

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 2021

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

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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 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.

FINANCIAL HIGHLIGHTS

For the three months ended 30 June 2021, the unaudited results from continuing operations of the Company and its subsidiaries (collectively referred to as the “Group”) were as follows:

- the Group recorded a revenue from continuing operations of approximately HK\$33.8 million for the three months ended 30 June 2021 (for the three months ended 30 June 2020: approximately HK\$23.4 million), representing an increase of approximately 44.4% as compared with the corresponding period in 2020;
- net impairment recognised on loan and interest receivables amounted to approximately HK\$4.0 million for the three months ended 30 June 2021 (for the three months ended 30 June 2020: approximately HK\$16.1 million), representing a decrease of approximately HK\$12.1 million as compared with the corresponding period in 2020;
- loss attributable to the owners of the Company for the three months ended 30 June 2021 amounted to approximately HK\$7.8 million (for the three months ended 30 June 2020: approximately HK\$27.4 million); and
- the Directors do not recommend the payment of any dividend for the three months ended 30 June 2021 (for the three months ended 30 June 2020: 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 2021, together with the comparative unaudited figures for the corresponding period in 2020, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE THREE MONTHS ENDED 30 JUNE 2021

	Note	For the three months ended	
		2021	2020
		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
			(Restated)
Continuing operations			
Revenue	3		
sales of alcoholic beverages		17,724	10,488
financial services		–	–
loan financing services		16,073	12,926
		<u>33,797</u>	<u>23,414</u>
Cost of operations			
cost of alcoholic beverages		(14,750)	(8,753)
		<u>19,047</u>	<u>14,661</u>
Gross profit			
Other income	4	611	310
Staff cost		(8,011)	(12,522)
Depreciation		(1,803)	(3,364)
Administrative and other operating expenses		(4,634)	(3,995)
Net impairment recognised on loan and interest receivables		(3,989)	(16,052)
Finance cost	5	(6,521)	(11,588)
		<u>(5,300)</u>	<u>(32,550)</u>
Loss before tax			
Income tax (expense) credit	6	(1,100)	1,976
		<u>(6,400)</u>	<u>(30,574)</u>
Loss for the period from continuing operations	7		
Discontinued operations			
Loss for the period from discontinued operations	8	(1,346)	(2,010)
		<u>(7,746)</u>	<u>(32,584)</u>

		For the three months ended	
		30 June	
		2021	2020
<i>Note</i>		<i>HK\$'000</i>	<i>HK\$'000</i>
		(unaudited)	(unaudited)
			(Restated)
Loss for the period attributable to owners of the Company			
from continuing operations		(6,567)	(25,496)
from discontinued operations		(1,274)	(1,854)
		<u> </u>	<u> </u>
Loss for the period attributable to owners of the Company		(7,841)	(27,350)
		<u> </u>	<u> </u>
Profit (loss) for the period attributable to			
non-controlling interests			
from continuing operations		167	(5,078)
from discontinued operations		(72)	(156)
		<u> </u>	<u> </u>
Profit (loss) for the period attributable to			
non-controlling interests		95	(5,234)
		<u> </u>	<u> </u>
		(7,746)	(32,584)
		<u> </u>	<u> </u>
Loss per share (<i>HK cents</i>)	<i>10</i>		
From continuing and discontinued operations			
Basic		(0.13)	(0.53)
		<u> </u>	<u> </u>
Diluted		(0.13)	(0.53)
		<u> </u>	<u> </u>
From continuing operations			
Basic		(0.11)	(0.49)
		<u> </u>	<u> </u>
Diluted		(0.11)	(0.49)
		<u> </u>	<u> </u>
From discontinued operations			
Basic		(0.02)	(0.04)
		<u> </u>	<u> </u>
Diluted		(0.02)	(0.04)
		<u> </u>	<u> </u>

	For the three months ended	
	30 June	
	2021	2020
<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
		(Restated)
Loss for the period	<u>(7,746)</u>	<u>(32,584)</u>
Other comprehensive income		
<i>Item that may be reclassified subsequently to profit or loss</i>		
Exchange differences arising from translation of foreign operations	5,230	1,084
Release of translation reserve upon disposal of subsidiaries	<u>2,811</u>	<u>–</u>
	<u>8,041</u>	<u>1,084</u>
Total comprehensive income (expense) for the period	<u><u>295</u></u>	<u><u>(31,500)</u></u>
Total comprehensive income (expense) for the period attributable to		
Owners of the Company	(2,202)	(26,778)
Non-controlling interests	<u>2,497</u>	<u>(4,722)</u>
	<u><u>295</u></u>	<u><u>(31,500)</u></u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE THREE MONTHS ENDED 30 JUNE 2021

	Attributable to owners of the Company												Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Other reserve HK\$'000	Capital reserve HK\$'000	Merger reserve HK\$'000	Share options reserve HK\$'000	Convertible bonds – equity conversion reserve HK\$'000	Translation reserve HK\$'000	Statutory reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	
At 1 April 2021 (audited)	6,231	1,311,985	29,047	(103,832)	(598,127)	20,609	174,782	(8,012)	4,351	(825,879)	11,155	227,937	239,092
Loss for the period	-	-	-	-	-	-	-	-	-	(7,841)	(7,841)	95	(7,746)
Other comprehensive income for the period													
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	-	2,828	-	-	2,828	2,402	5,230
Release of translation reserve upon disposal of subsidiaries	-	-	-	-	-	-	-	2,811	-	-	2,811	-	2,811
Loss for the period and other comprehensive income for the period	-	-	-	-	-	-	-	5,639	-	(7,841)	(2,202)	2,497	295
Recognition of equity-settled share-based payments expenses	-	-	-	-	-	205	-	-	-	-	205	-	205
Lapse of share options	-	-	-	-	-	(1)	-	-	-	1	-	-	-
Disposal of Madison Lab Limited ("Madison Lab")	-	-	-	12,938	-	-	-	-	-	(12,938)	-	(59,362)	(59,362)
At 30 June 2021 (unaudited)	<u>6,231</u>	<u>1,311,985</u>	<u>29,047</u>	<u>(90,894)</u>	<u>(598,127)</u>	<u>20,813</u>	<u>174,782</u>	<u>(2,373)</u>	<u>4,351</u>	<u>(846,657)</u>	<u>9,158</u>	<u>171,072</u>	<u>180,230</u>

	Attributable to owners of the Company												Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Other reserve HK\$'000	Capital reserve HK\$'000	Merger reserve HK\$'000	Share options reserve HK\$'000	Convertible bonds – equity conversion reserve HK\$'000	Translation reserve HK\$'000	Statutory reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	
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 income for the period													
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	-	572	-	-	572	512	1,084
Loss for the period and other comprehensive income 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 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)	<u>5,193</u>	<u>1,257,060</u>	<u>29,047</u>	<u>(100,229)</u>	<u>(598,127)</u>	<u>31,885</u>	<u>174,782</u>	<u>(21,032)</u>	<u>4,223</u>	<u>(811,378)</u>	<u>(28,576)</u>	<u>201,239</u>	<u>172,663</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED 30 JUNE 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 31.6% of the issued share capital of the Company as at 30 June 2021, and Mr. Ting Pang Wan Raymond (“Mr. Ting”), who is interested in approximately 42.2% of the issued share capital of the Company as at 30 June 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 Cricket Square, Hutchins Drive P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and Unit 26-28, 8/F., One Island South, 2 Heung Yip Road, Wong Chuk Hang, 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 and the provision of loan financing services. During the year ended 31 March 2021 and the three months ended 30 June 2021, the Group discontinued the provision of auction of alcoholic beverages business in Hong Kong (“Auction Business”) and the provision of cryptocurrency exchange business in Japan (“Blockchain Services Business”) upon disposals of its relevant subsidiaries respectively as detailed in note 8. Accordingly, the unaudited condensed consolidated statement of profit or loss and other comprehensive income for the three months ended 30 June 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 AND ACCOUNTING POLICIES

These 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 all applicable accounting principles generally accepted in Hong Kong. The financial statements also comply with the applicable disclosure requirements of the Companies Ordinance (Chapter 622 of the laws of Hong Kong) 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 2021 are the same as those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 March 2021. 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 and the provision of loan financing services. An analysis of the Group's revenue from continuing operations is as follows:

	For the three months ended	
	30 June	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
		(Restated)
Revenue from contracts with customers		
Disaggregated of revenue by major products or services lines		
Sales of alcoholic beverages segment		
Sales of alcoholic beverages income	17,724	10,488
Financial services segment		
Financial consultancy service income	–	–
Securities and futures dealing service income	–	–
Loan financing services segment		
Loan referral services income	4,105	1,702
Total revenue from contracts with customers	21,829	12,190
Revenue from other sources		
Loan financing segment		
Interest income – Micro loans	9,590	8,698
Interest income – Other loans	2,378	2,526
	11,968	11,224
Total Revenue	33,797	23,414

Disaggregation of revenue by timing of recognition

	For the three months ended	
	30 June	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
		(Restated)
Timing of revenue recognition from contracts with customers		
At a point in time	<u>21,829</u>	<u>12,190</u>

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. Loan financing services – provision of loan financing and loan referral services

Operating segments regarding Auction Business and Blockchain Services Business were discontinued upon disposals of its relevant subsidiaries in the year ended 31 March 2021 and the three months ended 30 June 2021 respectively. The segment information for the three months ended 30 June 2020 has been re-presented and does not include any amounts for these discontinued operations, which are described in more detail in note 8.

Segment revenues and results

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

	For the three months ended	
	30 June	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
		(Restated)
Revenue		
Sales of alcoholic beverages	17,724	10,488
Financial services	–	–
Loan financing services	16,073	12,926
	<u>33,797</u>	<u>23,414</u>
Segment profit (loss)		
Sales of alcoholic beverages	(302)	(3,360)
Financial services	(481)	(833)
Loan financing services	5,121	(9,233)
	<u>4,338</u>	<u>(13,426)</u>
Unallocated income	360	405
Unallocated expenses	(3,477)	(7,941)
Finance cost	(6,521)	(11,588)
	<u>(5,300)</u>	<u>(32,550)</u>
Loss before tax		

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

Geographical information

The following information about the Group's revenue from external customers is presented based on the location of continuing operations.

	For the three months ended	
	30 June	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
		(Restated)
PRC	13,695	10,401
Hong Kong	20,102	13,013
	<u>33,797</u>	<u>23,414</u>

4. OTHER INCOME

	For the three months ended	
	30 June	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
		(Restated)
Continuing operations		
Bank interest income	5	–
Consignment income	203	34
Net exchange gain	–	19
Government grants	–	118
Others	403	139
	<u>611</u>	<u>310</u>

5. FINANCE COST

For the three months ended
30 June

2021	2020
<i>HK\$'000</i>	<i>HK\$'000</i>
(unaudited)	(unaudited)
	(Restated)

Continuing operations

Interest expense on:

convertible bonds	3,009	2,752
promissory notes	1,430	3,867
other borrowings	1,496	2,874
loan from a director	–	947
loan from a subsidiary of non-controlling shareholder	529	1,080
lease liabilities	57	68

6,521	11,588
6,521	11,588

6. INCOME TAX EXPENSE (CREDIT)

For the three months ended
30 June

2021	2020
<i>HK\$'000</i>	<i>HK\$'000</i>
(unaudited)	(unaudited)
	(Restated)

Continuing operations

Current tax:

PRC Enterprise Income Tax (“EIT”)	2,080	–
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Overprovision in prior year:

PRC EIT	–	(3,840)
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Deferred taxation

(980)	1,864
1,100	(1,976)

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 EIT (the “EIT Law”) and Implementation Regulation of the EIT Law, the statutory EIT tax rate of the PRC subsidiaries is 25.0% for the period. Further 10.0% withholding income tax is generally imposed on dividends relating to profits.

7. LOSS FOR THE PERIOD

	For the three months ended	
	30 June	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
		(Restated)
Continuing operations		
Loss for the period has been arrived at after charging:		
Directors' emoluments	1,125	3,604
Salaries, allowances and other benefits	6,293	6,579
Contributions to retirement benefits scheme	521	250
Equity-settled share-based payment expenses	72	2,089
	<hr/>	<hr/>
Total staff cost	8,011	12,522
	<hr/>	<hr/>
Cost of inventories recognised as expense	14,371	8,393
Equity-settled share-based payment expenses – consultants	31	187
Net impairment recognised on loan and interest receivables	3,989	16,052
	<hr/> <hr/>	<hr/> <hr/>

8. DISCONTINUED OPERATIONS

a. Disposal of Blockchain Services Business

On 17 June 2021, the Group entered into a sale and purchase agreement with Ms. Li Li (an independent third party) as purchaser, to dispose of a wholly-owned subsidiary of the Company, Madison Lab and the amount due from Madison Lab to the Group of approximately HK\$111,813,000 at a consideration of HK\$90,000,000 which should be and had been satisfied by way of issue of a promissory note in the principal amount of HK\$90,000,000 by Ms Li Li. Madison Lab and its non-wholly-owned subsidiary carried out the Group's Blockchain Services Business. The disposal was completed on 17 June 2021 on which date control of the above-mentioned subsidiaries was passed to the purchaser. For details, please refer to the announcement of the Company dated 17 June 2021.

The result of Blockchain Services Business was as follows:

	1.4.2021 to 17.6.2021 (date of disposal) HK\$'000 (unaudited)	1.4.2020 to 30.6.2020 HK\$'000 (unaudited)
Other income	259	–
Staff cost	(155)	(909)
Depreciation	(42)	(19)
Administrative and other operating expenses	(246)	(827)
Finance cost	(1)	–
	<hr/>	<hr/>
Loss for the period	(185)	(1,755)
Loss on disposal of discontinued operations	(1,161)	–
	<hr/>	<hr/>
Loss for the period from discontinued operations	<u>(1,346)</u>	<u>(1,755)</u>
Loss for the period attributable to		
Owners of the Company	(1,274)	(1,599)
Non-controlling interests	(72)	(156)
	<hr/>	<hr/>
Loss for the period from discontinued operations	<u>(1,346)</u>	<u>(1,755)</u>

Loss for the period from discontinued Blockchain Services Business includes the following:

	1.4.2021 to 17.6.2021 (date of disposal) HK\$'000 (unaudited)	1.4.2020 to 30.6.2020 HK\$'000 (unaudited)
Salaries, allowances and other benefits	138	810
Contributions to retirement benefits scheme	<u>17</u>	<u>99</u>

b. Disposal of Auction Business

On 2 November 2020, the Group entered into a sale and purchase agreement with Firebird Global Investment Holdings Limited (“Firebird Global”), being a related company wholly-owned by Mr. Ting. Pursuant to the sale and purchase agreement, the Group agreed to sell and Firebird Global agreed to purchase the entire equity interests of Focus Concept Holdings Limited (“Focus Concept”), being a wholly-owned subsidiary of the Company, and the amount due from Focus Concept to the Group of approximately HK\$11,422,000 at a cash consideration of HK\$2,000,000. Focus Concept and its subsidiary carried out the Group’s Auction Business. The disposal was completed on 2 November 2020 on which date control of the above-mentioned subsidiaries was passed to the purchaser. For details, please refer to the announcement of the Company dated 2 November 2020.

The result of Auction Business was as follows:

	1.4.2020 to 30.6.2020 HK\$'000 (unaudited)
Revenue*	1,430
Cost of sales	<u>(201)</u>
Gross profit	1,229
Other income	2
Staff cost	(856)
Depreciation	(12)
Administrative and other operating expenses	<u>(618)</u>
Loss for the period from discontinued operations (attributable to owners of the Company)	<u><u>(255)</u></u>

* Revenue from contract with customers recognised at a point in time.

Loss for the period from discontinued Auction Business includes the following:

	1.4.2020 to 30.6.2020 <i>HK\$'000</i> (unaudited)
Salaries, allowances and other benefits	830
Contributions to retirement benefits scheme	26
Cost of inventories recognised as expense	200
Bank interest income	<u>2</u>

9. DIVIDEND

No dividend was paid, declared or proposed during the three months ended 30 June 2021. The Directors do not recommend the payment of any dividend for the three months ended 30 June 2021 (2020: nil).

10. (LOSS) PROFIT 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:

From continuing and discontinued operations

	For the three months ended 30 June	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited) (Restated)
Loss		
Loss for the purpose of basic loss per share for the period attributable to the owners of the Company	<u>(7,841)</u>	<u>(27,350)</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>—</u>	<u>(323)</u>
Loss for the purpose of diluted loss per share	<u>(7,841)</u>	<u>(27,673)</u>

**For the three months ended
30 June**

2021	2020
(unaudited)	(unaudited)

Number of shares

Weighted average number of ordinary shares for the purpose of
basic and diluted loss per share

<u>6,231,272,277</u>	<u>5,192,726,898</u>
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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 three months ended 30 June 2021 and 2020.

From continuing operations

**For the three months ended
30 June**

2021	2020
<i>HK\$'000</i>	<i>HK\$'000</i>
(unaudited)	(unaudited)
	(Restated)

Loss for the purpose of basic loss per share from continuing operations	<u>(6,567)</u>	<u>(25,496)</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	—	(323)
Loss for the purpose of diluted loss per share	<u>(6,567)</u>	<u>(25,819)</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

	For the three months ended	
	30 June	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
		(Restated)
Loss for the purpose of basic and diluted loss per share from discontinued operations	<u>(1,274)</u>	<u>(1,854)</u>

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

11. SHARE-BASED PAYMENT TRANSACTIONS

The Company has conditionally adopted a share option scheme pursuant to a written resolution of the shareholders of the Company passed on 21 September 2015 (the “Share Option Scheme”) 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 Shares(s)”) upon full exercise of subscription rights attaching to the outstanding Share Options in the following manner:

	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
Date of grant				
17 December 2015	18,100,000	HK\$8.00	181,000,000	HK\$0.80

Save for the above adjustments, all other terms and conditions of the outstanding Share Options granted under the Share Option Scheme remain unchanged. Details of the adjustments to the Share Options upon the share subdivision are disclosed in the announcement of the Company dated 7 November 2016.

On 3 April 2018, the Company granted an aggregate of 219,000,000 Share Options to the employees, directors and consultants of the Company, to subscribe, in aggregate, for up to 219,000,000 ordinary shares (“Shares”) of HK\$0.001 each in the share capital of the Company at the 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 of 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 the exercise price of HK\$1.12 per Share. For details, please refer to the announcement of the Company dated 13 December 2018.

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 the exercise price of HK\$0.207 per share. For details, please refer to the announcement of the Company dated 6 December 2019.

On 31 July 2020, ordinary resolutions had been passed 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 shares, being 10% of the total number of issued shares as at the date of passing of the resolution approving the said refreshment.

No option had been granted during the three months ended 30 June 2021 and 2020. As at 30 June 2021, the number of shares in respect of which options had been granted and remained outstanding under the Share Option Scheme was 508,300,000 shares (30 June 2020: 781,900,000 shares), representing approximately 8.2% (30 June 2020: approximately 15.1%) of the total number of shares of the Company in issue at that date. Fair value of Share Options granted to consultants was measured at market prices for their services provided.

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
Weighted average share price (<i>HK\$</i>)	0.206-0.325
Weighted average exercise price (<i>HK\$</i>)	0.207-0.325
Expected volatility	59.126-59.774%
Expected life (<i>years</i>)	10
Risk-free rate	1.018-1.575%
Expected dividend yield	0%

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

Share-based payment expenses of approximately HK\$205,000 were recognised by the Group for the three months ended 30 June 2021 in relation to Share Options granted by the Company (2020: approximately HK\$4,410,000).

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

Category of participant	Date of grant	Outstanding at 30 June 2020	Outstanding at 30 June 2021	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\$0.800
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\$0.800
Directors	3 April 2018	5,900,000	5,900,000	3 April 2018 to 31 December 2018	1 January 2019 to 2 April 2028	HK\$1.890
Employees	3 April 2018	9,500,000	8,500,000	3 April 2018 to 31 December 2018	1 January 2019 to 2 April 2028	HK\$1.890
Consultants	3 April 2018	184,600,000	184,500,000	3 April 2018 to 31 December 2018	1 January 2019 to 2 April 2028	HK\$1.890
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\$1.120
Directors	6 December 2019	59,900,000	8,000,000	6 December 2019 to 5 December 2020	6 December 2020 to 5 December 2029	HK\$0.207
Directors	6 December 2019	59,900,000	8,000,000	6 December 2019 to 5 December 2021	6 December 2021 to 5 December 2029	HK\$0.207
Consultants	6 December 2019	51,900,000	25,950,000	6 December 2019 to 5 December 2020	6 December 2020 to 5 December 2029	HK\$0.207
Consultants	6 December 2019	51,900,000	25,950,000	6 December 2019 to 5 December 2021	6 December 2021 to 5 December 2029	HK\$0.207
Employees	6 December 2019	64,650,000	6,250,000	6 December 2019 to 5 December 2020	6 December 2020 to 5 December 2029	HK\$0.207
Employees	6 December 2019	64,650,000	6,250,000	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 grantees during the period:

During the three months ended 30 June 2021

Category of participant	Outstanding as at 1 April 2021	Granted during the period	Lapsed during the period	Outstanding as at 30 June 2021
Directors	21,900,000	–	–	21,900,000
Employees	21,000,000	–	–	21,000,000
Shareholders	21,000,000	–	–	21,000,000
Consultants	444,500,000	–	(100,000)	444,400,000
	<u>508,400,000</u>	<u>–</u>	<u>(100,000)</u>	<u>508,300,000</u>
Weighted average exercise price (HK\$)	<u>0.8</u>	<u>–</u>	<u>0.2</u>	<u>1.2</u>

During the three months ended 30 June 2020

Category of participant	Outstanding as at 1 April 2020	Granted during the period	Lapsed during the period	Outstanding as 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>

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the three months ended 30 June 2021 (the “Period”), 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”) and (iii) the provision of loan financing services (the “Loan Financing Business”).

During the Period, revenue of the Wine Business amounted to approximately HK\$17.7 million, representing an increase of approximately 68.6% as compared with that of approximately HK\$10.5 million for the corresponding period last year. Such increase was mainly due to improvement of sales volume with new and existing customers as a result of the easing of the novel coronavirus (“COVID-19”) pandemic in Hong Kong. Revenue generated from the Loan Financing Business amounted to approximately HK\$16.1 million, representing an increase of approximately 24.8% as compared with that of approximately HK\$12.9 million for the corresponding period last year. Such increase was mainly due to the increase of loan referral services income. As the severity of the COVID-19 pandemic was relatively controlled in the PRC, the Group recorded net impairment recognised on loan and interest receivables of approximately HK\$4.0 million, representing a decrease of approximately HK\$12.1 million as compared with that of approximately HK\$16.1 million for the corresponding period last year. No revenue was generated from the Financial Services Business which was same as the corresponding period last year.

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 Bitcoin during the Period. On 17 June 2021, the Group completed the disposal (the “Disposal”) of the entire issued share capital of and shareholder’s loan in Madison Lab Limited (“Madison Lab”), which in turn held approximately 59.3% of the entire equity interest in BITOCEAN Co., Ltd. (“Bitoccean”). Bitoccean was principally engaged in the provision of cryptocurrency exchange business in Japan (the “Blockchain Services Business”). Details of the Disposal is set out in the Company’s announcement dated 17 June 2021. The consideration for the Disposal was HK\$90 million and had been satisfied by way of issue of a promissory note in the principal amount of HK\$90 million for a term of six months at an interest rate of 2% per annum by the purchaser upon Completion. Upon completion of the Disposal on 17 June 2021, the financial results of the Blockchain Services Business were no longer consolidated into the consolidated financial statements of the Group. The financial results of the Blockchain Services Business before the Disposal had been re-classified as discontinued operation of the Group.

The loss on Disposal was approximately HK\$1.2 million after taken into account a loss of approximately HK\$1.5 million resulting from the initial recognition of promissory note at fair value.

Financial Review

During the Period, the Group's revenue from continuing operations was increased by approximately 44.4% to approximately HK\$33.8 million (2020: approximately HK\$23.4 million). Increase in the Group's revenue was mainly attributable to the increase in sales of Wine Business and loan referral services income of Loan Financing Business. The revenue included (i) approximately HK\$17.7 million (2020: approximately HK\$10.5 million) of Wine Business; (ii) approximately HK\$16.1 million (2020: approximately HK\$12.9 million) of Loan Financing Business and (iii) no revenue of Financial Services Business (2020: nil).

Gross profit margin from the Wine Business in continuing operations was slightly increased to approximately 16.4% (2020: approximately 16.2%). Such increase was mainly driven by streamlining of the wine business operations and reduction in selling expenses.

Gross profit from continuing operations was approximately HK\$19.0 million (2020: approximately HK\$14.7 million), representing an increase of approximately 29.3% and HK\$4.3 million as compared with the corresponding period last year. The increase in gross profit was mainly attributable to the contribution from Loan Financing Business of the Group.

Other income from continuing operations was approximately HK\$0.6 million (2020: approximately HK\$0.3 million). The increase was mainly due to the increase in consignment income generated from Wine Business, promissory note interest income relating to the Disposal and other income during the Period.

Staff cost and depreciation from continuing operations were approximately HK\$8.0 million and HK\$1.8 million (2020: approximately HK\$12.5 million and HK\$3.4 million), representing a decrease of approximately HK\$4.5 million and HK\$1.6 million respectively as compared with the same period last year. The decrease of staff cost and depreciation were primarily due to the decrease of approximately HK\$4.0 million of the equity-settled share-based payment expenses and approximately HK\$1.2 million of depreciation of right-of-use assets due to reduction of leased offices and shop respectively.

Administrative and other operating expenses incurred in continuing operations were approximately HK\$4.6 million (2020: approximately HK\$4.0 million), representing an increase of approximately 15.0% as compared with the same period last year. The increase was mainly due to renovation cost of approximately HK\$0.9 million for restoring the office to its original state at the end of the lease.

The finance cost during the Period amounted to approximately HK\$6.5 million (2020: approximately HK\$11.6 million) which was mainly incurred on convertible bonds, promissory note, other borrowings and loans. Such decrease was mainly driven by (i) full repayment of loan from a director; (ii) partial repayment of promissory notes and other borrowings and (iii) adjustment of interest rate of loan from a subsidiary of non-controlling shareholder.

Loss from continuing operations was approximately HK\$6.4 million (2020: approximately HK\$30.6 million), representing a decrease by approximately 79.1% and HK\$24.2 million as compared with the same period last year. The decrease in the loss during the Period was mainly attributable to (i) the decrease in net impairment recognised on loan and interest receivables of approximately HK\$12.1 million; (ii) the decrease in staff cost and depreciation of approximately HK\$4.5 million and HK\$1.6 million respectively and (iii) the decrease in finance cost of approximately HK\$5.1 million.

Dividend

The Directors do not recommend the payment of any dividend for the Period (2020: nil).

Acquisition and Disposal

During the Period, the Group made the following disposal and acquisition:

In light of an increasing regulatory requirement in cryptocurrency market, price volatility of Bitcoin, adverse effect from criticisms of Bitcoin and no revenue generated by Bitocean, the Directors believed that it was in the interest of the Company and its shareholders as a whole to re-allocate the Group's financial resources to strengthen the Group's remaining business and look for suitable acquisition opportunities to maximise the return of shareholders of the Company in a more sustainable manner.

On 4 June 2021, the Company entered into a non-legally binding memorandum of understanding with Ms. Li Li ("Ms. Li"), an independent third party, pursuant to which the Company intended to acquire and Ms. Li intended to sell 49.0% equity interest in Up Sail Ventures Limited ("Up Sail", together with its subsidiaries, the "Target Group"), which in turn held two subsidiaries incorporated in the People's Republic of China ("PRC") (the "Acquisition"). The business activity of the Target Group is principally engaged in the provision of education management services in the PRC.

On 17 June 2021, a direct wholly-owned subsidiary of the Company, Madison Blockchain Holdings Company Limited as vendor (“Madison Blockchain”) entered into the sale and purchase agreement with Ms. Li as purchaser, pursuant to which Ms. Li agreed to acquire and Madison Blockchain agreed to sell the entire share capital of and shareholder’s loan in Madison Lab, which in turn held approximately 59.3% of equity interest in Bitoclean at a consideration of HK\$90.0 million, which should be and had been satisfied by way of issue of a promissory note in the principal amount of HK\$90.0 million (the “PN”) by Ms Li upon completion of the Disposal. The PN would be due 6 months from the date of its issue and carries an interest of 2% per annum. As security for payment of all moneys, obligations and liabilities due, owing or incurred to Madison Blockchain under the PN, Ms. Li has executed a share charge on 17 June 2021 over the entire issued share capital of Madison Lab in favour of Madison Blockchain.

On 28 June 2021, the Company and Ms. Li entered into a sale and purchase agreement (the “SPA”), in relation to the Acquisition at a consideration of approximately HK\$133.7 million, which shall be settled as to HK\$90.0 million by way of set off against the PN and as to approximately HK\$43.7 million by the allotment and issue of 295,081,081 new shares by the Company to Ms. Li. Ms. Li has provided the Company with a profit guarantee that the audited consolidated profit after taxation of Up Sail, for the first complete financial year commencing after the completion date of the Acquisition, which is determined in accordance with HKFRSs, shall not be less than HK\$12.0 million. The Acquisition is an opportunity for the Group to tap into the business of education management services in the PRC and it is beneficial for the Group to seek suitable investment opportunities from time to time to diversify the Group’s existing business portfolio and in view of broadening the Group’s source of income.

The completion of Acquisition is subject to certain conditions precedent as set out in the SPA. As the conditions precedent have not been satisfied, on 29 July 2021, the Company and Ms. Li agreed to extend the long stop date from 31 August 2021 to 30 September 2021. For details, please refer to the announcements of the Company dated 17 June 2021, 28 June 2021 and 29 July 2021.

Business Prospects

Looking forward, despite that the severity of the COVID-19 pandemic is relatively controlled in Hong Kong and the PRC, there are growing concerns due to the highly infectious COVID-19 variants (“Delta variant”) emerged in United Kingdom and India. Delta variant is driving waves of COVID-19 infections worldwide. Under the COVID-19 pandemic, the global economic outlook remains uncertain. The Directors will continue to enhance the Group’s businesses through review of its existing business portfolio from time to time. In addition, the Group will actively seek 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.

OTHER INFORMATION

Share Option Scheme

The Company has conditionally adopted 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 Remaining Life of the Scheme

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 the Shares during the three months ended 30 June 2021.

Directors’ Interests in Competing Business

As at 30 June 2021, none of the Directors or their respective associates had any business or interests in a business which competes or is likely to compete or had any other conflict of interest, 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 2021.

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.

Throughout the three months ended 30 June 2021, 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.

Audit Committee

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.*, who is a non-executive Director, all members of the Audit Committee 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 2021 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 and non-executive Director

Hong Kong, 9 August 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 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 Listed Company Information” page for at least seven days from the date of its posting and the Company’s website at <http://www.madison-group.com.hk>.