

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 2019

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

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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 “Director(s)”) 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 2019, 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\$72.0 million for the three months ended 30 June 2019 (three months ended 30 June 2018 (restated): HK\$79.9 million), representing a decrease of approximately 9.9% as compared with the corresponding period in 2018;
- loss attributable to the owners of the Company for the three months ended 30 June 2019 amounted to approximately HK\$30.3 million (three months ended 30 June 2018 (restated): HK\$18.1 million); and
- the Directors do not recommend the payment of any dividend for the three months ended 30 June 2019 (three months ended 30 June 2018: nil).

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 2019, together with the comparative unaudited figures for the corresponding period in 2018, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months ended 30 June 2019

		Three months ended	
		30 June	
	<i>NOTES</i>	2019	2018
		HK\$'000	HK\$'000
		(unaudited)	(unaudited and restated)
Revenue	4		
– sales of alcoholic beverages		22,344	37,617
– financial services		2,428	5,384
– blockchain services		18,537	–
– loan financing services		26,187	36,939
– auction		2,454	–
		<u>71,950</u>	<u>79,940</u>
Cost of operations			
– cost of alcoholic beverages		(18,711)	(31,193)
– cost of blockchain services		(14,043)	–
		<u>(32,754)</u>	<u>(31,193)</u>
Other income	5	888	2,628
Staff costs		(19,067)	(25,835)
Depreciation		(17,740)	(1,784)
Net trading gain (loss)		203	(1,028)
Administrative and other operating expenses		(17,441)	(20,144)
Net impairment recognised on loan and interest receivables		(4,693)	(2,286)
Change in fair value of cryptocurrencies		251	–
Finance costs	6	(14,534)	(5,723)
Loss before tax		(32,937)	(5,425)
Income tax expense	7	(1,473)	(6,096)
Loss for the period	8	<u>(34,410)</u>	<u>(11,521)</u>

		Three months ended	
		30 June	
	<i>NOTES</i>	2019	2018
		HK\$'000	HK\$'000
		(unaudited)	(unaudited and restated)
Loss (profit) for the period attributable to:			
Owners of the Company		(30,309)	(18,104)
Non-controlling interests		(4,101)	6,583
		<u>(34,410)</u>	<u>6,583</u>
		<u>(34,410)</u>	<u>(11,521)</u>
Loss per share (<i>HK cents</i>)	<i>10</i>		
Basic		<u>(0.58)</u>	<u>(0.45)</u>
		<u>(0.58)</u>	<u>(0.45)</u>
Diluted		<u>(0.60)</u>	<u>(0.46)</u>
		<u>(0.60)</u>	<u>(0.46)</u>
Loss for the period		<u>(34,410)</u>	<u>(11,521)</u>
		<u>(34,410)</u>	<u>(11,521)</u>
Other comprehensive expense			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		<u>(8,033)</u>	<u>(19,865)</u>
		<u>(8,033)</u>	<u>(19,865)</u>
		<u>(8,033)</u>	<u>(19,865)</u>
Total comprehensive expense for the period		<u>(42,443)</u>	<u>(31,386)</u>
		<u>(42,443)</u>	<u>(31,386)</u>
Total comprehensive (expense) income for the period attributable to:			
Owners of the Company		(33,411)	(32,009)
Non-controlling interests		(9,032)	623
		<u>(42,443)</u>	<u>623</u>
		<u>(42,443)</u>	<u>(31,386)</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 30 June 2019

	Attributable to owners of the Company													Total HK\$'000
	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	Translation reserve HK\$'000	Statutory reserve HK\$'000	(Accumulated losses) retained earnings HK\$'000	Total HK\$'000	Convertible bonds issued by a subsidiary HK\$'000	Non-controlling interests HK\$'000	
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	-	-	-	130,189	1	-	-	1,022	2,806	11,978	145,996	9,230	239,748	394,974
Effect of change in accounting policies	-	-	-	-	-	-	-	-	-	(1,793)	(1,793)	-	(1,576)	(3,369)
At 1 April 2018, as restated	4,000	65,376	29,047	144,705	(9,109)	11,376	174,782	1,022	2,806	(125,755)	298,250	9,230	231,689	539,169
(Loss) profit for the period	-	-	-	-	-	-	-	-	-	(18,104)	(18,104)	-	6,583	(11,521)
Other comprehensive expense for the period	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	(13,905)	-	-	-	(13,905)	-	(5,960)	(19,865)
(Loss) profit for the period and total comprehensive expense (income) for the period	-	-	-	-	-	-	(13,905)	-	-	(18,104)	(32,009)	-	623	(31,386)
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 consideration paid for acquisition of subsidiaries under common control combination	-	-	-	-	(64,403)	-	-	-	-	-	(64,403)	-	(7,685)	(72,088)
Capital injection from the controlling shareholder of a subsidiary which adopt merger accounting for common control combination	-	-	-	-	33,363	-	-	-	-	-	33,363	-	42,850	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	133,703	(40,149)	20,945	174,782	(12,883)	2,806	(143,859)	352,863	9,230	270,079	632,172
At 1 April 2019, as originally stated (audited)	5,193	1,257,060	29,047	(108,128)	(629,167)	30,607	174,782	(10,498)	3,677	(486,052)	266,521	9,230	186,440	462,191
Loss for the period	-	-	-	-	-	-	-	-	-	(30,309)	(30,309)	-	(4,101)	(34,410)
Other comprehensive expense for the period	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	(3,102)	-	-	-	(3,102)	-	(4,931)	(8,033)
Loss for the period and total comprehensive expense for the period	-	-	-	-	-	-	(3,102)	-	-	(30,309)	(33,411)	-	(9,032)	(42,443)
Lapse of share options	-	-	-	-	-	(1,004)	-	-	-	1,004	-	-	-	-
Recognition of equity-settled share-based payments expenses	-	-	-	-	-	294	-	-	-	-	294	-	-	294
Acquisition of additional interest in a subsidiary	-	-	-	31,358	-	-	-	-	-	-	31,358	-	(31,358)	-
	-	-	-	31,358	-	(710)	-	-	-	1,004	31,652	-	(31,358)	294
At 30 June 2019 (unaudited)	5,193	1,257,060	29,047	(76,770)	(629,167)	29,897	174,782	(13,600)	3,677	(515,357)	264,762	9,230	146,050	420,042

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 30 June 2019

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, 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 Group adopted HK\$ as its presentation currency which is the same as the functional currency of the Company.

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements of the Group for the three months ended 30 June 2019 have been prepared in accordance with the applicable disclosure provisions of Chapter 18 of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange.

Adoption of merger accounting and restatement

As disclosed in note 12, 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. The impact on the Group arising from the common control combinations is disclosed in note 12 of this unaudited condensed consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

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

The accounting policies used in the preparation of these unaudited condensed consolidated financial statements for the three months ended 30 June 2019 are consistent with those adopted in the consolidated financial statements for the year ended 31 March 2019.

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 2019. 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

The principal activities of the Group are 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.

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 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.

	Three months ended	
	30 June	
	2019	2018
	HK\$'000	HK\$'000
	(unaudited)	(unaudited and restated)
Revenue		
Sales of alcoholic beverages	22,344	37,617
Financial services	2,428	5,384
Blockchain services	18,537	–
Loan financing services	26,187	36,939
Auction	2,454	–
	<u>71,950</u>	<u>79,940</u>
Segment (loss) profit		
Sales of alcoholic beverages	(3,599)	905
Financial services	(3,220)	(469)
Blockchain services	(13,990)	(659)
Loan financing services	13,261	26,377
Auction	(294)	(41)
	<u>(7,842)</u>	<u>26,113</u>
Unallocated income	13	273
Unallocated expenses	(10,574)	(26,088)
Finance costs	(14,534)	(5,723)
Loss before tax	<u>(32,937)</u>	<u>(5,425)</u>

Segment (loss) profit represents the (loss) profit from each segment without allocation of central administration costs, Directors' emoluments and certain other income, net trading (loss) gain and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

(b) **Geographical information**

An analysis of Group's revenue from external customers is presented based on the location of operations as below:

	Three months ended	
	30 June	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited and restated)
PRC	14,788	17,424
Hong Kong	38,625	62,516
Europe	18,537	–
	71,950	79,940

5. OTHER INCOME

	Three months ended	
	30 June	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited and restated)
Bank interest income	16	152
Consignment income	109	275
Net exchange gain	–	2,080
Government grants	717	–
Others	46	121
	888	2,628

6. FINANCE COSTS

	Three months ended	
	30 June	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited and restated)
Interest expense on:		
– Convertible bonds	3,568	3,284
– Promissory notes	3,530	266
– Other borrowings	5,898	690
– Loan from a director	947	947
– Loan from a subsidiary of non-controlling shareholder	532	536
– Others	59	–
	<u>14,534</u>	<u>5,723</u>

7. INCOME TAX EXPENSE

	Three months ended	
	30 June	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited and restated)
Current tax:		
– Hong Kong Profits Tax	1,337	3,037
– PRC Enterprise Income Tax (“EIT”)	2,167	3,486
	<u>3,504</u>	<u>6,523</u>
Deferred taxation	(2,031)	(427)
	<u>1,473</u>	<u>6,096</u>

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

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 period ended 30 June 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 2018/2019 and 2017/2018 by 75%, subject to a ceiling of HK\$20,000 and HK\$30,000 per case respectively.

Profits of the subsidiaries established in the PRC are subject to PRC EIT during the relevant periods.

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 the relevant periods. 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 three months ended 30 June 2019.

8. LOSS FOR THE PERIOD

Three months ended	
30 June	
2019	2018
HK\$'000	HK\$'000
(unaudited)	(unaudited and restated)

Loss for the period has been arrived at after charging (crediting):

Directors' emoluments	2,433	3,117
Salaries, allowances and other benefits	15,840	13,187
Contributions to retirement benefits scheme	794	754
Equity-settled share-based payment expenses – employees	<u>–</u>	<u>8,777</u>
 Total staff costs	 <u>19,067</u>	 <u>25,835</u>
 Cost of inventories recognised as expenses	 18,267	 29,018
Equity-settled share-based payment expenses – consultants	294	792
Loss on disposals and written off of plant and equipment	51	–
Net impairment recognised on loan and interest receivables	4,693	2,286
Reversal of loans and interest receivables	–	(307)
Net exchange loss (gain)	1,203	(2,080)
Minimum lease payments under operating leases in respect of office premises, warehouses and shop	 <u>–</u>	 <u>4,239</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 2019 (three months ended 30 June 2018: nil).

10. LOSS PER SHARE

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

	Three months ended	
	30 June	
	2019	2018
	HK\$'000	HK\$'000
	(unaudited)	(unaudited and restated)
Loss		
Loss for the purpose of basic loss per share for the period attributable to the owners of the Company	<u>(30,309)</u>	<u>(18,104)</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>(811)</u>	<u>(679)</u>
Loss for the purpose of diluted loss per share	<u>(31,120)</u>	<u>(18,783)</u>
	Three months ended	
	30 June	
	2019	2018
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<u>5,192,726,898</u>	<u>4,053,119,385</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 reporting period.

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

11. SHARE-BASED PAYMENT TRANSACTIONS

The Company has conditionally adopted a share option scheme pursuant to a written resolution of the shareholders of the Company passed on 21 September 2015 (the “Share Option Scheme”) and the scheme mandate limit refreshed on 17 August 2018 for the purpose of providing incentives or rewards to eligible persons for their contribution to the Group and/or enabling the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group.

On 17 December 2015, the Company granted an aggregate of 18,100,000 share options to the grantees of the Company, to subscribe, in aggregate, for up to 18,100,000 ordinary shares of HK\$0.01 each in the share capital of the Company under the Share Option Scheme.

Upon the share subdivision becoming effective on 8 November 2016 (the “Share Subdivision”), adjustments shall be made to the exercise price of the outstanding share options and the number of subdivided shares, to be allotted and issued upon full exercise of subscription rights attaching to the outstanding share options in the following manner:

	<u>Immediately before the Share Subdivision becoming effective</u>		<u>Immediately after the Share Subdivision becoming effective</u>	
	Number of share options to be issued	Exercise price per share option	Adjusted number of Subdivided Shares to be issued	Adjusted exercise price per Subdivided Shares
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. Details of the adjustments to the share options upon the Share Subdivision are disclosed in the announcement of the Company dated 7 November 2016.

On 3 April 2018, the Company granted an aggregate of 219,000,000 share options (the “2018 First Options”) to the grantees of the Company, to subscribe, in aggregate, for up to 219,000,000 ordinary shares (each a “Share(s)”) of HK\$0.001 each in the share capital of the Company 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 First Options. For details, please refer to the announcement of the Company dated 3 April 2018.

On 13 December 2018, the Company granted an aggregate of 48,000,000 share options (the “2018 Second Options”) to the grantees of the Company, to subscribe, in aggregate, for up to 48,000,000 Shares at exercise price of HK\$1.12 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 Second Options. For details, please refer to the announcement of the Company dated 13 December 2018.

On 14 December 2018, the Company granted an aggregate of 42,000,000 share options (the “2018 Third Options”) to the grantee of the Company, to subscribe, in aggregate, for up to 42,000,000 Shares in the share capital of the Company at exercise price of HK\$1.04 each per Share subject to acceptance of the grantee, under the Share Option Scheme adopted by the Company on 21 September 2015 and the payment of HK\$1.00 by the grantee upon acceptance of the 2018 Third Options. For details, please refer to the announcement of the Company dated 14 December 2018.

As at 30 June 2019, the number of Shares in respect of which options had been granted and remained outstanding under the Share Option Scheme was 435,900,000 (30 June 2018: 400,000,000), representing 8.39% (30 June 2018: 9.83%) of the Shares in issue on that date.

The fair values of the share options granted on 3 April 2018 were calculated using the Binomial model. The inputs into the model were as follows:

	3 April 2018
Weighted average share price	HK\$1.89
Weighted average exercise price	HK\$1.89
Expected volatility	75.216%
Expected life	10 years
Risk-free rate	1.898%
Expected dividend yield	0%

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

Share-based payment expenses of the Group for the three months ended 30 June 2019 in relation to share options granted by the Company were HK\$294,000 (three months ended 30 June 2018: HK\$9,569,000).

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

Category of participant	Date of grant	Outstanding at 30 June 2019	Vesting period	Exercise period	Exercise price per share
Shareholders	17 December 2015	21,000,000	17 December 2015 to 16 June 2016	17 June 2016 to 16 December 2025	HK\$0.80
Consultants	17 December 2015	160,000,000	17 December 2015 to 16 June 2016	17 June 2016 to 16 December 2025	HK\$0.80
Directors	3 April 2018	7,900,000	3 April 2018 to 31 December 2018	1 January 2019 to 2 April 2028	HK\$1.89
Employees	3 April 2018	9,400,000	3 April 2018 to 31 December 2018	1 January 2019 to 2 April 2028	HK\$1.89
Consultants	3 April 2018	189,600,000	3 April 2018 to 31 December 2018	1 January 2019 to 2 April 2028	HK\$1.89
Consultants	13 December 2018	48,000,000	13 December 2018 to 30 June 2019	1 July 2019 to 12 December 2028	HK\$1.12

The following table discloses movements of the Company's share options held by Directors, employees, shareholders and consultants during the period:

Category of participant	Outstanding at 1 April 2019	Granted during the period	Exercised/ Cancelled/ Lapsed during the period	Outstanding at 30 June 2019
Directors	7,900,000	–	–	7,900,000
Employees	10,300,000	–	(900,000)	9,400,000
Shareholders	21,000,000	–	–	21,000,000
Consultants	439,600,000	–	(42,000,000)	397,600,000
	<u>478,800,000</u>	<u>–</u>	<u>(42,900,000)</u>	<u>435,900,000</u>
Weighted average exercise price (HK\$)	<u>1.33</u>	<u>–</u>	<u>1.06</u>	<u>1.35</u>

12. BUSINESS COMBINATION UNDER COMMON CONTROL AND RESTATEMENTS

On 20 November 2018, the Company entered into the acquisition agreement with CVP Financial Group Limited (“CVP”), a company incorporated in the British Virgin Islands with limited liability and wholly-owned by Mr. Ting Pang Wan Raymond (“Mr. Ting”), for acquisition of 52% issued share in Hackett Enterprises Limited (“Hackett”) for a total consideration of HK\$462,800,000 by issuing 504,872,727 Shares with promissory note in the principal amount of HK\$185,120,000 (“CVP Acquisition”). Upon completion of the CVP Acquisition, Mr. Ting is the ultimate shareholder of Hackett. The Group adopts merger accounting for this common control combination. The acquisition was completed on 29 March 2019.

On 20 November 2018, the Company entered into the acquisition agreement with Software Research Associates, Inc. (“SRA”), a company incorporated in Japan with limited liability and wholly-owned by SRA Holdings, Inc. (“SRA Holdings”), the shares of which are listed on the First Section of the Tokyo Stock Exchange, for acquisition of 25% issued share in Hackett for a total consideration of HK\$222,500,000 by issuing 404,545,454 Shares (“SRA Acquisition”). Completion of the SRA Acquisition is conditional upon completion of the CVP Acquisition having occurred. The fair value of the ordinary shares of the Company, determined using the published price available at the date of the acquisition, amounted to HK\$0.8 per share. Upon completion of the SRA Acquisition, the difference between the consideration and the derecognition of the carrying value of respective non-controlling interest of Hackett is recognised in other reserve of the Company since changes in the Group’s ownership interests in the Hackett do not result in a change of control. The acquisition was completed on 29 March 2019.

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 2018 are summarised as follows:

For the three months ended 30 June 2018

	As originally stated <i>HK\$’000</i>	Hackett <i>HK\$’000</i>	Elimination <i>HK\$’000</i>	As restated <i>HK\$’000</i>
Revenue	43,001	36,939	–	79,940
(Loss) profit before tax	(24,529)	19,104	–	(5,425)
Income tax credit (expense)	159	(6,255)	–	(6,096)
(Loss) profit for the period and total comprehensive (expense) income for the period	<u>(24,370)</u>	<u>12,849</u>	<u>–</u>	<u>(11,521)</u>
(Loss) profit for the period and total comprehensive (expense) income for the period attributable to:				
Owners of the Company	(23,233)	9,865	(4,736)	(18,104)
Non-controlling interests	<u>(1,137)</u>	<u>2,984</u>	<u>4,736</u>	<u>6,583</u>
	<u>(24,370)</u>	<u>12,849</u>	<u>–</u>	<u>(11,521)</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”); (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 in Europe (the “Blockchain Services Business”); and (v) the provision of loan financing and consultancy services (the “Loan Financing Business”). During the three months ended 30 June 2019, revenue of the Group decreased by approximately 9.9% from approximately HK\$79.9 million (restated) to approximately HK\$72.0 million for the three months ended 30 June 2018 and 2019 respectively. The revenue was comprised by (i) the Wine Business which contributed approximately HK\$22.3 million; (ii) the Wine Auction Business which contributed approximately HK\$2.5 million; (iii) the Financial Services Business which contributed approximately HK\$2.4 million; (iv) the Blockchain Services Business which contributed approximately HK\$18.6 million; and (v) the Loan Financing Business which contributed approximately HK\$26.2 million.

Financial Review

Revenue

Revenue of the Group decreased by approximately 9.9% from approximately HK\$79.9 million (restated) to approximately HK\$72.0 million for the three months ended 30 June 2018 and 2019 respectively. The decrease was mainly due to (1) the highly competitive environment in the alcoholic beverages industry resulting in a drop in sales of alcoholic beverages of approximately HK\$15.3 million and (2) the decrease in the loan financing services income of approximately HK\$10.8 million. However, the drop is partly offset by the revenue from the Blockchain Services Business of approximately HK\$18.6 million.

Operating Costs

The Group recorded operating costs which consisted of selling expenses and cost of sales of approximately HK\$32.8 million for the three months ended 30 June 2019, representing an increase of 5.1% when comparing to approximately HK\$31.2 million for the three months ended 30 June 2018. The increase was mainly due to the commencement of the Blockchain Services Business in August 2018 with operating costs amounted to approximately HK\$14.0 million. The increment was narrowed down by the decline in the operating costs in the Wine Business of approximately HK\$12.5 million, which recorded a 40.0% decrease in operating costs for the three months ended 30 June 2019.

Other Income

Other income of the Group decreased by 65.4% from approximately HK\$2.6 million (restated) to approximately HK\$0.9 million for the three months ended 30 June 2018 and 2019 respectively. The decrease was mainly due to the fluctuation of foreign currencies resulting in a net exchange loss of approximately HK\$1.2 million from a net exchange gain of approximately HK\$2.1 million for the three months ended 30 June 2019 and 2018 respectively.

Staff Costs

Staff costs of the Group decreased by 26.0% from approximately HK\$25.8 million (restated) to approximately HK\$19.1 million for the three months ended 30 June 2018 and 2019 respectively, which was mainly due to a significant decrease in the share-based payment expense on staff from approximately HK\$8.8 million to nil for the three months ended 30 June 2018 and 2019 respectively.

Depreciation

Depreciation of the Group increased by 883.3% from approximately HK\$1.8 million (restated) to approximately HK\$17.7 million for the three months ended 30 June 2018 and 2019 respectively. The significant increase was mainly contributed by the depreciation of cryptocurrency mining machines from the Blockchain Services Business launched in August 2018 and the right-of-use assets.

Administrative and Other Operating Expenses

The Group's administrative and other operating expenses primarily comprised professional fee, travelling expenses and other expenses. The Group's administrative and other operating expenses slightly decreased by approximately 13.9% period-on-period from approximately HK\$20.1 million (restated) to approximately HK\$17.4 million for the three months ended 30 June 2018 and 2019 respectively. The decrease was mainly due to the decrease in professional fee of approximately HK\$2.2 million.

Impairment Loss

For the three months ended 30 June 2019, the Group recognised the impairment on loan and interest receivables at approximately HK\$4.7 million based on the credit risk assessment of each individual borrower, representing an increase of approximately HK\$2.4 million as compared to the three months ended 30 June 2018. During the three months ended 30 June 2019, an increase in credit risk was noted the performance in the borrowers' industries and the overall economic environment, resulting in a higher loss allowance provision was made.

Change in Fair Value of Cryptocurrencies

During the three months ended 30 June 2019, the Group recorded a gain on change in fair value of cryptocurrencies at approximately HK\$0.3 million (for the three months ended 30 June 2018: nil) from the Blockchain Services Business launched in August 2018 which was contributed by the gradual increase in market price of cryptocurrencies during the reporting period.

Finance Costs

Finance costs mainly comprise (i) effective interest expense on convertible bonds and promissory notes of approximately HK\$7.1 million; and (ii) interest due on other borrowings of approximately HK\$5.9 million. The Group's finance costs increased by approximately 154.4% from approximately HK\$5.7 million (restated) to approximately HK\$14.5 million for the three months ended 30 June 2018 and 2019 respectively. The significant increase in the finance costs was mainly due to the increase in the other borrowings during the three months ended 30 June 2019.

Income Tax Expense

Income tax expense for the Group decreased from approximately HK\$6.1 million (restated) to approximately HK\$1.5 million for the three months ended 30 June 2018 and 2019 respectively. The decrease was mainly due to the increase in deferred tax asset arising from temporary timing difference.

Loss Attributable to Owners of the Company

Loss for the period attributable to owners of the Company increased significantly from approximately HK\$18.1 million (restated) to approximately HK\$30.3 million for the three months ended 30 June 2018 and 2019 respectively. The increase was mainly due to the increase in depreciation and finance costs.

Dividend

The Directors do not recommend the payment of any dividend for the three months ended 30 June 2019 (2018: nil).

Pledge of Assets

As at 30 June 2019, the Group had pledged (i) 77% equity interest in Hackett; and (ii) the entire equity interest in Madison Lab Limited (“Madison Lab”) to secure a loan of HK\$106,000,000.

Significant Investment Held, Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies, Future Plans for Material Investments and Capital Assets

As at 30 June 2019, the Group held shares and funds in (i) Tencent Holdings Limited (Hong Kong Stock Code: 700); (ii) AAC Technologies Holdings Inc. (Hong Kong Stock Code: 2018); (iii) GF Huoqibao Monetary Fund A (PRC Securities code: 000748); (iv) GF Huoqibao Monetary Fund B (PRC Securities code: 003281); and (v) Zhao Zhaojin (PRC Securities code: 7007) with the total amount of approximately HK\$19.9 million.

Significant Investment Held

a) Details of significant held-for-trading financial assets:

Name of investments	Notes	Fair value as at 30 June 2019 HK\$'000	% to the total assets of the Group	% to the interest in the respective investments as at 30 June 2019	Gain/(loss) on disposal/ redemption HK\$'000
GF Money Bag Money Market Fund (000509) ("GFMBMMF")	(i)	–	N/A	N/A	65
Tencent Holdings Limited (700) ("THL")	(ii)	353	0.02%	0.00%	–
AAC Technologies Holdings Inc. (2018) ("AAC")	(iii)	222	0.01%	0.00%	–
GF Huoqibao Monetary Fund A (000748) ("GFHQBMF A")	(iv)	2,748	0.18%	0.19%	–
GF Huoqibao Monetary Fund B (003281) ("GFHQBMF B")	(v)	15,693	1.04%	0.03%	–
Zhao Zhaojin (7007) ("ZZJ")	(vi)	895	0.06%	0.00%	30
		<u>19,911</u>			<u>95</u>

Notes:

- (i) 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. In view of the trend of the market value of GFMBMMF, the Group disposed of its entire shareholding in GFMBMMF and recorded a realised gain of approximately HK\$65,000 during the period.

- (ii) The investment represented 1,000 shares. 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 period ended 30 June 2019, the Group has recorded an unrealised fair value loss of approximately HK\$8,000 for the investment in the shares of THL. From the interim results announcement for the six months ended 30 June 2019, the THL Group recorded revenue and net profit of approximately RMB147,203 million and RMB42,553 million respectively. The profit was driven primarily by payment related services, digital content subscriptions and sales, social and others advertising, and smart phone games.
- (iii) The investment represented 5,000 shares. 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 three months ended 30 June 2019, the Group recorded an unrealised fair value loss of approximately HK\$10,000 for the investment in the shares of AAC. From the interim report for the period ended 30 June 2019, the AAC Group recorded revenue and net profit of RMB8,424 million and RMB1,778 million.
- (iv) The investment represented 2,417,735 shares. GFHQBMF A is a financial product launched by GF Fund Management Company Limited. During the three months ended 30 June 2019, the Group recorded an unrealised fair value gain of approximately HK\$9,000 for the investment in the shares of GFHQBMF A.
- (v) The investment represented 13,806,774 shares. GFHQBMF B is a financial product launched by GF Fund Management Company Limited. During the three months ended 30 June 2019, the Group recorded an unrealised fair value gain of approximately HK\$109,000 for the investment in the shares of GFHQBMF B.
- (vi) The investment represented 780,000 shares. ZZJ is a financial product launched by China Merchants Bank. During the three months ended 30 June 2019, the Group recorded a realised gain and an unrealised fair value gain of approximately HK\$30,000 and HK\$9,000 respectively, for the investment in the shares of ZZJ.

Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

During the three months ended 30 June 2019, the Group did not have any material acquisitions nor disposals of subsidiaries and affiliated companies.

Future Plans For Material Investments and Capital Assets

On 11 June 2019, Madison Lab and HDR Cadenza Management Limited entered into an extension agreement, pursuant to which the parties agreed to extend the term under the memorandum of understanding (the “HDR MOU”) dated 11 December 2018 in relation to the intention to grant a put option and a call option in respect of 51% of the entire issued share capital of Madison Lab for three months, from 11 June 2019 to 10 September 2019. For details of the HDR MOU, please refer to the announcement of the Company dated 11 December 2018.

Outlook and Prospects

The Group has expanded to Wine Auction Business in 2018. The Directors believe that the Group can further strengthen the 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.

During the year ended 31 March 2019, the Group has completed the acquisitions of (i) cryptocurrency business, (ii) an exchange platform of a virtual currency exchange service provider and (iii) loan financing business. Through these acquisitions, the Group has built up its expertise in cryptocurrency mining, participated in the virtual currency exchange service in Japan through BITOCEAN Co. Ltd. and the Group has planned to expand the scope of business by covering the trading of multiple virtual currencies on online platform. Further, by acquisition of a loan financing business, the Group can strengthen the Group's ability to potentially develop cryptocurrency related financing or leasing products. It will also further explore business development in both cryptocurrency mining and the Financial Services Business.

Going forward, the Group intends to broaden the source of income attributable to the Group as well as leverage on the resources of the respective companies to apply the blockchain technology in the Wine Business, the Financial Services Business and Blockchain Services Business, which enhance the operation mechanism and strengthen the 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") and the scheme mandate limit refreshed on 17 August 2018 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.

Share-based payment expenses of approximately HK\$294,000 (2018: approximately HK\$9,569,000) were recognised by the Group for the three months period ended 30 June 2019 in relation to share options granted by the Company.

Guaranteed Profit

According to the consolidated financial statements of Bartha International, the audited consolidated profit attributable to owners of Bartha International 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.

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 2019.

Directors' Interests in Competing Business

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.

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 2019.

Corporate Governance Practices

The Company is committed to achieving high standards of corporate governance to safeguard the interests of the Shareholders and enhancing 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 as a NED on 7 March 2019, the Board had only two INEDs, 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 ("Dr. Lau") as an INED on 4 June 2019.

Save as disclosed 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.

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 four members, namely Mr. Chu (chairman), Ms. Fan, Mr. Ip and Dr. Lau. Except Mr. Ip, all of them are INEDs.

The financial information in this announcement has not been audited by the auditor of the Company, but the Audit Committee has reviewed the unaudited condensed consolidated results of the Group for the three months ended 30 June 2019 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.

Significant Events after the Reporting Period

On 27 May 2019, the Company entered into a loan agreement (as amended and supplemented by a supplementary loan agreement dated 5 July 2019, the “Supplementary Loan Agreement”) with an independent third party (the “Lender”) for a loan of HK\$106,000,000. Pursuant to the Supplementary Loan Agreement, the loan was amended to HK\$106,000,001 (the “Revised Loan”).

On 5 July 2019, Royal Spectrum, a controlling shareholder of the Company (as defined under the GEM Listing Rules), and CVP, a shareholder of the Company, pledged 1,708,363,655 Shares and 504,872,727 Shares respectively in favour of the Lender as a security of the Revised Loan.

Mr. Ting, the chairman and executive Director of the Company, is also a director and controlling shareholder of each of Royal Spectrum and CVP. For details, please refer to the announcement of the Company dated 5 July 2019.

By order of the Board
Madison Holdings Group Limited
Ting Pang Wan Raymond
Chairman & Executive Director

Hong Kong, 9 August 2019

As at the date of this announcement, the executive Directors are Mr. Ting Pang Wan Raymond, Mr. Zhu Qin, Mr. Zhou, Francis Bingrong and Ms. Kuo Kwan; the non-executive Director is Mr. Ip Cho Yin, J.P.; 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 “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.