

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 FIRST QUARTERLY RESULTS FOR THE THREE MONTHS ENDED 30 JUNE 2018

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Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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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 2018, the 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 2018 (three months ended 30 June 2017 (restated): HK\$48.0 million), representing a decrease of approximately 10.4% as compared with the corresponding period in 2017;
- loss attributable to the owners of the Company for the three months ended 30 June 2018 amounted to approximately HK\$23.2 million (three months ended 30 June 2017 (restated): HK\$3.1 million). Should the equity-settled share based payment expenses for the share options granted of approximately HK\$9.6 million during the three months ended 30 June 2018 be excluded, loss for the period and total comprehensive expense attributable to owners of the Company for the three months ended 30 June 2018 would be approximately HK\$13.6 million; and
- the Directors do not recommend the payment of any dividend for the three months ended 30 June 2018.

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 2018, together with the comparative unaudited figures for the corresponding period in 2017, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months ended 30 June 2018

	NOTES	Three months ended	
		2018	2017
		HK\$'000	HK\$'000
		(unaudited)	(unaudited and restated)
Revenue	4	43,001	48,042
Cost of sales		<u>(29,018)</u>	<u>(35,167)</u>
Gross profit		13,983	12,875
Other income	5	503	612
Selling and distribution expenses		(4,660)	(4,149)
Net trading loss		(1,197)	–
Administrative expenses		(28,918)	(11,192)
Finance costs	6	<u>(4,240)</u>	<u>(741)</u>
Loss before tax		(24,529)	(2,595)
Income tax credit	7	<u>159</u>	<u>61</u>
Loss for the period and total comprehensive expense for the period	8	<u>(24,370)</u>	<u>(2,534)</u>
(Loss) profit for the period and total comprehensive (expense) income for the period attributable to:			
Owners of the Company		(23,233)	(3,071)
Non-controlling interests		<u>(1,137)</u>	<u>537</u>
		<u>(24,370)</u>	<u>(2,534)</u>
Loss per share (HK cents)	10		
Basic and diluted		<u>(0.57)</u>	<u>(0.08)</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 30 June 2018

	Attributable to owners of the Company										
	Share capital HK\$'000	Share premium HK\$'000	Other reserve HK\$'000	Capital reserve HK\$'000	Merger reserve HK\$'000	Share option reserve HK\$'000	Convertible bonds – equity conversion reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
At 1 April 2017, as originally stated (audited)	4,000	65,376	29,047	34,660	–	11,376	–	3,859	148,318	5,441	153,759
Effect of adopting merger accounting for common control combination	–	–	–	–	2,011	–	–	(9,032)	(7,021)	(7,819)	(14,840)
At 1 April 2017, as restated	4,000	65,376	29,047	34,660	2,011	11,376	–	(5,173)	141,297	(2,378)	138,919
(Loss) profit for the period and total comprehensive (expense) income for the period	–	–	–	–	–	–	–	(3,071)	(3,071)	537	(2,534)
Issue of convertible bonds by a subsidiary	–	–	–	–	–	–	4,523	–	4,523	4,707	9,230
At 30 June 2017 (unaudited)	4,000	65,376	29,047	34,660	2,011	11,376	4,523	(8,244)	142,749	2,866	145,615
At 1 April 2018, as originally stated (audited)	4,000	65,376	29,047	14,516	(9,110)	11,376	174,782	(135,940)	154,047	(6,483)	147,564
Effect of adopting merger accounting for common control combination	–	–	–	–	–	–	4,523	(3,131)	1,392	1,448	2,840
At 1 April 2018, as restated	4,000	65,376	29,047	14,516	(9,110)	11,376	179,305	(139,071)	155,439	(5,035)	150,404
Loss for the period and total comprehensive expense for the period	–	–	–	–	–	–	–	(23,233)	(23,233)	(1,137)	(24,370)
Issue of shares upon placing	70	119,025	–	–	–	–	–	–	119,095	–	119,095
Recognition of equity-settled share-based payments expenses	–	–	–	–	–	9,569	–	–	9,569	–	9,569
Exercise of exchangeable bonds as considerations paid for acquisition of subsidiaries under common control combination	–	–	–	–	(64,403)	–	–	–	(64,403)	(7,685)	(72,088)
Capital injection from the ex-shareholder of a subsidiary which adopt merger accounting for common control combination	–	–	–	–	33,364	–	–	–	33,364	42,849	76,213
Acquisition of additional interest in subsidiaries	–	–	–	(11,002)	–	–	–	–	(11,002)	2,602	(8,400)
At 30 June 2018 (unaudited)	4,070	184,401	29,047	3,514	(40,149)	20,945	179,305	(162,304)	218,829	31,594	250,423

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 30 June 2018

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.

Adoption of merger accounting and restatement

As disclosed in note 10, a business combination under common control was effected during the current period. The unaudited condensed consolidated financial statements incorporate the financial information of the combining entities as if they had been combined from the date when the combining entities first came under the control of the controlling party.

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

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

The comparative amounts in the unaudited condensed consolidated financial statements are restated as if the entities had been combined at the beginning of the previous reporting period or when they first came under common control, whichever is later.

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 2018 are consistent with those adopted in the consolidated financial statements for the year ended 31 March 2018, 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 2018. 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 revenue arising from sales of alcoholic beverages and provision for financial services.

	Three months ended	
	30 June	
	2018	2017
	<i>HK\$’000</i>	<i>HK\$’000</i>
	(unaudited)	(unaudited and restated)
Sales of alcoholic beverages	37,617	43,022
Financial services	5,384	5,020
	<u>43,001</u>	<u>48,042</u>

Segment Information

Information has been reported to the chief operating decision maker (“CODM”) (i.e. the Directors), for the purposes of resource allocation and assessment of segment performance. 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 corporate finance activities, asset management and advisory services and securities placement services

Segment revenues and results

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

	Three months ended	
	30 June	
	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited and restated)
Revenue		
Sales of alcoholic beverages	37,617	43,022
Financial services	<u>5,384</u>	<u>5,020</u>
	<u>43,001</u>	<u>48,042</u>
Segment profit (loss)		
Sales of alcoholic beverages	989	(1,240)
Financial services	<u>(468)</u>	<u>1,068</u>
	521	(172)
Unallocated income	228	491
Unallocated expenses	(21,038)	(2,173)
Finance costs	<u>(4,240)</u>	<u>(741)</u>
Loss before tax	<u>(24,529)</u>	<u>(2,595)</u>

Segment profit (loss) represents the profit earned (loss from) by each segment without allocation of central administration costs, directors' salaries and certain other income and finance costs.

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.

5. OTHER INCOME

	Three months ended	
	30 June	
	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited and restated)
Bank interest income	150	1
Consignment income	275	121
Promotion income	–	22
Others	78	468
	<u>503</u>	<u>612</u>

6. FINANCE COSTS

	Three months ended	
	30 June	
	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited and restated)
Interest expense on:		
– convertible bonds	3,284	741
– promissory note	266	–
– loan	690	–
	<u>4,240</u>	<u>741</u>

7. INCOME TAX CREDIT

	Three months ended	
	30 June	
	2018	2017
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current tax:		
Hong Kong Profits Tax	–	27
Deferred taxation	<u>(159)</u>	<u>(88)</u>
	<u>(159)</u>	<u>(61)</u>

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

8. LOSS FOR THE PERIOD

	Three months ended	
	30 June	
	2018	2017
	HK\$'000	HK\$'000
	(unaudited)	(unaudited and restated)
Loss for the period has been arrived at after charging:		
Cost of inventories recognised as expense	29,018	35,135
Depreciation of plant and equipment	1,164	1,422
Equity-settled share-based payment expenses	9,569	–
Minimum lease payments under operating leases in respect of office premises, warehouses and shop	1,169	2,176
Net exchange loss	<u>86</u>	<u>100</u>

9. 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 2018 (three months ended 30 June 2017: nil).

10. 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	
	2018	2017
	HK\$'000	HK\$'000
	(unaudited)	(unaudited and restated)
Loss		
Loss for the purpose of basic and diluted loss per share		
for the period attributable to the owners of the Company	<u><u>(23,233)</u></u>	<u><u>(3,071)</u></u>
	Three months ended	
	30 June	
	2018	2017
Number of shares		
Weighted average number of ordinary shares for the purpose of		
basic and diluted loss per share	<u><u>4,053,119,385</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 2018 and 2017, as the effect of the Company's outstanding share options, outstanding put option with non-controlling interests and outstanding convertible bonds would result in a decrease in loss per share for the three months ended 30 June 2018 and 2017.

11. BUSINESS COMBINATION UNDER COMMON CONTROL AND RESTATEMENTS

On 9 February 2017, CVP Financial Holdings Limited ("CVP Financial") entered into the acquisition agreement with CVP Holdings Limited ("CVP Holdings"), pursuant to which CVP Financial conditionally agreed to acquire, and CVP Holdings conditionally agreed to sell, the entire issued share capital of CVP Asset Management Limited ("CVP Asset Management") for a consideration of HK\$14,000,000 which is settled by issuing the promissory note. The fair value of the consideration is approximately HK\$10,947,000. The acquisition was completed on 28 July 2017. Mr. Ting Pang Wan Raymond ("Mr. Ting") is the ultimate shareholder of CVP Holdings. The Group adopts merger accounting for this common control combination.

On 31 May 2018, CVP Financial exercised the exchange rights to exchange the carrying amount of the Exchangeable Bonds amounted approximately HK\$72,088,000 into 49% Bartha International Limited's (the "Bartha International") shares. Upon completion of the exercise, Mr. Ting is the ultimate shareholder of Bartha International. The Group adopts merger accounting for this common control combination.

The effects of the application of merger accounting for business combinations under common control occurred on the Group's results for the three months ended 30 June 2017 are summarised as follows:

For the three months ended 30 June 2017

	As originally stated <i>HK\$'000</i>	CVP Asset Management <i>HK\$'000</i>	Bartha Group <i>HK\$'000</i>	Adjustment <i>HK\$'000</i>	As restated <i>HK\$'000</i>
Revenue	43,022	–	5,020	–	48,042
(Loss) profit before tax	(3,387)	(355)	1,147	–	(2,595)
Income tax credit	61	–	–	–	61
(Loss) profit for the period and total comprehensive (expense) income for the period	<u>(3,326)</u>	<u>(355)</u>	<u>1,147</u>	<u>–</u>	<u>(2,534)</u>
(Loss) profit for the period and total comprehensive (expense) income for the period attributable to:					
Owners of the Company	(3,326)	(355)	1,147	(537)	(3,071)
Non-controlling interests	–	–	–	537	537
	<u>(3,326)</u>	<u>(355)</u>	<u>1,147</u>	<u>–</u>	<u>(2,534)</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

During the reporting period, the Group is 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”); and (ii) the provision of financial services (the “Financial Services Business”). During the three months ended 30 June 2018, revenue of the Group decreased by approximately 10.4% from approximately HK\$48.0 million (restated) to approximately HK\$43.0 million for the three months ended 30 June 2017 and 2018 respectively. The revenue was mainly comprised by (i) the sales of alcoholic beverages, which contributed approximately HK\$37.6 million; and (ii) the provision of financial services, which contributed approximately HK\$5.4 million.

Financial Review

Revenue

Revenue of the Group decreased by approximately 10.4% from approximately HK\$48.0 million (restated) to approximately HK\$43.0 million for the three months ended 30 June 2017 and 2018 respectively. The decrease was mainly due to the decrease in sales of alcoholic beverages which was affected by the highly competitive environment in the industry.

Gross Profit and Gross Profit Margin

For the three months ended 30 June 2017 and 2018, (i) the gross profit of the Group increased by approximately 8.5% from approximately HK\$12.9 million (restated) to approximately HK\$14.0 million; and (ii) the gross profit margin of the Group increased from approximately 26.8% (restated) to approximately 32.5%, respectively. The increases were mainly due to the increase in revenue incurred by the provision of financial services which does not incur cost of sales during the three months ended 30 June 2018.

Other Income

Other income of the Group decreased from approximately HK\$0.6 million (restated) to approximately HK\$0.5 million for the three months ended 30 June 2017 and 2018 respectively. The decrease was mainly due to the one-off handling fee received by Bartha International Limited and its subsidiaries (the “Bartha Group”) during the three months ended 30 June 2017.

Selling and Distribution Expenses

Selling and distribution expenses of the Group increased by approximately 14.6% from approximately HK\$4.1 million to approximately HK\$4.7 million for the three months 30 June 2017 and 2018 respectively. The increase was mainly due to the increase in number of sales person.

Administrative Expenses

Administrative expenses of the Group increased significantly from approximately HK\$11.2 million (restated) to approximately HK\$28.9 million for the three months ended 30 June 2017 and 2018 respectively. Should the recognition of equity-settled share-based payment expenses for the share options granted of approximately HK\$9.6 million during the three months ended 30 June 2018 be excluded, the administrative expenses of the Group increased from approximately HK\$11.2 million (restated) to approximately HK\$19.3 million for the three months ended 30 June 2017 and 2018 respectively. The increase was mainly due to (i) the increase in salary of approximately HK\$2.8 million for the management and administrative staff; (ii) the increase in professional fee of approximately HK\$3.8 million; and (iii) the increase in other administrative expenses of approximately HK\$1.5 million incurred by the Group with the increase in number of staff.

Finance costs

Finance costs mainly comprised effective interest expense on convertible bonds and promissory notes. The Group's finance cost increased from approximately HK\$741,000 (restated) to approximately HK\$4.2 million for the three months ended 30 June 2017 and 2018 respectively. The increase in finance costs was mainly due to the issuing of the convertible bonds issued by the Company and the promissory notes during the second half of the financial year ended 31 March 2018.

Income Tax Credit

Income tax credit for the Group increased from approximately HK\$61,000 to approximately HK\$159,000 for the three months ended 30 June 2017 and 30 June 2018 respectively. The increase was due to the increase in deferred tax asset arising from temporary timing difference.

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 increased significantly from approximately HK\$3.1 million (restated) to approximately HK\$23.2 million for the three months ended 30 June 2017 and 2018 respectively. The increase was mainly due to the increase in equity-settled share-based payment expenses for the share options granted and the increase in administrative expenses.

Dividend

The Directors do not recommend the payment of any dividend for the three months ended 30 June 2018 (2017: nil).

Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

During the three months ended 30 June 2018, saved as disclosed in the sub-section headed “Outlook and Prospects” below, the Group did not have any material acquisitions nor disposals of subsidiaries and affiliated companies.

OUTLOOK AND PROSPECTS

The Group has exercised the exchange rights under the exchangeable bonds (the “Exchangeable Bonds”) issued by Bartha Holdings Limited (“Bartha Holdings”) for 49% equity interest in Bartha International Limited (“Bartha International”) and the completion took place on 31 May 2018. The financial results of the Bartha Group will be consolidated into the Group’s account. For details, please refer to the circular of the Company dated 28 February 2018.

An agreement (the “Diginex Acquisition Agreement”) was entered into, among others, Madison Future Games Limited (“Madison Future Games”), an indirect wholly-owned subsidiary of the Company, as purchaser and Diginex Global Limited (“Diginex Global”) as vendor to acquire 51% of the entire issued share capital of Diginex High Performance Computing Limited (“Diginex”) (formerly known as Digitas Limited) on 26 April 2018 and the completion took place on 31 July 2018. For details, please refer to the announcements dated 26 April 2018, 13 July 2018, 30 July 2018 and 31 July 2018 and the circular dated 13 July 2018.

The Company and The Blockhouse Technology Limited (“Blockhouse”) has entered into a joint venture agreement (the “JV Agreement”), pursuant to which the Company and Blockhouse agreed to form a joint venture company, Madison Blockhouse Limited (“JV Company”), a company incorporated in Hong Kong, owned as to 33.3% by Blockhouse and as to 66.7% by Madison Blockchain Holdings Company Limited (“Madison Blockchain”), a wholly-owned subsidiary of the Company. For details, please refer to the announcement of the Company dated 23 July 2018.

Furthermore, on 2 August 2018, the Company, Remixpoint Inc. and BITPoint Japan Company Limited (collectively, the “BT Parties”) entered into a termination agreement, pursuant to which the BT Parties agreed to terminate the acquisition agreement (“BITPoint Acquisition Agreement”) dated 30 March 2018 (as supplemented by an amendment agreement dated 13 April 2018, three supplemental agreements dated 18 April 2018, 14 May 2018 and 13 July 2018 respectively) to acquire 20% equity interest in BITPoint Japan Company Limited (the “BITPoint Acquisition”). For details, please refer to the announcement of the Company dated 2 August 2018.

Except for those disclosed in this announcement, there were no other significant acquisitions nor disposals of subsidiaries and affiliated companies during the three months ended 30 June 2018.

The Board believe that, with the above-mentioned transactions, the Group shall broaden the source of income attributable to the Group as well as leverage the resources of the respective companies to apply the blockchain technology into our Wine Business and the Financial Services Business in order to enhance our operation mechanism and strengthen our market position under the highly competitive environment.

OTHER INFORMATION

Share Option Scheme

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

Upon 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 2015 Options and the number of Subdivided Shares to be allotted and issued upon full exercise of subscription rights attaching to the outstanding 2015 Options in the following manner:

Date of grant	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
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 2015 Options granted under the Share Option Scheme remain unchanged.

On 3 April 2018, the Company granted an aggregate of 219,000,000 share options (the “2018 Options”) to the grantees of the Company, to subscribe, in aggregate, for up to 219,000,000 Shares at exercise price of HK\$1.89 each per Share subject to acceptance of the grantees, under the Share Option Scheme adopted by the Company on 21 September 2015 and the payment of HK\$1.00 by each of the grantees upon acceptance of the 2018 Options. For details, please refer to the announcement dated 3 April 2018.

Placing of shares

On 12 April 2018, the Company entered into the placing agreement (the “Placing Agreement”) with Eternal Pearl Securities Limited and Shenwan Hongyuan Securities (H.K.) Limited (collectively, the “Placing Agents”) in relation to the placing of up to 71,000,000 new shares of the Company (the “Placing Shares”) at the placing price of HK\$1.7 per Placing Share for funding the BITPoint Acquisition (the “Placing”). An aggregate of 70,056,000 Placing Shares were allotted and issued to not less than six independent places pursuant to the general mandate on 23 April 2018. Since the BITPoint Acquisition has not been completed and was terminated on 2 August 2018, the proceeds from the placing is not yet utilised. For details, please refer to the announcements dated 12 April 2018, 23 April 2018 and 2 August 2018.

Non-exempt Connected Transaction

During the three months ended 30 June 2018, the Company has completed the following connected transaction which is subject to the reporting, annual review, announcement and independent shareholders' approval under Chapter 20 of the GEM Listing Rules.

On 18 May 2018, the Group exercised the exchange rights attached to the Exchangeable Bonds to exchange for 4,900 shares of Bartha International, representing 49% of the entire issued share capital of Bartha International (the "Exercise"). Mr. Ting Pang Wan Raymond ("Mr. Ting"), being an executive Director, the chairman of the Board and the controlling Shareholder, is a connected person of the Company. CVP Holdings Limited, which is wholly-owned by Mr. Ting, and Bartha Holdings, which is owned as to 85.25% by CVP Holdings, are associates of Mr. Ting and therefore are connected persons of the Company. Accordingly, the Exercise constituted a connected transaction on the part of the Company under the GEM Listing Rules.

The completion of the Exercise took place on 31 May 2018, and Bartha International becomes an indirect non wholly-owned subsidiary of the Company and the financial results of the Bartha Group will be consolidated into the Group's accounts. For details, please refer to the circular and the announcement of the Company dated 28 February 2018 and 31 May 2018 respectively.

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 2018.

Directors' Interests in Competing Business

As at 30 June 2018, 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 Holding Company Limited, Devoss Global Holdings Limited and Mr. Ting, in favour of the Company (for the Company and for the benefit of its subsidiaries) regarding certain non-competition undertakings. Details of the Deed of Non-competition were disclosed in the section headed "Relationship with Controlling Shareholders" 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 2018.

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 2018 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.

Audit Committee

The audit committee of the Company (the “Audit Committee”) was established on 21 September 2015 with written terms of reference in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules and code provision C.3.3 of the CG Code. The primary duties of the Audit Committee are mainly to review the financial 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 2018 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.

Appointment of Director

Mr. ZHOU, Francis Bingrong was appointed as an executive Director and a deputy chairman of the Company with effect from 17 April 2018.

Events after the Reporting Period

Setting up a Joint Venture Company

On 23 July 2018, the Company and Blockhouse entered into the JV Agreement, pursuant to which the Company and Blockhouse have agreed to form the JV Company, owned as to 33.3% by Blockhouse and as to 66.7% by Madison Blockchain, for the purpose of (i) providing advisory services on the commercial application of Blockchain technology, including online public services, tokenization of transaction data into different forms of cryptocurrencies and integration of Blockchain technology into various business sectors; (ii) developing cryptocurrency banking platform by offering payment and settlement services; (iii) developing a fair exchange platform for trading cryptocurrencies globally; and (iv) creating a complete ecosystem of public Blockchain by providing the above-mentioned services to the proposed users.

Pursuant to the JV Agreement, the total initial capital contribution to the JV Company shall be US\$2,000,000, which shall be made by Madison Blockchain (with the Group's internal resources) and Blockhouse in proportion to the parties' respective shareholding in the JV Company and shall be used for advisory service on Blockchain application.

For details, please refer to the announcement dated 23 July 2018.

Diginex Acquisition

The Diginex Acquisition Agreement was entered into, among others, Madison Future Games as purchaser and Diginex Global as vendor, to acquire 51% of the entire issued share capital of Diginex on 26 April 2018 for the total consideration of US\$60,000,000 and the completion took place on 31 July 2018. For details, please refer to the announcements dated 26 April 2018, 13 July 2018, 30 July 2018 and 31 July 2018 and the circular dated 13 July 2018.

Termination Agreement and Change in Use of Proceeds

On 2 August 2018, the BT Parties entered into a termination agreement, pursuant to which the BT Parties agreed to terminate the BITPoint Acquisition Agreement dated 30 March 2018 to terminate the BITPoint Acquisition. Hence, the Board resolved that the net proceeds will be changed for investment in similar business. The Company is currently in negotiation with an independent third party for the terms of such investment and will make further announcement to provide details of such investment when it materialises. If such investment does not materialise, the Company will make further announcement to update the use of proceeds. For details, please refer to the announcement of the Company dated 2 August 2018.

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

Hong Kong, 9 August 2018

As at the date of this announcement, the executive Directors are Mr. Ting Pang Wan Raymond, Mr. Zhou Francis Bingrong, Mr. Zhu Qin, Mr. Teoh Ronnie Chee Keong and Ms. Kuo Kwan; and the independent non-executive Directors are Ms. Fan Wei, Mr. Chu Kin Wang Peleus and Mr. Ip Cho Yin, J.P.

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 “Latest Company Announcements” page of the GEM website at www.hkgem.com for at least 7 days from the date of its posting and on the website of the Company at www.madison-group.com.hk.