legally completed and settled.

Madison International

On 21 November 2013, Madison International was incorporated in Seychelles with limited liability with an authorised share capital of US\$1,000,000 divided into 1,000,000 shares of US\$1 each. As at the date of incorporation, its issued share capital was US\$100 divided into 100 shares, all credited as fully paid, and allotted and issued to Quick Express. On 25 November 2013, Madison International further allotted and issued 9,900 shares to Quick Express. On 1 December 2013, Quick Express transferred 3,500 shares in Madison International to a third party investor, namely Universal Chinese, at the consideration of HK\$14,000,000, with reference to the net asset value of approximately HK\$40,000,000, as stated in the unaudited management accounts as at 30 November 2013 and the share transfer was completed on 1 December 2013.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

On 18 March 2014, for the purpose of shareholding restructuring of Quick Express and Universal Chinese in Madison International, each of Quick Express and Universal Chinese transferred their respective shareholding interests in Madison International to Royal Spectrum, in consideration of Royal Spectrum allotting and issuing 6,435 shares and 3,465 shares, all credited as fully paid, to Quick Express and Universal Chinese, respectively, to maintain their respective shareholdings in Royal Spectrum as to 65% and 35%. Universal Chinese subsequently disposed of certain of its equity interest in Royal Spectrum to Montrachet and investment vehicles of Mr. Ting, and resulting in its shareholding interests in Royal Spectrum be reduced to 20%. The share transfers were completed on 1 December 2014. On 26 August 2014, Madison International incorporated Madison Fine Wine in Seychelles with limited liability with an authorised share capital of US\$1,000,000 divided into 1,000,000 shares of US\$1 each, of which one share had been allotted and issued, credited as fully paid.

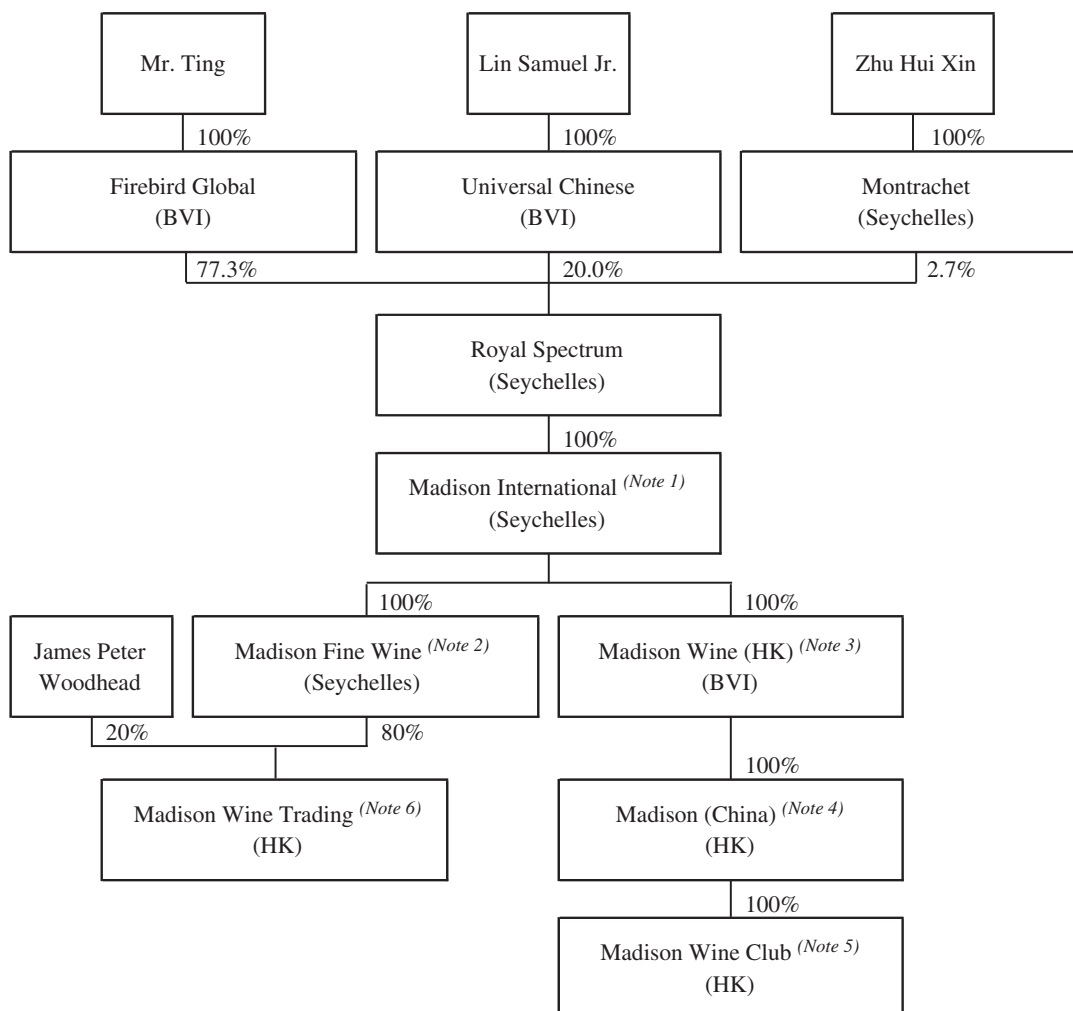
On 20 April 2015, Keywood acquired 1,087 shares in Madison International from Royal Spectrum, and Timebase subscribed for 870 new shares in Madison International, at the consideration of HK\$[Redacted] and HK\$[Redacted], respectively, and the transactions were completed on 20 April 2015. On [●], each of Royal Spectrum, Keywood and Timebase transferred 8,913 shares, 1,087 shares and 870 shares, respectively, in Madison International to our Company, in consideration of our Company allotting and issuing 819 Shares, 100 Shares and 80 Shares, all credited as fully paid, to Royal Spectrum, Keywood and Timebase, respectively, and the share transfers were completed on [●] 2015. Upon completion of the share transfers, Madison International will become a direct wholly-owned subsidiary of our Company. Madison International and Madison Fine Wine are principally engaged in investment holding.

The abovementioned transfers of shares in Madison International were properly and legally completed and settled.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

CORPORATE STRUCTURE

The following chart shows the shareholding and corporate structure of our Group immediately before the Reorganisation, the [Redacted] and the Capitalisation Issue.



Notes:

1. Madison International is principally engaged in investment holding.
2. Madison Fine Wine is principally engaged in investment holding.
3. Madison Wine (HK) is principally engaged in investment holding.
4. Madison (China) is principally engaged in sale of alcoholic beverages.
5. Madison Wine Club is principally engaged in sale of alcoholic beverages and wine storage.
6. Madison Wine Trading is principally engaged in sale of alcoholic beverages.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

REORGANISATION

The companies comprising our Group underwent a reorganisation in preparation for [Redacted], pursuant to which our Company became the holding company of our Group. The Reorganisation involved the following major steps:

Incorporation of our Company

On 15 April 2015, our Company was incorporated in the Cayman Islands with limited liability. At the time of its incorporation, our Company had an authorised share capital of HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each, of which the Incorporation Share was allotted and issued to the initial subscriber, which was transferred to Royal Spectrum on the same date.

[Redacted] Investments in Madison International

On 20 April 2015, Keywood acquired 1,087 shares in Madison International from Royal Spectrum, at the consideration of HK\$[Redacted], with reference to the price-to-earnings ratio of approximately [Redacted] times based on the earnings per share as at 31 March 2015, and the transaction was completed on 20 April 2015. The consideration was financed by the shareholder's loan advanced by Mr. Han Hanting, using his own personal resources.

On 20 April 2015, Timebase subscribed for 870 new shares in Madison International at the consideration of HK\$[Redacted], with reference to the price-to-earnings ratio of approximately [Redacted] times based on the earnings per share as at 31 March 2015, and the transaction was completed on 20 April 2015. The consideration was financed by the shareholder's loan advanced by Ms. Lu Mengjia, using her own personal resources.

Upon completion of the [Redacted] Investments, Madison International is owned as to 82% by Royal Spectrum, as to 10% by Keywood and as to 8% by Timebase respectively.

Acquisition of Royal Spectrum by Devoss Global

On 4 June 2015, Firebird Global transferred 7,730 shares in Royal Spectrum to Devoss Global, in consideration of Devoss Global allotting and issuing one share, credited as fully paid, to Mr. Ting, at the direction of Firebird Global. Upon completion of the share transfer, Royal Spectrum is owned as to 77.3% by Devoss Global, as to 20% by Universal Chinese, and as to 2.7% by Montrachet.

Acquisition of Madison International by our Company

On [●], our Company entered into a share purchase agreement with Royal Spectrum, Keywood and Timebase to acquire the entire issued share capital in Madison International, from Royal Spectrum, Keywood and Timebase, in consideration of our Company allotting and issuing 819 Shares, 100 Shares and 80 Shares, all credited as fully paid, representing [Redacted]%, [Redacted]% and [Redacted]% of its issued share capital, to Royal Spectrum, Keywood and Timebase, respectively. Upon completion of such acquisitions, Madison International will become the direct wholly-owned subsidiary of our Company.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

[REDACTED] INVESTMENTS

On 20 April 2015, Keyword acquired 1,087 shares in Madison International from Royal Spectrum, and Timebase subscribed for 870 new shares in Madison International. On [●] 2015, each of Keyword and Timebase sold 1,087 shares and 870 shares in Madison International, respectively, to our Company, in consideration of our Company allotting and issuing 100 Shares and 80 Shares to Keyword and Timebase, respectively. The table below sets forth the details of our [Redacted] Investments:

	Keyword	Timebase
Date of investment	20 April 2015	20 April 2015
Consideration paid (HK\$)	[Redacted]	[Redacted]
Basis of determining the consideration	The price-to-earnings ratio of approximately [Redacted] times based on the earnings per share as at 31 March 2015	The price-to-earnings ratio of approximately [Redacted] times based on the earnings per share as at 31 March 2015
Payment date of consideration	30 April 2015	30 April 2015
Number of shares in Madison International	1,087	870
Number of Shares allotted for share swap	[Redacted]	[Redacted]
Number of Shares held after Capitalisation Issue	[Redacted]	[Redacted]
Approximate cost of Shares paid after Capitalisation Issue (HK\$ per Share)	[Redacted]	[Redacted]
Approximate discount to mid-point of [Redacted] range	[Redacted]	[Redacted]
Approximate percentage of shareholding held in our Company upon completion of the [Redacted] Investments	[Redacted]	[Redacted]
Approximate percentage of shareholding held in our Company upon [Redacted] (assuming [Redacted] and any options that may be granted under the Share Option Scheme are not exercised)	[Redacted]	[Redacted]
Use of proceeds	Not applicable	Working capital

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Brief description of the [Redacted] investors

Based on the information provided by the [Redacted] investors, set out below is a brief description of the [Redacted] investors:

1. *Keyword*

Keyword is a company incorporated in the BVI with limited liability on 2 January 2015, which is directly wholly-owned by Mr. Han Hanting. Keyword is an investment holding company. The sale and purchase agreement was entered into on normal commercial terms and the consideration was determined after arm’s length negotiation, and the share transfer was properly and legally completed and settled. [Redacted].

2. *Timebase*

Timebase is a company incorporated in the BVI with limited liability on 10 March 2015, which is directly wholly-owned by Ms. Lu Mengjia. Ms. Lu Mengjia is an employee of Mr. Ting’s other business. Timebase is an investment holding company. The share subscription agreement was entered into on normal commercial terms and the consideration was determined after arm’s length negotiation, and the share transfer was properly and legally completed and settled. [Redacted].

Our Directors believe that the introduction of Keyword and Timebase will strengthen our Shareholder base for [Redacted]. The investment cost per Share of the [Redacted] investors is approximately HK\$[Redacted] per Share and represents a discount of approximately [Redacted]% to the [Redacted] of HK\$[Redacted] being the [Redacted] of the [Redacted] between HK\$[Redacted] and HK\$[Redacted]. 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 own approximately [Redacted]% and [Redacted]%, respectively, of the entire issued share capital of our Group, and approximately [Redacted]% and [Redacted]% upon [Redacted], respectively.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Completion of the [Redacted] Investments took place on 20 April 2015, and the payment of the considerations of both [Redacted] Investments were made on 30 April 2015. The considerations were used as working capital of our Group. No special right was granted to Keyword and Timebase pursuant to the terms of the sale and purchase agreement and the share subscription agreement. Other than the investment in our Group as disclosed in this [Redacted], the [Redacted] investors and their ultimate beneficial owners are independent from our Group and connected persons of our Company.

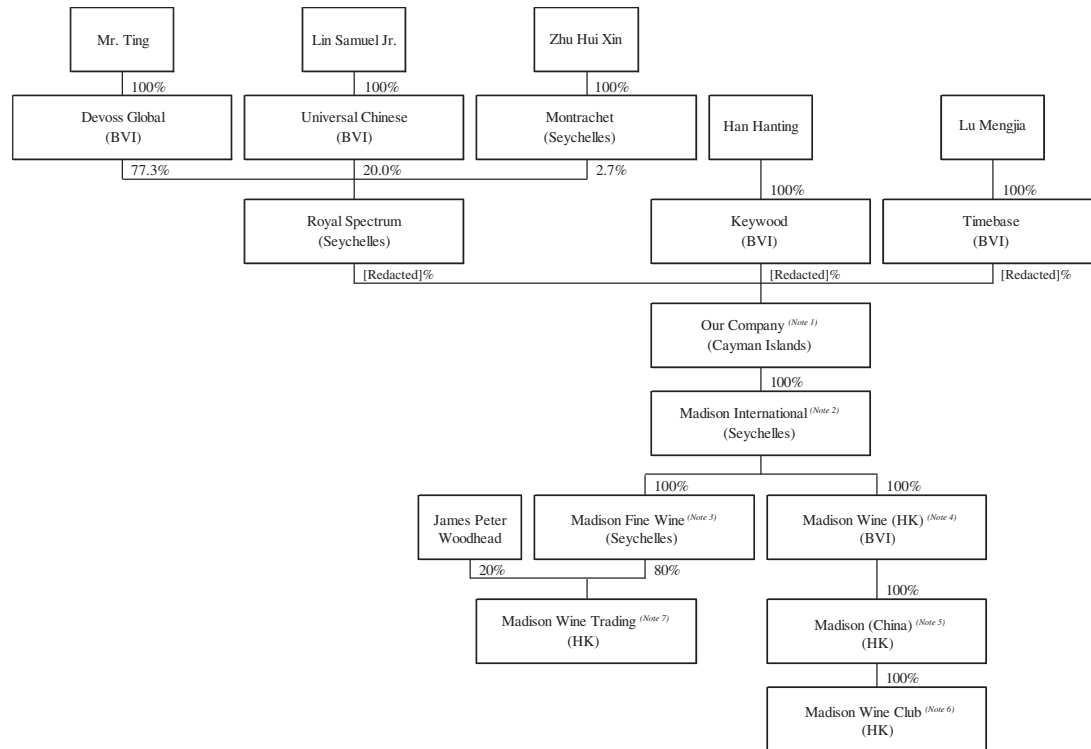
[Redacted]

Confirmation from the Sole Sponsor

The Sole Sponsor has confirmed that the [Redacted] Investments are in compliance with the Interim Guidance on [Redacted] Investments issued by the Stock Exchange on 13 October 2010 and reproduced on 16 January 2012, the Guidance Letter HKEx-GL43-12 issued by the Stock Exchange on 25 October 2012, and the Guidance Letter HKEx-GL44-12 issued by the Stock Exchange on 25 October 2012.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

The following diagram shows the shareholding and corporate structure of our Group immediately after completion of the Reorganisation but before completion of the [Redacted] and the Capitalisation Issue:

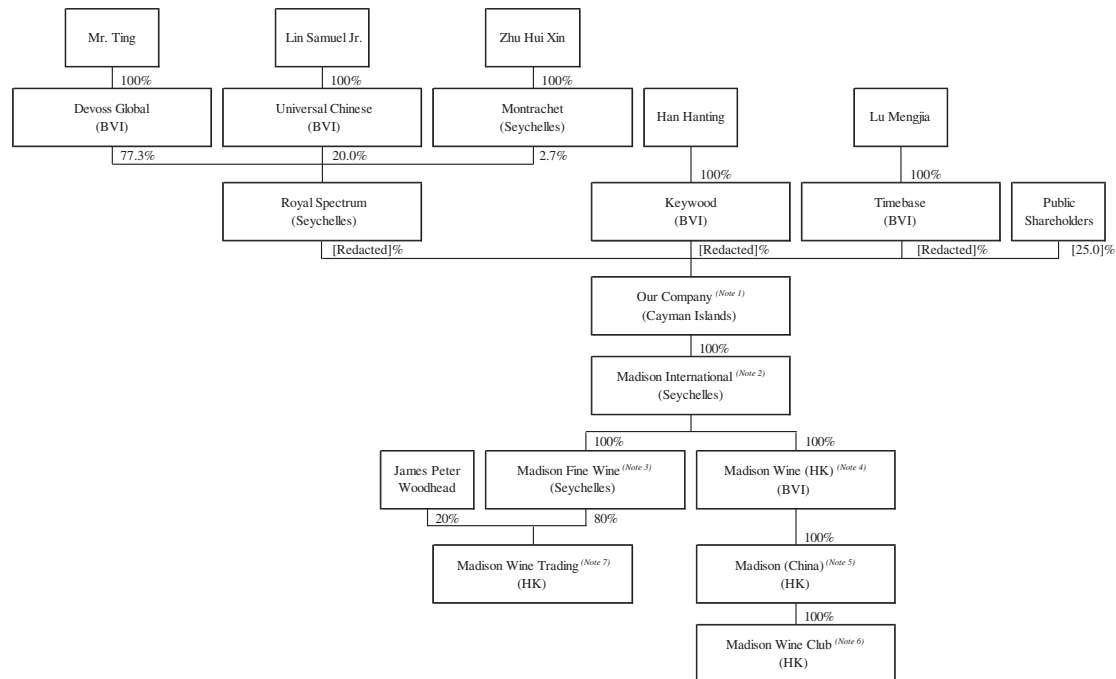


Notes:

1. Our Company is principally engaged in investment holding.
2. Madison International is principally engaged in investment holding.
3. Madison Fine Wine is principally engaged in investment holding.
4. Madison Wine (HK) is principally engaged in investment holding.
5. Madison (China) is principally engaged in sale of alcoholic beverages.
6. Madison Wine Club is principally engaged in sale of alcoholic beverages and wine storage.
7. Madison Wine Trading is principally engaged in sale of alcoholic beverages.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

The following chart shows the shareholding and corporate structure of our Group immediately after completion of the Reorganisation, 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 or any allotment and issue and/or buy-back of Shares by our Company under the general mandates as referred to in the section headed “Further information about our Group — Written resolutions of our Shareholders dated [●]” in Appendix IV to this [Redacted].



Notes:

1. Our Company is principally engaged in investment holding.
2. Madison International is principally engaged in investment holding.
3. Madison Fine Wine is principally engaged in investment holding.
4. Madison Wine (HK) is principally engaged in investment holding.
5. Madison (China) is principally engaged in sale of alcoholic beverages.
6. Madison Wine Club is principally engaged in sale of alcoholic beverages and wine storage.
7. Madison Wine Trading is principally engaged in sale of alcoholic beverages.