

MADISON

GROUP

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 FIRST QUARTERLY RESULTS FOR THE THREE MONTHS ENDED 30 JUNE 2022

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Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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*This announcement, for which the directors (the “**Directors**”) 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 of the Stock Exchange (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 2022, 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\$26.3 million for the three months ended 30 June 2022 (for the three months ended 30 June 2021: approximately HK\$33.8 million), representing a decrease of approximately 22.2% as compared with the corresponding period in 2021;
- net exchange gain from continuing operations amounted to approximately HK\$13.4 million for the three months ended 30 June 2022 (for the three months ended 30 June 2021: net exchange loss of approximately HK\$0.4 million), representing an increase in profit of approximately HK\$13.8 million as compared with the corresponding period in 2021;
- Profit attributable to the owners of the Company from continuing operations for the three months ended 30 June 2022 amounted to approximately HK\$7.7 million (for the three months ended 30 June 2021: loss of approximately HK\$6.6 million); and
- the Directors do not recommend the payment of any dividend for the three months ended 30 June 2022 (for the three months ended 30 June 2021: 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 2022, together with the comparative unaudited figures for the corresponding period in 2021, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE THREE MONTHS ENDED 30 JUNE 2022

		For the three months ended 30 June	
	<i>Note</i>	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited) (restated)
Continuing operations			
Revenue	3		
– sales of alcoholic beverages		10,407	17,724
– loan financing services		15,941	16,073
		<u>26,348</u>	<u>33,797</u>
Cost of operations			
– cost of alcoholic beverages		<u>(8,092)</u>	<u>(14,750)</u>
Other income	4	15,367	611
Staff costs		(8,494)	(8,011)
Depreciation		(1,277)	(1,803)
Administrative and other operating expenses		(2,430)	(4,634)
Change in fair value of financial assets at fair value through profit or loss		176	–
Change in fair value of derivative financial instruments		1,365	–
Gain on disposal of a subsidiary		1,253	–
Net impairment recognised on loan and interest receivables		(593)	(3,989)
Finance costs	5	<u>(6,705)</u>	<u>(6,521)</u>
Profit (loss) before tax		16,918	(5,300)
Income tax expense	6	<u>(3,330)</u>	<u>(1,100)</u>
Profit (loss) for the period from continuing operations	7	13,588	(6,400)
Discontinued operations			
Loss for the period from discontinued operations	8	<u>–</u>	<u>(1,346)</u>
Profit (loss) for the period		<u>13,588</u>	<u>(7,746)</u>

		For the three months ended 30 June	
		2022	2021
<i>Note</i>		<i>HK\$'000</i>	<i>HK\$'000</i>
		(unaudited)	(unaudited) (restated)
Profit (loss) for the period attributable to owners of the Company			
	– from continuing operations	7,706	(6,567)
	– from discontinued operations	–	(1,274)
		<u>7,706</u>	<u>(7,841)</u>
Profit (loss) for the period attributable to owners of the Company			
		<u>7,706</u>	<u>(7,841)</u>
Profit (loss) for the period attributable to non-controlling interests			
	– from continuing operations	5,882	167
	– from discontinued operations	–	(72)
		<u>5,882</u>	<u>95</u>
		<u>5,882</u>	<u>95</u>
		<u>13,588</u>	<u>(7,746)</u>
Earnings (loss) per share (<i>HK cents</i>)			
		<i>10</i>	
From continuing and discontinued operations			
	Basic	<u>1.24</u>	<u>(1.26)</u>
	Diluted	<u>1.24</u>	<u>(1.26)</u>
From continuing operations			
	Basic	<u>1.24</u>	<u>(1.05)</u>
	Diluted	<u>1.24</u>	<u>(1.05)</u>
From discontinued operations			
	Basic	<u>–</u>	<u>(0.21)</u>
	Diluted	<u>–</u>	<u>(0.21)</u>

	For the three months ended	
	30 June	
<i>Note</i>	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
		(restated)
Profit (loss) for the period	<u>13,588</u>	<u>(7,746)</u>
Other comprehensive (expense) income		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
– Exchange differences arising from translation of foreign operations	(20,382)	5,230
– Release of translation reserve upon disposal of subsidiaries	<u>–</u>	<u>2,811</u>
	<u>(20,382)</u>	<u>8,041</u>
Total comprehensive (expense) income for the period	<u><u>(6,794)</u></u>	<u><u>295</u></u>
Total comprehensive (expense) income for the period attributable to:		
– Owners of the Company	(3,364)	(2,202)
– Non-controlling interests	<u>(3,430)</u>	<u>2,497</u>
	<u><u>(6,794)</u></u>	<u><u>295</u></u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE THREE MONTHS ENDED 30 JUNE 2022

	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 2022 (audited)	6,231	1,311,985	29,047	(90,894)	(598,127)	21,155	174,782	455	5,228	(856,335)	3,527	172,740	176,267
Profit for the period	-	-	-	-	-	-	-	-	-	7,706	7,706	5,882	13,588
Other comprehensive expense for the period	-	-	-	-	-	-	-	-	-	-	-	-	-
Exchange differences arising from translation of foreign operations	-	-	-	-	-	-	-	(11,070)	-	-	(11,070)	(9,312)	(20,382)
Profit for the period and other comprehensive expense for the period	-	-	-	-	-	-	-	(11,070)	-	7,706	(3,364)	(3,430)	(6,794)
At 30 June 2022 (unaudited)	<u>6,231</u>	<u>1,311,985</u>	<u>29,047</u>	<u>(90,894)</u>	<u>(598,127)</u>	<u>21,155</u>	<u>174,782</u>	<u>(10,615)</u>	<u>5,228</u>	<u>(848,629)</u>	<u>163</u>	<u>169,310</u>	<u>169,473</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 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 subsidiaries	-	-	-	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>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED 30 JUNE 2022

1. GENERAL

Madison Holdings Group Limited (the “**Company**”) was incorporated in the Cayman Islands under the Companies Act, Chapter 22 (Act 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**”) since 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 30 June 2022, and Mr. Ting Pang Wan Raymond (“**Mr. Ting**”), who is interested in approximately 43.49% of the issued share capital of the Company as at 30 June 2022 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 Units 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 the sales of alcoholic beverages, the provision of loan financing services and the provision of financial services.

The functional currency of the Company and the subsidiaries incorporated in Hong Kong is Hong Kong dollars (“**HK\$**”) while that of the subsidiaries established in the People’s Republic of China (the “**PRC**”) is Renminbi (“**RMB**”). For the purpose of presenting the financial statements, 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 HKFRSs, 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 the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”). The accounting policies used in the financial statements for the three months ended 30 June 2022 are the same as those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 March 2022. 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 reviewed or 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 the sales of alcoholic beverages, the provision of loan financing services and the provision of financial services. An analysis of the Group's revenue from continuing operations is as follows:

	For the three months ended	
	30 June	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Revenue from contracts with customers		
Disaggregated of revenue by major products or services lines		
Sales of alcoholic beverages segment		
– Sales of alcoholic beverages income	10,407	17,724
Loan financing services segment		
– Loan referral services income	4,130	4,105
Total revenue from contracts with customers	14,537	21,829
Revenue from other sources		
Loan financing services segment		
– Interest income – Micro loans	9,419	9,590
– Interest income – Other loans	2,392	2,378
	11,811	11,968
Total Revenue	26,348	33,797

Disaggregation of revenue by timing of recognition

	For the three months ended	
	30 June	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Timing of revenue recognition		
At a point in time	<u>14,537</u>	<u>21,829</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. Loan financing services – provision of loan financing and loan referral services
3. Financial services – provision of financial consultancy services

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	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Revenue		
Sales of alcoholic beverages	10,407	17,724
Loan financing services	15,941	16,073
Financial services	—	—
	<u>26,348</u>	<u>33,797</u>
Segment profit		
Sales of alcoholic beverages	(776)	(302)
Loan financing services	9,341	5,121
Financial services	(469)	(481)
	<u>8,096</u>	<u>4,338</u>
Segment profit	8,096	4,338
Unallocated income	17,827	360
Unallocated expenses	(2,300)	(3,477)
Finance costs	(6,705)	(6,521)
	<u>16,918</u>	<u>(5,300)</u>
Profit (loss) before tax	16,918	(5,300)

Segment profit represents the profit (loss) from each segment without allocation of central administration costs, directors' salaries and certain other income, change in fair value of financial assets at fair value through profit or loss and derivative financial instruments, gain on disposal of a subsidiary and finance costs. 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	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
PRC	15,941	13,695
Hong Kong	10,407	20,102
	<u>26,348</u>	<u>33,797</u>

4. OTHER INCOME

	For the three months ended	
	30 June	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Continuing operations		
Bank interest income	12	5
Consignment income	76	203
Net exchange gain	13,374	–
Interest income from consideration receivable	510	–
Interest income from finance lease receivables	228	–
Government grants	496	–
Others	671	403
	<u>15,367</u>	<u>611</u>

5. FINANCE COSTS

	For the three months ended	
	30 June	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Continuing operations		
Interest expense on:		
– convertible bonds	3,291	3,009
– promissory notes payables	1,365	1,430
– other borrowings	1,346	1,496
– loan from a non-controlling shareholder	458	529
– lease liabilities	245	57
	<u>6,705</u>	<u>6,521</u>

6. INCOME TAX EXPENSE

	For the three months ended	
	30 June	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Continuing operations		
Current tax:		
– Hong Kong Profits Tax	–	–
– PRC Enterprise Income Tax (“EIT”)	1,918	2,080
Deferred taxation	1,412	(980)
	<u>3,330</u>	<u>1,100</u>

Hong Kong Profits Tax

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

PRC Enterprise Income Tax

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

7. PROFIT (LOSS) FOR THE PERIOD

	For the three months ended	
	30 June	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Continuing operations		
Profit (loss) for the period has been arrived at after charging:		
Directors' emoluments	1,023	1,125
Salaries, allowances and other benefits	6,953	6,293
Contributions to retirement benefits scheme	518	521
Equity-settled share-based payment expenses – employees	–	72
	<hr/>	<hr/>
Total staff costs	8,494	8,011
	<hr/>	<hr/>
Cost of inventories recognised as expense	7,865	14,371
Equity-settled share-based payment expenses – consultants	–	31
Net impairment recognised on loan and interest receivables	593	3,989
	<hr/> <hr/>	<hr/> <hr/>

8. DISCONTINUED OPERATIONS

Disposal of Blockchain Services Business

On 17 June 2021, the Group entered into a sale and purchase agreement with a purchaser, to dispose of a wholly-owned subsidiary of the Company, Madison Lab Limited (“**Madison Lab**”) and its non-wholly owned subsidiary (collectively, the “**Disposal Group**”) carried out the Group’s blockchain services business (“**Blockchain Services Business**”). The disposal was effected in order to generate general working capital for the Group’s other businesses. The disposal was completed on 17 June 2021, on which date control of the Disposal Group was passed to the purchaser.

The result of Blockchain Services Business was as follows:

1.4.2021 to
17.6.2021
(date of disposal)
HK\$'000
(unaudited)

Other income	259
Staff costs	(155)
Depreciation	(42)
Administrative and other operating expenses	(246)
Finance costs	<u>(1)</u>
Loss for the period	(185)
Loss on disposal of discontinued operations	<u>(1,161)</u>
Loss for the period from discontinued operations	<u><u>(1,346)</u></u>
Loss for the period attributable to	
Owners of the Company	(1,274)
Non-controlling interests	<u>(72)</u>
Loss for the period from discontinued operations	<u><u>(1,346)</u></u>

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

1.4.2021 to
17.6.2021
(date of disposal)
HK\$'000
(unaudited)

Salaries, allowances and other benefits	138
Contributions to retirement benefits scheme	17
Depreciation on plant and equipment and right-of-use assets	<u><u>42</u></u>

9. DIVIDEND

No dividend was paid, declared or proposed during the three months ended 30 June 2022. The Directors do not recommend the payment of any dividend for the three months ended 30 June 2022 (2021: nil).

10. EARNINGS (LOSS) PER SHARE

The calculation of the basic and diluted earnings (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	
	2022 <i>HK\$'000</i> (unaudited)	2021 <i>HK\$'000</i> (unaudited)
Earnings (loss) for the purpose of basic and diluted earnings (loss) per share for the period attributable to the owners of the Company	<u>7,706</u>	<u>(7,841)</u>

For the three months ended 30 June	
2022 (unaudited)	2021 (unaudited) (restated)

Number of shares

Weighted average number of ordinary shares for the purpose of basic and diluted earnings (loss) per share	<u>623,127,227</u>	<u>623,127,227</u>
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For the three months ended 30 June 2022 and 2021, the computation of diluted earnings (loss) per share does not assume the exercise of the Company's outstanding share options and outstanding convertible bonds as the exercise price of them were higher than the average market price of shares for the periods.

From continuing operations

	For the three months ended	
	30 June	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Earnings (loss) for the purpose of basic and diluted earnings (loss) per share from continuing operations	<u>7,706</u>	<u>(6,567)</u>

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

From discontinued operations

	For the three months ended	
	30 June	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss for the purpose of basic and diluted loss per share from discontinued operations	<u>-</u>	<u>(1,274)</u>

The denominators used are the same as those detailed above for both basic and diluted earnings (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 to the grantees of the Company, to subscribe, in aggregate, for up to 18,100,000 ordinary shares of HK\$0.01 each in the share capital of the Company under the Share Option Scheme.

Upon the share subdivision becoming effective on 8 November 2016, adjustments had been made to the exercise price of the outstanding share options and the number of subdivided shares to be allotted and issued (the “**Subdivided Share(s)**”) upon full exercise of subscription rights attaching to the outstanding share options in the following manner:

Date of grant	Immediately before the share subdivision becoming effective		Immediately after the share subdivision becoming effective	
	Number of share options to be issued	Exercise price per share option	Adjusted number of Subdivided Shares to be issued	Adjusted exercise price per Subdivided Share
17 December 2015	18,100,000	HK\$8.00	181,000,000	HK\$0.80

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

On 3 April 2018, the Company granted an aggregate of 219,000,000 share options to the employees, Directors and consultants of the Company, to subscribe, in aggregate, for up to 219,000,000 ordinary shares of HK\$0.001 each (“**Share(s)**”) in the share capital of the Company at the exercise price of HK\$1.89 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 each 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 each 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.

Upon the share consolidation becoming effective on 20 January 2022, adjustments had been made to the exercise price of the outstanding share options and the number of consolidated shares to be allotted and issued (the “**Consolidated Share(s)**”) upon full exercise of subscription rights attaching to the outstanding share options in the following manner:

Date of grant	Immediately before the share consolidation becoming effective		Immediately after the share consolidation becoming effective	
	Number of share options to be issued	Exercise price per share option	Adjusted number of Consolidated Shares to be issued	Adjusted exercise price per Consolidated Share
17 December 2015	181,000,000	HK\$0.800	18,100,000	HK\$8.00
3 April 2018	198,900,000	HK\$1.890	19,890,000	HK\$18.90
13 December 2018	48,000,000	HK\$1.120	4,800,000	HK\$11.20
6 December 2019	80,400,000	HK\$0.207	8,040,000	HK\$2.07
	<u>508,300,000</u>		<u>50,830,000</u>	

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 consolidation are disclosed in the announcement of the Company dated 18 January 2022.

As at 30 June 2022, the number of shares in respect of which share options had been granted and remained outstanding under the Share Option Scheme was 50,830,000 Shares (30 June 2021: 508,300,000 Shares), representing approximately 8.2% (30 June 2021: 8.2%) of the total number of Shares in issue at that date. Fair value of share options granted to consultants was measured at market prices for their services provided.

No share option had been granted during the three months ended 30 June 2022 and 2021.

No share-based payment expenses was recognised by the Group for the three months ended 30 June 2022 in relation to share options granted by the Company (2021: approximately HK\$205,000).

Details of the share options held by grantees as at 30 June 2022 are as follows:

Category of participant	Date of grant	Outstanding as at 30 June 2021	Outstanding as at 30 June 2022 (Note)	Vesting period	Exercise period	Exercise price per share (Note)
Shareholders	17 December 2015	21,000,000	2,100,000	17 December 2015 to 16 June 2016	17 June 2016 to 16 December 2025	HK\$8.00 (2021: HK\$0.80)
Consultants	17 December 2015	160,000,000	16,000,000	17 December 2015 to 16 June 2016	17 June 2016 to 16 December 2025	HK\$8.00 (2021: HK\$0.80)
Directors	3 April 2018	5,900,000	590,000	3 April 2018 to 31 December 2018	1 January 2019 to 2 April 2028	HK\$18.90 (2021: HK\$1.89)
Employees	3 April 2018	8,500,000	850,000	3 April 2018 to 31 December 2018	1 January 2019 to 2 April 2028	HK\$18.90 (2021: HK\$1.89)
Consultants	3 April 2018	184,500,000	18,450,000	3 April 2018 to 31 December 2018	1 January 2019 to 2 April 2028	HK\$18.90 (2021: HK\$1.89)
Consultants	13 December 2018	48,000,000	4,800,000	13 December 2018 to 30 June 2019	1 July 2019 to 12 December 2028	HK\$11.20 (2021: HK\$1.12)
Directors	6 December 2019	8,000,000	800,000	6 December 2019 to 5 December 2020	6 December 2020 to 5 December 2029	HK\$2.07 (2021: HK\$0.207)
Directors	6 December 2019	8,000,000	800,000	6 December 2019 to 5 December 2021	6 December 2021 to 5 December 2029	HK\$2.07 (2021: HK\$0.207)
Consultants	6 December 2019	25,950,000	2,595,000	6 December 2019 to 5 December 2020	6 December 2020 to 5 December 2029	HK\$2.07 (2021: HK\$0.207)
Consultants	6 December 2019	25,950,000	2,595,000	6 December 2019 to 5 December 2021	6 December 2021 to 5 December 2029	HK\$2.07 (2021: HK\$0.207)
Employees	6 December 2019	6,250,000	625,000	6 December 2019 to 5 December 2020	6 December 2020 to 5 December 2029	HK\$2.07 (2021: HK\$0.207)
Employees	6 December 2019	6,250,000	625,000	6 December 2019 to 5 December 2021	6 December 2021 to 5 December 2029	HK\$2.07 (2021: HK\$0.207)

Note:

Adjustment had been made to the exercise price and the number of the outstanding share options upon the share consolidation became effective on 20 January 2022.

The following table discloses movements of the share options held by grantees during the period:

During the three months ended 30 June 2022

Category of participant	Outstanding as at 1 April 2022	Granted during the period	Lapsed during the period	Outstanding as at 30 June 2022
Directors	2,190,000	–	–	2,190,000
Employees	2,100,000	–	–	2,100,000
Shareholders	2,100,000	–	–	2,100,000
Consultants	44,440,000	–	–	44,440,000
	<u>50,830,000</u>	<u>–</u>	<u>–</u>	<u>50,830,000</u>
Weighted average exercise price (HK\$)	<u>11.6</u>	<u>–</u>	<u>–</u>	<u>11.6</u>

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>

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

For the three months ended 30 June 2022 (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 loan financing and loan referral services (the “**Loan Financing Business**”); and (iii) the provision of financial services (the “**Financial Services Business**”).

During the Period, revenue of the Wine Business amounted to approximately HK\$10.4 million, representing a decrease of approximately 41.2% as compared with that of approximately HK\$17.7 million for the corresponding period last year. Such decrease was mainly due to lockdown measures imposed to certain major cities in the PRC in order to prevent spread-out of the novel coronavirus (“**COVID-19**”) pandemic. Therefore, some wholesale customers deferred their purchase plan as they find logistics problem in transferring the wines to the ultimate customers in the PRC. Revenue generated from the Loan Financing Business amounted to approximately HK\$15.9 million and is comparable to that of approximately HK\$16.1 million for the corresponding period last year. At the same time, net exchange gain of approximately HK\$13.4 million (2021: net exchange loss of approximately HK\$0.4 million) was mainly raised by loan from a non-controlling shareholder which is denominated in Japanese Yen. During the period, Japanese Yen to Hong Kong dollar was depreciated by approximately 12.3%. The Group recorded net impairment recognised on loan and interest receivables of approximately HK\$0.6 million, representing a decrease of approximately HK\$3.4 million as compared with that of approximately HK\$4.0 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.

Financial review

During the Period, the Group’s revenue from continuing operations decreased by approximately 22.2% to approximately HK\$26.3 million (2021: approximately HK\$33.8 million). The decrease in the Group’s revenue was mainly attributable to the decrease in sales of the Wine Business. The revenue included (i) approximately HK\$10.4 million (2021: approximately HK\$17.7 million) of the Wine Business; and (ii) approximately HK\$15.9 million (2021: approximately HK\$16.1 million) of 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 slightly increased to approximately 22.2% (2021: approximately 16.8%). Such increase was mainly driven by increase in proportion of retail sales and streamlining of the Wine Business operations.

Gross profit from continuing operations was approximately HK\$18.3 million (2021: approximately HK\$19.0 million), representing a decrease of approximately 3.7% or HK\$0.7 million as compared with the corresponding period last year. The decrease in gross profit was mainly attributable to the decrease in revenue from the Wine Business.

Other income from continuing operations was approximately HK\$15.4 million (2021: approximately HK\$0.6 million). The other income mainly comprised (i) net exchange gain of approximately HK\$13.4 million (2021: net exchange loss of approximately HK\$0.4 million); (ii) government grants of approximately HK\$0.5 million (2021: nil); and (iii) interest income from consideration receivable, finance lease receivables and bank of approximately HK\$0.8 million (2021: approximately HK\$5,000) during the Period.

Staff costs and depreciation from continuing operations were approximately HK\$8.5 million and HK\$1.3 million (2021: approximately HK\$8.0 million and HK\$1.8 million), representing an increase of approximately HK\$0.5 million and a decrease of approximately HK\$0.5 million, respectively, as compared with the corresponding period last year. The increase in staff costs was primarily due to additional headcount employed for a newly set-up subsidiary. The decrease in depreciation was primarily due to the expiration of a lease of an office which lead to a decrease in depreciation of right-of-use assets.

Administrative and other operating expenses from continuing operations were approximately HK\$2.4 million (2021: approximately HK\$4.6 million), representing a decrease of approximately 47.8% or HK\$2.2 million as compared with the corresponding period last year. The decrease was mainly due to the decrease in professional fee to approximately HK\$0.3 million (2021: approximately HK\$1.1 million) and a one-off restoration cost of approximately HK\$0.9 million happened in 2021.

The finance costs from continuing operations during the Period amounted to approximately HK\$6.7 million (2021: approximately HK\$6.5 million) which were mainly incurred on convertible bonds, promissory notes payables, other borrowings, loan from a non-controlling shareholder and lease liabilities. The finance costs incurred in the Period are comparable to the corresponding period last year as their debt structures are more or less the same.

The result from continuing operations for the Period was improved which was mainly attributed to (i) a decrease in administrative and other operating expenses of approximately HK\$2.2 million; (ii) an increase in the change in fair value of derivative financial instruments of approximately HK\$1.4 million; and (iii) a decrease in net impairment recognised on loan and interest receivables of approximately HK\$3.4 million. After the effect of net exchange gain of approximately HK\$13.4 million, the Group generated a profit of approximately HK\$13.6 million for the Period.

Dividend

The Directors do not recommend the payment of any dividend for the Period (2021: nil).

Material Acquisition and Disposal of Significant Subsidiaries and Affiliated Companies

During the three months ended 30 June 2022, the Group did not have any material acquisition nor disposal of significant subsidiaries and affiliated companies.

Promissory Note

On 1 April 2022, the maturity date of the promissory note (“**PN**”) 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 PN in the principal amount of HK\$119,525,000 has been redeemed by the Company, and the outstanding principal amount of the PN 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 of maturity date of PN, 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. On 16 June 2022, the entire amount due to a shareholder and the outstanding amount of the PN have been settled through offsetting with the consideration receivables.

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.

Business Prospects

Following the COVID-19 pandemic, the economy in Hong Kong and the PRC seemed to be on a path of recovery. However, it is expected still to be another challenging year for the Group due to the fluctuation of macro environment. The Directors will continue to enhance the Group's businesses through reviewing its existing business portfolio from time to time as well as tightening the Group's cost control measures. 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.

Significant Event After the Reporting Period

Up to the date of this announcement, there was no significant event relevant to the business or financial performance of the Group that come to the attention of the Directors after the three months ended 30 June 2022.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Share Option Scheme

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

The Remaining Life of the Share Option Scheme

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

Directors' Rights to Acquire Shares or Debentures

Save as disclosed in this announcement, at no time during the three months ended 30 June 2022 was the Company, its holding company or any of its subsidiaries or fellow subsidiaries a party to an arrangement that would enable the Directors or their close associates to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

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 three months ended 30 June 2022.

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 three months ended 30 June 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 Holding Company Limited, Devoss Global Holdings Limited and Mr. Ting Pang Wan Raymond, 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 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 three months ended 30 June 2022.

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.

Throughout the three months ended 30 June 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.

Audit Committee

The Company has established an audit committee (the “**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 unaudited condensed consolidated financial statements for the three months ended 30 June 2022 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 GEM Listing Rules and other applicable legal requirements and that adequate disclosures had been made, but have not been reviewed or audited by the Company’s auditor.

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

Hong Kong, 8 August 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, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the “Latest Listed Company Information” page of the Stock Exchange website 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>.