

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 ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2023

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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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ANNUAL RESULTS

The Board is pleased to announce the annual consolidated results of the Group for the year ended 31 March 2023 together with the comparative figures for the year ended 31 March 2022.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2023

	Notes	2023 HK\$'000	2022 HK\$'000
Continuing operations			
Revenue	4		
– sales of alcoholic beverages		39,896	65,434
– loan financing services		57,278	65,058
		<u>97,174</u>	<u>130,492</u>
Cost of operations			
– cost of alcoholic beverages		<u>(30,781)</u>	<u>(52,677)</u>
Other income	5	20,144	18,717
Staff costs		(33,388)	(33,933)
Depreciation		(5,197)	(5,936)
Administrative and other operating expenses		(12,345)	(16,345)
Net impairment recognised on loan and interest receivables	7	(19,902)	(35,566)
Change in fair value of financial assets at fair value through profit or loss (“FVTPL”)		713	508
Change in fair value of derivative financial instruments		13,638	6,974
Finance costs		<u>(20,569)</u>	<u>(27,549)</u>
Profit (loss) before tax		9,487	(15,315)
Income tax expense	6	<u>(10,914)</u>	<u>(617)</u>
Loss for the year from continuing operations	7	(1,427)	(15,932)
Discontinued operations			
Loss for the year from discontinued operations		<u>–</u>	<u>(1,346)</u>
Loss for the year		<u>(1,427)</u>	<u>(17,278)</u>

	<i>Note</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Loss for the year attributable to owners of the Company			
– from continuing operations		(2,211)	(15,367)
– from discontinued operations		<u>–</u>	<u>(1,274)</u>
Loss for the year attributable to owners of the Company		<u>(2,211)</u>	<u>(16,641)</u>
Profit (loss) for the year attributable to non-controlling interests			
– from continuing operations		784	(565)
– from discontinued operations		<u>–</u>	<u>(72)</u>
Profit (loss) for the year attributable to non-controlling interests of the Company		<u>784</u>	<u>(637)</u>
		<u>(1,427)</u>	<u>(17,278)</u>
Loss per share (HK cents)	8		
From continuing and discontinued operations			
Basic		<u>(0.35)</u>	<u>(2.67)</u>
Diluted		<u>(0.35)</u>	<u>(2.67)</u>
From continuing operations			
Basic		<u>(0.35)</u>	<u>(2.47)</u>
Diluted		<u>(0.35)</u>	<u>(2.47)</u>
From discontinued operations			
Basic		<u>–</u>	<u>(0.20)</u>
Diluted		<u>–</u>	<u>(0.20)</u>

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss for the year	<u>(1,427)</u>	<u>(17,278)</u>
Other comprehensive (expense) income		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
– Exchange differences arising from translation of foreign operations	(25,267)	10,458
– Release of translation reserve upon disposal of subsidiaries	<u>–</u>	<u>2,811</u>
	<u>(25,267)</u>	<u>13,269</u>
Total comprehensive expense for the year	<u>(26,694)</u>	<u>(4,009)</u>
Total comprehensive (expense) income for the year attributable to:		
– Owners of the Company	(15,945)	(8,174)
– Non-controlling interests	<u>(10,749)</u>	<u>4,165</u>
	<u>(26,694)</u>	<u>(4,009)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2023

	<i>Notes</i>	2023 HK\$'000	2022 <i>HK\$'000</i>
Non-current assets			
Plant and equipment		1,058	2,050
Loan receivables	<i>9</i>	29,456	21,288
Deposits	<i>10</i>	3,135	2,434
Intangible assets		1,280	1,280
Right-of-use assets		7,932	5,307
Finance lease receivables		2,232	8,876
Deferred tax asset		4,116	13,665
Goodwill		9,028	9,028
		58,237	63,928
Current assets			
Inventories		8,210	14,016
Finance lease receivables		8,422	6,382
Loan and interest receivables	<i>9</i>	257,398	374,254
Trade and other receivables	<i>10</i>	26,810	109,931
Amounts due from associates		290	273
Bank balances and cash		72,911	49,738
		374,041	554,594
Current liabilities			
Trade and other payables	<i>11</i>	19,301	29,459
Lease liabilities		9,954	7,955
Contract liabilities		7,053	12,534
Amount due to a shareholder		110,525	18,286
Loan from a non-controlling shareholder		80,838	96,450
Borrowings	<i>12</i>	39,992	44,992
Tax payable		9,068	10,980
Derivative financial instruments		9	–
Promissory notes payables		–	65,595
Convertible bonds		–	145,596
		276,740	431,847

	<i>Note</i>	2023 HK\$'000	2022 <i>HK\$'000</i>
Net current assets		<u>97,301</u>	<u>122,747</u>
Total assets less current liabilities		<u>155,538</u>	<u>186,675</u>
Capital and reserves			
Share capital	<i>13</i>	6,231	6,231
Reserves		<u>(18,649)</u>	<u>(2,704)</u>
Equity attributable to owners of the Company		(12,418)	3,527
Non-controlling interests		<u>161,991</u>	<u>172,740</u>
Total equity		<u>149,573</u>	<u>176,267</u>
Non-current liabilities			
Deferred tax liability		864	1,089
Lease liabilities		<u>5,101</u>	<u>9,319</u>
		<u>5,965</u>	<u>10,408</u>
		<u>155,538</u>	<u>186,675</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

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**”) 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 31.44% of the issued share capital of the Company as at 31 March 2023, and Mr Ting Pang Wan Raymond (“**Mr. Ting**”), which is aggregately interested in approximately 41.55% of the Company as at 31 March 2023 and has control over Royal Spectrum, are controlling shareholders of the Company. The addresses of the registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and the principal place of business of the Company 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.

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 2023, the Group incurred a net loss from continuing operations of approximately HK\$1,427,000. In addition, as at 31 March 2023, the Group had bank balances and cash amounted to approximately HK\$72,911,000 while its amount due to a shareholder, loan from a non-controlling shareholder and borrowings, totaling amounted to approximately HK\$231,355,000 which will be matured within the coming twelve months from 31 March 2023. 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 amount due to a shareholder had 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;
- 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 following amendments to HKFRSs, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) where are effective for the Group's financial year beginning 1 April 2022:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKFRS 16	Covid-19-Related Rent Concessions beyond 2021
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020 cycle
Amendments to Hong Kong Accounting Standards (“HKAS”) 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Accounting Guideline 5 (Revised)	Revised Accounting Guideline 5 Merger Accounting for Common Control Combinations

The application of 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 (including the October 2020 and February 2022 amendments to HKFRS 17)	Insurance Contracts and related Amendments ¹
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ²
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	Non-current Liabilities with Covenants ²
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to HKAS 8	Definition of Accounting Estimates ¹
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹
HK Interpretation 5 (Revised)	Presentation of financial statement – Classification by the borrower of a term loan that contains a repayment on demand clause ²

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

² *Effective for annual periods beginning on or after 1 January 2024*

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

The Group is in the process of making an assessment of the impact of these amendments to existing standards, new standards and new interpretation in the period of initial application. In addition to the above, there are a number of minor amendments to HKAS/HKFRS under the annual improvement project of HKICPA. The Group has analyzed these amendments and these amendments are not likely to have a significant impact on the Group's financial statements.

4. 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:

	2023 <i>HK\$'000</i>	2022 <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	39,896	65,434
Loan financing services segment		
– Loan referral services income	14,541	16,440
	<u>54,437</u>	<u>81,874</u>
Total revenue from contracts with customers		
	<u>54,437</u>	81,874
Revenue from other sources		
Loan financing segment		
– Interest income – Micro loans	34,999	39,080
– Interest income – Other loans	7,738	9,538
	<u>42,737</u>	<u>48,618</u>
Total revenue	<u>97,174</u>	<u>130,492</u>

Disaggregation of revenue by timing of recognition

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Timing of revenue recognition		
At a point in time	<u>54,437</u>	<u>81,874</u>

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. Loan financing services – provision of loan financing and loan referral services
3. Financial services – provision of financial consultancy services

(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:

	2023	2022
	<i>HK\$’000</i>	<i>HK\$’000</i>
Revenue		
Sales of alcoholic beverages	39,896	65,434
Loan financing services	57,278	65,058
	<u>97,174</u>	<u>130,492</u>
Segment (loss) profit		
Sales of alcoholic beverages	(4,462)	(1,241)
Loan financing services	19,851	3,983
Financial services	(1,918)	(1,963)
	13,471	779
Unallocated income	29,535	24,469
Unallocated expenses	(12,950)	(13,014)
Finance costs	(20,569)	(27,549)
	<u>9,487</u>	<u>(15,315)</u>

Segment profit 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

	2023	2022
	HK\$'000	HK\$'000
Continuing operations		
Sales of alcoholic beverages	18,420	21,038
Loan financing services	318,490	420,644
Financial services	4	11
	<hr/>	<hr/>
Total segment assets	336,914	441,693
Unallocated assets	95,364	176,829
	<hr/>	<hr/>
Consolidated total assets	432,278	618,522
	<hr/> <hr/>	<hr/> <hr/>

Segment liabilities

	2023	2022
	HK\$'000	HK\$'000
Continuing operations		
Sales of alcoholic beverages	24,150	14,195
Loan financing services	10,485	27,169
Financial services	92	132
	<hr/>	<hr/>
Total segment liabilities	34,727	41,496
Unallocated liabilities	247,978	400,759
	<hr/>	<hr/>
Consolidated total liabilities	282,705	442,255
	<hr/> <hr/>	<hr/> <hr/>

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

- all assets are allocated to operating segments other than 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 certain lease liabilities, certain other payables, amounts due to a 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 2023

	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>)	97	–	7,424	1,428	8,949
Depreciation	3,183	6	1,922	86	5,197
Amounts written-off as uncollectible on other receivables	2,543	–	–	–	2,543
Net impairment loss recognised on loan and interest receivables	–	–	19,902	–	19,902
<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	–	–	–	59	59
Finance costs	–	–	–	20,569	20,569
Income tax expense	–	–	10,914	–	10,914
	<u>–</u>	<u>–</u>	<u>10,914</u>	<u>–</u>	<u>10,914</u>

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	–	–	35,566	–	35,566
<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

Note: Non-current assets excluded financial instruments, deferred tax asset and those relating to discontinued operations.

(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	
	2023	2022	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
PRC	49,540	65,058	1,378	3,211
Hong Kong	47,634	65,434	17,920	14,454
	97,174	130,492	19,298	17,665

(e) **Information about major customers**

During the years ended 31 March 2023 and 2022, there is no customer contributing over 10% of the total revenue of the Group.

5. **OTHER INCOME**

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Continuing operations		
Bank interest income	59	29
Consignment income	475	328
Management fee income (<i>Note (b)</i>)	1,310	–
Net exchange gain	7,630	8,098
Government grants (<i>Note (a)</i>)	760	–
Gain on disposal of plant and equipment	534	–
Gain on disposal of a subsidiary	1,253	–
Interest income from consideration receivable (<i>Note 10</i>)	510	3,153
Interest income from finance lease receivables	1,270	1,220
Gain on early termination of a lease	–	5
Gain on disposal of right-of-use assets	2,519	4,165
Net reversal of impairment loss on trade receivables	–	34
Others	3,824	1,685
	20,144	18,717

Note:

- (a) During the year ended 31 March 2023, the amount represents government subsidies granted due to the COVID-19 pandemic under the Employment Support Scheme of the Hong Kong Government. There were no unfulfilled conditions or contingencies relating to these government grants.
- (b) During the year ended 31 March 2023, the Group entered into sublease arrangements as a lessor for certain office space to its tenants in which 10% of addition management and administrative fee would be charged on top of the lease agreement.

6. INCOME TAX EXPENSE

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Continuing operations		
Current tax:		
PRC Enterprise Income Tax ("EIT")	<u>61</u>	<u>2,429</u>
Under provision in prior year:	230611393	
Hong Kong Profits Tax	<u>-</u>	<u>281</u>
Deferred taxation	8,484	(2,093)
Withholding tax	<u>2,369</u>	<u>-</u>
	<u>10,914</u>	<u>617</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 years ended 31 March 2023 and 2022, 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 2022/2023, subject to a ceiling of HK\$6,000 (2021/2022: 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%, except for certain subsidiaries which qualified as small enterprises and micro enterprises and enjoy preferential EIT tax rate from 2.5% to 15% for both years. Further 10% withholding income tax is generally imposed on dividends relating to profits.

7. LOSS FOR THE YEAR

	2023 HK\$'000	2022 HK\$'000
Continuing operations		
Loss for the year has been arrived at after charging (crediting):		
Directors' emoluments	4,317	4,638
Salaries, allowances and other benefits	26,888	27,089
Contributions to retirement benefits scheme	2,183	2,013
Equity-settled share-based payment expenses – employees	–	193
	<u>33,388</u>	<u>33,933</u>
Total staff costs		
Net impairment loss recognised		
on loan and interest receivables	10,860	16,636
Written-off of loans and interest receivables	9,042	18,930
	<u>19,902</u>	<u>35,566</u>
Net impairment recognised on loan and interest receivables		
Auditor's remuneration ²	630	1,060
Depreciation of plant and equipment	805	909
Depreciation of right-of-use assets	4,392	5,027
Cost of inventories recognised as expense ¹	29,613	51,067
Equity-settled share-based payment expenses – consultants ²	–	82
Net (gain) loss on disposals and written off of plant and equipment ²	(534)	43
Lease rentals for office premises ³	282	380
Net reversal of impairment loss recognised on trade receivables ²	–	(34)
Amounts written-off as uncollectible on other receivables ²	2,543	–

¹ Amounts included in cost of operations

² Amounts included in administrative and other operating expenses (other income)

³ The amounts represent lease rentals related to short-term lease under HKFRS 16

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:

	2023	2022
	HK\$'000	HK\$'000
Loss		
Loss for the purpose of basic and diluted loss per share for the year attributable to the owners of the Company	<u><u>(2,211)</u></u>	<u><u>(16,641)</u></u>

	2023	2022
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>623,127,227</u></u>

The computation of diluted loss per share does not assume the exercise of the Company's outstanding share options and outstanding convertible bonds as the exercise price of which were higher than the average market price of shares for the year ended 31 March 2023 and 2022.

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:

	2023	2022
	HK\$'000	HK\$'000
Loss for the purpose of basic and diluted loss per share from continuing operations	<u><u>(2,211)</u></u>	<u><u>(15,367)</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>	<u>(1,274)</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

	2023	2022
	HK\$'000	HK\$'000
Secured loans		
Real estate-backed loans	31,324	33,790
Secured micro loans	58,883	59,530
	<u>90,207</u>	<u>93,320</u>
Unsecured loans		
Unsecured micro loans	161,810	257,611
Unsecured other loans	18,655	31,281
	<u>180,465</u>	<u>288,892</u>
	270,672	382,212
Interest receivables	32,827	64,126
	<u>303,499</u>	<u>446,338</u>
Less: Allowances for loan and interest receivables	(16,645)	(50,796)
	<u>286,854</u>	<u>395,542</u>
Loan and interest receivables analysed for reporting purpose as:		
Non-current assets	29,456	21,288
Current assets	257,398	374,254
	<u>286,854</u>	<u>395,542</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:

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 90 days	44,007	91,380
91 – 180 days	47,843	66,863
181 – 365 days	57,480	41,503
Over 365 days	137,524	195,796
	<hr/>	<hr/>
As at 31 March	286,854	395,542
	<hr/> <hr/>	<hr/> <hr/>

10. TRADE AND OTHER RECEIVABLES AND DEPOSITS

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	1,862	1,369
Less: loss allowance	(473)	(473)
	<hr/>	<hr/>
Net trade receivables	1,389	896
	<hr/>	<hr/>
Payments in advance	1,223	5,072
Prepayments	526	348
Deposits and other receivables	26,807	15,272
Consideration receivable (<i>Note</i>)	–	90,777
	<hr/>	<hr/>
Total other receivables and deposits	28,556	111,469
	<hr/>	<hr/>
Trade and other receivables and deposits	29,945	112,365
	<hr/> <hr/>	<hr/> <hr/>
Analysed as:		
Current	26,810	109,931
Non-current	3,135	2,434
	<hr/>	<hr/>
Trade and other receivables and deposits	29,945	112,365
	<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. It has been settled on 16 June 2022 then set-off with the entire promissory note payable and amount due to a shareholder.

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:

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 30 days	490	264
31 to 60 days	415	231
61 to 90 days	64	55
91 to 180 days	103	101
181 to 365 days	159	149
Over 365 days	158	96
	<hr/>	<hr/>
Total	1,389	896
	<hr/> <hr/>	<hr/> <hr/>

11. TRADE AND OTHER PAYABLES

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	3,831	2,247
Other payables and accruals	15,470	27,212
	<hr/>	<hr/>
Trade and other payables	19,301	29,459
	<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:

	2023 HK\$'000	2022 <i>HK\$'000</i>
Within 30 days	1,510	991
31 to 60 days	483	424
61 to 90 days	344	74
91 to 180 days	730	307
181 to 365 days	320	86
Over 365 days	444	365
	<hr/>	<hr/>
Total	3,831	2,247
	<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

	2023 HK\$'000	2022 <i>HK\$'000</i>
Other borrowings	39,992	44,992
	<hr/> <hr/>	<hr/> <hr/>

The other borrowings are all repayable within one year.

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

	2023	2022
Other borrowings	12% per annum	12% per annum
	<hr/> <hr/>	<hr/> <hr/>

All the other borrowings are at fixed rates.

As at 31 March 2023, the carrying amount of other borrowings amounted to approximately HK\$39,992,000 (2022: HK\$44,992,000) which bore interest at fixed rate. The fixed rate of other borrowings carried interest at 12% per annum and contained a repayable on demand clause. These borrowings are secured by the Company's interest in 77% of the entire issued share capital of Hackett Enterprises Limited and personal guarantee provided by Mr. Ting, the substantial shareholder of the Company.

13. SHARE CAPITAL

	Number of shares	Share capital HK\$'000
Ordinary shares of HK\$0.01 each as at 31 March 2023		
Authorised:		
As at 1 April 2021, of HK\$0.001 each	10,000,000,000	10,000
Share Consolidation on 20 January 2022 (<i>Note</i>)	<u>(9,000,000,000)</u>	<u>–</u>
As at 31 March 2022, 1 April 2022 and 31 March 2023, of HK\$0.01 each	<u>1,000,000,000</u>	<u>10,000</u>
Issued and fully paid:		
As at 1 April 2021, of HK\$0.001 each	6,231,272,277	6,231
Share Consolidation on 20 January 2022 (<i>Note</i>)	<u>(5,608,145,050)</u>	<u>–</u>
As at 31 March 2022, 1 April 2022 and 31 March 2023, of HK\$0.01 each	<u>623,127,227</u>	<u>6,231</u>

Note:

On 18 January 2022, the Board 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.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the year ended 31 March 2023 (the “**Year**”), 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 consultancy services (the “**Loan Financing Business**”); and (iii) the provision of financial services (the “**Financial Services Business**”).

During the Year, the Group’s revenue from continuing operations decreased by approximately 25.5% to approximately HK\$97.2 million (2022: HK\$130.5 million). Such decrease was mainly due to (i) the revenue generated from the Wine Business decreased by approximately 39.0%, which amounted to approximately HK\$39.9 million (2022: HK\$65.4 million); and (ii) the revenue generated from the Loan Financing Business decreased by approximately 12.0%, which amounted to approximately HK\$57.3 million (2022: HK\$65.1 million).

The Group’s loss from continuing operations for the Year was approximately HK\$1.4 million (2022: HK\$15.9 million), representing a decrease of approximately 91.2% as compared with last year. The decrease in the loss was mainly attributable to (i) the decrease in net impairment recognised on loan and interest receivables of approximately HK\$15.7 million; (ii) the increase in gain on the change in fair value of derivative financial instruments of approximately HK\$6.6 million; (iii) the decrease in finance costs of approximately HK\$6.9 million; and (iv) the decrease in administrative and other operating expenses of approximately HK\$4.0 million, and partially offset by (i) the decrease in gross profit of approximately HK\$11.4 million; and (ii) the increase in income tax expense of approximately HK\$10.3 million.

Wine Business

During the Year, the Group's revenue from the Wine Business decreased by approximately 39.0%, which amounted to approximately HK\$39.9 million (2022: HK\$65.4 million) and recorded an increase in segment loss of approximately 275.0%, which amounted to approximately HK\$4.5 million (2022: HK\$1.2 million). Such decrease was mainly due to the lockdown measures imposed on certain major cities in the PRC by the PRC authorities in order to prevent the spread-out of the novel coronavirus disease (“COVID-19”) pandemic. Therefore, some wholesale customers deferred their purchase plans as they encountered logistics problems in delivering the wines to the ultimate customers in the PRC. Besides, the economy of Hong Kong and the PRC both suffered a setback due to the COVID-19 pandemic and some customers cancelled their orders as less business activities are expected to be carried out.

Loan Financing Business

During the Year, the Loan Financing Business reported a decrease in revenue of approximately 12.0%, which amounted to approximately HK\$57.3 million (2022: HK\$65.1 million) and an increase in segment profit of approximately 398.0%, which amounted to approximately HK\$19.9 million (2022: HK\$4.0 million), which were mainly due to a decrease in net impairment recognised on loan and interest receivables.

The size of Group's loan portfolio was reduced significantly to approximately HK\$303.5 million (2022: HK\$446.3 million) as compared to last year. The management has been prudent in granting new loans in light of the prevailing economic conditions in Hong Kong and PRC. The Group aims to make loans that could be covered by sufficient collaterals, preferably properties and assets with good quality, and to borrowers with good credit history. The target customer of the business are individuals and corporate entities with both long-term or short-term funding needs for business purposes and could provide sufficient collaterals for their borrowings. The Group has a stable source of loan deals from its own business network and its sales agents.

As at 31 March 2023, the carrying amount, after allowance for loan and interest receivables, of the loan portfolio held by the Group amounted to approximately HK\$286.9 million (2022: HK\$395.5 million) with details as follows:

Category of borrowers	Interest rate per month	Maturity	Approximate weighting to the carrying amount of the Group's loan portfolio	
			2023	2022
			%	%
Corporate	0.3-3	Within one year	25	28
Corporate	0.3-3	2-5 years	8	1
Individual	0.3-3	Within one year	65	67
Individual	0.3-3	2-5 years	2	4

As at 31 March 2023, approximately 42.9% (2022: 32.5%) of the carrying amount of the loan portfolio was secured by collaterals with approximately 57.1% (2022: 67.5%) being unsecured. At the Year end, the loan made to all borrowers were term loans with maturity from one to five years, and the loan made to the largest borrower and the ten largest borrowers accounted for approximately 11.1% (2022: 9.1%) and 40.8% (2022: 32.3%) respectively of the Group's loan portfolio.

Impairment loss

The Group performs impairment assessment on loan and interest receivables under the Expected Credit Loss (“ECL”) model. The measurement of ECL takes into account the historical default experience, the financial position of the counterparties, value of collaterals as well as the future prospects of the industries in which the borrowers operate, considering various external sources of actual and forecast economic information for estimating the probability of default of each of these financial assets occurring within their respective loss assessment time horizon and the loss upon default in each case. As at 31 March 2023, the impairment allowance for loan and interest receivables recognised primarily represented the credit risk involved in collectability of certain default and non-default loans determined under the Group's loan impairment policy, with reference to certain factors including but not limited to the credit history and financial condition of the borrowers and the realisation value of the collaterals. Moreover, forward-looking information including the future macro-economic conditions affecting the borrowers, such as the negative impact of the COVID-19 pandemic on the economy, has also been considered.

The Group has a system in place to closely monitor the recoverability of its loan portfolio, its credit monitoring measures including regular collateral reviews against market information and regular communication with the borrowers in respect of their financial position, through which the Group would be able to keep updated with the latest credit profile and risk associated with each individual borrower and could take appropriate actions for recovery of a loan at the earliest time. If necessary, the Group will commence legal actions against the borrowers for recovery of the overdue loans and take possession of the collaterals pledged.

A net impairment recognised on loan and interest receivables (the “**Loan Receivables**”) of approximately HK\$19.9 million (2022: HK\$35.6 million) (the “**Impairment**”) was recognised during the Year, including approximately HK\$10.9 million (2022: HK\$16.6 million) being attributed to the ECL to Loan Receivables and a direct written-off of approximately HK\$9.0 million (2022: HK\$18.9 million).

Reasons for and the circumstances leading to the Impairment

The outbreak of the COVID-19 pandemic have cast a continuing adverse impact on the global economic environment. During the Year, the economy was further unstabilised by social uncertainties, including but not limited to the Russo-Ukrainian war, the resurgence in the pandemic caused by the COVID-19 variants, and the sporadic lockdown measures imposed by the Government of the PRC or quarantine policy announced by the Hong Kong Government.

By reasons of the above, the repayment ability of the borrowers was severely impeded, resulting in a rise in loan defaults and delinquent payments. Although the general COVID-19 precautionary measures appear to have eased up worldwide, the PRC continues to adopt a stringent COVID-19 policy. In particular, in Chongqing, the PRC, where the Group’s money lending business mainly operates, lockdown remains to be the key precautionary measures against COVID-19, and borrowers of the Group yet face another hurdle before resuming to normal business operations. The amount of Loan Receivables written-off represented the outstanding principal loan amount and interests proven to be irrecoverable in light of the death or bankruptcy or wound-up of the debtors. Further, the increasing loan default rate has raised the historical loss rate, which would amplify the valuation of the allowance. Taking into account the increasing credit risk and the slight recoverability of certain loans, the Impairment was made accordingly.

Notwithstanding the rise in loan defaults and delinquent payments in the midst of the current global and regional economic condition, for the Year, the Group recorded a segment profit of approximately HK\$19.9 million (2022: HK\$4.0 million) after deducting impairment and operating costs, and the total net impairment loss recognised, including the written-off loans, was approximately 6.6% (2022: 8.0%) to the total amount of the Loan Receivables. When granting loans to potential borrowers, the management strives to strike a right balance between the relevant risks and profits, and has taken into consideration the prevailing economic environment.

Discontinued operation

During the year ended 31 March 2022, the management of the Company considered 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 at that time. 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 cryptocurrency exchange business in Japan (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. 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 promissory note was subsequently extended to 16 June 2022 and the interest rate of the promissory note was increased to 3.0% per annum by an extension deed dated 16 December 2021. The promissory note was fully settled on 16 June 2022. For details of the Disposal and the promissory note, please refer to 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\$97.2 million (2022: HK\$130.5 million), representing a decrease of approximately HK\$33.3 million or 25.5% as compared with last year. The revenue included (i) approximately HK\$39.9 million (2022: HK\$65.4 million) from the Wine Business; and (ii) approximately HK\$57.3 million (2022: HK\$65.1 million) from the Loan Financing Business. No revenue was generated from the Financial Services Business (2022: Nil).

Gross profit margin from the Wine Business in continuing operations was increased to approximately 22.8% (2022: 19.5%). Such increase was mainly driven by streamlining wine business operations and reducing operation expenses. Total gross profit margin from continuing operations was increased to approximately 68.3% as compared with that of approximately 59.6% last year due to the increase in the proportion of revenue generated from the Loan Financing Business.

Gross profit from continuing operations was approximately HK\$66.4 million (2022: HK\$77.8 million), representing a decrease of approximately 14.7% as compared with last year and was mainly due to the decrease in revenue from the Wine Business. Details of the reasons of the decrease 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\$33.4 million and HK\$12.3 million respectively (2022: HK\$33.9 million and HK\$16.3 million respectively), representing a decrease of approximately 1.5% and 24.5% respectively as compared with last year. Depreciation from continuing operations was approximately HK\$5.2 million, which was decreased by approximately 11.9% when compared to approximately HK\$5.9 million for the year ended 31 March 2022.

Other income from continuing operations increased from approximately HK\$18.7 million to approximately HK\$20.1 million for the Year. It was mainly attributed to the gain on disposal of a subsidiary, gain on disposal of plant and equipment, management fee income and government grants of a total of approximately HK\$3.9 million and was partially offset by the decrease in interest income from consideration receivable of approximately HK\$2.6 million.

The finance costs for the Year amounted to approximately HK\$20.6 million (2022: HK\$27.5 million) which were mainly incurred on convertible bonds, promissory notes payables, borrowings, lease liabilities and loan from a non-controlling shareholder.

The Group’s loss from continuing operations for the Year was approximately HK\$1.4 million (2022: HK\$15.9 million), representing a decrease of approximately 91.2% as compared with last year. The decrease in the loss was mainly attributable to (i) the decrease in net impairment recognised on loan and interest receivables of approximately HK\$15.7 million; (ii) the increase in gain on the change in fair value of derivative financial instruments of approximately HK\$6.6 million; (iii) the decrease in finance costs of approximately HK\$6.9 million; and (iv) the decrease in administrative and other operating expenses of approximately HK\$4.0 million, and partially offset by (i) the decrease in gross profit of approximately HK\$11.4 million; and (ii) the increase in income tax expense of approximately HK\$10.3 million.

The loss included a net impairment loss recognised on loan and interest receivables arising from the Loan Financing Business of approximately HK\$19.9 million (2022: HK\$35.6 million), details of which are disclosed in the sub-section headed “Business Review” above. The Group recorded a gain of change in fair value of derivative financial instruments of approximately HK\$13.6 million (2022: HK\$7.0 million). No loss was incurred from the discontinued operation for the Year (2022: HK\$1.3 million).

Liquidity and Financial Resources

As at 31 March 2023, the Group's net current assets were approximately HK\$97.3 million (2022: HK\$122.7 million), including cash and cash equivalents of approximately HK\$72.9 million (2022: HK\$49.7 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\$120.8 million (2022: HK\$352.6 million). The Group's financial resources were funded mainly by loans and its shareholders' funds.

As at 31 March 2023, the Group's current ratio, as calculated by dividing current assets by current liabilities, was approximately 1.4 times (2022: 1.3 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 80.8% (2022: 200.1%). The decrease of the gearing ratio was because of the expiration of the promissory notes payables and convertible bonds.

Foreign Currency Exposure

As at 31 March 2023, 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 2023, the total number of shares of the Company was 623,127,227.

Details of the movements in the Company's share capital are set out in note 13 to the consolidated financial statements.

Capital Commitments

As at 31 March 2023, the Group did not have any capital commitments (2022: Nil).

Contingent Liabilities

As at 31 March 2023, the Group did not have any contingent liabilities (2022: 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 (2022: Nil).

SIGNIFICANT INVESTMENTS, MATERIAL DISPOSALS AND ACQUISITIONS

During the Year, there was no significant investment, material acquisition or disposal of subsidiaries, associates or joint ventures by the Group.

SEGMENT INFORMATION

For the Year, 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 41.1%, 58.9% and 0% (2022: 50.1%, 49.9% and 0%) of the total revenue respectively.

Following the outbreak of COVID-19, the economies of Hong Kong and the PRC are gradually recovering from the pandemic. During the Year, the Group is still under threats from variants of the COVID-19 and the outlook of the Group's 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 a decrease in revenue in the Wine Business and Loan Financing Business of approximately HK\$25.5 million and HK\$7.8 million respectively and no revenue was generated from the Financial Services Business for the 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 summarised 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 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
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

EMPLOYEE AND REMUNERATION POLICIES

As at 31 March 2023, the Group employed 120 employees (2022: 124). 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 and water.

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 the PRC and Hong Kong. As such, the Group's operations shall comply with relevant laws and regulations in the PRC and Hong Kong accordingly. During the Year, the Group has complied with all applicable laws and regulations in the PRC 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 the PRC and Hong Kong and adhere to them to ensure compliance.

BUSINESS PROSPECT

Despite the continuous outbreak of the COVID-19 pandemic in the PRC, lockdown measures and anti-pandemic restrictions around the globe, the PRC and Hong Kong have gradually relaxed. The Board anticipates that the economy of the PRC and Hong Kong will gradually recover in 2023, benefitting the development and operation of the Group's businesses. 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 proactively 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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Share Option Scheme

The Company has conditionally adopted share option scheme (the "**Share Option Scheme**") pursuant to a written resolution of its 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.

Option Granted Under Specific Mandate

On 23 August 2022, 85,922,330 option shares at HK\$1.03 per share were granted by the Company to SRA Holdings, Inc. in accordance with the terms and conditions of the option agreement dated 6 June 2022.

Directors' Rights to Acquire Shares or Debentures

Save as disclosed in this announcement, at no time during the Year 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 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.

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 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 Year.

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, independent non-executive Directors and other non-executive Directors should attend general meetings and develop a balanced understanding of the views of the shareholders. All Directors were present at both of the annual general meeting and the extraordinary meeting held on 9 August 2023, except for Dr. Lau Reimer, Mary Jean who was unable to attend the said general meetings due to other business engagement.

Save as disclosed above, throughout the Year, to the best knowledge of the Board, the Company had complied with the code provisions in the CG Code.

Closure of Register of Members

The annual general meeting of the Company (the “**AGM**”) is scheduled to be held on Friday, 4 August 2023. 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 Tuesday, 1 August 2023 to Friday, 4 August 2023 (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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than 4:30 p.m. on Monday, 31 July 2023.

Review by 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, Dr. Lau Remier, Mary Jean, Mr. Ip Cho Yin, *J.P.* and Mr. Zhou Li, 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, and the Audit Committee agreed with the accounting principles and practices adopted by the Company.

Publication of Results Announcement and 2022-23 Annual Report

This announcement is published on the website of the Stock Exchange (www.hkexnews.hk) as well as the website of the Company (www.madison-group.com.hk). The annual report of the Company for the Year will be despatched 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, 20 June 2023

As at the date of this announcement, the executive Directors are Ms. Kuo Kwan and Ms. Xie Mengna; the non-executive Directors are Mr. Ip Cho Yin J.P. and Mr. Ji Zuguang; and the independent non-executive Directors are Mr. Chu Kin Wang Peleus, Dr. Lau Reimer, Mary Jean and Mr. Zhou Li.

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>.