

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker, or other licensed securities dealer, bank manager, solicitors, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Madison Holdings Group Limited, you should at once hand this circular together with the enclosed form of proxy to the purchaser or the transferee, or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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MADISON
— G R O U P —
Madison Holdings Group Limited
麥迪森控股集團有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8057)

**(1) MAJOR AND CONNECTED TRANSACTION –
DISPOSAL OF 38% EQUITY INTERESTS IN
HACKETT ENTERPRISES LIMITED;
AND
(2) NOTICE OF EXTRAORDINARY GENERAL MEETING**

**Independent Financial Adviser to
the Independent Board Committee and the Independent Shareholders**



A notice convening the extraordinary general meeting (the “EGM”) of the Company to be held at Units 26-28, 8/F, One Island South, 2 Heung Yip Road, Wong Chuk Hang, Hong Kong on Friday, 2 August 2024 at 10:15 a.m. (or at such time immediately after the conclusion of the annual general meeting of the Company to be held at 10:00 a.m. on the same day and at the same place, or as the case may be, the adjourned meeting thereof) or any adjournment thereof is set out on pages EGM-1 to EGM-3 of this circular. A form of proxy for use at the EGM is also enclosed with this circular.

A letter from the Board is set out on pages 5 to 18 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 19 to 20 of this circular. A letter from the Independent Financial Adviser containing its advice and recommendation to the Independent Board Committee and the Independent Shareholders is set out on pages 21 to 47 of this circular.

Whether or not you are able to attend the EGM in person, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to 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 as soon as possible but in any event not less than 48 hours before the time appointed for holding of the EGM (i.e. no later than 10:15 a.m. on Wednesday, 31 July 2024) or any adjourned meeting thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting thereof (as the case may be) should you so wish, and in such event, the form of proxy shall be deemed to be revoked.

This circular will remain on the “Latest Listed Company Information” page of the website of the Stock Exchange at www.hkexnews.hk for at least 7 days from the date of its publication and on the website of the Company at www.madison-group.com.hk.

17 July 2024

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CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

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 of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings when used herein:

“Acquisition”	the acquisition of 52 shares of the Disposal Company by the Company from the Purchaser pursuant to the terms and conditions of the sale and purchase agreement dated 20 November 2018 entered into between the Company, as purchaser, and the Purchaser, as vendor
“AGM”	the annual general meeting of the Company to be convened and held at Units 26-28, 8/F, One Island South, 2 Heung Yip Road, Wong Chuk Hang, Hong Kong on Friday, 2 August 2024 at 10:00 a.m. or any adjournment thereof to consider and, if thought fit, to approve, among other things, (i) the re-election of Directors; and (ii) the granting of the general mandate (including the extended general mandate) and the repurchase mandate
“Board”	the board of Directors
“Business Day”	any day (other than a Saturday, Sunday or public holiday) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
“Company”	Madison Holdings Group Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on GEM of the Stock Exchange (stock code: 8057)
“Completion”	completion of the Disposal
“connected person(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Consideration”	a sum of HK\$56.4 million, being the consideration for the Sale Shares
“controlling shareholder”	has the meaning ascribed thereto under the GEM Listing Rules
“Director(s)”	the director(s) of the Company

DEFINITIONS

“Disposal”	the proposed disposal of the Sale Shares by the Vendor to the Purchaser pursuant to the terms and conditions of the Sale and Purchase Agreement
“Disposal Company”	Hackett Enterprises Limited, a company established in the Republic of Seychelles with limited liability, which is owned as to 77% by the Company, 18% by Apex Treasure International Limited and 5% by Atlantis China Star Fund Limited as at the Latest Practicable Date
“Disposal Group”	Disposal Company and its subsidiaries
“EGM”	the extraordinary general meeting of the Company to be convened and held at Units 26-28, 8/F, One Island South, 2 Heung Yip Road, Wong Chuk Hang, Hong Kong on Friday, 2 August 2024, at 10:15 a.m. (or at such time immediately after the conclusion of the AGM) for the purpose of considering and, if thought fit, approving the Sale and Purchase Agreement and the transactions contemplated thereunder
“GEM”	GEM of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM of the Stock Exchange
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Company comprising all independent non-executive Directors to advise the Independent Shareholders in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder
“Independent Financial Adviser” or “Rainbow Capital”	Rainbow Capital (HK) Limited, a corporation licensed to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder

DEFINITIONS

“Independent Shareholder(s)”	Shareholder(s) other than: (i) Mr. Ting and his associates (including Royal Spectrum Holding Company Limited, the Purchaser, Kaiser Capital Holdings Limited, Highgrade Holding Limited and Plan Marvel Investment Limited); and (ii) those who have a material interest in the Disposal or any other person who is required by the GEM Listing Rules to abstain from voting on the resolution approving the Sale and Purchase Agreement and the transactions contemplated thereunder
“Irrevocable Undertaking”	has the meaning ascribed thereto in the paragraph headed “Letter from the Board – The Sale and Purchase Agreement – Irrevocable Undertaking” in this circular
“Latest Practicable Date”	12 July 2024, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Loan”	has the meaning ascribed thereto in the paragraph headed “Letter from the Board – The Sale and Purchase Agreement – Consideration” in this circular
“Mr. Ting”	Mr. Ting Pang Wan Raymond, being the Purchaser’s guarantor under the Sale and Purchase Agreement and a controlling shareholder of the Company as at the Latest Practicable Date
“PRC”	the People’s Republic of China which for the purpose of this circular excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Purchaser”	CVP Financial Group Limited, a company incorporated in the British Virgin Islands with limited liability, which is wholly and beneficially owned by Mr. Ting as at the Latest Practicable Date
“Sale and Purchase Agreement”	the conditional sale and purchase agreement dated 28 May 2024 entered into among the Company, the Purchaser and Mr. Ting in respect of the Disposal
“Sale Shares”	38 shares of the Disposal Company, representing 38% issued share capital of the Disposal Company, which is beneficially owned by the Company as at the Latest Practicable Date

DEFINITIONS

“Set-off”	has the meaning ascribed thereto in the paragraph headed “Letter from the Board – The Sale and Purchase Agreement – Consideration” in this circular
“SFO”	the Securities and Futures Ordinance (Cap. 571 of the laws of Hong Kong)
“Share(s)”	share(s) of the Company of HK\$0.01 each
“Shareholder(s)”	holder(s) of issued Share(s) from time to time
“Shareholders Agreement”	the shareholders’ agreement dated 28 July 2016 and entered into among the shareholders of the Disposal Company in relation to the management of the Disposal Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	the Company
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“%”	per cent.

MADISON
— G R O U P —

Madison Holdings Group Limited
麥迪森控股集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8057)

Executive Directors:

Ms. Kuo Kwan

Dr. Cheung Yuk Shan Shirley

Non-executive Directors:

Mr. Ji Zuguang

Mr. Ip Cho Yin J.P.

Independent non-executive Directors:

Mr. Chu Kin Wang Peleus

Dr. Lau Reimer, Mary Jean

Mr. Zhou Li

Registered office:

Cricket Square

Hutchins Drive, P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

Principal place of business

in Hong Kong:

Units 26-28, 8/F

One Island South

2 Heung Yip Road

Wong Chuk Hang

Hong Kong

17 July 2024

To the Independent Shareholders

Dear Sir or Madam,

**(1) MAJOR AND CONNECTED TRANSACTION –
DISPOSAL OF 38% EQUITY INTERESTS IN
HACKETT ENTERPRISES LIMITED;**

AND

(2) NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

Reference is made to the announcement of the Company dated 28 May 2024 in relation to the Sale and Purchase Agreement.

The purpose of this circular is to provide you with, among other things, (i) further information on the Sale and Purchase Agreement and the transactions contemplated thereunder; (ii) the recommendation from the Independent Board Committee to the Independent Shareholders; (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (iv) other information as required under the GEM Listing Rules; and (v) a notice of the EGM.

LETTER FROM THE BOARD

BACKGROUND

On 20 November 2018, the Company, as purchaser, and the Purchaser, as vendor, entered into a sale and purchase agreement, pursuant to which the Company has conditionally agreed to acquire, and the Purchaser has conditionally agreed to sell, 52 shares of the Disposal Company, representing 52% of the entire issued share capital of the Disposal Company as at the Latest Practicable Date, for a total consideration of HK\$462.8 million, (i) 60% of which shall be satisfied by the Company allotting and issuing 504,872,727 new Shares at an issue price of HK\$0.55 per Share to the Purchaser at completion; and (ii) 40% of which shall be satisfied by the Company issuing a promissory note in the principal amount of HK\$185,120,000 to the Purchaser at completion. Completion of the Acquisition took place on 29 March 2019.

Decline in financial performance of the Disposal Company since completion of the Acquisition

As disclosed in the annual reports of the Company for the years ended 31 March 2021, 31 March 2022, 31 March 2023 and 31 March 2024, Hong Kong's and PRC's economy were seriously hit by the global outbreak of the novel coronavirus disease and the anti-pandemic restrictions and policies resulted in sluggish recovery of the economy. In view of the increasing bad debts in respect of the loan receivables during the years ended 31 March 2021 and 31 March 2022, the management of the Disposal Company has been prudent in granting new loans to minimise credit risks. Therefore, the weighted-average loan portfolio of the Disposal Company decreased by approximately 44.6% from approximately HK\$533.6 million for the year ended 31 March 2020 to approximately HK\$295.4 million for the year ended 31 March 2024, and the revenue of the Disposal Company was decreased by approximately 46.6% from approximately HK\$86.5 million for the year ended 31 March 2020 to approximately HK\$46.2 million for the year ended 31 March 2024. For the year ended 31 March 2024, the Disposal Company had a weighted-average loan portfolio of approximately HK\$295.4 million, representing a decrease of approximately 21.2% as compared to the corresponding period in 2023, and recorded a revenue of approximately HK\$46.2 million, representing a decrease of approximately 19.4% as compared to the corresponding period in 2023.

THE DISPOSAL

On 28 May 2024 (after trading hours of the Stock Exchange), the Company as the Vendor, the Purchaser and Mr. Ting, as the Purchaser's guarantor, entered into the Sale and Purchase Agreement, pursuant to which the Company has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the Sale Shares, representing 38% equity interests in the Disposal Company for a total consideration of HK\$56.4 million.

LETTER FROM THE BOARD

THE SALE AND PURCHASE AGREEMENT

The principal terms of the Sale and Purchase Agreement are set out as follows:

Date: 28 May 2024

Parties: (i) The Company, as the Vendor;
(ii) the Purchaser, as the Purchaser; and
(iii) Mr. Ting, as the Purchaser's guarantor

The Purchaser is a company established in the British Virgin Islands with limited liability and is an investment holding company. To the best of the knowledge, information and belief of the Directors and having made all reasonable enquiries, (i) the Purchaser is wholly and beneficially owned by Mr. Ting; and (ii) Mr. Ting is a controlling shareholder of the Company. Hence, each of the Purchaser and Mr. Ting is a connected person of the Company under Chapter 20 of the GEM Listing Rules.

Assets to be disposed of

Pursuant to the terms and conditions of the Sale and Purchase Agreement, the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the Sale Shares, representing 38% equity interests in the Disposal Company.

As at the Latest Practicable Date, the Disposal Company is owned as to 77% by the Company, 18% by Apex Treasure International Limited and 5% by Atlantis China Star Fund Limited.

Consideration

The Consideration for the sale and purchase of the Sale Shares is HK\$56.4 million, which shall be settled by the Purchaser upon Completion.

As at the Latest Practicable Date, the Company is indebted to Mr. Ting in the sum of approximately HK\$107.3 million (the "**Loan**"). Pursuant to the Sale and Purchase Agreement, the Company, the Purchaser and Mr. Ting have agreed that the Consideration payable by the Purchaser shall be settled by way of set-off against the Loan. Payment of the Consideration shall be effected by the Purchaser, as directed by the Company, directly towards setting off the same amount due by the Company to Mr. Ting under the Loan in the sum of HK\$56.4 million on a dollar to dollar basis and such payment shall constitute a full and complete discharge of the Purchaser's obligations to pay the Consideration (the "**Set-off**").

LETTER FROM THE BOARD

Basis of the Consideration

The Consideration was arrived at after arm's length negotiations between the Company and the Purchaser on normal commercial terms with reference to the appraised value of 38% equity interests in the Disposal Company as at 31 March 2024 of approximately HK\$56.4 million based on the market approach prepared by an independent valuer and other factors as set out in the section headed "Letter from the Board – Reasons for and benefits of the Disposal" in this circular.

Adoption of valuation methodology

As disclosed in the circular of the Company dated 13 March 2019 in relation to, among others, the Acquisition, the measure of price-to-earnings multiples (the "**P/E Multiples**") ratio was adopted for the valuation of the fair value of the Disposal Company's equity interests as at 30 November 2018. Since the Disposal Company had substantial earnings at that time, the P/E Multiples ratio was considered a more appropriate metric than the price-to-book multiples (the "**P/B Multiples**") ratio to capture its future earning potential and cost structure. Therefore, the P/E Multiples ratio was adopted for the valuation of the Disposal Company at the material time.

Prior to the entering into of the Sale and Purchase Agreement, the Board had multiple discussions with the independent valuer, and after cautious review of the relevant basis, assumptions and methodology of the valuation, the Board is of the view that the P/E Multiples are not the most appropriate metric for the valuation of the Disposal Company's equity interests as at 31 March 2024 in light of the significant fluctuation in profits of the Disposal Company caused by the volatile microfinance sector in Hong Kong and the PRC in recent years as evidenced by the shrinking market capitalisation of comparable companies of similar size and business. In addition, the net profit margins of the Disposal Company for the years ended 31 March 2022, 31 March 2023, and 31 March 2024 were 11.3%, 7.9%, and -2.3% respectively, indicating that the profitability of the Disposal Company has diminished year over year since the completion of the Acquisition and leading to non-normalised earnings for the year ended 31 March 2024. As the Disposal Company recorded a net loss of HK\$956,338 as at 31 March 2024, using the P/E Multiples ratio for the valuation would not yield a meaningful result. Hence, the P/E Multiples ratio was not adopted for the valuation as at 31 March 2024.

Further, given that the operating performance of companies in microfinance sector hinges upon the net assets value which includes significant portion of the loan receivables and cash, the Board agreed with the independent valuer's view that the adoption of the P/B Multiples would be a more appropriate valuation metric as it better reflects the asset-driven nature of the microfinance business model, where net asset value is a key driver of a company's lending capacity and ultimately its earnings potential. This renders the P/B Multiples a more reliable indicator of the value of the Disposal Company as at 31 March 2024.

LETTER FROM THE BOARD

Despite the Consideration is significantly less than that of the Acquisition, taking into account (i) the decline in financial performance of the Disposal Company as discussed in the section headed “Letter from the Board – Background” in this circular above; and (ii) the negative market sentiment of the microfinance sector as discussed above, the Directors (including members of the Independent Board Committee whose views are set out in the Letter from the Independent Board Committee in this circular) believe that the Consideration is fair and reasonable.

Conditions precedent

Completion is subject to the following conditions having been fulfilled:

- (i) the Purchaser being reasonably satisfied with the results of the due diligence review to be conducted under the Sale and Purchase Agreement;
- (ii) all necessary consents and approvals required to be obtained on the part of the Company in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder having been obtained and remain in full force and effect, including the passing by the Independent Shareholders, at the EGM to be convened and held in accordance with the requirements of the GEM Listing Rules, of such resolutions to approve the Sale and Purchase Agreement and the transactions contemplated thereunder;
- (iii) all necessary consents and/or approvals required to be obtained on the part of the Purchaser in respect of the Sale and Purchase Agreement and the transactions contemplated thereby having been obtained and remain in full force and effect;
- (iv) the representations and warranties given by the Company under the Sale and Purchase Agreement remaining true and accurate and not misleading in all material respects; and
- (v) the representations and warranties given by the Purchaser under the Sale and Purchase Agreement is remaining true and accurate and not misleading in all material respects.

Save for conditions (i) and (iv) above which may at any time be waived by the Purchaser in writing, and condition (v) above which may at any time be waived by the Company, all other conditions precedent set out above are incapable of being waived by the parties to the Sale and Purchase Agreement. If the conditions precedent under the Sale and Purchase Agreement have not been satisfied (or as the case may be, waived by the Purchaser or the Company) on or before 28 August 2024 (or such later date as may be agreed between the parties thereto), the Sale and Purchase Agreement shall cease and determine and thereafter, neither party shall have any obligations and liabilities thereunder save for any antecedent breaches of the terms thereof.

As at the Latest Practicable Date, none of the above conditions has been fulfilled or waived (as the case may be).

LETTER FROM THE BOARD

As at the Latest Practicable Date, should any Legal Proceedings (as defined below) arise, the Purchaser intended to waive conditions (i) and (iv) above.

Undertaking by the Purchaser

At any time after Completion, should the Purchaser exercise its rights as a shareholder of the Disposal Company to nominate any person(s) to be appointed as director(s) of the Disposal Company, the Purchaser irrevocably and unconditionally undertakes that it shall exercise such right in such manner as directed by the Vendor.

Guarantee

Mr. Ting has provided an unconditional and irrevocable guarantee for the due and punctual payment and performance of the Purchaser's payment obligations under the Sale and Purchase Agreement and the due and punctual performance and observance by the Purchaser of all of its other obligations contained thereunder.

Completion

Completion shall take place on the third Business Days after the fulfilment of all the conditions precedent of the Sale and Purchase Agreement.

Upon Completion, the Disposal Company will be owned as to 39% by the Company, 38% by the Purchaser, 18% by Apex Treasure International Limited and 5% by Atlantis China Star Fund Limited.

Irrevocable Undertaking

Upon Completion, the Purchaser and Mr. Ting shall give an irrevocable undertaking (the "**Irrevocable Undertaking**") in favour of the Company that the Purchaser shall unconditionally and irrevocably vest to the Company, and Mr. Ting shall procure the Purchaser to unconditionally and irrevocably vest to the Company, among others, all of the voting rights enjoyed by the Purchaser in respect of its equity interests in the Disposal Company from time to time and the Purchaser's right to nominate director(s) of the Disposal Company (if applicable).

Risk factors associated with the alleged breach of the Shareholders Agreement

As disclosed in the announcement of the Company dated 4 June 2024, the Company received a letter from the legal representative of Apex Treasure International Limited ("**Apex**"), being one of the shareholders of the Disposal Company, in relation to the Company's alleged breach (the "**Alleged Breach**") of the Shareholders' Agreement.

It was alleged that the Company failed to issue a transfer notice to Apex thereby depriving Apex of its opportunity to exercise the right of first refusal or the right of co-sale under the Shareholders Agreement.

LETTER FROM THE BOARD

The Company denies that there has been any breach of the Shareholders Agreement as alleged. In fact, the Company has formally issued a notice in writing to Apex in respect of the Disposal in late April 2024, and thus, the Board is of the view that the above allegation was unfounded.

As at the Latest Practicable Date, the Company is in the course of seeking advice from its legal advisers in relation to the foregoing matter.

Shareholders and potential investors of the Company should note that Completion is subject to the fulfilment or waiver (as the case may be) of the conditions precedent set out in the Sale and Purchase Agreement.

The Company considers that there are risks that Apex may commence legal action against the Company and/or the Disposal Company and seek for damages or specific performance on the Shareholders Agreement. Should any arbitration, litigation or legal proceedings (collectively, the “**Legal Proceedings**”) in connection with the Alleged Breach arise, certain condition(s) precedent, namely conditions (i) and (iv) as set out in the paragraph headed “Letter from the Board – The Sale and Purchase Agreement – Conditions precedent” in this circular above, may not be fulfilled, resulting in a delay in Completion or non-completion of the Disposal.

As at the Latest Practicable Date, should any Legal Proceedings arise, the Purchaser intended to waive the conditions (i) and (iv) abovementioned.

Notwithstanding any Legal Proceedings that may arise and assuming the Purchaser having waived the abovementioned conditions (i) and (iv), Completion will take place after the fulfilment or waiver (as the case may be) of all conditions precedent as set out in the Sale and Purchase Agreement. In the event that the outcome of the Legal Proceedings is unfavourable to the Company, the Company may be liable for the relief or award granted by the relevant adjudicator. As at the Latest Practicable Date, the Company is in the course of seeking legal advice from its legal advisers in respect of the potential consequences of the Legal Proceedings.

The Company will keep the Shareholders and potential investors of the Company informed of any significant development of the above matter in relation to the Alleged Breach and the Legal Proceedings, if any, by way of further announcement(s) as and when appropriate in accordance with the requirements under the GEM Listing Rules.

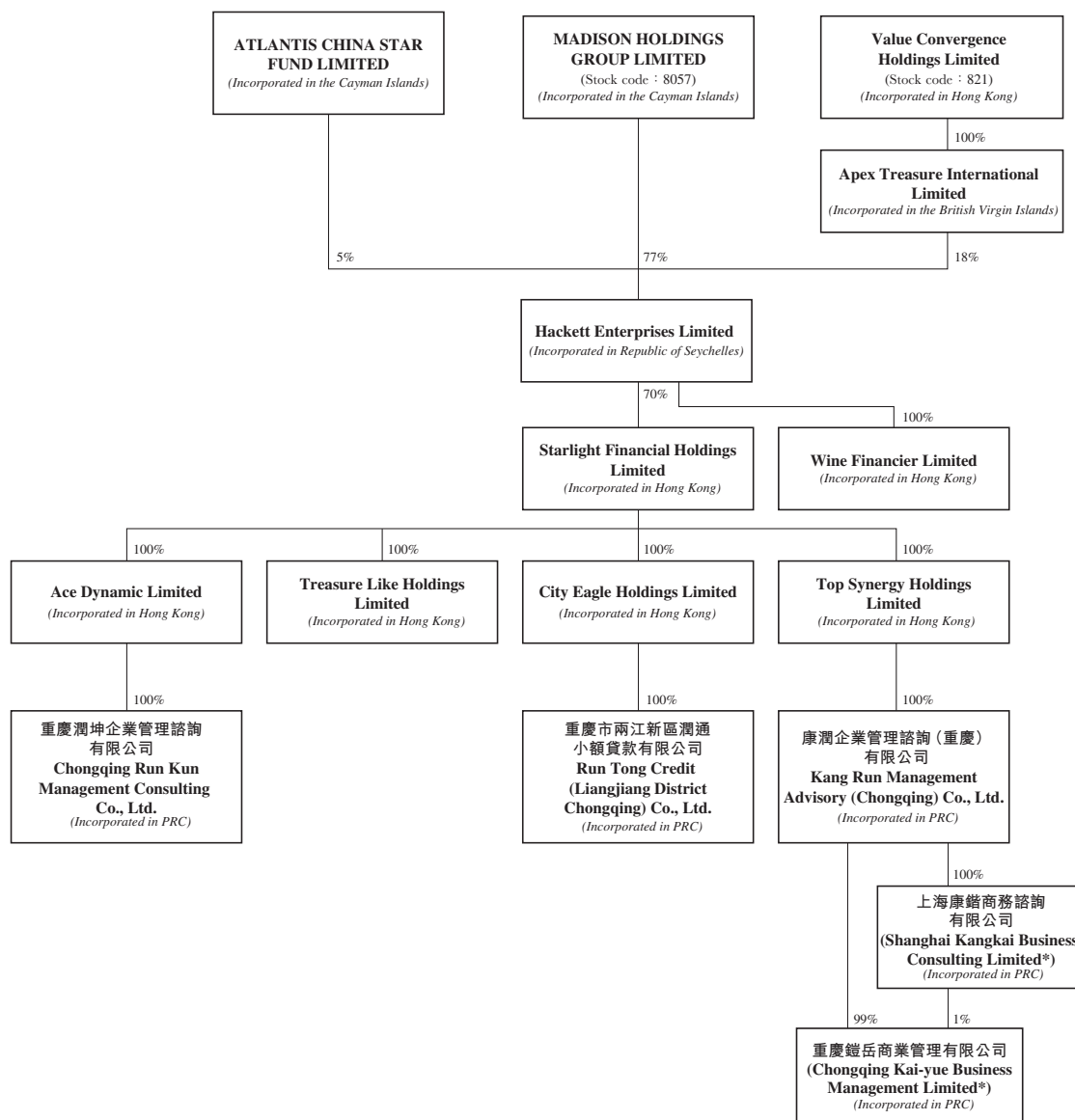
Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company, and if you are in any doubt about your position, you should obtain independent professional advice.

LETTER FROM THE BOARD

INFORMATION ON THE DISPOSAL GROUP

The Disposal Company is a company established in the Republic of Seychelles with limited liability. As at the Latest Practicable Date, the Disposal Company is owned as to 77% by the Company, 18% by Apex Treasure International Limited and 5% by Atlantis China Star Fund Limited. It is an investment holding company.

The following diagram illustrates the simplified shareholding structure of the Disposal Company and its operating subsidiaries as at the Latest Practicable Date.



* For identification purposes only

The Disposal Group is principally engaged in the provision of loan financing and consultancy services in the PRC and Hong Kong.

LETTER FROM THE BOARD

Financial information of the Disposal Group

Set out below is the financial information of the Disposal Group based on the audited and unaudited consolidated financial statements of the Disposal Group for the year ended 31 March 2023 and 31 March 2024 respectively:

	For the year ended 31 March 2024 <i>RMB'000</i> (unaudited)	For the year ended 31 March 2023 <i>RMB'000</i> (audited)
Revenue	38,316 (equivalent to approximately HK\$41.2 million)	43,976 (equivalent to approximately HK\$49.5 million)
(Loss)/profit before taxation	(2,899) (equivalent to approximately HK\$3.1 million)	12,983 (equivalent to approximately HK\$14.6 million)
(Loss)/profit after taxation	(889) (equivalent to approximately HK\$1.0 million)	3,489 (equivalent to approximately HK\$3.9 million)

The total assets, total liabilities and net assets of the Disposal Group as at 31 March 2024 according to its unaudited consolidated financial statements were approximately HK\$495.4 million, approximately HK\$89.8 million and approximately HK\$405.6 million respectively.

INFORMATION ON THE PURCHASER AND MR. TING

The Purchaser is a company established in the British Virgin Islands with limited liability and is an investment holding company. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Purchaser is wholly and beneficially owned by Mr. Ting as at the Latest Practicable Date.

LETTER FROM THE BOARD

Mr. Ting is a merchant and a controlling shareholder of the Company who is interested in 259,093,893 Shares, representing approximately 41.58% of the issued share capital of the Company as at the Latest Practicable Date, of which (i) 195,920,000 Shares are beneficially owned by Royal Spectrum Holding Company Limited (“**Royal Spectrum**”); (ii) 50,487,272 Shares are beneficially owned by the Purchaser; (iii) 10,193,243 Shares are beneficially owned Mr. Ting; (iv) 1,217,200 Shares are beneficially owned by Kaiser Capital Holdings Limited (“**Kaiser Capital**”); (v) 1,067,200 Shares are beneficially owned by Highgrade Holding Limited (“**Highgrade Holding**”); and (vi) 208,978 Shares are beneficially owned by Plan Marvel Investment Limited (“**Plan Marvel**”).

As (i) the entire issued share capital in Royal Spectrum is legally and beneficially owned as to 3.37% by Mr. Zhu Qin and 96.63% by Devoss Global Holdings Limited, which was in turn wholly and beneficially owned by Mr. Ting; and (ii) each of the Purchaser, Kaiser Capital, Highgrade Holding and Plan Marvel is wholly and beneficially owned by Mr. Ting, Mr. Ting is deemed, or taken to be interested in the Shares held by each of Royal Spectrum, the Purchaser, Kaiser Capital, Highgrade Holding and Plan Marvel by virtue of the SFO.

FINANCIAL EFFECT OF THE DISPOSAL AND USE OF PROCEEDS

Upon Completion, the Disposal Company will be owned as to 39% by the Company, 38% by the Purchaser, 18% by Apex Treasure International Limited and 5% by Atlantis China Star Fund Limited. As (i) the Company has obtained and shall remain to obtain the power to cast a majority of votes at meetings of the board of directors of the Disposal Company; and (ii) based on the distribution of key shareholders and their beneficial shareholders as well as historical voting patterns, the equity holdings in the Disposal Company are dispersed in a way that other shareholders have not organized their holdings and the practical risk to organize their holdings to outvote the Company in the shareholders’ meetings of the Disposal Company is remote, the Company’s voting rights are sufficient to give it the practical ability to direct the relevant activities of the Disposal Company unilaterally. Upon Completion, the Disposal Company shall remain to be a subsidiary of the Company and the financial information of the Disposal Group will continue to be consolidated into the consolidated financial statements of the Group.

Pursuant to the terms and conditions of the Sale and Purchase Agreement, the Consideration to be payable by the Purchaser shall be set-off fully against the principal amount of the Loan on a dollar-for-dollar basis, as such, no proceeds will be received by the Company upon Completion.

The Company’s control to the Disposal Company will remain unchanged upon the completion of the transaction. The Disposal Company will continue to be consolidated in the consolidation as a non-wholly owned subsidiary of the Company. The results of operations and financial position of the Disposal Company will continue to be consolidated into the Group’s consolidated financial statements. It is expected that the Disposal will not result in any material gain or loss in the Company’s consolidated statement of profit or loss and other comprehensive income. The actual amount to be recorded in the financial statements of the Company will be subject to review by the auditor of the Company upon Completion.

LETTER FROM THE BOARD

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Group is 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; (ii) the provision of loan financing and consultancy services; and (iii) the provision of financial services.

On 28 July 2017, the Company issued convertible bonds in the principal amount of HK\$150,000,000 (the “**Convertible Bonds**”) at zero coupon rate to Bartha Holdings Limited pursuant to a subscription agreement dated 17 February 2017 entered into between Bartha Holdings Limited and Perfect Zone Holdings Limited, details of which are set out in the announcement of the Company dated 17 February 2017.

Pursuant to the terms and conditions of the Convertible Bonds, the maturity date of Convertible Bonds shall fall due on 27 July 2022, upon which the Company was obliged to redeem all of the outstanding Convertible Bonds at its then outstanding principal amount. On 30 September 2022, Bartha Holdings Limited, the Company and Mr. Ting entered into a loan agreement, pursuant to which Mr. Ting, as lender, agreed to grant an interest-free and unsecured loan in the principal amount of HK\$120,000,000 in favour of the Company for the purpose of redemption of the Convertible Bonds.

As at the Latest Practicable Date, the Company is indebted to Mr. Ting in the sum of approximately HK\$107.3 million under the Loan.

Having considered that the Set-off will enable the Group to repay part of the Loan without cash outflow and will allow the Group to reduce its gearing level, the Directors (including members of the Independent Board Committee whose views are set out in the Letter from the Independent Board Committee in this circular) believe that the terms of the Disposal (including the Consideration) are on normal commercial terms, fair and reasonable, and the Disposal is in the interests of the Company and the Shareholders as a whole.

The Board has considered other debt/equity fundraising methods such as debt financing, placement of Shares to independent third parties, rights issue and open offer. In respect of debt financing, the Board is of the view that debt financing would result in additional finance costs and increase the Group’s liabilities burden. While additional debt financing will increase the Group’s gearing ratio, it will also increase the ongoing interest expenses of the Group which may in turn affect the profitability of the Company.

For equity fundraising exercises (such as placement of the Shares to independent third parties, rights issue and/or open offer), placing of new Shares would expose the Shareholders to the dilution of their shareholdings and the Company would inevitably incur additional costs in placing commission payable to the placing agent. Further, rights issue or open offer will involve the issue of listing documents and other application and administrative procedures, and would incur additional administrative costs, higher costs of hiring professional parties and possible underwriting expenses.

LETTER FROM THE BOARD

By reasons of the above, the Board is of the view that the Disposal is a better option for repayment of the Loan as compared to the above equity/debt fundraising exercises. However, the Board cannot rule out the possibility that the Company may conduct debt and/or equity fundraising exercises when suitable opportunities arise in the future.

GEM LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratio(s) (as defined under the GEM Listing Rules) in respect of the Disposal is more than 25% but all of the percentage ratios are less than 75%, the entering into of the Sale and Purchase Agreement constitutes a major transaction on the part of the Company under Chapter 19 of the GEM Listing Rules.

To the best of the knowledge, information and belief of the Directors and having made all reasonable enquiries, (i) the Purchaser is wholly and beneficially owned by Mr. Ting; and (ii) Mr. Ting is a controlling shareholder of the Company. Hence, the Disposal constitutes a connected transaction on the part of the Company under Chapter 20 of the GEM Listing Rules and is subject to the reporting, announcement and Independent Shareholders' approval requirements thereunder.

None of the Directors has a material interest in the Disposal and hence no Director is required to abstain from voting on the relevant resolution(s) of the Board approving the Sale and Purchase Agreement and the transactions contemplated thereunder.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

An Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder. Rainbow Capital (HK) Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this connection.

EGM

The notice convening the EGM is set out on pages EGM-1 to EGM-3 of this circular.

The EGM will be convened and held at Units 26-28, 8/F, One Island South, 2 Heung Yip Road, Wong Chuk Hang, Hong Kong on Friday, 2 August 2024 at 10:15 a.m. (or at such time immediately after the conclusion of the AGM) for the Independent Shareholders to consider and, if thought fit, to approve the Sale and Purchase Agreement and the transactions contemplated thereunder. Voting at the EGM will be taken by poll.

LETTER FROM THE BOARD

A form of proxy for the EGM is enclosed in this circular. Whether or not you are able to attend the EGM in person, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to 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 as soon as possible but in any event not less than 48 hours before the time appointed for holding of the EGM (i.e. no later than 10:15 a.m. on Wednesday, 31 July 2024) or any adjourned meeting thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting thereof (as the case may be) should you so wish, and in such event, the form of proxy shall be deemed to be revoked.

As at the Latest Practicable Date, an aggregate of 259,093,893 Shares, representing approximately 41.58% of the total issued share capital of the Company, were held by (i) Royal Spectrum which was beneficially interested in 195,920,000 Shares; (ii) the Purchaser which was beneficially interested in 50,487,272 Shares; (iii) Mr. Ting who was beneficially interested in 10,193,243 Shares; (iv) Kaiser Capital which was beneficially interested in 1,217,200 Shares; (v) Highgrade Holding which was beneficially interested in 1,067,200 Shares; and (vi) Plan Marvel which was beneficially interested in 208,978 Shares. As (i) Mr. Ting is the Purchaser's guarantor under the Sale and Purchase Agreement; (ii) the entire issued share capital in Royal Spectrum is legally and beneficially owned as to 3.37% by Mr. Zhu Qin and 96.63% by Devoss Global Holdings Limited, which was in turn wholly and beneficially owned by Mr. Ting; and (iii) each of the Purchaser, Kaiser Capital, Highgrade Holding and Plan Marvel is wholly and beneficially owned by Mr. Ting, each of the above and their respective associates are considered to have material interest in the Disposal, and are required to abstain from voting on the resolution approving the Sale and Purchase Agreement and the transactions contemplated thereunder.

Save as disclosed above and to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no other Shareholder or any of their associates has a material interest in the Sale and Purchase Agreement and is required to abstain from voting at the EGM.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 30 July 2024 to Friday, 2 August 2024 (both days inclusive) for the purpose of determining Shareholder's right to attend and vote at the EGM.

In order to qualify for attending and voting at the EGM, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than 4:30 p.m. on Monday, 29 July 2024.

LETTER FROM THE BOARD

RECOMMENDATIONS

Your attention is drawn to (i) the letter from the Independent Board Committee set out on pages 19 to 20 of this circular, which contains its recommendation to the Independent Shareholders in relation to the Sale and Purchase Agreement and the transactions contemplated thereunder; and (ii) the letter from the Independent Financial Adviser set out on pages 21 to 47 of this circular, which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the Sale and Purchase Agreement and the transactions contemplated thereunder, and the principal factors and reasons considered by it in arriving at its opinions.

In view of the reasons as set out in the paragraph headed “Letter from the Board – Reasons for and benefits of the Disposal” above, the Directors (including members of the Independent Board Committee whose views are set out in the Letter from the Independent Board Committee in this circular) are of the view that although the entering into of the Sale and Purchase Agreement is not in the ordinary and usual course of business of the Group, the terms of the Sale and Purchase Agreement are on normal commercial terms, fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
For and on behalf of the Board
Madison Holdings Group Limited
Ji Zuguang
Chairman and non-executive Director

MADISON
— G R O U P —

Madison Holdings Group Limited

麥迪森控股集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8057)

17 July 2024

To the Independent Shareholders

Dear Sir or Madam,

**MAJOR AND CONNECTED TRANSACTION –
DISPOSAL OF 38% EQUITY INTERESTS IN
HACKETT ENTERPRISES LIMITED**

We refer to the circular of the Company dated 17 July 2024 (the “**Circular**”) of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

We have been appointed by the Board as members to form the Independent Board Committee and to advise the Independent Shareholders as to whether, in our opinion, the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder are on normal commercial terms, in the ordinary and usual course of business of the Group, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders how to vote in relation to the ordinary resolution to approve the Sale and Purchase Agreement and the transactions contemplated thereunder to be proposed at the EGM. Details of the Sale and Purchase Agreement and the transactions contemplated thereunder are set out in the “Letter from the Board” contained in the Circular.

Rainbow Capital (HK) Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in these respects. Details of its advice, together with the principal factors and reasons taken into consideration in arriving at such advice, are set out on pages 21 to 47 of the Circular. Your attention is also drawn to the Letter from the Board set out on pages 5 to 18 of the Circular and the additional information set out in the appendices to this Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

RECOMMENDATION

Having taken into account the Sale and Purchase Agreement and the advice from the Independent Financial Adviser, we consider that although the entering into of Sale and Purchase Agreement is not in the ordinary and usual course of business of the Group, the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Sale and Purchase Agreement and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
**the Independent Board Committee of
Madison Holdings Group Limited**

Mr. Chu Kin Wang Peleus
Independent non-executive Director

Dr. Lau Reimer, Mary Jean
Independent non-executive Director

Mr. Zhou Li
Independent non-executive Director

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of a letter of advice from Rainbow Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder, which has been prepared for the purpose of incorporation in this circular.

RAINBOW.

RAINBOW CAPITAL (HK) LIMITED
滋博資本有限公司

17 July 2024

To the Independent Board Committee and the Independent Shareholders

Madison Holdings Group Limited
Units 26-28, 8/F
One Island South
2 Heung Yip Road
Wong Chuk Hang, Hong Kong

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION DISPOSAL OF 38% EQUITY INTERESTS IN HACKETT ENTERPRISES LIMITED

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Disposal, details of which are set out in the “Letter from the Board” (the “**Letter from the Board**”) contained in the circular issued by the Company to the Shareholders dated 17 July 2024 (the “**Circular**”), of which this letter forms a part. Unless the context otherwise requires, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

On 28 May 2024 (after trading hours of the Stock Exchange), the Company as the Vendor, the Purchaser and Mr. Ting, as the Purchaser’s guarantor, entered into the Sale and Purchase Agreement, pursuant to which the Company has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the Sale Shares, representing 38% equity interests in the Disposal Company for a total consideration of HK\$56.4 million. Upon Completion, the Disposal Company will be owned as to 39% by the Company, 38% by the Purchaser, 18% by Apex Treasure International Limited and 5% by Atlantis China Star Fund Limited. Upon Completion, the Disposal Company shall remain to be a subsidiary of the Company and the financial information of the Disposal Group will continue to be consolidated into the consolidated financial statements of the Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As one or more of the applicable percentage ratio(s) (as defined under the GEM Listing Rules) in respect of the Disposal is more than 25% but all of the percentage ratios are less than 75%, the Disposal constitutes a major transaction of the Company which is subject to the notification, announcement and circular requirements under Chapter 19 of the GEM Listing Rules.

To the best of the knowledge, information and belief of the Directors and having made all reasonable enquiries, (i) the Purchaser is wholly and beneficially owned by Mr. Ting; and (ii) Mr. Ting is a controlling shareholder of the Company. Hence, the Disposal constitutes a connected transaction of the Company under Chapter 20 of the GEM Listing Rules which is subject to the reporting, announcement, circular and the Independent Shareholders' approval requirements thereunder.

As at the Latest Practicable Date, an aggregate of 259,093,893 Shares, representing approximately 41.58% of the total issued share capital of the Company, were held by (i) Royal Spectrum which was beneficially interested in 195,920,000 Shares; (ii) the Purchaser which was beneficially interested in 50,487,272 Shares; (iii) Mr. Ting who was beneficially interested in 10,193,243 Shares; (iv) Kaiser Capital which was beneficially interested in 1,217,200 Shares; (v) Highgrade Holding which was beneficially interested in 1,067,200 Shares; and (vi) Plan Marvel which was beneficially interested in 208,978 Shares. As (i) Mr. Ting is the Purchaser's guarantor under the Sale and Purchase Agreement; (ii) the entire issued share capital in Royal Spectrum is legally and beneficially owned as to 3.37% by Mr. Zhu Qin and 96.63% by Devoss Global Holdings Limited, which was in turn wholly and beneficially owned by Mr. Ting; and (iii) each of the Purchaser, Kaiser Capital, Highgrade Holding and Plan Marvel is wholly and beneficially owned by Mr. Ting, each of the above and their respective associates are considered to have material interest in the Disposal, and are required to abstain from voting on the resolution approving the Sale and Purchase Agreement and the transactions contemplated thereunder. Save as disclosed above and to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no other Shareholder or any of their associates has a material interest in the Sale and Purchase Agreement and is required to abstain from voting at the EGM.

The Independent Board Committee, comprising all the three independent non-executive Directors, namely Mr. Chu Kin Wang Peleus, Dr. Lau Reimer, Mary Jean and Mr. Zhou Li, has been formed to advise the Independent Shareholders on (i) whether the entering into of the Sale and Purchase Agreement is conducted in the ordinary and usual course of business of the Group; and (ii) whether the terms of the Sale and Purchase Agreement are on normal commercial terms which are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole, and as to voting. We, Rainbow Capital, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in the same regard.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As at the Latest Practicable Date, we did not have any relationships or interests with the Group, the Purchaser, Mr. Ting or the Disposal Company that could reasonably be regarded as relevant to our independence. In the last two years, there was no engagement or connection between the Group, the Purchaser, Mr. Ting or the Disposal Company and us other than this appointment concerning the Disposal. Apart from normal professional fees paid or payable to us in connection with this appointment as the Independent Financial Adviser, no other arrangements exist whereby we had received any fees or benefits from the Group or any other party to the Disposal. Accordingly, we are independent from the Company pursuant to the requirements under Rule 17.96 of the GEM Listing Rules and are qualified to give independent advice in respect of the Disposal.

BASIS OF OUR OPINION

In formulating our opinion and advice, we have relied on (i) the information and facts contained or referred to in the Circular; (ii) the information supplied by the Group; (iii) the opinions expressed by and the representations of the Directors and the management of the Group; and (iv) our review of the relevant public information. We have assumed that all the information provided and representations and opinions expressed to us or contained or referred to in the Circular were true, accurate and complete in all respects as at the date thereof and may be relied upon. We have also assumed that all statements contained and representations made or referred to in the Circular are true at the time they were made and continue to be true as at the Latest Practicable Date and all such statements of belief, opinions and intentions of the Directors and the management of the Group and those as set out or referred to in the Circular were reasonably made after due and careful enquiry. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and the management of the Group. We have also sought and received confirmation from the Directors that no material facts have been withheld or omitted from the information provided and referred to in the Circular and that all information or representations provided to us by the Directors and the management of the Group are true, accurate, complete and not misleading in all respects at the time they were made and continued to be so until the date of the Circular.

We consider that we have reviewed sufficient information currently available and corroborated and substantiated any public information referred to in this letter to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided, representations made or opinion expressed by the Directors and the management of the Group, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of the Group, the Disposal Company or any of their respective substantial shareholders, subsidiaries or associates.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS AND REASONS CONSIDERED

In considering whether the terms of the Sale and Purchase Agreement and the transaction contemplated thereunder are fair and reasonable, we have taken into account the principal factors and reasons set out below:

1. Information on the Group

The Group is 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; (ii) the provision of loan financing and consultancy services; and (iii) the provision of financial services.

Set out below is a summary of the consolidated financial information of the Group for the three years ended 31 March 2024 as extracted from the Company's annual reports for the year ended 31 March 2023 and 2024:

(i) Financial performance

	For the year ended 31 March		
	2022	2023	2024
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>
Continuing operations			
Revenue	130,492	97,174	68,087
– Sales of alcoholic beverages	65,434	39,896	21,921
– Loan financing services	65,058	57,278	46,166
Gross profit	77,815	66,393	51,543
Other income	18,717	20,144	15,031
Staff costs	(33,933)	(33,388)	(31,662)
Depreciation	(5,936)	(5,197)	(4,179)
Administrative and other operating expenses	(16,345)	(12,345)	(8,563)
Change in fair value of financial assets at fair value through profit or loss	508	713	664
Change in fair value of derivative financial instruments	6,974	13,638	660

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

	For the year ended 31 March		
	2022	2023	2024
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>
Net impairment recognised on loan and interest receivables	(35,566)	(19,902)	(29,775)
Finance costs	(27,549)	(20,569)	(13,481)
(Loss)/profit before tax	(15,315)	9,487	(19,762)
Income tax (expense)/credit	(617)	(10,914)	1,972
Loss attributable to the Shareholders	(15,367)	(2,211)	(16,217)

The year ended 31 March 2024 compared to the year ended 31 March 2023

Revenue of the Group decreased by approximately 29.9% from approximately HK\$97.2 million for the year ended 31 March 2023 to approximately HK\$68.1 million for the year ended 31 March 2024. Such decrease was primarily attributable to (a) the decrease in revenue from the sales of alcoholic beverages by approximately 45.1% because the investment atmosphere appeared to be pessimistic during the year so that the demand for wine decreased, especially for those premium wines which were purchased mainly for collection purpose; and (b) the decrease in revenue from the loan financing services by approximately 19.4% as the Group has been prudent in granting new loans in light of the prevailing economic conditions in Hong Kong and the PRC, which decreased the Group's average loan portfolio.

In line with the decrease in revenue, gross profit of the Group decreased by approximately 22.4% from approximately HK\$66.4 million for the year ended 31 March 2023 to approximately HK\$51.5 million for the year ended 31 March 2024.

The Group recorded an increase in loss attributable to the Shareholders by approximately 633.5% from approximately HK\$2.2 million for the year ended 31 March 2023 to approximately HK\$16.2 million for the year ended 31 March 2024, which was primarily attributable to (a) the decrease in revenue and gross profit as mentioned above; (b) the decrease in other income by approximately HK\$5.1 million mainly due to the decrease in the gain on deemed disposal of right-of-use assets and there is no gain on disposal of a subsidiary recorded for the year; (c) the decrease in the change in fair value of derivative financial instruments by approximately HK\$13.0 million; and (d) the increase in net impairment recognised on loan and interest receivables by approximately HK\$9.9 million.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The year ended 31 March 2023 compared to the year ended 31 March 2022

Revenue of the Group decreased by approximately 25.5% from approximately HK\$130.5 million for the year ended 31 March 2022 to approximately HK\$97.2 million for the year ended 31 March 2023. Such decrease was primarily attributable to (a) the decrease in revenue from the sales of alcoholic beverages by approximately 39.0% mainly due to the lockdown measures imposed on certain major cities in the PRC. 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; and (b) the decrease in revenue from the loan financing services by approximately 12.0% as the Group has been prudent in granting new loans in light of the prevailing economic conditions in Hong Kong and the PRC, which decreased the Group's average loan portfolio.

In line with the decrease in revenue, gross profit of the Group decreased by approximately 14.7% from approximately HK\$77.8 million for the year ended 31 March 2022 to approximately HK\$66.4 million for the year ended 31 March 2023.

The Group's loss attributable to the Shareholders amounted to approximately HK\$2.2 million for the year ended 31 March 2023, representing a significant decrease of approximately 85.6% from approximately HK\$15.4 million for the year ended 31 March 2022. The decrease was primarily attributable to (a) the increase in fair value gain of derivative financial instruments by approximately HK\$6.7 million; (b) the decrease in net impairment recognised on loan and interest receivables by approximately HK\$15.7 million as a result of the Group's strategy of being prudent in granting new loans and closely monitoring the recoverability of its loan portfolio; and (c) the decrease in finance costs by approximately HK\$7.0 million because of the expiration of the Group's promissory notes payables and convertible bonds, which was partially offset by (a) the decrease in revenue and gross profit as mentioned above; and (b) the increase in income tax expense by approximately HK\$10.3 million.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(ii) *Financial position*

	As at 31 March		
	2022	2023	2024
	HK\$'000	HK\$'000	HK\$'000
	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>
Non-current assets,			
including:	63,928	58,237	51,596
Loan receivables	21,288	29,456	28,854
Right-of-use assets	5,307	7,932	5,465
Deferred tax asset	13,665	4,116	5,596
Goodwill	9,028	9,028	9,028
Current assets,			
including:	554,594	374,041	299,212
Loan and interest receivables	374,254	257,398	235,855
Trade and other receivables	109,931	26,810	19,367
Bank balances and cash	49,738	72,911	34,435
Total assets	618,522	432,278	350,808
Current liabilities,			
including:	431,847	276,740	235,464
Amount due to a shareholder	18,286	110,525	107,366
Loan from a non-controlling shareholder	96,450	80,838	75,654
Borrowings	44,992	39,992	24,992
Promissory notes payable	65,595	–	–
Convertible bonds	145,596	–	–
Non-current liabilities	10,408	5,965	2,060
Total liabilities	442,255	282,705	237,524
Equity/(deficit) attributable to the Shareholders	3,527	(12,418)	(38,875)

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As at 31 March 2024, total assets of the Group amounted to approximately HK\$350.8 million, which mainly consisted of (a) loan and interest receivables of approximately HK\$264.7 million, representing the loans provided by the Group to its customers; (b) trade and other receivables of approximately HK\$19.4 million; and (c) bank balances and cash of approximately HK\$34.4 million.

As at 31 March 2024, total liabilities of the Group amounted to approximately HK\$237.5 million, which mainly consisted of (a) amount due to a shareholder of approximately HK\$107.4 million which was unsecured, non-interest bearing and repayable on demand; (b) loan from a non-controlling shareholder of approximately HK\$75.7 million which carried fixed interest rate of 4% per annum and was guaranteed by Mr. Ting and repayable within one year; and (c) borrowings of approximately HK\$25.0 million which carried interest at 12.0% per annum and was secured by the Company's interest in the 77.0% of the entire issued share capital of the Disposal Company and personal guarantee provided by Mr. Ting and repayable on demand. As advised by the management of the Group, the Disposal will not affect the guarantee of such borrowings.

As at 31 March 2024, the Group had net current assets of approximately HK\$63.7 million and deficit attributable to the Shareholders of approximately HK\$38.9 million.

(iii) Overall comment

Total revenue of the Group deteriorated over the years under review primarily attributable to that (a) the Group has been prudent in granting new loans in light of the prevailing economic conditions in Hong Kong and the PRC which decreased the Group's average loan portfolio; and (b) the decrease in demand for wine under the current pessimistic investment atmosphere. As advised by the management of the Group, despite the cancellation of the relevant epidemic control policies, the economy of Hong Kong and the PRC has not recovered as expected. Since the Group's businesses are closely related to the overall economic recovery, the Board anticipates that additional time is needed for getting the Group's operations on track. In addition, as at 31 March 2024, the Group was in a highly leveraged financial position, having total debt (being the sum of amount due to a shareholder, loan from a non-controlling shareholder and borrowings) amounting to approximately HK\$208.0 million. Accordingly, the Group was obligated to pay a large amount of finance costs over the years under review which has worsened its financial performance. Against this backdrop, we consider it is reasonable for the Group to review its existing business portfolio from time to time as well as tightening its cost control measures, so as to improve the financial performance.

2. Information on the Purchaser and Mr. Ting

The Purchaser is a company established in the British Virgin Islands with limited liability and is an investment holding company. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Purchaser is wholly and beneficially owned by Mr. Ting as at the Latest Practicable Date.

Mr. Ting is a merchant and a controlling shareholder of the Company who is interested in 259,093,893 Shares, representing approximately 41.58% of the issued share capital of the Company as at the Latest Practicable Date, of which (i) 195,920,000 Shares are beneficially owned by Royal Spectrum; (ii) 50,487,272 Shares are beneficially owned by the Purchaser; (iii) 10,193,243 Shares are beneficially owned Mr. Ting; (iv) 1,217,200 Shares are beneficially owned by Kaiser Capital; (v) 1,067,200 Shares are beneficially owned by Highgrade Holding; and (vi) 208,978 Shares are beneficially owned by Plan Marvel.

As (i) the entire issued share capital in Royal Spectrum is legally and beneficially owned as to 3.37% by Mr. Zhu Qin and 96.63% by Devoss Global Holdings Limited, which was in turn wholly and beneficially owned by Mr. Ting; and (ii) each of the Purchaser, Kaiser Capital, Highgrade Holding and Plan Marvel is wholly and beneficially owned by Mr. Ting, Mr. Ting is deemed, or taken to be interested in the Shares held by each of Royal Spectrum, the Purchaser, Kaiser Capital, Highgrade Holding and Plan Marvel by virtue of the SFO.

3. Information on the Disposal Group

The Disposal Company is a company established in the Republic of Seychelles with limited liability. As at the Latest Practicable Date, the Disposal Company is owned as to 77% by the Company, 18% by Apex Treasure International Limited and 5% by Atlantis China Star Fund Limited. It is an investment holding company.

The Disposal Group is principally engaged in the provision of loan financing and consultancy services in the PRC and Hong Kong with its majority of revenue generated from the PRC.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below is the summary of (i) the audited consolidated financial information of the Disposal Group for the years ended 31 March 2022 and 2023 as extracted from the audited report of the Disposal Group for the year ended 31 March 2023; and (ii) the unaudited consolidated financial information of the Disposal Group for the year ended 31 March 2024 as extracted from the unaudited management accounts of the Disposal Group for the year ended 31 March 2024:

	For the year ended 31 March		
	2022	2023	2024
	<i>RMB'000</i> <i>(audited)</i>	<i>RMB'000</i> <i>(audited)</i>	<i>HK\$'000</i> <i>(unaudited)</i>
Revenue	44,935	43,976	41,227
Profit/(loss) before taxation	5,406	12,983	(3,120)
Profit/(loss) after taxation	5,101	3,489	(956)

As advised by the management of the Group, the Disposal Group recorded a change from profit after taxation of approximately RMB3.5 million (equivalent to approximately HK\$3.9 million) for the year ended 31 March 2023 to loss after taxation of approximately HK\$1.0 million for the year ended 31 March 2024, primarily attributable to the increase in net impairment on loan and interest receivables by approximately HK\$9.7 million due to the fact that a restructuring plan on a corporate borrower of the Disposal Group has been approved by the court in the PRC during the year so that the Disposal Group has recognised an impairment on the relevant loan.

As at 31 March 2024, the unaudited total assets and equity attributable to its shareholders of the Disposal Group amounted to approximately HK\$495.4 million and HK\$300.8 million, respectively.

4. Reasons for and benefits of the Disposal

As discussed in the section headed "1. Information on the Group" above, the Group has been facing heavy interest burden from borrowings and loan from a non-controlling shareholder, which have deteriorated the Group's financial performance over the periods under review. As at 31 March 2024, the Group was in a highly leveraged financial position, having total debt (being the sum of amount due to a shareholder, loan from a non-controlling shareholder and borrowings) of approximately HK\$208.0 million, all of which were repayable within one year or on demand, and carries interest rate ranged from nil to 12% per annum. On the other hand, as at 31 March 2024, the Group only had bank balances and cash of approximately HK\$34.4 million, which were insufficient to cover the total amount of debt. In light of the uncertainties of the economy of Hong Kong and the PRC which is closely related to the Group's businesses as well as the net loss and highly leveraged position of the Group, it is conceivable that the Group would have difficulty in satisfying its short-term liabilities with its limited existing financial resources.

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With reference to the Letter from the Board, the Board has considered other debt/equity fundraising methods such as debt financing, placement of Shares to independent third parties, rights issue and open offer. In respect of debt financing, the Board is of the view that debt financing would result in additional finance costs and increase the Group's liabilities burden. While additional debt financing will increase the Group's gearing ratio, it will also increase the ongoing interest expenses of the Group, which may in turn affect the profitability of the Company.

For equity fundraising exercises (such as placement of the Shares to independent third parties, rights issue and/or open offer), placing of new Shares would expose the Shareholders to the dilution of their shareholdings and the Company would inevitably incur additional costs in placing commission payable to the placing agent. Further, rights issue or open offer will involve the issue of listing documents and other application and administrative procedures, and would incur additional administrative costs, higher costs of hiring professional parties and possible underwriting expenses.

In this regard, we concur with the Directors that the Disposal is a better option as compared to the above equity/debt fundraising exercises, and the Disposal and the Set-off will enable the Group to repay part of the Loan which does not require substantial cash outflow, and could reduce the Company's gearing level and strengthen its financial position.

The Disposal Group is principally engaged in the provision of loan financing and consultancy services in the PRC and Hong Kong, which is one of the Group's principal business. With reference to the Letter from the Board, the Company's control to the Disposal Company will remain unchanged upon Completion and the Disposal Company will continue to be consolidated in the consolidation as a non-wholly owned subsidiary of the Company. It is expected that the Disposal will not result in any material gain or loss in the Company's consolidated statement of profit or loss and other comprehensive income.

With reference to the Letter from the Board, the Company first acquired 52% of the entire issued share capital of the Disposal Company on 20 November 2018 for a total consideration of HK\$462.8 million, the completion of which took place on 29 March 2019. Following completion of the Acquisition, the business of the Disposal Group was negatively impacted by the global outbreak of the novel coronavirus disease and the anti-pandemic restrictions and policies which resulted in sluggish recovery of the economy of Hong Kong and the PRC. The Disposal Group recorded increases in bad debts in respect of the loan receivables for the two years ended 31 March 2022, thereby the management of the Disposal Company has been prudent in granting new loans to minimise credit risks. Therefore, the weighted-average loan portfolio of the Disposal Company decreased by approximately 44.6% from

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approximately HK\$533.6 million for the year ended 31 March 2020 to approximately HK\$295.4 million for the year ended 31 March 2024, and the revenue of the Disposal Company decreased by approximately 46.6% from approximately HK\$86.5 million for the year ended 31 March 2020 to approximately HK\$46.2 million for the year ended 31 March 2024. For the year ended 31 March 2024, the Disposal Company had a weighted-average loan portfolio of approximately HK\$295.4 million, representing a decrease of approximately 21.2% as compared to 2023, and recorded a revenue of approximately HK\$46.2 million, representing a decrease of approximately 19.4% as compared to 2023. In view of (i) the worsening of the financial performance of the Disposal Group since the completion of the Acquisition; and (ii) the fact that the Consideration is made with reference to the independent valuation which was fairly and reasonably determined by the Valuer (as defined below), we consider it is reasonable that the Consideration is less than that of the Acquisition.

Taking into account that (i) the Disposal represents an opportunity for the Group to settle part of the Loan without imposing any substantial cash outflow so as to reduce its debt level and strengthen its financial position; (ii) the severe shortage of cash and working capital for the repayment of the indebtedness of the Group; (iii) the loss-making performance of the Disposal Group for the year ended 31 March 2024; and (iv) the Disposal will not have any material adverse impact on the Company's ability to maintain its business at a viable and sustainable level, we consider that the Disposal, although is not conducted in the ordinary and usual course of business of the Group, is fair and reasonable and in the interest of the Company and Shareholders as a whole.

5. Principal terms of the Sale and Purchase Agreement

Set out below is a summary of the principal terms of the Sale and Purchase Agreement. Independent Shareholders are advised to read further details of the Sale and Purchase Agreement as disclosed in the Letter from the Board:

Date	:	28 May 2024
Parties	:	(i) the Company, as the Vendor; (ii) the Purchaser, as the Purchaser; and (iii) Mr. Ting, as the Purchaser's guarantor

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Asset to be disposed of : Pursuant to the terms and conditions of the Sale and Purchase Agreement, the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the Sale Shares, representing 38% equity interests in the Disposal Company.

As at the Latest Practicable Date, the Disposal Company is owned as to 77% by the Company, 18% by Apex Treasure International Limited and 5% by Atlantis China Star Fund Limited.

Consideration : The Consideration for the sale and purchase of the Sale Shares is HK\$56.4 million, which shall be settled by the Purchaser upon Completion.

As at the Latest Practicable Date, the Company is indebted to Mr. Ting in the sum of approximately HK\$107.3 million (i.e. the Loan). Pursuant to the Sale and Purchase Agreement, the Company, the Purchaser and Mr. Ting have agreed that the Consideration payable by the Purchaser shall be settled by way of set-off against the Loan. Payment of the Consideration shall be effected by the Purchaser, as directed by the Company, directly towards setting off the same amount due by the Company to Mr. Ting under the Loan in the sum of HK\$56.4 million on a dollar to dollar basis and such payment shall constitute a full and complete discharge of the Purchaser's obligations to pay the Consideration (i.e. the Set-off).

Basis of Consideration : The Consideration was determined after arm's length negotiations between the Company and the Purchaser on normal commercial terms, with reference to the appraised value of 38% equity interests in the Disposal Company as at 31 March 2024 of approximately HK\$56.4 million based on the market approach prepared by an independent valuer and other factors as set out in the section headed "Reasons for and benefits of the Disposal" in the Letter from the Board.

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- Conditions precedent** : Completion of the Sale and Purchase Agreement is conditional, among others, upon the approval of the transactions contemplated under the Sale and Purchase Agreement by the Independent Shareholders at the EGM in accordance with the GEM Listing Rules.
- Undertaking by the Purchaser** : At any time after Completion, should the Purchaser exercise its rights as a shareholder of the Disposal Company to nominate any person(s) to be appointed as director(s) of the Disposal Company, the Purchaser irrevocably and unconditionally undertakes that it shall exercise such right in such manner as directed by the Vendor.
- Guarantee** : Mr. Ting has provided an unconditional and irrevocable guarantee for the due and punctual payment and performance of the Purchaser's payment obligations under the Sale and Purchase Agreement and the due and punctual performance and observance by the Purchaser of all of its other obligations contained thereunder.
- Completion** : Completion shall take place on the third Business Days after the fulfilment of all the conditions precedent of the Sale and Purchase Agreement.

Upon Completion, the Disposal Company will be owned as to 39% by the Company, 38% by the Purchaser, 18% by Apex Treasure International Limited and 5% by Atlantis China Star Fund Limited.

Upon Completion, the Purchaser and Mr. Ting shall give an Irrevocable Undertaking in favour of the Company that the Purchaser shall unconditionally and irrevocably vest to the Company, and Mr. Ting shall procure the Purchaser to unconditionally and irrevocably vest to the Company, among others, all of the voting rights enjoyed by the Purchaser in respect of its equity interests in the Disposal Company from time to time and the Purchaser's right to nominate director(s) of the Disposal Company (if applicable).

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As disclosed in the announcement of the Company dated 4 June 2024, the Company received a letter from the legal representative of Apex Treasure International Limited (“Apex”), being one of the shareholders of the Disposal Company, in relation to the Company’s alleged breach (the “**Alleged Breach**”) of the Shareholders’ Agreement. It was alleged that the Company failed to issue a transfer notice to Apex thereby depriving Apex of its opportunity to exercise the right of first refusal or the right of co-sale under the Shareholders Agreement. The Company denies that there has been a breach of the Shareholders Agreement as alleged. In fact, the Company has formally issued a notice in writing to Apex in respect of the Disposal in late April 2024, and thus, the Board is of the view that the above allegation was unfounded. As at the Latest Practicable Date, the Company is in the course of seeking advice from its legal advisers in relation to the foregoing matter.

The Company considers that there are risks that Apex may commence legal action against the Company and/or the Disposal Company and seek for damages or specific performance on the Shareholders Agreement. Should any arbitration, litigation or legal proceedings (collectively, the “**Legal Proceedings**”) in connection with the Alleged Breach arise, certain condition(s) precedent, namely conditions (i) and (iv) as set out in the paragraph headed “The Sale and Purchase Agreement – Conditions precedent” in the Letter from the Board, may not be fulfilled, resulting in a delay in Completion or non-completion of the Disposal.

As at the Latest Practicable Date, should any Legal Proceedings arise, the Purchaser intended to waive the conditions (i) and (iv) abovementioned. Notwithstanding any Legal Proceedings that may arise and assuming the Purchaser having waived the abovementioned conditions (i) and (iv), Completion will take place after the fulfilment or waiver (as the case may be) of all conditions precedent as set out in the Sale and Purchase Agreement. In the event that the outcome of the Legal Proceedings is unfavourable to the Company, the Company may be liable for the relief or award granted by the relevant adjudicator. As at the Latest Practicable Date, the Company is in the course of seeking legal advice from its legal advisers in respect of the potential consequences of the Legal Proceedings.

Taking into account that the Alleged Breach was unfounded, we consider that the possible legal proceeding shall not affect our analysis regarding the fairness and reasonableness of the terms of the Sale and Purchase Agreement.

6. Valuation of the Disposal Group

As stated in the Letter from the Board, the Consideration was arrived at after arm’s length negotiations between the Company and the Purchaser on normal commercial terms with reference to, among others, the appraised value of 38% equity interests in the Disposal Company as at 31 March 2024 of approximately HK\$56.4 million (the “**Valuation**”) as appraised by BonVision International Appraisals Limited, an independent valuer (the “**Valuer**”) adopting the market approach (the “**Valuation Report**”). The full text of the Valuation Report is set out in Appendix II to the Circular, and the Independent Shareholders are recommended to read in full.

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In assessing the fairness and reasonableness of the Valuation, we have taken into the following factors:

(i) *The qualification and scope of work of the Valuer*

We have conducted an interview with the Valuer to enquire to their qualification and experience in valuing similar companies in the PRC and Hong Kong and their independence. In our review of the engagement letter between the Company and the Valuer and other relevant information provided by the Valuer, we noted that the Valuer is a qualified asset appraisal firm to perform valuation works, and the responsible persons of the Valuer have 15 years of experience in conducting valuation and possess sufficient qualifications and experience in valuing similar businesses in the PRC. We have also enquired with the Valuer as to their independence, and were given to understand that the Valuer is independent of the Group, the Purchaser, Mr. Ting and the Disposal Group. The Valuer confirmed that they were not aware of any relationship or interest between themselves and the Group, the Purchaser, Mr. Ting and the Disposal Group or any other parties that would reasonably be considered to affect their independence to act as the independent valuer for the Company. The Valuer also confirmed that apart from normal professional fees paid or payable to them in connection with their appointment as the Valuer, no other arrangements exist whereby they will receive any fees or benefits from the Group, the Purchaser, Mr. Ting or the Disposal Group. We have also reviewed the terms of engagement of the Valuer, in particular in relation to their scope of work. We noted that their scope of work is appropriate to form the opinion required to be given and there are no limitations on the scope of work which might adversely impact on the degree of assurance given by the Valuer in the Valuation Report. We have also performed work as required under note (1)(d) to Rule 17.92 of the GEM Listing Rule in relation to the Valuer and its work as regards the Valuation. Based on the above, we are satisfied with the terms of engagement of the Valuer as well as their qualification and experience for performing the Valuation, and we are of the view that the scope of work of the Valuer is appropriate. We therefore consider it appropriate to rely on their work and opinion.

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(ii) Valuation methodologies

We have reviewed the Valuation Report and discussed with the Valuer the methodologies, bases and assumptions adopted in arriving at the Valuation. We understood that the Valuer has considered three generally accepted approaches, namely, market approach, income approach and asset-based approach and adopted the market approach in the Valuation due to the following considerations:

- (a) the selection of the valuation approach in valuing the Disposal Group is based on, among other criteria, the merits and limitations of each of the aforesaid valuation methodologies, the quantity and quality of the information provided, accessibility to available data, availability of relevant market information, the operation, business nature, financial performance and financial position of the Disposal Group, professional judgment and technical expertise;
- (b) income approach is not considered because it requires significant level of unobservable and subjective assumptions to be made to arrive at, among others, detailed operational information and long-term financial projections, to which the valuation is highly dependent on the financial projection of the Disposal Group prepared by the management of the Group;
- (c) asset-based approach is not considered because it considers the cost to reproduce or replace the assets appraised in accordance with current market prices for similar assets, with allowance for accrued depreciation arising from condition, utility, age, wear and tear, or obsolescence (physical, functional or economical) present, taking into consideration past and present maintenance policy and rebuilding history. However, it fails to consider the economic benefits generated by the Disposal Group, and therefore, could not accurately reflect the market value of the Disposal Group; and
- (d) market approach is considered because it reflects the market expectations over the corresponding industry as the price multiples of the comparable companies were arrived from market consensus. Since there are sufficient public information in similar nature and business to that of the Disposal Group, their market values are good indicators of the industry of money lending.

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We have also performed independent research on recent circulars published by companies listed on the Stock Exchange from 1 January 2024 to the date of the Sale and Purchase Agreement (being approximately five months before the date of the Sale and Purchase Agreement) in relation to the acquisition or disposal of equity interests in financial companies, for which the consideration was determined with reference to independent valuations. We have, on a best effort basis, identified an exhaustive list of four comparable acquisition or disposal transactions (the “**Comparable Transactions**”). We believe this research can serve to cross-check the latest market practice in conducting valuation for transactions similar to that of the Disposal as they similarly involve valuation of equity interests. We consider such selection criteria is appropriate and sufficient as (a) it enables us to identify transactions with similar nature (i.e. acquisition or disposal of equity interests for which the consideration was determined with reference to independent valuations) as the Disposal on target companies with similar business (i.e. the provision of financial services) as the Disposal Group; (b) it has captured the recent market practice under the prevailing market conditions in Hong Kong; and (c) it provides a sufficient sample for comparison with the Disposal. Taking into account that all of the Comparable Transactions fit the aforesaid selection criteria and the details of the Comparable Transactions are publicly disclosed on the website of the Stock Exchange, we consider the Comparable Transactions to be fair and representative.

The details of the Comparable Transactions are set out below:

Date of circular	Company name (stock code)	Subject of valuation	Principal business of target company	Valuation approach
5 March 2024	AGTech Holdings Limited (8279.HK)	Ant Bank (Macao) Limited	Principally engaged in digital banking business including (a) mobile payment services; (b) financial banking services; and (c) cross-border remittance services	Market approach (P/B)
1 March 2024	FSE Lifestyle Services Limited (331.HK)	Beijing Nova Insurance Services Limited	Principally engaged in the provision of risk management services, insurance brokerage and consultancy services	Market approach (P/E)

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Date of circular	Company name (stock code)	Subject of valuation	Principal business of target company	Valuation approach
30 January 2024	HC Group Inc. (2280.HK)	Beijing Huicong Hulian Information Technology Co., Ltd.	A non-operating holding company that holds certain equity interest in Tianjin Leasing, Huixiang Network, Jingu Bank and Chongqing Micro-credit (as defined below)	Asset-based approach
		Tianjin Huicong Leasing Co. Ltd. ("Tianjin Leasing")	Principally engaged in finance lease business in the PRC	Asset-based approach
		Beijing Huixiang Network Technology Co., Ltd. ("Huixiang Network")	A bank borrowing holder with no substantive business operations	Asset-based approach
		Inner Mongolia Hohhot Jingu Rural Commercial Bank Co., Ltd. ("Jingu Bank")	Principally engaged in commercial banking involving the provision of products and services on bank deposits, loans and advances in the PRC	Market approach (P/B)
		Chongqing Digital China Huicong Micro-credit Co., Ltd. ("Chongqing Micro-credit")	Principally engaged in the provision of loans in the PRC	Market approach (P/B)
5 January 2024	Honghua Group Limited (196.HK)	Honghua Financial Leasing (Shanghai) Co., Ltd.	Principally engaged in the provision of financial leasing, operating lease, factoring and consulting services	Asset-based approach

As disclosed in the table above, we noted that market approach and price-to-book ("P/B") multiple have been adopted for valuing companies with similar principal business as the Disposal Group (i.e. the provision of money lending or financing services). In view of the availability of market information of publicly traded comparable companies in the similar industry of the Disposal Group as well as the recent market practice of adopting market approach in valuing equity interest of a money lending related company, we concur with the Valuer that it is fair and reasonable to adopt the market approach in arriving at the market value of the Disposal Group.

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Under market approach, the Valuer has adopted P/B multiple to determine the market value of the Disposal Group. For the purpose of independent assessment of the fairness and reasonableness of the Valuation, we have considered the three most commonly used benchmarks in valuing a company, namely P/B, price-to-earnings (“P/E”) and price-to-sales (“P/S”) multiples. P/B is typically applied for valuing companies which hold relatively liquid assets on their balance sheets and their book values approximate their fair market values such as real estate companies and banks. On the other hand, P/E is usually adopted for judging valuations for companies which are profit-making whereas P/S is approximate for valuing companies which have volatile earnings or loss but with relatively stable revenue such as retailers offering general merchandise. Taking into account that (a) the significant fluctuation in profits of the Disposal Group caused by the volatile microfinance sector in Hong Kong and the PRC in recent years as evidenced by the shrinking market capitalisation of comparable companies of similar size and business, which led to the diminishing profitability of the Disposal Company year over year, and that the Disposal Group incurred net losses for the year ended 31 March 2024 which makes it impossible to apply P/E; (b) P/S is considered not appropriate for the Valuation as it only focuses on the sales amount which can be easily distorted if the cost structure is not being considered; (c) P/B is one of the most commonly used valuation multiples for capital-intensive business such as financial institutions as it relates the fair value of the company’s equity value to its net asset, in particular the operating performance of companies in microfinance sector hinges upon the net assets value which includes significant portion of the loan receivables and cash, and hence could accurately reflect the Disposal Group’s ability to grant new loans to customers and ultimately its earnings potentials; and (d) based on our independent research on the Comparable Transactions as mentioned above, P/B has been adopted for valuing companies with similar principal business as the Disposal Group (i.e. the provision of money lending or financing services), we concur with the Valuer that P/B is the most appropriate multiple to value the Disposal Group as compared with other valuation multiples.

(iii) Analysis of the comparable companies

The Disposal Group is principally engaged in the provision of loan financing and consultancy services in the PRC and Hong Kong with its majority of revenue from the PRC. As set out in the Valuation Report, the Valuer has identified seven comparable companies (the “**Comparable Companies**”) with reference to data as extracted from publicly available information including S&P Capital IQ. In selecting the appropriate comparable companies, the Valuer has adopted the following selection criteria:

- (a) the principal business of the company is engaged in the provision of financing and lending services in the PRC, with more than 50% of its total revenue generated from the related business segment in its respective latest financial year;

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- (b) the company is mainly operated in the PRC, with more than 50% of its revenue generated from the PRC in its latest financial year;
- (c) the company is publicly listed on the Stock Exchange with sufficient listing and operating histories of not less than three years; and
- (d) sufficient financial information of the company is available to the public.

We consider that the Valuer's selection criteria is appropriate and sufficient for the Valuation as (a) it enables the Valuer to identify companies with similar business (i.e. the provision of money lending services) in the same principal geographical region (i.e. the PRC) as the Disposal Group, with sufficient data publicly available for it to conduct the Valuation; and (b) it has covered the prevailing market conditions and sentiments in Hong Kong. Based on the above criteria, we have, based on our search on Bloomberg and the websites of the Stock Exchange, identified seven comparable companies which are the same as those identified by the Valuer as set out in the Valuation Report. We consider that no other suitable comparable company is omitted as our independent research results are identical to those identified by the Valuer. Based on our independent research on the Comparable Companies, we are of the view that all of the Comparable Companies fit the selection criteria and are fair and representative. As such, we are of the view that the list of the Comparable Companies analysed by the Valuer for the purpose of determining the Valuation is representative and exhaustive.

The following table sets out the details of the Comparable Companies:

Company name (stock code)	Principal activities (Percentage of total revenue derived from the principal business in the latest financial year)	Principal place of operation	P/B as at 31 March 2024 (times)
Zhong Ji Longevity Science Group Limited (767.HK)	Money lending and financial advisory business (51.8%)	PRC and Hong Kong	0.15
China Financial Services Holdings Limited (605.HK)	Money lending (100%)	PRC and Hong Kong	0.07

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Company name (stock code)	Principal activities (Percentage of total revenue derived from the principal business in the latest financial year)	Principal place of operation	P/B as at 31 March 2024 (times)
Capital Finance Holdings Limited (8239.HK)	Provision of short-term financing services to the customers (100%)	PRC	0.98
Zuoli Kechuang Micro-finance Company Limited (6866.HK)	Money lending (100%)	PRC	0.17
Quanzhou Huixin Micro-credit Co., Ltd. (1577.HK)	Loan business (100%)	PRC	0.27
Yangzhou Guangling District Taihe Rural Micro-finance Company Limited (1915.HK)	Money lending (100%)	PRC	0.30
VCREDIT Holdings Limited (2003.HK)	Money lending (100%)	PRC and Hong Kong	0.24
		Maximum	0.98
		Minimum	0.07
		Median	0.24
		Average	0.31

Source: Bloomberg and the website of the Stock Exchange

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As shown in the table above, the P/B of the Comparable Companies ranges from approximately 0.07 time to 0.98 time with an average and median of approximately 0.31 time and 0.24 time, respectively. We have reviewed the calculation of the P/B of the seven Comparable Companies to verify the median P/B adopted by the Valuer in the Valuation. Based on our discussion with the Valuer, we understood that the median P/B is considered as a better representation of the middle point of a dataset than an average since it is less influenced by biases towards large and small values and less likely to be distorted than average for small sample size. As such, we concur with the Valuer's view that the adoption of median P/B of the Comparable Companies to compute the market value of the Disposal Group is fair and reasonable and consider it is more conservative.

(iv) Analysis of the valuation adjustment

Marketability is defined as the ability to convert the business interest into cash quickly at a known price with minimum transaction costs. For privately held company, there is usually a cost and a time lag associated with locating interested and capable buyers as there is no established market of readily-available buyers and sellers. All other factors being constant, an interest in a privately held company is worth less than an interest in a publicly traded company as there is no established market of readily available buyers and sellers. We understand that lack of marketability discount ("**LOMD**") is a downward adjustment to the value of the business interest to reflect its reduced level of marketability. Since the Disposal Company is a private company whose shares are not publicly traded in the open market, we consider that it is fair and reasonable to apply a discount for lack of marketability in the course of valuation to discount for lack of ability of converting shares of the Disposal Company into immediate cash. Based on our discussion with the Valuer, we noted that a LOMD of 15.7% has been applied in the Valuation with reference to the 2023 edition of the Stout Restricted Stock Study (the "**Stout Study**") published by Stout Risius Ross, LLC, which we consider a reliable reference given it is a global investment bank and advisory firm specialising in corporate finance, valuation, financial disputes and investigations with offices located in Asia, Europe and North America. We have reviewed the Stout Study provided by the Valuer and noted that the LOMD of 15.7% is a median marketability discount based on 772 private placement transactions of unregistered common shares issued by publicly traded companies from July 1980 through December 2022. As such, we consider that the LOMD being applied, which is equivalent to the median marketability discount according to the aforementioned research report, is fair and reasonable.

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(v) *Analysis of the valuation computation*

In arriving at the estimated 100% equity value of the Disposal Group, the Valuer first derived the operating net asset value of the Disposal Group as at 31 March 2024, being net asset value minus non-operating assets and goodwill and plus non-operating liabilities, all of which have eliminated the effect of minority interest. The Valuer then used the operating net asset value of the Disposal Group to multiply the median P/B of the Comparable Companies and the market value of the Disposal Group is then derived by adjusting with the non-operating assets, the non-operating liabilities and the marketability discount. In arriving at the Valuation of approximately HK\$56.4 million, the Valuer has applied the shareholding of 38% to be disposed by the Group under the Disposal on the adjusted 100% equity value of the Disposal Group.

Below is the summary of the calculation of the Valuation extracted from the Valuation Report:

			HK\$'000
Operating net asset value of the Disposal Group as at 31 March 2024 (Note 1)	A		155,185
Median P/B (times) (Note 2)	B		0.24
Add: Non-operating assets (Note 3)	C		143,093
Less: Non-operating liabilities (Note 3)	D		(4,160)
100% equity value of the Disposal Group as at 31 March 2024	E = A x B + C - D		176,177
LOMD	F		15.7%
Adjusted 100% equity value of the Disposal Group as at 31 March 2024	G = E x (1 - F)		148,517
Equity interest of the Disposal Group to be disposed under the Disposal	H		38%
Valuation	I = G x H		56,437

Notes:

1. Being net asset value minus non-operating assets (including other receivables and amounts due from an immediate holding company) and goodwill and plus non-operating liabilities (including other payables, accrued expenses and amounts due to fellow subsidiaries) of the Disposal Group, all of which have eliminated the effect of minority interest, based on the unaudited management accounts of the Disposal Group for the year ended 31 March 2024.
2. Being the median P/B of the Comparable Companies as at the Date of Valuation.
3. Based on the unaudited management accounts of the Disposal Group for the year ended 31 March 2024 and have eliminated the effect of minority interest.

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As shown in the table above, the Valuer has separated the operating assets and liabilities with the non-operating assets and liabilities in deriving the Valuation. As advised by the Valuer, the industry P/B generally reflects how much the company is worth per its book value, in which regard the net operating assets should contribute the most. Such method is an industry norm in market approach as it is necessary to separate the operating and non-operating assets/liabilities to determine which items are required for use in the income-producing operations of the business and which ones are redundant to the business. In this regard, we have performed independent research and noted that, according to the section headed “120. Operating and Non-operating Assets” of the International Valuation Standards published by the International Valuation Standards Council, most valuation methods do not capture the value of assets that are not required for the operation of the business. If the business had non-operating assets or liabilities such as an idle manufacturing plant, the value of that non-operating plant would not be captured in the value. Depending on the level of value appropriate for the valuation engagement, the value of non-operating assets may need to be separately determined and added to the operating value of the business. As at 31 March 2024, the Disposal Group’s non-operating assets and liabilities mainly consisted of amounts due from an immediate holding company and other payable, which were not cash-generating and not related to the principal business of the Disposal Group. As such, we consider such method adopted by the Valuer is in compliance with the International Valuation Standards. Regarding the exclusion of goodwill in the Valuation, we understood from the Valuer such arrangement was based on the professional judgment of the Valuer. The goodwill of the Disposal Group arose from the difference between the consideration and fair value of a target company in a previous acquisition based on accounting treatment which shall not be considered in the new transaction (i.e. the Disposal) as it had minimal contribution to the operating activities of the Disposal Group.

Based on our review on the Valuation Report and our discussion with the Valuer in relation to the analysis of (i) the selection of valuation methodology and approach; (ii) the selection criteria of the Comparable Companies; (iii) the valuation adjustment applied due to LOMD; and (iv) the detailed computation of the Valuation, we consider that the methodology, bases, assumptions, parameters and computation adopted for the Valuation are appropriate and reasonable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In view of (i) the methodology, bases, assumptions, parameters and computation adopted by the Valuer in determining the Valuation are appropriate; (ii) the Consideration is made with reference to the aforementioned independent valuation which was fairly and reasonably determined by the Valuer; (iii) the Consideration is equivalent to the market value of 38% equity interest of the Disposal Group in the Valuation; and (iv) the reasons for and benefits of the Disposal as discussed in the section headed "3. Reasons for and benefits of the Disposal" above, we consider the Consideration to be fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole.

7. Financial effect of the Disposal

Upon Completion, the Disposal Company will be owned as to 39% by the Company, 38% by the Purchaser, 18% by Apex Treasure International Limited and 5% by Atlantis China Star Fund Limited. As (i) the Company has obtained and shall remain to obtain the power to cast a majority of votes at meetings of the board of directors of the Disposal Company; and (ii) based on the distribution of key shareholders and their beneficial shareholders as well as historical voting patterns, the equity holdings in the Disposal Company are dispersed in a way that other shareholders have not organised their holdings and the practical risk to organise their holdings to outvote the Company in the shareholders' meetings of the Disposal Company is remote, the Company's voting rights are sufficient to give it the practical ability to direct the relevant activities of the Disposal Company unilaterally. Upon Completion, the Company's control to the Disposal Company will remain unchanged. The Disposal Company will continue to be accounted as a non-wholly owned subsidiary of the Company. The results of operations and financial position of the Disposal Company will continue to be consolidated into the Group's consolidated financial statements. It is expected that the Disposal will not result in any material gain or loss in the Company's consolidated statement of profit or loss and other comprehensive income. The actual amount to be recorded in the financial statement of the Company will be subject to review by the auditor of the Company upon Completion.

Pursuant to the terms and conditions of the Sale and Purchase Agreement, the Consideration to be payable by the Purchaser shall be set-off fully against the principal amount of the Loan on a dollar-for-dollar basis, as such, no proceeds will be received by the Company upon Completion.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

OPINION AND RECOMMENDATION

Having taken into account the above principal factors and reasons, we consider that the terms of the Sale and Purchase Agreement are on normal commercial terms which are fair and reasonable so far as the Independent Shareholders are concerned. We also consider that, although the entering into of the Sale and Purchase Agreement is not in the ordinary and usual course of business of the Group, it is in the interests of the Company and the Shareholders as a whole. We therefore advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Sale and Purchase Agreement and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Rainbow Capital (HK) Limited
Larry Choi
Managing Director

Mr. Larry Choi is a licensed person and a responsible officer of Rainbow Capital (HK) Limited registered with the Securities and Futures Commission to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO. He has over ten years of experience in the corporate finance industry.

1. FINANCIAL INFORMATION OF THE GROUP

The financial information of the Group for each of the three financial years ended 31 March 2022, 2023 and 2024 are disclosed in the annual reports of the Company for the years ended 31 March 2022, 2023 and 2024, respectively, and there was no qualified audit opinion expressed on the consolidated financial statements of the Group for the three years ended 31 March 2022, 2023 and 2024.

The said annual reports of the Company are published on both the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.madison-group.com.hk):

- the annual report of the Company for the year ended 31 March 2022 published on 29 June 2022 (pages 121 to 279) (hyperlink: <https://www1.hkexnews.hk/listedco/listconews/gem/2022/0629/2022062900007.pdf>);
- the annual report of the Company for the year ended 31 March 2023 published on 28 June 2023 (pages 136 to 287) (hyperlink: <https://www1.hkexnews.hk/listedco/listconews/gem/2023/0628/2023062800521.pdf>); and
- the annual report of the Company for the year ended 31 March 2024 published on 5 July 2024 (pages 134 to 279) (hyperlink: <https://www1.hkexnews.hk/listedco/listconews/gem/2024/0705/2024070500667.pdf>).

2. STATEMENT OF INDEBTEDNESS

As at the close of business on 31 May 2024, being the latest practicable date prior to the printing of this circular and for the purpose of ascertaining the information contained in this statement of indebtedness, the Group had outstanding indebtedness as follows:

- (i) non-interest bearing, unguaranteed, unsecured loan of approximately HK\$107,345,000, which is the Loan;
- (ii) interest-bearing, guaranteed, unsecured loan of approximately HK\$74,548,000;
- (iii) interest-bearing, guaranteed, secured other borrowings of approximately HK\$25,239,000; and
- (iv) unguaranteed, unsecured lease liabilities of approximately HK\$4,529,000.

Contingent liabilities

As at 31 May 2024, the Group did not have any material contingent liabilities.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, as at 31 May 2024, being the latest practicable date for determining indebtedness, the Group did not have any outstanding mortgages, charges, debentures, debt securities or other loan capital or bank overdrafts or loans or other similar indebtedness or finance lease commitments, liabilities under acceptances (other than normal trade bills) or acceptance credits or hire purchase commitments or guarantees or other material contingent liabilities, nor any authorised or otherwise created but unissued debt securities.

3. WORKING CAPITAL

The Directors, after due and careful consideration, are of the opinion that, taking into consideration the financial resources available to the Group including the net proceeds to be received from the Disposal, the bank facilities and other internal resources, the Group will have sufficient working capital for at least twelve (12) months from the date of publication of this circular.

The Company has obtained the relevant confirmation as required under Rule 19.66(13) of the GEM Listing Rules.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 March 2024, being the date to which the latest published audited accounts of the Group were made up.

5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

As disclosed in the annual report of the Company for the year ended 31 March 2024, the global economic environment in 2024 is still expected to be challenging and remain uncertain, and is likely to be affected by the development of geopolitical issues, Russian-Ukraine War and conflicts in the Middle East. The economy of the PRC and Hong Kong are still recovering from the pandemic, and the operating environment for the business segments in 2024 is expected to remain challenging. The Directors will continue to enhance the Group's businesses by 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. The Group may seek new investors to meet its financial needs for expanding its businesses.

The following is the full text of a letter and valuation report prepared for the purpose of incorporation in this circular received from BonVision International Appraisals Limited, an independent qualified valuer, in connection with the valuation of the Disposal Company as at 31 March 2024 to be disposed by the Company. Unless otherwise defined, terms used in this Appendix shall have the same meanings as those set out in this circular.



Room 1205-06, 12/F, Tai Yau Building,
181 Johnston Road, Wan Chai, Hong Kong
Phone: (852) 2916 2188
Email: info@bonvision.com

17 July 2024

Madison Holdings Group Limited

Unit 26-28, 8/F,
One Island South,
2 Heung Yip Road,
Wong Chuk Hang, Hong Kong

Dear Sir/Madam,

Re: Business Valuation in relation to 38% Equity Interest in Hackett Enterprises Limited

In accordance with the instructions from Madison Holdings Group Limited (hereinafter referred to as the “**Company**”) to us to conduct a business valuation in relation to 38% equity interest in Hackett Enterprises Limited (hereinafter referred to as the “**Business Enterprise**”) held by the Company. We are pleased to report that we have made relevant enquiries and obtained other information which we considered relevant for the purpose of providing you with our valuation as at 31 March 2024 (hereinafter referred to as the “**Date of Valuation**”).

This report states the purpose of valuation, scope of work, economic overview, industry overview, an overview of the Business Enterprise, basis of valuation, valuation methodology, major assumptions, information reviewed, limiting conditions, remarks and presents our opinion of value.

1. PURPOSE OF VALUATION

This valuation report has been prepared exclusively for the use of the directors and management of the Company. Additionally, BonVision International Appraisals Limited (hereinafter referred to as “**BVIA**”) acknowledges that this report may be made available to the Company for public documentation purpose.

BVIA does not assume any responsibility beyond the Company for the contents of this report. If any other parties choose to rely on the information and findings presented in this report, they do so entirely at their own risk and BVIA bears no liability for such third-party usage.

2. SCOPE OF WORK

Our valuation conclusion is based on the assumptions stated herein and the information provided by the management of the Company, the management of the Business Enterprise and/or their representative(s) (together referred to as the “**Management**”).

In preparing this report, we have undertaken the necessary steps to facilitate the valuation for the Business Enterprise. We have engaged in detailed discussions with the Management. We have coordinated with the Company’s representatives to obtain all the required information and supporting documents pertaining to the Business Enterprise. We have conducted market research on comparable companies and performed data analysis on the market trends.

Based on the research and information, we have selected an appropriate valuation method to conduct the valuation of the Business Enterprise and compiled this report.

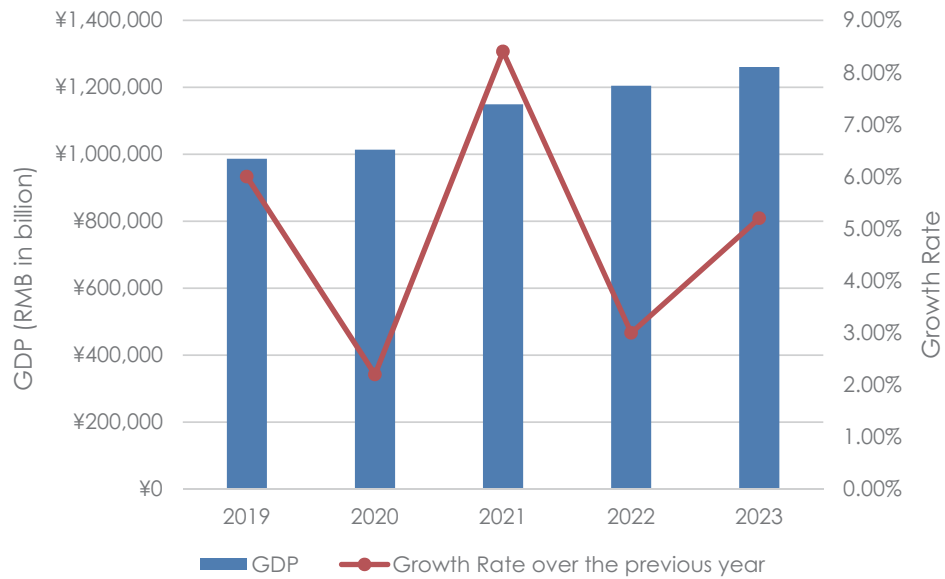
3. ECONOMIC OVERVIEW

As the world’s second largest economy, the development in the People’s Republic of China (“**China**” or “**PRC**”) has significant implications for businesses, investors, and policymakers worldwide. This overview will delve into key aspects of China’s economy, including Gross Domestic Product (“**GDP**”) growth and inflation levels measured by the Consumer Price Index (“**CPI**”).

3.1 Gross Domestic Product of China

China’s economy has been characterized by rapid growth in recent decades. According to the State Council of the People’s Republic of China, China’s GDP grew at an average annual rate of 6.6% from 2013 to 2021, surpassing the global average of 2.6%. This remarkable growth was primarily driven by domestic consumption, infrastructure investment, and an increase in exports.

However, in recent years, due to factors such as the COVID-19 pandemic and geopolitical complexities, China’s GDP growth rate has experienced a downward trend. Figure 1 illustrates the GDPs and growth rates of China from 2019 to 2023. Nonetheless, in 2023, a year focused on economic recovery, China’s GDP still grew by 5.2% year-on-year. The size of China’s economy expanded from RMB120 trillion in 2022 to RMB126 trillion in 2023 as reported by the National Bureau of Statistics of China.

Figure 1 – GDPs and Growth Rates of China from 2019 to 2023

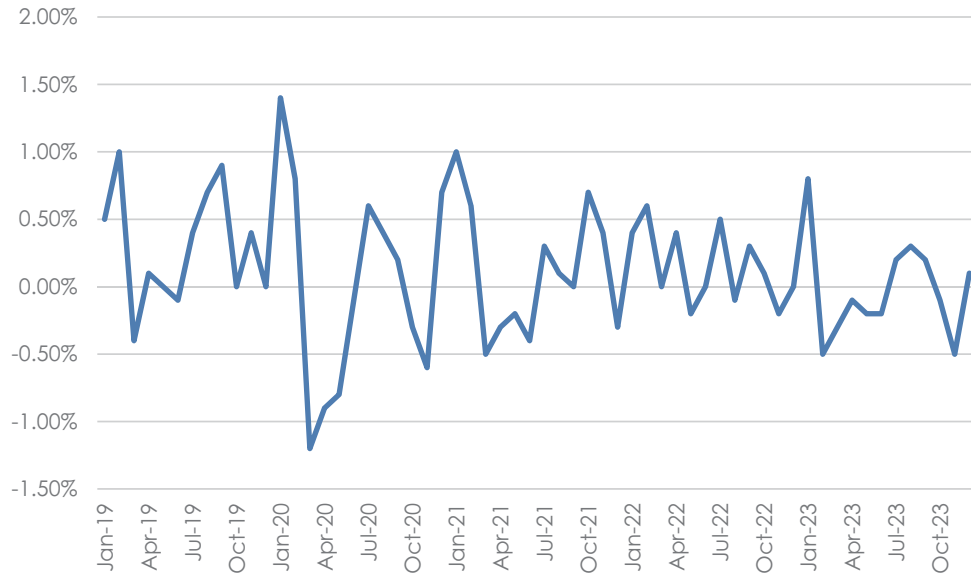
Source: National Bureau of Statistics of China

3.2 Inflation in China

In China, the CPI serves as a crucial indicator of price stability and the overall cost of living. From 2013 to 2022, China experienced moderate inflation, typically ranging between 1% and 3%, with an average of 2%.

In 2022, the average CPI in China remained steady at 2%. Despite the challenges posed by the pandemic and geopolitical complexities, China's policymakers made efforts to stimulate domestic demand, leading to a slight rise in CPI for the full year of 2023, at approximately 0.2% annually, according to the National Bureau of Statistics of China. However, it is noted that in December 2023, the CPI edged down by 0.3% year-on-year, indicating increasing deflationary pressures due to weak domestic demand during the economic recovery. Figure 2 illustrates CPI (annual variation in %) of China from 2019 to 2023.

Figure 2 – Consumer Price Index (CPI, annual variation in %) of China from 2019 to 2023



Source: Capital IQ

3.3 Structural Reforms and Shift to Quality Future Growth

Apart from impact of the pandemic and geopolitical affairs, China has embarked on a path of economic transformation, transitioning from a model driven by investment and exports to one that prioritizes quality future growth, consumption, and innovation, with a promising future. This transition is part of the effort to achieve sustainable and balanced economic development. To facilitate this shift, China has implemented a range of structural breakdowns and reforms, including the reduction of excess industrial capacity, the enhancement of the role of market forces in resource allocation, and the promotion of innovation and technological advancements. These reforms are aimed at fostering a more efficient and dynamic economy that is less dependent on traditional industries and more focused on innovation and domestic consumption as key drivers of future growth.

4. INDUSTRY OVERVIEW

Microfinancing originates from the idea of providing small loans to small and medium-sized enterprises (“SMEs”), and individuals for business expansion and personal consumption. The surge of microfinancing industry in China has been fueled by several factors. Firstly, China’s vast population has created a strong demand for accessible and affordable credit. Secondly, the microfinancing industry has played a crucial role in bridging the financing gap by offering loans to those who may not have access to traditional banking services. These loans are provided without the need for collateral or guarantors, and the processing time is significantly shorter compared to traditional lending institutions. Microfinancing plays a vital role in promoting financial inclusion by providing financial services to underserved segments of the population. Recognizing its importance, the government of China has shown significant support for the microfinancing in recent years.

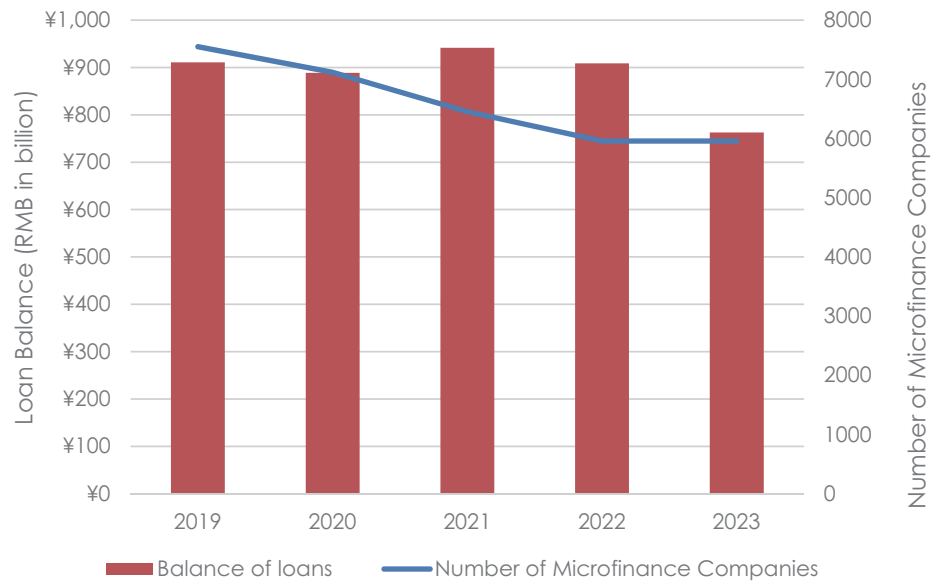
4.1 Growth of the Microfinancing Industry in China

The microfinancing industry in China has witnessed remarkable growth over the past decade. In 2013, the General Office of the State Council of the People’s Republic of China issued an opinion titled “關於金融支持經濟結構調整和轉型升級的指導意見”, which proposed further promotion of private capital in small loans and the financial sector. As a result, the number of microfinance companies in China and the size of loans began to expand rapidly. In 2015, another opinion titled “關於促進網路金融健康發展的指導意見” was issued. This introduced online microfinancing licenses, breaking the restriction that traditional licenses were limited to regional business operations. With online licenses, microfinance companies could conduct business nationwide. From 2015 to 2017, the number of microfinance companies reached a peak of 8,910, with a maximum loan balance of nearly RMB1 trillion.

4.2 Growth of the Microfinancing Industry in China

According to the statistical data report titled “2023年小額貸款公司統計數據報告” by the People’s Bank of China, there were 5,500 microfinance companies operating across the country as of the end of December 2023. The total loan balance amounted to RMB762.9 billion. In comparison to 2022, the number of microfinance companies decreased by 458, and the loan balance of microfinancing decreased by RMB 147.8 billion. Figure 3 illustrates the trend of the number of microfinance companies and the loan balance in China. Figure 3 depicts a continuous decline in the number of microfinance companies and a drop in the loan balance throughout 2023. It indicates that China has undergone a notable transition in the field of microfinancing.

Figure 3 – Number of Microfinance Companies and Loan Balance in China from 2019 to 2023



Source: The People's Bank of China

4.3 Regulatory Supervision on Microfinancing

Apart from sluggish economy growth in China, another primary reason for the slowdown in the development of the microfinancing industry is the continuous strengthening of financial supervision. Due to insufficient internal risk control capabilities, and immature business models of some microfinance companies, the China Banking and Insurance Regulatory Commission and the People's Bank of China drafted an interim measure for microfinancing titled “網絡小額貸款業務管理暫行辦法-徵求意見稿” in 2020. This measure aims to clarify the regulatory system and stipulate requirements for online microfinance companies. Specific requirements include a minimum capital requirement of not less than RMB 1 billion, adherence to risk management standards, guidelines for loan purposes, and regulated permissible interest rates, among others. To support the transition of the microfinance industry after the exploration and growth periods, the government has implemented rules to ensure the stability and sustainability of the industry, aligning with the natural laws of development.

5. OVERVIEW OF THE BUSINESS ENTERPRISE

The Business Enterprise is an investment holding company incorporated in the Republic of Seychelles with limited liability. The core business activities of the Business Enterprise are conducted through these subsidiaries, which are primarily focused on the provision of secured financing services, microfinance services, and financial consulting services in China. In this capacity, the Business Enterprise's primary role is to deploy capital, make strategic investments, and provide oversight and support to its operating subsidiaries in the financial services sector within the Chinese market.

6. BASIS OF VALUATION

Our valuation is conducted on a market value basis. According to the International Valuation Standards established by the International Valuation Standards Council in 2022, market value is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

7. VALUATION METHODOLOGY

There are three well-established approaches that can be used to determine the market value of the Business Enterprise: the Market-Based Approach, the Income-Based Approach, and the Asset-Based Approach. The appropriateness of each approach depends on the specific circumstances and the nature of the business entity being valued.

Market-Based Approach

The Market-Based Approach values a business entity by comparing prices at which other business entities in a similar nature changed hands in arm's length transactions. The underlying theory of this approach is that one would not pay more than one would have to for an equally desirable alternative. By adopting this approach, the valuer will first look for valuation indication of prices of other similar business entities that have been sold recently.

The right transactions employed in analyzing indications of values need to be sold at an arm's length basis, assuming that the buyers and sellers are well informed and have no special motivations or compulsions to buy or to sell.

Income-Based Approach

The Income-Based Approach focuses on the economic benefits due to the income producing capability of the business entity. The underlying theory of this approach is that the value of the business entity can be measured by the present worth of the economic benefits to be received over the useful life of the business entity. Based on this valuation principle, the Income-Based Approach estimates the future economic benefits and discounts them to their present values using a discount rate appropriate for the risks associated with realizing those benefits.

Alternatively, this present value can be calculated by capitalising the economic benefits to be received in the next period at an appropriate capitalisation rate. This is subject to the assumption that the business entity will continue to maintain stable economic benefits and growth rate.

Asset-Based Approach

The Asset-Based Approach is based on the general concept that the earning power of a business entity is derived primarily from its existing assets. The assumption of this approach is that when each of the elements of working capital, tangible and intangible assets is individually valued, their sum represents the value of a business entity and equals to the value of its invested capital (“**equity and long term debt**”). Under the Asset-Based Approach, the market value of equity of a business entity refers to the market values of various assets and liabilities on the statement of financial position of the business entity as at the measurement date, in which the market value of each asset and liability was determined by reasonable valuation approaches based on its nature.

Selection of Valuation Approach

In the process of valuing the Business Enterprise, we have taken into account the Business Enterprise’s operations, financial information, and the nature of the business.

The Income-Based Approach was not adopted because the Management was unable to provide a financial forecast beyond one year along with a concrete business plan. Making numerous assumptions would have been necessary, which could have significantly influenced the valuation outcome. The Asset-Based Approach was not chosen, as it would not have captured the future earnings potential of the business and, therefore, could not accurately reflect the market value.

Consequently, we have decided to adopt the Market-Based Approach to arrive at the market value of the 38% equity interest in the Business Enterprise. Under this approach, we had to determine the appropriate valuation multiples of comparable companies, considering price-to-sales (P/S), price-to-earnings (P/E), and price-to-book (P/B) multiples.

The P/S multiple was not adopted, as it could not fully capture the cost structure of the Business Enterprise. The P/E multiple was also not selected, as the microfinance sector is subject to various economic factors, such as interest rates and credit risk, which can cause earnings to fluctuate significantly year-over-year.

We considered to adopt the P/B multiple to calculate the market value of the Business Enterprise as the operating performance of companies in microfinance sector greatly depends on the net assets value which includes significant portion of the loan receivables and cash.

Comparable Companies

We adopted several listed companies with similar business nature and operations similar to those of the Business Enterprise as comparable companies. The comparable companies were selected mainly with reference to the following selection criteria:

- The companies are listing on the Hong Kong Stock Exchange;
- The companies are primarily engaged in consumer finance segment with more than 50% revenue generated from financing and lending services;
- The companies have major operating segment with more than 50% revenue from China;
- The companies have sufficient listing and operating histories; and
- The financial information of the companies is available to the public.

Details of the comparable companies adopted were listed as follows:

Company Name	Stock Code	Listing Location	Business Description	Market Capitalisation (HKD million)
Zuoli Kechuang Micro-finance Company Limited	SEHK:6866	Hong Kong	Zuoli Kechuang Micro-finance Company Limited operates as a microfinance company in the People's Republic of China.	366
Quanzhou Huixin Micro-credit Co., Ltd.	SEHK:1577	Hong Kong	Quanzhou Huixin Micro-Credit Co., Ltd., a microfinance company, provides various short-term financing solutions in the People's Republic of China.	347
Yangzhou Guangling District Taihe Rural Micro-finance Company Limited	SEHK:1915	Hong Kong	Yangzhou Guangling District Taihe Rural Micro-finance Company Limited grants loans to agriculture, rural areas, and farmers in the People's Republic of China.	291
VCREDIT Holdings Limited	SEHK:2003	Hong Kong	VCREDIT Holdings Limited provides online consumer finance services to borrowers in the People's Republic of China.	1,079
Zhong Ji Longevity Science Group Limited	SEHK:767	Hong Kong	Zhong Ji Longevity Science Group Limited, an investment holding company, engages in the money lending business in Hong Kong and Mainland China.	61

Company Name	Stock Code	Listing Location	Business Description	Market Capitalisation (HKD million)
China Financial Services Holdings Limited	SEHK:605	Hong Kong	China Financial Services Holdings Limited, an investment holding company, provides financial services in the People's Republic of China, Hong Kong, and the United Kingdom.	45
Capital Finance Holdings Limited	SEHK:8239	Hong Kong	Capital Finance Holdings Limited, an investment holding company, provides short-term financing services in China and Hong Kong.	60

Source: S&P Capital IQ.

The major business segment and geographical segment of the comparable companies:

Company Name	Major Business Segment	Major Geographical Segment
Zuoli Kechuang Micro-finance Company Limited	Lending services – 100%	China – 100%
Quanzhou Huixin Micro-credit Co., Ltd.	Micro-credit business – 100%	China – 100%
Yangzhou Guangling District Taihe Rural Micro-finance Company Limited	Loan business – 100%	China – 100%
VCREDIT Holdings Limited	Consumer financial services – 100%	China – 100%
Zhong Ji Longevity Science Group Limited	Money lending and financial advisory business – 51.8%	China – 76.68%
China Financial Services Holdings Limited	Financing service – 100%	China – 72.99%
Capital Finance Holdings Limited	Short-term financing services – 100%	China – 100%

Source: S&P Capital IQ.

Company Name	Stock Code	Stock Price	Book Value Per Share	P/B Multiple
Zuoli Kechuang Micro-finance Company Limited	SEHK:6866	HKD0.31	HKD1.82	0.17
Quanzhou Huixin Micro-credit Co., Ltd.	SEHK:1577	HKD0.51	HKD1.88	0.27
Yangzhou Guangling District Taihe Rural Micro-finance Company Limited	SEHK:1915	HKD0.49	HKD1.60	0.30
VCREDIT Holdings Limited	SEHK:2003	HKD2.21	HKD9.40	0.24
Zhong Ji Longevity Science Group Limited	SEHK:767	HKD0.13	HKD0.89	0.15
China Financial Services Holdings Limited	SEHK:605	HKD0.22	HKD3.07	0.07
Capital Finance Holdings Limited	SEHK:8239	HKD0.64	HKD0.65	0.98
			Median (Rounded)	0.24

The P/B multiple adopted was the median of the P/B multiples of the above comparable companies as at the Date of Valuation as extracted from S&P Capital IQ.

7.1 Business Valuation Details

The statement of financial position of the Business Enterprise shows a minority interest of HKD104,757,171 which represents 25.83% of the total shareholders equity. The minority interest was adjusted in the valuation of the 38% equity interest of the Business Enterprise.

We obtained the estimated market value of the Business Enterprise as at 31 March 2024 by applying the median P/B multiple to the operating net assets value (NAV) of HKD155,184,954 of the Business Enterprise for the year ended 31 March 2024. The market value of the Business Enterprise was then arrived by adjusting with the net non-operating assets and the marketability discount.

Calculation of the Operating Net Assets Value (NAV)

We have calculated the operating NAV by adjusting the NAV of the Business Enterprise with the non-operating assets and liabilities. As discussed with the Management, other receivables of HKD6,524,409, amounts due from the Company of HKD136,568,327, other payables of (HKD2,988,039), accrual expenses of (HKD579,041) and amounts due to fellow subsidiaries of (HKD592,795) were classified as non-operating in nature. The goodwill arose from previous acquisition, which had minimal contribution to the operating activities of the Business Enterprise, was disregarded in the valuation.

Net Assets Value of the Business Enterprise (HKD)	300,814,216
- Non-operating assets (HKD)	143,092,735
+ Non-operating liabilities (HKD)	4,159,875
- Goodwill (HKD)	6,696,401
Operating Net Assets Value (HKD)	155,184,954

Note: Total figures may not sum up due to rounding.

Marketability Discount

Compared to ownership interests in public companies, shares in closely-held companies are not readily marketable. As a result, the value of a share of stock in a privately-held company is typically less than a comparable share in a publicly-traded company.

Referencing the findings from the “Stout Restricted Stock Study 2023” published by Stout Risius Ross, LLC, we adopted a discount for lack of marketability of 15.70% in determining the market value of the Business Enterprise. The restricted stock study provided empirical data on the discounts applied to the fair market value of shares in privately-held companies to account for their lack of marketability compared to publicly-traded shares.

Calculation of the Market Value of 38% equity interest in the Business Enterprise

The calculation details of the market value of 38% equity interest in the Business Enterprise were illustrated as follows:

Operating NAV of the Business Enterprise (HKD)	155,184,954
Price to Book Multiple	0.24
Market Value before Adjustment	37,244,389
Adjustment on non-operating assets (HKD)	143,092,735
Adjustment on non-operating liabilities (HKD)	(4,159,875)
Market Value before Marketability Discount	176,177,250
x Marketability Discount	(1 – 15.70%)
Market Value of 100% Equity Interest in the Business Enterprise (HKD)	148,517,421
x Percentage of Equity Interest in the Business Enterprise	38%
Market Value of 38% Equity Interest in the Business Enterprise (HKD)	56,436,620
Market Value of 38% Equity Interest in the Business Enterprise (HKD) (Rounded)	56,437,000

8. KEY ASSUMPTIONS

In arriving at our opinion of value, we have adopted certain specific assumptions in our valuation and the major ones are as follows:

- As advised by the Management, the consolidated unaudited financial statements of the Business Enterprise as at 31 March 2024 can reasonably represent the Business Enterprise's financial positions as at the Date of Valuation, since the audited financial statements as at the Date of Valuation were not available;
- The estimated operating net assets value used in arriving the market value of the Business Enterprise was calculated with reference to the consolidated unaudited financial statements for the year ended 31 March 2024 provided by the Management;
- As advised by the Management, the amounts due from the Company of HKD184,127,620 was on demand payable to the Business Enterprise without interest and specific maturity;

- As discussed with the Management, the nature of other receivables, amounts due from the Company, other payables, accrual expenses and amounts due to fellow subsidiaries were the assets and liabilities not employed for the operating activities;
- All relevant legal approvals and business certificates or licenses to operate the business in the localities in which the Business Enterprise operates or intends to operate would be officially obtained and renewable upon expiry;
- There will be sufficient supply of technical staff in the industries in which the Business Enterprise operates, and the Business Enterprise will retain competent management, key personnel and technical staff to support its ongoing operations and developments;
- There will be no major change in the current taxation laws in the localities in which the Business Enterprise operates or intends to operate and that the rates of tax payable shall remain unchanged and that all applicable laws and regulations will be complied with;
- There will be no major change in the political, legal, economic or financial conditions in the localities in which the Business Enterprise operates or intends to operate, which would adversely affect the revenues attributable to and profitability of the Business Enterprise; and
- Interest rates and exchange rates in the localities for the operation of the Business Enterprise will not differ materially from those presently prevailing.

9. INFORMATION REVIEWED

Our opinion requires consideration of relevant factors affecting the market value of the Business Enterprise. The factors considered included, but were not necessarily limited to, the following:

- The consolidated unaudited financial statement of the Business Enterprise as at 31 March 2024;
- Historical financial information of the Business Enterprise;
- International Valuation Standards 2022 issued by International Valuation Standards Council;
- Group chart of the Business Enterprise;
- General descriptions in relation to the Business Enterprise;
- Economic outlook in China; and
- Industry outlook in China's microfinancing sector.

We have discussed the details with the Management regarding the information provided and assumed that such information is reasonable and reliable. We have assumed the accuracy of information provided and relied on such information to a considerable extent in arriving at our opinion.

10. LIMITING CONDITIONS

The valuation reflects facts and conditions existing at the Date of Valuation. Subsequent events or circumstances have not been considered and we are not required to update our report for such events and conditions.

We would particularly point out that our valuation was based on the information such as the company background, business nature and business projection of the Business Enterprise provided to us.

To the best of our knowledge, all data set forth in this report are assumed to be reasonable and accurately determined. The data, opinions, or estimates identified as being furnished by others that have been used in formulating this analysis are gathered from reliable sources; yet, no guarantee is made nor liability assumed for their accuracy.

We have relied on the historical and/or prospective information provided by the Management and other third parties to a considerable extent in arriving at our opinion of value. The information has not been audited or compiled by us. We are not in the position to verify the accuracy of all information provided to us. However, we have had no reason to doubt the truth and accuracy of the information provided to us and to doubt that any material facts have been omitted from the information provided. No responsibilities for the operation and financial information that have not been provided to us are accepted.

We assumed that the Management is competent and perform duties under the company regulation. Also, ownership of the Business Enterprise was in responsible hands, unless otherwise stated in this report. The quality of the Management may have direct impact on the viability of the business as well as the market value of the Business Enterprise.

We have not investigated the title to or any legal liabilities of the Business Enterprise and have assumed no responsibility for the title to the Business Enterprise appraised.

Our conclusion of the market value was derived from generally accepted valuation procedures and practices that rely substantially on the use of various assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. The conclusion and various estimates may not be separated into parts, and/or used out of the context presented herein, and/or used together with any other valuation or study.

We assume no responsibility whatsoever to any person other than the directors and the Management in respect of, or arising out of, the content of this report. If others choose to rely in any way on the contents of this report, they do so entirely at their own risk.

No change to any item in any part of this report shall be made by anyone except BVIA. We have no responsibility for any such unauthorized change. Neither all nor any part of this report shall be disseminated to the public without the written consent and approval of BVIA through any means of communication or referenced in any publications, including but not limited to advertising, public relations, news or sales media.

This report may not be reproduced, in whole or in part, and utilized by any third parties for any purpose, without the written consent and approval of BVIA.

The working papers and models for this valuation are being kept in our files and would be available for further references. We would be available to support our valuation if required. The title of this report shall not pass to the Company until all professional fee has been paid in full.

11. REMARKS

Unless otherwise stated, all monetary amounts stated in this valuation report are in Hong Kong Dollars (HKD).

We hereby confirm that we have neither present nor prospective interests in the Company, the Business Enterprise, and their associate companies, subsidiaries or the values reported herein.

12. OPINION OF VALUE

Based on the investigation stated above and the valuation method employed, the market value of 38% equity interest in the Business Enterprise as at the Date of Valuation, in our opinion, was reasonably stated as HKD56,437,000 (HONG KONG DOLLARS FIFTY SIX MILLION FOUR HUNDRED AND THIRTY SEVEN THOUSAND ONLY).

Yours faithfully,

For and on behalf of

BonVision International Appraisals Limited

Angela N.C. Kwan, CFA

Chief Executive Officer

Ms. Kwan is a charterholder of Chartered Financial Analyst (CFA) and a holder of Master Degree of Finance (Investment Management). She is also a holder of the Certificate in ESG Investing under CFA Institute, a regular member of CFA Society Hong Kong, a member of The Hong Kong Institute of Directors (MHKIoD), and an associate member of The Hong Kong Independent Non-Executive Director Association Limited (HKiNEDA). She has over 15 years of experience in providing professional valuation and consultancy services for listed and private companies in Hong Kong, the PRC, and worldwide, for accounting, financing, investment, merger and acquisition, initial public offering and spin-off purposes.

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

(a) Directors' and chief executives' interests and short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors to be notified to the Company and the Stock Exchange were as follows:

Long position in the Shares and underlying shares of the Company

Name of Director	Capacity	Number of Shares/ underlying shares held	Approximate percentage of interests over the Shares <i>(Note 3)</i>
Ms. Kuo Kwan ("Ms. Kuo")	Beneficial Owner	1,800,000 <i>(Notes 1(a) & 2(a))</i>	0.289%
Mr. Ji Zuguang ("Mr. Ji")	Beneficial Owner	100,000 <i>(Note 2(b))</i>	0.016%
Mr. Chu Kin Wang Peleus ("Mr. Chu")	Beneficial Owner	30,000 <i>(Note 1(c))</i>	0.005%
Mr. Ip Cho Yin, J.P. ("Mr. Ip")	Beneficial Owner	130,000 <i>(Notes 1(b) & 2(c))</i>	0.021%

Notes:

1. On 3 April 2018, the Company granted a total of 219,000,000 share options, of which 5,600,000 share options were granted to the following persons entitling them to subscribe for a total of 5,600,000 Shares at the exercise price of HK\$1.89 per Share. Immediately upon the share consolidation became effective on 20 January 2022, the adjusted number of share options and adjusted exercise price would be 560,000 share options and HK\$18.9 respectively.
 - a. 500,000 share options (carrying the right to subscribe for 500,000 Shares) were granted to Ms. Kuo in her capacity as an executive Director;
 - b. 30,000 share options (carrying the right to subscribe for 30,000 Shares) were granted to Mr. Ip in his then capacity as an independent non-executive Director. He was re-designated as a non-executive Director on 7 March 2019; and
 - c. 30,000 share options (carrying the right to subscribe for 30,000 Shares) were granted to Mr. Chu in his capacity as an independent non-executive Director.
2. On 6 December 2019, the Company granted a total of 355,400,000 share options, of which 15,000,000 share options were granted to the following persons entitling them to subscribe for a total of 15,000,000 Shares at the exercise price of HK\$0.207 per Share. Immediately upon the share consolidation became effective on 20 January 2022, the adjusted number of share options and adjusted exercise price would be 1,500,000 share options and HK\$2.07 respectively.
 - a. 1,300,000 share options (carrying the right to subscribe for 1,300,000 Shares) were granted to Ms. Kuo in her capacity as an executive Director;
 - b. 100,000 share options (carrying the right to subscribe for 100,000 Shares) were granted to Mr. Ji in his capacity as a non-executive Director; and
 - c. 100,000 share options (carrying the right to subscribe for 100,000 Shares) were granted to Mr. Ip in his capacity as a non-executive Director.
3. The shareholding percentage in the Company is calculated on the basis of 623,127,227 Shares in issue as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company held any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors to be notified to the Company and the Stock Exchange.

(b) Substantial Shareholders' and other persons' interests or short position in the securities of the Company and its associated corporations

As at the Latest Practicable Date, according to the register kept by the Company pursuant to section 336 of the SFO, and so far as is known to the Directors or chief executive of the Company, the following persons (other than a Director or a

chief executive of the Company) had, or was deemed or taken to have, an interest or short position in the Shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group and the amount of each of such person's interests in such securities, together with particulars of any options in respect of such capital:

Long position in the Shares and underlying Shares of the Company

Name	Capacity/nature of interest	Notes	Number of Shares interested	Approximate percentage of actual shareholding over the Shares (Note 13)	Number of underlying shares pursuant to share options	Aggregate interests	Approximate percentage of aggregate interests over the Shares (Note 13)
Royal Spectrum	Beneficial owner	1, 2 & 5	195,920,000	31.44%	-	195,920,000	31.44%
Devoss Global Holdings Limited ("Devoss Global")	Interest in controlled corporation and beneficial owner	1, 2, 3 & 4	195,920,000	31.44%	600,000	196,520,000	31.54%
CVP Financial Group Limited	Beneficial owner	3 & 5	50,487,272	8.10%	-	50,487,272	8.10%
Mr. Ting	Interest in controlled corporation and beneficial owner	1, 2, 3, 4 & 5	259,093,893	41.58%	600,000	259,693,893	41.68%
Ms. Luu Huyen Boi ("Ms. Luu")	Interest of spouse	6	259,093,893	41.58%	600,000	259,693,893	41.68%
Software Research Associates, Inc. ("SRA")	Beneficial owner	7	40,454,545	6.49%	-	40,454,545	6.49%
SRA Holdings, Inc. ("SRA Holdings")	Interest in controlled corporation and beneficial owner	7 & 8	40,454,545	6.49%	85,922,330	126,376,875	20.28%
Atlantis Capital Group Holdings Limited ("ACGHL")	Interest in controlled corporation	9	68,224,500	10.95%	-	68,224,500	10.95%
Ms. Liu Yang ("Ms. Liu")	Interest in controlled corporation	9	68,224,500	10.95%	-	68,224,500	10.95%
Ample Cheer Limited ("Ample Cheer")	Interest in controlled corporation	10	221,323,638	35.52%	-	221,323,638	35.52%

Name	Capacity/nature of interest	Notes	Number of Shares interested	Approximate percentage of actual shareholding over the Shares (Note 13)	Number of underlying shares pursuant to share options	Aggregate interests	Approximate percentage of aggregate interests over the Shares (Note 13)
Chu Yuet Wah ("Mrs. Chu")	Interest in controlled corporation	10	221,323,638	35.52%	-	221,323,638	35.52%
Kingston Finance Limited ("Kingston")	Persons have a security interest in shares	10	221,323,638	35.52%	-	221,323,638	35.52%
Bartha International Limited ("Bartha International")	Beneficial owner	11	36,770,000	5.90%	-	36,770,000	5.90%
Mr. Li Ran	Interest in controlled corporation	11	36,770,000	5.90%	-	36,770,000	5.90%
Mr. Pu Xueyuan	Interest in controlled corporation	11	36,770,000	5.90%	-	36,770,000	5.90%
Ms. Wang Xuping	Interest in controlled corporation	11	36,770,000	5.90%	-	36,770,000	5.90%
Ms. Zhang Fengge	Interest in controlled corporation	11	36,770,000	5.90%	-	36,770,000	5.90%
Ms. Wang Hui	Beneficial owner	12	42,139,200	6.76%	-	42,139,200	6.76%

Notes:

- The entire issued share capital in Royal Spectrum is legally and beneficially owned as to 96.63% by Devoss Global and 3.37% by Mr. Zhu Qin respectively. Devoss Global is legally and beneficially owned by Mr. Ting. Devoss Global is deemed to be interested in the Shares held by Royal Spectrum. Mr. Ting is a director of both Royal Spectrum and Devoss Global.
- On 27 November 2017, Royal Spectrum pledged 199,600,000 (19,960,000 upon the share consolidation became effective on 20 January 2022) Shares in favour of an independent third party as a security of a loan in the amount of JPY2,000,000,000.
- Each of Devoss Global, the Purchaser, Kaiser Capital, Highgrade Holding and Plan Marvel is wholly-owned by Mr. Ting. Kaiser Capital is interested in 1,217,200 Shares, Highgrade Holding is interested in 1,067,200 Shares and Plan Marvel is interested in 208,978 Shares. Mr. Ting is deemed to be interested in 248,900,650 Shares held by Royal Spectrum, the Purchaser, Kaiser Capital, Highgrade Holding and Plan Marvel under Part XV of the SFO.
- 6,000,000 (600,000 upon the share consolidation became effective on 20 January 2022) share options granted to Devoss Global on 17 December 2015.
- On 27 October 2021, Royal Spectrum and the Purchaser pledged 1,708,363,655 Shares and 504,872,727 Shares respectively (170,836,365 Shares and 50,487,272 Shares respectively upon the share consolidation became effective on 20 January 2022) in favour of an independent third party as a security of a loan in the amount of HK\$44,992,109 provided by the independent third party to the Company as general working capital.
- Ms. Luu is the spouse of Mr. Ting. Ms. Luu is deemed to be interested in all the Shares and underlying shares in which Mr. Ting is interested in under Part XV of the SFO.

7. SRA is directly wholly-owned by SRA Holdings. SRA Holdings is deemed to be interested in the Shares in which SRA is interested in under Part XV of the SFO.
8. On 5 December 2023, an option has been granted to SRA Holdings, entitling SRA Holdings to require the Company to allot and issue up to a maximum of 85,922,330 new Shares upon exercise of the option.
9. Based on the notices of disclosure of interest filed by ACGHL and Ms. Liu both dated 14 January 2022, Atlantis Investment Management Limited is wholly-owned by ACGHL, which in turn is wholly-owned by Ms. Liu. As such, ACGHL and Ms. Liu are both deemed to be interested in 68,224,500 Shares held by Atlantis Investment Management Limited, under Part XV of the SFO.
10. Kingston is a wholly-owned subsidiary of Ample Cheer, which is in turn wholly-owned by Mrs. Chu. As such, Ample Cheer and Mrs. Chu are deemed to be interested in the Shares held by Kingston by virtue of the SFO.
11. Based on the notices of disclosure of interest filed by Mr. Li Ran, Mr. Pu Xueyuan, Ms. Wang Xuping and Ms. Zhang Fengge all on 22 December 2020 respectively, Bartha International is owned as to 20% by Mr. Li Ran, 25% by Mr. Pu Xueyuan, 26% by Ms. Wang Xuping and 29% by Ms. Zhang Fengge respectively.
12. Based on the notice of disclosure of interest filed by Ms. Wang Hui on 8 April 2021, Ms. Wang Hui is interest in 421,392,000 Shares (42,139,200 Shares upon the share consolidation became effective on 20 January 2022).
13. The shareholding percentage in the Company is calculated on the basis of 623,127,227 Shares in issue as at the Latest Practicable Date.

Save as disclosed above and so far as is known to the Directors or chief executive of the Company, there is no person (other than a Director or chief executive of the Company) who, as at the Latest Practicable Date, had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital, including options in respect of such capital, carrying rights to vote in all circumstances at general meeting of any other member of the Group.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which does not expire or is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

4. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or their respective close associates had any interest in a business which competes or may compete either directly or indirectly with the business of the Group.

5. INTERESTS IN CONTRACTS, ASSETS AND ARRANGEMENT OF SIGNIFICANCE

As at the Latest Practicable Date, none of the Directors and their respective associates had any direct or indirect interest in any assets which had been or are proposed to be acquired, disposed of by or leased to, any member of the Group, since 31 March 2024, being the date to which the latest published audited consolidated accounts of the Group were made up.

None of the Directors and their respective associates was materially interested in any contract or arrangement subsisting at the Latest Practicable Date which was significant in relation to the business of the Group.

6. LITIGATION AND ARBITRATION

As at the Latest Practicable Date, no member of the Group was involved in any litigation or arbitration of material importance and no litigation or claim of material importance known to the Directors to be pending or threatened by or against any member of the Group.

7. EXPERT AND CONSENT

The following is the qualification of the experts who has given an opinion or advice contained in this circular:

Name	Qualification
Rainbow Capital (HK) Limited	A licensed corporation to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
BonVision International Appraisals Limited	Independent valuer

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its reports and reference to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, each of the above experts did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, each of the above experts did not have any direct or indirect interests in any assets which have been acquired or disposed of by or leased to, any member of the Group, or which are proposed to be acquired or disposed of by or leased to, any member of the Group.

8. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business of the Group) had been entered into by members of the Group within the two years immediately preceding the Latest Practicable Date and are or may be material:

- (a) the option agreement (the “**Second Option Agreement**”) dated 3 October 2023 and entered into by the Company, as issuer, and SRA Holdings, Inc. (“**SRA Holdings**”), as subscriber, in relation to the grant of an option to SRA Holdings at a nominal consideration of HK\$1.00, exercisable within the period of one year from the date on which the option is granted, entitling SRA Holdings to require the Company to allot and issue up to a maximum of 85,922,330 option shares at the option price of HK\$1.03 per option share subject to the terms and conditions of the Second Option Agreement upon exercising the option;
- (b) the loan extension agreement dated 3 October 2023 and entered into by, among others, SRA Holdings, the Company and Wine Financier Limited, in relation to the extension of the maturity date of a loan in the principal amount of JPY1,500,000,000 owed by Wine Financier Limited to SRA Holdings to 30 September 2024; and
- (c) the Sale and Purchase Agreement.

9. GENERAL

- (a) The secretary of the Company is Ms. Tse Ka Yan, who is an associate member of both of the Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom.
- (b) The registered office of the Company is situated at Cricket Square Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

- (c) The audit committee of the Company comprises of Mr. Chu Kin Wang Peleus, Mr. Ip Cho Yin, *J.P.*, Dr. Lau Reimer, Mary Jean and Mr. Zhou Li. Set out below are their biographical details:

Mr. Chu Kin Wang Peleus

Mr. Chu Kin Wang Peleus (“**Mr. Chu**”), aged 59, was appointed as an independent non-executive Director on 21 September 2015 and is also the chairman of the Audit Committee and a member of each of the Remuneration Committee and the Nomination and Corporate Governance Committee. From December 2008 to September 2020, he was the executive director of Chinese People Holdings Company Limited (stock code: 00681), whose shares are listed on the Main Board of the Stock Exchange. From August 2021 to March 2022, he was the executive director of Momentum Financial Holdings Limited (stock code: 01152), whose shares are listed on the Main Board of the Stock Exchange. Mr. Chu has/had been an independent non-executive director of the following companies, whose shares are/were listed on the Main Board or GEM of the Stock Exchange:

- Silk Road Logistics Holdings Limited, whose shares were delisted on 23 April 2024 (stock code prior to cancellation of listing: 00988) from September 2023 to April 2024
- Hyfusin Group Holdings Limited (stock code: 08512) since December 2021
- Peking University Resources (Holdings) Company Limited (stock code: 00618) from October 2021 to September 2022
- Xinming China Holdings Limited (stock code: 02699) from April 2021 to August 2021
- Mingfa Group (International) Company Limited (stock code: 00846) since November 2016
- SuperRobotics Holdings Limited (stock code: 08176) from March 2012 to November 2021
- China First Capital Group Limited (stock code: 01269) since October 2011
- Huayu Expressway Group Ltd. (stock code: 01823) since May 2009
- Tianli Holdings Group Limited (stock code: 00117) since April 2007

Mr. Chu graduated from the University of Hong Kong with a master’s degree in business administration in December 1998. Mr. Chu is a fellow member of HKICPA, an associate member of the Hong Kong Chartered Governance Institute and the Chartered Governance Institute.

Mr. Ip Cho Yin, J.P.

Mr. Ip Cho Yin, J.P. (“**Mr. Ip**”), aged 73, was appointed as an independent non-executive Director and a member of each of the audit committee (the “**Audit Committee**”), the nomination and corporate governance committee (the “**Nomination and Corporate Governance Committee**”) and the remuneration committee (the “**Remuneration Committee**”) of the Company on 1 February 2017. He was subsequently redesignated as a non-executive Director (“**NED**”) and resigned as a member of the Remuneration Committee on 7 March 2019. Mr. Ip possesses extensive experience in education. He is a registered teacher, an educational consultant and a teacher development expert. He is also a guest speaker of universities and educational bodies in Hong Kong. Currently, Mr. Ip is a consultant at the Centre for Education Research and Development of the Hong Kong Policy Research Institute. He is the Guest Professor of Hong Kong Financial Services Institute from 2014 to 2020, the Project Coordinator of the Education Bureau of the Government of the Hong Kong Special Administrative Region (the “**Education Bureau**”) from 2010 to September 2022. He was the Deputy Project Director of the Education Bureau from 2004 to 2010 and the Chief School Development Officer of the Education Bureau from 2002 to 2004. Mr. Ip was a teacher of Pui Kiu Middle School from 1973 to 1997 and became the principal from 1997 to 2002.

Mr. Ip was a member of Appeals Board (Education) from 2000 to 2001, a member of Board of Education from 1998 to 2002, an elected member of Council on Professional Conduct in Education from 1998 to 2002, a member of Quality Education Fund Steering Committee from 1997 to 2001, a Standing Committee member of the Hong Kong Federation of Education Workers from 1993 to 1999. Mr. Ip was an elected member of District Board (Islands) from 1994 to 1999.

Mr. Ip obtained his bachelor’s degree in mathematics at University of Waterloo in Canada in 1972 and a diploma in education at the School of Education of The Chinese University of Hong Kong in 1982.

Dr. Lau Reimer, Mary Jean

Dr. Lau Reimer, Mary Jean (“**Dr. Lau**”), aged 60, was appointed as an independent non-executive Director on 4 June 2019 and is also a member of each of the Audit Committee, Remuneration Committee and the Nomination and Corporate Governance Committee. Dr. Lau has been a solicitor of Cheung & Co., Solicitors since July 2017. She was a partner of Reimer & Partners from May 2004 to June 2014. Dr. Lau is admitted as a solicitor in Hong Kong and England and Wales and has over 19 years of post-qualification legal experience.

Dr. Lau obtained her master of laws from the University of Hong Kong in 2001 and her doctorate degree in civil and commercial law from the China University of Political Science and Law in 2006. Dr. Lau is a manager of Kam Tsin Village Ho Tung School and Hotung Secondary School, and a legal adviser to several organisations and associations.

Mr. Zhou Li

Mr. Zhou Li (“**Mr. Zhou**”), aged 58, was appointed as an independent non-executive Director on 9 August 2022 and is also the chairman of the Remuneration Committee and a member of each of the Nomination and Corporate Governance Committee and the Audit Committee. He obtained a Bachelor of Science in Computer Science from Zhejiang University in 1986 and a Master of Science from Michigan State University in Computer Science in 1991.

From 1991 to 2000, Mr. Zhou worked at Microsoft Corporation as a software engineer and subsequently as a technical director. Since 2000, Mr. Zhou became an entrepreneur and started several information technology and internet companies in the PRC. During the period from 2009 to 2014, Mr. Zhou had also served as the chief executive officer of Shanghai Wicresoft Co. Ltd., a company established in the PRC that principally engaged in the provision of software development and network integration services with over 5,000 software engineers. After leaving Shanghai Wicresoft Co. Ltd. in 2014, Mr. Zhou became heavily involved in investment and mergers and acquisition activities, mostly related to new technologies.

- (d) The principal place of business of the Company in Hong Kong is situated at Units 26-28, 8/F, One Island South, 2 Heung Yip Road, Wong Chuk Hang, Hong Kong.
- (e) The Company’s branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, is situated at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.
- (f) In the event of any inconsistency, the English texts of this circular and the accompanying form of proxy shall prevail over their respective Chinese texts.

10. DOCUMENTS ON DISPLAY

The following documents are published on the websites of the Stock Exchange at www.hkexnews.hk and the Company at www.madison-group.com.hk from the date of this circular to and including the date of the EGM:

- (a) the annual reports of the Company for the three years ended 31 March 2022, 2023 and 2024;
- (b) the Sale and Purchase Agreement;
- (c) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 21 to 47 of this circular;

- (d) the valuation report on the Disposal Company, the text of which is set out in Appendix II to this circular;
- (e) the written consent referred to in the section headed "7. Expert and consent" in this appendix;
- (f) the material contracts referred to in the paragraph headed "8. Material contracts" in this appendix; and
- (g) this circular.

NOTICE OF EGM

MADISON

— G R O U P —

Madison Holdings Group Limited

麥迪森控股集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8057)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**Meeting**”) of Madison Holdings Group Limited (the “**Company**”) will be held at Units 26-28, 8/F, One Island South, 2 Heung Yip Road, Wong Chuk Hang, Hong Kong on Friday, 2 August 2024 at 10:15 a.m. (or at such time immediately after the conclusion of the annual general meeting of the Company to be held at 10:00 a.m. on the same day and at the same place, or as the case may be, the adjourned meeting thereof) for the purpose of considering and, if thought fit, passing, with or without modification, the following resolution to be proposed as ordinary resolution of the Company:

ORDINARY RESOLUTION

1. “**THAT**

- (a) the Sale and Purchase Agreement (as defined in the circular of the Company dated 17 July 2024 of which this notice forms part) (a copy of which is tabled at the Meeting and marked “A” and initialled by the chairman of the Meeting for identification purpose) and the transactions contemplated thereunder be and are hereby ratified, confirmed and approved; and
- (b) any one director of the Company (or any two directors of the Company or one director and the secretary of the Company, in the case of execution of documents under seal) be and is hereby authorised for and on behalf of the Company to execute all such other documents, instruments and agreements and to do all such acts or things deemed by him/her to be incidental to, ancillary to or in connection with the matters contemplated in the Sale and Purchase Agreement and the transactions contemplated thereunder and the implementation thereof including the affixing of seal thereon.”

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

Hong Kong, 17 July 2024

Registered office:
Cricket Square
Hutchins Drive, P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

*Head office and principal place
of business in Hong Kong:*
Units 26-28, 8/F
One Island South
2 Heung Yip Road
Wong Chuk Hang
Hong Kong

NOTICE OF EGM

Notes:

1. A shareholder of the Company (“**Shareholder(s)**”) entitled to attend and vote at the EGM convened is entitled to appoint one or more proxies to attend and vote on his behalf. A proxy need not be a Shareholder.
2. In case of a joint holding, the form of proxy may be signed by any joint holder, but if more than one joint holder is present at the EGM, whether in person or by proxy, that one of the joint holders whose name stands first on the register of members in respect of the relevant joint holding shall alone be entitled to vote in respect thereof.
3. To be valid, the form of proxy together with any power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power or authority must be deposited 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 not less than 48 hours before the time appointed for the holding of the EGM (i.e. at or before 10:15 a.m. on Wednesday, 31 July 2024) or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude a member from attending and voting in person.
4. The voting at the EGM shall be taken by poll.
5. The register of members of the Company will be closed from Tuesday, 30 July 2024 to Friday, 2 August 2024 (both days inclusive) for determining Shareholders’ entitlement to attend and vote at the EGM, during which no transfer of Shares will be registered. In order to qualify for attending and voting at the EGM, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Monday, 29 July 2024.
6. If typhoon signal no. 8 or above, or a “black” rainstorm warning is in effect any time after 7:00 a.m. on the date of the EGM, the EGM will be postponed. The Company will publish an announcement on the website of the Company at www.madison-group.com.hk and on the website of the Stock Exchange at www.hkexnews.hk to notify the Shareholders of the date, time and venue of the rescheduled meeting.

As at the date of this notice, the Directors are:

Executive Directors:

Ms. Kuo Kwan

Dr. Cheung Yuk Shan Shirley

Non-executive Directors:

Mr. Ji Zuguang

Mr. Ip Cho Yin J.P.

Independent non-executive Directors:

Mr. Chu Kin Wang Peleus

Dr. Lau Reimer, Mary Jean

Mr. Zhou Li

NOTICE OF EGM

This notice, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this notice 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 notice misleading.

This notice will remain on the "Latest Listed Company Information" page of the website of the Stock Exchange at <http://www.hkexnews.hk> for at least 7 days from the date of its publication and on the website of the Company at <http://www.madison-group.com.hk>.