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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)

EXEMPTED CONNECTED TRANSACTION IN RELATION TO THE DISPOSAL OF THE ENTIRE ISSUED SHARE CAPITAL OF AND SHAREHOLDER'S LOAN IN FOCUS CONCEPT HOLDINGS LIMITED

THE DISPOSAL

The Board wishes to announce that on 2 November 2020 (after trading hours of the Stock Exchange), the Vendor, an indirect wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement with the Purchaser, pursuant to which the Vendor agreed to sell and the Purchaser agreed to purchase from the Vendor the Sale Share and the Sale Loan at the cash Consideration of HK\$2,000,000.

Completion took place on 2 November 2020, upon which the Disposal Group has ceased to be subsidiaries of the Group and their financial results shall no longer be consolidated into the financial statements of the Group. As at the date of this announcement, the Disposal Group is mainly engaged in the Wine Auction Business. Upon Completion, the Group has also ceased its operation in the Wine Auction Business.

IMPLICATIONS UNDER THE GEM LISTING RULES

As at the date of this announcement, the Purchaser is wholly-owned by Mr. Ting Pang Wan Raymond, who is the controlling shareholder of the Company. The Purchaser is therefore a connected person of the Company and the entering into of the Sale and Purchase Agreement constitutes a connected transaction on the part of the Company under Chapter 20 of the GEM Listing Rules.

As the Disposal was conducted on normal commercial terms, and the applicable percentage ratios (as defined under the GEM Listing Rules) in respect of the Disposal are less than 5% and the total consideration is less than HK\$3,000,000, the entering into of the Sale and Purchase Agreement constitutes an exempted connected transaction under the GEM Listing Rules and this announcement is made by the Company on a voluntary basis.

The Board wishes to announce that on 2 November 2020 (after trading hours of the Stock Exchange), the Vendor, an indirect wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement with the Purchaser, pursuant to which the Vendor agreed to sell and the Purchaser agreed to purchase from the Vendor the Sale Share and the Sale Loan at the cash Consideration of HK\$2,000,000.

THE SALE AND PURCHASE AGREEMENT

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

Date: 2 November 2020

Parties: (i) Madison Wine (HK) Company Limited, as Vendor; and
(ii) Firebird Global Investment Holdings Limited, as Purchaser.

Asset to be disposed of: The Vendor has agreed to sell, and the Purchaser has agreed to purchase (i) the Sale Share comprising one issued share in the share capital of the Disposal Company, representing the entire issued share capital of the Disposal Company; and (ii) the Sale Loan.

As at the date of the announcement, the total outstanding amount of the Sale Loan due from the Disposal Group to the Vendor was approximately HK\$11,421,000.

Consideration: The Consideration for the Disposal is HK\$2,000,000 and shall be paid by the Purchaser to the Vendor (or its nominee(s) as the Vendor may direct in writing) in cash upon Completion.

The Consideration was determined after arm's length negotiations between the Vendor and the Purchaser, after taking into account, (i) the unaudited consolidated total liabilities and net liabilities of the Disposal Company as at 30 September 2020 of approximately HK\$16,779,000 and HK\$10,200,000 respectively; (ii) the current financial status of the Disposal Group; and (iii) other factors as set out in the section headed "Reasons for and the benefits of the Disposal" below.

Completion:

The Sale and Purchase Agreement and the transactions contemplated thereunder shall not be subject to any conditions precedent. Completion shall take place on the date of the Sale and Purchase Agreement, or such later date as the parties shall agree in writing.

Completion took place on 2 November 2020, upon which the Disposal Group has ceased to be subsidiaries of the Group and their financial results shall no longer be consolidated into the financial statements of the Group. As at the date of this announcement, the Disposal Group is mainly engaged in the Wine Auction Business. Upon Completion, the Group has also ceased its operation in the Wine Auction Business.

INFORMATION OF THE GROUP

As at the date of this announcement, the Group is principally engaged in (i) retail sales and wholesales of wine products and other alcoholic beverages; (ii) provision of financial services including securities advisory and asset management; (iii) provision of cryptocurrency exchange business in Japan; and (iv) provision of loan financing and consultancy services.

INFORMATION OF THE DISPOSAL GROUP

The Disposal Company is a company incorporated in the British Virgin Islands with limited liability on 1 December 2017. It is principally engaged in investment holding and has no business save for being the immediate holding company of Madison Auction. Immediately prior to Completion, the Disposal Company is held as to 100% by the Vendor. After Completion, the Purchaser shall be interested in the entire issued share capital of the Disposal Company and the Vendor shall cease to have any interests in the Disposal Company.

Madison Auction is a company incorporated in Hong Kong with limited liability and is wholly owned by the Disposal Company as at the date of this announcement. The Disposal Group is principally engaged in Wine Auction Business.

Set out below is the financial information of the Disposal Group based on the unaudited consolidated financial statements of the Disposal Group for the two years ended 31 March 2020 which are prepared under the Hong Kong Financial Reporting Standards:

	For the year ended 31 March 2019 <i>HK\$'000</i> (unaudited)	For the year ended 31 March 2020 <i>HK\$'000</i> (unaudited)
Turnover	3,680	5,072
Profit/(Loss) before taxation	(3,353)	(6,774)
Profit/(Loss) after taxation	(3,353)	(6,774)

The total assets, total liabilities and net liabilities of the Disposal Group as at 30 September 2020 based on its unaudited consolidated financial statements were approximately HK\$6,579,000, HK\$16,779,000 and HK\$10,200,000, respectively.

FINANCIAL EFFECT OF THE DISPOSAL AND USE OF PROCEEDS

Upon Completion, the Disposal Group will cease to be subsidiaries of the Group and their financial results will no longer be consolidated into the consolidated financial statements of the Group. As at the date of this announcement, the Disposal Group is mainly engaged in the Wine Auction Business. Upon Completion, the Group will also cease its operation in the Wine Auction Business.

Subject to further audit procedures to be performed by the auditors of the Company, the Group is expected to record a gain of approximately HK\$783,000 which is calculated with reference to the amount of the Consideration, the unaudited consolidated net liability value of the Disposal Group as at the date of completion of the Disposal (i.e. 2 November 2020) of approximately HK\$10,204,000 and the Sale Loan of approximately HK\$11,421,000 as at the date of completion of the Disposal. The actual amount of gain or loss as a result of the Disposal 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 Disposal, after deducting the expenses directly attributable thereto, will amount to approximately HK\$1,800,000 and is intended to be used for the purpose of general working capital of the Group.

REASONS FOR AND BENEFITS OF THE DISPOSAL

Due to the on-going China-US trade frictions and the global outbreak of COVID-19, the economic, financial and retail sectors in Hong Kong and the PRC have been adversely impacted and the Wine Auction Business outlook remains highly uncertain.

Although global governments and international organisations have implemented a series of measures to contain the epidemic, the duration and scope of these disruptions cannot be accurately assessed at this point in time, the Company is therefore not optimistic about the future of the wine auction market.

The Group used to carry out the Wine Auction Business through traditional live auctions. Since traditional live auctions cannot be resumed in time due to social distancing measures adopted to curb the spread of COVID-19, Madison Auction has commenced to conduct the Wine Auction Business by way of online auctions since late 2019. However, unlike traditional auctions that only compete with other local auction houses, which focus on local connections, atmosphere of the auction as well as the commission rate, the online wine auction industry is highly fragmented and competitive, and the Group needs to compete with many well-known auction houses around the world whom have global reach and international reputation, as well as having extensive contacts with potential consignors and specialist buyers around the world, which in turn enable them to consign more high-end or scarce items which can generate more commission in each auction. As a result of the serious disruptions of the traditional live auctions and the intense competition in the online wine auction industry faced by the Group, it is extremely difficult for the Group to sustain its Wine Auction Business.

Besides, there was a significant amount of liabilities of the Disposal Group as at 30 September 2020 of approximately HK\$16,779,000, the Directors consider that the Disposal represents an opportunity for the Group to reduce indebtedness and strengthen the financial position and to focus the resources of the Group on the sale of alcoholic beverages. Taking into consideration of the net losses recorded by the Disposal Group in the past two financial years, the net liability position and the potential operating loss of the Disposal Group, the Directors consider that the Disposal represents an opportunity for the Group to reduce its liabilities and improve its financial positions.

After due consideration of the current financial position of the Disposal Group and the future uncertainty on the prospects of the Disposal Group, the Company considers that the Disposal represents an opportunity to realise its investments in the Disposal Group. Further, having regard to the poor market sentiment and the fact that Wine Auction Business is niche, the Company considers that it is difficult to dispose of the Disposal Group at a price with high premium.

In light of the above, the Directors (including the independent non-executive Directors) consider that the terms and conditions of the Sale and Purchase Agreement (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.

IMPLICATIONS UNDER THE GEM LISTING RULES

As at the date of this announcement, the Purchaser is wholly-owned by Mr. Ting Pang Wan Raymond, who is the controlling shareholder of the Company. The Purchaser is therefore a connected person of the Company and the entering into of the Sale and Purchase Agreement constitutes a connected transaction on the part of the Company under Chapter 20 of the GEM Listing Rules.

As the Disposal was conducted on normal commercial terms, and the applicable percentage ratios (as defined under the GEM Listing Rules) in respect of the Disposal are less than 5% and the total consideration is less than HK\$3,000,000, the entering into of the Sale and Purchase Agreement constitutes an exempted connected transaction under the GEM Listing Rules and this announcement is made by the Company on a voluntary basis.

As none of the Directors is interested in the Disposal, no Director is required to abstain from voting for the Board resolution to approve the Disposal.

DEFINITIONS

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

“associates”	has the meaning ascribed to this term under the GEM Listing Rules
“Board”	the board of Directors from time to time
“Company”	Madison Holdings Group Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on GEM (stock code: 8057)
“Completion”	completion of the Disposal pursuant to the terms and conditions of the Sale and Purchase Agreement
“connected person”	has the meaning ascribed to this term under the GEM Listing Rules
“controlling shareholder”	has the meaning ascribed to this term under the GEM Listing Rules
“Consideration”	the consideration of HK\$2,000,000, being the consideration payable for the sale and purchase of the Sale Share and the Sale Loan
“Directors”	directors of the Company

“Disposal”	the disposal of the Sale Share and the Sale Loan by the Vendor to the Purchaser subject to the terms and conditions of the Sale and Purchase Agreement
“Disposal Company”	Focus Concept Holdings Limited, a company incorporated in the British Virgin Islands with limited liability, and an indirect wholly-owned subsidiary of the Company as at the date of this announcement
“Disposal Group”	collectively, the Disposal Company and Madison Auction
“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
“Madison Auction”	Madison Auction Limited, a company incorporated in Hong Kong with limited liability, and an indirect wholly owned subsidiary of the Company as at the date of this announcement
“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
“Purchaser”	Firebird Global Investment Holdings Limited, a company incorporated in the British Virgin Islands with limited liability, which is wholly-owned by Mr. Ting Pang Wan Raymond, who is in turn the controlling shareholder of the Company and is interested in approximately 50.63% of the issued share capital of the Company as at the date of this announcement
“Sale and Purchase Agreement”	the sale and purchase agreement dated 2 November 2020 and entered into between the Vendor and the Purchaser for the sale and purchase of the Sale Share and the Sale Loan

“Sale Loan”	all obligations, liabilities and debts owing or incurred by the Disposal Group to the Vendor on or at any time prior to the Completion whether actual, contingent or deferred and irrespective of whether or not the same is due and payable on Completion
“Sale Share”	one (1) share in the issued share capital of the Disposal Company, representing the entire issued share capital of the Disposal Company
“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”	Madison Wine (HK) Company Limited, a company incorporated in the British Virgin Islands with limited liability, and an indirect wholly-owned subsidiary of the Company
“Wine Auction Business”	the wine auction business operated in Hong Kong by the Disposal Group as at the date of this announcement
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

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

Hong Kong, 2 November 2020

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

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the 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>.