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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)

DISCLOSEABLE TRANSACTION DEED OF SETTLEMENT AND DISPOSAL OF BARTHA INTERNATIONAL LIMITED

THE DEED OF SETTLEMENT

On 15 January 2020 (after trading hours of the Stock Exchange), the Vendor, a direct non-wholly-owned subsidiary of the Company, entered into the Deed of Settlement with the Previous Purchaser, pursuant to which the Vendor has agreed to pay to the Previous Purchaser the Settlement Sum in an amount of HK\$1,000,000 within 10 Business Days from the date of the Deed of Settlement.

Upon full settlement of the Settlement Sum pursuant to the Deed of Settlement, the Vendor and the Previous Purchaser shall be released and discharged from their respective duties, obligations and liabilities as set out in the 2019 Agreement, and the 2019 Agreement shall be terminated with effect from the Settlement Date.

THE 2020 AGREEMENTS

On 15 January 2020 (after trading hours of the Stock Exchange), the Vendor entered into the 2020 Agreement A with Purchaser A, pursuant to which the Vendor has conditionally agreed to sell, and Purchaser A has conditionally agreed to purchase, the Sale Shares A at the Consideration A of HK\$20,408,163.

On the same date (after trading hours of the Stock Exchange), the Vendor entered into the 2020 Agreement B with Purchaser B, pursuant to which the Vendor has conditionally agreed to sell, and Purchaser B has conditionally agreed to purchase, the Sale Shares B at the Consideration B of HK\$29,591,837.

Upon completion of the Disposals, Bartha Group will cease to be subsidiaries of the Group and their financial results will not be consolidated into the financial statements of the Group.

IMPLICATIONS UNDER THE GEM LISTING RULES

As the applicable percentage ratio(s) (as defined under the GEM Listing Rules) in respect of the Disposals, on an aggregate basis, is more than 5% but less than 25%, the entering into of the 2020 Agreement A and the 2020 Agreement B constitutes a discloseable transaction on the part of the Company under the GEM Listing Rules and is subject to the notification and announcement requirements but is exempt from the Shareholders' approval requirement under Chapter 19 of the GEM Listing Rules.

As disclosed in the announcement of the Company dated 27 August 2019, the Group completed the disposal of all of its 55% equity interests in Novel Idea. Immediately prior to the date of such disposal, Purchaser A was a substantial shareholder and director of Novel Idea, which in turn was an insignificant non-wholly owned subsidiary of the Company under Rule 20.08(1) of the GEM Listing Rules. As such, Purchaser A is not a connected person of the Company and hence the entering into of the 2020 Agreement A does not constitute a connected transaction on the part of the Company under Chapter 20 of the GEM Listing Rules.

BACKGROUND

Reference is made to the Announcement.

On 23 December 2019, the Vendor entered into the 2019 Agreement with the Previous Purchaser in respect of the 2019 Disposal at the consideration of HK\$45,000,000. As at the date of this announcement, completion of the 2019 Disposal has not yet taken place.

THE DEED OF SETTLEMENT

On 15 January 2020 (after trading hours of the Stock Exchange), the Vendor, a direct non-wholly-owned subsidiary of the Company, entered into the Deed of Settlement with the Previous Purchaser.

The principal terms of the Deed of Settlement are set out below:

Date: 15 January 2020

Parties: (i) CVP Financial Holdings Limited, as Vendor; and
(ii) Mr. Ding Lu, as Previous Purchaser

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, save for being interested in approximately 4.42% shareholding interest in the Company personally and through his wholly-owned companies, the Previous Purchaser is an Independent Third Party.

Pursuant to the Deed of Settlement, the Vendor has agreed to pay to the Previous Purchaser the Settlement Sum in an amount of HK\$1,000,000 within 10 Business Days from the date of the Deed of Settlement.

Upon full settlement of the Settlement Sum, each of the Vendor and the Previous Purchaser irrevocably and unconditionally agrees to release and discharge each other from their respective duties, obligations and liabilities as set out in the 2019 Agreement, and each of the Vendor and the Previous Purchaser irrevocably and unconditionally agrees to terminate the 2019 Agreement with effect from the Settlement Date.

On the date of the Deed of Settlement, Purchaser A and Purchaser B entered into the 2020 Agreement A and the 2020 Agreement B, respectively, with the Vendor, details of which are disclosed in the paragraph headed “the 2020 Agreements” in this announcement. As such, the Directors believe that the termination of the 2019 Agreement and the entering into of the Deed of Settlement will not have any material adverse impact to the financial position and operation of the Group.

THE 2020 AGREEMENTS

On 15 January 2020 (after trading hours of the Stock Exchange), the Vendor entered into the 2020 Agreement A with Purchaser A, pursuant to which the Vendor has conditionally agreed to sell, and Purchaser A has conditionally agreed to purchase, the Sale Shares A at the Consideration A of HK\$20,408,163.

On the same date (after trading hours of the Stock Exchange), the Vendor entered into the 2020 Agreement B with Purchaser B, pursuant to which the Vendor has conditionally agreed to sell, and Purchaser B has conditionally agreed to purchase, the Sale Shares B at the Consideration B of HK\$29,591,837.

The principal terms of the 2020 Agreements are set out below:

The 2020 Agreement A

The 2020 Agreement B

Date: 15 January 2020

Parties: (i) CVP Financial Holdings Limited (as Vendor); and (ii) Mr. Zuo Tao (as Purchaser A)

(i) CVP Financial Holdings Limited (as Vendor); and (ii) Ms. Zhang Fengge (as Purchaser B)

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, save that Purchaser A was a substantial shareholder and director of Novel Idea (a company which was in the past 12 months an insignificant non-wholly owned subsidiary of the Company), each of Purchaser A and Purchaser B is an Independent Third Party.

Asset to be disposed of: The Vendor has conditionally agreed to sell, and Purchaser A has conditionally agreed to acquire, the Sale Shares A, representing 20% equity interest in Bartha International.

The Vendor has conditionally agreed to sell, and Purchaser B has conditionally agreed to acquire, the Sale Shares B, representing 29% equity interest in Bartha International.

Consideration: The Consideration A for the Sale Shares A is HK\$20,408,163 and shall be satisfied by Purchaser A in the following manner:

The Consideration B for the Sale Shares B is HK\$29,591,837 and shall be satisfied by Purchaser B in the following manner:

(i) as to HK\$408,163 shall be paid by Purchaser A to the Vendor by way of cash as a non-refundable deposit within 5 days from the date of the 2020 Agreement A (or such later date as the Vendor and Purchaser A may agree in writing) (which on completion of the Disposal A shall form part of the Consideration A); and

(i) as to HK\$591,837 shall be paid by Purchaser B to the Vendor by way of cash as a non-refundable deposit within 5 days from the date of the 2020 Agreement B (or such later date as the Vendor and Purchaser B may agree in writing) (which on completion of the Disposal B shall form part of the Consideration B); and

- (ii) the remaining balance in the amount of HK\$20,000,000 shall be paid by Purchaser A to the Vendor within 180 days after completion of the Disposal A.
- (ii) the remaining balance in the amount of HK\$29,000,000 shall be paid by Purchaser B to the Vendor within 180 days after completion of the Disposal B.

Each of the Consideration A and the Consideration B was determined after arm's length negotiations between the parties on normal commercial terms, after taking into account, (i) the unaudited consolidated net asset value of Bartha International as at 31 December 2019 of approximately HK\$77,893,000; (ii) the information set out under the paragraph headed "Reasons for and the benefits of the transactions" in this announcement; and (iii) the consideration of the 2019 Disposal in the amount of HK\$45,000,000.

Conditions precedent: Completion of each of the Disposal A and the Disposal B is subject to the following conditions having been fulfilled or waived (as the case may be):

- (i) the Purchaser being reasonably satisfied with the results of the due diligence review to be conducted pursuant to the terms and conditions of the 2020 Agreement;
- (ii) all necessary consents, licenses and approvals from the shareholders, bankers, financial institutions and regulators required to be obtained on the part of the Vendor and Bartha International in respect of the 2020 Agreement and the transactions contemplated hereby having been obtained and remain in full force and effect;
- (iii) all necessary consents, licences and/or approvals from bankers, financial institutions and regulators required to be obtained on the part of the Purchaser in respect of the 2020 Agreement and the transactions contemplated hereby having been obtained and remain in full force and effect;
- (iv) the warranties given by the Vendor remaining true and accurate and not misleading in all material respects; and
- (v) the Deed of Settlement having becoming unconditional.

Save for the conditions (i) and (iv) as set out above which may at any time be waived by the Purchaser in writing, all other conditions are incapable of being waived. If the above conditions have not been satisfied (or as the case may be, waived by the Purchaser) on or before 12:00 noon on the Long Stop Date, the 2020 Agreement shall cease and determine and thereafter neither party shall have any obligations and liabilities towards each other hereunder save for any antecedent breaches of the terms thereof.

Completion: Completion shall take place within three Business Days after the fulfillment (or waiver) of all the above conditions precedent, or such later date as the parties may agree.

Upon completion of the Disposals, Bartha Group will cease to be subsidiaries of the Group and their financial results will not be consolidated into the financial statements of the Group.

As at the date of this announcement, the Vendor is the holder of the Exchangeable Bonds, which entitle the Vendor to exchange for 51% equity interest of Bartha International held by Bartha Holdings as at the date of exercising the Exchangeable Bonds. Upon completion of the Disposals, the Vendor will continue to hold the Exchangeable Bonds but intends to dispose of them to potential investors, who is yet to be identified as at the date of this announcement. The Vendor would use its best effort to identify potential investors to purchase the Exchangeable Bonds.

INFORMATION OF BARTHA GROUP

Bartha International

As at the date of this announcement, Bartha International is owned as to 51% by Bartha Holdings and as to 49% by the Vendor, which is in turn owned as to 89.34% by the Company. Bartha International is principally engaged in investment holding and has no business save for being the immediate holding company of CVP Securities.

The audited consolidated financial information of Bartha International prepared under the Hong Kong Financial Reporting Standards for the 15 months ended 31 March 2018 and the financial year ended 31 March 2019 are as follows:

	For the 15 months ended 31 March 2018	For the financial year ended 31 March 2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(audited)	(audited)
Turnover	21,376	22,485
Profit before tax	7,218	5,921
Profit after tax	7,255	5,903

The audited consolidated net assets of Bartha International as at 31 March 2019 were approximately HK\$84,743,000.

CVP Securities

CVP Securities is wholly-owned by Bartha International and is a corporation licensed by the SFC to carry out Type 1 (dealing in securities) and Type 2 (dealing in futures contracts) regulated activities under the SFO. CVP Securities is principally engaged in the provision of securities and futures contracts brokerage and margin financing, with no licensing conditions imposed by the SFC.

The audited financial information of CVP Securities prepared under the Hong Kong Financial Reporting Standards for the two financial years ended 31 March 2019 are as follows:

	For the financial year ended 31 March 2018	For the financial year ended 31 March 2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(audited)	(audited)
Turnover	19,957	22,485
Profit before tax	11,230	8,097
Profit after tax	11,329	8,078

The audited net assets of CVP Securities as at 31 March 2019 was approximately HK\$78,302,000.

FINANCIAL EFFECT OF THE DISPOSALS AND USE OF PROCEEDS

Upon completion of the Disposals, Bartha Group will cease to be subsidiaries of the Group and their financial results will not be consolidated into the financial statements of the Group. Subject to further audit procedures to be performed by the auditors of the Company, the Group is expected to record a gain from the Disposals of approximately HK\$9,980,000 which is calculated with reference to the net proceeds from the Disposals and the unaudited consolidated net assets of Bartha International as at 31 December 2019 of HK\$77,893,000. The actual amount of gain or loss as a result of the Disposals to be recorded by the Group will be subject to the review and final audit by the auditors of the Company.

The net proceeds from the Disposals, after deducting the Settlement Sum and the expenses directly attributable thereto, will amount to approximately HK\$48,500,000. As disclosed in the Announcement, the net proceeds from the 2019 Disposal was intended to be used for repayment of part of the loan due to the Previous Purchaser. It is intended that the use of net proceeds from the Disposals will remain the same.

As at the date of this announcement, the Vendor is the holder of the Exchangeable Bonds, which entitle the Vendor to exchange for 51% equity interest of Bartha International held by Bartha Holdings as at the date of exercising the Exchangeable Bonds. Upon completion of the Disposals, the Vendor continues to hold the Exchangeable Bonds but intends to dispose of them to potential investors.

REASONS FOR AND BENEFITS OF THE TRANSACTIONS

The Group is principally engaged in (i) retail sales and wholesales of wine products and other alcoholic beverages; (ii) auction of alcoholic beverages; (iii) provision of financial services including securities advisory and asset management; (iv) provision of cryptocurrency exchange business in Japan and cryptocurrency mining business in Europe; and (v) the provision of loan financing and consultancy services.

Since May 2016, CVP Securities and other co-investors have submitted an application (the “**Application**”) for setting up the JV Securities Company in Nansha area of Guangdong Pilot Free Trade Zone, the PRC and provided further information to the China Securities Regulatory Commission of the PRC (the “**CSRC**”). However, as at the date of the announcement, the Application is still under review and there is no indication from the CSRC that the Application would be approved with a definite timeline.

As disclosed in the Announcement, given the tougher and gloomy business environment, together with the effect to the market sentiment from the protests which lasted for more than 6 months, the profitability of CVP Securities has also seen deterioration. The net profit decreased by 28.7% from HK\$11,329,000 for the year ended 31 March 2018 to HK\$8,078,000 for the year ended 31 March 2019. The net profit margin also reported a decrease from 56.8% in 2018 to 35.9% in 2019. Difficult industry environment and general decrease in demand for financial intermediary services in Hong Kong have adversely affected the financial performance of CVP Securities.

As a result of the foregoing, the Directors are pessimistic with the prospect of securities brokerage industry in Hong Kong and hence, the 2019 Agreement was entered into. Shortly after the publication of the Announcement, the Vendor was approached by Purchaser A and Purchaser B separately in late December 2019 expressing their interests in acquiring the shares of Bartha International. After negotiations with the Previous Purchaser, Purchaser A and Purchaser B separately and careful consideration of all the circumstances surrounding the 2019 Disposal, the Vendor and the Previous Purchaser decided not to proceed with the 2019 Disposal. Taking into account that (i) on the date of the Deed of Settlement, Purchaser A and Purchaser B entered into the 2020 Agreement A and the 2020 Agreement B, respectively, with the Vendor in relation to the sale and purchase of the Sale Shares A and Sale Shares B; (ii) the Company would receive a non-refundable deposits of HK\$408,163 and HK\$591,837 from Purchaser A and Purchaser B, respectively within five days from the date of the Deed of Settlement, which will be sufficient to offset the Settlement Sum payable by the Vendor to the Previous Purchaser; and (iii) the Company would receive an aggregate consideration of HK\$50,000,000 pursuant to the Disposals which is higher than the consideration of HK\$45,000,000 under the 2019 Disposal, the Board considers that the terms of the Deed of Settlement are on normal commercial terms, fair and reasonable and entering into of the Deed of Settlement would be in the interest of the Group and the Shareholders as a whole.

Regarding the Disposals, after taking into account (i) the deterioration of the profitability of CVP Securities; (ii) after the Disposals, the Group will no longer be required to provide any financial support for the deteriorating operation of the Bartha Group and therefore the Group can deploy more resources to other investment opportunities with better prospect; and (iii) the Group would recognise a gain on Disposals, the Board resolved to realise the investment in CVP Securities in time to avoid the possibility of suffering losses.

In light of the above factors, the Directors consider that the terms of the 2020 Agreements are on normal commercial terms, fair and reasonable and the Disposals are in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE GEM LISTING RULES

As the applicable percentage ratio(s) (as defined under the GEM Listing Rules) in respect of the Disposals is more than 5% but less than 25%, the entering into of the 2020 Agreement A and the 2020 Agreement B constitutes a discloseable transaction on the part of the Company under the GEM Listing Rules and is subject to the notification and announcement requirements but is exempt from the Shareholders' approval requirement under Chapter 19 of the GEM Listing Rules.

As disclosed in the announcement of the Company dated 27 August 2019, the Group completed the disposal of all of its 55% equity interests in Novel Idea. Immediately prior to the date of such disposal, Purchaser A was a substantial shareholder and director of Novel Idea, which in turn was an insignificant non-wholly owned subsidiary of the Company under Rule 20.08(1) of the GEM Listing Rules. As such, Purchaser A is not a connected person of the Company and hence the entering into of the 2020 Agreement A does not constitute a connected transaction on the part of the Company under Chapter 20 of the GEM Listing Rules.

DEFINITIONS

Unless the context otherwise requires, capitalised terms used in this announcement shall have the following meanings:

“2019 Agreement”	the conditional sale and purchase agreement dated 23 December 2019 entered into between the Vendor and the Previous Purchaser in relation to the 2019 Disposal
“2019 Disposal”	the disposal of 4,900 shares of Bartha International, representing 49% equity interest in Bartha International, by the Vendor to the Previous Purchaser pursuant to the 2019 Agreement
“2020 Agreement A”	the conditional sale and purchase agreement dated 15 January 2020 entered into between the Vendor and Purchaser A in relation to the Disposal A
“2020 Agreement B”	the conditional sale and purchase agreement dated 15 January 2020 entered into between the Vendor and Purchaser B in relation to the Disposal B
“2020 Agreement(s)”	the 2020 Agreement A and/or the 2020 Agreement B, as the case may be

“Announcement”	the announcement of the Company dated 23 December 2019 in relation to, among others, the 2019 Disposal
“Bartha Group”	collectively, Bartha International and CVP Securities
“Bartha Holdings”	Bartha Holdings Limited, a company incorporated in Hong Kong with limited liability, and the issuer of the Exchangeable Bonds
“Bartha International”	Bartha International Limited, a company incorporated in Hong Kong with limited liability, and the sole shareholder of CVP Securities
“Board”	the board of Directors
“Business Day(s)”	a day (other than a Saturday, Sunday or public holiday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
“Company”	Madison Holdings Group Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on GEM of the Stock Exchange (stock code: 8057)
“Consideration A”	HK\$20,408,163, being the consideration payable for the sale and purchase of the Sale Shares A
“Consideration B”	HK\$29,591,837, being the consideration payable for the sale and purchase of the Sale Shares B
“CVP Securities”	CVP Securities Limited, a company incorporated in Hong Kong with limited liability, and a corporation licensed by the SFC to conduct Type 1 (dealing in securities) and Type 2 (dealing in futures contracts) regulated activities under the SFO
“Deed of Settlement”	the deed of settlement dated 15 January 2020 entered into between the Vendor and the Previous Purchaser in relation to the termination of the 2019 Agreement
“Directors”	directors of the Company
“Disposal A”	the disposal of the Sale Shares A by the Vendor to Purchaser A pursuant to the 2020 Agreement A

“Disposal B”	the disposal of the Sale Shares B by the Vendor to Purchaser B pursuant to the 2020 Agreement B
“Disposals”	collectively, the Disposal A and the Disposal B
“Exchangeable Bonds”	the exchangeable bonds issued by Bartha Holdings to the Vendor, which entitles the Vendor to exchange for 51% equity interest in Bartha International as at the date of exercising the Exchangeable Bonds, with the maturity date falling on 27 July 2022
“GEM”	GEM operated by 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 Third Party(ies)”	an individual(s) or a company(ies) who or which is/are independent of and not connected with (within the meaning of the GEM Listing Rules) any of the directors, chief executives or substantial shareholders of the Company or subsidiaries of the Company or any of their respective associates
“Long Stop Date”	31 March 2020, or such other date as the parties to the 2020 Agreement may agree in writing
“Novel Idea”	Novel Idea Holdings Limited, a company incorporated in the Republic of Seychelles with limited liability
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Previous Purchaser”	Mr. Ding Lu
“Purchaser A”	Mr. Zuo Tao
“Purchaser B”	Ms. Zhang Fengge

“Purchaser”	Purchaser A or Purchaser B, as the case may be
“Sale Shares A”	2,000 shares of Bartha International, representing 20% equity interest in Bartha International as at the date of this announcement
“Sale Shares B”	2,900 shares of Bartha International, representing 29% equity interest in Bartha International as at the date of this announcement
“Settlement Date”	the date of settlement of the Settlement Sum
“Settlement Sum”	HK\$1,000,000, being the sum payable by the Vendor to the Previous Purchaser for the termination of the 2019 Agreement pursuant to the Deed of Settlement
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
“Share(s)”	the issued ordinary share(s) in the share capital of the Company
“Shareholders”	holders of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	CVP Financial Holdings Limited, a company incorporated in the British Virgin Islands with limited liability, a direct non-wholly-owned subsidiary of the Company, and the holder of the Exchangeable Bonds
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

By order of the Board
Madison Holdings Group Limited
Chen Ying-chieh
Chairman and executive Director

Hong Kong, 15 January 2020

As at the date of this announcement, the executive Directors are Mr. Chen Ying-chieh, Mr. Hankoo Kim, Ms. Kuo Kwan and Mr. Zhang Li; the non-executive Directors are Mr. Ip Cho Yin J.P. and Mr. Ji Zuguang; and the independent non-executive Directors are Ms. Fan Wei, Mr. Chu Kin Wang Peleus and Dr. Lau Reimer, Mary Jean.

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

This announcement will remain on the “Latest Listed Company Information” page of the GEM website at www.hkgem.com for at least 7 days from the date of its posting and on the website of the Company at <http://www.madison-group.com.hk>.