

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 2020

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

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

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 2020, 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\$24.8 million for the three months ended 30 June 2020 (three months ended 30 June 2019: HK\$72.0 million), representing a decrease of approximately 65.6% as compared with the corresponding period in 2019;
- loss attributable to the owners of the Company for the three months ended 30 June 2020 amounted to approximately HK\$27.4 million (three months ended 30 June 2019: HK\$30.3 million); and
- the Directors do not recommend the payment of any dividend for the three months ended 30 June 2020 (three months ended 30 June 2019: 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 2020, together with the comparative unaudited figures for the corresponding period in 2019, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months ended 30 June 2020

	Note	Three months ended	
		2020	2019
		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Revenue	3		
– sales of alcoholic beverages		10,488	22,344
– financial services		–	2,428
– blockchain services		–	18,537
– loan financing services		12,926	26,187
– auction		1,430	2,454
		<u>24,844</u>	<u>71,950</u>
Cost of operation			
– cost of alcoholic beverages		(8,753)	(18,711)
– cost of auction		(201)	–
– cost of blockchain services		–	(14,043)
		<u>(8,954)</u>	<u>(32,754)</u>
Other income	4	312	888
Staff costs		(14,287)	(19,067)
Depreciation		(3,395)	(17,740)
Net trading gain		157	203
Administrative and other operating expenses		(5,597)	(17,441)
Net impairment recognised on loan and interest receivables		(16,052)	(4,693)
Change in fair value of crypto-currencies		–	251
Finance costs	5	(11,588)	(14,534)
Loss before tax		(34,560)	(32,937)
Income tax credit (expense)	6	1,976	(1,473)
Loss for the period	7	<u>(32,584)</u>	<u>(34,410)</u>

		Three months ended	
		30 June	
		2020	2019
	<i>Note</i>	HK\$'000	<i>HK\$'000</i>
		(unaudited)	(unaudited)
Loss for the period attributable to:			
Owners of the Company		(27,350)	(30,309)
Non-controlling interests		<u>(5,234)</u>	<u>(4,101)</u>
		<u>(32,584)</u>	<u>(34,410)</u>
Loss per share (<i>HK cents</i>)	9		
Basic		<u>(0.53)</u>	<u>(0.58)</u>
Diluted		<u>(0.53)</u>	<u>(0.60)</u>
Loss for the period		<u>(32,584)</u>	<u>(34,410)</u>
Other comprehensive income (expense)			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		<u>1,084</u>	<u>(8,033)</u>
Other comprehensive income (expense)		<u>1,084</u>	<u>(8,033)</u>
Total comprehensive expense for the period		<u>(31,500)</u>	<u>(42,443)</u>
Total comprehensive expense for the period attributable to:			
Owners of the company		(26,778)	(33,411)
Non-controlling interests		<u>(4,722)</u>	<u>(9,032)</u>
		<u>(31,500)</u>	<u>(42,443)</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 30 June 2020

	Attributable to owners of the Company													Total
	Share capital	Share premium	Other reserve	Capital reserve	Merger reserve	Share options reserve	Convertible bonds – equity conversion reserve	Translation reserve	Statutory reserve	Accumulated losses	Total	Convertible bonds issued by a subsidiary	Non-controlling interests	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2019 (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)
Total comprehensive expense for the period	-	-	-	-	-	-	-	(3,102)	-	(30,309)	(33,411)	-	(9,032)	(42,443)
Recognition of equity-settled share-based payments expenses	-	-	-	-	-	294	-	-	-	-	294	-	-	294
Lapse/cancel of share options	-	-	-	-	-	(1,004)	-	-	-	1,004	-	-	-	-
Acquisition of additional interest in a subsidiary	-	-	-	31,358	-	-	-	-	-	-	31,358	-	(31,358)	-
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
At 1 April 2020 (audited)	5,193	1,257,060	29,047	(62,029)	(598,127)	29,623	174,782	(21,604)	4,223	(786,176)	31,992	-	165,923	197,915
Loss for the period	-	-	-	-	-	-	-	-	-	(27,350)	(27,350)	-	(5,234)	(32,584)
Other comprehensive expense for the period														
– Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	-	572	-	-	572	-	512	1,084
Total comprehensive expense for the period	-	-	-	-	-	-	-	572	-	(27,350)	(26,778)	-	(4,722)	(31,500)
Recognition of equity-settled share-based payments expenses	-	-	-	-	-	4,410	-	-	-	-	4,410	-	-	4,410
Lapse/cancel of share options	-	-	-	-	-	(2,148)	-	-	-	2,148	-	-	-	-
Deemed disposal of equity interest in a subsidiary	-	-	-	(38,200)	-	-	-	-	-	-	(38,200)	-	40,038	1,838
At 30 June 2020 (unaudited)	5,193	1,257,060	29,047	(100,229)	(598,127)	31,885	174,782	(21,032)	4,223	(811,378)	(28,576)	-	201,239	172,663

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 30 June 2020

1. GENERAL

Madison Holdings Group Limited (the “Company”) was incorporated in the Cayman Islands under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands as an exempted company with limited liability on 15 April 2015 and its shares are listed on GEM of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 8 October 2015. The immediate holding company of the Company is Royal Spectrum Holding Company Limited, a company incorporated in the Republic of Seychelles and Mr. Ting Pang Wan Raymond (“Mr. Ting”) is the controlling shareholder of the Company. The addresses of the registered office and the principal place of business of the Company are Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and 28/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, 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”) are Renminbi (“RMB”) and United States Dollar respectively. For the purpose of presenting the financial statements, the Company and its subsidiaries (hereinafter collectively referred to as the “Group”) adopted HK\$ as its presentation currency which is the same as the functional currency of the Company.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the accounting principles generally accepted in Hong Kong. The financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance and include the applicable disclosure requirements of Rules Governing the Listing of securities on GEM of the Stock Exchange. The accounting policies used in the financial highlights for the three months ended 30 June 2020 are the same as those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 March 2020. The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments which are stated at fair values.

As at the reporting date of the unaudited condensed consolidated financial statements, HKICPA has issued a number of new and amended HKFRSs. The adoption of these new and amended HKFRSs had no material impact on how the results and financial position of the Group for the current and prior periods have been prepared and presented.

The Group has not adopted early any new and amended HKFRSs that are relevant to the Group have been issued but are not yet effective for the current accounting period.

The unaudited condensed consolidated financial statements have not been audited by the Company’s auditors, but have been reviewed by the Company’s audit committee.

3. REVENUE AND SEGMENT INFORMATION

Revenue

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

	Three months ended	
	30 June	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Revenue from contracts with customers		
Disaggregated of revenue by major products or services lines		
Financial services segment		
– Securities and futures dealing service income	–	401
Sales of alcoholic beverages segment		
– Sales of alcoholic beverages income	10,488	22,344
Loan financing services segment		
– Loan referral services income	1,702	2,592
Auction segment		
– Auction income	1,430	2,454
Total revenue from contracts with customers	13,620	27,791
Revenue from other sources		
Financial services segment		
– Interest income – Margin clients	–	2,027
Loan financing segment		
– Interest income – Real estate-backed loans	–	1,036
– Interest income – Micro loans	8,698	11,160
– Interest income – Other loans	2,526	11,399
Blockchain services segment		
– Blockchain services income	–	18,537
	11,224	44,159
Revenue	24,844	71,950

Disaggregation of revenue by timing of recognition

Three months ended	
30 June	
2020	2019
HK\$'000	HK\$'000
(unaudited)	(unaudited)

Timing of revenue recognition from contracts with customers

At a point in time

13,620	27,791
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Segment Information

The Group's reportable and operating segments are based on types of goods or services delivered or provided 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	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Revenue		
Sales of alcoholic beverages	10,488	22,344
Financial services	–	2,428
Blockchain services	–	18,537
Loan financing services	12,926	26,187
Auction	1,430	2,454
	24,844	71,950
Segment (loss) profit		
Sales of alcoholic beverages	(3,360)	(3,599)
Financial services	(833)	(3,220)
Blockchain services	(1,393)	(13,990)
Loan financing services	(9,233)	13,261
Auction	185	(294)
	(14,634)	(7,842)
Unallocated income	397	13
Unallocated expenses	(8,735)	(10,574)
Finance costs	(11,588)	(14,534)
Loss before tax	(34,560)	(32,937)

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

(b) **Geographical information**

The following is an analysis of the Group's revenue based on the location of operations:

	Three months ended	
	30 June	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
PRC	10,401	14,788
Hong Kong	14,443	38,625
Europe	–	18,537
	<u>24,844</u>	<u>71,950</u>

4. OTHER INCOME

	Three months ended	
	30 June	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Bank interest income	2	16
Consignment income	34	109
Net exchange gain	19	–
Government grants	118	717
Others	139	46
	<u>312</u>	<u>888</u>

5. FINANCE COSTS

	Three months ended	
	30 June	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest expense on:		
– Convertible bonds	2,752	3,568
– Promissory notes	3,867	3,530
– Other borrowings	2,874	5,898
– Loan from a director	947	947
– Loan from a subsidiary of non-controlling shareholder	1,080	532
– Others	68	59
	<u>11,588</u>	<u>14,534</u>

6. INCOME TAX (CREDIT) EXPENSE

	Three months ended	
	30 June	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Income tax:		
Hong Kong Profits Tax	–	1,451
PRC Enterprise Income Tax (“EIT”)	(1,976)	22
	<u>(1,976)</u>	<u>1,473</u>

Hong Kong Profits Tax

Hong Kong Profits Tax has been provided at the rate of 16.5% on the estimated profits during the period.

PRC Enterprise Income Tax

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%. Further 10% withholding income tax is generally imposed on dividends relating to profits.

7. LOSS FOR THE PERIOD

Three months ended	
30 June	
2020	2019
HK\$'000	HK\$'000
(unaudited)	(unaudited)

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

Directors' emoluments	3,604	2,433
Salaries, allowances and other benefits	8,219	15,840
Contributions to retirement benefits scheme	375	794
Equity-settled share-based payment expenses – employees	2,089	–
	<hr/>	<hr/>
Total staff costs	14,287	19,067
	<hr/>	<hr/>
Cost of inventories recognised as expense	8,593	18,267
Equity-settled share-based payment expenses – consultants	187	294
Loss on disposals and written off of plant and equipment	–	51
Net impairment recognised on loan and interest receivables	16,052	4,693
Net exchange (gain) loss	(19)	1,203
	<hr/> <hr/>	<hr/> <hr/>

8. DIVIDEND

No dividend was paid, declared or proposed during the period. The Directors do not recommend the payment of any dividend for the three months ended 30 June 2020 (2019: nil).

9. LOSS PER SHARE

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

	Three months ended	
	30 June	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss		
Loss for the purpose of basic loss per share for the period attributable to the owners of the Company	<u>(27,350)</u>	<u>(30,309)</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>(323)</u>	<u>(811)</u>
Loss for the purpose of diluted loss per share	<u>(27,673)</u>	<u>(31,120)</u>
	Three months ended	
	30 June	
	2020	2019
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>5,192,726,898</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 three months ended 30 June 2020 and 2019.

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

10. 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”) 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 (the “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, adjustments had been made to the exercise price of the outstanding Share Options and the number of subdivided shares to be allotted and issued (the “Subdivided Share(s)”) upon full exercise of subscription rights attaching to the outstanding Share Options in the following manner:

Date of grant	Immediately before the share subdivision becoming effective		Immediately after the share subdivision becoming effective	
	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 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 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 to the employees, directors and consultants of the Company, to subscribe, in aggregate, for up to 219,000,000 ordinary shares of HK\$0.001 each in the share capital of the Company at exercise price of HK\$1.89 each per share. For details, please refer to the announcement of the Company dated 3 April 2018.

On 17 August 2018, resolutions were passed by the then shareholders of the Company granting general and unconditional mandates to exercise the powers of the Company to, among other things, refresh the then scheme mandate limit up to 10% of the total number of shares in issue as at the date of passing the resolution, for which the maximum number of shares which may be issued under the refreshed scheme mandate limit was 428,330,871.

On 13 December 2018, the Company granted an aggregate of 48,000,000 Share Options to the consultants of the Company, to subscribe, in aggregate, for up to 48,000,000 shares at exercise price of HK\$1.12 each per share. 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 to the consultants of the Company, to subscribe, in aggregate, for up to 42,000,000 shares at exercise price of HK\$1.04 each per share. For details, please refer to the announcement of the Company dated 14 December 2018.

On 16 August 2019, the Company granted an aggregate of 11,500,000 Share Options to the employees of the Company, to subscribe, in aggregate, for up to 11,500,000 shares at exercise price of HK\$0.325 each per share. For details, please refer to the announcement of the Company dated 16 August 2019.

On 6 December 2019, the Company granted an aggregate of 355,400,000 Share Options to the employees, directors and consultants of the Company, to subscribe, in aggregate, for up to 355,400,000 shares at exercise price of HK\$0.207 each per share. For details, please refer to the announcement of the Company dated 6 December 2019.

As at 30 June 2020, the number of shares in respect of which options had been granted and remained outstanding under the Share Option Scheme was 781,900,000 (2019: 435,900,000), representing approximately 15.1% (2019: approximately 8.4%) of the total number of shares of the Company in issue as at 30 June 2020. On 31 July 2020, ordinary resolutions had been approved by the Company's shareholders to refresh the scheme mandate limit under the Share Option Scheme, such that the maximum number of shares that can be allotted and issued upon the exercise of Share Options which may be granted by the Company under the scheme mandate limit so refreshed would be 519,272,689, being 10% of the total number of issued shares as at the date of passing of the resolution approving the said refreshment.

The fair values of the Share Options granted to directors and/or employees were calculated using the Binomial model. The inputs into the model were as follows:

	2020	2019
Weighted average share price (HK\$)	0.206-0.325	1.89
Weighted average exercise price (HK\$)	0.207-0.325	1.89
Expected volatility	59.126-59.774%	75.216%
Expected life (years)	10	10
Risk-free rate	1.018-1.575%	1.898%
Expected dividend yield	0%	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 approximately HK\$4,410,000 were recognised by the Group for the three months ended 30 June 2020 (2019: approximately HK\$294,000) in relation to Share Options granted by the Company.

Details of the Company's Share Options held by grantees are as follows:

Category of participant	Date of grant	Outstanding at 30 June 2019	Outstanding at 30 June 2020	Vesting period	Exercise period	Exercise price per share
Shareholders	17 December 2015	21,000,000	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	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	5,900,000	3 April 2018 to 31 December 2018	1 January 2019 to 2 April 2028	HK\$1.89
Employees	3 April 2018	9,400,000	9,500,000	3 April 2018 to 31 December 2018	1 January 2019 to 2 April 2028	HK\$1.89
Consultants	3 April 2018	189,600,000	184,600,000	3 April 2018 to 31 December 2018	1 January 2019 to 2 April 2028	HK\$1.89
Consultants	13 December 2018	48,000,000	48,000,000	13 December 2018 to 30 June 2019	1 July 2019 to 12 December 2028	HK\$1.12
Directors	6 December 2019	–	59,900,000	6 December 2019 to 5 December 2020	6 December 2020 to 5 December 2029	HK\$0.207
Directors	6 December 2019	–	59,900,000	6 December 2019 to 5 December 2021	6 December 2021 to 5 December 2029	HK\$0.207
Consultants	6 December 2019	–	51,900,000	6 December 2019 to 5 December 2020	6 December 2020 to 5 December 2029	HK\$0.207
Consultants	6 December 2019	–	51,900,000	6 December 2019 to 5 December 2021	6 December 2021 to 5 December 2029	HK\$0.207
Employees	6 December 2019	–	64,650,000	6 December 2019 to 5 December 2020	6 December 2020 to 5 December 2029	HK\$0.207
Employees	6 December 2019	–	64,650,000	6 December 2019 to 5 December 2021	6 December 2021 to 5 December 2029	HK\$0.207

The following table discloses movements of the Company's Share Options held by directors, employees, shareholders and consultants during the period:

During the three months ended 30 June 2020

Category of participant	Outstanding at 1 April 2020	Granted during the period	Cancelled/ Lapsed during the period	Outstanding at 30 June 2020
Directors	125,700,000	–	–	125,700,000
Employees	141,800,000	–	(3,000,000)	138,800,000
Shareholders	21,000,000	–	–	21,000,000
Consultants	496,400,000	–	–	496,400,000
	<u>784,900,000</u>	<u>–</u>	<u>(3,000,000)</u>	<u>781,900,000</u>
Weighted average exercise price (HK\$)	<u>0.8</u>	<u>–</u>	<u>0.5</u>	<u>0.8</u>

During the three months ended 30 June 2019

Category of participant	Outstanding at 1 April 2019	Granted during the period	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>1.3</u>	<u>–</u>	<u>1.1</u>	<u>1.4</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

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

During the period under review, the Group’s revenue for the three months ended 30 June 2020 decreased by approximately 65.6% to approximately HK\$24.8 million (2019: approximately HK\$72.0 million). The decrease in revenue was mainly due to (i) the economic slowdown in Mainland China and Hong Kong; (ii) the on-going China-US trade frictions, (iii) the outbreak of Coronavirus Disease 2019 (“COVID-19”) in early 2020; and (iv) disposal of 49% equity interest in Bartha international Limited with its subsidiaries on 17 January 2020 which were principally engaged in the provision of financial services; and disposal of the entire share capital of Madison Future Games Limited with its subsidiaries on 22 January 2020 which were principally engaged in the provision of crypto-currency mining business (the “Disposal of Subsidiaries”).

The Group recorded a loss of approximately HK\$32.6 million, compared to the loss of approximately HK\$34.4 million recorded in the three months ended 30 June 2019, equivalent to a decrease of approximately 5.2%.

Financial Review

The Group’s revenue for the three months ended 30 June 2020 amounted to approximately HK\$24.8 million (2019: approximately 72.0 million), representing a decrease of approximately HK\$47.2 million or 65.6% as compared with the three months ended 30 June 2019. The revenue included (i) approximately HK\$10.5 million (2019: approximately HK\$22.3 million) from the Wine Business; (ii) approximately HK\$1.4 million (2019: approximately HK\$2.5 million) from the Wine Auction Business; (iii) approximately HK\$12.9 million (2019: approximately HK\$26.2 million) from the Loan Financing Business; and (iv) no revenue was generated from both the Financial Services Business (2019: approximately 2.4 million) and from the Blockchain Services Business (2019: approximately HK\$18.6 million).

Gross profit was approximately HK\$15.9 million (2019: approximately HK\$39.2 million), representing a decrease of approximately 59.4% as compared with the three months ended 30 June 2019. The reasons of the decrease in revenue and gross profit were noted in sub-section headed as “Business Review” for details.

Administrative and other operating expenses and depreciation were approximately HK\$5.6 million and HK\$3.4 million respectively (2019: approximately HK\$17.4 million and HK\$17.7 million respectively), representing a decrease of approximately 67.8% and 80.8% respectively as compared with the three months ended 30 June 2019 mainly due to the Disposal of Subsidiaries and controlling the cost of operations and administrative and other operating expenses. The finance costs amounted to approximately HK\$11.6 million (2019: approximately HK\$14.5 million) which were mainly incurred on convertible bonds, promissory note payables, other borrowings and loans.

Loss was approximately HK\$32.6 million (2019: approximately HK\$34.4 million), representing a decrease by approximately 5.2% as compared with the three months ended 30 June 2019. The loss included net impairment recognized on loan and interest receivables in respect of the Loan Financing Business of approximately HK\$16.1 million (2019: approximately HK\$4.7 million). The loss attributable to the owners of the Company was approximately HK\$27.4 million (2019: approximately HK\$30.3 million).

Dividend

The Directors do not recommend the payment of any dividend for the three months ended 30 June 2020 (2019: nil).

Deemed disposal of equity interest in a subsidiary

During the period ended 30 June 2020, BITOCEAN Co., Ltd (“Bitoccean”), a subsidiary of the Company, issued shares to its lender to repay all its debts of approximately JPY 29.3 million (approximately equivalent to HK\$2.1 million). Upon issuance of new shares of Bitoccean, the Group’s equity interest in Bitoccean has been diluted to approximately 73.0%. The dilution of the Group’s interest in Bitoccean constituted a deemed disposal of the Group’s equity interest in subsidiary (“Deemed Disposal”). Accordingly, no expected gain or loss will be accrued to the Company as a result of Deemed Disposal and the financial results of Bitoccean will continue to be consolidated into and reflected in the financial statements of the Group.

Business Prospect

The business outlook remains highly uncertain due to the on-going China-US trade frictions and the global outbreak of COVID-19, which have deeply impacted the economic, financial and retail sector in Hong Kong and China. The Group expects the near future to remain challenging. The Group will remain focused on its existing businesses. In the meantime, the Directors will continue to seek suitable investment opportunities in order to broaden the source of income of the Group and diversify the Group’s business portfolio. For any potential acquisition, the Group will evaluate the target company to be acquired as well as the intrinsic value of the acquisition to increase value for the shareholders of the Company.

OTHER INFORMATION

Share Option Scheme

The Company has conditionally adopted a share option scheme (the “Share Option Scheme”) pursuant to a written resolution of the Shareholders passed on 21 September 2015 (the “Adoption Date”). The terms of the Share Option Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules.

The Share Option Scheme shall be valid and effective for a period of 10 years from the Adoption Date until 20 September 2025.

Purchase, Sale or Redemption of Listed Securities

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of shares of the Company during the three months ended 30 June 2020.

Directors’ Interests in Competing Business

As at 30 June 2020, none of the Directors or their respective associates had any business or interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

Deed of Non-competition

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

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 2020.

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.

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

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

Save as discussed above, throughout the three months ended 30 June 2020, to the best knowledge of the Board, the Company had complied with the code provisions in the CG Code as set out in Appendix 15 to the GEM Listing Rules as its corporate governance practices.

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 four members, namely Mr. Chu Kin Wang Peleus (chairman), Ms. Fan Wei, Dr. Lau Remier, Mary Jean and Mr. Ip Cho Yin, *J.P.*. Save for Mr. Ip Cho Yin, *J.P.*, all 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 2020 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.

By order of the Board
Madison Holdings Group Limited
Ji Zuguang
Chairman & non-executive Director

Hong Kong, 10 August 2020

As at the date of this announcement, the executive Directors are 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 GEM website at <http://www.hkgem.com> on the “Latest Company Announcements” page for at least seven days from the date of its posting and the Company’s website at <http://www.madison-group.com.hk>.