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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
DISPOSAL OF EXCHANGEABLE BOND
FOR SHARES IN BARTHA INTERNATIONAL LIMITED**

References are made to (i) the announcements of the Company dated 17 February 2017, 17 November 2017 and 31 May 2018 and the circulars of the Company dated 30 June 2017 and 28 February 2018, in relation to, among other things, the subscription of the Exchangeable Bond and the exercise of the Exchange Right to exchange for 4,900 Bartha Shares, representing 49% equity interest in Bartha International, by the Vendor; and (ii) the announcement of the Company dated 15 January 2020, in relation to, among other things, the equity transfers of 49% equity interest in Bartha International from the Vendor.

THE SALE AND PURCHASE AGREEMENT

On 18 February 2020 (after trading hours of the Stock Exchange), the Vendor, a direct non-wholly owned subsidiary of the Company, entered into the Sale and Purchase Agreement with the Purchaser, pursuant to which the Vendor has agreed to sell, and the Purchaser has agreed to purchase, the Exchangeable Bond for a cash consideration of HK\$67,000,000.

Completion took place on 18 February 2020, upon which the Purchaser has become the holder of the Exchangeable Bond, which would entitle the Purchaser to exchange for all the equity interest in Bartha International owned by Bartha Holdings as at the date of exercising the Exchange Right.

IMPLICATIONS UNDER THE GEM LISTING RULES

Since the Equity Transfers and the EB Disposal are in relation to the disposal of interests in one particular company, namely Bartha International, the Equity Transfers and the EB Disposal shall be aggregated pursuant to Rule 19.22 of the GEM Listing Rules.

As the applicable percentage ratio(s) (as defined under the GEM Listing Rules) in respect of the Equity Transfers and EB Disposal, on an aggregate basis, is more than 5% but less than 25%, the entering into of the Equity Transfer Agreements and the Sale and Purchase Agreement 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.

BACKGROUND

References are made to (i) the announcements of the Company dated 17 February 2017, 17 November 2017 and 31 May 2018 and the circulars of the Company dated 30 June 2017 and 28 February 2018, in relation to, among other things, the subscription of the Exchangeable Bond and the exercise of the Exchange Right to exchange for 4,900 Bartha Shares, representing 49% equity interest in Bartha International, by the Vendor; and (ii) the Announcement, in relation to, among other things, the equity transfers of 49% equity interest in Bartha International from the Vendor.

On 18 February 2020 (after trading hours of the Stock Exchange), the Vendor, a direct non-wholly owned subsidiary of the Company, entered into the Sale and Purchase Agreement with the Purchaser, pursuant to which the Vendor has agreed to sell, and the Purchaser has agreed to purchase, the Exchangeable Bond for a cash consideration of HK\$67,000,000.

THE SALE AND PURCHASE AGREEMENT

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

Date: 18 February 2020

Parties: (i) CVP Financial Holdings Limited, as the Vendor; and

(ii) Ms. Li Li, as the Purchaser

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, the Purchaser is an Independent Third Party and there is no relationship between the purchasers under the Equity Transfer Agreements and the Purchaser.

Assets to be disposed of

The Vendor has agreed to sell, and the Purchase has agreed to purchase, the Exchangeable Bond.

The Exchangeable Bond entitles its holder to exchange for all the equity interest in Bartha International owned by Bartha Holdings as at the date of exercising the Exchange Right. As at the date of this announcement, Bartha International is owned as to 51% by Bartha Holdings, 29% by Ms. Zhang Fengge and 20% by Mr. Zuo Tao, respectively. Assuming that no new Bartha Shares will be issued to any person from the date of the Sale and Purchase Agreement and up to the date of exercising the Exchange Right, 51% equity interest in Bartha International shall be owned by the Purchaser upon exercise of the Exchange Right.

Consideration

The Consideration for the Exchangeable Bond is HK\$67,000,000, which shall be payable by the Purchaser to the Vendor within eight months after Completion.

The Consideration was determined after arm's length negotiations between the Vendor and the Purchaser on normal commercial terms after taking into account (i) the fair value of the Exchangeable Bond of HK\$66,624,000 as at 30 September 2019 as disclosed in the interim report of the Company for the six months ended 30 September 2019; (ii) the aggregate considerations for the Equity Transfers of HK\$50,000,000; and (iii) the information set out under the section headed "Reasons for and benefits of the EB Disposal" in this announcement.

Completion

Completion shall take place on the date of the Sale and Purchase Agreement or such other date the Vendor and the Purchaser may agree.

Completion took place on 18 February 2020, upon which the Purchaser has become the holder of the Exchangeable Bond, which would entitle the Purchaser to exchange for all the Bartha Shares in issue owned by Bartha Holdings as at the date of exercising the Exchange Right.

INFORMATION OF THE EXCHANGEABLE BOND AND THE BARTHA GROUP

The principal terms and conditions of the Exchangeable Bond are set out in the circular of the Company dated 30 June 2017 and the subsequent alteration of terms of the Exchangeable Bond is set out in the circular of the Company dated 28 February 2018. On 31 May 2018, the exercise of the Exchange Right to exchange for 4,900 Bartha Shares, representing 49% equity interest in Bartha International as at the date of this announcement, by the Vendor was completed. Save as disclosed above, there has been no material change to the terms and conditions of the Exchangeable Bond and the Vendor has not exercised any other Exchange Right attaching to the Exchangeable Bond.

As disclosed in the Announcement, the Vendor entered into the Equity Transfer Agreements with each of Mr. Zuo Tao and Ms. Zhang Fengge in relation to the Equity Transfers. Completion of the Equity Transfers took place in January 2020, upon which the Bartha Group ceased to be subsidiaries of the Group and their financial results would not be consolidated into the financial statements of the Group.

Bartha International

Bartha International is principally engaged in investment holding and has no business save for being the immediate holding company of CVP Securities. As at the date of this announcement, Bartha International is owned as to 51% by Bartha Holdings, 29% by Ms. Zhang Fengge and 20% by Mr. Zuo Tao, respectively.

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 <i>HK\$'000</i> (audited)	For the financial year ended 31 March 2019 <i>HK\$'000</i> (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 principally engaged in the provision of securities and futures contracts brokerage and margin financing, with no licensing conditions imposed by the SFC. As at the date of this announcement, 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.

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 <i>HK\$'000</i> (audited)	For the financial year ended 31 March 2019 <i>HK\$'000</i> (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 EB DISPOSAL AND USE OF PROCEEDS

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\$376,000 from the EB Disposal, which is calculated with reference to the proceeds from the EB Disposal and the fair value of the Exchangeable Bond as at 30 September 2019 of HK\$66,624,000. The actual amount of gain or loss as a result of the EB 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 EB Disposal, after deducting the expenses directly attributable thereto, will amount to approximately HK\$66,500,000 and is intended to be used for the purpose of general working capital.

REASONS FOR AND BENEFITS OF THE EB DISPOSAL

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 (v) provision of loan financing and consultancy services.

As disclosed in the Announcement, 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 this 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 further 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 six months, the profitability of CVP Securities has also seen deterioration. The net profit decreased by approximately 28.7% from approximately HK\$11,329,000 for the year ended 31 March 2018 to approximately HK\$8,078,000 for the year ended 31 March 2019. The net profit margin also reported a decrease from approximately 56.8% in 2018 to approximately 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 and as disclosed in the Announcement, the Directors are pessimistic with the prospect of securities brokerage industry in Hong Kong, and hence, the Vendor had been identifying potential investors to dispose of the Exchangeable Bond.

In addition to the protests in 2019, the ongoing outbreak of 2019 novel coronavirus in the PRC and Hong Kong has been adversely impacting the economy in both the PRC and Hong Kong. The outbreak of 2019 novel coronavirus devastated the economic environment in Hong Kong and therefore resulting in significant pressure on the financial position of the Group. Hence, the Board considers that the EB Disposal will enable the Group to maintain and strengthen its financial position in order to meet its financial obligations and sustain its businesses.

Taking into account (i) the deterioration of the profitability of CVP Securities; (ii) the completion of the Equity Transfers in January 2020; (iii) the potential financial distress to be resulted from the gloomy economy caused by the 2019 novel coronavirus; and (iv) the Group would recognise a gain on the EB Disposal, the Board resolved to dispose of the Exchangeable Bond.

In light of the above factors, the Directors consider that the terms of the Sale and Purchase Agreement are on normal commercial terms, fair and reasonable and the EB Disposal is in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE GEM LISTING RULES

Since the Equity Transfers and the EB Disposal are in relation to the disposal of interests in one particular company, namely Bartha International, the Equity Transfers and the EB Disposal shall be aggregated pursuant to Rule 19.22 of the GEM Listing Rules.

As the applicable percentage ratio(s) (as defined under the GEM Listing Rules) in respect of the Equity Transfers and the EB Disposal, on an aggregate basis, is more than 5% but less than 25%, the entering into of the Equity Transfer Agreements and the Sale and Purchase Agreement 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.

DEFINITIONS

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

“Announcement”	the announcement of the Company dated 15 January 2020 in relation to, among others, the Equity Transfers
“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 Bond
“Bartha International”	Bartha International Limited, a company incorporated in Hong Kong with limited liability, and the sole shareholder of CVP Securities
“Bartha Share(s)”	share(s) in the share capital of Bartha International
“Board”	the board of Directors
“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)

“Completion”	completion of the EB Disposal pursuant to the terms and conditions of the Sale and Purchase Agreement
“Consideration”	HK\$67,000,000, being the consideration payable for the sale and purchase of the Exchangeable Bond
“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
“Directors”	directors of the Company
“EB Disposal”	the disposal of the Exchangeable Bond by the Vendor to the Purchaser pursuant to the terms and conditions of the Sale and Purchase Agreement
“Equity Transfer A”	the equity transfer of 2,000 Bartha Shares, representing 20% equity interest in Bartha International as at the date of the Announcement, from the Vendor to Mr. Zuo Tao pursuant to the terms and conditions of the Equity Transfer Agreement A
“Equity Transfer B”	the equity transfer of 2,900 Bartha Shares, representing 29% equity interest in Bartha International as at the date of the Announcement, from the Vendor to Ms. Zhang Fengge pursuant to the terms and conditions of the Equity Transfer Agreement B
“Equity Transfers”	collectively, the Equity Transfer A and the Equity Transfer B
“Equity Transfer Agreement A”	the conditional sale and purchase agreement dated 15 January 2020 entered into between the Vendor and Mr. Zuo Tao in relation to the Equity Transfer A
“Equity Transfer Agreement B”	the conditional sale and purchase agreement dated 15 January 2020 entered into between the Vendor and Ms. Zhang Fengge in relation to the Equity Transfer B
“Equity Transfer Agreements”	collectively, the Equity Transfer Agreement A and the Equity Transfer Agreement B

“Exchangeable Bond”	the exchangeable bond in the outstanding principal amount of HK\$76,500,000 issued by Bartha Holdings to the Vendor, which entitles the Vendor to exchange for all the Bartha Shares in issue owned by Bartha Holdings as at the date of exercising the Exchange Right, with the maturity date falling on 27 July 2022
“Exchange Right”	the right of the holder of the Exchangeable Bond to exchange the principal amount of the Exchangeable Bond into all the Bartha Shares in issue owned by Bartha Holdings as at the date of exercising the Exchange Right
“GEM”	GEM operated by the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“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
“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”	Ms. Li Li, purchaser to the Sale and Purchase Agreement
“Sale and Purchase Agreement”	the sale and purchase agreement dated 18 February 2020 entered into between the Vendor and the Purchaser in relation to the EB Disposal
“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
“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, 18 February 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>.