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# 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)**

## **DISCLOSEABLE TRANSACTION DISPOSAL OF BARTHA INTERNATIONAL**

### **THE DISPOSAL**

On 23 December 2019 (after trading hours), the Vendor, a direct non wholly-owned subsidiary of the Company, entered into the Agreement with the Purchaser in respect of the Disposal at the Consideration of HK\$45,000,000, which is payable by the Purchase in cash on completion of the Disposal.

Upon completion of the Disposal, Bartha Group will cease to be subsidiaries of the Group and their financial results will not be consolidated into the financial statements of the Group.

### **IMPLICATION UNDER THE GEM LISTING RULES**

As the relevant applicable percentage ratios (as defined under the GEM Listing Rules) in respect of the Disposal is more than 5% but less than 25%, the Disposal constitutes a discloseable transaction on the part of the Company, and is subject to the reporting and announcement requirement under Chapter 19 of the GEM Listing Rules.

### **THE DISPOSAL**

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## **THE AGREEMENT**

Set out below are the principal terms of the Agreement:

Date: 23 December 2019

Parties: CVP Financial Holdings Limited, as vendor

Mr. Ding Lu, as purchaser

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, save for being interested in approximately 4.42% shareholding interest in the Company personally and through his wholly-owned companies, the Purchaser is an Independent Third Party.

### **Asset to be disposed of**

Pursuant to the Agreement, the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Sale Shares, representing 49% of the entire issued share capital of Bartha International.

### **Consideration**

The consideration for the Disposal is HK\$45,000,000, which will be payable by the Purchaser to the Vendor in cash on completion of the Disposal.

The consideration for the Disposal was determined after arm's length negotiations between the Company and the Vendor taking into account (i) the unaudited net asset value of Bartha International as at 30 November 2019 of approximately HK\$78,582,000; and (ii) the information set out under the paragraph headed "Reasons for and the benefits of the Disposal" in this announcement.

In view of the above, the Directors consider that the Agreement is on normal commercial terms and the consideration for the Disposal is fair and reasonable, and the entering into of the Agreement is in the interests of the Company and the Shareholders as a whole.

## **Conditions precedent**

Completion of the Disposal shall be conditional upon and subject to the fulfilment of the following Conditions:

- (1) the Purchaser being satisfied in its absolute discretion with the results of the Due Diligence Review;
- (2) all necessary consents, licenses and approvals from the shareholders, bankers, financial institutions and regulators required to be obtained on the part of the Vendor and the Company in respect of the Agreement and the transactions contemplated hereby having been obtained and remain in full force and effect;
- (3) all necessary consents, licences and approvals from the shareholders, bankers, financial institutions and regulators required to be obtained on the part of the Purchaser in respect of the Agreement and the transactions contemplated hereby having been obtained and remain in full force and effect;
- (4) the warranties given by the Vendor remaining true and accurate and not misleading in all respects; and
- (5) the approval from the SFC in relation to the change of substantial shareholder (as defined in the SFO) of the Company having been obtained and not revoked, cancelled or lapsed.

The Purchaser may in his discretion waive any of the Conditions (1), (2) and (4).

If any of the Conditions have not been fulfilled at or before 12:00 noon on the Long Stop Date, the Agreement shall be ceased and determined and neither parties to the Agreement shall have any obligations and liabilities thereunder save for any antecedent breaches of the terms of the Agreement.

## **Completion**

Completion shall take place at 4:00 p.m. within three Business Days after all the conditions of the Agreement having been fulfilled or waived (as the case may be) or such other date as may be agreed between parties thereto.

Upon completion of the Disposal, Bartha Group will cease to be subsidiaries of the Group and their financial results will not be consolidated into the financial statements of the Group.

As at the date of this announcement, the Vendor is the holder of the Exchangeable Bonds, which entitle the Vendor to exchange for 51% of the entire issued share capital of Bartha International held by Bartha Holdings as at the date of exercising the Exchangeable Bonds. Upon completion of the Disposal, the Vendor continues to hold the Exchangeable Bonds but intends to dispose of them to potential investors. Nevertheless, up to the date of this announcement, the Company has not yet identified any investor for investment in the Exchangeable Bonds. The Vendor would use its best effort to identify potential investors to purchase the Exchangeable Bonds.

## INFORMATION OF BARTHA GROUP

### Bartha International

Bartha International is owned as to 51% by Bartha Holdings and as to 49% by the Vendor, which, in turn is owned as to 89.34% by the Company. Bartha International is principally engaged in investment holding. Bartha International has no business except being the immediate holding company of CVP Securities.

The audited consolidated financial information of Bartha International prepared under the Hong Kong Financial Reporting Standards for the 15 months ended 31 March 2018 and financial year ended 31 March 2019 are as follows:

	<b>For the 15 months ended 31 March 2018 <i>HK\$'000</i> (audited)</b>	<b>For the financial year ended 31 March 2019 <i>HK\$'000</i> (audited)</b>
Turnover	21,376	22,485
Profit before tax	7,218	5,921
Profit after tax	7,255	5,903

The audited consolidated net assets of Bartha International as at 31 March 2019 were approximately HK\$84,743,000.

## **CVP Securities**

CVP Securities is wholly-owned by Bartha International and is a corporation licensed by the SFC to conduct Type 1 (dealing in securities) and Type 2 (dealing in futures contracts) regulated activities under the SFO. CVP Securities is principally engaged in provision of securities and futures contracts brokerage and margin financing, with no licensing conditions imposed by the SFC.

The audited financial information of CVP Securities prepared under the Hong Kong Financial Reporting Standards for the two financial years ended 31 March 2019 are as follows:

	<b>For the financial year ended 31 March 2018 HK\$'000 (audited)</b>	<b>For the financial year ended 31 March 2019 HK\$'000 (audited)</b>
Turnover	19,957	22,485
Profit before tax	11,230	8,097
Profit after tax	11,329	8,078

The audited net assets of CVP Securities as at 31 March 2019 was approximately HK\$78,302,000.

## **FINANCIAL EFFECT OF THE DISPOSAL**

Upon Completion of the Disposal, Bartha Group will cease to be subsidiaries of the Group and their financial results will not be consolidated into the financial statements of the Group. Subject to further audit procedures to be performed by the auditors of the Company, the Group is expected to record a gain from the Disposal of approximately HK\$4,680,000 which is calculated with reference to the net proceeds from the Disposal and the unaudited net assets of Bartha International as at 30 November 2019 of HK\$78,582,000. The actual amount of gain or loss as a result of the Disposal to be recorded by the Group will be subject to the review and final audit by the auditors of the Company.

As at the date of this announcement, the Vendor is the holder of the Exchangeable Bonds, which entitle the Vendor to exchange for 51% of the entire issued share capital of Bartha International held by Bartha Holdings as at the date of exercising the Exchangeable Bonds. Upon completion of the Disposal, the Vendor continues to hold the Exchangeable Bonds but intends to dispose of them to potential investors.

## REASONS FOR AND BENEFITS OF THE DISPOSAL

The Group is principally engaged in (i) the retail sales and wholesales of wine products and other alcoholic beverages; (ii) the provision of auction of alcoholic beverages; (iii) the provision of financial services including securities advisory services and asset management services; (iv) the provision of cryptocurrency exchange business in Japan and cryptocurrency mining business in Europe; and (v) the provision of loan financing and consultancy services.

Since May 2016, CVP Securities and other co-investors have submitted an application (the “**Application**”) for setting up the JV Securities Company in Nansha area of Guangdong Pilot Free Trade Zone, the PRC and provided further information to the China Securities Regulatory Commission of the PRC (the “**CSRC**”). However, as at the date of the announcement, the Application is still under review and there is no indication from the CSRC that the Application would be approved with a definite timeline.

Further, according to Quarterly Report (July to September 2019) published by the SFC, the number of new corporate license applications received by the SFC during the third quarter of 2019 decreased 14.1% year-on-year to 73 cases. According to “Financial Review of the Securities Industry” published by the SFC, the net profits of all securities dealers and securities margin financiers in Hong Kong for the period of six months ended 30 June 2019 decreased 20.3% to HK\$13.8 billion even though average daily turnover on Stock Exchange during the same period increased 10.3%, amounting to HK\$97.9 billion. Furthermore, according to the data published on the website of Stock Exchange, number of trading participants which voluntarily suspended their business increased from 5 for the year ended 31 December 2018 to 9 for the period from 1 January 2019 to the date of this announcement.

Given tougher and gloomy business environment, together with the effect to the market sentiment from the protests which lasted for about 6 months, the profitability of CVP Securities has also seen deterioration. The net profit decreased by 28.7% from HK\$11,329,000 for the year ended 31 March 2018 to HK\$8,078,000 for the year ended 31 March 2019. The net profit margin also reported a decrease from 56.8% in 2018 to 35.9% in 2019. Difficult industry environment and general decrease in demand for financial intermediary services in Hong Kong have adversely affected the financial performance of CVP Securities.

As a result of the foregoing, the Directors are pessimistic with the prospect of securities brokerage industry in Hong Kong and resolved to realise the investment in CVP Securities in time to avoid the possibility of suffering further losses. As at the date of this announcement, the Group is indebted to the Purchaser in the aggregate amount of approximately US\$12.05 million (equivalent to approximately HK\$93.85 million). The proceeds from the Disposal, net of expenses directly attributable thereto, is estimated to be approximately HK\$44,800,000 and is intended to be used for repayment of part of the loan due to the Purchaser.

The Directors consider that the terms of the Agreement are on normal commercial terms, fair and reasonable and the Disposal is in the interests of the Company and the Shareholders as a whole.

## **IMPLICATION UNDER THE GEM LISTING RULES**

As the relevant applicable percentage ratios (as defined under the GEM Listing Rules) in respect of the Disposal is more than 5% but less than 25%, the Disposal constitutes a discloseable transaction on the part of the Company, and is subject to the reporting and announcement requirement under Chapter 19 of the GEM Listing Rules.

## **DEFINITIONS**

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings when used herein:

“Agreement”	the agreement entered into between the Company and the Purchaser dated 23 December 2019 in relation to the Disposal
“Bartha Group”	together, Bartha International and CVP Securities
“Bartha Holdings”	Bartha Holdings Limited, a company incorporated in Hong Kong with limited liability, the issuer of the Exchangeable Bonds
“Bartha International”	Bartha International Limited, a company incorporated in Hong Kong with limited liability, the sole shareholder of CVP Securities
“Board”	the board of Directors
“Business Day(s)”	a day (other than a Saturday, Sunday or public holiday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
“Company”	Madison Holdings Group Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the GEM of the Stock Exchange
“Conditions”	the conditions precedent to the completion of the Disposal
“Consideration”	HK\$45,000,000, being the consideration payable for the sale and purchase of the Sale Shares

“CVP Securities”	CVP Securities Limited, a company incorporated in Hong Kong with limited liability, a corporation licensed by the SFC to conduct Type 1 (dealing in securities) and Type 2 (dealing in futures contracts) regulated activities under the SFO
“Directors”	directors of the Company
“Disposal”	the disposal of the Sale Shares by the Vendor to the Purchaser pursuant to the Agreement
“Due Diligence Review”	the due diligence review the Purchaser may conduct pursuant to the Agreement in respect of the assets, liabilities, operations and affairs of Bartha Group
“Exchangeable Bonds”	the exchangeable bonds issued by Bartha Holdings to the Vendor, which entitles the Vendor to exchange for 51% of the entire issued share capital of Bartha International as at the date of exercising the Exchangeable Bonds, with the maturity date falling on 27 July 2022
“GEM”	GEM operated by the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM of the Stock Exchange
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	an individual(s) or a company(ies) who or which is/are independent of and not connected with (within the meaning of the GEM Listing Rules) any of the directors, chief executives or substantial shareholders of the Company or subsidiaries of the Company or any of their respective associates
“Long Stop Date”	31 March 2020, or such other date as the parties to the Agreement may agree in writing
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan



“Sale Shares”	4,900 shares in Bartha International, representing 49% of the issued share capital of Bartha International
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
“Share(s)”	the issued ordinary share in the share capital of the Company
“Shareholders”	holders of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	CVP Financial Holdings Limited, a company incorporated in the British Virgin Islands with limited liability, and owned as to 89.34% by the Company, the Vendor of the Disposal and the holder of the Exchangeable Bonds
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent.

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

Hong Kong, 23 December 2019

*In this announcement, for reference only, the translation of United States dollars into Hong Kong dollars is based on the exchange rate of US\$1 = HK\$7.7894.*

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

*This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules 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 Listed Company Information” page of the GEM website at [www.hkgem.com](http://www.hkgem.com) for at least 7 days from the date of its posting and on the website of the Company at <http://www.madison-group.com.hk>.*