

# MADISON

— G R O U P —

## Madison Holdings Group Limited

麥迪森控股集團有限公司

*(Incorporated in the Cayman Islands with limited liability)*

(Stock Code: 8057)

## ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2020

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## FINANCIAL HIGHLIGHTS

For the year ended 31 March 2020, the audited operating results of the Group were as follows:

- the Group recorded a revenue of approximately HK\$201.5 million (2019: approximately HK\$310.4 million), representing a decrease of approximately 35.1% as compared with the year ended 31 March 2019;
- impairment loss recognised on goodwill and plant and equipment amounted to approximately HK\$257.4 million and approximately HK\$21.8 million, respectively;
- Net impairment recognised on loan and interest receivables amounted to approximately HK\$51.1 million;
- loss for the year was approximately HK\$318.3 million (2019: approximately HK\$419.7 million). Should the impairment loss on loan and interest receivables, goodwill and plant and equipment of approximately HK\$330.3 million be excluded, profit for the year would be approximately HK\$12.0 million;
- loss for the year attributable to the owners of the Company was approximately HK\$278.9 million (2019: approximately HK\$369.2 million); and
- the Directors do not recommend the payment of a final dividend for the year ended 31 March 2020 (2019: nil).

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

During the year under review, the Company and its subsidiaries (collectively, the “Group”) is principally engaged in (i) the retail sales and wholesales of a wide spectrum of wine products and other alcoholic beverages in Hong Kong with a focus on red wine (the “Wine Business”); (ii) the provision of auction of alcoholic beverages (the “Wine Auction Business”); (iii) the provision of financial services (the “Financial Services Business”); (iv) the provision of blockchain services and cryptocurrency mining business (the “Blockchain Services Business”); and (v) the provision of loan financing and consultancy services (the “Loan Financing Business”).

The Group’s revenue decreased by approximately 35.1% to approximately HK\$201.5 million (2019: approximately HK\$310.4 million). The Group recorded a loss of approximately HK\$318.3 million, compared to the loss of approximately HK\$419.7 million recorded in the year ended 31 March 2019, equivalent to a decrease of about 24.2%. The Group faced an uncertain and challenging external market environment in the year. The business performance of the Group had been adversely affected by (i) the economic slowdown in Mainland China and Hong Kong; (ii) the on-going China-US trade frictions, (iii) the social unrest in Hong Kong since mid of 2019; and (iv) the outbreak of Coronavirus Disease 2019 (“COVID-19”) in early 2020. The Group ceased its operation in the cryptocurrency mining business in Europe on 22 January 2020. For details, please refer to the announcement of the Company dated 22 January 2020.

## FINANCIAL REVIEW

During the Year, the Group’s revenue amounted to approximately HK\$201.5 million (2019: approximately HK\$310.4 million), representing a decrease of approximately HK\$108.9 million or 35.1% as compared with last year. The revenue included (i) approximately HK\$69.4 million (2019: approximately HK\$114.2 million) from the Wine Business; (ii) approximately HK\$4.9 million (2019: approximately HK\$3.7 million) from the Wine Auction Business; (iii) approximately HK\$10.5 million (2019: approximately HK\$21.7 million) from the Financial Services Business; (iv) approximately HK\$30.1 million (2019: approximately HK\$29.4 million) from the Blockchain Services Business; and (v) approximately HK\$86.6 million (2019: approximately HK\$141.4 million) from the Loan Financing Business.

Gross profit was approximately HK\$103.6 million (2019: approximately HK\$175.6 million), representing a decrease of approximately 41.0% as compared with last year. The decrease in gross profit was mainly due to decrease in revenue from Wine Business and Loan Financing Business. In response to the decrease in revenue, the Group took efforts in controlling the cost of operations and administrative and other operating expenses. Gross profit margin was slightly decreased to approximately 51.4% (2019: approximately 56.6%). Administrative and other operating expenses were approximately HK\$67.5 million (2019: approximately HK\$85.7 million), representing a decrease of approximately 21.2% as compared with last year.

The finance costs amounted to approximately HK\$55.5 million (2019: approximately HK\$38.1 million) which were mainly incurred on convertible bonds, promissory note, other borrowings and loans.

Loss was approximately HK\$318.3 million (2019: approximately HK\$419.7 million), representing a decrease by approximately 24.2% as compared with last year. The decrease in the loss was mainly attributable to gain on disposal of subsidiaries of approximately HK\$144.2 million (2019: Nil). The loss included (i) impairment loss recognized on goodwill and plant and equipment arising from Blockchain Services Business of approximately HK\$257.4 million and HK\$21.8 million respectively (2019: approximately HK\$173.3 million and HK\$120.1 million respectively) and (ii) net impairment recognised on loan and interest receivables in respect of the Loan Financing Business of approximately HK\$51.1 million (2019: approximately HK\$6.5 million).

### **Liquidity and Financial Resources**

As at 31 March 2020, the Group's net current assets were approximately HK\$84.8 million (2019: approximately HK\$76.4 million), including cash and cash equivalents of approximately HK\$42.0 million (2019: approximately HK\$48.4 million). The Group had both interest-bearing and non-interest bearing borrowings, which mainly comprised borrowings, convertible bonds, promissory notes payables, loan from a subsidiary of non-controlling shareholder, director and related company amounted to approximately HK\$538.8 million (2019: approximately HK\$838.6 million). The Group's financial resources were funded mainly by loans and its shareholders' funds.

As at 31 March 2020, the Group's current ratio, as calculated by dividing current assets by current liabilities, was approximately 1.2 times (2019: approximately 1.1 times) and the gearing ratio, as measured by the debts of non-trade nature divided by total equity, was approximately 272.2%\* (2019: approximately 181.4%). The increase of the gearing ratio was because of the drop of total equity of the Company.

\* *Excluded derivative financial instruments and lease liabilities*

## **Foreign Currency Exposure**

As at 31 March 2020, the Group had certain bank balances and payables denominated in foreign currencies, mainly Renminbi (“RMB”), Japanese Yen (“JPY”), Euro (“EUR”) and Pound sterling (“GBP”), 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 Commitments**

During the year under review, the Group did not have any capital commitments (2019: Nil).

## **Contingent Liabilities**

During the year under review, the Group did not have any material contingent liabilities (2019: Nil).

## **Charges on Group Assets**

Details of charges on the Group assets are set out in note 13 to the consolidated financial statements.

## **Dividend**

The Directors do not recommend the payment of a final dividend for the year ended 31 March 2020 (2019: nil).

# SIGNIFICANT INVESTMENTS, MATERIAL DISPOSALS AND ACQUISITIONS OF SUBSIDIARIES

## A. Significant Investments

Details of significant held-for-trading financial assets:

Name of investments	Note	Fair value		% to the total assets of the Group		% to the interest in the respective investments		Gain/(loss) on disposal/redemption	
		as at	as at	as at	as at	as at	as at	2020	2019
		31 March	31 March	31 March	31 March	31 March	31 March	2020	2019
		2020	2019	2020	2019	2020	2019	2020	2019
		HK\$'000	HK\$'000					HK\$'000	HK\$'000
China New City Commercial Development Limited (1321) (“CCC”)	1	-	-	N/A	N/A	N/A	N/A	-	(1,026)
Remixpoint Inc. (Japan 3825) (“REM”)	2	-	-	N/A	N/A	N/A	N/A	-	(37,511)
TOMO Holdings Limited (8463) (“TWD”)	3	-	-	N/A	N/A	N/A	N/A	-	885
Zhao Zhaojin (7007) (“ZZJ”)	4	-	-	N/A	N/A	N/A	N/A	150	300
Tencent Holdings Limited (700) (“THL”)	5	-	361	N/A	0.02%	N/A	0.00%	91	-
AAC Technologies Holdings Inc. (2018) (“AAC”)	6	-	232	N/A	0.02%	N/A	0.00%	10	-
GF Money Bag Money Market Fund (000509) (“GFMBMMF”)	7	-	26,746	N/A	1.74%	N/A	0.19%	71	243
GF Huoqibao Monetary Fund A (000748) (“GFHQBMF A”)	8	-	-	N/A	N/A	N/A	N/A	96	-
GF Huoqibao Monetary Fund B (003281) (“GFHQBMF B”)	9	-	-	N/A	N/A	N/A	N/A	291	-
		-	27,339					709	(37,109)

Note:

- CCC and its subsidiaries are principally engaged in commercial development, leasing and hotel operations. In view of the trend of the share price of CCC, the Group disposed of its entire shareholding in CCC and recorded a realised loss of approximately HK\$1,026,000 during the year ended 31 March 2019.

2. REM and its subsidiaries are principally engaged in the development and sale of energy management solutions, and energy-saving support consulting services and virtual currency trading platform business and hotel-related business in Japan. In view of the trend of the share price of REM, the Group disposed of its entire shareholding in REM and recorded a realised loss of approximately HK\$37,511,000 during the year ended 31 March 2019.
3. TWD and its subsidiaries are principally engaged in the (i) design, manufacture, supply and installation of passenger vehicle leather upholstery; and (ii) supply and installation of vehicle electronic accessories in Singapore. In view of the trend of the share price of TWD, the Group disposed of its entire shareholding in TWD and recorded a realised gain of approximately HK\$885,000 during the year ended 31 March 2019.
4. ZZJ is a financial product launched by China Merchants Bank. During the year ended 31 March 2020, the Group recorded a realised gain of approximately HK\$150,000 (2019: approximately HK\$300,000) for the investment in ZZJ.
5. THL and its subsidiaries (“THL Group”) are principally engaged in the provision of value-added services and online advertising services to users in the PRC. During the year ended 31 March 2020, the Group has recorded a realised gain of approximately HK\$91,000 for the investment in the shares of THL (2019: Nil).
6. AAC and its subsidiaries (“AAC Group”) are principally engaged in offering cutting-edge advanced miniaturized technology components to the consumer electronics industry worldwide. During the year ended 31 March 2020, the Group recorded a realised gain of approximately HK\$10,000 for the investment in the shares of AAC (2019: Nil).
7. GFMBMMF is an open-end fund incorporated in the PRC. Its objective is to outperform its benchmark, as well as maintaining assets liquidity and preserving capital. During the year ended 31 March 2020, the Group recorded a realised gain of approximately HK\$71,000 (2019: approximately HK\$243,000), for the investment in the shares of GFMBMMF.
8. GFHQBMF A is a financial product launched by GF Fund Management Company Limited. During the year ended 31 March 2020, the Group recorded a realised gain of approximately HK\$96,000 for the investment in the shares of GFHQBMF A (2019: Nil).
9. GFHQBMF B is a financial product launched by GF Fund Management Company Limited. During the year ended 31 March 2020, the Group recorded a realised gain of approximately HK\$291,000 (2019: Nil) for the investment in the shares of GFHQBMF B.

## **B. Disposals**

On 27 August 2019, the Group disposed all of its 55% equity interest in Novel Idea Holdings Limited (“Novel Idea”) for a consideration of HK\$45.0 million. Prior to the disposal of Novel Idea, Novel Idea together with its wholly-owned subsidiaries were principally engaged in software development and operation of an online cryptocurrency derivative trading platform. Upon completion of disposal of Novel Idea on 27 August 2019, the Group ceased to hold any equity interest in Novel Idea and its result was no longer consolidated into the consolidated financial statements of the Group.

On 23 December 2019, CVP Financial Holdings Limited (“CVP Financial”), a direct non wholly-owned subsidiary of the Company, entered into an agreement (the “2019 Agreement”) with Mr. Ding Lu in respect of the disposal of 49% equity interest in Bartha International Limited (“Bartha”) at a consideration of HK\$45,000,000, which was payable by Mr. Ding Lu in cash on completion of such disposal.

However, on 15 January 2020, CVP Financial, entered into a deed of settlement (the “Deed of Settlement”) with Mr. Ding Lu, pursuant to which CVP Financial had agreed to pay to Mr. Ding Lu a settlement sum in an amount of HK\$1,000,000 (the “Settlement Sum”) within 10 business days from the date of the Deed of Settlement. Pursuant to the Deed of Settlement, CVP Financial and Mr. Ding Lu should be released and discharged from their respective duties, obligations and liabilities as set out in the 2019 Agreement, and the 2019 Agreement should be terminated with effect from the date of settlement of the Settlement Sum.

Further, on 15 January 2020, CVP Financial entered into two conditional sale and purchase agreements with each of Mr. Zuo Tao and Ms. Zhang Fengge, pursuant to which CVP Financial had conditionally agreed to sell, and each of Mr. Zuo Tao and Ms. Zhang Fengge had conditionally agreed to purchase, 20% and 29% equity interest in Bartha at a consideration of HK\$20,408,163 and HK\$29,591,837, respectively (“Bartha Disposals”). Completion of Bartha Disposals took place on 17 January 2020, upon which Bartha and its subsidiary, ceased to be subsidiaries of the Company and their financial results would no longer be consolidated into the financial statements of the Group.



On 22 January 2020, the Group disposed of all of its equity interest in Madison Future Games Limited (“Future Games”) and the sale loan in the amount of approximately HK\$24,543,000 at a cash consideration of HK\$1.00. Prior to the disposal of Future Games, Future Games together with its non-wholly-owned subsidiaries were principally engaged in cryptocurrency mining business. Upon Completion of disposal of Future Games on 22 January 2020, the Group ceased to hold any equity interest in Future Games and its result was no longer consolidated into the consolidated financial statements of the Group. Meanwhile, the Group has also ceased its operation in the cryptocurrency mining business in Europe.

On 18 February 2020, CVP Financial, as vendor, entered into a sale and purchase agreement with Ms. Li Li, as purchaser, pursuant to which the purchaser had agreed to acquire and CVP Financial had agreed to sell the exchangeable bond issued by Bartha Holdings Limited to CVP Financial, which entitled the CVP Financial to exchange for 51% of the entire issued share capital of Bartha (“Bartha Shares”) with the maturity date falling on 27 July 2022 (“Exchangeable Bond”), at a cash consideration of HK\$67,000,000. Completion of the disposal of the Exchangeable Bond took place on 18 February 2020, upon which CVP Financial had disposed of its exchange right to exchange all Bartha Shares owned by Bartha Holdings Limited.

### **C. Acquisitions**

During the year under review, BITOCEAN Co., Ltd. (“BITOCEAN”) further issued its shares to Madison Lab Limited and the Group’s shareholding was increased to approximately 94.9%. BITOCEAN was incorporated in Japan and is a registered virtual currency exchange service provider in Japan. It engages in business of blockchain services. CVP Capital Limited (“CVP Capital”) further issued its shares to CVP Financial and the Group’s shareholding was increased to approximately 60.0%. CVP Capital was incorporated in Hong Kong with limited liability and is engaged in provision of consultancy services in financial field.

Save as disclosed above, the Group had no significant investment and no material disposal or acquisition during the year.

### **Future Plans for Material Investments on Capital Assets**

During the year under review, the Group did not have any concrete future plans for material investments or capital assets as at 31 March 2020.

## **SEGMENT INFORMATION**

The Group's business comprises five principal segments, namely (i) the Wine Business; (ii) the Wine Auction Business; (iii) the Financial Services Business; (iv) the Blockchain Services Business; and (v) the Loan Financing Business which accounted for approximately 34.5%, 2.4%, 5.2%, 14.9% and 43.0% (2019: approximately 36.8%, 1.2%, 7.0%, 9.5% and 45.5%) of the total revenue respectively.

During the year under review, despite the Group recorded a decrease in revenue in the Wine Business and Financial Services Business approximately HK\$44.8 million and HK\$11.2 million respectively, revenue from the Wine Auction Business recorded an increase of approximately 32.4% or HK\$1.2 million to approximately HK\$4.9 million in the current year (2019: approximately HK\$3.7 million). Revenue from Blockchain Services Business recorded a slight increase of approximately 2.4% or HK\$0.7 million to approximately HK\$30.1 million in the current year (2019: approximately 29.4 million).

For Loan Financing Business, the emergence of unfavourable market conditions as noted in the sub-section headed "Business Review" above resulted in both a slowdown in revenue and an increase in impairment allowances on loan receivables. The Group recorded a decrease of revenue approximately 38.8% or HK\$54.8 million to approximately HK\$86.6 million (2019: approximately HK\$141.4 million) and an increase of impairment allowances approximately HK\$51.1 million (2019: approximately HK\$6.5 million).

## **KEY RISKS AND UNCERTAINTIES**

The Group's result of operations may fluctuate significantly from time to time due to seasonality and other factors. The directors of the Group are aware that the Group is exposed to various risks and the principal risks and uncertainties are summarized below.

This summary should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties faced by the Group, but rather those risks which the Group currently believes may have a significant impact on the Group's performance and future prospects.

- |                                  |  |
|----------------------------------|--|
| The Wine Business                | (i) slow-moving inventory<br>(ii) product liability claims<br>(iii) fluctuation in the foreign currency exchange rates   |
| The Wine Auction Business        | (i) depreciation of wines<br>(ii) failing to recognise the counterfeit wines   |
| The Financial Services Business  | (i) withdrawals and terminations of projects or defaults or delays in payments by clients<br>(ii) failure to retain and motivate key management personnel to conduct business<br>(iii) exposure to professional liability and litigation   |
| The Loan Financing Business      | (i) customer or counterparty to a financial instrument failing to meet its contractual obligations<br>(ii) uncertainties in the government policy, relevant regulations and guidelines established by the regulatory authorities   |
| The Blockchain Services Business | (i) uncertainties in the regulatory and economic conditions of countries in which the Group operates<br>(ii) uncertainties over both the timing and amount of the consideration that the Group will receive for undertaking cryptocurrency mining activities<br>(iii) availability of necessary equipment, supplies and manpower for cryptocurrency mining |

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 31 March 2020, the Group employed 145 employees (2019: 218). The Group determines the employees' remuneration based on factors such as qualification, duty, contributions and years of experience. In addition, the Group provides comprehensive training programs to its employees or sponsors the employees to attend various job-related training courses. Apart from basic remuneration, share options may be granted under the share option scheme of the Company to eligible employees by reference to the Group's performance as well as the 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. The Directors believe that the compensation packages offered by the Group to its staff are competitive in comparison with market standards and practices.

## **ENVIRONMENTAL POLICIES AND PERFORMANCE**

The Group is committed to building an environmentally-friendly corporation and always takes the environmental protection issues into consideration during daily operation. The Group does not produce material waste nor emit material quantities of air pollutants. The Group also strives to minimise the adverse environmental impacts by encouraging the employees to recycle office supplies and other materials and to save electricity.

## **COMPLIANCE WITH LAWS AND REGULATIONS**

The Company itself is an investment holding company listed on GEM operated by the Stock Exchange. The operations of the Group are mainly carried out by the Company's subsidiaries in the PRC, Hong Kong and Japan. As such, the Group's operations shall comply with relevant laws and regulations in the PRC, Hong Kong and the Japan accordingly. During the year under review, the Group has complied with all applicable laws and regulations in the PRC, Hong Kong and the Japan in all material respects. The Group shall continue to keep itself updated with the requirements of the relevant laws and regulations in the PRC, Hong Kong and the Japan and adhere to them to ensure compliance.

## **BUSINESS PROSPECT**

The Group has commenced its Wine Auction Business since 2018. The Directors believe that the Group can further strengthen its position in the high-end fine wine business through its Wine Auction Business, and can better leverage its cash position through receiving consignments provided by the consignors to the Wine Auction Business.

The Directors will continue to seek suitable investment opportunities so as to broaden the source of income of the Group and diversify the Group's business portfolio. For any potential acquisition, the Group will evaluate the target company to be acquired as well as the intrinsic value of the acquisition. At the end of March 2019, the Group completed the acquisition of the Loan Financing Business which is the prime opportunity for the Company to enter the loan financing services industry. Following the completion of such acquisition, the Company intends to strengthen the development of the Loan Financing Business which will help diversifying the businesses, building a stronger business foundation and enlarging the source of income of the Group, thereby creating value for the shareholders of the Company.

The outlook remains highly uncertain due to unfavourable market conditions as noted in the sub-section headed "Business Review" above. The Board and all our staff will carry on with the spirit of dedication and diligence, to provide high-quality products and services as well as to find new direction and potential business collaboration to reduce the impact as well as creating more value for shareholders.

## ANNUAL RESULTS

The Board is pleased to announce the annual consolidated results of the Group for the year ended 31 March 2020 together with the comparative figures for the year ended 31 March 2019.

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the year ended 31 March 2020*

	<i>Note</i>	<b>2020</b> <b>HK\$'000</b>	2019 <i>HK\$'000</i>
Revenue	4		
– sales of alcoholic beverages		<b>69,392</b>	114,172
– financial services		<b>10,455</b>	21,715
– blockchain services		<b>30,141</b>	29,384
– loan financing service		<b>86,547</b>	141,401
– auction		<b>4,948</b>	3,680
		<u><b>201,483</b></u>	<u>310,352</u>
Cost of operation			
– cost of alcoholic beverages		<b>(59,373)</b>	(96,181)
– cost of auction		<b>(515)</b>	–
– cost of blockchain services		<b>(38,007)</b>	(38,563)
		<u><b>(97,895)</b></u>	<u>(134,744)</u>
Other income	5	<b>3,330</b>	8,341
Staff costs		<b>(73,980)</b>	(95,090)
Depreciation		<b>(30,232)</b>	(33,032)
Change in fair value of financial assets at FVTPL		<b>1,423</b>	(37,631)
Administrative and other operating expenses		<b>(67,472)</b>	(85,719)
Net impairment recognised on loan and interest receivables		<b>(51,089)</b>	(6,482)
Change in fair value of exchangeable bonds		<b>(11,519)</b>	3,112
Change in fair value of derivative financial instruments		<b>(5,567)</b>	5,438
Change in fair value of crypto-currencies		<b>(538)</b>	(6,194)
Impairment loss recognised on goodwill		<b>(257,440)</b>	(173,251)
Impairment loss recognised on plant and equipment		<b>(21,760)</b>	(120,066)
Gain on disposal of subsidiaries		<b>144,205</b>	–
Finance costs		<b>(55,481)</b>	(38,122)

	<i>Note</i>	<b>2020</b> <b><i>HK\$'000</i></b>	2019 <i>HK\$'000</i>
Loss before tax		(322,532)	(403,088)
Income tax credit (expense)	6	<u>4,250</u>	<u>(16,627)</u>
Loss for the year	7	<u><b>(318,282)</b></u>	<u>(419,715)</u>
Loss for the year attributable to:			
Owners of the Company		(278,922)	(369,244)
Non-controlling interests		<u>(39,360)</u>	<u>(50,471)</u>
		<u><b>(318,282)</b></u>	<u>(419,715)</u>
Loss per share ( <i>HK cents</i> )	9		
Basic		<u>(5.37)</u>	<u>(8.76)</u>
Diluted		<u>(5.39)</u>	<u>(8.99)</u>
Loss for the year		<u>(318,282)</u>	<u>(419,715)</u>
<b>Other comprehensive expense</b>			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		(21,374)	(29,294)
Release of translation reserve upon disposal of subsidiaries		<u>(478)</u>	<u>–</u>
		<u>(21,852)</u>	<u>(29,294)</u>
Total comprehensive expense for the year		<u><b>(340,134)</b></u>	<u>(449,009)</u>
Total comprehensive expense for the year attributable to:			
Owners of the company		(290,028)	(380,764)
Non-controlling interests		<u>(50,106)</u>	<u>(68,245)</u>
		<u><b>(340,134)</b></u>	<u>(449,009)</u>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2020

		2020	2019
	<i>Note</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
Non-current assets			
Plant and equipment		<b>4,850</b>	92,595
Financial assets at fair value through profit or loss		–	78,142
Loan receivables	<i>10</i>	<b>10,420</b>	19,938
Deposits	<i>11</i>	<b>1,520</b>	7,010
Intangible assets		<b>180,361</b>	188,339
Right-of-use assets		<b>14,612</b>	–
Deferred tax asset		<b>19,776</b>	8,005
Goodwill		<b>9,028</b>	266,468
		<b>240,567</b>	660,497
Current assets			
Inventories		<b>28,998</b>	32,272
Financial assets at fair value through profit or loss		<b>41,212</b>	27,339
Loan and interest receivables	<i>10</i>	<b>386,834</b>	535,775
Trade and other receivables	<i>11</i>	<b>123,609</b>	169,048
Amount due from ultimate holding company		–	25
Amount due from immediate holding company		–	37
Amount due from a shareholder		–	11
Amount due from a non-controlling shareholder		–	2,000
Amounts due from related companies		–	349
Amounts due from associates		<b>263</b>	2,866
Crypto-currencies		–	371
Tax recoverable		–	32
Bank balances – segregated accounts		–	57,822
Bank balances and cash		<b>42,031</b>	48,436
		<b>622,947</b>	876,383



	<i>Note</i>	<b>2020</b> <b>HK\$'000</b>	2019 HK\$'000
<b>Current liabilities</b>			
Trade and other payables	<i>12</i>	<b>23,148</b>	145,042
Lease liabilities		<b>10,089</b>	–
Contract liabilities		<b>3,329</b>	5,311
Amounts due to shareholders		<b>296</b>	–
Amount due to a director		<b>164</b>	1,081
Amounts due to associates		–	2,832
Amounts due to non-controlling shareholders		–	707
Loan from a director		<b>38,000</b>	38,000
Loan from a subsidiary of non-controlling shareholder		<b>107,100</b>	106,350
Borrowings	<i>13</i>	<b>103,992</b>	281,071
Tax payable		<b>24,954</b>	24,677
Derivative financial instruments		<b>59,205</b>	53,638
Promissory notes payables		<b>167,920</b>	140,945
Deferred income		–	331
		<u><b>538,197</b></u>	<u>799,985</u>
 Net current assets		<u><b>84,750</b></u>	<u>76,398</u>
 Total assets less current liabilities		<u><b>325,317</b></u>	<u>736,895</u>
 <b>Capital and reserves</b>			
Share capital		<b>5,193</b>	5,193
Reserves		<u><b>26,799</b></u>	<u>261,328</u>
 Equity attributable to owners of the Company		<b>31,992</b>	266,521
Convertible bonds issued by a subsidiary		–	9,230
Non-controlling interests		<u><b>165,923</b></u>	<u>186,440</u>
 Total equity		<u><b>197,915</b></u>	<u>462,191</u>

	<i>Note</i>	<b>2020</b> <b><i>HK\$'000</i></b>	2019 <i>HK\$'000</i>
Non-current liabilities			
Deferred tax liability		<b>893</b>	1,605
Borrowings		–	88,017
Loan from a related company		–	14,063
Convertible bonds		<b>121,757</b>	157,832
Lease liabilities		<b>4,752</b>	–
Promissory notes payables		–	12,359
Deferred income		–	828
		<u><b>127,402</b></u>	<u>274,704</u>
		<u><b>325,317</b></u>	<u>736,895</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 March 2020*

## 1. GENERAL

Madison Holdings Group 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 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 and Mr. Ting Pang Wan Raymond (“Mr Ting”) is the controlling shareholder of the Company. 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, the provision of financial services, the provision of blockchain services, the provision of loan financing services and the provision of auction of alcoholic beverages business.

The functional currency of the Company and the subsidiaries incorporated in Hong Kong are Hong Kong dollars (“HK\$”) while that of the subsidiaries established in the People’s Republic of China (the “PRC”), Gibraltar and Sweden are Renminbi (“RMB”), United States Dollar and Swedish Krone respectively. For the purpose of presenting the financial statements, the Company and its subsidiaries (hereinafter collectively referred to as the “Group”) adopted HK\$ as its presentation currency which is the same as the functional currency of the Company.

## 2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2020, the Group incurred a net loss of approximately HK\$318,282,000 for the year ended 31 March 2020. In addition, the Group had bank balance and cash amounted approximately HK\$42,031,000, while loan from a director, loan from a subsidiary of non-controlling shareholder, borrowings and promissory notes payables approximately HK\$417,012,000 which will be matured within the coming twelve months, and the Group’s ability to meet these liquidity requirements depends on its ability to generate sufficient net cash inflows from future operations and/or other sources. These facts and circumstances indicate the existence of material uncertainties which may cast significant doubt on the Group’s ability to continue as a going concern.

In view of these circumstances, the directors of the Company have given consideration to the future liquidity and performance of the Group in assessing whether the Group will have sufficient financial resources to continue as a going concern. Taking into account the Group’s cash flow projection, including:

- A director, a subsidiary of non-controlling shareholder and certain borrowers included in borrowings have agreed not to demand for repayment of the balances in aggregate of approximately HK\$317,020,000 due from the Group until such time the Group has the financial ability to repay without impairing its liquidity position;
- Pursuing the collection of considerations receivables from disposal of subsidiaries and exchangeable bond including outstanding cash considerations and promissory note receivable;

- Implementing various strategies to improve the cash flow status, such as managing the loan receivable portfolio and various investments; and
- Putting extra efforts on the collection of trade debtors to improve the debtors turnover days.

The directors of the Company consider that the Group will have sufficient working capital to meet its financial obligations as they fall due for at least the next twelve months from the end of the reporting period and accordingly, the consolidated financial statements have been prepared on a going concern basis.

### 3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

In the current year, the Group has applied, for its first time, the following new and amendments to HKFRSs, which include HKFRSs, Hong Kong Accounting Standards (“HKAS(s)”), amendments and interpretations (“Int(s)”), issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

HKFRS 16	Leases
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Venture
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle

The adoption of HKFRS 16 resulted in the changes in the Group’s accounting policies and adjustments to the amounts recognised in the consolidated financial statements as summarised below.

The application of other new and amendments to 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.

#### **Impacts on adoption of HKFRS 16 Leases**

HKFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating lease and finance lease and requiring the recognition of right-of-use asset and a lease liability for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new accounting policies are described in this note. The Group has applied HKFRS 16 Leases retrospectively with the cumulative effect of initial application as an adjustment to the opening balance of equity, where appropriate, at 1 April 2019. Comparative information has not been restated and continues to be reported under HKAS 17 Leases.

On transition to HKFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which arrangements are, or contain, leases. It applied HKFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC) – Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 April 2019.

## ***The Group as lessee***

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as ‘operating leases’ under the principles of HKAS 17 Leases (except for lease of low value assets and lease with remaining lease term of twelve months or less). These liabilities were measured at the present value of the remaining lease payments, discounted using the lessees’ incremental borrowing rate as of 1 April 2019. The weighted average lessee’s incremental borrowing rates applied to the lease liabilities on 1 April 2019 was 4.21%.

The Group recognises right-of-use assets and measures them at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments – the Group applied this approach to all leases.

The following table summarises the impact of transition to HKFRS 16 at 1 April 2019. Line items that were not affected by the adjustments have not been included.

		<b>Carry amount previously reported at 31 March 2019</b>	<b>Impact on adoption of HKFRS 16</b>	<b>Carrying amount as restated at 1 April 2019</b>
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Right-of-use assets	(a)	–	12,757	12,757
Trade and other receivables	(b)	169,048	(200)	168,848
Lease liabilities – current	(a)	–	5,393	5,393
Lease liabilities – non-current	(a)	–	7,164	7,164

### *Notes:*

- (a) As at 1 April 2019, right-of-use assets were measured at an amount equal to lease liabilities of approximately HK\$12,557,000. The adoption of HKFRS 16 has had no material impact on the accumulated losses of the Group.
- (b) Prepaid rental of approximately HK\$200,000 as at 31 March 2019 were reclassified to right-of-use assets.

Differences between operating lease commitments as at 31 March 2019, the date immediately preceding the date of initial application, discounted using the incremental borrowing rate, and the lease liabilities recognised as at 1 April 2019 are as follow:

*HK\$'000*

Operating lease commitment disclosed as at 31 March 2019	18,083
<i>Less:</i> Short-term leases recognised on a straight-line basis as expense	<u>(4,796)</u>
	13,287
Discounted using the applicable incremental borrowing rate at the date of initial application	<u>(730)</u>
Lease liabilities recognised as at 1 April 2019	<u><u>12,557</u></u>
Analysed as	
Current portion	5,393
Non-current portion	<u>7,164</u>
	<u><u>12,557</u></u>

***Practical expedients applied***

On the date of initial application of HKFRS 16, the Group has also used the following practical expedients permitted by the standard:

- Not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease;
- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- The accounting for operating leases with a remaining lease term of less than 12 months as at 1 April 2019 as short term leases; and
- The exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application.

## ***New and revised HKFRSs issued but not yet effective***

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKFRS 3	Definition of a Business <sup>4</sup>
Amendments to HKAS 1 and HKAS 8	Definition of Material <sup>1</sup>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform <sup>1</sup>
Amendments to HKFRS 16	COVID-19 – Related Rent Concessions <sup>5</sup>
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting <sup>1</sup>

<sup>1</sup> *Effective for annual periods beginning on or after 1 January 2020.*

<sup>2</sup> *Effective for annual periods beginning on or after 1 January 2021.*

<sup>3</sup> *Effective for annual periods beginning on or after a date to be determined.*

<sup>4</sup> *Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.*

<sup>5</sup> *Effective for annual periods beginning on or after 1 June 2020.*

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

### ***Amendments to HKFRS 3 Definition of a Business***

The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

Additional guidance is provided that helps to determine whether a substantive process has been acquired.

The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets.

The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after the first annual reporting period beginning on or after 1 April 2020, with early application permitted.

#### 4. REVENUE AND SEGMENT INFORMATION

##### Revenue

The principal activities of the Group are sales of alcoholic beverages, the provision of financial services, the provision of blockchain services, the provision of auction of alcoholic beverages business and the provision of loan financing services. An analysis of revenue, net is as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Revenue from contracts with customers		
Disaggregated of revenue by major products or services lines		
Financial services segment		
– Financial consultancy service income	3,172	7,501
– Securities and futures dealing service income	1,450	4,831
Sales of alcoholic beverages segment		
– Sales of alcoholic beverages income	69,392	114,172
Loan financing services segment		
– Loan referral services income	6,737	52,304
Auction segment		
– Auction income	4,948	3,680
Blockchain services segment		
– Provision of high performance computing services	–	3,209
Total revenue from contracts with customers	<b>85,699</b>	185,697
Revenue from other sources		
Financial services segment		
– Interest income – Margin clients	5,833	9,383
Loan financing segment		
– Interest income – Real estate-backed loans	2,059	5,843
– Interest income – Micro loans	42,642	36,985
– Interest income – Other loans	35,109	46,269
Blockchain services segment		
– Blockchain services income	30,141	26,175
Total revenue from other sources	<b>115,784</b>	124,655
Total Revenue	<b>201,483</b>	310,352



## Disaggregation of revenue by timing of recognition

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Timing of revenue recognition		
At a point in time	82,527	174,987
Over Time	<u>3,172</u>	<u>10,710</u>
Total revenue from contracts with customers	<u><u>85,699</u></u>	<u><u>185,697</u></u>

## Transaction price allocated to the remaining performance obligations

All sales contracts are with an original expected duration of one year or less or contracts for which revenue is recognised at the amount to which that Group has the right to invoice for the performance performed. Accordingly, the Group has elected the practical expedient and has not disclosed the amount of transaction price allocated to the performance obligations that are unsatisfied (or partially satisfied) as of the end of the reporting period.

## Segment Information

Information has been reported to the chief operating decision maker (“CODM”) (i.e. the executive directors), for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group’s reportable and operating segments under HKFRS 8 are as follows:

1. Sales of alcoholic beverages – retail sales and wholesales of wine products and other alcoholic beverages
2. Financial services – provision of financial consultancy service and securities and futures dealing services
3. Blockchain services – provision of transaction verification and high performance computing services
4. Loan financing services – provision of loan financing and loan referral services
5. Auction – provision of auction of alcoholic beverages business

(a) **Segment revenues and results**

The following is an analysis of the Group's revenue and results by reportable and operating segments.

	<b>2020</b>	2019
	<b>HK\$'000</b>	HK\$'000
<b>Revenue</b>		
Sales of alcoholic beverages	<b>69,392</b>	114,172
Financial services	<b>10,455</b>	21,715
Blockchain services	<b>30,141</b>	29,384
Loan financing services	<b>86,547</b>	141,401
Auction	<b>4,948</b>	3,680
	<b>201,483</b>	310,352
<b>Segment (loss) profit</b>		
Sales of alcoholic beverages	<b>(13,899)</b>	(3,664)
Financial services	<b>(7,127)</b>	(2,447)
Blockchain services	<b>(63,382)</b>	(173,402)
Loan financing services	<b>(5,213)</b>	101,410
Auction	<b>(4,177)</b>	(1,700)
	<b>(93,798)</b>	(79,803)
Unallocated income	<b>146,275</b>	13,419
Unallocated expenses	<b>(319,528)</b>	(298,582)
Finance costs	<b>(55,481)</b>	(38,122)
Loss before tax	<b>(322,532)</b>	(403,088)

Segment (loss) profit represents the (loss) profit from each segment without allocation of central administration costs, directors' salaries and certain other revenue, net trading (loss) gain, change in fair value of exchangeable bonds, change in fair value of derivative financial instrument, impairment loss recognised on goodwill, gain on disposal of subsidiaries and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

(b) **Segment assets and liabilities**

The following is an analysis of the Group's assets and liabilities by reportable and operating segments:

***Segment assets***

	<b>2020</b>	2019
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Sales of alcoholic beverages	<b>47,217</b>	80,102
Financial services	<b>1,464</b>	176,431
Blockchain services	<b>222,785</b>	279,209
Loan financing services	<b>420,187</b>	565,361
Auction	<b>1,963</b>	1,182
	<hr/>	<hr/>
Total segment assets	<b>693,616</b>	1,102,285
Unallocated assets	<b>169,898</b>	434,595
	<hr/>	<hr/>
Consolidated total assets	<b>863,514</b>	1,536,880
	<hr/> <hr/>	<hr/> <hr/>

***Segment liabilities***

	<b>2020</b>	2019
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Sales of alcoholic beverages	<b>14,213</b>	8,202
Financial services	<b>171</b>	68,566
Blockchain services	<b>813</b>	35,323
Loan financing services	<b>16,182</b>	11,135
Auction	<b>2,776</b>	194
	<hr/>	<hr/>
Total segment liabilities	<b>34,155</b>	123,420
Unallocated liabilities	<b>631,444</b>	951,269
	<hr/>	<hr/>
Consolidated total liabilities	<b>665,599</b>	1,074,689
	<hr/> <hr/>	<hr/> <hr/>

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to operating segments other than financial assets at FVTPL, deferred tax asset, goodwill, amounts due from ultimate holding company/immediate holding company/a shareholder/a non-controlling shareholder/related companies/associates, tax recoverable, bank balances and cash and certain unallocated head office assets; and

- all liabilities are allocated to operating segments other than amounts due to shareholders/a director/ associates/non-controlling shareholders, loan from a director, loan from a subsidiary of non-controlling shareholder, loan from a related company, borrowings, tax payable, deferred tax liability, derivative financial instruments, convertible bonds, promissory notes payables.

(c) **Other segment information**

**For the year ended 31 March 2020**

	Sale of alcoholic beverages HK\$'000	Financial services HK\$'000	Blockchain services HK\$'000	Loan financing services HK\$'000	Auction HK\$'000	Unallocated HK\$'000	Total HK\$'000
<i>Amounts included in the measure of segment profit or loss or segment assets:</i>							
Additions to non-current assets (Note)	7,473	–	207	13,581	–	–	21,261
Depreciation	7,695	2,433	14,218	5,781	46	59	30,232
Recoveries on impairment loss on trade receivables previously written off	(136)	–	–	–	–	–	(136)
Net impairment loss recognised on trade receivables	–	270	–	–	–	–	270
Net impairment loss recognised on loan and interest receivables	–	–	–	51,089	–	–	51,089
Change in fair value of crypto-currencies	–	–	538	–	–	–	538
Written off of loans and interest receivables	–	–	–	14,129	–	–	14,129
Net loss on disposals and written off of plant and equipment	–	–	–	–	–	1,640	1,640
Impairment loss recognised on goodwill	–	–	–	–	–	257,440	257,440
Impairment loss recognised on plant and equipment	–	–	21,760	–	–	–	21,760
	<u>–</u>	<u>–</u>	<u>21,760</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>21,760</u>
<i>Amounts regularly provided to the CODM but not included in the measure of segment profit or loss or segment assets:</i>							
Bank interest income	–	–	–	–	–	104	104
Finance costs	–	–	–	–	–	55,481	55,481
Income tax expense (credit)	–	128	–	(4,378)	–	–	(4,250)
	<u>–</u>	<u>128</u>	<u>–</u>	<u>(4,378)</u>	<u>–</u>	<u>–</u>	<u>(4,250)</u>

**For the year ended 31 March 2019**

	Sale of alcoholic beverages <i>HK\$'000</i>	Financial services <i>HK\$'000</i>	Blockchain services <i>HK\$'000</i>	Loan financing services <i>HK\$'000</i>	Auction <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
<i>Amounts included in the measure of segment profit or loss or segment assets:</i>							
Additions to non-current assets ( <i>Note</i> )	128	48	839,871	26	103	165	840,341
Depreciation	3,038	1,286	27,052	1,610	25	21	33,032
Recoveries on impairment loss on trade receivables previously written off	(34)	–	–	–	–	–	(34)
Net impairment loss recognised on trade receivables	474	24	–	–	–	–	498
Net impairment loss recognised on loan and interest receivables	–	–	–	6,482	–	–	6,482
Change in fair value of crypto-currencies	–	–	6,194	–	–	–	6,194
Written off of loans and interest receivables	–	–	–	2,296	–	–	2,296
Net loss on disposals and written off of plant and equipment	–	–	–	–	–	3	3
Impairment loss recognised on goodwill	–	–	–	–	–	173,251	173,251
Impairment loss recognised on plant and equipment	–	–	120,066	–	–	–	120,066
	<u>–</u>	<u>–</u>	<u>120,066</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>120,066</u>

*Amounts regularly provided to the CODM but not included in the measure of segment profit or loss or segment assets:*

Bank interest income	–	–	–	–	–	227	227
Finance costs	–	4,055	–	5,927	–	28,140	38,122
Income tax (credit) expense	(184)	(137)	17	16,931	–	–	16,627
	<u>(184)</u>	<u>(137)</u>	<u>17</u>	<u>16,931</u>	<u>–</u>	<u>–</u>	<u>16,627</u>

*Note:* Non-current assets excluded financial instruments and deferred tax assets.

(d) **Geographical information**

Information about the Group's revenue from external customers is presented based on the location of operations. Information about the Group's non-current assets other than financial instruments, deferred tax assets, deposits and loan receivables, is presented based on the geographical location of the assets.

	Revenue from external customers		Non-current assets	
	For the year ended 31 March		As at 31 March	
	2020	2019	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
PRC	51,438	80,858	3,430	2,555
Hong Kong	119,904	206,100	25,523	25,388
Europe	30,141	23,394	–	339,441
Japan	–	–	179,898	180,018
	<u>201,483</u>	<u>310,352</u>	<u>208,851</u>	<u>547,402</u>

(e) **Information about major customers**

During the years ended 31 March 2020 and 2019, there is no customer contributing over 10% of the total revenue of the Group.

5. **OTHER INCOME**

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank interest income	104	227
Consignment income	292	855
Net exchange gain	52	2,058
Recoveries on impaired losses on trade receivables previously written off	136	34
Other handling fee income	–	1,251
Government grants	1,680	300
Gain on disposal of an exchangeable bond	377	–
Others	<u>689</u>	<u>3,616</u>
	<u>3,330</u>	<u>8,341</u>

## 6. INCOME TAX (CREDIT) EXPENSE

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current tax:		
Hong Kong Profits Tax	3,474	6,662
PRC Enterprise Income Tax (“EIT”)	<u>4,654</u>	<u>10,802</u>
	8,128	17,464
Deferred taxation	<u>(12,378)</u>	<u>(837)</u>
	<u><u>(4,250)</u></u>	<u><u>16,627</u></u>

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

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “Bill”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of qualifying corporation will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. For the year ended 31 March 2020 and 2019, Hong Kong profits tax of the qualified entity of the Group is calculated in accordance with the two-tiered profits tax rates regime. The profits of other Group entities in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at the flat rate of 16.5%.

Tax exemptions represented reduction of Hong Kong Profits Tax for the year of assessment of 2019/2020 and 2018/2019, subject to a ceiling of HK\$20,000 for both years.

Profits of the subsidiaries established in the PRC are subject to PRC EIT during both years.

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the statutory EIT tax rate of the PRC subsidiaries is 25% for both years. Further 10% withholding income tax is generally imposed on dividends relating to profits.

No provision for Gibraltar Corporate Tax and Sweden Income Tax have been made as the Group did not have any assessable profits subject to Gibraltar Corporate Tax and Sweden Income Tax respectively for the year ended 31 March 2020 and 2019.

## 7. LOSS FOR THE YEAR

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Loss for the year has been arrived at after charging:		
Directors' emoluments	10,633	25,413
Salaries, allowances and other benefits	55,577	53,246
Sales commission	204	861
Contributions to retirement benefits scheme	3,478	3,024
Equity-settled share-based payment expenses – employees	4,088	12,546
	<u>73,980</u>	<u>95,090</u>
Total staff costs		
	<u>73,980</u>	<u>95,090</u>
Auditor's remuneration <sup>2</sup>	1,320	1,800
Write-down of inventories <sup>1</sup>	150	–
Cost of inventories recognised as expense <sup>1</sup>	55,842	87,551
Equity-settled share-based payment expenses – consultants <sup>2</sup>	830	2,719
Net loss on disposals and written off of plant and equipment <sup>2</sup>	1,640	3
Net impairment loss recognised on trade receivables <sup>2</sup>	270	498
Net impairment loss recognised on loan and interest receivables	51,089	6,482
Written off of loans and interest receivables <sup>2</sup>	14,129	2,296
Minimum lease payments under operating leases in respect of office premises, warehouses and shop	–	17,201
	<u>–</u>	<u>17,201</u>

<sup>1</sup> *Amounts included in cost of operations*

<sup>2</sup> *Amounts included in administrative and other operating expenses*

## 8. DIVIDEND

No dividend was paid or proposed during the years ended 31 March 2020 and 2019, nor has any dividend been proposed since the end of the reporting period.



## 9. LOSS PER SHARE

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

	<b>2020</b>	2019
	<b>HK\$'000</b>	HK\$'000
<b>Loss</b>		
Loss for the purpose of basic loss per share for the year attributable to the owners of the Company	<u>(278,922)</u>	<u>(369,244)</u>
Effect of dilutive potential ordinary shares:		
Change in fair value of put option to non-controlling interests in CVP Capital Limited and loss attributable to the owners to the Company	<u>(982)</u>	<u>(9,948)</u>
Loss for the purpose of diluted loss per share	<u><b>(279,904)</b></u>	<u>(379,192)</u>
	<b>2020</b>	2019
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<u><b>5,192,726,898</b></u>	<u>4,215,866,097</u>

The computation of diluted loss per share does not assume the outstanding shares options and outstanding convertible bonds since their exercise would result in a decrease in loss per share for the year ended 31 March 2020 and 2019.

The denominators used are the same as these detailed above for both basic and diluted loss per share.

## 10. LOAN AND INTEREST RECEIVABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Secured loans		
Real estate-backed loans	<b>30,284</b>	32,438
Secured micro loans	<b>74,553</b>	46,632
	<u><b>104,837</b></u>	<u>79,070</u>
Unsecured loans		
Unsecured micro loans	<b>192,078</b>	239,442
Unsecured other loans	<b>102,107</b>	172,704
	<u><b>294,185</b></u>	<u>412,146</u>
	<b>399,022</b>	491,216
<i>Less: Allowances for loan receivables</i>	<u><b>(81,168)</b></u>	<u>(33,076)</u>
Loan receivables	<b>317,854</b>	458,140
Interest receivables	<b>79,400</b>	97,573
	<u><b>397,254</b></u>	<u>555,713</u>
Loan and interest receivables analysed for reporting purpose as:		
Non-current assets	<b>10,420</b>	19,938
Current assets	<b>386,834</b>	535,775
	<u><b>397,254</b></u>	<u>555,713</u>

The following is an aged analysis of net loans and interest receivables, presented based on the dates which loans are granted to borrowers and interests are accrued.

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within 90 days	<b>92,789</b>	79,820
91 – 180 days	<b>88,836</b>	254,936
181 – 365 days	<b>47,852</b>	34,362
Over 365 days	<b>167,777</b>	186,595
	<u><b>397,254</b></u>	<u>555,713</u>
At 31 March	<u><b>397,254</b></u>	<u>555,713</u>

## 11. TRADE AND OTHER RECEIVABLES AND DEPOSITS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade receivables arising from the business of securities dealing and broking:		
– Cash clients	–	520
– Margin clients ( <i>Notes b</i> )	–	89,457
– HKSCC	–	9,978
	<u>–</u>	<u>99,955</u>
Trade receivables arising from the business of futures dealing and broking:		
– Hong Kong Exchanges and Clearing Limited	–	428
	<u>–</u>	<u>428</u>
Other trade receivables	<u>1,674</u>	<u>3,481</u>
	<b>1,674</b>	103,864
<i>Less: impairment</i>	<u>(338)</u>	<u>(938)</u>
Total trade receivables	<u>1,336</u>	<u>102,926</u>
Payments in advance	5,653	37,185
Prepayments	5,312	9,782
Deposits and other receivables	6,689	26,165
Consideration receivables	<u>106,139</u>	<u>–</u>
Total other receivables and deposits	<u>123,793</u>	<u>73,132</u>
Trade and other receivables, deposits	<u><b>125,129</b></u>	<u><b>176,058</b></u>
Analysed as:		
Current	123,609	169,048
Non-current	<u>1,520</u>	<u>7,010</u>
Trade and other receivables, deposits	<u><b>125,129</b></u>	<u><b>176,058</b></u>

Notes:

- (a) The following is an aged analysis of trade receivables (excluding margin clients), net of allowance for doubtful debts presented based on the delivery dates or trade date, which approximated the respective revenue recognition dates, at the end of the reporting period.

	<b>2020</b>	2019
	<b>HK\$'000</b>	HK\$'000
Within 30 days	<b>362</b>	13,174
31 to 60 days	<b>345</b>	209
61 to 90 days	<b>10</b>	–
91 to 180 days	<b>203</b>	90
181 to 365 days	<b>30</b>	125
Over 365 days	<b>386</b>	135
	<hr/>	<hr/>
Total	<b>1,336</b>	13,733
	<hr/> <hr/>	<hr/> <hr/>

- (b) No aged analysis is disclosed for the Group's margin clients as these margin clients were carried on an open account basis, the directors of the Company consider that the ageing analysis does not give additional value in the view of the nature of business of margin financing.

## 12. TRADE AND OTHER PAYABLES

	<b>2020</b>	2019
	<b>HK\$'000</b>	HK\$'000
Trade payables arising from the business of securities dealing and broking: ( <i>Notes a, c</i> )		
– Cash clients	–	23,483
– Margin clients	–	42,945
– Trust payable	–	146
	<hr/>	<hr/>
	–	66,574
	<hr/>	<hr/>
Trade payables arising from the business of futures dealing and broking ( <i>Notes b, c</i> )	–	598
	<hr/>	<hr/>
Other trade payables ( <i>Notes d</i> )	<b>2,883</b>	8,139
	<hr/>	<hr/>
Total trade payables	<b>2,883</b>	75,311
	<hr/>	<hr/>
Other payables and accruals	<b>20,265</b>	69,731
	<hr/>	<hr/>
Trade and other payables	<b>23,148</b>	145,042
	<hr/> <hr/>	<hr/> <hr/>

*Notes:*

- (a) For trade payables arising from the business of securities dealing and broking, no aged analysis is disclosed for the Group's margin and cash clients as these clients were carried on an open account basis, the aging analysis does not give additional value in the view of the nature of business of margin financing.

Trade payables to HKSCC are current which represent pending trades arising from the business of dealing in securities, normally due within two days after the trade date in accordance with the settlement requirements in Hong Kong market.

As at 31 March 2019, trade payables of securities clients approximately HK\$57,822,000 respectively were payable to clients in respect of the segregated bank balances received and held for clients in the course of conducting the regulated activities. The Group currently does not have an enforceable right to offset these payables with the deposits placed.

- (b) For trade payables arising from the business of futures dealing and broking, no aged analysis is disclosed as in the opinion of the directors of the Company, the aging analysis does not give additional value in the view of the nature of business of futures dealing and broking.
- (c) For the trade payables arising from securities and futures dealing activities, there is no interest for the balance of each account higher than a prescribed amount.

The settlement terms of trade payables arising from the business of dealing in securities and futures are required to be settled in accordance with the relevant market practices in Hong Kong and overseas. The trade payables to certain cash clients arising from the business of dealing in securities bear variable interest at commercial rates, and are repayable on demand subsequent to settlement date.

- (d) The following is an aged analysis of trade payables arising from other business presented based on the invoice date at the end of the reporting period.

	<b>2020</b>	2019
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Within 30 days	<b>816</b>	5,600
31 to 60 days	<b>288</b>	1,019
61 to 90 days	<b>521</b>	388
91 to 180 days	<b>361</b>	292
181 to 365 days	<b>347</b>	546
Over 365 days	<b>550</b>	294
	<hr/>	<hr/>
Total	<b>2,883</b>	8,139
	<hr/> <hr/>	<hr/> <hr/>

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

### 13. BORROWINGS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Other borrowings	<u><b>103,992</b></u>	<u>369,088</u>
Carrying amount repayable:		
Within one year	<b>103,992</b>	281,071
After one year but within two years	<u>–</u>	<u>88,017</u>
	<u><b>103,992</b></u>	<u>369,088</u>
Amounts show under current liabilities	<u><b>103,992</b></u>	<u>281,071</u>
Amounts show under non-current liabilities	<u>–</u>	<u>88,017</u>

The ranges of effective interest rates on the Group's other borrowings are as follows:

	2020	2019
Other borrowings	<b>12%</b>	9% to 12%
	<u><b>per annum</b></u>	<u>per annum</u>

All the other borrowings are at fixed rates.

As at 31 March 2020, included in unsecured other borrowings are carrying amount of approximately HK\$4,000,000 (2019: approximately HK\$162,100,000) bore interest at fixed rate and were due within one year. The fixed rate unsecured other borrowings carried interest of 12% (2019: ranging from 10% to 12%) per annum during the year ended 31 March 2020. These other borrowings contained a repayable on demand clause.

As at 31 March 2020, included in other borrowings is carrying amount of approximately HK\$99,992,000 bore interest at fixed rate and were due within one year. The fixed rate other borrowings carried interest at 12% per annum and contained a repayable on demand clause. These borrowings are secured by the Company's 77% of the entire issued share capital of Hackett Enterprises Limited and entire issued share capital of Madison Lab Limited and personal guarantee provided by Mr. Ting, the substantial shareholder of the Company.

## **GUARANTEED PROFIT**

According to the consolidated financial statements of Bartha International and CVP Securities Limited (formerly known as Eternal Pearl Securities Limited) (the “Bartha Group”), the audited consolidated profit attributable to owners of Bartha Group for the 24 months ended 31 March 2019 was HK\$15,015,916, which is slightly higher than the guaranteed profit as disclosed in the circular of the Company dated 28 February 2018.

## **UNDERTAKING**

As disclosed in the announcement of the Company dated 31 July 2018, the Group completed the acquisition of 51% equity interest in Diginex High Performance Computing Limited (“Diginex”) (the “2018 Acquisition”). As disclosed in the circular of the Company dated 13 July 2018 and the announcements of the Company dated 22 January 2020 and 19 February 2020, Diginex Global Limited (“Diginex Global”), the minority shareholder of Diginex, undertook to Future Games, the then subsidiary of the Group, that Diginex shall produce 45,000 Ether during the 12-month period commencing from the date of the 2018 Completion (the “Undertaking”). If Diginex fails to deliver 45,000 Ether undertaken by Diginex Global, Future Games is entitled to claim Diginex Global for a compensation of the shortfall number of Ether within 24 months from the date of completion of the 2018 Acquisition. As further disclosed in the announcement of the Company dated 13 September 2019, the operation of the cryptocurrency mining rigs in the PRC Site has been on halt since January 2019, which contributed to Diginex Global’s failure to meet the Undertaking. The shortfall was approximately 9,250 Ether. Pursuant to the terms and conditions of the sale and purchase agreement dated 22 January 2020 in respect of the disposal of the entire equity interest in Futures Games by the Group to an independent third party (the “Future Games Purchaser”), Future Games Purchaser has unconditionally and irrevocably undertaken and agreed to the Group that he shall, among other things, (a) procure Future Games to pursue, file or otherwise take all necessary claim(s), action(s) and/or legal proceeding(s) against Diginex Global in respect of the breach of the Undertaking (the “Ether Action”) before 31 July 2020; and (b) he shall pay the Group the amounts recovered or paid to Future Games in relation to or arises out of the Ether Action after deducting all costs and expenses (including legal fees) properly and reasonably incurred by Future Games in relation to or arises out of the Ether Action actually paid by Future Games Purchaser (on behalf and for the benefit of Future Games). As at the date of this announcement, legal proceedings had not yet been taken by Future Games against Diginex Global in respect of the breach of Undertaking.

## **UNAUTHORISED DISPOSAL**

The Group has filed a writ with the Shenzhen Qianhai Cooperation Zone People’s Court against Diginex Global Limited (“Diginex Global”), the minority shareholder of Diginex, and 深圳市欣誠捷碩科技有限公司 (transliterated in English as Shenzhen Xincheng Jieshuo Technology Limited) (the “Management Company”), the management company of Diginex in the PRC, in relation to a disposal of all the cryptocurrency mining rigs in the operation site in the PRC owned by Diginex, unauthorisedly made by Diginex Global and the Management Company, without the Group’s approval, consent and authorisation. The first arraignment was held on 14 November 2019 and such legal proceedings are expected to be completed in around 18 months from the date of the first arraignment. For details, please refer to the announcement of the Company dated 13 September 2019.

## **CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the “Code on Securities Dealings”). The Company, having made specific enquiry of all the Directors, confirmed that all the Directors have complied with the required standard of dealings as set out in the Code on Securities Dealings for the year ended 31 March 2020.

## **CLOSURE OF REGISTER OF MEMBERS**

The annual general meeting of the Company (the “AGM”) is scheduled to be held on Friday, 31 July 2020. For the purpose of ascertaining Shareholders’ entitlement to attend and vote at the 2020 AGM, the register of members of the Company will be closed from Tuesday, 28 July 2020 to Friday, 31 July 2020 (both dates inclusive), during which period no transfer of Shares will be registered. In order for a Shareholder to be eligible to attend and vote at the 2020 AGM, all transfer forms accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 27 July 2020.



## 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.

Following the re-designation of Mr. Ip Cho Yin *J.P.* as a non-executive Director on 7 March 2019, the Board had only two independent non-executive Director (the “INED”), the number of which falls below the minimum number required under Rule 5.05(1) and Rule 5.05A of the GEM Listing Rules, until the appointment of Dr. Lau Remier, Mary Jean as an INED on 4 June 2019.

According to the C.3.3(e)(i) of CG Code and the term of reference of the audit committee of the Company (the “Audit Committee”), the members of Audit Committee are required to meet the external auditor at least twice a year. However, the members of Audit Committee met once with the external auditor during the year ended 31 March 2020. The Company will arrange the members of the Audit Committee to meet with the external auditor at least twice a year.

Pursuant to Rule 5.14 of the GEM Listing Rules, the Company must appoint a company secretary. Upon the resignation of company secretary of Ms. Tse Ka Yan with effect from 7 September 2019, the Company failed to comply with Rule 5.14 of the GEM Listing Rules. Mr. Young Ho Kee Bernard was appointed as company secretary of the Company with effect from 11 November 2019 to fill the vacancy of the company secretary in order to ensure compliance by the Company with Rule 5.14 of the GEM Listing Rules.

As required by code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and performed by different individuals.

The Company deviates from this provision because Mr. Chen Ying-chieh has been assuming the roles of both the chairman of the Board and the chief executive officer of the Company since 19 November 2019. The Board believes that resting the roles of both the chairman and the chief executive officer in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. Although these two roles are performed by the same individual, certain responsibilities are shared with the executive Directors to balance power and authority. In addition, all major decisions are made in consultation with members of the Board, as well as with the senior management. The Board has three independent non-executive Directors who offer different independent perspectives. Therefore, the Board is of the view that the balance of power and safeguards in place are adequate. The Board would review and monitor the situation on a regular basis, and it would ensure that the present structure would not impair the balance of power in the Group.

Save as discussed above, throughout the period from 1 April 2019 and up to the date of this announcement, to the best knowledge of the Board, the Company had complied with the code provisions in the CG Code.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the shares of the Company during the year ended 31 March 2020.

## **REVIEW OF THE FINAL RESULTS BY AUDIT COMMITTEE**

The audit committee (the “Audit Committee”) of the Company 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 INEDs, namely, Mr. Chu Kin Wang Peleus (chairman), Ms. Fan Wei and Dr. Lau Reimer, Mary Jean, and one non-executive Director, Mr. Ip Cho Yin *J.P.*

The Group’s audited consolidated financial statements for the year ended 31 March 2020 and this announcement 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.

## **EXTRACT FROM INDEPENDENT AUDITOR’S REPORT PREPARED BY THE INDEPENDENT AUDITOR**

The Group would like to provide an extract from the independent auditor’s report prepared by SHINEWING (HK) CPA Limited (the independent auditor) on the Group’s annual financial statements for the year ended 31 March 2020 as set out below:

## **“Material Uncertainty Relating to Going Concern**

We draw attention to note 2 to the consolidated financial statements, which indicates that the Group incurred a net loss of approximately HK\$318,282,000 for the year ended 31 March 2020. In addition, had bank balances and cash amounted to approximately HK\$42,031,000, while its loan from a director, loan from a subsidiary of non-controlling shareholder, borrowings and promissory notes totaling amounted to HK\$417,012,000 which will be matured within the coming twelve months as at 31 March 2020. These conditions, along with other matters as set forth in note 2 to the consolidated financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Group’s ability to continue as a going concern. Our opinion is not modified in respect of this matter.”

By order of the Board  
**Madison Holdings Group Limited**  
**Chen Ying-chieh**  
*Chairman and executive Director*

Hong Kong, 22 June 2020

*As at the date of this announcement, the executive Directors are Mr. Chen Ying-chieh, Mr. Hankoo Kim, Ms. Kuo Kwan and Mr. Zhang Li; the non-executive Directors are Mr. Ip Cho Yin J.P. and Mr. Ji Zuguang; and the independent non-executive Directors are Ms. Fan Wei, Mr. Chu Kin Wang Peleus and Dr. Lau Reimer, Mary Jean.*

*This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules of the Stock Exchange for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

*This announcement will remain on the GEM website at <http://www.hkgem.com> on the “Latest Company Announcements” page for at least seven days from the date of its posting and the Company’s website at <http://www.madison-group.com.hk>.*