



MADISON WINE®

Madison Wine Holdings Limited

麥迪森酒業控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8057)

ANNOUNCEMENT OF FIRST QUARTERLY RESULTS FOR THE THREE MONTHS ENDED 30 JUNE 2016

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This announcement, 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 announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

FINANCIAL HIGHLIGHTS

For the three months ended 30 June 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\$39.0 million for the three months ended 30 June 2016 (three months ended 30 June 2015: HK\$29.8 million), representing an increase of approximately 30.9% as compared with the corresponding period in 2015;
- loss attributable to the owners of the Company for the three months ended 30 June 2016 amounted to approximately HK\$3.8 million (three months ended 30 June 2015: HK\$4.3 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, profit for the period and total comprehensive income for the period attributable to owners of the Company for the three months ended 30 June 2016 would reach approximately HK\$0.9 million; and
- the Directors do not recommend the payment of any dividend for the three months ended 30 June 2016.

The board of Directors (the “Board”) is pleased to present the unaudited condensed consolidated results of the Group for the three months ended 30 June 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 ENDED 30 JUNE 2016

	NOTES	Three months ended 30 June	
		2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Revenue	4	38,960	29,775
Cost of sales		<u>(29,950)</u>	<u>(22,120)</u>
Gross profit		9,010	7,655
Other income	5	727	2,741
Selling and distribution expenses		(3,106)	(3,420)
Administrative expenses		<u>(9,873)</u>	<u>(10,646)</u>
Loss before tax		(3,242)	(3,670)
Income tax expense	6	<u>(447)</u>	<u>(538)</u>
Loss for the period and total comprehensive expense for the period	7	<u>(3,689)</u>	<u>(4,208)</u>
(Loss) profit for the period and total comprehensive (expense) income for the period attributable to:			
Owners of the Company		(3,803)	(4,263)
Non-controlling interests		<u>114</u>	<u>55</u>
		<u>(3,689)</u>	<u>(4,208)</u>
Loss per share (<i>HK cents</i>)	9		
Basic		<u>(0.95)</u>	<u>(1.42)</u>
Diluted		<u>(0.95)</u>	<u>(1.42)</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED 30 JUNE 2016

	Attributable to owners of the Company						Non-controlling interests	Total
	Share capital	Share premium	Other reserve	Share options reserve	Retained earnings	Total		
	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	–	–	–	–	(4,263)	(4,263)	55	(4,208)
Issue of shares upon reorganisation (the “Reorganisation”) (Note b)	7	–	5,293	–	–	5,300	–	5,300
At 30 June 2015 (unaudited)	<u>85</u>	<u>–</u>	<u>28,962</u>	<u>–</u>	<u>23,662</u>	<u>52,709</u>	<u>210</u>	<u>52,919</u>
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	–	–	–	–	(3,803)	(3,803)	114	(3,689)
Recognition of equity-settled share-based payment expenses	–	–	–	4,740	–	4,740	–	4,740
At 30 June 2016 (unaudited)	<u>4,000</u>	<u>65,376</u>	<u>29,047</u>	<u>11,376</u>	<u>14,675</u>	<u>124,474</u>	<u>412</u>	<u>124,886</u>

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED 30 JUNE 2016

1. GENERAL

The Company was incorporated in the Cayman Islands under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands as an exempted company with limited liability on 15 April 2015. The shares of the Company have been listed on GEM on 8 October 2015. The immediate holding company of the Company is Royal Spectrum Holding Company Limited (“Royal Spectrum”), a company incorporated in the Republic of Seychelles. The addresses of the registered office and the principal place of business of the Company are Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and Flat A & B, 10/F, North Point Industrial Building, 499 King’s Road, North Point, Hong Kong respectively.

The Company is an investment holding company. Its major operating subsidiaries are mainly engaged in sales of alcoholic beverages and provision of wine storage services.

The functional currency of the Group is Hong Kong dollar (“HK\$”), which is the same as the presentation currency of the condensed consolidated financial statements.

2. BASIS OF PREPARATION

Pursuant to the Reorganisation as detailed in the section headed “History, Reorganisation and Corporate Structure – Reorganisation” in the prospectus of the Company dated 29 September 2015 (the “Prospectus”), the Company became the holding company of the companies now comprising the Group on 21 September 2015. The companies now comprising the Group have been under the common control of the ultimate shareholders including Mr. Ting Pang Wan Raymond (“Mr. Ting”), Mr. Lin Samuel Jr and Mr. Zhu Hui Xin throughout the period or since their respective dates of incorporation up to 30 June 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 three months ended 30 June 2015, using the principles of merger accounting in accordance with Accounting Guideline 5 “Merger Accounting for Common Control Combinations”.

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Chapter 18 of the GEM Listing Rules.

3. SIGNIFICANT ACCOUNTING POLICIES

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

The significant accounting policies that have been used in the preparation of these condensed consolidated financial statements for the three months ended 30 June 2016 are consistent with those adopted in the consolidated financial statements for the year ended 31 March 2016, except for the adoption of the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”).

In the current period, the Group has adopted all the new and revised HKFRSs, amendments to HKASs and interpretations (“Ints”) (hereinafter collectively referred to as “new and revised HKFRSs”) issued by the HKICPA that are relevant to the Group and effective for accounting periods beginning on or after 1 April 2016. The adoption of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies and amounts reported for the current and prior periods.

The Group has not early adopted the new and revised HKFRSs issued by the HKICPA that have been issued but are not yet effective for the current period. The Directors anticipate that the application of the new and revised HKFRSs will have no material impact on the results and financial position of the Group.

4. REVENUE AND SEGMENT INFORMATION

Revenue represents the fair value of the consideration received and receivable for goods sold and services provided by the Group to outside customers less discounts.

The Group’s operation is mainly derived from sales of alcoholic beverages. For the purpose of resources allocation and performance assessment, the chief operating decision maker (“CODM”) (i.e. the Directors) reviews the overall results and financial position of the Group as a whole prepared in accordance with accounting policies which conform to HKFRSs. Accordingly, the Group has only one single operating segment and no further analysis of this single segment is presented.

Geographical information

The Group’s operations are located in Hong Kong (country of domicile) during the periods.

During the periods, the Group’s revenue is derived solely in Hong Kong from customers. As at the end of each reporting period, the Group’s non-current assets by location of assets are all located in Hong Kong.

5. OTHER INCOME

	Three months ended 30 June	
	2016 <i>HK\$'000</i> (unaudited)	2015 <i>HK\$'000</i> (unaudited)
Bank interest income	–	1
Consignment income	360	2,685
Insurance claim	149	–
Net exchange gain	37	–
Promotion income	159	–
Others	22	55
	<u>727</u>	<u>2,741</u>

6. INCOME TAX EXPENSE

	Three months ended 30 June	
	2016 <i>HK\$'000</i> (unaudited)	2015 <i>HK\$'000</i> (unaudited)
Current tax:		
Hong Kong Profits Tax	391	622
Deferred taxation	56	(84)
	<u>447</u>	<u>538</u>

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 June
2016 2015
HK\$'000 **HK\$'000**
(unaudited) (unaudited)

Loss for the period has been arrived at after charging:

Cost of inventories recognised as expense	29,950	22,120
Depreciation of plant and equipment	736	815
Equity-settled share-based payment expenses	4,740	–
Loss on written off of plant and equipment	3	18
Professional expenses incurred in connection with the listing	–	6,763
Net exchange loss	–	13
Minimum lease payments under operating leases in respect of office premises, warehouses and shop	922	1,567

8. DIVIDEND

No dividend was paid, declared or proposed during the three months ended 30 June 2016, nor has any dividend been proposed since the end of the reporting period.

No dividend was paid or declared by companies now comprising the Group during the three months ended 30 June 2015.

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 June	
	2016 <i>HK\$'000</i> (unaudited)	2015 <i>HK\$'000</i> (unaudited)
Loss		
Loss for the purpose of basic and diluted loss per share for the period attributable to the owners of the Company	<u><u>(3,803)</u></u>	<u><u>(4,263)</u></u>
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	400,000,000	300,000,000
Effect of dilutive potential ordinary shares:		
Share options	<u>5,168,821</u>	<u>N/A</u>
	<u><u>405,168,821</u></u>	<u><u>300,000,000</u></u>

The weighted average number of ordinary shares in issue during the three months ended 30 June 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 ended 30 June 2015 as there were no dilutive potential ordinary shares outstanding during the three months ended 30 June 2015.

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

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

During the three months ended 30 June 2016, revenue was increased by approximately 30.9% to approximately HK\$39.0 million (three months ended 30 June 2015: HK\$29.8 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 30.9% from approximately HK\$29.8 million to HK\$39.0 million for the three months ended 30 June 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 three months ended 30 June 2016.

Gross Profit and Gross Profit Margin

Gross profit of the Group increased by approximately 16.9% from approximately HK\$7.7 million to approximately HK\$9.0 million for the three months ended 30 June 2015 and 2016 respectively. The increase was mainly due to the increase in revenue during the period.

Gross profit margin of the Group decreased from 25.7% to 23.1% for the three months ended 30 June 2015 and 2016 respectively. The decrease was mainly due to the application of a more competitive pricing approach with a lower profit margin for sales of the products during the three months ended 30 June 2016.

Other Income

Other income of the Group decreased by approximately 74.0% from approximately HK\$2.7 million to approximately HK\$0.7 million for the three months ended 30 June 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 decreased by approximately 8.8% from approximately HK\$3.4 million to approximately HK\$3.1 million for the three months ended 30 June 2015 and 2016 respectively. The decrease was mainly due to decrease in rental expenses upon the relocation from our old store to the new flagship store during the three months ended 30 June 2015.

Administrative Expenses

Administrative expenses of the Group decreased by approximately 6.6% from approximately HK\$10.6 million to approximately HK\$9.9 million for the three months ended 30 June 2015 and 2016 respectively.

Should the one-off listing expenses of approximately HK\$6.8 million incurred by the Group for its listing exercise during the three months ended 30 June 2015 and the recognition of equity-settled share-based payment expenses for the share options granted of approximately HK\$4.7 million during the three months ended 30 June 2016 be excluded, the administrative expenses of the Group increased by approximately 36.8% from approximately HK\$3.8 million to approximately HK\$5.2 million for the three months ended 30 June 2015 and 2016 respectively. The increase was mainly due to (i) the increase in salary of approximately HK\$0.7 million for the management and administrative staff; and (ii) the increase in other administrative expenses of approximately HK\$0.7 million incurred by the Group with the increase in number of staff.

Income Tax Expense

Income tax expense for the Group decreased from approximately HK\$0.5 million to approximately HK\$0.4 million for the three months ended 30 June 2015 and 2016 respectively. The decrease was due to the decrease in profit before tax.

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

Loss for the period attributable to owners of the Company decreased by approximately 11.6% from approximately HK\$4.3 million to approximately HK\$3.8 million for the three months ended 30 June 2015 and 2016 respectively. The decrease was mainly attributable to the listing expenses incurred by the Group for its listing exercise during the three months ended 30 June 2015.

The loss for the three months ended 30 June 2016 was mainly due to the recognition of the equity-settled share-based payment expenses for the share options granted. Should the equity-settled share-based payment expenses for the share options granted of approximately HK\$4.7 million during the period be excluded, profit for the period and total comprehensive income for the period attributable to owners of the Company for the three months ended 30 June 2016 would reach approximately HK\$0.9 million.

Dividend

The Directors do not recommend the payment of any dividend for the three months ended 30 June 2016 (three months ended 30 June 2015: nil).

Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

During the three months ended 30 June 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 Group has 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, details of which are set out in the Company's announcement dated 13 April 2016.

Outlook and Prospects

The shares of the Company were listed on GEM on 8 October 2015 (the "Listing"). The net proceeds from the Listing have laid a solid foundation for the future development of the Group.

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 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

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.

Purchase, Sale or Redemption of Listed Securities

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

Directors’ Interests in Competing Business

As at 30 June 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 Holdings Limited 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 three months ended 30 June 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 30 June 2016, 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.

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 June 2016 and the date of this announcement.

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 primary duties of the Audit Committee are mainly to review the financial reporting, risk management and internal control systems of the Group; to review the accounting policy and financial position of the Group; to communicate with external auditors; and to assess the performance of internal financial and audit personnel.

The Audit Committee comprises three independent non-executive Directors, namely Mr. Chu Kin Wang Peleus (“Mr. Chu”), Ms. Debra Elaine Meiburg and Ms. Fan Wei. Mr. Chu is the chairman of the Audit Committee.

The financial information in this announcement 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 three months ended 30 June 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.

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

Hong Kong, 9 August 2016

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

This announcement will remain on the “Latest Company Announcements” page of the GEM website (www.hkgem.com) for at least 7 days from the date of its publication. This announcement will also be published on the website of the Company (www.madison-wine.com).