

# 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 ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2021**

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

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## FINANCIAL HIGHLIGHTS

For the year ended 31 March 2021, the audited results from continuing operations of the Group were as follows:

- the Group recorded a revenue from continuing operations of approximately HK\$106.9 million (2020: approximately HK\$196.5 million), representing a decrease of approximately 45.6% as compared with the year ended 31 March 2020;
- impairment loss recognised on intangible assets, goodwill and plant and equipment amounted to approximately HK\$28.7 million, HK\$ nil and HK\$ nil (2020: HK\$ nil, approximately HK\$257.4 million and HK\$21.8 million) respectively;
- net impairment recognised on loan and interest receivables amounted to approximately HK\$20.1 million (2020: approximately HK\$65.2 million);
- loss for the year was approximately HK\$50.9 million (2020: approximately HK\$318.3 million). Should the impairment loss on loan and interest receivables and intangible asset, goodwill and plant and equipment combined of approximately HK\$48.8 million be excluded (2020: impairment loss on loan and interest receivables, goodwill and plant and equipment combined of approximately HK\$344.4 million), loss for the year would be approximately HK\$2.1 million (2020: profit of approximately HK\$26.1 million);
- loss for the year attributable to the owners of the Company was approximately HK\$35.0 million (2020: approximately HK\$278.9 million); and
- the Directors do not recommend the payment of a final dividend for the year ended 31 March 2021 (2020: nil).

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

For the year ended 31 March 2021, the Company and its subsidiaries (collectively, the “Group”) were 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 financial services (the “Financial Services Business”); (iii) the provision of loan financing and consultancy services (the “Loan Financing Business”); and (iv) the provision of cryptocurrency exchange business in Japan (the “Blockchain Services Business”). As disclosed in the announcement of the Company dated 17 June 2021, upon completion of the disposal of Madison Lab Limited (“Madison Lab”) and its subsidiary, the Group has ceased its operation in the Blockchain Services Business.

During the year under review, the Group’s revenue from continuing operations decreased by approximately 45.6% to approximately HK\$106.9 million (2020: approximately HK\$196.5 million). Such decrease was mainly due to (i) negative impact of coronavirus pandemic (“COVID-19”) on the global economy; (ii) the on-going China-US trade frictions; (iii) economic slowdown in Hong Kong and China; (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 cryptocurrency mining business (the “Disposal of Subsidiaries”).

The Group’s loss from continuing operations was approximately HK\$51.7 million (2020: approximately HK\$312.5 million), representing a decrease of approximately 83.5% as compared with last year. The decrease in the loss was mainly attributable to (i) no impairment loss was recognised on goodwill and plant and equipment (2020: approximately HK\$257.4 million and HK\$21.8 million arising from the Disposal of Subsidiaries respectively); (ii) the decrease in depreciation of approximately HK\$18.4 million following the Disposal of Subsidiaries; (iii) the drop in staff cost and administrative and other operating expenses of approximately HK\$37.2 million and HK\$30.6 million respectively due to streamlining of the Group and organisational structure; but (iv) partially offset by the impairment of intangible asset of approximately HK\$28.7 million arising from Blockchain Services Business.

During the year, the business and operation environments of the Group were remained challenging due to the global outbreak of COVID-19 with global recession. Hong Kong and China’s economy was seriously hit by the COVID-19, with on-going anti-pandemic restrictions and policies, leading in sluggish nature of recovery. The business performance of Group was significant dropped during the year. The Group’s customers were also affected by the COVID-19. The rise in bad debt during times of financial distress of customers were problematic, but predictable. As such, the Group recognized net impairment losses under expected credit loss valuation on loan and interest receivables of approximately HK\$20.1 million (2020: approximately HK\$65.2 million) which included written off loan and interest receivables of approximately HK\$43.9 million (2020: approximately HK\$14.1 million) and reversal of impairment loss of approximately HK\$23.8 million (2020: provision of approximately HK\$51.1 million).

At the end of the reporting period, intangible asset of Blockchain Services Business with indefinite useful life was tested for impairment at least annually. The Group reviewed the carrying amount of its intangible asset with indefinite useful life to determine whether there is any indication that its intangible asset has suffered an impairment loss. The management of the Company considered recent reports in relation to US Treasury's plan to tackle financial institutions for money laundering carried out through digital assets, which have been adversely affected the public confidence and price volatility of the Bitcoin. An impairment loss of intangible asset was made due to (i) increasing regulatory requirement in cryptocurrency market; (ii) price volatility of the Bitcoin; and (iii) adverse effect from criticisms of Bitcoin. As at 31 March 2021, the carrying amount of intangible asset of Blockchain Services Business was approximately HK\$145.6 million (2020: HK\$179.1 million). The impairment loss of intangible asset of approximately HK\$28.7 million was recognised as at 31 March 2021 (2020: Nil).

## **FINANCIAL REVIEW**

During the year, the Group's revenue from continuing operations amounted to approximately HK\$106.9 million (2020: approximately HK\$196.5 million), representing a decrease of approximately HK\$89.6 million or 45.6% as compared with last year. The revenue included (i) approximately HK\$51.2 million (2020: approximately HK\$69.4 million) from the Wine Business; and (ii) approximately HK\$55.7 million (2020: approximately HK\$86.5 million) from the Loan Financing Business. No revenue was generated from both the Financial Services Business (2020: approximately HK\$10.5 million) and the Blockchain Services Business (2020: approximately HK\$30.1 million).

Gross profit margin from the Wine Business in continuing operations was increased to approximately 16.8% (2020: approximately 14.4%). Such increase was mainly driven by streamlining wine business operations and reducing operation expenses. Total gross profit margin from continuing operations was also increased to approximately 60.1% as compared with that of approximately 50.5% for the last year following the Disposal of Subsidiaries of which the cryptocurrency mining business suffered gross loss last year. Despite the total gross profit margin from continuing operations was improved, gross profit has dropped due to the decrease in revenue in both the Wine Business and the Loan Financing Business and no revenue was generated from the Financial Services Business and Blockchain Services Business.

Gross profit from continuing operations was approximately HK\$64.3 million (2020: approximately HK\$99.2 million), representing a decrease of approximately 35.2% as compared with last year. Details of the reasons of the decrease in revenue and gross profit were disclosed in the sub-section headed “Business Review” above. In response to the decrease in revenue, the Group took efforts in controlling the cost of operations and administrative and other operating expenses. Staff cost and administrative and other operating expenses from continuing operations were approximately HK\$32.7 million and HK\$16.6 million respectively (2020: approximately HK\$69.9 million and HK\$47.2 million respectively), representing a decrease of approximately 53.2% and 64.8% respectively as compared with last year. Depreciation from continuing operations was approximately HK\$11.8 million, which was decreased by approximately 60.9% when compared to approximately HK\$30.2 million for the year ended 31 March 2020.

Other income from continuing operations mainly included the consignment income and government grant for the year ended 31 March 2021 of approximately HK\$2.0 million and HK\$2.4 million respectively (2020: approximately HK\$0.3 million and HK\$1.7 million respectively).

The finance costs amounted to approximately HK\$51.5 million (2020: approximately HK\$55.5 million) which were mainly incurred on convertible bonds, promissory note, other borrowings and loans.

Loss from continuing operations was approximately HK\$51.7 million (2020: approximately HK\$312.5 million), representing a decrease by approximately 83.5% as compared with last year. The decrease in the loss was mainly attributable to (i) no impairment loss recognised on goodwill and plant and equipment (2020: approximately HK\$257.4 million and HK\$21.8 million arising from the Disposal of Subsidiaries respectively); (ii) the decrease in depreciation expense of approximately HK\$18.4 million arising from the Disposal of Subsidiaries, offset by the increase in impairment of intangible asset of approximately HK\$28.7 million arising from the Blockchain Services Business.

The loss included net impairment loss recognised on (i) loan and interest receivables arising from Loan Financing Business and (ii) intangible asset arising from Blockchain Services Business of approximately HK\$20.1 million and HK\$28.7 million respectively (2020: approximately HK\$65.2 million and HK\$ nil respectively). Details were disclosed in the sub-section headed “Business Review” above. Meanwhile, no loss included from change in fair value of exchangeable bonds (2020: approximately HK\$11.5 million). The Group recorded net gain of change in fair value of derivative financial instruments and financial assets at fair value through profit or loss of approximately HK\$42.5 million (2020: net loss of approximately HK\$5.6 million) and HK\$1.8 million respectively (2020: HK\$1.4 million). A gain of approximately HK\$0.7 million from discontinued operation was recorded for the year ended 31 March 2021 (2020: loss of approximately of HK\$5.7 million).

## **Liquidity and Financial Resources**

As at 31 March 2021, the Group's net current assets were approximately HK\$182.6 million (2020: approximately HK\$84.8 million), including cash and cash equivalents of approximately HK\$19.7 million (2020: approximately HK\$42.0 million). The Group had both interest-bearing and non-interest bearing borrowings, which mainly comprised borrowings, convertible bonds, promissory notes payables and loan from a subsidiary of non-controlling shareholder amounted to approximately HK\$348.1 million (2020: approximately HK\$538.8 million). The Group's financial resources were funded mainly by loans and its shareholders' funds.

As at 31 March 2021, the Group's current ratio, as calculated by dividing current assets by current liabilities, was approximately 1.7 times (2020: approximately 1.2 times) and the gearing ratio, as measured by the debts of non-trade nature divided by total equity, was approximately 145.6%\* (2020: approximately 272.2%\*). The decrease of the gearing ratio was because of the repayment of debts of the Group and placing of the Company's shares.

## **Foreign Currency Exposure**

As at 31 March 2021, the Group had certain bank balances and payables denominated in foreign currencies, mainly Renminbi ("RMB"), Japanese Yen ("JPY"), Euro ("EUR") and Pound sterling ("GBP"), which exposed the Group to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

## **Treasury Policy**

The Group adopts a conservative approach towards its treasury policies. The Group strives to reduce exposure to credit risk by performing ongoing credit evaluation of the financial conditions of its clients. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and commitments can meet its funding requirements.

## **Capital Structure**

As at 31 March 2021, the total number of issued Shares was 6,231,272,277 Shares.

On 4 December 2020, the Company entered into a placing agreement with CVP Securities Limited, as the placing agent (“Placing Agent”), pursuant to which the Company has conditionally agreed to place, through the Placing Agent, on a best effort basis, up to 1,038,545,379 new shares (“Placing Share(s)”) of the Company to not less than six placees at the placing price of HK\$0.055 per Placing Share under the then general mandate granted to the Directors (the “Placing”). The placing price of HK\$0.055 per Placing Share represented a discount of approximately 9.84% to the closing price of HK\$0.061 per share of the Company as quoted on the Stock Exchange on 4 December 2020, being the date of the placing agreement. The Directors consider that the Placing represented an opportunity to strengthen the Group’s financial position and raise additional funding for the business operations of the Group without any interest burden, within a relatively shorter time frame and at lower costs when compared with other means of fundraising, as well as to enlarge shareholders’ base of the Company which may in turn enhance the liquidity of the Shares. On the basis that the net proceeds were approximately HK\$55,963,000 (after deduction of commission and other expenses of the Placing), the net issue price was approximately HK\$0.054 per Placing Share. The Placing was completed on 22 December 2020 and the Company issued 1,038,545,379 Placing Shares to not less than six placees. For further details, please refer to the announcements of the Company dated 4 December 2020 and 22 December 2020.

On 23 February 2021, ordinary resolutions had been passed by the independent Shareholders to refresh the general mandate approved at the annual general meeting of the Company held on 31 July 2020, which had been fully utilised by way of the placing completed on 22 December 2020. The refreshed general mandate was granted to the Directors to allot, issue and deal with new Shares not exceeding 1,246,254,455 Shares, being 20% of the aggregate number of the issued Shares as at the date of the extraordinary general meeting of the Company held on 23 February 2021. For further details, please refer to the circular of the Company dated 3 February 2021.

### **Capital Commitments**

During the year under review, the Group did not have any capital commitments (2020: Nil).

### **Contingent Liabilities**

During the year under review, the Group did not have any contingent liabilities (2020: Nil).

### **Charges on Group Assets**

Details of charges on the Group assets are set out in note 12 to the consolidated financial statements.

### **Dividend**

The Directors do not recommend the payment of a final dividend for the year ended 31 March 2021 (2020: Nil).

## **SIGNIFICANT INVESTMENTS, MATERIAL DISPOSALS AND ACQUISITIONS OF SUBSIDIARIES**

### **Disposal**

On 2 November 2020, the Group disposed the entire share capital of and shareholder's loan in Focus Concept Holdings Limited, which in turn held entire equity interest in Madison Auction Limited ("Madison Auction"). Madison Auction was principally engaged in the provision of auction of alcoholic beverages in Hong Kong (the "Wine Auction Business"). The Group considered the serious disruptions of the traditional live auctions and the intense competition in the online wine auction industry faced by the Group, it was extremely difficult for the Group to sustain its Wine Auction Business. Details of the above-mentioned disposal is set out in the Company's announcement dated 2 November 2020. Upon completion of the above-mentioned disposal on 2 November 2020, the financial results of the Wine Auction Business were no longer be consolidated into the consolidated financial statements of the Group. The financial result of Wine Auction Business before the disposal had been re-classified as discontinued operation of the Group.

### **Deemed Disposal of Equity Interest in a Subsidiary**

During the year ended 31 March 2021, BITOCEAN Co., Ltd ("Bitoccean"), a subsidiary of the Company, issued 3,863 ordinary shares at approximately JPY14,000 per share (equivalent to approximately HK\$1,000 per share) to its minority shareholders. Upon issuance of new shares of Bitoccean, the Group's equity interest in Bitoccean has been diluted to approximately 59.3%. The dilution of the Group's interest in Bitoccean constituted a deemed disposal of the Group's equity interest in a subsidiary ("Deemed Disposal"). Accordingly, no expected gain or loss was accrued to the Company as a result of Deemed Disposal and the financial results of Bitoccean continued to be consolidated into and reflected in the financial statements of the Group.

Save as disclosed above, there was no material acquisitions and disposals of subsidiaries, associates and joint ventures in the course of the year.

### **Future Plans for Material Investments or Capital Assets**

On 4 June 2021, the Group has entered into a memorandum of understanding (the "MOU") to acquire a target group which are principally engaged in the provision of education management services in China. Such investment is expected to be an attractive opportunity for the Group to enter the education services industry which is expected to increase the shareholders' value and be in the interests of the Company and the Shareholders as a whole. The MOU only sets out the preliminary understanding of both parties in relation to the possible acquisition. Details of the above-mentioned MOU are set out in the Company's announcement dated 17 June 2021.



## SEGMENT INFORMATION

For the year ended 31 March 2021, the Group's business comprised four principal segments from continuing operations, namely (i) the Wine Business; (ii) the Financial Services Business; (iii) the Blockchain Services Business; and (iv) the Loan Financing Business which accounted for approximately 47.9%, 0%, 0% and 52.1% of the total revenue (2020: approximately 35.3%, 5.3%, 15.4% and 44.0%) of the total revenue respectively.

During the year under review, there had been a global outbreak of COVID-19 affecting many jurisdictions, including Hong Kong, China and Japan. A series of precautionary and control measures had been adopted and continued to be in place across Hong Kong, China, Japan and the rest of the world. As the impact of COVID-19 and the emergence of unfavourable market conditions as noted in the sub-section headed "Business Review" above had a material impact to the Group's financial results. The Group recorded a decrease in revenue in the Wine Business and Loan Financing Business approximately of HK\$18.2 million and HK\$30.8 million respectively and no revenue generated from both the Financial Services Business and the Blockchain Services Business as compared to last year. For disposed segment of Wine Auction Business, revenue was approximately HK\$4.0 million, which was decreased by approximately HK\$0.9 million when compared to approximately HK\$4.9 million for the year ended 31 March 2020.

## PRINCIPAL RISKS AND UNCERTAINTIES

The Group's result of operations may fluctuate significantly from time to time due to seasonality and other factors. The directors of the Group are aware that the Group is exposed to various risks and the principal risks and uncertainties are summarized below.

This summary should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties faced by the Group, but rather those risks which the Group currently believes may have a significant impact on the Group's performance and future prospects.

The Wine Business	(i) slow-moving inventory (ii) product liability claims (iii) fluctuation in the foreign currency exchange rates
The Financial Services Business	(i) withdrawals and terminations of projects or defaults or delays in payments by clients (ii) failure to retain and motivate key management personnel to conduct business (iii) exposure to professional liability and litigation

- |                                  |  |
|----------------------------------|--|
| The Loan Financing Business      | <ul style="list-style-type: none"> <li>(i) customer or counterparty to a financial instrument failing to meet its contractual obligations</li> <li>(ii) uncertainties in the government policy, relevant regulations and guidelines established by the regulatory authorities</li> </ul>   |
| The Blockchain Services Business | <ul style="list-style-type: none"> <li>(i) uncertainties in the regulatory and economic conditions of countries in which the Group operates</li> <li>(ii) uncertainties over both the timing and amount of the consideration that the Group will receive for undertaking cryptocurrency mining activities</li> <li>(iii) availability of necessary equipment, supplies and manpower for cryptocurrency mining</li> </ul> |

## **EMPLOYEE AND REMUNERATION POLICIES**

As at 31 March 2021, the Group employed 128 employees (2020: 145). The Group determines the employees' remuneration based on factors such as qualification, duty, contributions and years of experience. In addition, the Group provides comprehensive training programs to its employees or sponsors the employees to attend various job-related training courses. Apart from basic remuneration, share options may be granted under the share option scheme of the Company to eligible employees by reference to the Group's performance as well as the individual's contribution. In addition, each of the sales team members is entitled to a commission with reference to the sales volume achieved by them. The Directors believe that the compensation packages offered by the Group to its staff are competitive in comparison with market standards and practices.

## **ENVIRONMENTAL POLICIES AND PERFORMANCE**

The Group is committed to building an environmentally-friendly corporation and always takes the environmental protection issues into consideration during daily operation. The Group does not produce material waste nor emit material quantities of air pollutants. The Group also strives to minimise the adverse environmental impacts by encouraging the employees to recycle office supplies and other materials and to save electricity.

## **COMPLIANCE WITH LAWS AND REGULATIONS**

The Company itself is an investment holding company, the shares of which are listed on GEM operated by the Stock Exchange. The operations of the Group are mainly carried out by the Company's subsidiaries in China, Hong Kong and Japan. As such, the Group's operations shall comply with relevant laws and regulations in China, Hong Kong and Japan accordingly. During the year, the Group has complied with all applicable laws and regulations in China, Hong Kong and Japan in all material respects. The Group shall continue to keep itself updated with the requirements of the relevant laws and regulations in China, Hong Kong and Japan and adhere to them to ensure compliance.

## **BUSINESS PROSPECT**

With COVID-19 sweeping across the world in early 2020, retail, trade, catering, food and beverage, tourism and other activities stood still and the global economy plummeted, leading to heightened potential economic downside pressures. Looking forward, the Group foresees such uncertainty is expected to continue to affect the Group's performance until 2021 when COVID-19 eases and the domestic and global markets show signs of recovery. It is expected that the COVID-19 will be under control with the launch of vaccines and Hong Kong economy is expected to see positive growth for year 2021 as a whole, but the economic situation in the first half of year 2021 will remain challenging. The Directors will continue to enhance the Group's businesses through review of its existing business portfolio from time to time. Further, the Group will continue looking for other investment opportunities in other streams so as to broaden the source of income of the Group and diversify the Group's business portfolio on an on-going basis.

### **Event after reporting date**

As disclosed in the announcement of the Company dated 20 May 2021, the Company's principal place of business in Hong Kong has changed from 28/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong to Unit 26-28, 8/F, One Island South, 2 Heung Yip Road, Wong Chuk Hang, Hong Kong with effect from 21 May 2021.

On 17 June 2021, Madison Blockchain Holdings Company Limited, being a direct wholly-owned subsidiary of the Company, as vendor, entered into a sale and purchase agreement with an independent third party, as purchaser, pursuant to which the purchaser had agreed to acquire and the vendor had agreed to sell the entire issued share capital of Madison Lab and shareholder's loan at a consideration of HK\$90.0 million (the "Disposal"). Prior to the Disposal, Madison Lab together with its non-wholly-owned subsidiary, being Bitoccean (the "Disposal Group") were principally engaged in the Blockchain Services Business. Upon completion of the Disposal on 17 June 2021, Disposal Group's result was no longer consolidated into consolidated financial statements of the Group. The Group has also ceased its operation in the Blockchain Services Business. Meanwhile, the Group has entered into the MOU to acquire a target group which is principally engaged in the provision of education management services in China. The MOU only sets out the preliminary understanding of both parties in relation to the possible acquisition. Details of the above-mentioned Disposal and MOU are set out in the Company's announcement dated 17 June 2021.

\* *Excluded derivative financial instruments and lease liabilities*

## ANNUAL RESULTS

The Board is pleased to announce the annual consolidated results of the Group for the year ended 31 March 2021 together with the comparative figures for the year ended 31 March 2020.

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2021

	Note	2021 HK\$'000	2020 HK\$'000 (Restated)
<b>Continuing operations</b>			
Revenue	4		
– sales of alcoholic beverages		51,230	69,392
– financial services		–	10,455
– blockchain services		–	30,141
– loan financing service		55,666	86,547
		<u>106,896</u>	<u>196,535</u>
Cost of operations			
– cost of alcoholic beverages		(42,635)	(59,373)
– cost of blockchain services		–	(38,007)
		<u>(42,635)</u>	<u>(97,380)</u>
Other income	5	6,080	3,305
Staff costs		(32,671)	(69,944)
Depreciation		(11,796)	(30,186)
Administrative and other operating expenses		(16,614)	(47,233)
Net impairment recognised on loan and interest receivables	7	(20,144)	(65,218)
Change in fair value of financial assets at fair value through profit or loss (“FVTPL”)		1,798	1,423
Change in fair value of exchangeable bonds		–	(11,519)
Change in fair value of derivative financial instruments		42,489	(5,567)
Change in fair value of crypto-currencies		–	(538)
Impairment loss recognised on goodwill		–	(257,440)
Impairment loss recognised on plant and equipment		–	(21,760)
Impairment loss recognised on intangible asset		(28,711)	–
Gain on disposal of subsidiaries		–	144,205
Finance costs		(51,453)	(55,481)
Loss before tax		(46,761)	(316,798)
Income tax (expense) credit	6	(4,918)	4,250
Loss for the year from continuing operations	7	(51,679)	(312,548)

	<i>Note</i>	<b>2021</b> <b>HK\$'000</b>	2020 HK\$'000 <i>(Restated)</i>
<b>Discontinued operations</b>			
Gain (loss) for the year from discontinued operations		<u>731</u>	<u>(5,734)</u>
Loss for the year		<u>(50,948)</u>	<u>(318,282)</u>
(Loss) profit for the year attributable to owners of the Company			
– from continuing operations		(35,699)	(273,188)
– from discontinued operations		<u>731</u>	<u>(5,734)</u>
Loss for the year attributable to owners of the Company		(34,968)	(278,922)
Loss for the year attributable to non-controlling interests from continuing operations		<u>(15,980)</u>	<u>(39,360)</u>
		<u>(50,948)</u>	<u>(318,282)</u>
 (Loss) profit per share ( <i>HK cents</i> )			
<b>From continuing and discontinued operations</b>			
Basic		<u>(0.64)</u>	<u>(5.37)</u>
Diluted		<u>(0.65)</u>	<u>(5.39)</u>
<b>From continuing operations</b>			
Basic		<u>(0.65)</u>	<u>(5.26)</u>
Diluted		<u>(0.66)</u>	<u>(5.28)</u>
<b>From discontinued operations</b>			
Basic		<u>0.01</u>	<u>(0.11)</u>
Diluted		<u>0.01</u>	<u>(0.11)</u>

	<b>2021</b> <b>HK\$'000</b>	2020 HK\$'000 <i>(Restated)</i>
Loss for the year	<u>(50,948)</u>	<u>(318,282)</u>
<b>Other comprehensive income (expense)</b>		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
– Exchange differences arising from translation of foreign operations	25,689	(21,374)
– Release of translation reserve upon disposal of subsidiaries	<u>–</u>	<u>(478)</u>
	<u>25,689</u>	<u>(21,852)</u>
Total comprehensive expense for the year	<u><u>(25,259)</u></u>	<u><u>(340,134)</u></u>
Total comprehensive expense for the year attributable to:		
– Owners of the Company	(21,376)	(290,028)
– Non-controlling interests	<u>(3,883)</u>	<u>(50,106)</u>
	<u><u>(25,259)</u></u>	<u><u>(340,134)</u></u>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2021

	<i>Note</i>	<b>2021</b> <b>HK\$'000</b>	2020 <i>HK\$'000</i>
Non-current assets			
Plant and equipment		<b>2,556</b>	4,850
Loan receivables	<i>9</i>	<b>15,091</b>	10,420
Deposits	<i>10</i>	<b>1,896</b>	1,520
Intangible assets		<b>146,886</b>	180,361
Right-of-use assets		<b>4,599</b>	14,612
Deferred tax asset		<b>11,620</b>	19,776
Goodwill		<b>9,028</b>	9,028
		<b>191,676</b>	240,567
Current assets			
Inventories		<b>20,379</b>	28,998
Financial assets at FVTPL		–	41,212
Loan and interest receivables	<i>9</i>	<b>394,385</b>	386,834
Trade and other receivables	<i>10</i>	<b>23,059</b>	123,609
Amounts due from associates		<b>267</b>	263
Bank balances and cash		<b>19,657</b>	42,031
		<b>457,747</b>	622,947
Current liabilities			
Trade and other payables	<i>11</i>	<b>23,097</b>	23,148
Lease liabilities		<b>3,576</b>	10,089
Contract liabilities		<b>15,467</b>	3,329
Amounts due to shareholders		<b>296</b>	296
Amount due to a director		–	164
Amount due to non-controlling shareholders		<b>2</b>	–
Loan from a director		–	38,000
Loan from a subsidiary of non-controlling shareholder		<b>105,300</b>	107,100
Borrowings	<i>12</i>	<b>49,992</b>	103,992
Tax payable		<b>10,791</b>	24,954
Derivative financial instruments		<b>6,974</b>	59,205
Promissory notes payables		<b>59,667</b>	167,920
		<b>275,162</b>	538,197
Net current assets		<b>182,585</b>	84,750
Total assets less current liabilities		<b>374,261</b>	325,317

	<i>Note</i>	<b>2021</b> <b><i>HK\$'000</i></b>	2020 <i>HK\$'000</i>
Capital and reserves			
Share capital	<i>13</i>	<b>6,231</b>	5,193
Reserves		<b>4,924</b>	26,799
		<hr/>	<hr/>
Equity attributable to owners of the Company		<b>11,155</b>	31,992
Non-controlling interests		<b>227,937</b>	165,923
		<hr/>	<hr/>
Total equity		<b>239,092</b>	197,915
		<hr/>	<hr/>
Non-current liabilities			
Deferred tax liability		<b>933</b>	893
Convertible bonds		<b>133,144</b>	121,757
Lease liabilities		<b>1,092</b>	4,752
		<hr/>	<hr/>
		<b>135,169</b>	127,402
		<hr/>	<hr/>
		<b>374,261</b>	325,317
		<hr/> <hr/>	<hr/> <hr/>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 March 2021*

## 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. Royal Spectrum Holding Company Limited (“Royal Spectrum”), which is a company incorporated in the Republic of Seychelles and is directly interested in approximately 31.58% of the issued share capital of the Company as at 31 March 2021, and Mr Ting Pang Wan Raymond, which is interested in approximately 42.19% of the issued share capital of the Company as at 31 March 2021 and has control over Royal Spectrum, are controlling shareholders of the Company. The addresses of the registered office and the principal place of business of the Company are disclosed in the “Corporate Information” section of the annual report.

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 and the provision of loan financing services. During the year ended 31 March 2021, the Group discontinued its wine auction business upon disposal of a subsidiary. Accordingly, the consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2020 has been re-presented.

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”). 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 OF THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021, the Group incurred a net loss from continuing operations of approximately HK\$51,679,000. In addition, at 31 March 2021, the Group had bank balances and cash amounted to approximately HK\$19,657,000, while its loan from a subsidiary of non-controlling shareholder, borrowings and promissory notes payables totaling amounted to approximately HK\$214,959,000 which will be matured within the coming twelve months from 31 March 2021. The Group’s ability to meet these liquidity requirements depends on its ability to generate sufficient net cash inflows from future operations and/or other sources. These facts and circumstances indicate the existence of material uncertainties which may cast significant doubt on the Group’s ability to continue as a going concern.

In view of these circumstances, the directors of the Company have given consideration to the future liquidity and performance of the Group in assessing whether the Group will have sufficient financial resources to continue as a going concern. Taking into account the Group's cash flow projection, including:

- A subsidiary of non-controlling shareholder and holder of promissory notes have agreed not to demand for repayment of the balances in aggregate of approximately HK\$164,967,000 due from the Group until such time the Group has the financial ability to repay without impairing its liquidity position;
- Implementing various strategies to improve the cash flow status, such as managing the loan receivable portfolio and various investments; and
- Putting extra efforts on the collection of trade debtors to improve the debtors turnover days.

The directors of the Company consider that the Group will have sufficient working capital to meet its financial obligations as they fall due for at least the next twelve months from the end of the reporting period and accordingly, the consolidated financial statements have been prepared on a going concern basis.

### **3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)**

In the current year, the Group has applied, for its first time, the Amendments to References to the Conceptual Framework in Hong Kong Financial Reporting Standards (“HKFRSs”) and the following amendments to HKFRSs, which include HKFRSs, Hong Kong Accounting Standards (“HKAS(s)”), amendments and interpretations, issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

The application of the Amendments to References to the Conceptual Framework in HKFRSs and the amendments to HKFRSs in the current year has had no material effect on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these consolidated financial statements.

## New and amendments to HKFRSs issued but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts and related Amendments <sup>4</sup>
Amendments to HKFRS 3	Reference to Conceptual Framework <sup>3</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>5</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and the related amendments to Hong Kong Interpretation 5 (2020) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause <sup>4</sup>
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies <sup>4</sup>
Amendments to HKAS 8	Definition of Accounting Estimates <sup>4</sup>
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>4</sup>
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use <sup>3</sup>
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract <sup>3</sup>
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2 <sup>2</sup>
Amendments to HKFRS 16	COVID-19-Related Rent Concessions <sup>1</sup>
Amendments to HKFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021 <sup>6</sup>
Amendment to HKFRSs	Annual Improvements to HKFRSs 2018 – 2020 cycle <sup>3</sup>

<sup>1</sup> *Effective for annual periods beginning on or after 1 June 2020*

<sup>2</sup> *Effective for annual periods beginning on or after 1 January 2021*

<sup>3</sup> *Effective for annual periods beginning on or after 1 January 2022*

<sup>4</sup> *Effective for annual periods beginning on or after 1 January 2023*

<sup>5</sup> *Effective for annual periods beginning on or after a date to be determined*

<sup>6</sup> *Effective for annual periods beginning on or after 1 April 2021*

The directors of the Company anticipate that, the application of the new and amendments to HKFRSs will have no material impact on the results and the financial position of the Group.

#### 4. 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, and the provision of loan financing services. An analysis of revenue for the year from continuing operations is as follows:

	<b>2021</b>	2020
	<b>HK\$'000</b>	<i>HK\$'000</i>
		<i>(Restated)</i>
Revenue from contracts with customers		
Disaggregated of revenue by major products or services lines		
Financial services segment		
– Financial consultancy service income	–	3,172
– Securities and futures dealing service income	–	1,450
Sales of alcoholic beverages segment		
– Sales of alcoholic beverages income	<b>51,230</b>	69,392
Loan financing services segment		
– Loan referral services income	<b>9,222</b>	6,737
Total revenue from contracts with customers	<b>60,452</b>	80,751
Revenue from other sources		
Financial services segment		
– Interest income – Margin clients	–	5,833
Loan financing segment		
– Interest income – Real estate-backed loans	–	2,059
– Interest income – Micro loans	<b>34,102</b>	42,642
– Interest income – Other loans	<b>12,342</b>	35,109
Blockchain service segment		
– Blockchain services income	–	30,141
	<b>46,444</b>	115,784
Total Revenue	<b>106,896</b>	196,535

### ***Disaggregation of revenue by timing of recognition***

	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000
		<i>(Restated)</i>
Timing of revenue recognition		
At a point in time	<b>60,452</b>	77,579
Over time	<u>–</u>	<u>3,172</u>
Total revenue from contracts with customers	<b><u>60,452</u></b>	<b><u>80,751</u></b>

### ***Transaction price allocated to the remaining performance obligations***

All sales contracts are with an original expected duration of one year or less or contracts for which revenue is recognised at the amount to which that Group has the right to invoice for the performance performed. Accordingly, the Group has elected the practical expedient and has not disclosed the amount of transaction price allocated to the performance obligations that are unsatisfied (or partially satisfied) as of the end of the reporting period.

### ***Segment Information***

Information has been reported to the chief operating decision maker (“CODM”) (i.e. the executive directors), for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. 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

Operating segments regarding auction was discontinued upon disposal in the current year. The segment information for the year ended 31 March 2020 has been re-presented and does not include any amounts for these discontinued operations.

(a) **Segment revenues and results**

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

	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i> <i>(Restated)</i>
Revenue		
Sales of alcoholic beverages	<b>51,230</b>	69,392
Financial services	–	10,455
Blockchain services	–	30,141
Loan financing services	<b>55,666</b>	86,547
	<b>106,896</b>	196,535
Segment (loss) profit		
Sales of alcoholic beverages	<b>(8,326)</b>	(13,899)
Financial services	<b>(2,958)</b>	(7,127)
Blockchain services	<b>(33,626)</b>	(63,382)
Loan financing services	<b>9,805</b>	(5,213)
Segment loss	<b>(35,105)</b>	(89,621)
Unallocated income	<b>49,225</b>	146,275
Unallocated expenses	<b>(9,428)</b>	(317,971)
Finance costs	<b>(51,453)</b>	(55,481)
Loss before tax	<b>(46,761)</b>	(316,798)

Segment (loss) profit represents the (loss) profit from each segment without allocation of central administration costs, directors' salaries and certain other income, changes in fair value of financial assets at FVTPL, exchangeable bonds and derivative financial instrument, impairment loss recognised on goodwill, gain on disposal of subsidiaries and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

(b) **Segment assets and liabilities**

The following is an analysis of the Group's assets and liabilities by reportable and operating segments:

***Segment assets***

	<b>2021</b>	2020
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
		<i>(Restated)</i>
<b>Continuing operations</b>		
Sales of alcoholic beverages	<b>36,283</b>	47,217
Financial services	<b>38</b>	1,464
Blockchain services	<b>146,789</b>	222,785
Loan financing services	<b>432,847</b>	420,187
	<hr/>	<hr/>
Total segment assets	<b>615,957</b>	691,653
Assets relating to discontinued operation	–	1,963
Unallocated assets	<b>33,466</b>	169,898
	<hr/>	<hr/>
Consolidated total assets	<b>649,423</b>	863,514
	<hr/> <hr/>	<hr/> <hr/>

***Segment liabilities***

	<b>2021</b>	2020
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
		<i>(Restated)</i>
<b>Continuing operations</b>		
Sales of alcoholic beverages	<b>19,109</b>	14,213
Financial services	<b>125</b>	171
Blockchain services	<b>738</b>	813
Loan financing services	<b>18,744</b>	16,182
	<hr/>	<hr/>
Total segment liabilities	<b>38,716</b>	31,379
Liabilities relating to discontinued operations	–	2,776
Unallocated liabilities	<b>371,615</b>	631,444
	<hr/>	<hr/>
Consolidated total liabilities	<b>410,331</b>	665,599
	<hr/> <hr/>	<hr/> <hr/>

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to operating segments other than financial assets at FVTPL, deferred tax asset, amounts due from associates, bank balances and cash and certain unallocated head office assets; and
- all liabilities are allocated to operating segments other than amounts due to shareholders/a director/non-controlling shareholders, loan from a director, loan from a subsidiary of non-controlling shareholder, borrowings, tax payable, deferred tax liability, derivative financial instruments, convertible bonds, promissory notes payables.

**(c) Other segment information**

For the year ended 31 March 2021

	Sale of alcoholic beverages <i>HK\$'000</i>	Financial services <i>HK\$'000</i>	Blockchain services <i>HK\$'000</i>	Loan financing services <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
<i>Amounts included in the measure of segment profit or loss or segment assets:</i>						
Additions to non-current assets ( <i>Note</i> )	35	–	299	9	–	343
Depreciation	5,751	29	123	5,820	73	11,796
Net impairment loss recognised on trade receivables	169	–	–	–	–	169
Net reversal of impairment loss recognised on loan and interest receivables	–	–	–	(23,793)	–	(23,793)
Written off of loans and interest receivables	–	–	–	43,937	–	43,937
Impairment loss recognised on intangible asset	–	–	28,711	–	–	28,711
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

*Amounts regularly provided to the CODM but not included in the measure of segment profit or loss or segment assets::*

Bank interest income	–	–	–	–	15	15
Finance costs	–	–	–	–	51,453	51,453
Income tax expense	776	27	–	4,115	–	4,918
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>



For the year ended 31 March 2020

	Sale of alcoholic beverages HK\$'000	Financial services HK\$'000	Blockchain services HK\$'000	Loan financing services HK\$'000	Unallocated HK\$'000	Total HK\$'000 (Restated)
<i>Amounts included in the measure of segment profit or loss or segment assets:</i>						
Additions to non-current assets (Note)	7,473	–	207	13,581	–	21,261
Depreciation	7,695	2,433	14,218	5,781	59	30,186
Recoveries on impairment loss on trade receivables previously written off	(136)	–	–	–	–	(136)
Net impairment loss recognised on trade receivables	–	270	–	–	–	270
Net impairment loss recognised on loan and interest receivables	–	–	–	51,089	–	51,089
Written off of loans and interest receivables	–	–	–	14,129	–	14,129
Change in fair value of crypto-currencies	–	–	538	–	–	538
Impairment loss recognised on plant and equipment	–	–	21,760	–	–	21,760

*Amounts regularly provided to the CODM but not included in the measure of segment profit or loss or segment assets:*

Bank interest income	–	–	–	–	103	103
Impairment loss recognised on goodwill	–	–	–	–	257,440	257,440
Finance costs	–	–	–	–	55,481	55,481
Income tax expense (credit)	–	128	–	(4,378)	–	(4,250)

*Note:* Non-current assets excluded financial instruments and deferred tax assets.

**(d) Geographical information**

Information about the Group's revenue from external customers is presented based on the location of operations. Information about the Group's non-current assets other than financial instruments, deferred tax assets, deposits and loan receivables, is presented based on the geographical location of the assets.

	Revenue from external customers		Non-current assets	
	For the year ended 31 March		As at 31 March	
	2021	2020	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i> (Restated)	<i>HK\$'000</i>	<i>HK\$'000</i> (Restated)
PRC	<b>55,666</b>	51,438	<b>2,235</b>	3,430
Hong Kong	<b>51,230</b>	114,956	<b>14,587</b>	25,523
Europe	–	30,141	–	–
Japan	–	–	<b>146,247</b>	179,898
	<b>106,896</b>	196,535	<b>163,069</b>	208,851

(e) **Information about major customers**

During the years ended 31 March 2021 and 2020, there is no customer contributing over 10% of the total revenue of the Group.

**5. OTHER INCOME**

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i> (Restated)
<b>Continuing operations</b>		
Bank interest income	<b>15</b>	103
Consignment income	<b>1,951</b>	292
Net exchange gain	<b>674</b>	49
Recoveries on impaired losses on trade receivables previously written off	–	136
Government grants ( <i>Note</i> )	<b>2,364</b>	1,680
Gain on disposal of an exchangeable bond	–	377
Others	<b>1,076</b>	668
	<b>6,080</b>	3,305

*Note:*

The government grants recognised from continuing operations and discontinuing operations during the year ended 31 March 2021 of approximately HK\$2,364,000 and HK\$162,000 respectively (2020: approximately HK\$1,680,000 and HK\$ nil) represented government grants received for which there are no unfulfilled conditions and other contingencies attaching to these government assistances.

## 6. INCOME TAX EXPENSE (CREDIT)

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i> <i>(Restated)</i>
<b>Continuing operations</b>		
Current tax:		
Hong Kong Profits Tax	–	3,474
PRC Enterprise Income Tax (“EIT”)	<u>159</u>	<u>4,654</u>
	<u>159</u>	<u>8,128</u>
Overprovision in prior year:		
Hong Kong Profits Tax	(214)	–
PRC Enterprise Income Tax (“EIT”)	<u>(5,092)</u>	<u>–</u>
	<u>(5,306)</u>	<u>–</u>
Deferred taxation	9,387	(12,378)
Withholding tax on undistributed profits	<u>678</u>	<u>–</u>
	<u><b>4,918</b></u>	<u><b>(4,250)</b></u>

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

Hong Kong profits tax is charged 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 year ended 31 March 2021 and 2020, 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 tax rate of 16.5%.

Tax exemptions represented reduction of Hong Kong Profits Tax for the year of assessment of 2020/2021, subject to a ceiling of HK\$10,000 (2019/2020: HK\$20,000).

Profits of the subsidiaries established in the PRC are subject to PRC EIT during both years.

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 both years. 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 year ended 31 March 2020.

## 7. LOSS FOR THE YEAR

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i> <i>(Restated)</i>
<b>Continuing operations</b>		
Loss for the year has been arrived at after charging (crediting):		
Directors' emoluments	5,137	10,633
Reversal of equity-settled share-based payment expense – directors	(2,464)	–
Salaries, allowances and other benefits	29,919	42,259
Sales commission	291	176
Contributions to retirement benefits scheme	1,606	2,226
Equity-settled share-based payment expenses – employees	3,186	4,088
Reversal of equity-settled share-based payment expense – employees	(5,004)	–
	<u>32,671</u>	<u>59,382</u>
Total staff costs		
Net impairment loss (reversed) recognised on loan and interest receivables	(23,793)	51,089
Written off of loans and interest receivables	43,937	14,129
	<u>20,144</u>	<u>65,218</u>
Net impairment recognised on loan and interest receivables		
Auditor's remuneration <sup>2</sup>	1,210	1,200
Cost of inventories recognised as expense <sup>1</sup>	40,976	55,450
Equity-settled share-based payment expenses – consultants <sup>2</sup>	167	830
Net loss on disposals and written off of plant and equipment <sup>2</sup>	358	1,640
Net impairment loss recognised on trade receivables <sup>2</sup>	169	270
	<u><u>169</u></u>	<u><u>270</u></u>

<sup>1</sup> Amounts included in cost of operations

<sup>2</sup> Amounts included in administrative and other operating expenses

## 8. (LOSS) PROFIT PER SHARE

### From continuing and discontinued operations

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

	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000
<b>Loss</b>		
Loss for the purpose of basic loss per share for the year attributable to the owners of the Company	<u>(34,968)</u>	<u>(278,922)</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>(865)</u>	<u>(982)</u>
Loss for the purpose of diluted loss per share	<u><u>(35,833)</u></u>	<u><u>(279,904)</u></u>
	<b>2021</b>	2020
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<u><u>5,477,259,879</u></u>	<u><u>5,192,726,898</u></u>

The computation of diluted loss per share does not assume the conversion of the outstanding shares options and outstanding convertible bonds since their exercise would result in a decrease in loss per share from continuing and discontinued operations for the year ended 31 March 2021 and 2020.

### From continuing operations

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

	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000
		<i>(Restated)</i>
Loss for the purpose of basic loss per share from continuing operations	<u>(35,699)</u>	<u>(273,188)</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>(865)</u>	<u>(982)</u>
Loss for the purpose of diluted loss per share	<u><u>(36,564)</u></u>	<u><u>(274,170)</u></u>

The denominators used are the same as those detailed above for both basic and diluted loss per share from continuing and discontinued operations.

### From discontinued operations

Profit (loss) for the purpose of basic and diluted profit (loss) per share from discontinued operations	<u><u>731</u></u>	<u><u>(5,734)</u></u>
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The denominators used are the same as those detailed above for both basic and diluted profit (loss) per share from continuing and discontinued operations.

## 9. LOAN AND INTEREST RECEIVABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Secured loans		
Real estate-backed loans	32,908	30,284
Secured micro loans	<u>66,238</u>	<u>74,553</u>
	<u>99,146</u>	<u>104,837</u>
Unsecured loans		
Unsecured micro loans	247,679	192,078
Unsecured other loans	<u>45,741</u>	<u>102,107</u>
	<u>293,420</u>	<u>294,185</u>
	<b>392,566</b>	399,022
<i>Less: Allowances for loan receivables</i>	<u>(37,754)</u>	<u>(81,168)</u>
Loan receivables	<b>354,812</b>	317,854
Interest receivables	<u>54,664</u>	<u>79,400</u>
	<b><u>409,476</u></b>	<b><u>397,254</u></b>
Loan and interest receivables analysed for reporting purpose as:		
Non-current assets	<b>15,091</b>	10,420
Current assets	<u>394,385</u>	<u>386,834</u>
	<b><u>409,476</u></b>	<b><u>397,254</u></b>

The following is an aged analysis of net loans and interest receivables, presented based on the dates which loans are granted to borrowers and interests are accrued.

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 90 days	90,453	92,789
91 – 180 days	74,227	88,836
181 – 365 days	44,994	47,852
Over 365 days	<u>199,802</u>	<u>167,777</u>
At 31 March	<b><u>409,476</u></b>	<b><u>397,254</u></b>

## 10. TRADE AND OTHER RECEIVABLES AND DEPOSITS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables	2,115	1,674
<i>Less: loss allowance</i>	<u>(507)</u>	<u>(338)</u>
Net trade receivables	<u>1,608</u>	<u>1,336</u>
Payments in advance	7,545	5,653
Prepayments	3,809	5,312
Deposits and other receivables	11,993	6,689
Consideration receivables ( <i>note</i> )	<u>–</u>	<u>106,139</u>
Total other receivables and deposits	<u>23,347</u>	<u>123,793</u>
Trade and other receivables, deposits	<u><b>24,955</b></u>	<u><b>125,129</b></u>
Analysed as:		
Current	23,059	123,609
Non-current	<u>1,896</u>	<u>1,520</u>
Trade and other receivables, deposits	<u><b>24,955</b></u>	<u><b>125,129</b></u>

*Note:* The consideration receivables have been fully settled during the year ended 31 March 2021, among which HK\$14,000,000 has been set-off with promissory note payable.

Generally, the Group allows credit period of a range from 0 to 30 days to its customers.

The following is an aged analysis of trade receivables, net of allowance for doubtful debts presented based on the delivery dates, which approximated the respective revenue recognition dates, at the end of the reporting period.

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 30 days	941	362
31 to 60 days	195	345
61 to 90 days	74	10
91 to 180 days	101	203
181 to 365 days	257	30
Over 365 days	<u>40</u>	<u>386</u>
Total	<u><b>1,608</b></u>	<u><b>1,336</b></u>



## 11. TRADE AND OTHER PAYABLES

	<b>2021</b>	2020
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Trade payables	<b>2,723</b>	2,883
Other payables and accruals	<b>20,374</b>	20,265
	<hr/>	<hr/>
Trade and other payables	<b>23,097</b>	23,148
	<hr/> <hr/>	<hr/> <hr/>

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period.

	<b>2021</b>	2020
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Within 30 days	<b>1,661</b>	816
31 to 60 days	<b>167</b>	288
61 to 90 days	–	521
91 to 180 days	<b>478</b>	361
181 to 365 days	<b>53</b>	347
Over 365 days	<b>364</b>	550
	<hr/>	<hr/>
Total	<b>2,723</b>	2,883
	<hr/> <hr/>	<hr/> <hr/>

The average credit period on purchases of goods ranged from 30 to 90 days. The Group has financial risk management in place to ensure that all payables are settled within the credit timeframe.

## 12. BORROWINGS

	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000
Other borrowings	<b><u>49,992</u></b>	<u>103,992</u>

The other borrowings are repayable within one year.

The ranges of effective interest rates on the Group's other borrowings are as follows:

	<b>2021</b>	2020
Other borrowings	<b>12%</b>	12%
	<b><u>per annum</u></b>	<u>per annum</u>

All the other borrowings are at fixed rates.

As at 31 March 2021, included in other borrowings is carrying amount of approximately HK\$49,992,000 (2020: HK\$99,992,000) bore interest at fixed rate and were due within one year. The fixed rate other borrowings carried interest at 12% per annum and contained a repayable on demand clause. These borrowings are secured by the Company's 77% of the entire issued share capital of Hackett Enterprises Limited and entire issued share capital of Madison Lab and personal guarantee provided by Mr. Ting, Pang Wan, Raymond the substantial shareholder of the Company.

As at 31 March 2020, included in unsecured other borrowings are carrying amount of approximately HK\$4,000,000 bore interest at fixed rate, due within one year and contained a repayable on demand clause. The fixed rate unsecured other borrowings carried interest of 12% per annum and these other borrowings were fully repaid during the year ended 31 March 2021.

### 13. SHARE CAPITAL

	Number of shares	Share capital HK\$'000
<b>Ordinary shares of HK\$0.001 each</b>		
Authorised:		
At 1 April 2019, 31 March 2020 and 31 March 2021	<u>10,000,000,000</u>	<u>10,000</u>
Issued and fully paid:		
At 1 April 2019 and 31 March 2020	5,192,726,898	5,193
Issue of 1,038,545,379 shares at a price of HK\$0.055 each per placing share by way of placing in December 2020 ( <i>Note</i> )	<u>1,038,545,379</u>	<u>1,038</u>
At 31 March 2021	<u>6,231,272,277</u>	<u>6,231</u>

*Note:*

On 22 December 2020, an aggregate of 1,038,545,379 placing shares were placed to not less than six places at the placing price of HK\$0.055 per placing share in accordance with the terms and conditions of the placing agreement. These shares rank pari passu with the existing shares in all respects. On the basis that the net proceeds were approximately HK\$55,963,000 (after deduction of commission and other expenses of the Placing), the net issue price was approximately HK\$0.054 per Placing Share. The Group intended to use all the net proceeds as to (i) approximately HK\$40,000,000 for the repayment of loans; (ii) approximately HK\$6,000,000 for the purchase of wines for the operation of the wine business of the Group; and (iii) the remaining balance of approximately HK\$9,600,000 for the general working capital of the Group.

The details were set out in the Company's announcement dated 22 December 2020.

## **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 year ended 31 March 2021.

## **CLOSURE OF REGISTER OF MEMBERS**

The annual general meeting of the Company (the “AGM”) is scheduled to be held on Monday, 2 August 2021. For the purpose of ascertaining Shareholders’ entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Wednesday, 28 July 2021 to Monday, 2 August 2021 (both dates inclusive), during which no transfer of Shares will be registered. In order for a Shareholder to be eligible to attend and vote at the AGM, all transfer forms accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 27 July 2021.

## **CORPORATE GOVERNANCE PRACTICES**

The Company is committed to achieving high standards of corporate governance to safeguard the interests of the Shareholders and enhance its corporate value. The Company has adopted the principles and code provisions of the Corporate Governance Code and Corporate Governance Report (the “CG Code”) as set out in Appendix 15 to the GEM Listing Rules as its corporate governance practices.

According to the C.3.3(e)(i) of CG Code and the term of reference of the audit committee of the Company (the “Audit Committee”), the members of Audit Committee are required to meet the external auditor at least twice a year. However, the members of Audit Committee met once with the external auditor during the year ended 31 March 2021. The Company will arrange the members of the Audit Committee to meet with the external auditor at least twice a year.

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 from 19 November 2019 to 31 July 2020. 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.

Pursuant to code provision E.1.2 of the CG Code, the Chairman of the Board should attend the annual general meeting of the Company held on 31 July 2020 and invite the chairman of the audit, remuneration and nomination committees to attend and be available to answer questions at the AGM. Ms. Kuo Kwan, an executive Director, has been performing the above duties in lieu of Mr. Chen Ying-chieh, the then Chairman of the Board, who had other prearranged business commitments on the day of the said annual general meeting.

Save as discussed above, throughout the period from 1 April 2020 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.

## **PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY**

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year.

## **REVIEW OF THE FINAL RESULTS BY 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 three INEDs, namely, Mr. Chu Kin Wang Peleus (chairman), Ms. Fan Wei and Dr. Lau Reimer, Mary Jean, and one non-executive Director, Mr. Ip Cho Yin *J.P.*

The Group's audited consolidated financial statements for the year ended 31 March 2021 and this announcement have been reviewed by the Audit Committee. The Board is of the opinion that such financial information has been prepared in compliance with the applicable accounting standards, the requirements under the GEM Listing Rules and any other applicable legal requirements, and that adequate disclosures have been made.

## **EXTRACT FROM INDEPENDENT AUDITOR'S REPORT PREPARED BY THE INDEPENDENT AUDITOR**

The Group would like to provide an extract from the independent auditor's report prepared by SHINEWING (HK) CPA Limited (the independent auditor) on the Group's annual financial statements for the year ended 31 March 2021 as set out below:

### **Material Uncertainty Relating to Going Concern**

We draw attention to note 2 to the consolidated financial statements, which indicates that the Group incurred a net loss from continuing operations of approximately HK\$51,679,000 for the year ended 31 March 2021. In addition, at 31 March 2021, the Group had bank balances and cash amounted to approximately HK\$19,657,000, while its loan from a subsidiary of non-controlling shareholder, borrowings and promissory notes payables totaling amounted to approximately HK\$214,959,000 which will be matured within the coming twelve months from 31 March 2021. These conditions, along with other matters as set forth in note 2 to the consolidated financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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

Hong Kong, 22 June 2021

*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 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 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>.*