



MADISON

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 FIRST QUARTERLY RESULTS FOR THE THREE MONTHS ENDED 30 JUNE 2017

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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

FINANCIAL HIGHLIGHTS

For the three months ended 30 June 2017, unaudited operating results of the Company and its subsidiaries (collectively referred to as the “Group”) were as follows:

- the Group recorded a revenue of approximately HK\$43.0 million for the three months ended 30 June 2017 (three months ended 30 June 2016: HK\$39.0 million), representing an increase of approximately 10.3% as compared with the corresponding period in 2016.
- loss attributable to the owners of the Company for the three months ended 30 June 2017 amounted to approximately HK\$3.3 million (three months ended 30 June 2016: HK\$3.8 million), representing a decrease of approximately 13.2% as compared with the corresponding period in 2016.
- the Directors do not recommend the payment of any dividend for the three months ended 30 June 2017.

The board of Directors (the “Board”) is pleased to present the unaudited condensed consolidated results of the Group for the three months ended 30 June 2017, together with the comparative unaudited figures for the corresponding period in 2016, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months ended 30 June 2017

	NOTES	Three months ended	
		2017	2016
		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Revenue	4	43,022	38,960
Cost of sales		<u>(35,135)</u>	<u>(29,950)</u>
Gross profit		7,887	9,010
Other income	5	147	727
Selling and distribution expenses		(4,149)	(3,106)
Administrative expenses		<u>(7,272)</u>	<u>(9,873)</u>
Loss before tax		(3,387)	(3,242)
Income tax credit (expense)	6	<u>61</u>	<u>(447)</u>
Loss for the period and total comprehensive expense for the period	7	<u>(3,326)</u>	<u>(3,689)</u>
(Loss) profit for the period and total comprehensive (expense) income for the period attributable to:			
Owners of the Company		(3,326)	(3,803)
Non-controlling interests		<u>—</u>	<u>114</u>
		<u>(3,326)</u>	<u>(3,689)</u>
			(restated)
Loss per share (HK cents)	9		
Basic and diluted		<u>(0.08)</u>	<u>(0.10)</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 30 June 2017

	Attributable to owners of the Company						Total	Non-controlling interests	Total
	Share capital	Share premium	Other reserve	Capital reserve	Share option reserve	Retained earnings			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 April 2016 (audited)	4,000	65,376	29,047	–	6,636	18,478	123,537	298	123,835
(Loss) profit for the period and total comprehensive (expense) income for the period	–	–	–	–	–	(3,803)	(3,803)	114	(3,689)
Recognition of equity-settled share-based payment expenses	–	–	–	–	4,740	–	4,740	–	4,740
At 30 June 2016 (unaudited)	<u>4,000</u>	<u>65,376</u>	<u>29,047</u>	<u>–</u>	<u>11,376</u>	<u>14,675</u>	<u>124,474</u>	<u>412</u>	<u>124,886</u>
At 1 April 2017 (audited)	4,000	65,376	29,047	34,660	11,376	3,859	148,318	5,441	153,759
Loss for the period and total comprehensive expense for the period	–	–	–	–	–	(3,326)	(3,326)	–	(3,326)
At 30 June 2017 (unaudited)	<u>4,000</u>	<u>65,376</u>	<u>29,047</u>	<u>34,660</u>	<u>11,376</u>	<u>533</u>	<u>144,992</u>	<u>5,441</u>	<u>150,433</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 30 June 2017

1. GENERAL

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

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

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

2. BASIS OF PREPARATION

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

The significant accounting policies that have been used in the preparation of these condensed consolidated financial statements for the three months ended 30 June 2017 are consistent with those adopted in the consolidated financial statements for the year ended 31 March 2017, except for the adoption of the new and revised Hong Kong Financial Reporting Standards ("HKFRSs").

In the current period, the Group has adopted all the new and revised HKFRSs, amendments to HKASs and interpretations ("Ints") (hereinafter collectively referred to as "new and revised HKFRSs") issued by the HKICPA that are relevant to the Group and effective for accounting periods beginning on or after 1 April 2017. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies and amounts reported for the current and prior periods.

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

4. REVENUE AND SEGMENT INFORMATION

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

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

Geographical information

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

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

5. OTHER INCOME

	Three months ended	
	30 June	
	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Bank interest income	1	–
Consignment income	121	360
Insurance claim	–	149
Net exchange gain	–	37
Promotion income	22	159
Others	3	22
	<u>147</u>	<u>727</u>

6. INCOME TAX (CREDIT) EXPENSE

	Three months ended	
	30 June	
	2017	2016
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current tax:		
Hong Kong Profits Tax	27	391
Deferred taxation	<u>(88)</u>	<u>56</u>
	<u>(61)</u>	<u>447</u>

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

7. LOSS FOR THE PERIOD

	Three months ended	
	30 June	
	2017	2016
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss for the period has been arrived at after charging (crediting):		
Cost of inventories recognised as expense	35,135	29,950
Depreciation of plant and equipment	1,165	736
Equity-settled share-based payment expenses	–	4,740
Loss on written off of plant and equipment	–	3
Minimum lease payments under operating leases in respect of office premises, warehouses and shop	1,673	922
Net exchange loss (gain)	<u>100</u>	<u>(37)</u>

8. DIVIDEND

No dividend was paid, declared or proposed during the period. The Directors do not recommend the payment of any dividend for the three months ended 30 June 2017 (three months ended 30 June 2016: nil).

9. LOSS PER SHARE

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

	Three months ended	
	30 June	
	2017	2016
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss		
Loss for the purpose of basic and diluted loss per share for the period attributable to the owners of the Company	<u><u>(3,326)</u></u>	<u><u>(3,803)</u></u>

	Three months ended	
	30 June	
	2017	2016
		(restated)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<u><u>4,000,000,000</u></u>	<u><u>4,000,000,000</u></u>

Diluted loss per share is equal to the basic loss per share for the three months ended 30 June 2017 and 2016, as the effect of the Company's outstanding share options would result in a decrease in loss per share for the three months ended 30 June 2017 and 2016.

The weighted average number of ordinary shares for the purpose of basic and diluted loss per share for the three months ended 30 June 2016 was adjusted for the share subdivision on 8 November 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

During the three months ended 30 June 2017, revenue was increased by approximately 10.3% to approximately HK\$43.0 million (three months ended 30 June 2016: HK\$39.0 million). During the reporting period, 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. 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 10.3% from approximately HK\$39.0 million to HK\$43.0 million for the three months ended 30 June 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 three months ended 30 June 2016 and 2017, (i) the gross profit of the Group decreased by approximately 12.2% from approximately HK\$9.0 million to approximately HK\$7.9 million; and (ii) the gross profit margin of the Group decreased from 23.1% to 18.3%, respectively. The decrease was mainly due to the application of a more competitive pricing approach with a lower profit margin for our sales during the three months ended 30 June 2017.

Other Income

Other income of the Group decreased by approximately 85.7% from approximately HK\$0.7 million to approximately HK\$0.1 million for the three months ended 30 June 2016 and 2017 respectively. The decrease was mainly due to the decrease in consignment sales during the period.

Selling and Distribution Expenses

Selling and distribution expenses of the Group increased by approximately 32.3% from HK\$3.1 million to HK\$4.1 million for the three months 30 June 2016 and 2017 respectively. The increase was mainly due to the increase in number of sales person and the additional warehouse rented in September 2016.

Administrative Expenses

Administrative expenses of the Group decreased by approximately 26.3% from HK\$9.9 million to HK\$7.3 million for the three months ended 30 June 2016 and 2017 respectively. Should the recognition of equity-settled share-based payment expenses for the share options granted of approximately HK\$4.7 million during the three months ended 30 June 2016 be excluded, the administrative expenses of the Group increased by approximately 40.4% from HK\$5.2 million to HK\$7.3 million for the three months ended 30 June 2016 and 2017 respectively. The increase was mainly due to (i) the increase in advertising and promotion of approximately HK\$1.2 million; (ii) the increase in salary of approximately HK\$0.7 million for the management and administrative staff; and (iii) the increase in other administrative expenses of approximately HK\$0.2 million incurred by the Group with the increase in number of staff.

Income Tax Expense

Income tax expenses for the Group decreased from HK\$0.4 million to a tax credit of HK\$0.06 million. The change was due to the loss before taxation recorded during the period.

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

Loss for the period attributable to owners of the Company decreased by approximately 13.2% from approximately HK\$3.8 million to HK\$3.3 million for the three months ended 30 June 2016 and 2017 respectively. The decrease was mainly due to the decrease in equity-settled share-based payment expenses for the share options granted.

Dividend

The Directors do not recommend the payment of any dividend for the three months ended 30 June 2017 (2016: nil).

Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

During the three months ended 30 June 2017, saved as disclosed in the sub-section headed “Outlook and Prospects” in this announcement, the Group did not have any material acquisitions nor disposals of subsidiaries and affiliated companies.

OUTLOOK AND PROSPECTS

In view of (i) Hong Kong being an important global financial hub, bridging capital flows between the PRC and international markets and fund raising through securities issuance and relevant corporate finance advisory in Hong Kong has been top of the global ranking; and (ii) many of the Group's clients being members of senior management, directors, substantial shareholders or controlling shareholders of listed and private companies who have great demand in getting quality advise on merger and acquisitions, corporate restructuring as well as fund raising activities, the Group 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) an acquisition agreement (the "Acquisition Agreement") to acquire the entire issued share capital of CVP Asset Management Limited at 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 ("Bartha Holdings") at a consideration of HK\$150 million on 17 February 2017. As at the date of this announcement, all of the Proposed Subscription, the Proposed Acquisition and the EB Subscription have been completed. For details of the Proposed Subscription, the Proposed Acquisition and the EB Subscription, please refer to the circulars dated 30 June 2017 and 5 July 2017 respectively.

Looking forward, with the expanded business area into the financial market of Hong Kong upon the completion of the Proposed Subscription, the Proposed Acquisition and the EB Subscription, the Board believes that the Group could benefit from the diversified business. At the same time, the Group will also endeavor to strengthen its position in the retail sales and wholesales of wine products in Hong Kong. The Group will continue to expand its existing product portfolio, which aims at providing its customers with a wider range of choices so as to facilitate the broadening of its existing customer base as well as reinforcing its market presence in Hong Kong wine industry.

Share Option Scheme

The Company has conditionally adopted a share option scheme pursuant to a written resolution of the shareholders of the Company passed on 21 September 2015 (the "Share Option Scheme") for the purpose of providing incentives or rewards to eligible persons for their contribution to the Group and/or enabling the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules. On 17 December 2015, the Company granted an aggregate of 18,100,000 share options to the grantees of the Company, to subscribe, in aggregate, for up to 18,100,000 ordinary shares of HK\$0.01 each in the share capital of the Company under the Share Option Scheme.

Upon the share subdivision (the “Share Subdivision”) which subdivided every one (1) issued and unissued ordinary share of HK\$0.01 each in the share capital of the Company into ten (10) subdivided shares of HK\$0.001 each (the “Subdivided Shares”) 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 in the following manner:

	Immediately before the Share Subdivision becoming effective		Immediately after the Share Subdivision becoming effective	
	Number of Shares to be issued	Exercise price per Share	Adjusted number of Subdivided Shares to be issued	Adjusted exercise price per Subdivided Share
Date of grant				
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.

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 three months ended 30 June 2017.

Directors’ Interests in Competing Business

As at 30 June 2017, none of the Directors or their respective associates had any business or interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

Deed of Non-competition

A deed of non-competition dated 29 September 2015 (the “Deed of Non-competition”) was entered into among the Company and the controlling shareholders of the Company, namely by Royal Spectrum, Devoss Global and Mr. Ting, in favour of the Company (for the Company and for the benefit of its subsidiaries) regarding certain non-competition undertakings. Details of the Deed of Non-competition were disclosed in the section headed “Relationship with Controlling Shareholders” to the Prospectus.

Code of Conduct Regarding Securities Transactions by Directors

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the “Code on Securities Dealings”). The Company, having made specific enquiry of all the Directors, confirmed that all the Directors have complied with the required standard of dealings as set out in the Code on Securities Dealings for the three months ended 30 June 2017.

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 2017 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.

Interests of Compliance Adviser

As notified by the Company’s compliance adviser, Innovax Capital Limited (the “Compliance Adviser”), save for the compliance adviser agreement dated 24 September 2015 entered into between the Company and the Compliance Adviser, neither the Compliance Adviser nor any of its directors, employees or close associates had any interest in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities) or otherwise in relation to the Company which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules as at 30 June 2017 and date of this announcement.

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 financial information in this announcement has not been audited by the auditor of the Company, but the Audit Committee has reviewed the unaudited consolidated results of the Group for the three months ended 30 June 2017 and is of the opinion that such results complied with the applicable accounting standards, the requirements under the GEM Listing Rules and other applicable legal requirements, and that adequate disclosures had been made.

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 was approved by a special resolution by way of poll in the extraordinary general meeting of the Company held on 4 July 2017.

The Certificate of Registration of Change of Corporate Name of Non-Hong Kong Company was issued by the Registrar of Companies in Hong Kong on 25 July 2017 confirming the registration of the new name of the Company in Hong Kong under Part 16 of the Companies Ordinance (Chapter 622 of the laws of Hong Kong).

With effect from 8 August 2017, new share certificates will be issued under the new name of the Company.

The English stock short name of the Company for trading in the Shares on the Stock Exchange will be changed from “MADISON WINE” to “MADISON HLDG” and the Chinese stock short name of the Company for trading in the Shares on the Stock Exchange will be changed from “麥迪森酒業” to “麥迪森控股”, with effect from 9:00 a.m. on 8 August 2017. The stock code of the Company on the Stock Exchange will remain unchanged as “8057”.

Subsequent Events after the Reporting Period

1. Subscriptions of shares in Zhong An Real Estate Limited and exempted connected transactions

On 4 July 2017, Pure Horizon Holdings Limited (“Pure Horizon”), an indirect wholly-owned subsidiary of the Company, entered into the placing letter with Eternal Pearl Securities Limited (“Eternal Pearl”), being one of the placing agents. Pursuant to the placing letter, Pure Horizon agreed to subscribe for an aggregate of 6,600,000 shares in Zhong An Real Estate Limited at a subscription price of HK\$1.50 per share of Zhong An Real Estate Limited, which is a company incorporated in the Cayman Islands with limited liability, whose issued shares are listed and traded on the Main Board of the Stock Exchange (Stock Code: 672 HK). For the details, please refer to the announcement dated 4 July 2017.

2. Subscription of shares in China New City Commercial Development Limited

On 20 July 2017 (after trading hours), Pure Horizon, an indirect wholly-owned subsidiary of the Company, accepted the placing letter dated 19 July 2017 issued by Eternal Pearl, being one of the placing agents, pursuant to which Pure Horizon agreed to subscribe for an aggregate of 5,500,000 shares in China New City Commercial Development Limited at a subscription price of HK\$1.82 per share of China New City Commercial Development Limited which is a company incorporated in the Cayman Islands with limited liability, whose issued shares are listed and traded on the Main Board of the Stock Exchange (Stock Code: 1321). For the details, please refer to the announcement dated on 20 July 2017.

By order of the Board
Madison Holdings Group Limited
Ting Pang Wan Raymond
Chairman and executive Director

Hong Kong, 7 August 2017

As at the date of this announcement, the executive Directors are Mr. Ting Pang Wan Raymond and Mr. Zhu Qin; non-executive Director is Mr. Kao Sheng-Chi; and the independent non-executive Directors are Ms. Fan Wei, Mr. Chu Kin Wang Peleus and Mr. Ip Cho Yin, J.P.

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