

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: 08057)

ANNOUNCEMENT OF FIRST QUARTERLY RESULTS FOR THE THREE MONTHS ENDED 30 JUNE 2023

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

The board of Directors (the “**Board**”) is pleased to present the unaudited condensed consolidated results of the Group for the three months ended 30 June 2023, together with the comparative unaudited figures for the corresponding period in 2022, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE THREE MONTHS ENDED 30 JUNE 2023

	<i>Notes</i>	For the three months ended	
		30 June	
		2023	2022
		HK\$’000	HK\$’000
		(unaudited)	(unaudited)
Revenue	<i>3</i>		
– sales of alcoholic beverages		8,342	10,407
– loan financing services		10,883	15,941
		<u>19,225</u>	<u>26,348</u>
Cost of operations			
– cost of alcoholic beverages		<u>(6,781)</u>	<u>(8,092)</u>
Other income	<i>4</i>	9,223	16,620
Staff costs		(7,546)	(8,494)
Depreciation		(1,261)	(1,277)
Administrative and other operating expenses		(2,112)	(2,430)
Net impairment recognised on loan and interest receivables		(103)	(593)
Change in fair value of financial assets at fair value through profit or loss		294	176
Change in fair value of derivative financial instruments		4	1,365
Finance costs	<i>5</i>	<u>(4,725)</u>	<u>(6,705)</u>
Profit before tax		6,218	16,918
Income tax expense	<i>6</i>	<u>(1,891)</u>	<u>(3,330)</u>
Profit for the period	<i>7</i>	<u>4,327</u>	<u>13,588</u>

		For the three months ended	
		30 June	
		2023	2022
	<i>Note</i>	HK\$'000	<i>HK\$'000</i>
		(unaudited)	(unaudited)
Profit for the period attributable to:			
– Owners of the Company		2,139	7,706
– Non-controlling interests		<u>2,188</u>	<u>5,882</u>
		<u>4,327</u>	<u>13,588</u>
Earnings per share (<i>HK cents</i>)	9		
Basic		<u>0.34</u>	<u>1.24</u>
Diluted		<u>0.34</u>	<u>1.24</u>
Profit for the period		<u>4,327</u>	<u>13,588</u>
Other comprehensive expense			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
– Exchange differences arising from translation of foreign operations		<u>(18,743)</u>	<u>(20,382)</u>
		<u>(18,743)</u>	<u>(20,382)</u>
Total comprehensive expense for the period		<u>(14,416)</u>	<u>(6,794)</u>
Total comprehensive expense for the period attributable to:			
– Owners of the Company		(8,237)	(3,364)
– Non-controlling interests		<u>(6,179)</u>	<u>(3,430)</u>
		<u>(14,416)</u>	<u>(6,794)</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE THREE MONTHS ENDED 30 JUNE 2023

	Attributable to owners of the Company												
	Share capital	Share premium	Other reserve	Capital reserve	Merger reserve	Share options reserve	Convertible bonds – equity conversion reserve	Translation reserve	Statutory reserve	Accumulated losses	Total	Non-controlling interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 1 April 2023 (audited)	6,231	1,311,985	29,047	(90,894)	(598,127)	20,189	–	(13,279)	6,643	(684,213)	(12,418)	161,991	149,573
Profit for the period	–	–	–	–	–	–	–	–	–	2,139	2,139	2,188	4,327
Other comprehensive expense for the period													
– Exchange differences arising from translation of foreign operations	–	–	–	–	–	–	–	(10,376)	–	–	(10,376)	(8,367)	(18,743)
Profit for the period and other comprehensive expense for the period	–	–	–	–	–	–	–	(10,376)	–	2,139	(8,237)	(6,179)	(14,416)
Lapse of share options	–	–	–	–	–	(78)	–	–	–	78	–	–	–
As at 30 June 2023 (unaudited)	<u>6,231</u>	<u>1,311,985</u>	<u>29,047</u>	<u>(90,894)</u>	<u>(598,127)</u>	<u>20,111</u>	<u>–</u>	<u>(23,655)</u>	<u>6,643</u>	<u>(681,996)</u>	<u>(20,655)</u>	<u>155,812</u>	<u>135,157</u>

	Attributable to owners of the Company												
	Share capital	Share premium	Other reserve	Capital reserve	Merger reserve	Share options reserve	Convertible bonds – equity conversion reserve	Translation reserve	Statutory reserve	Accumulated losses	Total	Non-controlling interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 1 April 2022 (audited)	6,231	1,311,985	29,047	(90,894)	(598,127)	21,155	174,782	455	5,228	(856,335)	3,527	172,740	176,267
Profit for the period	–	–	–	–	–	–	–	–	–	7,706	7,706	5,882	13,588
Other comprehensive expense for the period													
– Exchange differences arising from translation of foreign operations	–	–	–	–	–	–	–	(11,070)	–	–	(11,070)	(9,312)	(20,382)
Profit for the period and other comprehensive expense for the period	–	–	–	–	–	–	–	(11,070)	–	7,706	(3,364)	(3,430)	(6,794)
As at 30 June 2022 (unaudited)	<u>6,231</u>	<u>1,311,985</u>	<u>29,047</u>	<u>(90,894)</u>	<u>(598,127)</u>	<u>21,155</u>	<u>174,782</u>	<u>(10,615)</u>	<u>5,228</u>	<u>(848,629)</u>	<u>163</u>	<u>169,310</u>	<u>169,473</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED 30 JUNE 2023

1. GENERAL

Madison Holdings Group Limited (the “**Company**”) was incorporated in the Cayman Islands under the Companies Act, Chapter 22 (Act 3 of 1961, as consolidated and revised) of the Cayman Islands as an exempted company with limited liability on 15 April 2015 and its shares are listed on GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) since 8 October 2015. Royal Spectrum Holding Company Limited (“**Royal Spectrum**”), which is a company incorporated in the Republic of Seychelles and is directly interested in approximately 31.44% of the issued share capital of the Company as at 30 June 2023, and Mr. Ting Pang Wan Raymond (“**Mr. Ting**”), who is aggregately interested in approximately 41.55% of the issued share capital of the Company as at 30 June 2023 and has control over Royal Spectrum, are controlling shareholders of the Company. The addresses of the registered office and the principal place of business of the Company are Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and Units 26-28, 8/F., One Island South, 2 Heung Yip Road, Wong Chuk Hang, Hong Kong, respectively.

The Company is an investment holding company. Its major operating subsidiaries are mainly engaged in the sales of alcoholic beverages, the provision of loan financing services and the provision of financial services.

The functional currency of the Company and the subsidiaries incorporated in Hong Kong is Hong Kong dollars (“**HK\$**”) while that of the subsidiaries established in the People’s Republic of China (the “**PRC**”) is Renminbi (“**RMB**”). For the purpose of presenting the financial statements, the Group adopted HK\$ as its presentation currency which is the same as the functional currency of the Company.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and all applicable accounting principles generally accepted in Hong Kong. The financial statements also comply with the applicable disclosure requirements of the Companies Ordinance (Chapter 622 of the laws of Hong Kong) and include the applicable disclosure requirements of the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”). The accounting policies used in the financial statements for the three months ended 30 June 2023 are the same as those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 March 2023. The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments which are stated at fair values.

As at the reporting date of the unaudited condensed consolidated financial statements, HKICPA has issued a number of new and amended HKFRSs. The adoption of these new and amended HKFRSs had no material impact on how the results and financial position of the Group for the current and prior periods have been prepared and presented.

The Group has not adopted early any new and amended HKFRSs that are relevant to the Group have been issued but are not yet effective for the current accounting period.

The unaudited condensed consolidated financial statements have not been reviewed or audited by the Company’s auditors, but have been reviewed by the Company’s audit committee.

3. REVENUE AND SEGMENT INFORMATION

Revenue

The principal activities of the Group are the sales of alcoholic beverages, the provision of loan financing services and the provision of financial services. An analysis of the Group's revenue is as follows:

	For the three months ended	
	30 June	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Revenue from contracts with customers		
Disaggregated of revenue by major products or services lines		
Sales of alcoholic beverages segment		
– Sales of alcoholic beverages income	8,342	10,407
Loan financing services segment		
– Loan referral services income	2,591	4,130
Total revenue from contracts with customers	10,933	14,537
Revenue from other sources		
Loan financing segment		
– Interest income – Micro loans	6,676	9,419
– Interest income – Other loans	1,616	2,392
	8,292	11,811
Total revenue	19,225	26,348

Disaggregation of revenue by timing of recognition

	For the three months ended	
	30 June	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Timing of revenue recognition		
At a point in time	10,933	14,537

Segment Information

Information has been reported to the chief operating decision maker (“CODM”) (i.e. the executive directors), for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group’s reportable and operating segments under HKFRS 8 are as follows:

1. Sales of alcoholic beverages – retail sales and wholesales of wine products and other alcoholic beverages
2. Loan financing services – provision of loan financing and loan referral services
3. Financial services – provision of financial consultancy services

Segment revenues and results

The following is an analysis of the Group’s revenue and results by reportable and operating segments:

	For the three months ended	
	30 June	
	2023	2022
	HK\$’000	HK\$’000
	(unaudited)	(unaudited)
Revenue		
Sales of alcoholic beverages	8,342	10,407
Loan financing services	<u>10,883</u>	<u>15,941</u>
	<u>19,225</u>	<u>26,348</u>
Segment (loss) profit		
Sales of alcoholic beverages	(454)	(776)
Loan financing services	5,981	9,341
Financial services	<u>(374)</u>	<u>(469)</u>
Total segment profit	5,153	8,096
Unallocated income	9,080	17,827
Unallocated expenses	(3,290)	(2,300)
Finance costs	<u>(4,725)</u>	<u>(6,705)</u>
Profit before tax	<u>6,218</u>	<u>16,918</u>

Segment profit represents the profit (loss) from each segment without allocation of central administration costs, directors' salaries and certain other income, change in fair value of financial assets at fair value through profit or loss and derivative financial instruments and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Geographical information

The following information about the Group's revenue from external customers is presented based on the location of operations:

	For the three months ended	
	30 June	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
PRC	9,267	15,941
Hong Kong	9,958	10,407
	<u>19,225</u>	<u>26,348</u>

4. OTHER INCOME

	For the three months ended	
	30 June	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Bank interest income	35	12
Consignment income	176	76
Management fee income	750	600
Net exchange gain	6,689	13,374
Interest income from consideration receivable	–	510
Interest income from finance lease receivables	151	228
Government grants	–	496
Gain on disposal of a subsidiary	–	1,253
Others	1,422	71
	<u>9,223</u>	<u>16,620</u>

5. FINANCE COSTS

	For the three months ended	
	30 June	
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest expense on:		
– convertible bonds	–	3,291
– promissory notes payables	–	1,365
– other borrowings	1,196	1,346
– loan from a non-controlling shareholder	3,270	458
– lease liabilities	259	245
	<u>4,725</u>	<u>6,705</u>

6. INCOME TAX EXPENSE

	For the three months ended	
	30 June	
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current tax:		
PRC Enterprise Income Tax (“EIT”)	968	1,918
Deferred taxation	(432)	1,412
Withholding tax	1,355	–
	<u>1,891</u>	<u>3,330</u>

Hong Kong Profits Tax

Hong Kong Profits Tax is charged under the two-tiered profits tax rates regime, the first HK\$2 million of profits of qualifying corporation will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. During the periods, Hong Kong Profits Tax of the qualified entity of the Group is calculated in accordance with the two-tiered profits tax rates regime. The profits of other Group entities in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at the tax rate of 16.5%.

PRC Enterprise Income Tax

Under the Law of the PRC on Enterprise Income Tax (the “**EIT Law**”) and Implementation Regulation of the EIT Law, the statutory EIT tax rate of the PRC subsidiaries is 25.0%, except for certain subsidiaries which qualified as small enterprises and micro enterprises and enjoy preferential EIT tax rate from 2.5% to 15.0% for the periods. Further 10.0% withholding income tax is generally imposed on dividends relating to profits.

7. PROFIT FOR THE PERIOD

	For the three months ended	
	30 June	
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Profit for the period has been arrived at after charging:		
Directors' emoluments	899	1,023
Salaries, allowances and other benefits	6,132	6,953
Contributions to retirement benefits scheme	515	518
	<hr/>	<hr/>
Total staff costs	7,546	8,494
	<hr/>	<hr/>
Cost of inventories recognised as expense	6,584	7,865
Net impairment recognised on loan and interest receivables	103	593
	<hr/> <hr/>	<hr/> <hr/>

8. DIVIDEND

No dividend was paid, declared or proposed during the three months ended 30 June 2023 (2022: nil). The Directors do not recommend the payment of any dividend for the three months ended 30 June 2023 (2022: nil).

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

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

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

On 3 April 2018, the Company granted an aggregate of 219,000,000 share options to the employees, directors and consultants of the Company, to subscribe, in aggregate, for up to 219,000,000 ordinary shares of HK\$0.001 each in the share capital of the Company at exercise price of HK\$1.89 each per then issued share of the Company. For details, please refer to the announcement of the Company dated 3 April 2018.

On 17 August 2018, an ordinary resolution was passed by the Company’s shareholders to refresh the scheme mandate limit under the Share Option Scheme, such that the maximum number of ordinary shares of the Company that can be allotted and issued upon the exercise of share options which may be granted by the Company under the scheme mandate limit so refreshed would be 428,330,871 shares, being 10.0% of the total number of the then issued shares of the Company as at the date of passing of the resolution approving the said refreshment.

On 13 December 2018, the Company granted an aggregate of 48,000,000 share options to the consultants of the Company, to subscribe, in aggregate, for up to 48,000,000 ordinary shares of the Company at exercise price of HK\$1.12 each per then issued share of the Company. For details, please refer to the announcement of the Company dated 13 December 2018.

On 6 December 2019, the Company granted an aggregate of 355,400,000 share options to the employees, directors and consultants of the Company, to subscribe, in aggregate, for up to 355,400,000 ordinary shares of the Company at exercise price of HK\$0.207 each per then issued share of the Company. For details, please refer to the announcement of the Company dated 6 December 2019.

On 31 July 2020, an ordinary resolution was passed by the Company’s shareholders to refresh the scheme mandate limit under the Share Option Scheme, such that the maximum number of ordinary shares of the Company that can be allotted and issued upon the exercise of share options which may be granted by the Company under the scheme mandate limit so refreshed would be 519,272,689 then issued shares of the Company, being 10.0% of the total number of the then issued shares of the Company as at the date of passing of the resolution approving the said refreshment.

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

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

Save for the above adjustments, all other terms and conditions of the outstanding share options granted under the Share Option Scheme remain unchanged. Details of the adjustments to the share options upon the share consolidation having become effective are disclosed in the announcement of the Company dated 18 January 2022.

On 9 August 2022, an ordinary resolution was passed by the Company’s shareholders to refresh the scheme mandate limit under the Share Option Scheme, such that the maximum number of ordinary shares of the Company that can be allotted and issued upon the exercise of share options which may be granted by the Company under the scheme mandate limit so refreshed would be 62,312,722 shares, being 10.0% of the total number of the then issued shares of the Company as at the date of passing of the resolution approving the said refreshment.

On 23 August 2022, the Company granted an aggregate of 85,922,330 share options under the specific mandate (the “**Specific Mandate**”), to SRA Holdings, to subscribe, in aggregate, for up to 85,922,330 ordinary shares of the Company at exercise price of HK\$1.03 per share upon the exercise of the option pursuant to the Option Agreement entered into between the Company and SRA Holdings dated 6 June 2022. For details, please refer to the announcements of the Company dated 9 August 2022 and 23 August 2022 and the circular of the Company dated 19 July 2022.

As at 30 June 2023, the number of share options had been granted and remained outstanding under the Share Option Scheme and the Specific Mandate were 50,620,000 share options (31 March 2023: 50,630,000 share options) and 85,922,330 share options (31 March 2023: 85,922,330 share options) respectively, representing approximately 8.1% (31 March 2023: 8.1%) and 13.8% (31 March 2023: 13.8%) of the total number of shares in issue as at 30 June 2023. Fair value of share options granted to consultants was measured at market prices for their services provided.

No share-based payment expenses was recognised by the Group for the three months ended 30 June 2023 and 2022 in relation to share options granted by the Company.

Details of the Company's share options held by grantees are as follows:

Category of participant	Date of grant	Outstanding as at 31 March 2023	Outstanding as at 30 June 2023	Vesting period	Exercise period	Exercise price per share
Shareholders	17 December 2015	2,100,000	2,100,000	17 December 2015 to 16 June 2016	17 June 2016 to 16 December 2025	HK\$8.00
Consultants	17 December 2015	16,000,000	16,000,000	17 December 2015 to 16 June 2016	17 June 2016 to 16 December 2025	HK\$8.00
Directors	3 April 2018	560,000	560,000	3 April 2018 to 31 December 2018	1 January 2019 to 2 April 2028	HK\$18.90
Employees	3 April 2018	780,000	770,000	3 April 2018 to 31 December 2018	1 January 2019 to 2 April 2028	HK\$18.90
Consultants	3 April 2018	18,450,000	18,450,000	3 April 2018 to 31 December 2018	1 January 2019 to 2 April 2028	HK\$18.90
Consultants	13 December 2018	4,800,000	4,800,000	13 December 2018 to 30 June 2019	1 July 2019 to 12 December 2028	HK\$11.20
Directors	6 December 2019	750,000	750,000	6 December 2019 to 5 December 2020	6 December 2020 to 5 December 2029	HK\$2.07
Directors	6 December 2019	750,000	750,000	6 December 2019 to 5 December 2021	6 December 2021 to 5 December 2029	HK\$2.07
Consultants	6 December 2019	2,595,000	2,595,000	6 December 2019 to 5 December 2020	6 December 2020 to 5 December 2029	HK\$2.07
Consultants	6 December 2019	2,595,000	2,595,000	6 December 2019 to 5 December 2021	6 December 2021 to 5 December 2029	HK\$2.07
Employees	6 December 2019	625,000	625,000	6 December 2019 to 5 December 2020	6 December 2020 to 5 December 2029	HK\$2.07
Employees	6 December 2019	625,000	625,000	6 December 2019 to 5 December 2021	6 December 2021 to 5 December 2029	HK\$2.07
The ultimate holding company of a non- controlling shareholder	23 August 2022	85,922,330	85,922,330	Immediate on date of grant	23 August 2022 to 30 September 2023	HK\$1.03

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

During the three months ended 30 June 2023

Category of participant	Outstanding as at 1 April 2023	Granted during the period	Lapsed during the period	Outstanding as at 30 June 2023
Directors	2,060,000	–	–	2,060,000
Employees	2,030,000	–	(10,000)	2,020,000
Shareholders	2,100,000	–	–	2,100,000
Consultants	44,440,000	–	–	44,440,000
The ultimate holding company of a non-controlling shareholder	85,922,330	–	–	85,922,330
	<u>136,552,330</u>	<u>–</u>	<u>(10,000)</u>	<u>136,542,330</u>
Exercisable as at 30 June 2023				<u>136,542,330</u>
Weighted average exercise price (HK\$)	<u>5.0</u>	<u>–</u>	<u>18.9</u>	<u>5.0</u>

During the three months ended 30 June 2022

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

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the three months ended 30 June 2023 (the “**Period**”), the Company and its subsidiaries (collectively, the “**Group**”) were principally engaged in (i) the retail sales and wholesales of a wide spectrum of wine products and other alcoholic beverages in Hong Kong with a focus on red wine (the “**Wine Business**”); (ii) the provision of loan financing and consultancy services (the “**Loan Financing Business**”); and (iii) the provision of financial services (the “**Financial Services Business**”).

During the Period, the Group’s revenue decreased by approximately 27.0% to approximately HK\$19.2 million (2022: HK\$26.3 million). Firstly, the revenue generated from the Wine Business decreased by approximately 20.2% to approximately HK\$8.3 million (2022: HK\$10.4 million). As indicated by the drop in the Hang Seng Index of approximately 3,000 as compared with the corresponding period last year, the investment atmosphere appeared to be pessimistic during the Period. Accordingly, the demand for wine decreased especially for those premium wines which were mainly for collection purpose. Secondly, the revenue generated from the Loan Financing Business decreased by approximately 31.4% to approximately HK\$10.9 million (2022: HK\$15.9 million). The decrease was mainly attributed to the decrease in the overall size of the loan portfolio.

The Group’s profit for the Period was approximately HK\$4.3 million (2022: HK\$13.6 million), representing a decrease of approximately 68.4% or HK\$9.3 million as compared with the corresponding period last year. The decrease in the profit was mainly attributable to the decrease in gross profit of approximately HK\$5.8 million and the decrease in other income of approximately HK\$7.4 million, which was partially offset by the decrease in finance cost of approximately HK\$2.0 million and the decrease in income tax expense of approximately HK\$1.4 million.

Financial Review

During the Period, the Group’s revenue decreased by approximately 27.0% to approximately HK\$19.2 million (2022: approximately HK\$26.3 million). The decrease in the Group’s revenue was mainly attributable to the decrease in the revenue generated from the Wine Business and the Loan Financing Business. The revenue for the Period included (i) approximately HK\$8.3 million (2022: HK\$10.4 million) generated from the Wine Business; and (ii) approximately HK\$10.9 million (2022: HK\$15.9 million) generated from the Loan Financing Business. No revenue was generated from the Financial Services Business during the Period (2022: nil).

Gross profit margin from the Wine Business was slightly decreased to approximately 18.7% (2022: 22.2%). Such decrease was mainly attributed to the adjustment to the sales strategies in order to maintain the current customer portfolio.

Gross profit for the Period was approximately HK\$12.4 million (2022: HK\$18.2 million), representing a decrease of approximately 31.9% or HK\$5.8 million as compared with the corresponding period last year. The decrease in the gross profit was mainly attributable to the decrease in revenue from the Wine Business and Loan Financing Business.

Other income for the Period was approximately HK\$9.2 million (2022: HK\$16.6 million). The decrease in other income was mainly attributed to the decrease in net exchange gain of approximately HK\$6.7 million.

Staff costs for the Period were approximately HK\$7.5 million (2022: HK\$8.5 million) representing a decrease of approximately 11.8% or HK\$1.0 million as compared with the corresponding period last year. The decrease was mainly due to decrease in the performance linked portion of salaries as a result of the decrease in revenue for the Period. Depreciation was approximately HK\$1.3 million (2022: HK\$1.3 million), which is the same as the corresponding period last year.

Administrative and other operating expenses for the Period were approximately HK\$2.1 million (2022: HK\$2.4 million), representing a decrease of approximately 12.5% or HK\$0.3 million as compared with the corresponding period last year. The decrease was mainly due to streamline of the expenses as a result of the decrease in operation scale.

The finance costs for the Period amounted to approximately HK\$4.7 million (2022: HK\$6.7 million) which were mainly incurred on other borrowings, loan from a non-controlling shareholder and lease liabilities. The decrease in finance cost was mainly attributable to the expiration of certain debts in last year.

Profit for the Period was approximately HK\$4.3 million (2022: HK\$13.6 million). The decrease in the profit for the Period was mainly attributable to the decrease in gross profit of approximately HK\$5.8 million and the decrease in other income of approximately HK\$7.4 million, which was partially offset by the decrease in finance cost of approximately HK\$2.0 million and the decrease in income tax expense of approximately HK\$1.4 million.

Dividend

The Directors do not recommend the payment of any dividend for the Period (2022: nil).

Material Acquisition and Disposal of Significant Subsidiaries and Affiliated Companies

During the Period, the Group did not have any material acquisition nor disposal of significant subsidiaries and affiliated companies.

Business Prospects

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 atmosphere, the Board anticipates that additional time is needed for getting the Group's operations on track. The Directors will continue to enhance the Group's businesses through reviewing its existing business portfolio from time to time as well as tightening the Group's cost control measures. In addition, the Group will actively seek other investment opportunities in other streams so as to broaden the source of income of the Group and diversify the Group's business portfolio on an on-going basis.

Significant Event After the Reporting Period

Up to the date of this announcement, there was no significant event relevant to the business or financial performance of the Group that comes to the attention of the Directors after the end of the Period.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Share Option Scheme

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

The Remaining Life of the Share Option Scheme

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

Option Granted Under Specific Mandate

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

Directors' Rights to Acquire Shares or Debentures

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

Purchase, Sale or Redemption of the Company's Listed Securities

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Period.

Directors' Interests in Competing Business

None of the Directors or any of their respective close associates (as defined in the GEM Listing Rules) are engaged in any business that competes or may compete, either directly or indirectly, with the business of the Group or have any other conflicts of interest with the Group nor are they aware of any other conflicts of interest with the Group which any such person has or may have with the Group during the Period.

Deed of Non-Competition

A deed of non-competition dated 29 September 2015 (the "**Deed of Non-competition**") was entered into among the Company and the controlling shareholders of the Company, namely Royal Spectrum, Devoss Global and Mr. Ting, in favour of the Company (for the Company and for the benefit of its subsidiaries) regarding certain non-competition undertakings. Details of the Deed of Non-competition were disclosed in the section headed "Relationship with Controlling Shareholders" to the prospectus of the Company dated 29 September 2015.

Code of Conduct Regarding Securities Transaction by Directors

The Company has adopted the code of conduct for securities transactions by Directors on terms no less exacting than the required standards of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the "**Model Code**"). Having made specific enquiry, all Directors have confirmed that they have fully complied with the required standards set out in the Model Code throughout the Period.

Compliance with Corporate Governance Code

The Company is committed to achieving high standards of corporate governance to safeguard the interests of the shareholders and enhancing its corporate value. The Company has adopted the principles and code provisions of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 15 to the GEM Listing Rules as its corporate governance practices.

Throughout the Period, to the best knowledge of the Board, the Company had complied with the code provisions in the CG Code as set out in Appendix 15 to the GEM Listing Rules.

Review by Audit Committee

The Company has established an audit committee (the “**Audit Committee**”) on 21 September 2015 with written terms of reference in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules and code provision D.3.3 of the CG Code. The primary duties of the Audit Committee are to review the financial system of the Group; to review the accounting policy, financial position and financial reporting procedures of the Group; to communicate with external auditors; and to assess the internal controls and risk management of the Group.

Currently, the Audit Committee comprises four members, namely Mr. Chu Kin Wang Peleus, Dr. Lau Remier, Mary Jean, Mr. Ip Cho Yin, *J.P.* and Mr. Zhou Li, and chaired by Mr. Chu Kin Wang Peleus, who has appropriate professional qualifications and experience as required by the GEM Listing Rules. Save for Mr. Ip Cho Yin, *J.P.*, who is a non-executive Director, all other members are independent non-executive Directors.

The unaudited condensed consolidated financial statements for the Period have been reviewed by the Audit Committee, and the Audit Committee agreed with the accounting principles and practices adopted by the Company, but have not been reviewed or audited by the Company’s auditor.

Publication of Results Announcement and 2023 First Quarterly Report

This announcement is published on the websites of Stock Exchange (www.hkexnews.hk) as well as the website of the Company (www.madison-group.com.hk). The Company’s 2023 first quarterly report will be despatched to the shareholders of the Company and will be published on the aforementioned websites in due course.

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

Hong Kong, 8 August 2023

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

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