MADISON WINE®

Madison Wine Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

STOCK CODE: 8057

Annual Report 2016/17

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

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Ting Pang Wan Raymond *(Chairman)*
Mr. Zhu Qin *(Chief executive officer)*

Non-executive Director

Mr. Kao Sheng-Chi
(redesignated on 12 April 2017)

Independent Non-executive Directors

Ms. Fan Wei
Mr. Chu Kin Wang Peleus
Mr. Ip Cho Yin, *J.P.*
(appointed on 1 February 2017)
Ms. Debra Elaine Meiburg
(resigned on 1 November 2016)

AUDIT COMMITTEE

Mr. Chu Kin Wang Peleus *(Chairman)*
Ms. Fan Wei
Mr. Ip Cho Yin, *J.P.*
(appointed on 1 February 2017)
Ms. Debra Elaine Meiburg
(resigned on 1 November 2016)

NOMINATION AND CORPORATE GOVERNANCE COMMITTEE

Mr. Ting Pang Wan Raymond *(Chairman)*
Ms. Fan Wei
Mr. Chu Kin Wang Peleus
Mr. Ip Cho Yin, *J.P.*
(appointed on 1 February 2017)
Ms. Debra Elaine Meiburg
(resigned on 1 November 2016)

REMUNERATION COMMITTEE

Ms. Fan Wei *(Chairlady)*
Mr. Ting Pang Wan Raymond
Mr. Chu Kin Wang Peleus
Mr. Ip Cho Yin, *J.P.*
(appointed on 1 February 2017)
Ms. Debra Elaine Meiburg
(resigned on 1 November 2016)

COMPANY SECRETARY

Ms. Tse Ka Yan

COMPLIANCE OFFICER

Mr. Zhu Qin

AUTHORISED REPRESENTATIVES

Mr. Ting Pang Wan Raymond
Ms. Tse Ka Yan

AUDITOR

SHINEWING (HK) CPA Limited
Certified Public Accountants
43/F., Lee Garden One
33 Hysan Avenue
Causeway Bay, Hong Kong

COMPLIANCE ADVISER

Innovax Capital Limited
Room 2002, 20/F.
Chinachem Century Tower
178 Gloucester Road Wanchai, Hong Kong

REGISTERED OFFICE

Cricket Square, Hutchins Drive
P.O. Box 2681, Grand Cayman
KY1-1111, Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Flat A & B, 10/F North Point Industrial Building
499 King's Road, North Point, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
P.O. Box 2681, Grand Cayman
KY1-1111, Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East, Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking
Corporation Limited
HSBC Main Building
1 Queen's Road Central
Hong Kong

China Construction Bank (Asia)
Corporation Limited
139 Hennessy Road, Wan Chai
Hong Kong

COMPANY'S WEBSITE

www.madison-wine.com

STOCK CODE

08057

CHAIRMAN STATEMENT

On behalf of the board of Directors (the "Board") of the Company, I am pleased to present to you the annual report of the Company and its subsidiaries (collectively the "Group") for the year ended 31 March 2017.

It was a challenging year for the retail market in Hong Kong during the period under review. Our wine retail section was severely affected by the economic downturn. In order to maintain our competitiveness, the Group has taken several approaches to minimise the adverse effect to our business by adopting a more competitive price strategy, increase our inventory level during the relatively low demand atmosphere, increasing our market appearance through our marketing and promotion activities, and solidifying the knowledge of our front-line staffs by providing regular internal training.

Looking forward, the Group will continue to seek opportunities to expand our wine business by expanding its existing product portfolio, to provide 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. Moreover, we implemented our diversification plan by entering into several agreements with several Hong Kong companies which conduct regulated activities under the Securities and Futures Ordinance. Upon completion of the transactions, we believe that it could bring an additional stream of income to the Group through the business diversification and to reduce the impact of downturn of the wine retail business to the Group, which will deliver long term increase in shareholders' value.

Finally, I would like to express my greatest gratitude to the Board, management and staff for their strenuous contribution towards the Group. Furthermore, I would also like to take this opportunity to give our sincere thanks to our business partners and shareholders of the Company (the "Shareholders") for their continuous support and trust. I believe all members of the Group will dedicate their best efforts to drive business growth and to deliver enhanced returns to Shareholders.

Ting Pang Wan Raymond
Chairman and executive Director

Hong Kong, 27 June 2017

FINANCIAL HIGHLIGHTS

For the year ended 31 March 2017, audited operating results of the Group were as follows:

– the Group recorded a revenue of approximately HK$139.6 million for the year ended 31 March 2017 (2016: HK$126.7 million), representing an increase of approximately 10.2% as compared with the corresponding period in 2016.

– loss attributable to the owners of the Company for the year ended 31 March 2017 amounted to approximately HK$14.6 million (2016: HK$9.4 million). Should the equity-settled share based payment expenses for the share options granted of approximately HK$4.7 million during the year be excluded, loss for the year and total comprehensive expense attributable to owners of the Company for the year ended 31 March 2017 would be approximately HK$9.9 million; and

– the Board resolved not to recommend the payment of any final dividend for the year ended 31 March 2017.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. TING, aged 44, is the founder and the chairman of our Group. He was appointed as a Director on 15 April 2015 and re-designated as an executive Director on 14 May 2015 and is our controlling shareholder. Mr. Ting is also the chairman of the nomination and corporate governance committee (the "Nomination and Corporate Governance Committee") and a member of the remuneration committee (the "Remuneration Committee") and also held directorships in various subsidiaries of our Group. He is primarily responsible for major decision-making and implementation of business strategies of our Group.

Mr. Ting was responsible for overseeing the overall operations as executive director, the chairman and non-executive director of a telecommunication services company which was then known as China Motion Telecom International Limited (now known as Ground Properties Company Limited) and listed on the Main Board of the Stock Exchange (Stock code 0989:HK) from October 2006 to November 2013, from November 2006 to November 2013 and from November 2013 to August 2014, respectively. He had also been the adviser to the board of directors on corporate development and business strategies of short-term financing in Shanghai, executive director and the chairman of Credit China Holdings Limited (now known as Credit China Fintech Holdings Limited), a company listed on GEM (Stock code 8207:HK) and principally engaged in providing financing services to small to medium sized enterprises and individuals in China and Hong Kong for the period from November 2010 to September 2012, from September 2012 to July 2014 and from October 2012 to July 2014, respectively.

Mr. Ting studied Economics and International Relations in Beloit College in the US from June 1992 to May 1994.

Mr. ZHU Qin ("Mr. Zhu"), aged 39, is the chief executive officer ("CEO") of our Group since 28 April 2017. He was the president of the Group and appointed as an executive Director and compliance officer on 14 May 2015 and 12 April 2017 respectively. He also held directorships in various subsidiaries of our Group. Mr. Zhu is primarily responsible for managing the operation of our Group; planning and executing our corporate strategies; and the handling of external relationship of our Group. He is also in charge of the human resources and accounts functions of our Group. Prior to joining our Group in February 2012, Mr. Zhu had been the marketing director of Shanghai Volkswagen Automotive Co., Ltd., a company engaging in the manufacturing and sales of automobiles, where he was primarily responsible for sales and marketing from July 1999 to February 2011.

Mr. Zhu graduated from Shanghai Jiao Tong University in the PRC with a bachelor's degree in industrial foreign trade in July 1999.

NON-EXECUTIVE DIRECTOR

Mr. KAO Sheng-Chi ("Mr. Kao"), aged 53, joined our Group in 2015 and has been the non-executive Director ("NED") of our Group since 12 April 2017. Mr. Kao was primarily responsible for general and day-to-day management, administration and operation of our Group. He was also in charge of the procurement and supply, sales, operations and marketing functions of our Group.

Mr. Kao has been the MaÎtre of the Shanghai Chapter of the Commanderie de Bordeaux since November 2005. He was the chief executive officer of Acker, Merrall & Condit (Asia) Limited from January 2014 to December 2014, and resumed the position in May 2017, as a member of the management team overseeing the overall business. Prior to joining Acker, Merrall & Condit (Asia) Limited, Mr. Kao served various technology corporations in the United States (the "US").

Mr. Kao graduated from The University of Texas at Austin in the US in May 1987 with a bachelor's degree in natural sciences.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. FAN Wei ("Ms. Fan"), aged 61, was appointed as an independent non-executive Director ("INED") on 21 September 2015 and is also the chairlady of the Remuneration Committee and a member of each of the Audit Committee and the Nomination and Corporate Governance Committee of the Company. Since September 2013, Ms. Fan has been the general secretary responsible for arranging charity activities of 深圳市博雅文化研究基金會 (Boya Culture Foundation), which is committed to improving quality of academic researches, popularising traditional Chinese culture, facilitating the cultural exchange with its foreign counterparts, and funding activities which promote traditional Chinese culture. She served at Dong Yuan Hong Kong International Limited, which principally engaged in strategic investments, consulting, financial services, logistics and trading business, and held the position of executive vice president responsible for the operation management of the company from March 2011 to June 2012.

Ms. Fan graduated from Murdoch University in Australia with a master's degree in business administration in March 2001.

INDEPENDENT NON-EXECUTIVE DIRECTORS *(Cont'd)*

Mr. CHU Kin Wang Peleus ("Mr. Chu"), aged 52, was appointed as an independent non-executive Director on 21 September 2015 and is also the chairman of the Audit Committee and a member of each of the Remuneration Committee of the Company and the Nomination and Corporate Governance Committee. Since December 2008, he has been the executive director responsible for investor relationship, financial management and compliance matters of Chinese People Holdings Company Limited (Stock code 0681:HK), which is a company principally engaged in the sales and distribution of natural gas and liquefied petroleum gas in China and is listed on the Main Board of the Stock Exchange. From August 2015 to February 2017, he was a non-executive Director of Perfect Group International Holdings Limited (Stock code 3326:HK). Mr. Chu has/had been an independent non-executive director of the following companies listed on the Main Board of the Stock Exchange or GEM:

- China Huishan Dairy Holdings Company Limited (Stock Code 6863:HK) since June 2017
- PT International Development Corporation Limited (formerly known as ITC Corporation Limited) (Stock code 372:HK) since March 2017
- Mingfa Group (International) Company Limited (Stock Code 846:HK) since November 2016
- National Agricultural Holdings Limited (Stock code 1236:HK) from June 2015 to September 2015
- Telecom Service One Holdings Limited (Stock code 8145:HK) since May 2013
- EDS Wellness Holdings Limited (Stock code 8176:HK) since March 2012
- China Vehicle Components Technology Holdings Limited (Stock code 1269:HK, now known as China First Capital Group Limited) since October 2011
- Flyke International Holdings Ltd. (Stock code 1998:HK) since February 2010
- Huayu Expressway Group Limited (Stock code 1823:HK) since May 2009
- EYANG Holdings (Group) Co., Limited (Stock code 0117:HK) since April 2007

Mr. Chu graduated from The University of Hong Kong with a master's degree in business administration in December 1998. Mr. Chu is a fellow practicing member of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Association of Chartered Certified Accountants, an associate member of the Hong Kong Institute of Chartered Secretaries (formerly known as the Hong Kong Institute of Company Secretaries) and the Institute of Chartered Secretaries and Administrators.

INDEPENDENT NON-EXECUTIVE DIRECTORS *(Cont'd)*

Mr. IP Cho Yin, *J.P.* ("Mr. Ip"), aged 66, was appointed as an independent non-executive Director on 1 February 2017. He is also a member of each of the Audit Committee, Nomination and Corporate Governance Committee and Remuneration Committee. Mr. Ip possesses extensive experience in education. He is a registered teacher, an educational consultant and a teacher development expert. He is also a guest speaker of universities and educational bodies in Hong Kong. Mr. Ip is the Guest Professor of Hong Kong Financial Services Institute from 2014 to 2017, the Project Coordinator of the Education Bureau of the Government of the Hong Kong Special Administrative Region (the "Education Bureau") from 2010 to 2017. He was the Deputy Project Director of the Education Bureau from 2004 to 2010 and the Chief School Development Officer of the Education Bureau from 2002 to 2004. Mr. Ip was a teacher of Pui Kiu Middle School from 1973 to 1997 and became the principal from 1997 to 2002.

Mr. Ip was a member of Appeals Board (Education) from 2000 to 2001, a member of Board of Education from 1998 to 2002, an elected member of Council on Professional Conduct in Education from 1998 to 2002, a member of Quality Education Fund Steering Committee from 1997 to 2001, a Standing Committee member of the Hong Kong Federation of Education Workers from 1993 to 1999. Mr. Ip was an elected member of District Board (Islands) from 1994 to 1999.

Mr. Ip obtained his bachelor's degree in Mathematics at University of Waterloo in Canada in 1972 and a Diploma in Education at the School of Education of The Chinese University of Hong Kong in 1982.

SENIOR MANAGEMENT

Ms. CHAN Suk Yin ("Ms. Chan"), aged 46, was appointed as vice president of the Company on 1 June 2015 and is principally responsible for the overall audit, accounting, budgeting and financial operations of the Group. She has over 19 years of experience in financial reporting and management reporting in listed companies.

Ms. Chan graduated from The Hong Kong Polytechnic University with a master's degree in professional accounting in November 2004 and obtained her bachelor's degree in business administration (in accounting) from Hong Kong Baptist University in November 1995. She is an associate member of the Institute of Chartered Accountants in England and Wales, a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants.

SENIOR MANAGEMENT *(Cont'd)*

Mr. WONG Hok Leung Felix ("Mr. Wong"), aged 32, is the financial controller of the Company. Mr. Wong joined the Group as the financial controller of Madison (China) Limited on 15 October 2012 and is principally responsible for the Group's financial management. He has over eight years of experience in financial reporting and management reporting.

Mr. Wong graduated from The University of New South Wales in Australia with a bachelor's degree in economics (in finance and financial economics) in September 2008.

COMPANY SECRETARY

Ms. TSE Ka Yan ("Ms. Tse"), aged 32, was appointed as the company secretary of the Company (the "Company Secretary") on 14 May 2015. She is responsible for handling the company secretarial matters of the Group. Ms. Tse has over 10 years of experience in company secretarial sector of listed companies and professional firm.

Ms. Tse graduated from Lingnan University in Hong Kong with a bachelor's degree in business administration in October 2007. Ms. Tse is an associate member of the Hong Kong Institute of Chartered Secretaries and an associate member of Institute of Chartered Secretaries and Administrators.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Company 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. During the year ended 31 March 2017, revenue increased by approximately 10.2% to approximately HK$139.6 million (31 March 2016: HK$126.7 million). The increase in revenue was mainly the result of the expanded sales network by adopting a competitive pricing strategy.

FINANCIAL REVIEW

Revenue

Revenue of the Group increased by approximately 10.2% from approximately HK$126.7 million to HK$139.6 million for the year ended 31 March 2016 and 2017 respectively. The increase in revenue was mainly the result of the expanded sales network by adopting a competitive pricing strategy.

Gross Profit and Gross Profit Margin

For the year ended 31 March 2016 and 2017, (i) the gross profit of the Group decreased by approximately 15.2% from approximately HK$33.0 million to approximately HK$28.0 million; and (ii) the gross profit margin decreased from 26.0% to 20.0%, respectively. The decrease was mainly due to the application of a more competitive pricing approach with a lower profit for sales of the products during the year ended 31 March 2017.

Other Income

Other income of the Group decreased significantly from approximately HK$12.7 million to approximately HK$1.5 million for the year ended 31 March 2016 and 2017 respectively. The decrease was mainly due to the decrease in consignment sales during the year ended 31 March 2017.

Selling and Distribution Expenses

Selling and distribution expenses of the Group increased by approximately 6.6% from approximately HK$13.5 million to HK$14.4 million for the year ended 31 March 2016 and 2017 respectively. The increase was mainly due to the increase in number of sales person.

FINANCIAL REVIEW *(Cont'd)*

Administrative Expenses

Administrative expenses of the Group decreased by approximately 22.7% from approximately HK$39.2 million to HK$30.3 million for the year ended 31 March 2016 and 2017 respectively.

Should the one-off listing expenses of approximately HK$13.0 million incurred by the Group for its listing exercise and the recognition of equity settled share-based payment expenses for the share options granted of approximately HK$6.6 million during the year ended 31 March 2016 and the recognition of equity settled share-based payment expenses for the share options granted of approximately HK$4.7 million during the year ended 31 March 2017 be excluded, the administrative expenses of the Group increased by approximately 30.6% from approximately HK$19.6 million to approximately HK$25.6 million for the year ended 31 March 2016 and 2017 respectively. The increase was mainly due to (i) the increase in Directors' remuneration and salary and bonus for administrative staff of approximately HK$5.0 million and (ii) the increase in professional fee of approximately HK$1.2 million.

Income Tax Expense

Income tax expenses for the Group decreased from HK$2.2 million to HK$0.4 million tax credit for the year ended 31 March 2016 and 2017 respectively. The change was due to the loss before taxation recorded during the year.

Loss and Total Comprehensive Expense Attributable to Owners of the Company

Loss for the period attributable to owners of the Company was increased by approximately 55.3% from approximately HK$9.4 million to HK$14.6 million for the year ended 31 March 2016 and 2017 respectively. The increase 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 drop in gross profit.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operations by internal cash generated from its own business operations. As at 31 March 2017, the Group had cash and cash equivalents of approximately HK$52.2 million (31 March 2016: HK$45.0 million) and had net current assets of approximately HK$143.8 million (31 March 2016: HK$117.3 million).

The current ratio of the Group was 17.5 times as at 31 March 2017, compared to that of 23.1 times as at 31 March 2016. The decrease was mainly attributable to the increase in trade and other payables of approximately HK$3.6 million during the year ended 31 March 2017.

The gearing ratio (representing the debts of non-trade nature divided by total equity at the end of the year and multiplied by 100%) of the Group was nil as at 31 March 2017 (31 March 2016: nil). The Group has sufficient fund to maintain its operation and the Company does not have any borrowing neither from the Directors nor other third party financial institutions.

FOREIGN EXCHANGE EXPOSURE

As at 31 March 2017, the Group had certain bank balances and payables denominated in foreign currencies, mainly Euro and Great British Pound, 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.

TREASURY POLICY

The Group adopts a conservative approach towards its treasury policies. The Group strives to reduce exposure to credit risk by performing ongoing credit evaluation of the financial conditions of its clients. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and commitments can meet its funding requirements.

CAPITAL STRUCTURE

Details of movements in the Company's share capital are set out in note 23 in the notes to the Consolidated Financial Statement.

CAPITAL COMMITMENTS

Details of capital commitments are set out in note 26 in the notes to the Consolidated Financial Statement.

CONTINGENT LIABILITIES

As at 31 March 2017, the Group did not have any material contingent liabilities (31 March 2016: nil).

DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 March 2017 (2016: nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2017, the Group employed a total of 33 (31 March 2016: 32) full-time employees and 1 (31 March 2016: 1) part-time employee. The staff cost, including Directors' emoluments, of the Group for the year ended 31 March 2017 was approximately HK$16.0 million (year ended 31 March 2016: HK$14.7 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 to further develop with the Group. Apart from basic remuneration, share options may 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. In addition, each of the sales team members is entitled to a commission with reference to the sales volume achieved by them.

EMPLOYEES AND REMUNERATION POLICIES *(Cont'd)*

Furthermore, the Company is committed to employee development and has implemented various training programs to strengthen their industry, technical and product knowledge. All the newly recruited employees are required to attend induction training. The Company believes our training program will equip the employees with skills and knowledge to enhance customer services.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

During the year ended 31 March 2017, 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 (i) a subscription agreement (the "Share Subscription Agreement") to subscribe for new shares in CVP Capital Limited at the subscription price of HK$14 million on 9 February 2017 (the "Proposed Subscription"); (ii) a acquisition agreement (the "Acquisition Agreement"), to acquire the entire issued share capital of CVP Asset Management Limited for a consideration of HK$14 million on 9 February 2017 (the "Proposed Acquisition"); and (iii) a subscription agreement (the "EB Subscription Agreement") to subscribe for exchangeable bonds (the "EB Subscription") to be issued by Bartha Holdings Limited at a consideration of HK$150 million on 17 February 2017.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

An analysis comparing the business objectives as set out in the Company's prospectus dated 29 September 2015 (the "Prospectus") with those as at to 31 March 2017 is set out below:

	Business objectives	Actual progress
a.)	Expanding and diversifying our product portfolio	The Group purchased over 30,000 bottles of wine, with over 40 new vintages or brands during the year ended 31 March 2017. The inventory level has been raised from HK$41.5 million to HK$51.4 million as at 31 March 2016 and 2017 respectively.
b.)	Acquiring one or more wine merchants in Hong Kong	In respect of the non-legally binding memorandum (the "MOU") 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 parties were unable to reach a formal sale and purchase agreement. The MOU has lapsed and ceased to have any effect from 12 July 2016.
c.)	Solidifying and broadening our customer base	The number of members in the "Madison Premier Membership Scheme" has increased from over 800 members to over 1,100 members as at 31 March 2016 and 2017 respectively. The Group's customer base, which includes wholesales and retail clients, has increased by over 300 customers being registered in the database during the period from 31 March 2016 to 31 March 2017.

USE OF PROCEEDS

The shares of the Company were successfully listed on GEM on 8 October 2015 (the "Listing Date") by way of the 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. Given that the parties to the MOU were unable to reach a formal sale and purchase agreement, 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, and therefore resolved to utilise the net proceeds to expand and diversify its product portfolio in October 2016.

An analysis of the utilisation of the net proceeds from the Placing as at 31 March 2017 and the revised intended usage after reallocation of net proceeds are set out below:

		Intended usage of net proceeds (HK$' million) (approximately)	**Intended usage of net proceeds up to 31 March 2017** (HK$' million) (approximately)	**Actual usage of the net proceeds up to 31 March 2017** (HK$' million) (approximately)	**Revised intended usage after reallocation of net proceeds** (HK$' million) (approximately)
(a)	Expand and diversify our product portfolio	28.2	21.2	(37.5)	37.5
(b)	Acquire one or more wine merchants in Hong Kong	16.9	–	–	7.6
(c)	Enhance public awareness of our Company by increasing marketing and promotion efforts	5.6	4.2	(4.2)	5.6
(d)	General working capital	5.6	5.6	(5.6)	5.6
	Total	56.3	31.0	(47.3)	56.3

OUTLOOK AND PROSPECTS

It was a challenging year for the Hong Kong's retail market during the period under review because of the economic downturn. As such, the Company has been actively looking for suitable acquisition opportunities to maximise the return of shareholders of the Company in a more sustainable manner.

Given that Hong Kong is an important global financial hub, bridging capital flows between the People's Republic of China and international markets and fund raising through securities issuance and relevant corporate finance advisory in Hong Kong has been top of the global ranking, the Company is of the view that, through the entering into of the respective agreements and deeds dated 9 February 2017 and 17 February 2017 respectively, the Proposed Subscription, the Proposed Acquisition and the EB Subscription can provide the Group with a platform to expose to the business opportunities brought by the prospective financial market of Hong Kong by offering corporate finance advisory and securities placement services, which eventually enhance the value of the shareholders of the Company in long term. For details of the respective agreements and deeds, please refer to the announcements dated 9 February 2017 and 17 February 2017 respectively.

The Board is pleased to present the annual report and the audited consolidated financial statements of the Group for the year ended 31 March 2017.

PRINCIPAL ACTIVITIES

The Company 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 premier collectible red wine and fine red wine as well as the provision of a range of customer-centric value-added services.

RESULTS AND DIVIDENDS

The Group's results for the year ended 31 March 2017 and the state of affairs of the Company and the Group at that date are set out in the consolidated financial statements on pages 57 to 107.

The Directors do not recommend the payment of a final dividend for the year ended 31 March 2017 (2016: nil).

CLOSURE OF REGISTER OF MEMBERS

The annual general meeting (the "AGM") is scheduled for Monday, 28 August 2017. For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Wednesday, 23 August 2017 to Monday, 28 August 2017, both days inclusive, during which period no transfer of Shares will be effected. In order to qualify for attending and voting at the AGM, unregistered holders of the Shares should ensure that all share transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 22 August 2017.

BUSINESS REVIEW

The business review of the Group for the year ended 31 March 2017 is set out in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" on page 4 and pages 11 to 16 respectively.

To the best knowledge of the Directors, the Group was in compliance with the relevant laws and regulations that were significant to the Group for the year ended 31 March 2017.

Relationship with Suppliers

The Group has procured its wine products across the world including Australia, the United States, the United Kingdom, Singapore and France. The Group has developed mutual trust with our suppliers through sustained course of dealings, which enable the Group to enjoy a stable and reliable supply without any contractual commitments or sales restrictions. Capitalising on the Group's supply network, the Group is able to procure coveted wines that are rare, scarce and not widely available in the open market at competitive prices.

BUSINESS REVIEW *(Cont'd)*

Relationship with Customers

The Group has cultivated a concrete base of loyal customers comprising, among others, wine enthusiasts and wine collectors. Through its dedication to developing a customer-centric product portfolio and delivering excellent customer services, solid loyal and solid customer base has been established, which comprises, among others, wine enthusiasts, wine collectors, renowned restaurants and wine merchants. With the "Madison Premier Membership Scheme" launched since November 2012, the Directors believe that an interactive platform for information exchange has been established among wine enthusiasts, enabling direct feedbacks from the customers and identify the Group's strengths and demands of the target clientele, altogether deepening customer reach and solidifying customer loyalty.

Relationship with Employees

The Group has a diversified team under the leadership of three executive Directors and is dedicated to establishing cultural tones, corporate values and customer-centric culture. As at 31 March 2017, the Group had a total of 33 full-time employees, a 3.1% increment as compared to 2016.

In order to foster a work environment that attracts and inspires people to achieve excellent performance, remuneration packages and staff benefits are reviewed on an annual basis. The standard remuneration package includes base salary, discretionary bonuses and medical insurance. In addition, each of the sales team members is entitled to a commission with reference to the sales volume achieved by them. Each of the employee's remuneration package is determined in light of his/her qualification, position and seniority. For the years ended 31 March 2016 and 2017, staff costs of approximately HK$14.7 million and HK$16.0 million was incurred, respectively, representing 11.6% and 11.5% of the total revenue for the corresponding financial years.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past four years is set out in the financial summary on page 108 of this annual report. This summary does not form part of the audited consolidated financial statements.

SHARE CAPITAL

Details of movements in the Group's share capital during the year ended 31 March 2017 are set out in note 23 to the consolidated financial statements.

PRE-EMPTIVE RIGHT

There are no provisions for pre-emptive rights under the Company's articles of association (the "Articles of Association"), or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing Shareholders.

EQUITY-LINKED AGREEMENTS

During the year ended 31 March 2017, (i) the Group has conditionally agreed to subscribe for the exchangeable bonds to be issued by Bartha International at the consideration of HK$150 million to be settled by the issue of convertible bonds of the Company, under the EB Subscription Agreement, and (ii) the Group has conditionally agreed to issue shares of the Company for acquiring the shares in CVP Capital Limited ("CVP Capital") held by the existing shareholders of CVP Capital (the "CVP Capital Existing Shareholders"), upon the exercise of the put options by the CVP Capital Existing Shareholders pursuant to the deeds dated 9 February 2017 entered into with the CVP Capital Existing Shareholders. For details of the respective agreements and deeds, please refer to the announcements dated 9 February 2017 and 17 February 2017 respectively.

PLANT AND EQUIPMENT

Details of movements in the plant and equipment of the Group during the year ended 31 March 2017 are set out in note 16 to the consolidated financial statement.

RESERVES

Details of movements in the reserves of the Company and the Group during the year ended 31 March 2017 are set out in note 31 to the consolidated financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

As at 31 March 2017, the Company's reserves available for distribution to the Shareholders are approximately HK$13,846,000 (2016: HK$45,627,000) as calculated in accordance with statutory provisions applicable in the Cayman Islands.

MAJOR CUSTOMERS

Most of the Group's customers are local and overseas wine merchants, avid wine collectors in Hong Kong and China, renowned Hong Kong restaurants and high net worth individuals. For the years ended 31 March 2016 and 2017, the revenue generated from the five largest customers accounted for approximately 21.2% and 11.7% of the Group's total revenue, respectively, and the revenue generated from the single largest customer accounted for approximately 6.3% and 3.1% of the Group's total revenue, respectively. Generally, no credit period was offered to the Group's customers save with the approval of the management where we a credit period of up to 30 days to the Group's customers. During the Track Record Period and up to the Latest Practicable Date, no long-term sales agreement was entered into with any of the Group's customers.

So far as is known to the Directors, none of the Directors, their associates or substantial shareholders (which to the best knowledge of the Directors owns more than 5% of the Company's issued share capital) had any interest in the share capital of any of the five largest customers of the Group.

MAJOR PROCUREMENT AND SUPPLY

Products are procured from the open market 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 2016 and 2017, the purchases from the five largest suppliers accounted for approximately 32.3% and 23.7% of the Group's total purchases, respectively, and the purchases from the single largest supplier accounted for approximately 10.5% and 5.8% of the Group's total purchases, respectively.

So far as is known to the Directors, none of the Directors, their associates or substantial shareholders (which to the best knowledge of the Directors owns more than 5% of the Company's issued share capital) had any interest in the share capital of any of the five largest suppliers of the Group.

DIRECTORS

The Directors during the year ended 31 March 2017 and up to the date of this annual report are named as follows:

Executive Directors

Mr. Ting Pang Wan Raymond *(Chairman)*
Mr. Zhu Qin *(Chief executive officer)*

Non-executive Director

Mr. Kao Sheng-Chi (redesignated on 12 April 2017)

Independent Non-executive Directors

Ms. Fan Wei
Mr. Chu Kin Wang Peleus
Mr. Ip Cho Yin, *J.P.* (appointed on 1 February 2017)
Ms. Debra Elaine Meiburg (resigned on 1 November 2016)

In accordance with Article 84(1) of the Articles of Association, Mr. Ting Pang Wan Raymond and Mr. Zhu Qin would retire at the AGM and being eligible offer themselves for re-election.

In addition, Mr. Ip Cho Yin, *J.P.*, who was appointed on 1 February 2017 as an INED, shall retire from office at the forthcoming general meeting pursuant to Article 83(3) of the Articles of Association. Being eligible, Mr. Ip Cho Yin, *J.P.* will offer himself for re-election as an INED.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

The biographical information of the Directors and senior management of the Group are set out on pages 6 to 10 of this annual report.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service contract with the Company for an initial term of three years and renewable automatically for successive terms for one year unless and until (i) terminated by either party thereto giving not less than three months' prior written notice, with the last day of the notice falling on the last day of the initial term or any time thereafter; or (ii) the executive Director not being re-elected as a Director or being removed by Shareholders at general meeting of the Company in accordance with the Articles of Association.

Each of the NED and the INEDs was appointed for a fixed term of three years and shall be subject to retirement, re-election and removal in accordance with the Articles of Association.

Save as disclosed above, no Director proposed for re-election at the AGM has a service contract with the Company or any of its subsidiaries which is not determinable by the employing company within one year without the payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Saved as disclosed the section headed "Connected Party Transactions" in this Directors' Report, no Director had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year ended 31 March 2017.

SHARE OPTION SCHEME

The Company has conditionally adopted a share option scheme (the "Share Option Scheme") pursuant to a written resolution of the Shareholders passed on 21 September 2015 (the "Adoption Date"). The terms of the Share Option Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules. The following is a summary of the principal terms of the Share Option Scheme:

(A) Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to provide an incentive or a reward to eligible persons for their contribution to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group or any entity in which the Group holds any equity interest ("Invested Entity").

(B) Participants of the Share Option Scheme

The participants of the Share Option Scheme shall be:

(1) any employee (whether full-time or part-time) of the Company, any of the subsidiaries and any Invested Entity;

(2) any director (including executive, non-executive and independent non-executive directors) of the Company, any of its subsidiaries or any Invested Entity;

(3) any supplier of goods or services to any member of the Group or any Invested Entity;

SHARE OPTION SCHEME *(Cont'd)*

(B) Participants of the Share Option Scheme *(Cont'd)*

(4) any customer of the Group or any Invested Entity;

(5) any consultant, adviser, manager, officer or entity that provides research, development or other technological support to the Group or any Invested Entity; and

(6) or any person who, in the sole discretion of the Board, has contributed or may contribute to the Group or any Invested Entity eligible for options under the Share Option Scheme.

(C) Total number of shares available for issue under the Share Option Scheme

Under the Share Option Scheme, the total number of Shares which may be allotted and issued upon exercise of all Share Options to be granted under the Share Option Scheme and any other share option scheme of the Company must not in aggregate exceed 10% of the number of the issued shares as at 8 October 2015 unless the Company obtains a fresh approval from the Shareholders.

As at the date of this annual report, a total of 219,000,000 shares (representing approximately 5.475% of the issued share capital of the Company) are available for issue under the Share Option Scheme.

(D) Maximum entitlement of each participant under the Share Option Scheme

The maximum entitlement of each participant under the Share Option Scheme in any 12-month period up to and including the date of grant of the options must not exceed 1% of the total number of Shares in issue.

(E) The period within which the shares must be taken up under an option

The period during which an option may be exercised is determined by the Board at its discretion, save that such period shall not be longer than 10 years from the date of grant.

(F) The minimum period for which an option must be held before it can be exercised

As determined by the Board upon the grant of an option.

(G) The amount payable on acceptance of an option and the period within which payments shall be made

A consideration of HK$1 is payable on acceptance of the offer of grant of an option where the grantee should accept or decline the offer of grant of an option within the date as specified in the offer letter issued by the Company, being a date not later than 21 business days from the date upon which it is made.

SHARE OPTION SCHEME *(Cont'd)*

(H) The basis of determining the exercise price

The exercise price of a share in respect of any particular option granted under the Share Option Scheme shall be a price determined by the Board in its absolute discretion and notified to an eligible person, and shall be at least the higher of: (1) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, (2) the average closing price of the shares as stated in the Stock Exchange's daily quotation sheets for the five consecutive business days immediately preceding the date of grant, and (3) the nominal value of a share on the date of grant.

(I) The remaining life of the scheme

The Share Option Scheme shall be valid and effective for a period of 10 years from the Adoption Date until 20 September 2025.

On 17 December 2015 (the "Date of Grant"), 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.

With effective from 8 November 2016, each of the existing issued and unissued ordinary share of par value of HK$0.01 each in the share capital of the Company was subdivided into ten subdivided shares (the "Subdivided Shares") of HK$0.001 each (the "Share Subdivision"), and adjustments were made to the exercise price of the outstanding Share Options and the number of Subdivided Shares was allotted and issued upon full exercise of subscription rights attaching to the outstanding Share Options in the following manner:

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

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

SHARE OPTION SCHEME *(Cont'd)*

(I) The remaining life of the scheme *(Cont'd)*

Details of movements of the share options granted under the Share Option Scheme during the year ended 31 March 2017 were as follows:

Category	Date of Grant	Exercise period	Exercise price per Share *(Note 1)*	Number of share options: As at 1 April 2016	Share subdivision	Exercised/ Cancelled/ Lapsed	As at 31 March 2017
Devoss Global Holdings Limited ("Devoss Global") *(Note 2)*	17 December 2015	17 June 2016 to 16 December 2025	HK$0.80	600,000	5,400,000	–	6,000,000
Montrachet Holdings Ltd ("Montrachet") *(Note 3)*	17 December 2015	17 June 2016 to 16 December 2025	HK$0.80	1,500,000	13,500,000	–	15,000,000
Others *(Note 4)*	17 December 2015	17 June 2016 to 16 December 2025	HK$0.80	16,000,000	144,000,000	–	160,000,000
Total				18,100,000	162,900,000	–	181,000,000

Notes:

1. The exercise price of the share options is HK$0.80 per Share, representing the highest of (i) the restated closing price of HK$0.71 per Share as stated in the daily quotations sheets issued by the Stock Exchange on the Date of Grant; (ii) the restated average closing price of HK$0.80 per Share as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the Date of Grant; and (iii) HK$0.001, being the nominal value of a 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 Holding Company Limited ("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 2.7% shareholding interest in Royal Spectrum, as at 31 March 2017.

4. The category "Others" represents consultants of the Group. Consultants are corporations which render consultancy services to the Group.

5. The Group recognised total expenses of approximately HK$4.7 million for the year ended 31 March 2017 (2016: HK$6.6 million) in relation to the share options granted by the Company.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITION IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY OF ITS ASSOCIATED CORPORATION

As at 31 March 2017, 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 interested	Number of underlying shares pursuant to share options *(Notes 3 and 4)*	Aggregate interests	Approximate percentage of the Company's issued Shares*
Mr. Ting *(Notes 1 and 2)*	Interest in controlled corporations	1,968,000,000	142,363,636	2,110,363,636	52.76%

Notes:

1. The entire issued share capital in Royal Spectrum is legally and beneficially owned as to 96.3% by Devoss Global and 3.7% by Montrachet. Devoss Global is deemed to be interested in the Shares held by Royal Spectrum under Part XV of the SFO.

2. The entire issued share capital in Devoss Global is legally and beneficially owned by Mr. Ting. Mr. Ting is deemed to be interested in the Shares in which Devoss Global is interested in under Part XV of the SFO.

3. These interests represent the underlying Shares comprised in the share options granted by the Company on 17 December 2015.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITION IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY OF ITS ASSOCIATED CORPORATION *(Cont'd)*

(i) Long Position in the Shares, Underlying Shares or Debentures of the Company *(Cont'd)*

Notes: (Cont'd)

4. Pursuant to the EB Subscription Agreement, the consideration of the EB Subscription shall be satisfied by the issue of the convertible bonds of the Company to Bartha Holdings Limited ("Bartha Holdings") (or its nominees) to convert into 136,363,636 conversion shares of the Company ("Conversion Shares") at the conversion price of HK$1.1 per Conversion Share.

5. Bartha Holdings is 85.25% owned by CVP Holdings Limited ("CVP Holdings"). CVP Holdings is wholly-owned by Mr. Ting. Mr. Ting is deemed to be interested in the Shares in which Bartha Holdings is interested in under Part XV of the SFO.

6. Upon the Share Subdivision becoming effective on 8 November 2016, adjustments were made to the exercise price of the outstanding Share Options and the number of Subdivided Shares to be allotted and issued upon full exercise of subscription rights attaching to the outstanding Share Options.

* The percentage represents the aggregate of (i) the number of shares of the Company interested and (ii) the number of underlying shares of the Company pursuant to share options divided by the number of issued shares of the Company as at 31 March 2017 (i.e. 4,000,000,000 Shares).

(ii) Long Position in the Shares of Associated Corporations

Name of associated corporations	Name of Director	Capacity/ Nature of interest	Number of shares interested	Number of underlying shares pursuant to share options	Aggregate interests	Approximate percentage of the Company's issued shares*
Royal Spectrum *(Note 1)*	Mr. Ting	Interest in controlled corporation	1,968,000,000	0	1,968,000,000	49.20%
Devoss Global *(Note 2)*	Mr. Ting	Beneficial owner	1,968,000,000	6,000,000	1,974,000,000	49.35%

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITION IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY OF ITS ASSOCIATED CORPORATION *(Cont'd)*

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

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 held by Royal Spectrum under Part XV of the SFO.

2. The entire issued share capital in Devoss Global is legally and beneficially owned by Mr. Ting. Mr. Ting is deemed to be interested in the Shares in which Devoss Global is interested in under Part XV of the SFO.

3. These interests represent the underlying Shares comprised in the share options granted by the Company on 17 December 2015.

* The percentage represents the aggregate of (i) the number of Shares interested and (ii) the number of underlying Shares pursuant to share options divided by the number of issued Shares as at 31 March 2017 (i.e. 4,000,000,000 Shares).

Save as disclosed above, as at 31 March 2017, none of the Directors or chief executive of the Company had any interests and short positions in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 and 5.67 of the GEM Listing Rules.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

So far as the Directors are aware, as at 31 March 2017, 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 9)*	Aggregate interests	Approximate percentage of the Company's issued Shares*
Royal Spectrum	Beneficial owner	*1*	1,968,000,000	0	1,968,000,000	49.20%
Devoss Global	Beneficial owner and interest in controlled corporation	*2*	1,968,000,000	6,000,000	1,974,000,000	49.35%
Mr. Ting	Interest in controlled corporation	*2 & 3*	2,104,363,636	6,000,000	2,110,363,636	52.76%
Ms. Luu Huyen Boi	Interest of spouse	*4*	2,104,363,636	6,000,000	2,110,363,636	52.76%
Mr. Ding Lu ("Mr. Ding")	Beneficial owner and Interest in controlled corporation	*5 & 6*	359,600,000	0	359,600,000	8.99%
Timebase Holdings Limited ("Timebase")	Beneficial owner	*7*	240,000,000	40,000,000	280,000,000	7.00%
Ms. Lu Mengjia ("Ms. Lu")	Interest in controlled corporation	*7*	240,000,000	40,000,000	280,000,000	7.00%
Keywood Limited ("Keywood")	Beneficial owner	*8*	180,000,000	40,000,000	220,000,000	5.50%
Mr. Han Hanting ("Mr. Han")	Interest in controlled corporation	*8*	180,000,000	40,000,000	220,000,000	5.50%

Notes:

1. The entire issued share capital in Royal Spectrum is legally and beneficially owned as to 96.63% by Devoss Global and 3.37% by Montrachet. Devoss Global is deemed to be interested in the shares of the Company held by Royal Spectrum under Part XV of the SFO.

2. The entire issued share capital in Devoss Global is legally and beneficially owned by Mr. Ting. Mr. Ting is deemed to be interested in the shares in which Devoss Global is interested in under Part XV of the SFO.

3. Pursuant to the EB Subscription Agreement, the consideration of the EB Subscription shall be satisfied by the issue of the convertible bonds of the Company to Bartha Holdings (or its nominees) to convert into 136,363,636 Conversion Shares at the conversion price of HK$1.1 per Conversion Share. The entire issued share capital in Bartha Holdings is 85.25% owned by CVP Holdings. CVP Holdings is wholly-owned by Mr. Ting. Mr. Ting is deemed to be interested in 136,363,636 shares which Bartha Holdings is interested in under Part XV of the SFO.

4. Ms. Luu Huyen Boi is the spouse of Mr. Ting. Ms. Luu Huyen Boi is deemed to be interested in all the shares in which Mr. Ting is interested in under Part XV of the SFO.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY *(Cont'd)*

Long Position in the Shares, Underlying Shares or Debentures of the Company *(Cont'd)*

Notes: (Cont'd)

5. Mr. Ding is beneficial interested in 351,000,000 shares of the Company.

6. The entire issued share capital in Flying Bridge Investment Limited ("Flying Bridge") is legally and beneficially owned by Mr. Ding. Mr. Ding is deemed to be interested in 8,600,000 shares which Flying Bridge is interested in under Part XV of the SFO.

7. The entire issued share capital in Timebase is legally and beneficially owned by Ms. Lu. Ms. Lu is deemed to be interested in the shares in which Timebase is interested in under Part XV of the SFO.

8. 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 in which Keywood is interested in under Part XV of the SFO.

9. These interests represent the underlying Shares comprised in the share options granted by the Company on 17 December 2015.

10. Upon the Share Subdivision becoming effective on 8 November 2016, adjustments were made to the exercise price of the outstanding Share Options and the number of Subdivided Shares to be allotted and issued upon full exercise of subscription rights attaching to the outstanding Share Options.

* The percentage represents the aggregate of (i) the number of shares of the Company interested and (ii) the number of underlying shares of the Company pursuant to share options divided by the number of issued shares of the Company as at 31 March 2017 (i.e. 4,000,000,000 Shares).

Save as disclosed above, as at 31 March 2017, 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.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at no time during the year ended 31 March 2017 did the Directors and the chief executive of the Company (including their respective spouses and children under 18 years of age) have any interest in or exercise, or had been granted, any rights to subscribe for Shares (or warrants or debentures, if applicable) of the Company and/or its associated corporations (within the meaning of the SFO).

Save as disclosed above, at no time during the year ended 31 March 2017 was the Company or any of its subsidiaries, associated companies, fellow subsidiaries or holding companies a party to any arrangements to enable the Directors or the chief executive of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate at any time during the year or at the end of the year ended 31 March 2017.

NON-EXEMPT CONTINUING CONNECTED TRANSACTION

During the year ended 31 March 2017, the Company has no non-exempt continuing connected transaction which is subject to the reporting, annual review, announcement and independent shareholders' approval under Chapter 20 of the GEM Listing Rules.

CONNECTED TRANSACTIONS

During the year ended 31 March 2017, the Company has the following connected transactions which are subject to the reporting, annual review, announcement and independent shareholders' approval under Chapter 20 of the GEM Listing Rules.

On 9 February 2017, CVP Financial Holdings Limited ("CVP Financial") (formerly known as Perfect Zone Holdings Limited), an indirect non wholly-owned subsidiary of the Company, entered into the following agreements and deeds to pursue business opportunities in the financial market of Hong Kong. For details of the respective agreements and deeds, please refer to the announcements dated 9 February 2017 and 17 February 2017 respectively.

Deeds

CVP Financial entered into the first deed (the "First Deed") with Mr. Samuel Lin Jr. ("Mr. Lin"), an ex-director of certain subsidiaries of the Company in the past 12 months, and the second deed (the "Second Deed") with Star Beauty Holdings Limited ("Star Beauty") respectively on 9 February 2017, pursuant to which, (i) each of Mr. Lin and Star Beauty has conditionally agreed to grant CVP Financial the right of first refusal, and (ii) CVP Financial has conditionally agreed to grant each of Mr. Lin and Star Beauty (a) the tag along right, and (b) the put option (the "Put Option"). Each of Mr. Lin and Star Beauty, pursuant to the Put Option, during the 12-month period after the 2nd anniversary of the completion, has the right to require CVP Financial to acquire all the shares of CVP Capital ("CVP Capital Shares") held by him/it immediately prior to the exercise of the Put Option, at the consideration of HK$1.26 per CVP Capital Share. The consideration payable by CVP Financial to each of Mr. Lin and Star Beauty shall be satisfied at the discretion of Mr. Lin or Star Beauty (as the case may be), either in cash or by CVP Financial procuring the Company to issue and allot shares of the Company (the "Consideration Shares") under the specific mandate to be sought in the extraordinary general meeting at the issue price of HK$1.1 per share. The issue of Consideration Shares to Mr. Lin is a connected transaction, and is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

CONNECTED TRANSACTIONS *(Cont'd)*

Acquisition Agreement and the EB Subscription Agreement

On 9 February 2017, CVP Financial, as the purchaser, and CVP Holdings Limited ("CVP Holdings"), as the vendor, entered into the Acquisition Agreement, pursuant to which CVP Financial conditionally agreed to acquire, and CVP Holdings conditionally agreed to sell, the entire issued share capital of CVP Asset Management for a consideration of HK$14,000,000, which shall be satisfied by the Company issuing an interest-free promissory note in the sum of HK$14,000,000 to CVP Holdings (or its nominee(s)) within three business days upon fulfillment of the post-completion undertaking, or upon completion, whichever is later.

CVP Financial, as the subscriber, and Bartha Holdings, as the issuer, entered into the EB Subscription Agreement on 17 February 2017, pursuant to which CVP Financial conditionally agreed to subscribe for, and Bartha Holdings conditionally agreed to issue, the exchangeable bonds for a consideration of HK$150,000,000.

The consideration shall be satisfied by CVP Financial procuring the Company to issue the convertible bonds of the Company to Bartha Holdings (or its nominees) to convert into 136,363,636 Conversion Shares at the conversion price of HK$1.1 per Conversion Share.

Bartha Holdings irrevocably and unconditionally warrants and guarantees to CVP Financial that the audited consolidated net profit attributable to Batha International and Eternal Pearl Securities Limited ("Eternal Pearl") (the "Bartha Group") after tax and any extraordinary or exceptional items of the Bartha Group for the 24 months ended 31 March 2019 (the "Profit Guarantee Period") shall not be less than HK$15,000,000 (the "Guaranteed Profit") which is determined with reference to (i) placing and underwriting agreements on hand of Eternal Pearl; (ii) expected interest income arising from margin financing business of Eternal Pearl; and (iii) share of estimated profits from the result of the joint venture securities company to be set up in the PRC by Eternal Pearl and other co-investors.

Mr. Ting, being an executive Director, the chairman of the Board and the controlling Shareholder, is a connected person of the Company. CVP Holdings, which is wholly-owned by Mr. Ting, and Bartha Holdings, which is owned as to 85.25% by CVP Holdings, are associates of Mr. Ting and therefore are connected persons of the Company. Accordingly, each of the Proposed Acquisition and the EB Subscription constitutes a connected transaction on the part of the Company under the GEM Listing Rules.

As certain applicable percentage ratios in respect of the EB Subscription are more than 25% but less than 100%, the EB Subscription itself constitutes a major transaction on the part of the Company under the GEM Listing Rules.

CONNECTED TRANSACTIONS *(Cont'd)*

Acquisition Agreement and the EB Subscription Agreement *(Cont'd)*

The Proposed Acquisition itself is fully exempt from notification and announcement requirements pursuant to Chapter 19 of the GEM Listing Rules as each of the applicable percentage ratios (as defined under the GEM Listing Rules) in respect of the Proposed Acquisition is less than 5%. Based on the fact that the Proposed Acquisition and the EB Subscription were entered into with the associates of Mr. Ting, the Proposed Acquisition should be aggregated with the EB Subscription. When the Proposed Acquisition aggregated with the EB Subscription, the applicable percentage ratios remain more than 25% but less than 100%, the aggregation of the Proposed Acquisition and the EB Subscription constitutes a major transaction. Hence, both the Proposed Acquisition and the EB Subscription and the transactions contemplated thereunder are therefore subject to, among others, the reporting, announcement and the independent shareholders' approval under the GEM Listing Rules.

RELATED PARTY TRANSACTIONS

During the year ended 31 March 2017, the Group entered into certain transactions with "related parties" as defined under the applicable accounting standards. These related party transactions, which are disclosed in note 29 to the consolidated financial statements, did not fall under the definition of connected transactions under the GEM Listing Rules.

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles of Association, subject to the applicable laws, every Director shall be indemnified out of the assets of the Company against all losses and liabilities which he/she may sustain or incur in or about the execution of his/her office or otherwise in relation thereto. Such provisions were in force during the course of the year ended 31 March 2017 and remained in force as of the date of this annual report.

MANAGEMENT CONTRACTS

No contract, other than employment contracts, concerning the management and administration of the whole or any substantial part of the Company's business was entered into or existed during the year ended 31 March 2017.

CHARITABLE DONATIONS

During the year ended 31 March 2017, the Group has made a donation of HK$0.5 million made to a charitable organization (2016: nil).

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 year ended 31 March 2017.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the INEDs an annual confirmation of his/her independence pursuant to Rule 5.09 of the GEM Listing Rules and considers all the INEDs to be independent.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to achieving high standards of corporate governance to safeguard the interests of the Shareholders 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.

Throughout the period from 1 April 2016 and up to the date of this report, to the best knowledge of the Board, the Company had complied with the code provisions in the CG Code.

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.

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 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 31 March 2017 and the date of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued Shares was held by the public as at the date of this annual report.

ENVIRONMENTAL POLICIES AND PERFORMANCES

As a supporter of environmental protection, the Company strives for efficient and effective use of energy and resources in operation and management level of the Company. Energy conservation is a priority under environmental protection and energy-saving devices are used to reduce power consumption for lights. To enhance environmental awareness and encourage daily participation among the staff, there are policies in relation to energy conservation so as to minimize negative environmental impacts. Energy efficiency practices are enforced as to reduce wastage and avoid utilization of unnecessary resources including:

1. The use of electricity in the office of the Group must comply the principles of power saving, safety first, high efficiency and low consumption.

2. Lights and electronic appliances in living area or workplace must be turned off when not in use.

3. Every member of staff and management must turn off the power for each department's computers, photocopy machines, printers and facsimile machines when they are off duty or on leave.

4. Other than formal documents that require the use of papers, each department is advised to handle documents electronically. When the use of paper is required, each piece of paper must be printed double-sided except for formal and confidential documents.

REVIEW OF THE FINAL RESULTS BY AUDIT COMMITTEE

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 system of the Group; to review the accounting policy, financial position and financial reporting procedures of the Group; to communicate with external auditors; to assess the performance of internal financial and audit personnel; and to assess the internal controls and risk management of the Group.

The Audit Committee comprises three members, namely Mr. Chu Kin Wang Peleus (chairman), Ms. Fan Wei and Mr. Ip Cho Yin, *J.P.*, all of whom are independent non-executive Directors.

The Group's audited consolidated financial statements for the year ended 31 March 2017 and this report have been reviewed by the Audit Committee. The Board is of the opinion that such financial information has been prepared in compliance with the applicable accounting standards, the requirements under the GEM Listing Rules and any other applicable legal requirements, and that adequate disclosures have been made.

CHANGE OF DIRECTORS

Resignation of Director

Ms. Debra Elaine Meiburg resigned as an INED and a member of each of the Audit Committee, the Remuneration Committee and the Nomination and Corporate Governance Committee, of the Company on 1 November 2016.

Appointment of Director

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

SUBSEQUENT EVENTS AFTER THE REPORTING PERIOD

Re-designation of Director

Mr. Kao Sheng-Chi was re-designated from executive Director to non-executive Director of the Company on 12 April 2017.

Appointment of CEO

Mr. Zhu Qin was appointed as the chief executive officer ("CEO") of the Company on 28 April 2017.

Proposed Change of Company Name

On 7 June 2017, the Board proposed to change the English name of the Company from "Madison Wine Holdings Limited" to "Madison Holdings Group Limited", and replace "麥迪森酒業控股有限公司" by "麥迪森控股集團有限公司" as the Company's Chinese name (the "Proposed Change of Company Name").

The Proposed Change of Company Name is subject to (i) the passing of a special resolution by Shareholders approving the Proposed Change of Company Name at the extraordinary general meeting of the Company; and (ii) the the Registrar of Companies in the Cayman Islands approving the Proposed Change of Company Name, if any.

For details, please refer to the announcement and circular dated 7 June 2017 and 9 June 2017 respectively.

CHANGE IN INFORMATION OF DIRECTOR

Mr. Chu, an INED of the Company, was appointed as an independent non-executive director of Mingfa Group (International) Company Limited (Stock Code 846:HK), PT International Development Corporation Limited (formerly known as ITC Corporation Limited) (Stock Code 372:HK) and China Huishan Dairy Holdings Company Limited (Stock Code 6863:HK) since November 2016, March 2017 and June 2017 respectively; the shares of which were listed on the Main Board of the Stock Exchange. Mr. Chu has resigned as a non-executive director of Perfect Group International Holdings Limited (Stock code 3326:HK), a company listed on the Main Board of the Stock Exchange on 1 March 2017.

INDEPENDENT AUDITOR

SHINEWING (HK) CPA Limited was appointed as the auditor of the Company for the year ended 31 March 2017. The Company has not changed its auditor since the Listing Date and up to the date of this annual report. SHINEWING (HK) CPA Limited will retire and, being eligible, offer themselves for re-appointment at the AGM. A resolution for the re-appointment of SHINEWING (HK) CPA Limited as the auditor of the Company is expected to be proposed at the AGM.

By order of the Board
MADISON WINE HOLDINGS LIMITED
Ting Pang Wan Raymond
Chairman and executive Director

Hong Kong, 27 June 2017

CORPORATE GOVERNANCE REPORT

The Board hereby presents this Corporate Governance Report in the Company's annual report for the year ended 31 March 2017.

CORPORATE GOVERNANCE PRACTICES

The Company acknowledges the important roles of its Board in providing effective leadership and direction to the Group's business, and ensuring transparency and accountability of the Company's operations. The Board sets appropriate policies and implements corporate governance practices appropriate to the conduct and growth of the Group's business.

The Company has applied the principles and code provisions as set out in the Appendix 15, "Corporate Governance Code and Corporate Governance Report" of the GEM Listing Rules.

In the opinion of the Board, the Company has complied with the code provisions set out in the CG Code. Key corporate governance principles and practices of the Company are summarised below.

A. The Board

A.1 Responsibilities and Delegation

The overall management and control of the Company's business are vested in its Board. The Board is responsible for establishing policies, strategies and plans, providing leadership in creating value and overseeing the Company's financial performance on behalf of the Shareholders. All Directors carry out their duties in good faith and in compliance with applicable laws and regulations, taking decisions objectively and acting in the interests of the Company and its Shareholders at all times.

The Board reserves for its decisions all major matters of the Company, including the approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters.

All Directors have full and timely access to all relevant information as well as the advice and services of the senior management, with a view to ensuring the Board procedures and all applicable laws and regulations are followed. Each Director is able to seek independent professional advice in appropriate circumstances at the Company's expenses, upon making reasonable request to the Board. The Board has delegated day-to-day operation responsibility to the management of the Company under the supervision of the executive Directors and various Board committees.

The delegated functions and responsibilities are periodically reviewed by the Board. Approval has to be obtained from the Board prior to any significant transactions entering into by the foregoing officers and senior management.

CORPORATE GOVERNANCE PRACTICES *(Cont'd)*

A. The Board *(Cont'd)*

A.2 Board Composition

The Board comprised the following Directors during the year ended 31 March 2017 and up to the date of this annual report:

Executive Directors

Mr. Ting Pang Wan Raymond *(Chairman)*	
Mr. Zhu Qin *(CEO)*	*Appointed as a CEO and ceased to act as President on 28 April 2017*

Non-executive Director

Mr. Kao Sheng-Chi	*Re-designated as a NED and ceased to act as Deputy Chairman on 12 April 2017*

Independent Non-executive Directors

Ms. Debra Elaine Meiburg	*Resigned on 1 November 2016*
Ms. Fan Wei	
Mr. Chu Kin Wang Peleus	
Mr. Ip Cho Yin*, J.P.*	*Appointed as an INED on 1 February 2017*

The list of all Directors (by category) is set out under the section headed "Corporate Information" in this annual report and is also disclosed in all corporate communications issued by the Company pursuant to the GEM Listing Rules from time to time. The INEDs are expressly identified in all corporate communications of the Company. There is no relationship (including financial, business, family or other material or relevant relationships) between the Board members, and in particular, between the Chairman, the deputy chairman and the president. The biographical details of the Directors of the Company are set out under the section headed "Biographical Details of Directors and Senior Management" in this annual report.

During the year ended 31 March 2017, the Board has at all times met the requirements of the GEM Listing Rules relating to the appointment of at least three INEDs with at least one of them possessing appropriate professional qualifications and accounting and related financial management expertise as required under the GEM Listing Rules.

CORPORATE GOVERNANCE PRACTICES *(Cont'd)*

A. The Board *(Cont'd)*

A.2 Board Composition (Cont'd)

The Board has maintained the necessary balance of skills and experience appropriate for the business requirements and objectives of the Group and for the exercise of independent judgement. Each executive Director supervises areas of the Group's business in accordance with his expertise. The NED and the INEDs bring different business and financial expertise, experiences and independent judgement to the Board and they are invited to serve on the Board committees of the Company. Through participation in Board meetings, taking the lead in managing issues involving potential conflicts of interests and/or serving on Board committees, the NED and the INEDs have made contributions to the effective direction of the Company and provided adequate checks and balances to safeguard the interests of both the Group and the Shareholders.

The Company has received a written annual confirmation from each INEDs of his/her independence pursuant to the requirements of the GEM Listing Rules. The Company considers all INEDs to be independent in accordance with the independence guidelines set out in the GEM Listing Rules.

A.3 Chairman and Chief Executive

The Company had complied with the code provisions in the CG Code.

Mr. Ting is the Chairman and is responsible for major decision-making and implementation of business strategies 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.

Mr. Zhu is the chief executive officer (the "CEO") since 28 April 2017 and is in charge of the Company's day-to-day management and operations and focuses on implementing the objectives, policies and strategies approved and delegated by the Board.

CORPORATE GOVERNANCE PRACTICES *(Cont'd)*

A. The Board *(Cont'd)*

A.4 Appointment and Re-Election of Directors

Each of the executive Directors of the Company entered into a service agreement with the Company for a term of three years. Each of the NED and INEDs was appointed by the Company pursuant to a letter of appointment for a term of three years.

At each annual general meeting, one-third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot. There are no provisions relating to retirement of Directors upon reaching any age limit.

Pursuant to the aforesaid provisions of the Articles of Association, one-third of the Company shall retire at the AGM and, being eligible, will offer themselves for re-election at the meeting. The Company's circular, sent together with this annual report, contains detailed information of all retiring Directors pursuant to the GEM Listing Rules.

The procedures and process of appointment, re-election and removal of Directors are laid down in the Articles of Association. The Company has established a Nomination and Corporate Governance Committee and its primary functions are to make recommendations to the Board regarding candidates to fill vacancies on the Board and policies/practices on corporate governance of the Group. Details of the Nomination and Corporate Governance Committee and its work performed are set out in the "Board Committees" section below.

A.5 Induction and Continuous Professional Development for Directors

All Directors received induction on the first occasion of his/her appointment, so as to ensure that he/she has appropriate understanding of the business and operations of the Group and that he/she is sufficiently aware of his/her responsibilities and obligations under the GEM Listing Rules and relevant regulatory requirements.

All Directors are continually updated with legal and regulatory developments, and the business and market changes to facilitate the discharge of their responsibilities.

CORPORATE GOVERNANCE PRACTICES *(Cont'd)*

A. The Board *(Cont'd)*

A.5 Induction and Continuous Professional Development for Directors (Cont'd)

According to the records maintained by the Company, the Directors received the following training regarding roles, function and duties of a director of a listed company or professional skills in compliance with the new requirement of the CG Code on continuous professional development during the year ended 31 March 2017:

	Reading materials	Attending seminars/ induction training
Executive Directors		
Mr. Ting Pang Wan Raymond *(Chairman)*	✓	✘
Mr. Zhu Qin *(CEO)*	✓	✘
Non-executive Director		
Mr. Kao Sheng-Chi *(redesignated on 12 April 2017)*	✓	✘
Independent Non-executive Directors		
Ms. Debra Elaine Meiburg *(resigned on 1 November 2016)*	✘	✘
Ms. Fan Wei	✓	✘
Mr. Chu Kin Wang Peleus	✓	✘
Mr. Ip Cho Yin, *J.P. (appointed on 1 February 2017)*	✓	✓

A.6 Board Meetings

A.6.1 Board Practices and Conduct of Meetings

Schedules for regular Board meetings are normally agreed with the Directors in advance. In addition to the above, notice of at least 14 days is given for a regular Board meeting. For other Board meetings, reasonable notice is generally given.

Draft agenda of each Board meeting is usually sent to all Directors together with the notice in order to give them an opportunity to include any other matters in the agenda for discussion in the meeting.

Board papers together with all appropriate, complete and reliable information are sent to all Directors at least 3 days before each Board meeting to provide them with materials relating to the transactions to be discussed in the meeting in order to enable them to make informed decisions. The Board and each Director also have separate and independent access to the senior management whenever necessary.

CORPORATE GOVERNANCE PRACTICES *(Cont'd)*

A. The Board *(Cont'd)*

A.6 Board Meetings (Cont'd)

A.6.1 Board Practices and Conduct of Meetings *(Cont'd)*

The Chairman, the other Directors and other relevant senior management normally attend regular Board meetings and, where necessary, other Board and committee meetings to advise on business developments, financial and accounting matters, statutory compliance, corporate governance and other major aspects of the Group.

The Company Secretary is responsible to keep minutes of all Board and committee meetings. Draft minutes are normally circulated to Directors for comments within a reasonable time after each meeting and the final version is open for Directors' inspection.

According to current Board practice, any material transaction, which involves a conflict of interest for a substantial shareholder or a director, will be considered and dealt with by the Board at a duly convened Board meeting. The Articles of Association contain provisions requiring directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such directors or any of their associates have a material interest.

A.6.2 Directors' Attendance Records

The Board meets regularly for reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policies of the Company. Additional meetings are held when significant events or important issues are required to be discussed and resolved.

Up to the date of this annual report, the Board four full Board meetings. The attendance of each Director is as follows:

	Number of Board meeting attended/ eligible to attend
Executive Directors	
Mr. Ting Pang Wan Raymond	3/4
Mr. Zhu Qin	4/4
Non-executive Director	
Mr. Kao Sheng-Chi *(redesignated on 12 April 2017)*	4/4
Independent Non-executive Directors	
Ms. Debra Elaine Meiburg *(resigned on 1 November 2016)*	1/1
Ms. Fan Wei	4/4
Mr. Chu Kin Wang Peleus	4/4
Mr. Ip Cho Yin, *J.P. (appointed on 1 February 2017)*	1/2

CORPORATE GOVERNANCE PRACTICES *(Cont'd)*

A. The Board *(Cont'd)*

A.6 Board Meetings (Cont'd)

A.6.2 Directors' Attendance Records *(Cont'd)*

There were 20 additional full Board meetings held and attended by certain executive Directors and INEDs for normal course of business up to the date of this annual report. Apart from the said meetings, matters requiring Board approval were arranged by means of circulation of written resolutions of all Board members.

All business transacted at the Board meetings and by written resolutions were well-documented. Minutes of the Board meetings and written resolutions are kept by the Company and are available to all Directors.

A.7 Required Standard of Dealings

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 since the Listing Date and up to 31 March 2017.

No incident of Code on Securities Dealings by the Directors was noted by the Company.

In case when the Company is aware of dealings in the Company's securities during the restricted period, the Company will notify its Directors in advance.

B. Board Committees

The Board delegates certain responsibilities to various committees. In accordance with the Articles of Association and the GEM Listing Rules, three board committees have been formed, namely the Audit Committee, the Remuneration Committee and the Nomination and Corporate Governance Committee. The Remuneration Committee, the Audit Committee, and the Nomination and Corporate Governance Committee have been established with defined written terms of reference, which are published on the Company's website and the Stock Exchange's website, or available to Shareholders upon request. All the Board committees should report to the Board on their decisions or recommendations made.

CORPORATE GOVERNANCE PRACTICES *(Cont'd)*

B. Board Committees *(Cont'd)*

The practices, procedures and arrangements in conducting meetings of Board committees follow in line with, so far as practicable, those of the Board meetings set out in A.6.1 above.

All Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expenses.

B.1 Remuneration Committee

The Company established the Remuneration Committee pursuant to a resolution of Directors passed on 21 September 2015 in compliance with Rule 5.34 of the GEM Listing Rules with written terms of reference in compliance with the CG Code. The primary functions of the Remuneration Committee are to (i) make recommendation to the Board on the remuneration packages of the Directors and senior management of the Group, (ii) review performance based remuneration and (iii) ensure none of the Directors determine their own remuneration.

The Remuneration Committee comprises a total of four members, namely, Ms. Fan Wei (chairlady), Mr. Ting Pang Wan Raymond, Mr. Chu Kin Wang Peleus and Mr. Ip Cho Yin, *J.P.*, except Mr. Ting, all of whom are INEDs.

Pursuant to the code provision B.1.5 of the CG Code, the remuneration of the members of the Board and the senior management by band for the year ended 31 March 2017 is set out below:

In the band of	**Number of Individuals**
Nil to HK$1,000,000	5
HK$1,000,001 to HK$2,000,000	3
HK$2,000,001 to HK$3,000,000	1
HK$3,000,001 to HK$4,000,000	–
Over HK$4,000,000	–

Details of the remuneration of each Director and the five individuals with the highest emoluments in the Group for the year ended 31 March 2017 are set out in note 12 and 13 to the financial statements, respectively, contained in this annual report.

CORPORATE GOVERNANCE PRACTICES *(Cont'd)*

B. Board Committees *(Cont'd)*

B.1 Remuneration Committee (Cont'd)

Up to the date of this annual report, the Remuneration Committee met once and performed the following major tasks:

– Review and make recommendation on the proposal on year-end bonus and special bonus to the Directors and senior management of the Group; and

– Review and make recommendation on the remuneration packages of Directors and senior management of the Group.

Up to the date of this Annual Report, the attendance of each member of the Remuneration Committee is as follows:

	Number of Remuneration Committee meeting attended/ eligible to attend
Mr. Ting Pang Wan Raymond	1/1
Ms. Fan Wei	1/1
Mr. Chu Kin Wang Peleus	1/1
Mr. Ip Cho Yin, *J.P.* *(appointed on 1 February 2017)*	1/1
Ms. Debra Elaine Meiburg *(resigned on 1 November 2016)*	–

B.2 Audit Committee

The Company established the Audit Committee with written terms of reference in compliance with Rule 5.28 of the GEM Listing Rules pursuant to a resolution of the Directors passed on 21 September 2015. The primary duties of the Audit Committee are mainly to (i) make recommendations to the Board on the appointment and removal of the external auditor, (ii) review the financial statements and material advice in respect of financial reporting and (iii) oversee the risk management and internal control procedures of the Company.

The Audit Committee comprises a total of three members, namely, Mr. Chu Kin Wang Peleus (chairman), Ms. Fan Wei and Mr. Ip Cho Yin, *J.P.*, all being INEDs. The chairman of the Audit Committee also possesses the appropriate accounting and financial management expertise as required under Rule 5.28 of the GEM Listing Rules. None of the members of the Audit Committee is a former partner of the Company's existing external auditor.

CORPORATE GOVERNANCE PRACTICES *(Cont'd)*

B. Board Committees *(Cont'd)*

B.2 Audit Committee (Cont'd)

Up to the date of this annual report, the Audit Committee met four times, of which one of the meetings was also with the presence of the external auditor and the senior management of the Company and performed the following major tasks:

– Review and discussion of the quarterly, interim and annual financial statements, results announcements and reports, the related accounting principles and practices adopted by the Group and the relevant audit findings;

– Review and discussion of the risk management and internal control system of the Group;

– Discussion and recommendation of the re-appointment of external auditor; and

– Review of the Company's continuing connected transactions for the year ended 31 March 2017 pursuant to the GEM Listing Rules.

Up to the date of this annual report, the attendance of each member of the Audit Committee is as follows:

	Number of Audit Committee meeting attended/ eligible to attend
Ms. Fan Wei	2/2
Mr. Chu Kin Wang Peleus	2/2
Mr. Ip Cho Yin, *J.P.* *(appointed on 1 February 2017)*	1/2
Ms. Debra Elaine Meiburg *(resigned on 1 November 2016)*	1/1

There is no disagreement between the Board and the Audit Committee regarding the re-appointment of external auditor.

The revised terms of reference of the Audit Committee setting out its role and responsibilities are available on the Stock Exchange's website and the Company's website.

There was one additional full Audit Committee meeting held and attended by the Audit Committee members for normal course of business up to the date of this annual report.

CORPORATE GOVERNANCE PRACTICES *(Cont'd)*

B. Board Committees *(Cont'd)*

B.3 Nomination and Corporate Governance Committee

The Company established the Nomination and Corporate Governance Committee pursuant to a resolution of the Directors passed on 21 September 2015 with written terms of reference in compliance with the CG Code. The primary functions of the Nomination and Corporate Governance Committee are to make recommendations to the Board regarding candidates to fill vacancies on the Board and policies/practices on corporate governance of the Group.

Pursuant to the CG Code, the Company has established the Nomination and Corporate Governance Committee which comprises a total of four members, namely, Mr. Ting Pang Wan Raymond (chairman), Ms. Fan Wei, Mr. Chu Kin Wang Peleus and Mr. Ip Cho Yin, *J.P.*, except Mr. Ting, all of whom are INEDs.

The principal duties of the Nomination and Corporate Governance Committee are to (i) review the Board composition; (ii) develop and formulate relevant procedures for the nomination and appointment of directors; (iii) identify qualified individuals to become members of the Board; (iv) monitor the appointment and succession planning of directors; and (v) assess the independence of INEDs.

Up to the date of this annual report, the Nomination and Corporate Governance Committee met once and performed the following major tasks:

– Review and discussion of the existing structure, size and composition of the Board to ensure that it has a balance of expertise, skills and experience appropriate to the requirements for the business of the Group;

– Assessment of the independence of the existing INEDs;

– Recommendation on the re-appointment of retiring Directors at the AGM pursuant to the Articles of Association;

– Review and development of the Company's policies and practices on corporate governance and make recommendations to the board;

– Review and monitoring of the training and continuous professional development of directors and senior management;

– Review and monitoring of the Company's policies and practices on compliance with legal and regulatory requirements;

– Review and monitoring of the code of conduct applicable to employees and directors; and

– Review of the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

CORPORATE GOVERNANCE PRACTICES *(Cont'd)*

B. Board Committees *(Cont'd)*

B.3 Nomination and Corporate Governance Committee (Cont'd)

Up to the date of this annual report, the attendance of each member of the Nomination and Corporate Governance Committee is as follows:

	Number of Nomination and Corporate Governance Committee meeting attended/ eligible to attend
Mr. Ting Pang Wan Raymond *(Chairman)*	1/1
Ms. Fan Wei	1/1
Mr. Chu Kin Wang Peleus	1/1
Mr. Ip Cho Yin, *J.P.* *(appointed on 1 February 2017)*	1/1
Ms. Debra Elaine Meiburg *(resigned on 1 November 2016)*	–

The terms of reference of the Nomination and Corporate Governance Committee setting out its role and responsibilities are available on the Stock Exchange's website and the Company's website.

C. Board Diversity Policy

The Board has adopted a Board Diversity Policy on 21 September 2015 which sets out the approach to achieve diversity on the Board. The Company considered diversity of board members can be achieved through consideration of a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge. All Board appointments are based on meritocracy, and candidates are considered against objective criteria, having due regard for the benefits of diversity on the Board.

D. Directors' Responsibilities for Financial Reporting in Respect of the Financial Statements

The Directors acknowledge their responsibilities for preparing all information and representations contained in the financial statements for the year ended 31 March 2017 as disclosed in this annual report. The Directors consider that the financial statements have been prepared in conformity with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and reflect amounts that are based on the best estimates and reasonable, informed and prudent judgment of the Board and management with an appropriate consideration to materiality. As at 31 March 2017, the Directors, having made appropriate enquiries, are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Group's and the Company's ability to continue as a going concern. Accordingly, the Directors have prepared the financial statements on a going concern basis. The statement of the auditors of the Company regarding their responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 52 to 56 of this annual report.

CORPORATE GOVERNANCE PRACTICES *(Cont'd)*

E. Risk Management and Internal Controls

The Company has an internal audit function.

The Board is responsible for maintaining an adequate risk management and internal control systems to safeguard the interests of the Shareholders and the Group's assets and, with the support of the Audit Committee, for reviewing the effectiveness of such systems on an annual basis.

The Board has conducted a review of the effectiveness of the risk management and internal control systems of the Group for the year ended 31 March 2017. The senior management reviews and evaluates the control process and monitors any risk factors on a regular basis and reports to the Board and the Audit Committee on any findings and measures to address the variances and identified risks. The Board considered the risk management and internal control systems are effective and adequate.

F. External Auditor and Auditor's Remuneration

The statement of the external auditor of the Company on their reporting responsibilities for the Group's financial statements for the year ended 31 March 2017 is set out in the section headed "Independent Auditor's Report" in this annual report.

The fees paid/payable to SHINEWING (HK) CPA Limited, the Company's auditor, in respect of audit services and non-audit services for the year ended 31 March 2017 are analysed below:

Type of services provided by the external auditor	**Fees paid/ payable**
Audit services	630,000
Non-audit services	735,000
TOTAL:	1,365,000

G. Corporate Governance Functions

The Board as a whole is responsible for performing the corporate governance duties including:

- to develop and review the Company's policies and practices on corporate governance and make recommendations to the board;
- to review and monitor the training and continuous professional development of directors and senior management;
- to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; and
- to review the Company's compliance with the Code and disclosure in the Corporate Governance Report.

During the year ended 31 March 2017 and up to the date of this annual report, the Board has reviewed and performed the above corporate governance functions.

CORPORATE GOVERNANCE PRACTICES *(Cont'd)*

H. Shareholders' Rights

As one of the measures to safeguard Shareholders' interests and rights, separate resolutions are proposed at Shareholders' meetings on each substantial issue, including the election of individual directors, for Shareholders' consideration and voting. Besides, various rights of Shareholders, including the right to propose resolutions, are contained in the Articles of Association.

The summary of certain rights of the Shareholders are disclosed below:

Procedures for convening extraordinary general meetings and putting forward proposals at general meetings

Each general meeting other than an annual general meeting shall be called an extraordinary general meeting. General meetings may be held in any part of the world as may be determined by the Board. According to Article 58 of the Articles of Association, any one or more members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Any requisition to convene an extraordinary general meeting or proposal to be put forward at the general meeting can be addressed to the principal place of business in Hong Kong of the Company at Flat A & B, 10/F, North Point Industrial Building, 499 King's Road, North Point, Hong Kong marked with the attention of the Company Secretary. The requisitionists must state in their request(s) the objects of the extraordinary general meeting to be convened, and such request must be signed by all the requisitionists. Upon receipt, the Company will verify the requisitionists' particulars and if the request is in order, the Company will convene the extraordinary general meeting in accordance with the Articles of Association.

Procedures for propose a person for election as a Director

The procedures for proposing a person for election as a Director are posted under the Investor Relations section of the Company's website at www.madison-wine.com.

CORPORATE GOVERNANCE PRACTICES *(Cont'd)*

I. Communications with Shareholders

The Board believes that a transparent and timely disclosure of the Group's information will enable Shareholders and investors to make the best investment decision and to have better understanding on the Group's business performance and strategies. It is also vital for developing and maintaining continuing investor relations with the Company's potential and existing investors.

The Company maintains a website at "www.madison-wine.com" as a communication platform with Shareholders and investors, where the Group's business developments and operations, financial information, corporate governance practices and other information are available for public access.

Shareholders should direct their enquiries about their shareholdings to the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited and for other enquiries, Shareholders and investors may also write directly to the Company's principal place of business in Hong Kong at Flat A & B, 10/F, North Point Industrial Building, 499 King's Road, North Point, Hong Kong or via email to "ir@madison-wine.com" for any inquiries. Inquiries are dealt with in an informative and timely manner.

The Board considers that general meetings of the Company provide an important channel for Shareholders to exchange views with the Board. The Chairman of the Board as well as the chairmen and/or other members of the Board committees will endeavor to be available at the meetings to answer any questions raised by Shareholders.

The Company continues to enhance communication and relationship with its investors. Designated senior management maintains regular dialogue with institutional investors and analysts to keep them informed of the Group's developments.

J. Company Secretary

The Company Secretary, Ms. Tse Ka Yan was appointed as the Company Secretary with effect from 14 May 2015. All Directors have access to the advice and services of the Company Secretary to ensure that board procedures, and all applicable law, rules and regulations, are followed.

K. Inside Information

With respect to the procedures and internal controls for the handling and dissemination of price sensitive information, the Company is aware of its obligations under Part XIVA of the SFO and the GEM Listing Rules and has established the inside information/price-sensitive information disclosure policy with close regard to the "Guidelines on Disclosure of Inside Information" issued by the Securities and Future Commission.

L. Constitutional Documents

During the year ended 31 March 2017, there is no change in the Company's constitutional document.

INDEPENDENT AUDITOR'S REPORT

信永中和
ShineWing

SHINEWING (HK) CPA Limited
43/F., Lee Garden One
33 Hysan Avenue
Causeway Bay, Hong Kong

TO THE MEMBERS OF MADISON WINE HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Madison Wine Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 57 to 107, which comprise the consolidated statement of financial position as at 31 March 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2017, and of its consolidated financial performance and consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code") and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS *(Cont'd)*

Valuation and impairment assessment of inventories

Refer to note 5 to the consolidated financial statement and the accounting policies on pages 71 to 72.

The key audit matter

As at 31 March 2017, the Group maintained inventories of approximately HK$51,384,000 and no impairment was recognised.

The management has concluded that there is no impairment required in respect of these inventories. This conclusion required significant management judgement.

How the matter was addressed in our audit

Our audit procedures were designed to challenge the assumptions and critical judgements of the Group's impairment assessment on inventories and the management estimations or judgements on the net realisable value of inventories based on the latest invoice prices and current market conditions.

We have checked with the net realisable value for inventories up to the date of this report and discussed with the management in respect of the adequacy of the allowance made by the management based on assessments of individual market value. We have challenged the assumptions and critical judgements used by the management by assessing the reliability of the management's past estimates, taking into account the subsequent sales status after year end and reliability with reference to market values of inventories.

Recoverability and impairment assessment of trade receivables

Refer to note 19 to the consolidated financial statements and the accounting policies on pages 72 to 74.

The key audit matter

As at 31 March 2017, trade receivables of the Group amounted to approximately HK$6,118,000 and no impairment was recognised.

We have identified recoverability and impairment assessment of trade receivables as a key audit matter because the amount of allowance for impairment loss required significant management judgement.

How the matter was addressed in our audit

Our audit procedures were designed to challenge the assumptions and critical judgements of the Group's impairment assessment on trade receivables and the management estimations or judgements on the recoverability on the outstanding balances.

We have discussed the indicators of possible impairment with the management and, where such indicators were identified, assessed the management's impairment testing. We have discussed with the management in respect of the adequacy of the provision of impairment made by the management. We have challenged the assumptions and critical judgements used by the management by assessing the reliability of the management's past estimates and taking into account the ageing at year end and cash received after year end, as well as the recent creditworthiness of each debtor.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS OF THE COMPANY AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors of the Company determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The audit committee is responsible for reviewing and providing supervision over the Group's financial reporting process.

AUDITOR'S RESPONSIBILITY FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion, solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

AUDITOR'S RESPONSIBILITY FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Cont'd)*

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Company.

- Conclude on the appropriateness of the Company's directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITOR'S REPORT *(Cont'd)*

AUDITOR'S RESPONSIBILITY FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Cont'd)*

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Kwan Chi Fung.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Kwan Chi Fung
Practising Certificate Number: P06614

Hong Kong
27 June 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2017

	Notes	2017 HK$'000	2016 HK$'000
Revenue	8	**139,562**	126,684
Cost of sales		**(111,610)**	(93,711)
Gross profit		**27,952**	32,973
Other income	9	**1,543**	12,687
Selling and distribution expenses		**(14,397)**	(13,526)
Administrative expenses		**(30,294)**	(39,217)
Loss before tax		**(15,196)**	(7,083)
Income tax credit (expense)	10	**380**	(2,221)
Loss for the year and total comprehensive expense for the year	11	**(14,816)**	(9,304)
(Loss) profit for the year and total comprehensive (expense) income for the year attributable to:			
Owners of the Company		**(14,619)**	(9,447)
Non-controlling interests		**(197)**	143
		(14,816)	(9,304)
			(restated)
Loss per share (HK cents)	15		
Basic		**(0.37)**	(0.27)
Diluted		**(0.37)**	(0.27)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2017

	Notes	**2017 HK$'000**	2016 HK$'000
Non-current assets			
Plant and equipment	*16*	**7,595**	5,616
Deposits	*19*	**1,677**	643
Deferred tax asset	*17*	**680**	287
		9,952	6,546
Current assets			
Inventories	*18*	**51,384**	41,465
Trade and other receivables	*19*	**47,439**	34,909
Amount due from ultimate holding company	*20*	**11**	11
Amount due from immediate holding company	*20*	**27**	24
Tax recoverable		**1,464**	1,202
Bank balances and cash	*21*	**52,169**	44,985
		152,494	122,596
Current liabilities			
Trade and other payables	*22*	**8,670**	5,059
Tax payable		**10**	245
		8,680	5,304
Net current assets		**143,814**	117,292
Total assets less current liabilities		**153,766**	123,838

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Cont'd)*

As at 31 March 2017

	Notes	**2017 HK$'000**	2016 HK$'000
Capital and reserves			
Share capital	*23*	**4,000**	4,000
Reserves		**144,318**	119,537
Equity attributable to owners of the Company		**148,318**	123,537
Non-controlling interests		**5,441**	298
Total equity		**153,759**	123,835
Non-current liability			
Deferred tax liability	*17*	**7**	3
		153,766	123,838

The consolidated financial statements on pages 57 to 107 were approved and authorised for issue by the board of directors on 27 June 2017 and are signed on its behalf by:

Ting Pang Wan Raymond
Director

Zhu Qin
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2017

	Attributable to owners of the Company								
	Share capital HK$'000	**Share premium** HK$'000	**Other reserve** HK$'000 *(Note (a))*	**Capital reserve** HK$'000 *(Note (b))*	**Share options reserve** HK$'000	**Retained earnings** HK$'000	**Total** HK$'000	**Non-controlling interests** HK$'000	**Total** HK$'000
At 1 April 2015	78	–	23,669	–	–	27,925	51,672	155	51,827
(Loss) profit for the year and total comprehensive (expense) income for the year	–	–	–	–	–	(9,447)	(9,447)	143	(9,304)
Issue of shares upon reorganisation (the "Reorganisation")	7	–	5,293	–	–	–	5,300	–	5,300
Arising from Reorganisation	(85)	–	85	–	–	–	–	–	–
Capitalisation issue *(Note 23(d))*	3,000	(3,000)	–	–	–	–	–	–	–
Issue of shares upon placing *(Note 23(e))*	1,000	74,000	–	–	–	–	75,000	–	75,000
Transaction costs in connection with the issue of shares upon placing	–	(5,624)	–	–	–	–	(5,624)	–	(5,624)
Recognition of equity-settled share-based payment expenses *(Note 28)*	–	–	–	–	6,636	–	6,636	–	6,636
At 31 March 2016	4,000	65,376	29,047	–	6,636	18,478	123,537	298	123,835
Loss for the year and total comprehensive expense for the year	–	–	–	–	–	(14,619)	(14,619)	(197)	(14,816)
Dilution of interest in a subsidiary without loss of control *(Note 24(a))*	–	–	–	32,718	–	–	32,718	7,282	40,000
Deemed acquisition of additional interest in a subsidiary *(Note 24(b))*	–	–	–	1,942	–	–	1,942	(1,942)	–
Recognition of equity-settled share-based payment expenses *(Note 28)*	–	–	–	–	4,740	–	4,740	–	4,740
At 31 March 2017	4,000	65,376	29,047	34,660	11,376	3,859	148,318	5,441	153,759

Notes:

(a) The other reserve was arisen from the transfer of the entire issued share capital and shareholder loan in Madison Wine (HK) Company Limited to Madison International Wine Company Limited upon the Reorganisation.

(b) The capital reserve was arisen from the dilution of interest in a subsidiary, CVP Financial Holdings Limited ("CVP Financial") and the deemed acquisition of additional interest in CVP Financial. Details are set out in note 24.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2017

	Note	2017 HK$'000	2016 HK$'000
OPERATING ACTIVITIES			
Loss before tax		**(15,196)**	(7,083)
Adjustments for:			
Bank interest income		**(1)**	(1)
Depreciation of plant and equipment		**3,403**	2,977
Loss on written off of plant and equipment		**24**	507
Share-based payment expenses		**4,740**	6,636
Operating cash flows before movements in working capital		**(7,030)**	3,036
Increase in inventories		**(9,919)**	(17,244)
Increase in trade and other receivables, deposits		**(13,564)**	(18,811)
Increase (decrease) in trade and other payables		**3,611**	(6,503)
Cash used in operations		**(26,902)**	(39,522)
Income tax paid		**(506)**	(6,247)
NET CASH USED IN OPERATING ACTIVITIES		**(27,408)**	(45,769)
INVESTING ACTIVITIES			
Purchases of plant and equipment		**(5,406)**	(2,674)
Advance to immediate holding company		**(3)**	(11)
Advance to ultimate holding company		**–**	(2)
Interest received		**1**	1
NET CASH USED IN INVESTING ACTIVITIES		**(5,408)**	(2,686)
FINANCING ACTIVITIES			
Proceeds from issue of shares		**–**	80,300
Repayment to a director		**–**	(9,258)
Transaction costs in connection with the issue of shares upon placing		**–**	(5,624)
Proceeds from disposal of interest in a subsidiary without loss of control	*24(a)*	**40,000**	–
NET CASH FROM FINANCING ACTIVITIES		**40,000**	65,418
NET INCREASE IN CASH AND CASH EQUIVALENTS		**7,184**	16,963
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**44,985**	28,022
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash		**52,169**	44,985

1. GENERAL

Madison Wine Holdings Limited (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 the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 8 October 2015. The immediate holding company of the Company is Royal Spectrum Holding Company Limited, a company incorporated in the Republic of Seychelles. The addresses of the registered office and the principal place of business of the Company are disclosed in the "Corporate Information" section of the annual report.

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 Company and its subsidiaries is Hong Kong dollar ("HK$"), which is the same as the presentation currency of the consolidated financial statements.

2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

Before the completion of the reorganisation (the "Reorganisation"), Madison International Wine Company Limited ("Madison International") was ultimately owned by Mr. Ting Pang Wan Raymond, Mr. Lin Samuel Jr. and Mr. Zhu Hui Xin as to 77.3%, 20.0% and 2.7% respectively through three investment holding companies. Pursuant to the Reorganisation, which was completed by interspersing the Company between Madison International and its shareholders, the Company became the holding company of the companies now comprising the Group on 21 September 2015. The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity, accordingly, the consolidated financial statements has been prepared as if the Company had always been the holding company of the companies comprising the Group throughout the years presented, using the principles of merger accounting as set out in note 4 below.

The consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows including the results and cash flows of the companies comprising the Group have been prepared as if the current group structure had been in existence throughout the year presented or since their respective dates of incorporation up to 31 March 2016, whichever is the shorter period.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following new and revised HKFRSs, which include HKFRSs, Hong Kong Accounting Standards ("HKASs") and amendments and Interpretations ("Ints") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 – 2014 Cycle
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operation

The directors of the Company consider that the application of the new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and revised HKFRSs issued but not yet effective

At the date of this report, the following new and revised HKFRSs have been issued but are not yet effective. The Group has not early applied these statements and amendments:

HKFRS 9 (2014)	Financial Instruments[2]
HKFRS 15	Revenue from Contracts with Customers[2]
HKFRS 16	Lease[4]
HK (IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014 – 2016 cycle[3]
Amendments to HKAS 7	Disclosure Initiative[1]
Amendments to HKAS 12	Recognition of Deferred Tax Asset for Unrealised Losses[1]
Amendments to HKAS 40	Transfer of Investment Property[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[2]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]

1 Effective for annual periods beginning on or after 1 January 2017.
2 Effective for annual periods beginning on or after 1 January 2018.
3 Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate.
4 Effective for annual periods beginning on or after 1 January 2019.
5 Effective date not yet been determined.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Cont'd)*

New and revised HKFRSs issued but not yet effective *(Cont'd)*

The directors of the Company anticipate that, except as described below, the application of other new and revised HKFRSs will have no material impact on the results and the financial position of the Group.

HKFRS 9 (2014) Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was amended in 2010 and includes the requirements for the classification and measurement of financial liabilities and for derecognition. In 2013, HKFRS 9 was further amended to bring into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements. A finalised version of HKFRS 9 was issued in 2014 to incorporate all the requirements of HKFRS 9 that were issued in previous years with limited amendments to the classification and measurement by introducing a "fair value through other comprehensive income" ("FVTOCI") measurement category for certain financial assets. The finalised version of HKFRS 9 also introduces an "expected credit loss" model for impairment assessments.

Key requirements of HKFRS 9 (2014) are described below:

- All recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9 (2014), entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Cont'd)*

New and revised HKFRSs issued but not yet effective *(Cont'd)*

HKFRS 9 (2014) Financial Instruments (Cont'd)

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 (2014) requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

- In the aspect of impairment assessments, the impairment requirements relating to the accounting for an entity's expected credit losses on its financial assets and commitments to extend credit were added. Those requirements eliminate the threshold that was in HKAS 39 for the recognition of credit losses. Under the impairment approach in HKFRS 9 (2014) it is no longer necessary for a credit event to have occurred before credit losses are recognised. Instead, expected credit losses and changes in those expected credit losses should always be accounted for. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition and, consequently, more timely information is provided about expected credit losses.

- HKFRS 9 (2014) introduces a new model which is more closely aligns hedge accounting with risk management activities undertaken by companies when hedging their financial and non-financial risk exposures. As a principle-based approach, HKFRS 9 (2014) looks at whether a risk component can be identified and measured and does not distinguish between financial items and non-financial items. The new model also enables an entity to use information produced internally for risk management purposes as a basis for hedge accounting. Under HKAS 39, it is necessary to exhibit eligibility and compliance with the requirements in HKAS 39 using metrics that are designed solely for accounting purposes. The new model also includes eligibility criteria but these are based on an economic assessment of the strength of the hedging relationship. This can be determined using risk management data. This should reduce the costs of implementation compared with those for HKAS 39 hedge accounting because it reduces the amount of analysis that is required to be undertaken only for accounting purposes.

HKFRS 9 (2014) will become effective for annual periods beginning on or after 1 January 2018 with early application permitted.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Cont'd)*

New and revised HKFRSs issued but not yet effective *(Cont'd)*

HKFRS 9 (2014) Financial Instruments (Cont'd)

The directors of the Company anticipate that the adoption of HKFRS 9 (2014) in the future may have an impact on the Group's results and financial position, including the classification categories and the measurement of financial assets, and disclosures. For instance, the Group will be required to replace the incurred loss impairment model in HKAS 39 with an expected loss impairment model that will apply to various exposures to credit risk. HKFRS 9 will also change the way the Group classifies and measures its financial assets, and will require the Group to consider the business model and contractual cash flow characteristics of financial assets to determine classification and subsequent measurement. For financial liabilities designated at fair value through profit or loss, the change in fair value that is attributable to changes in credit risk could be presented in other comprehensive income. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 9 (2014) until a detailed review has been completed.

HKFRS 15 Revenue from Contracts with Customers

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Thus, HKFRS 15 introduces a model that applies to contracts with customers, featuring a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. The five steps are as follows:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

HKFRS 15 also introduces extensive qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Cont'd)*

New and revised HKFRSs issued but not yet effective *(Cont'd)*

HKFRS 15 Revenue from Contracts with Customers (Cont'd)

HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related Interpretations when it becomes effective.

HKFRS 15 will become effective for annual periods beginning on or after 1 January 2018 with early application permitted. The directors of the Company anticipate that the application of HKFRS 15 in the future may have result in the identification of separate performance obligations which could affect the timing of the recognition of revenue. Certain costs incurred in fulfilling a contract which are currently expensed may need to be recognised as an asset under HKFRS 15. More disclosures relating to revenue are also required. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until a detail review is completed.

HKFRS 16 Leases

HKFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessors and lessees.

In respect of the lessee accounting, the standard introduces a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases with the lease term of more than 12 months, unless the underlying asset has a low value.

At the commencement date of the lease, the lessee is required to recognise a right-of-use asset at cost, which consists of the amount of the initial measurement of the lease liability, plus any lease payments made to the lessor at or before the commencement date less any lease incentives received, the initial estimate of restoration costs and any initial direct costs incurred by the lessee. A lease liability is initially recognised at the present value of the lease payments that are not paid at that date.

Subsequently, the right-of-use asset is measured at cost less any accumulated depreciation and any accumulated impairment losses, and adjusted for any remeasurement of the lease liability. Lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payment made, and remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments. Depreciation and impairment expenses, if any, on the right-of-use asset will be charged to profit or loss following the requirements of HKAS 16 Property, Plant and Equipment, while interest accrual on lease liability will be charged to profit or loss.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Cont'd)*

New and revised HKFRSs issued but not yet effective *(Cont'd)*

HKFRS 16 Leases (Cont'd)

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

HKFRS 16 will supersede the current lease standards including HKAS 17 Leases and the related Interpretations when it becomes effective.

HKFRS 16 will be effective for annual periods beginning on or after 1 January 2019 with early application permitted provided that the entity has applied HKFRS 15 Revenue from Contracts with Customers at or before the date of initial application of HKFRS 16. As at 31 March 2017, the Group has non-cancellable operating lease commitments of approximately HK$11,217,000 as disclosed in note 25. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognize a right-of-use asset and a corresponding liability in respect of all these lease unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in the measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the effect until the Group performs a detailed review.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

4. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

4. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Basis of consolidation *(Cont'd)*

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Merger accounting for business combination involving entities under common control

The consolidated financial statements incorporate the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been consolidated from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statement of profit or loss and other comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

4. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Plant and equipment

Plant and equipment held for use in the supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets over their estimated useful lives, using the straight-line method. The estimated useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Impairment on tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or the cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or the cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Cash and cash equivalents

Bank balances and cash in the consolidated statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of bank balances and cash as defined above.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

4. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Financial instruments *(Cont'd)*

Financial assets (Cont'd)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including deposits, trade and other receivables, amount due from ultimate holding company, amount due from immediate holding company and bank balances and cash) are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For all financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- disappearance of an active market for that financial asset because of financial difficulties.

Impairment of financial assets

For certain categories of financial assets, such as trade and other receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

4. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Financial instruments *(Cont'd)*

Financial assets (Cont'd)

Impairment of financial assets *(Cont'd)*

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, amount due from ultimate holding company and amount due from immediate holding company, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade or other receivable, amount due from ultimate holding company or amount due from immediate holding company is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Financial liabilities

Financial liabilities including trade and other payables are subsequently measured at the amortised cost, using the effective interest method.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

4. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Financial instruments *(Cont'd)*

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

Revenue from the sale of goods is recognised when the goods are delivered and title has passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Consignment income is recognised when the consignment inventories are sold.

Storage service income is recognised when services are rendered.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

4. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

Employee benefits

Retirement benefit cost

Payments to the Mandatory Provident Fund Scheme (the "MPF Scheme") and state-managed retirement benefit schemes are recognised as an expense when employees have rendered services entitling them to the contributions.

Short-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

4. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "loss before tax" as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Share-based payment transactions

Equity-settled share-based payment transactions of the Company

Share options granted to shareholders

For grants of share options that are conditional upon satisfying specified vesting conditions, the fair value of services received is determined by reference to the fair value of share options granted at the date of grant and is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve).

At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited or cancelled after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained earnings.

Share options granted to consultants

Share options issued in exchange for goods or services are measured at the fair values of the goods or services received, unless the fair value cannot be reliably measured, in which case the goods or services received are measured by reference to the fair value of the share options granted. The fair values of the goods or services received are recognised as expenses on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve), when the Group obtains the goods or when the counterparties render services, unless the goods or services qualify for recognition as assets.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY *(Cont'd)*

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Estimated useful lives of plant and equipment

Plant and equipment are depreciated on a straight-line basis over their estimated useful lives. The determination of the useful lives involves management's estimation based on historical experience. The Group assesses annually the useful lives of the plant and equipment and if the expectation differs from the original estimate, such a difference may impact the depreciation in the year and the estimate will be changed in the future period. As at 31 March 2017, the carrying values of plant and equipment were approximately HK$7,595,000 (2016: HK$5,616,000).

Estimated impairment of plant and equipment

The Group determines whether the plant and equipment are impaired whenever there is indication of impairment presented. The impairment loss for plant and equipment are recognised for the amounts by which the carrying values exceed their recoverable amounts, in accordance with the Group's accounting policy. The recoverable amounts of plant and equipment have been determined based on value-in-use calculations. These calculations require the use of estimates such as future revenue and discount rates. As at 31 March 2017, the carrying values of plant and equipment were approximately HK$7,595,000 (2016: HK$5,616,000). No accumulated impairment loss was recognised for plant and equipment as at 31 March 2017 and 2016.

Allowance for inventories

The management of the Group reviews the ageing of the inventories at the end of the reporting period, and makes allowance for obsolete and slow-moving inventory items identified that are no longer saleable in the market. The identification of obsolete inventories requires the use of estimation of the net realisable value of items of inventories and judgements on the conditions of items of inventories. Where the expected net realisable value is lower than the cost of certain items, a write-down of inventories may arise. As at 31 March 2017, the carrying amounts of inventories were approximately HK$51,384,000 (2016: HK$41,465,000). No allowance was recognised for inventories as at 31 March 2017 and 2016.

Estimated impairment of trade and other receivables

The policy for making impairment loss on trade and other receivables of the Group is based on the evaluation of collectability and ageing analysis of accounts and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each debtor. If the financial condition of debtors of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional impairment loss may be required. As at 31 March 2017, the carrying amounts of trade and other receivables were approximately HK$47,439,000 (2016: HK$34,909,000). No accumulated impairment loss was recognised for trade and other receivables as at 31 March 2017 and 2016.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY *(Cont'd)*

Share-based payment expenses

The fair value of share options granted to the shareholders and consultants determined at the date of grant is expensed on a straight–line basis over the vesting period, with a corresponding adjustment to the Group's share options reserve. In assessing the fair value of the share options, the generally accepted option pricing models were used to calculate the fair value of the share options. The option pricing models require the input of subjective assumptions, including the volatility of its own ordinary shares and the expected life of options etc. Any changes in these assumptions can significantly affect the estimate of the fair value of the share options. Details are set out in note 28.

6. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, reserves and retained earnings.

The directors of the Company review the capital structure regularly. As part of this review, the directors of the Company consider the cost of capital and risks associated with each class of capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through the payment of dividends, new share issues and issue of new debt.

7. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2017 **HK$'000**	2016 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**60,057**	57,684
Financial liabilities		
At amortised cost	**5,146**	2,059

7. FINANCIAL INSTRUMENTS *(Cont'd)*

(b) Financial risk management objectives and policies

The Group's major financial instruments include deposits, trade and other receivables, amount due from ultimate holding company, amount due from immediate holding company, bank balances and cash and trade and other payables. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

The functional currency of the Group's major operating subsidiaries is HK$. The Group's major operating subsidiaries have foreign currency purchases, which expose 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.

The Group's exposure to foreign currency risk relates principally to its bank balances and payables denominated in foreign currencies other than the functional currency of relevant group entities.

The carrying amounts of the Group's monetary assets and liabilities that are denominated in currencies other than the functional currency of relevant group entities at the end of the reporting period are as follows:

	2017		2016	
	Assets HK$'000	**Liabilities HK$'000**	Assets HK$'000	Liabilities HK$'000
United States dollar ("US$")	**4**	**486**	4	–
Euro ("EUR")	**–**	**2,011**	–	71
Great British Pound ("GBP")	**–**	**7**	–	–

Sensitivity analysis

The Group is mainly exposed to the currency of trade payables (EUR).

As HK$ is pegged to US$, the Group does not expect any significant movements in the US$/HK$ exchanges rate. In the opinion of the directors of the Company, the foreign currency sensitivity analysis does not give additional value in view of insignificant movement in the US$/HK$ exchange rate.

7. FINANCIAL INSTRUMENTS *(Cont'd)*

(b) Financial risk management objectives and policies *(Cont'd)*

Market risk (Cont'd)

(i) Currency risk *(Cont'd)*

Sensitivity analysis *(Cont'd)*
No sensitivity analysis is presented for GBP as in the opinions of the directors of the Company, the expected change in foreign exchange rates of GBP/HK$ will not have significant impact on the loss during the years ended 31 March 2017 and 2016.

The following table details the Company's sensitivity to a 5% (2016: 5%) increase and decrease in exchange rates of EUR against the functional currency of the Group, i.e. HK$. 5% (2016: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary item, and adjusts their translation at the end of the reporting period for a 5% (2016: 5%) change in foreign currency rates.

A positive number below indicates an increase in post-tax loss where HK$ weakening 5% (2016: 5%) against EUR. For a 5% (2016: 5%) strengthening HK$ against EUR, there would be an equal and opposite impact on the loss, and the balances below would be negative.

	2017 **HK$'000**	2016 HK$'000
Profit or loss	**84**	3

(ii) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances. To mitigate the impact of interest rate fluctuations, the Group assesses and monitors the exposure to interest rate risk.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the prevailing market rates on bank balances.

7. FINANCIAL INSTRUMENTS *(Cont'd)*

(b) Financial risk management objectives and policies *(Cont'd)*

Market risk (Cont'd)

(ii) Interest rate risk *(Cont'd)*

Sensitivity analysis
The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative instruments at the end of reporting period. The analysis is prepared assuming the amount of assets and liabilities outstanding at the end of reporting period was outstanding for the whole year. A 10 basis point (2016: 10 basis point) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 10 basis point (2016: 10 basis point) higher/lower and all other variables were held constant, the Group's post-tax loss for the year ended 31 March 2017 would decrease/increase by approximately HK$374,000 (2016: HK$30,000). This is mainly attributable to the Group's exposure to cash flow interest rate risk on its variable rate bank balances.

Credit risk

As at the end of each reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by authorised credit-rating agencies.

The Group's concentration of credit risk by geographical location for customers is mainly in Hong Kong and China, which accounted for 60% and 36% (2016: 77% and 21%) of the total trade receivables as at 31 March 2017 respectively.

The Group has limited concentration of credit risk as it has a large number of customers.

7. FINANCIAL INSTRUMENTS *(Cont'd)*

(b) Financial risk management objectives and policies *(Cont'd)*

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

Liquidity tables

	On demand or within one year HK$'000	**Total undiscounted cash flows HK$'000**	**Carrying amount HK$'000**
At 31 March 2017			
Non-derivative financial liabilities			
Trade and other payables	**5,146**	**5,146**	**5,146**

	On demand or within one year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
At 31 March 2016			
Non-derivative financial liabilities			
Trade and other payables	2,059	2,059	2,059

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

7. FINANCIAL INSTRUMENTS *(Cont'd)*

(c) Fair value measurements of financial instruments

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis. The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values due to their immediate or short-term maturities.

8. REVENUE AND SEGMENT INFORMATION

Revenue represents the fair value of the consideration received or receivable for goods sold 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 of the Company) 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 years ended 31 March 2017 and 2016.

During the years ended 31 March 2017 and 2016, the Group's revenue is derived solely in Hong Kong from customers. As at 31 March 2017 and 2016, the Group's non-current assets by location of assets are all located in Hong Kong.

Information about major customers

During the years ended 31 March 2017 and 2016, there is no customer contributing over 10% of the total revenue of the Group.

9. OTHER INCOME

	2017 HK$'000	2016 HK$'000
Bank interest income	**1**	1
Consignment income	**1,088**	12,003
Net exchange gain	**5**	–
Promotion income	**222**	593
Others	**227**	90
	1,543	12,687

10. INCOME TAX (CREDIT) EXPENSE

	2017 HK$'000	2016 HK$'000
Current tax:		
Hong Kong Profits Tax	**9**	2,047
Deferred taxation *(Note 17)*	**(389)**	174
	(380)	2,221

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

During the year of assessments 2016/2017 and 2015/2016, Hong Kong Profits Tax concession was amounted to 75% of the profits tax of the respective entity, subject to a maximum of HK$20,000 for each entity.

10. INCOME TAX (CREDIT) EXPENSE *(Cont'd)*

The income tax expense for the year can be reconciled to the loss before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2017 HK$'000	2016 HK$'000
Loss before tax	**(15,196)**	(7,083)
Tax at Hong Kong Profits Tax rate of 16.5% (2016: 16.5%)	**(2,507)**	(1,169)
Tax effect of expenses not deductible for tax purpose	**1,164**	3,442
Tax effect of income not taxable for tax purpose	**(2)**	(9)
Tax effect of tax losses not recognised	**985**	–
Utilisation of tax losses previously not recognised	**–**	(1)
Effect of tax exemptions granted	**(20)**	(42)
Income tax (credit) expense for the year	**(380)**	2,221

11. LOSS FOR THE YEAR

	2017 HK$'000	2016 HK$'000
Loss for the year has been arrived at after charging (crediting):		
Directors' emoluments *(Note 12)*	**5,749**	4,399
Salaries, allowances and other benefits	**9,829**	9,445
Sales commission	**100**	492
Contributions to retirement benefits scheme	**339**	327
Total staff costs	**16,017**	14,663
Auditor's remuneration	**630**	550
Cost of inventories recognised as expense	**111,610**	93,711
Depreciation of plant and equipment	**3,403**	2,977
Equity-settled share-based payment expenses	**4,740**	6,636
Loss on written off of plant and equipment	**24**	507
Professional expenses incurred in connection with the listing	**–**	13,037
Net exchange (gain) loss	**(5)**	9
Minimum lease payments under operating leases in respect of office premises, warehouses and shop	**5,065**	5,223

12. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of directors were as follows:

Year ended 31 March 2017

	Emoluments paid or receivable in respect of a person's services as a director of the Company or its subsidiary undertaking			
	Fees HK$'000	Salaries, allowances and other benefits HK$'000	Contributions to retirement benefits scheme HK$'000	Total HK$'000
Executive directors				
Mr. Ting Pang Wan Raymond *(Note i)*	–	2,600	18	2,618
Mr. Zhu Qin *(Note i)*	–	1,300	18	1,318
Mr. Kao Sheng-Chi *(Note ii)*	–	1,300	18	1,318
Independent non-executive directors				
Mr. Chu Kin Wang Peleus *(Note iii)*	180	–	–	180
Ms. Debra Elaine Meiburg *(Note iv)*	105	–	–	105
Ms. Fan Wei *(Note iii)*	180	–	–	180
Mr. Ip Cho Yin, *J.P. (Note v)*	30	–	–	30
	495	5,200	54	5,749

12. DIRECTORS' EMOLUMENTS *(Cont'd)*

Year ended 31 March 2016

	Emoluments paid or receivable in respect of a person's services as a director of the Company or its subsidiary undertaking			
	Fees HK$'000	Salaries, allowances and other benefits HK$'000	Contributions to retirement benefits scheme HK$'000	Total HK$'000
Executive directors				
Mr. Ting Pang Wan Raymond *(Note i)*	–	1,800	17	1,817
Mr. Zhu Qin *(Note i)*	–	975	18	993
Mr. Kao Sheng-Chi *(Note ii)*	–	1,300	19	1,319
Independent non-executive directors				
Mr. Chu Kin Wang Peleus *(Note iii)*	90	–	–	90
Ms. Debra Elaine Meiburg *(Note iv)*	90	–	–	90
Ms. Fan Wei *(Note iii)*	90	–	–	90
	270	4,075	54	4,399

Notes:

(i) Appointed on 14 May 2015.

(ii) Appointed on 14 May 2015 and re-designated from an executive director to a non-executive director subsequently on 12 April 2017.

(iii) Appointed on 21 September 2015.

(iv) Appointed on 21 September 2015 and resigned on 1 November 2016.

(v) Appointed on 1 February 2017.

During the years ended 31 March 2017 and 2016, the emoluments shown above represented emoluments received from the Group by these directors in their capacity as directors of the companies now comprising the Group.

The Group did not appoint a chief executive during the years ended 31 March 2017 and 2016.

During the years ended 31 March 2017 and 2016, no emoluments were paid by the Group to the directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors of the Company has waived or agreed to waive any emoluments during the years ended 31 March 2017 and 2016.

13. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, three (2016: three) were directors of the Company for the year ended 31 March 2017, whose emoluments are disclosed in note 12 above. The emoluments of the remaining two (2016: two) individuals were as follows:

	2017 **HK$'000**	2016 HK$'000
Salaries, allowances and other benefits	**1,851**	2,260
Contributions to retirement benefits scheme	**36**	36
	1,887	2,296

Their emoluments were within the following bands:

	Number of individuals	
	2017	2016
Nil to HK$1,000,000	**1**	–
HK$1,000,001 to HK$1,500,000	**1**	2
	2	2

No emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the years ended 31 March 2017 and 2016.

14. DIVIDEND

No dividend was paid or proposed during the years ended 31 March 2017 and 2016, nor has any dividend been proposed since the end of the reporting period.

15. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to the owners of the Company are based on the following data:

	2017 HK$'000	2016 HK$'000
Loss		
Loss for the purpose of basic and diluted loss per share for the year attributable to the owners of the Company	**(14,619)**	(9,447)

	2017	2016 (restated)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**4,000,000,000**	3,480,874,320

Diluted loss per share is equal to the basic loss per share for the years ended 31 March 2017 and 2016, as the effect of the Company's outstanding share options would result in a decrease in loss per share for the years ended 31 March 2017 and 2016.

The weighted average number of ordinary shares for the purpose of basic and diluted earnings per share for years ended 31 March 2017 and 2016 respectively were adjusted for the share subdivision on 8 November 2016.

The weighted average number of ordinary shares in issue during the year ended 31 March 2016 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, and the weighted average of 100,000,000 ordinary shares issued upon placing.

16. PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Shop equipment HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
COST					
At 1 April 2015	7,372	593	704	335	9,004
Additions	4,421	26	103	312	4,862
Written off	(4,348)	(39)	(9)	–	(4,396)
At 31 March 2016	7,445	580	798	647	9,470
Additions	4,774	2	630	–	5,406
Written off	–	(73)	(32)	–	(105)
At 31 March 2017	12,219	509	1,396	647	14,771
ACCUMULATED DEPRECIATION					
At 1 April 2015	4,187	283	196	100	4,766
Charge for the year	2,529	116	153	179	2,977
Eliminated on written off	(3,865)	(19)	(5)	–	(3,889)
At 31 March 2016	2,851	380	344	279	3,854
Charge for the year	2,907	109	193	194	3,403
Eliminated on written off	–	(57)	(24)	–	(81)
At 31 March 2017	5,758	432	513	473	7,176
CARRYING VALUES					
At 31 March 2017	6,461	77	883	174	7,595
At 31 March 2016	4,594	200	454	368	5,616

The above items of plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Leasehold improvements	Over the term of the lease
Shop equipment	20%
Furniture, fixtures and office equipment	20%
Motor vehicles	30%

17. DEFERRED TAX ASSET (LIABILITY)

	2017 HK$'000	2016 HK$'000
Deferred tax asset	**680**	287
Deferred tax liability	**(7)**	(3)
	673	284

The following is the major deferred tax asset and liability recognised and movements thereon during the current and prior years:

	Accelerated tax depreciation HK$'000
At 1 April 2015	458
Credited to profit or loss *(Note 10)*	(174)
At 31 March 2016	284
Charged to profit or loss *(Note 10)*	389
At 31 March 2017	673

At 31 March 2017, the Group had unused tax loss of approximately HK$5,972,000 (2016: nil) available for offset against future profits. No deferred tax asset has been recognised in respect of such tax loss due to the unpredictability of future profit streams. All tax losses may be carried forward indefinitely.

18. INVENTORIES

	2017 HK$'000	2016 HK$'000
Goods held for resale	**51,384**	41,465

19. TRADE AND OTHER RECEIVABLES, DEPOSITS

	2017 HK$'000	2016 HK$'000
Trade receivables	**6,118**	11,573
Payments in advance	**40,021**	22,220
Prepayments	**1,245**	668
Deposits and other receivables	**1,732**	1,091
Trade and other receivables	**49,116**	35,552
Analysed as:		
Current	**47,439**	34,909
Non-current (rental deposits)	**1,677**	643
	49,116	35,552

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.

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.

	2017 HK$'000	2016 HK$'000
Within 30 days	**1,613**	4,229
31 to 60 days	**1,238**	668
61 to 90 days	**1,139**	440
91 to 180 days	**113**	5,370
181 to 365 days	**1,585**	669
Over 365 days	**430**	197
Total	**6,118**	11,573

Trade receivables that were neither past due nor impaired as at 31 March 2017 related to a wide range of customers for whom there was no recent history of default.

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of approximately HK$5,789,000 (2016: HK$11,452,000) as at 31 March 2017 which are past due as at the end of the reporting period for which the Group has not provided for impairment loss as these balances were either subsequently settled or there has not been a significant change in credit quality and the amounts are still considered recoverable.

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

Ageing of trade receivables which are past due but not impaired is as follows:

	2017 **HK$'000**	2016 HK$'000
Within 30 days	**1,284**	4,108
31 to 60 days	**1,238**	668
61 to 90 days	**1,139**	440
91 to 180 days	**113**	5,370
181 to 365 days	**1,585**	669
Over 365 days	**430**	197
Total	**5,789**	11,452

No allowance for doubtful debts was recognised as at 31 March 2017 and 2016. Trade receivables are individually impaired and recognised based on the credit history of its customers, such as financial difficulties or default in payments, and current market conditions.

20. AMOUNTS DUE FROM ULTIMATE HOLDING COMPANY/IMMEDIATE HOLDING COMPANY

The amounts are unsecured, non-interest bearing and repayable on demand.

21. BANK BALANCES AND CASH

Bank balances carried at prevailing market rates of 0.01% per annum as at 31 March 2017 and 2016.

22. TRADE AND OTHER PAYABLES

	2017 **HK$'000**	2016 HK$'000
Trade payables	**3,979**	1,168
Receipts in advance	**3,524**	3,000
Other payables and accruals	**1,167**	891
Trade and other payables	**8,670**	5,059

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

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

	2017 **HK$'000**	2016 HK$'000
Within 30 days	**1,736**	311
31 to 60 days	**1,020**	701
61 to 90 days	**29**	16
91 to 180 days	**839**	97
181 to 365 days	**–**	43
Over 365 days	**355**	–
Trade payables	**3,979**	1,168

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

23. SHARE CAPITAL

	Notes	**Number of shares**	**Share capital** HK$
Ordinary shares of HK$0.001 each (2016: HK$0.01 each)			
Authorised:			
At 15 April 2015 (date of incorporation)	*(a), (g)*	38,000,000	380,000
Increase during the period	*(b)*	962,000,000	9,620,000
At 31 March 2016		1,000,000,000	10,000,000
Share subdivision	*(f)*	9,000,000,000	–
At 31 March 2017		10,000,000,000	10,000,000
Issued and fully paid:			
At 15 April 2015 (date of incorporation)	*(a)*	1	–
Issue of shares upon reorganisation	*(c)*	999	10
Capitalisation issue	*(d)*	299,999,000	2,999,990
Issue of shares upon placing	*(e)*	100,000,000	1,000,000
At 31 March 2016		400,000,000	4,000,000
Share subdivision	*(f)*	3,600,000,000	–
At 31 March 2017		4,000,000,000	4,000,000

23. SHARE CAPITAL *(Cont'd)*

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.

(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 2016 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.

(f) Pursuant to an ordinary resolution passed by the shareholders of the Company at the extraordinary general meeting of the Company held on 7 November 2016, a share subdivision was approved with effect from 8 November 2016 in which every one (1) share issued and unissued ordinary shares of HK$0.01 each in the share capital of the Company be subdivided into ten (10) shares of HK$0.001 each (the "Share Subdivision"). Immediately after the Share Subdivision, the number of authorized share capital of the Company was divided into 10,000,000,000 shares of which 4,000,000,000 subdivided shares (the "Subdivided Share") were issued and fully paid. Details of the Share Subdivision are disclosed in the circular of the Company dated 21 October 2016.

(g) As the Company was not incorporated prior to 31 March 2015 and the Reorganisation was not completed as at 31 March 2015, the share capital of the Group of HK$78,000 in the consolidated statement of financial position as at 31 March 2015 represented the share capital of Madison International.

24. CHANGES IN OWNERSHIP INTEREST IN A SUBSIDIARY

During the year, the Group has the following changes in its ownership interest in a subsidiary that do not result in a loss of control.

(a) Dilution of interest in a subsidiary without loss of control

On 23 February 2017, CVP Financial issued 1,333 ordinary shares with par value of US$1 at a consideration of HK$40,000,000. This resulted in a dilution of 18.18% interest out of 100% interest in CVP Financial, an increase in non-controlling interests of approximately HK$7,282,000 and an increase in equity attributable to owners of the Company of approximately HK$32,718,000. A schedule of the effect of dilution of interest in a subsidiary without loss of control is as follow:

	2017 **HK$'000**
Carrying amount of the interest before shares issued in CVP Financial	**(7,282)**
Consideration received from non-controlling interests	**40,000**
Difference recognised in capital reserve within equity	**32,718**

(b) Deemed acquisition of additional interest in a subsidiary

On 27 March 2017, CVP Financial issued 2,667 ordinary shares with par value of US$1 at US$1 per share to Madison International and the Group's ownership was increased to 86.67%. This resulted in a decrease in non-controlling interests and increase in equity attributable to owners of the Company of approximately HK$1,942,000. A schedule of the effect of acquisition of additional interest is as follow:

	2017 **HK$'000**
Carrying amount of non-controlling interest acquired and difference recognised in capital reserve within equity	**1,942**

25. 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:

	2017 **HK$'000**	2016 HK$'000
Within one year	**6,593**	4,114
In the second to fifth year inclusive	**4,624**	2,255
	11,217	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.

26. CAPITAL COMMITMENTS

	2017 **HK$'000**	2016 HK$'000
Capital expenditures contracted for but not provided in the consolidated financial statements in respect of:		
Acquisition of a subsidiary	**14,000**	–
Subscription agreement to subscribe for exchangeable bonds	**150,000**	–
	164,000	–

27. RETIREMENT BENEFITS SCHEME

Hong Kong

The Group operates a MPF Scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of the relevant payroll costs and up to maximum of HK$1,500 per month for each employee to the scheme, to which the same amount of contribution is matched by employees.

The only obligation of the Group with respect to the retirement benefit plans is to make the statutory specified contributions. During the year ended 31 March 2017, the total retirement benefits scheme contributions charged to the consolidated statement of profit or loss and other comprehensive income amounted to approximately HK$393,000 (2016: HK$369,000).

27. RETIREMENT BENEFITS SCHEME *(Cont'd)*

The People's Republic of China (the "PRC"), other than Hong Kong

As stipulated by rules and regulations in the PRC, it is required to contribute to a state-managed retirement plan for all its employees at a certain percentage of the basic salaries of its employees. The state-managed retirement plan is responsible for the entire pension obligations payable to all retired employees. Under the state-managed retirement plan, the Group has no further obligations for the actual pension payments or post-retirement benefits beyond the annual contributions. During the year ended 31 March 2017, a total contribution of nil (2016: HK$12,000) were made by the Group is respect of this scheme.

28. SHARE-BASED PAYMENT TRANSACTIONS

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.

On 17 December 2015, the Company granted an aggregate of 18,100,000 share options (the "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.

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

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

Save for the above adjustments, all other terms and conditions of the outstanding Share Options granted under the Share Option Scheme remain unchanged. Details of the adjustments to the Share Options upon the Share Subdivision are disclosed in the announcement of the Company dated 7 November 2016.

As at 31 March 2017 and 2016, the number of shares in respect of which options had been granted and remained outstanding under the Share Option Scheme was 181,000,000 (2016: 18,100,000), representing 4.53% (2016: 4.53%) of the ordinary shares in issue on that date.

28. SHARE-BASED PAYMENT TRANSACTIONS *(Cont'd)*

Details of the Company's share options held by shareholders and consultants are as follows:

Category of participant	Date of grant	Vesting period	Exercise period	Exercise price per share
Shareholders	17 December 2015	17 December 2015 to 16 June 2017	17 June 2017 to 16 June 2025	HK$0.80 (2016: HK$8.00)
Consultants	17 December 2015	17 December 2015 to 16 June 2017	17 June 2017 to 16 June 2025	HK$0.80 (2016: HK$8.00)

Movements of the Company's share options held by shareholders and consultants during the year are:

Category of participant	Outstanding at 1 April 2015	Granted during the year	Outstanding at 31 March 2016	Share subdivision	Outstanding at 31 March 2017
Shareholders	–	2,100,000	2,100,000	18,900,000	21,000,000
Consultants	–	16,000,000	16,000,000	144,000,000	160,000,000
	–	18,100,000	18,100,000	162,900,000	181,000,000
Weighted average exercise price (HK$)	–	8.00	8.00	0.80	0.80

The fair values of the share options granted on 17 December 2015 were calculated using the Binomial model. The inputs into the modal were as follows:

	17 December 2015
Weighted average share price	HK$7.1
Weighted average exercise price	HK$8.0
Expected volatility	70%
Expected life	10 years
Risk-free rate	1.553%
Expected dividend yield	0%

Expected volatility was determined by using the historical volatility of the Company's share price and reference to the companies in the similar industry.

28. SHARE-BASED PAYMENT TRANSACTIONS *(Cont'd)*

Share-based payment expenses of approximately HK$4,740,000 (2016: HK$6,636,000) were recognised by the Group for the year ended 31 March 2017 in relation to share options granted by the Company.

29. RELATED PARTY TRANSACTIONS

(a) The balances with related parties at the end of the reporting period are disclosed elsewhere in the consolidated financial statements.

(b) During the year ended 31 March 2017, the Group had following material transactions with its related party:

Name of related party	Nature of transaction	2017 HK$'000	2016 HK$'000
Mr. Kao Sheng Chi	Sales of alcoholic beverages	**65**	–
China Runking Financing Group Limited	Consulting fee expense	**600**	–

Note a: Mr.Kao Sheng Chi, a director of the Company.

Note b: China Runking Financing Group Limited is 70% beneficially owned by Mr. Ting Pang Wan Raymond, a director of the Company.

(c) The remuneration of directors and other members of key management during the year are as follows:

	2017 HK$'000	2016 HK$'000
Short-term benefits	**7,864**	6,714
Post-employment benefits	**108**	102
	7,972	6,816

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

30. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Details of the subsidiaries as at 31 March 2017 and 2016 are as follows:

Name of subsidiary	Place and date of incorporation/ establishment	Place of operation	Issued and fully paid share capital/ registered capital	Percentage of equity interest attributable to the Group and proportion of voting power held by the Company				Principal activities
				2017		2016		
				Directly	**Indirectly**	Directly	Indirectly	
Madison International	Republic of Seychelles ("Seychelles") 21 November 2013	Hong Kong	Ordinary US$10,870	**100%**	**–**	100%	–	Investment holding
Madison Fine Wine Company Limited	Seychelles 26 August 2014	Hong Kong	Ordinary US$1	**–**	**100%**	–	100%	Investment holding
Madison Wine Trading Company Limited ("Madison Wine Trading")	Hong Kong 19 November 2014	Hong Kong	Ordinary HK$100	**–**	**80%**	–	80%	Sales of alcoholic beverages
Madison Wine (HK)	British Virgin Islands ("BVI") 10 January 2013	Hong Kong	Ordinary US$200	**–**	**100%**	–	100%	Investment holding
Madison (China) Limited	Hong Kong 14 April 1997	Hong Kong	Ordinary HK$10,000	**–**	**100%**	–	100%	Sales of alcoholic beverages
Madison Wine Club Limited	Hong Kong 12 January 2012	Hong Kong	Ordinary HK$1	**–**	**100%**	–	100%	Sales of alcoholic beverages and wine storage
CVP Financial	BVI 21 September 2016	Hong Kong	Ordinary US$10,000	**–**	**86.67%**	N/A	N/A	Investment holding
Pure Horizon Holdings Limited	BVI 23 June 2016	Hong Kong	Ordinary US$1	**–**	**100%**	N/A	N/A	Investment holding
Madison Wine Enterprises Limited	Hong Kong 1 November 2016	Hong Kong	Ordinary HK$1	**–**	**100%**	N/A	N/A	Investment holding
Madison Wine Investment Management Company Limited	Cayman Islands 6 July 2016	Hong Kong	Ordinary US$1	**100%**	**–**	–	–	Investment holding
Madison Wine Fund SPC	Cayman Islands 7 July 2016	Hong Kong	Ordinary HK$1	**–**	**100%**	N/A	N/A	Investment holding
Madison Wine Fund Holdings Company Limited	Hong Kong 12 August 2016	Hong Kong	Ordinary HK$1	**–**	**100%**	N/A	N/A	Investment holding
Madison Wine Fund Trading Company Limited	Hong Kong 12 August 2016	Hong Kong	Ordinary HK$1	**–**	**100%**	N/A	N/A	Investment holding

None of the subsidiaries had any debt securities outstanding as at the end of the year or at any time during the year.

30. PARTICULARS OF SUBSIDIARIES OF THE COMPANY *(Cont'd)*

Details of non-wholly owned subsidiary that have material non-controlling interests

The table below shows details of non-wholly-owned subsidiary of the Group that have material non-controlling interests:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		(Loss) profit allocated to non-controlling interests		Accumulated non-controlling interest	
		2017	2016	**2017 HK$'000**	2016 HK$'000	**2017 HK$'000**	2016 HK$'000
Madison Wine Trading	Hong Kong	**20%**	20%	**(196)**	143	**102**	298
CVP Financial	Hong Kong	**13.33%**	N/A	**(1)**	N/A	**5,339**	N/A
				(197)	143	**5,441**	298

Summarised financial information in respect of the Group's subsidiary that has material non-controlling interests are set out below. The summarised financial information below represents amounts before intragroup eliminations.

Madison Wine Trading

	2017 HK$'000	2016 HK$'000
Current assets	**1,614**	11,907
Non-current assets	**14**	19
Current liabilities	**(1,117)**	(10,433)
Non-current liabilities	**(2)**	(3)
Equity attributable to owner of the Company	**407**	1,192
Non-controlling interests	**102**	298
Revenue	**34,549**	40,083
Expenses	**(35,529)**	(39,367)
(Loss) profit for the year and total comprehensive (expense) income for the year	**(980)**	716
(Loss) profit for the year and total comprehensive (expense) income for the year attributable to owners of the Company	**(784)**	573
(Loss) profit for the year and total comprehensive (expense) income for the year attributable to non-controlling interests	**(196)**	143

30. PARTICULARS OF SUBSIDIARIES OF THE COMPANY *(Cont'd)*

Details of non-wholly owned subsidiary that have material non-controlling interests *(Cont'd)*

Madison Wine Trading (Cont'd)

	2017 HK$'000	2016 HK$'000
Net cash outflow from operating activities	**(1,323)**	(220)
Net cash outflow from investing activities	**(120)**	(112)
Net cash outflow	**(1,443)**	(332)

CVP Financial

	2017 HK$'000
Current assets	**40,068**
Non-current assets	**–**
Current liabilities	**(17)**
Non-current liabilities	**–**
Equity attributable to owner of the Company	**34,712**
Non-controlling interests	**5,339**
Revenue	**–**
Expenses	**(17)**
Loss for the year and total comprehensive expense for the year	**(17)**
Loss for the year and total comprehensive expense for the year attributable to owners of the Company	**(16)**
Loss for the year and total comprehensive expense for the year attributable to non-controlling interests	**(1)**

No statement of cash flow is presented for the period from 7 October 2016 (date of incorporation) to 31 March 2017 as CVP Financial does not hold any bank accounts nor cash on hand. All cash transactions are processed by its immediate holding company on behalf of CVP Financial.

31. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2017 HK$'000	2016 HK$'000
Non-current asset		
Investments in subsidiaries	**62,217**	62,217
Current assets		
Amount due from a subsidiary	**28,157**	29,598
Bank balances	**41,065**	26,665
	69,222	56,263
Current liability		
Amount due to subsidiaries	**40,000**	–
Net current assets	**29,222**	56,263
Net assets	**91,439**	118,480
Capital and reserves		
Share capital	**4,000**	4,000
Reserves *(Note)*	**87,439**	114,480
Total equity	**91,439**	118,480

31. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Cont'd)*

Note:

Reserves of the Company

	Share premium HK$'000	**Other reserve** HK$'000 *(Note)*	**Share options reserve** HK$'000	**Accumulated loss** HK$'000	**Total** HK$'000
At 15 April 2015 (date of incorporation)	–	–	–	–	–
Loss for the period and total comprehensive expense for the period	–	–	–	(19,749)	(19,749)
Arising from Reorganisation	–	62,217	–	–	62,217
Capitalisation issue *(Note 23(d))*	(3,000)	–	–	–	(3,000)
Issue of shares upon placing *(Note 23(e))*	74,000	–	–	–	74,000
Transaction costs in connection with the issue of shares upon placing	(5,624)	–	–	–	(5,624)
Recognition of equity-settled share-based payment expenses *(Note 28)*	–	–	6,636	–	6,636
At 31 March 2016	65,376	62,217	6,636	(19,749)	114,480
Loss for the year end and total comprehensive expense for the year	–	–	–	(31,781)	(31,781)
Recognition of equity-settled share-based payment expenses *(Note 28)*	–	–	4,740	–	4,740
At 31 March 2017	65,376	62,217	11,376	(51,530)	87,439

Note:

Other reserve represents the difference between the nominal value of the shares issued for the acquisition of Madison International and the consolidated net asset values of Madison International and its subsidiaries at the date of acquisition.

FINANCIAL SUMMARY

RESULTS

For the year ended 31 March

	2017 HK$'000	2016 HK$'000	2015 HK$'000	2014 HK$'000
Revenue	**139,562**	126,684	145,687	70,044
(Loss) profit before tax	**(15,196)**	(7,083)	17,290	8,655
Income tax (credit) expense	**380**	(2,221)	(2,976)	(1,451)
(Loss) profit for the year and total comprehensive (expense) income for the year attributable to:				
Owners of the Company	**(14,619)**	(9,447)	14,159	7,204
Non-controlling interests	**(197)**	143	155	-
	(14,816)	(9,304)	14,314	7,204

ASSETS AND LIABILITIES

As at 31 March

	2017 HK$'000	2016 HK$'000	2015 HK$'000	2014 HK$'000
Total assets	**162,446**	129,142	75,890	57,361
Total liabilities	**(8,687)**	(5,307)	(24,063)	(19,848)
Total equity	**153,759**	123,835	51,827	37,513