

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: 08057)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2022

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MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the year ended 31 March 2022 (the “**Year**”), the Company and its subsidiaries (collectively, the “**Group**”) were 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 loan financing and consultancy services (the “**Loan Financing Business**”); (iii) the provision of financial services (the “**Financial Services 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 and its subsidiary, the Group has ceased its operation in the Blockchain Services Business.

During the Year, the Group’s revenue from continuing operations increased by approximately 22.1% to approximately HK\$130.5 million (2021: HK\$106.9 million). Such increase was mainly due to (i) the revenue generated from Wine Business increased by approximately 27.7% to approximately HK\$65.4 million (2021: HK\$51.2 million) which benefited from 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; and (ii) the revenue generated from Loan Financing Business increased by approximately 16.9% to approximately HK\$65.1 million (2021: HK\$55.7 million) which benefited from the increase in loan referral services income.

The Group’s loss from continuing operations for the Year was approximately HK\$15.9 million (2021: HK\$17.8 million), representing a decrease of approximately 10.7% as compared with last year. The decrease in the loss was mainly attributable to (i) the improvement in operating result that gross profit was increased by approximately HK\$13.6 million; (ii) the increase in other income of approximately HK\$13.2 million; (iii) the decrease in finance cost of approximately HK\$23.9 million; and partially offset by (iv) the decrease in gain on change in fair value of derivative financial instruments and increase in net impairment recognised on loan and interest receivable of approximately HK\$35.5 million and approximately HK\$15.4 million respectively.

During the Year, the business and operation environments of the Group 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 pandemic, with on-going anti-pandemic restrictions and policies, leading to sluggish recovery. The Group’s customers were also affected by the COVID-19 pandemic. 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\$35.6 million (2021: HK\$20.1 million). For details of the loan and interest receivables, please refer to Note 9 to the consolidated financial statements of the Group.

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 adversely affected the public confidence and price volatility of Bitcoin during the Year. On 17 June 2021, the Group entered into a sale and purchase agreement in relation to the disposal (the "**Disposal**") of the entire issued share capital of and shareholder's loan due from Madison Lab Limited ("**Madison Lab**"), which in turn held approximately 59.3% of the entire equity interest in BITOCEAN Co., Ltd. ("**Bitocean**"). Bitocean was principally engaged in the provision of the Blockchain Services Business. The consideration for the Disposal was HK\$90.0 million and had been satisfied by way of issue of a promissory note in the principal amount of HK\$90.0 million maturing on 16 December 2021 at an interest rate of 2.0% per annum by the purchaser upon completion (the "**PN**"). Upon completion of the Disposal which took place 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 maturity date of the PN was subsequently extended to 16 June 2022 and the interest rate of the PN was increased to 3.0% per annum by an extension deed dated 16 December 2021. For details of the Disposal and the PN, please refer to the section headed "SIGNIFICANT INVESTMENTS, MATERIAL DISPOSALS AND ACQUISITIONS" below in this announcement and the announcements of the Company dated 17 June 2021 and 16 December 2021. The financial results of the Blockchain Services Business before the Disposal had been reclassified as discontinued operation of the Group.

FINANCIAL REVIEW

During the Year, the Group's revenue from continuing operations amounted to approximately HK\$130.5 million (2021: HK\$106.9 million), representing an increase of approximately HK\$23.6 million or 22.1% as compared with last year. The revenue included (i) approximately HK\$65.4 million (2021: HK\$51.2 million) from the Wine Business; and (ii) approximately HK\$65.1 million (2021: HK\$55.7 million) from the Loan Financing Business. No revenue was generated from the Financial Services Business (2021: Nil).

Gross profit margin from the Wine Business in continuing operations was increased to approximately 19.5% (2021: 16.8%). Such increase was mainly driven by streamlining wine business operations and reducing operation expenses. Total gross profit margin from continuing operations was decreased to approximately 59.6% as compared with that of approximately 60.1% last year. Despite the drop in the total gross profit margin from continuing operations, gross profit has increased due to the increase in revenue in both the Wine Business and the Loan Financing Business.

Gross profit from continuing operations was approximately HK\$77.8 million (2021: HK\$64.3 million), representing an increase of approximately 21.0% as compared with last year. Details of the reasons of the increase in revenue and gross profit were disclosed in the sub-section headed “Business Review” above. Staff cost and administrative and other operating expenses from continuing operations were approximately HK\$33.9 million and HK\$16.3 million respectively (2021: HK\$30.3 million and HK\$13.4 million respectively), representing an increase of approximately 11.9% and 21.6% respectively as compared with last year. Depreciation from continuing operations was approximately HK\$5.9 million, which was decreased by approximately 49.6% when compared to approximately HK\$11.7 million for the year ended 31 March 2021.

Other income from continuing operations increased from approximately HK\$5.5 million in last year to approximately HK\$18.7 million in the current year. It is mainly attributed to (i) the increase in net exchange gain of approximately HK\$7.4 million; (ii) interest income from consideration receivable generated during the year of approximately HK\$3.2 million; (iii) gain on disposal of right-of-use assets of approximately HK\$4.2 million.

The finance costs amounted to approximately HK\$27.5 million (2021: HK\$51.5 million) which were mainly incurred on convertible bonds, promissory notes payables, other borrowings and loan from a non-controlling shareholder.

The Group’s loss from continuing operations for the Year was approximately HK\$15.9 million (2021: HK\$17.8 million), representing a decrease of approximately 10.7% as compared with last year. The decrease in the loss was mainly attributable to (i) the improvement in operating result that gross profit was increased by approximately HK\$13.6 million; (ii) the increase in other income of approximately HK\$13.2 million; (iii) the decrease in finance cost of approximately HK\$23.9 million; and partially offset by (iv) the decrease in gain on change in fair value of derivative financial instruments and increase in net impairment recognised on loan and interest receivable of approximately HK\$35.5 million and approximately HK\$15.4 million respectively.

The loss included net impairment loss recognised on loan and interest receivables arising from Loan Financing Business of approximately HK\$35.6 million (2021: HK\$20.1 million). Details of which are disclosed in the sub-section headed “Business Review” above. The Group recorded gain of change in fair value of derivative financial instruments and financial assets at fair value through profit or loss of approximately HK\$7.0 million (2021: HK\$42.5 million) and HK\$0.5 million (2021: HK\$1.8 million) respectively. A loss of approximately HK\$1.3 million (2021: HK\$33.1 million) from discontinued operation was recorded for the Year.

Liquidity and Financial Resources

As at 31 March 2022, the Group's net current assets were approximately HK\$122.7 million (2021: HK\$182.6 million), including cash and cash equivalents of approximately HK\$49.7 million (2021: HK\$19.7 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 non-controlling shareholder amounted to approximately HK\$352.6 million (2021: HK\$348.1 million). The Group's financial resources were funded mainly by loans and its shareholders' funds.

As at 31 March 2022, the Group's current ratio, as calculated by dividing current assets by current liabilities, was approximately 1.3 times (2021: 1.7 times) and the gearing ratio, as measured by the debts of non-trade nature, excluding derivative financial instruments and lease liabilities, divided by total equity, was approximately 200.1% (2021: 145.6%). The increase of the gearing ratio was because of the drop of total equity of the Company.

Foreign Currency Exposure

As at 31 March 2022, 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 2022, the total number of issued shares of the Company was 623,127,227.

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)**”) to not less than six places at the placing price of HK\$0.055 per Placing Share under the then general mandate granted to the Directors (the “**Placing**”).

On the basis that the net proceeds were approximately HK\$56.0 million (after deduction of commission and other expenses of the Placing) (“**Net Proceeds**”), 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 places. For further details, please refer to the announcements of the Company dated 4 December 2020 and 22 December 2020.

Use of Proceeds

Details of the use of Net Proceeds from the Placing are as follows:

Intended use of Net Proceeds	Net Proceeds intended to be utilised <i>HK\$' million</i>	Actual use of Net Proceeds as at 31 March 2021 <i>HK\$' million</i>	Actual use of Net Proceeds as at 31 March 2022 <i>HK\$' million</i>
Repayment of loans	40.0	40.0	40.0
Purchase of wines for the operation of the wine business of the Group	6.0	6.0	6.0
General working capital	10.0	5.9	10.0
Total	<u>56.0</u>	<u>51.9</u>	<u>56.0</u>

The Net Proceeds were used according to the intentions previously disclosed in the announcement of the Company dated 4 December 2020.

Capital Commitments

During the Year, the Group did not have any capital commitments (2021: Nil).

Contingent Liabilities

During the Year, the Group did not have any contingent liabilities (2021: 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 (2021: Nil).

SIGNIFICANT INVESTMENTS, MATERIAL DISPOSALS AND ACQUISITIONS

Disposal

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 interests of the Company and its shareholders as a whole to re-allocate the Group's financial resources to strengthen the Group's remaining businesses and look for suitable acquisition opportunities to maximise the return of shareholders in a more sustainable manner.

On 17 June 2021, Madison Blockchain Holdings Company Limited as vendor ("**Madison Blockchain**"), being a direct wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Ms. Li Li ("**Ms. Li**") (an independent third party) 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 due from Madison Lab, which in turn held approximately 59.3% of equity interest in Bitocean, at a consideration of HK\$90.0 million. Such consideration should be and had been satisfied by way of issue of the PN in the principal amount of HK\$90.0 million by Ms. Li upon completion of the Disposal on 17 June 2021. The PN would be due 6 months from the date of its issue and carried an interest of 2.0% per annum. On 16 December 2021, Ms. Li and Madison Blockchain entered into an extension deed to (i) extend the maturity date of the PN from 16 December 2021 to 16 June 2022, and (ii) increase the interest rate of the PN from 2.0% to 3.0% per annum. Save as disclosed, all other terms and conditions of the PN remain valid and in full force. 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.

SEGMENT INFORMATION

For the year ended 31 March 2022, the Group's business comprised three principal segments from continuing operations, namely (i) the Wine Business; (ii) the Loan Financing Business; and (iii) the Financial Services Business which accounted for approximately 50.1%, 49.9% and 0% of the total revenue (2021: 47.9%, 52.1% and 0%) of the total revenue respectively.

Following the outbreak of COVID-19, the economies of Hong Kong and the Mainland China are gradually recovering from the pandemic. Although our Wine Business and Loan Financing Business rebound in current year, we are still under threats from variants of the COVID-19 and the outlook of our businesses remains uncertain. 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 an increase in revenue in the Wine Business and Loan Financing Business of approximately HK\$14.2 million and HK\$9.4 million respectively and no revenue generated from the Financial Services Business as compared to last year.

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 which 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	(i) customer or counterparty to a financial instrument failing to meet its contractual obligations (ii) failure to retain and motivate key management personnel to conduct business

EMPLOYEE AND REMUNERATION POLICIES

As at 31 March 2022, the Group employed 124 employees (2021: 128). 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 of the Stock Exchange. The operations of the Group are mainly carried out by the Company's subsidiaries in China and Hong Kong. As such, the Group's operations shall comply with relevant laws and regulations in China and Hong Kong accordingly. During the Year, the Group has complied with all applicable laws and regulations in China and Hong Kong in all material respects. The Group shall continue to keep itself updated with the requirements of the relevant laws and regulations in China and Hong Kong and adhere to them to ensure compliance.

BUSINESS PROSPECT

In view of the outbreak of the fifth wave of the COVID-19 pandemic started in the early beginning of 2022 in Hong Kong, retail, food and beverage, tourism and other activities stood still and the pandemic is still going on infecting more people in other mainland China province by the time of writing this paragraph. Looking forward, the Group foresees such uncertainty is expected to continue to affect the Group's performance in the first half year of year 2022. 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.

EVENTS AFTER REPORTING DATE

(a) Extension of maturity date of promissory note

On 1 April 2022, the maturity date of the promissory note (“**PN2**”) in the principal amount of HK\$185,120,000 under the sale and purchase agreement in relation to the acquisition of 77% interest in Hackett Enterprises Limited, part of the PN2 in the principal amount of HK\$119,525,000 has been redeemed by the Company, and the outstanding principal amount of the PN2 of HK\$65,595,000 is extended for 1 year from 29 March 2022 to 29 March 2023. For details of the acquisition and extension maturity date of PN2, please refer to the circular of the Company dated 13 March 2019 and the announcements of the Company dated 20 November 2018, 29 March 2019 and 1 April 2022.

(b) Grant of option and loan extension agreement

On 6 June 2022, the Company entered into the option agreement with SRA Holdings Inc. (“**SRA**”), as subscriber, pursuant to which the Company has conditionally agreed to grant an option and SRA shall be entitled to require the Company to allot and issue up to a maximum of 85,922,330 option shares at option price of HK\$1.03 per share subject to the terms and conditions stated on the option agreement upon the exercise of the option. As at the date of this announcement, Wine Financier Limited, an indirect non-wholly owned subsidiary of the Company, is indebted to SRA in the principal amount of JPY1,500,000,000 (the “**Loan**”) which was due for repayment on 30 September 2021. In consideration of the Company agreeing to enter into the option agreement to grant the option to SRA, SRA has agreed to extend the maturity date of the Loan to 30 September 2023. For further details of the option agreement and the Loan, please refer to the announcement of the Company dated 6 June 2022.

ANNUAL RESULTS

The Board is pleased to announce the annual consolidated results of the Group for the year ended 31 March 2022 together with the comparative figures for the year ended 31 March 2021.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2022

	Note	2022 HK\$'000	2021 HK\$'000 (Restated)
Continuing operations			
Revenue	4		
– sales of alcoholic beverages		65,434	51,230
– loan financing services		65,058	55,666
		<u>130,492</u>	<u>106,896</u>
Cost of operations			
– cost of alcoholic beverages		(52,677)	(42,635)
Other income	5	18,717	5,533
Staff costs		(33,933)	(30,304)
Depreciation		(5,936)	(11,673)
Administrative and other operating expenses		(16,345)	(13,420)
Net impairment recognised on loan and interest receivables	7	(35,566)	(20,144)
Change in fair value of financial assets at fair value through profit or loss (“FVTPL”)		508	1,798
Change in fair value of derivative financial instruments		6,974	42,489
Finance costs		(27,549)	(51,452)
Loss before tax		(15,315)	(12,912)
Income tax expense	6	(617)	(4,918)
Loss for the year from continuing operations	7	(15,932)	(17,830)
Discontinued operations			
Net loss for the year from discontinued operations		(1,346)	(33,118)
Loss for the year		<u>(17,278)</u>	<u>(50,948)</u>

	<i>Note</i>	2022 HK\$'000	2021 <i>HK\$'000</i> <i>(Restated)</i>
Loss for the year attributable to owners of the Company			
– from continuing operations		(15,367)	(14,852)
– from discontinued operations		<u>(1,274)</u>	<u>(20,116)</u>
Loss for the year attributable to owners of the Company		<u>(16,641)</u>	<u>(34,968)</u>
Loss for the year attributable to non-controlling interests			
– from continuing operations		(565)	(2,978)
– from discontinued operations		<u>(72)</u>	<u>(13,002)</u>
Loss for the year attributable to non-controlling interests		<u>(637)</u>	<u>(15,980)</u>
		<u>(17,278)</u>	<u>(50,948)</u>
Loss per share (<i>HK cents</i>)	8		
From continuing and discontinued operations			
Basic		<u>(2.67)</u>	<u>(6.38)</u>
Diluted		<u>(2.67)</u>	<u>(6.54)</u>
From continuing operations			
Basic		<u>(2.47)</u>	<u>(2.71)</u>
Diluted		<u>(2.47)</u>	<u>(2.87)</u>
From discontinued operations			
Basic		<u>(0.20)</u>	<u>(3.67)</u>
Diluted		<u>(0.20)</u>	<u>(3.67)</u>

	2022 HK\$'000	2021 HK\$'000 <i>(Restated)</i>
Loss for the year	<u>(17,278)</u>	<u>(50,948)</u>
Other comprehensive income		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
– Exchange differences arising from translation of foreign operations	10,458	25,689
– Release of translation reserve upon disposal of subsidiaries	<u>2,811</u>	<u>–</u>
	<u>13,269</u>	<u>25,689</u>
Total comprehensive expense for the year	<u>(4,009)</u>	<u>(25,259)</u>
Total comprehensive (expense) income for the year attributable to:		
– Owners of the Company	(8,174)	(21,376)
– Non-controlling interests	<u>4,165</u>	<u>(3,883)</u>
	<u>(4,009)</u>	<u>(25,259)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2022

	<i>Note</i>	2022 HK\$'000	2021 HK\$'000
Non-current assets			
Plant and equipment		2,050	2,556
Loan receivables	<i>9</i>	21,288	15,091
Deposits	<i>10</i>	2,434	1,896
Intangible assets		1,280	146,886
Right-of-use assets		5,307	4,599
Finance lease receivables		8,876	–
Deferred tax asset		13,665	11,620
Goodwill		9,028	9,028
		<hr/> 63,928	<hr/> 191,676
Current assets			
Inventories		14,016	20,379
Finance lease receivables		6,382	–
Loan and interest receivables	<i>9</i>	374,254	394,385
Trade and other receivables	<i>10</i>	109,931	23,059
Amounts due from associates		273	267
Bank balances and cash		49,738	19,657
		<hr/> 554,594	<hr/> 457,747
Current liabilities			
Trade and other payables	<i>11</i>	29,459	23,097
Lease liabilities		7,955	3,576
Contract liabilities		12,534	15,467
Amount due to a shareholder		18,286	296
Amount due to a non-controlling shareholder		–	2
Loan from a non-controlling shareholder		96,450	105,300
Borrowings	<i>12</i>	44,992	49,992
Tax payable		10,980	10,791
Derivative financial instruments		–	6,974
Promissory notes payables		65,595	59,667
Convertible bonds		145,596	–
		<hr/> 431,847	<hr/> 275,162
Net current assets		<hr/> 122,747	<hr/> 182,585
Total assets less current liabilities		<hr/> 186,675	<hr/> 374,261

	<i>Note</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Capital and reserves			
Share capital	<i>13</i>	6,231	6,231
Reserves		(2,704)	4,924
		<hr/>	<hr/>
Equity attributable to owners of the Company		3,527	11,155
Non-controlling interests		172,740	227,937
		<hr/>	<hr/>
Total equity		176,267	239,092
		<hr/>	<hr/>
Non-current liabilities			
Deferred tax liability		1,089	933
Convertible bonds		–	133,144
Lease liabilities		9,319	1,092
		<hr/>	<hr/>
		10,408	135,169
		<hr/>	<hr/>
		186,675	374,261
		<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

1. GENERAL

Madison Holdings Group Limited (the “**Company**”) was incorporated in the Cayman Islands under the Companies Act, 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 2022, and Mr. Ting Pang Wan Raymond (“**Mr. Ting**”), which is aggregately interested in approximately 43.49% of the Company as at 31 March 2022 and has control over Royal Spectrum, are controlling shareholders of the Company. The addresses of the registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Island and the principal place of business is Units 26-28, 8/F, One Island South, 2 Heung Yip Road, Wong Chuk Hang, Hong Kong.

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 2022, the Group discontinued its blockchain services business upon disposal of a subsidiary. Accordingly, the consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2021 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 2022, the Group incurred a net loss from continuing operations of approximately HK\$15,932,000. In addition, at 31 March 2022, the Group had bank balances and cash amounted to approximately HK\$49,738,000 while its amount due to a shareholder, loan from a non-controlling shareholder, borrowings, convertible bonds, and promissory notes payables totaling amounted to approximately HK\$370,919,000 which will be matured within the coming twelve months from 31 March 2022. 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:

- The holder of convertible bonds and holder of promissory notes payables have agreed not to demand for repayment of the outstanding balances due from the Group until such time the Group has the financial ability to repay without impairing its liquidity position;
- The entire amount due to a shareholder and the outstanding promissory notes payable have been settled subsequent to reporting period through offsetting with the consideration receivables;
- Subsequent to the end of the reporting period, the maturity date of the loan from a non-controlling shareholder of approximately HK\$96,450,000 is extended to 30 September 2023.
- 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 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

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 ²
Amendments to HKFRS 3	Reference to Conceptual Framework ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
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 ²
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ²
Amendments to HKAS 8	Definition of Accounting Estimates ²
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ²
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use ¹
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ¹
Amendment to HKFRSs	Annual Improvements to HKFRSs 2018 – 2020 cycle ¹

¹ *Effective for annual periods beginning on or after 1 January 2022*

² *Effective for annual periods beginning on or after 1 January 2023*

³ *Effective for annual periods beginning on or after a date to be determined*

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

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue from contracts with customers		
Disaggregated of revenue by major products or services lines		
Sales of alcoholic beverages segment		
– Sales of alcoholic beverages income	65,434	51,230
Loan financing services segment		
– Loan referral services income	16,440	9,222
	<hr/>	<hr/>
Total revenue from contracts with customers	81,874	60,452
	<hr/>	<hr/>
Revenue from other sources		
Loan financing segment		
– Interest income – Micro loans	39,080	34,102
– Interest income – Other loans	9,538	12,342
	<hr/>	<hr/>
	48,618	46,444
	<hr/>	<hr/>
Total revenue	130,492	106,896
	<hr/> <hr/>	<hr/> <hr/>

Disaggregation of revenue by timing of recognition

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Timing of revenue recognition		
At a point in time	81,874	60,452
	<hr/> <hr/>	<hr/> <hr/>

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

Operating segments regarding blockchain services was discontinued upon disposal in the current year. The segment information for the year ended 31 March 2021 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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i> <i>(Restated)</i>
Revenue		
Sales of alcoholic beverages	65,434	51,230
Financial services	–	–
Loan financing services	65,058	55,666
	<u>130,492</u>	<u>106,896</u>
Segment (loss) profit		
Sales of alcoholic beverages	(1,241)	(8,326)
Financial services	(1,963)	(2,958)
Loan financing services	3,983	9,805
	<u>779</u>	<u>(1,479)</u>
Segment profit (loss)	779	(1,479)
Unallocated income	24,469	49,447
Unallocated expenses	(13,014)	(9,428)
Finance costs	(27,549)	(51,452)
	<u>(15,315)</u>	<u>(12,912)</u>
Loss before tax	(15,315)	(12,912)

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 FVTPL and derivative financial instruments 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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i> <i>(Restated)</i>
Continuing operations		
Sales of alcoholic beverages	21,038	36,283
Financial services	11	38
Loan financing services	420,644	432,847
Total segment assets	441,693	469,168
Assets relating to discontinued operations	–	146,789
Unallocated assets	176,829	33,466
Consolidated total assets	618,522	649,423

Segment liabilities

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i> <i>(Restated)</i>
Continuing operations		
Sales of alcoholic beverages	14,195	19,109
Financial services	132	125
Loan financing services	27,169	18,744
Total segment liabilities	41,496	37,978
Liabilities relating to discontinued operations	–	738
Unallocated liabilities	400,759	371,615
Consolidated total liabilities	442,255	410,331

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

- all assets are allocated to operating segments other than assets relating to discontinued operations, deposits, finance lease receivables, certain other receivables, 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 liabilities relating to discontinued operations, certain lease liabilities, certain other payables, amounts due to a shareholder/a non-controlling shareholder, loan from a non-controlling shareholder, borrowings, tax payable, deferred tax liability, derivative financial instruments, convertible bonds and promissory notes payables.

(c) Other segment information

For the year ended 31 March 2022

	Sale of alcoholic beverages <i>HK\$'000</i>	Financial 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 from continuing operations:</i>					
Additions to non-current assets (<i>Note</i>)	3,125	3	3,809	15,498	22,435
Depreciation	3,126	12	2,602	196	5,936
Net reversal of impairment loss					
recognised on trade receivables	(34)	–	–	–	(34)
Net impairment loss recognised on loan					
and interest receivables	–	–	16,636	–	16,636
Written off of loans and interest					
receivables	–	–	18,930	–	18,930
	<u>–</u>	<u>–</u>	<u>18,930</u>	<u>–</u>	<u>18,930</u>
<i>Amounts regularly provided to the CODM but not included in the measure of segment profit or loss or segment assets from continuing operations:</i>					
Bank interest income	–	–	–	29	29
Finance costs	–	–	–	27,549	27,549
Income tax expense	–	–	617	–	617
	<u>–</u>	<u>–</u>	<u>617</u>	<u>–</u>	<u>617</u>

For the year ended 31 March 2021

	Sale of alcoholic beverages HK\$'000	Financial services HK\$'000	Loan financing services HK\$'000	Unallocated HK\$'000	Total HK\$'000 (Restated)
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Amounts included in the measure of segment profit or loss or segment assets from continuing operations:

Additions to non-current assets (Note)	35	–	9	–	44
Depreciation	5,751	29	5,820	73	11,673
Net impairment loss recognised on trade receivables	169	–	–	–	169
Net impairment loss reversal on loan and interest receivables	–	–	(23,793)	–	(23,793)
Written off of loans and interest receivables	–	–	43,937	–	43,937

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

Bank interest income	–	–	–	15	15
Finance costs	–	–	–	51,452	51,452
Income tax expense	776	27	4,115	–	4,918

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

(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 finance lease receivables, deferred tax asset, 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	
	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
PRC	65,058	55,666	3,211	2,235
Hong Kong	65,434	51,230	14,454	14,587
Japan	—	—	—	146,247
	<u>130,492</u>	<u>106,896</u>	<u>17,665</u>	<u>163,069</u>

(e) **Information about major customers**

During the years ended 31 March 2022 and 2021, there is no customer contributing over 10% of the total revenue of the Group.

5. **OTHER INCOME**

	2022	2021
	HK\$'000	HK\$'000
		(Restated)
Continuing operations		
Bank interest income	29	15
Consignment income	328	1,951
Net exchange gain	8,098	674
Government grants (<i>Note</i>)	—	2,364
Interest income from consideration receivable	3,153	—
Interest income from finance lease receivables	1,220	—
Gain on early termination of a lease	5	—
Gain on disposal of right-of-use assets	4,165	—
Net reversal of impairment loss recognised on trade receivables	34	—
Others	1,685	529
	<u>18,717</u>	<u>5,533</u>

Note:

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

6. INCOME TAX EXPENSE

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Continuing operations		
Current tax:		
PRC Enterprise Income Tax (“EIT”)	<u>2,429</u>	<u>159</u>
Under (over) provision in prior year:		
Hong Kong Profits Tax	281	(214)
EIT	<u>–</u>	<u>(5,092)</u>
	<u>281</u>	<u>(5,306)</u>
Deferred taxation	(2,093)	9,387
Withholding tax on undistributed profits	<u>–</u>	<u>678</u>
	<u><u>617</u></u>	<u><u>4,918</u></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 2022 and 2021, 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 2021/2022, subject to a ceiling of HK\$10,000 (2020/2021: HK\$10,000).

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.

7. LOSS FOR THE YEAR

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i> <i>(Restated)</i>
Continuing operations		
Loss for the year has been arrived at after charging (crediting):		
Directors' emoluments	4,638	5,137
Reversal of equity-settled share-based payment expense – directors	–	(2,464)
Salaries, allowances and other benefits	27,089	27,866
Sales commission	–	291
Contributions to retirement benefits scheme	2,013	1,292
Equity-settled share-based payment expenses – employees	193	3,186
Reversal of equity-settled share-based payment expense – employees	–	(5,004)
	<u>33,933</u>	<u>30,304</u>
Total staff costs		
Net impairment loss recognised (reversal) on loan and interest receivables	16,636	(23,793)
Written off of loans and interest receivables	18,930	43,937
	<u>35,566</u>	<u>20,144</u>
Net impairment recognised on loan and interest receivables		
Auditor's remuneration ²	1,060	1,210
Depreciation of plant and equipment	909	1,898
Depreciation of right-of-use assets	5,027	9,775
Cost of inventories recognised as expense ¹	51,067	40,976
Equity-settled share-based payment expenses – consultants ²	82	167
Net loss on disposals and written off of plant and equipment ²	43	–
Net (reversal of) impairment loss recognised on trade receivables ³	(34)	169
	<u>(34)</u>	<u>169</u>

¹ Amounts included in cost of operations

² Amounts included in administrative and other operating expenses

³ Amounts included in other income (2021: administrative and other operating expenses)

8. LOSS 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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Loss		
Loss for the purpose of basic loss per share for the year attributable to the owners of the Company	<u>(16,641)</u>	<u>(34,968)</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>(865)</u>
Loss for the purpose of diluted loss per share	<u><u>(16,641)</u></u>	<u><u>(35,833)</u></u>
	2022	2021 <i>(Restated)</i>
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<u><u>623,127,227</u></u>	<u><u>547,725,988</u></u>

The weighted average number of ordinary shares for the purpose of basic and diluted loss per share has been adjusted retrospectively for the consolidation of shares on 20 January 2022.

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 2022 and 2021.

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:

	2022	2021
	HK\$'000	<i>HK\$'000</i>
		<i>(Restated)</i>
Loss for the purpose of basic loss per share from continuing operations	<u>(15,367)</u>	<u>(14,852)</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>(865)</u>
Loss for the purpose of diluted loss per share	<u><u>(15,367)</u></u>	<u><u>(15,717)</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

Loss for the purpose of basic and diluted loss per share from discontinued operations	<u><u>(1,274)</u></u>	<u><u>(20,116)</u></u>
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The denominators used are the same as those detailed above for both basic and diluted loss per share from continuing and discontinued operations.

9. LOAN AND INTEREST RECEIVABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Secured loans		
Real estate-backed loans	33,790	32,908
Secured micro loans	<u>59,530</u>	<u>66,238</u>
	<u>93,320</u>	<u>99,146</u>
Unsecured loans		
Unsecured micro loans	257,611	247,679
Unsecured other loans	<u>31,281</u>	<u>45,741</u>
	<u>288,892</u>	<u>293,420</u>
	382,212	392,566
Interest receivables	<u>64,126</u>	<u>54,664</u>
	446,338	447,230
<i>Less: Allowances for loan and interest receivables</i>	<u>(50,796)</u>	<u>(37,754)</u>
	<u>395,542</u>	<u>409,476</u>
Loan and interest receivables analysed for reporting purpose as:		
Non-current assets	21,288	15,091
Current assets	<u>374,254</u>	<u>394,385</u>
	<u>395,542</u>	<u>409,476</u>

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

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 90 days	91,380	90,453
91 – 180 days	66,863	74,227
181 – 365 days	41,503	44,994
Over 365 days	195,796	199,802
	<hr/>	<hr/>
At 31 March	395,542	409,476
	<hr/> <hr/>	<hr/> <hr/>

10. TRADE AND OTHER RECEIVABLES AND DEPOSITS

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	1,369	2,115
Less: loss allowance	(473)	(507)
	<hr/>	<hr/>
Net trade receivables	896	1,608
	<hr/>	<hr/>
Payments in advance	5,072	7,545
Prepayments	348	3,809
Deposits and other receivables	15,272	11,993
Consideration receivable (<i>Note</i>)	90,777	–
	<hr/>	<hr/>
Total other receivables and deposits	111,469	23,347
	<hr/>	<hr/>
Trade and other receivables and deposits	112,365	24,955
	<hr/> <hr/>	<hr/> <hr/>
Analysed as:		
Current	109,931	23,059
Non-current	2,434	1,896
	<hr/>	<hr/>
Trade and other receivables and deposits	112,365	24,955
	<hr/> <hr/>	<hr/> <hr/>

Note:

The consideration receivable was interest bearing at 3% per annum, unsecured, and repayable on mature date as at 16 June 2022.

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:

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 30 days	264	941
31 to 60 days	231	195
61 to 90 days	55	74
91 to 180 days	101	101
181 to 365 days	149	257
Over 365 days	96	40
	<hr/>	<hr/>
Total	896	1,608
	<hr/> <hr/>	<hr/> <hr/>

11. TRADE AND OTHER PAYABLES

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	2,247	2,723
Other payables and accruals	27,212	20,374
	<hr/>	<hr/>
Trade and other payables	29,459	23,097
	<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:

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 30 days	991	1,661
31 to 60 days	424	167
61 to 90 days	74	–
91 to 180 days	307	478
181 to 365 days	86	53
Over 365 days	365	364
	<hr/>	<hr/>
Total	2,247	2,723
	<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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Other borrowings	<u>44,992</u>	<u>49,992</u>

The other borrowings are repayable within one year.

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

	2022	2021
Other borrowings	<u>12%</u> <u>per annum</u>	<u>12%</u> <u>per annum</u>

All the other borrowings are at fixed rates.

As at 31 March 2022, included in other borrowings is carrying amount of approximately HK\$44,992,000 (2021: HK\$49,992,000) 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 ("**Hackett**") and personal guarantee provided by Mr. Ting, the substantial shareholder of the Company.

As at 31 March 2021, the borrowings were also secured by the entire issued share capital of Madison Lab Limited.

13. SHARE CAPITAL

	Number of shares	Share capital HK\$'000
Ordinary shares of HK\$0.01 each at 31 March 2022 (2021:HK\$0.001 each)		
Authorised:		
At 1 April 2020, 31 March 2021 and 1 April 2021	10,000,000,000	10,000
Share Consolidation on 20 January 2022 (<i>Note 1</i>)	<u>(9,000,000,000)</u>	<u>–</u>
At 31 March 2022, of HK\$0.01 each	<u>1,000,000,000</u>	<u>10,000</u>
Issued and fully paid:		
At 1 April 2020, of HK\$0.001 each	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 2</i>)	<u>1,038,545,379</u>	<u>1,038</u>
At 31 March 2021, of HK\$0.001 each	6,231,272,277	6,231
Share Consolidation on 20 January 2022 (<i>Note 1</i>)	<u>(5,608,145,050)</u>	<u>–</u>
At 31 March 2022, of HK\$0.01 each	<u>623,127,227</u>	<u>6,231</u>

Note:

- On 18 January 2022, the board of the directors announced that the share consolidation was approved. As disclosed in the circular of the Company published on 28 December 2021, the authorised share capital of the Company is HK\$10,000,000 divided into 10,000,000,000 existing shares of par value of HK\$0.001 each, of which 6,231,272,277 existing shares have been issued and are fully paid or credited as fully paid. Upon the share consolidation on 20 January 2022, the authorised share capital of the Company became HK\$10,000,000 divided into 1,000,000,000 consolidated shares of par value of HK\$0.01 each, of which 623,127,227 consolidated shares was issued which are fully paid or credited as fully paid. The consolidated shares rank pari passu in all respects with each other. The details were set out in the Company's announcement dated 18 January 2022.
- 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 details were set out in the Company's announcement dated 22 December 2020.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

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 (the “**CG Code**”) as set out in Appendix 15 to the GEM Listing Rules as its corporate governance practices.

Pursuant to code provision C.1.6 of the CG Code, the Directors should attend the annual general meeting of the Company held on 2 August 2021 and the extraordinary general meeting held on 18 January 2022 respectively. All Directors were present at the annual general meetings held on 2 August 2021. All Directors were present at the extraordinary meeting held on 18 January 2022, except for Mr. Ji Zuguang and Mr. Zhang Li due to other business engagement.

Save as disclosed above, throughout the year ended 31 March 2022, 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.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTION BY DIRECTORS

The Company has adopted the code of conduct for securities transactions by Directors on terms no less exacting than the required standards of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the “**Model Code**”). Having made specific enquiry, all Directors have confirmed that they have fully complied with the required standards set out in the Model Code throughout the year ended 31 March 2022.

CLOSURE OF REGISTER OF MEMBERS

The annual general meeting of the Company (the “**AGM**”) is scheduled to be held on Tuesday, 9 August 2022. 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, 3 August 2022 to Tuesday, 9 August 2022 (both days 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 with 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 no later than 4:30 p.m. on Tuesday, 2 August 2022.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors or any of their respective close associates (as defined in the GEM Listing Rules) are engaged in any business that competes or may compete, either directly or indirectly, with the business of the Group or have any other conflicts of interest with the Group nor are they aware of any other conflicts of interest with the Group which any such person has or may have with the Group during the year ended 31 March 2022.

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 Royal Spectrum, Devoss Global Holdings Limited 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.

REVIEW BY AUDIT COMMITTEE

The Company has established an audit committee of the Company ("**Audit Committee**") 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 D.3.3 of the CG Code. The primary duties of the Audit Committee are 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.

Currently, the Audit Committee comprises four members, namely Mr. Chu Kin Wang Peleus, Ms. Fan Wei, Dr. Lau Remier, Mary Jean and Mr. Ip Cho Yin, J.P., and chaired by Mr. Chu Kin Wang Peleus, who has appropriate professional qualifications and experience as required by the GEM Listing Rules. Save for Mr. Ip Cho Yin, J.P., who is a non-executive Director, all other members are independent non-executive Directors.

The audited consolidated financial statements for the Year have been reviewed by the Audit Committee, which is of the opinion that such financial statements have been prepared in accordance with all applicable accounting standards, the Hong Kong Companies Ordinance and the GEM Listing Rules.

EXTRACT FROM INDEPENDENT AUDITOR’S REPORT

The Company would like to provide an extract from the independent auditor’s report prepared by its independent auditor, SHINEWING (HK) CPA Limited on the Group’s consolidated financial statements for the Year 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\$15,932,000 for the year ended 31 March 2022. In addition, at 31 March 2022, the Group had bank balances and cash amounted to approximately HK\$49,738,000, while its amount due to a shareholder, loan from a non-controlling shareholder, borrowings, promissory notes payables and convertible bonds totaling amounted to approximately HK\$370,919,000 which will be matured within the coming twelve months from 31 March 2022. 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.

PUBLICATION OF RESULTS ANNOUNCEMENT AND 2021-22 ANNUAL REPORT

This announcement is published on the websites of HKEXnews (www.hkexnews.hk) as well as the website of the Company (www.madison-group.com.hk). The Company’s 2021-22 annual report will be dispatched to shareholders and will be published on the aforementioned websites in due course.

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

Hong Kong, 23 June 2022

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 will remain on the “Latest Listed Company Information” page of the website of the Stock Exchange at <http://www.hkexnews.hk> for at least seven days from the date of its publication and the Company’s website at <http://www.madison-group.com.hk>.