THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in Madison Holdings Group Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank manager, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

MADISON
GROUP

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)

REFRESHMENT OF CURRENT GENERAL MANDATE TO ISSUE SHARES AND NOTICE OF EXTRAORDINARY GENERAL MEETING

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

INCU

INCU Corporate Finance Limited

Capitalised terms used on this cover page shall have the same meanings as those defined in this circular unless otherwise stated.

A letter from the Board is set out on pages 4 to 12 of this circular. A letter from the Independent Board Committee is set out on page 13 of this circular. A letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders is set out on pages 14 to 34 of this circular.

A notice convening the EGM to be held at 28/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong on Tuesday, 23 February 2021 at 10:00 a.m. or any adjournment thereof is set out on pages EGM-1 to EGM-5 of this circular. A form of proxy for use at the EGM is also enclosed with this circular. Whether or not you are able to attend and vote at the EGM in person, please complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the branch share registrar and transfer office of the Company in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event no less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof (as the case may be) should you so wish.

PRECAUTIONARY MEASURES FOR THE EGM

In line with the latest recommendations issued by the Government of Hong Kong in relation to the COVID-19 pandemic, and for the health and safety of the Shareholders and other attendees, the precautionary measures to be taken by the Company at the EGM are as follows:–

(1) compulsory temperature checks at the entrance of the EGM venue;

(2) compulsory wearing of surgical face mask by the attendees (please bring your own mask);

(3) no corporate gift, refreshments or drinks will be provided during the EGM; and

(4) depending on circumstances, separate rooms connected by instant electronic conferencing system may be arranged at the EGM venue to restrict the number of attendees at each room.

Attendees are requested to observe and practise good personal hygiene at the EGM venue during the EGM. To the extent permitted by law, the Company reserves the right to deny entry into the EGM venue or require any person to leave the EGM venue so as to safeguard the health and safety of the attendees at the EGM.

Shareholders are reminded that, in order to avoid attending the EGM in person, they may appoint the chairman of the EGM as their proxy to vote on any resolution(s) at the EGM in accordance with the voting preferences indicated on the proxy form.

Shareholders not attending the EGM in person may join via telephone conference (dial-in number: +852 2888 0011; access code: 2417400972). Please however note that in accordance with the articles of association of the Company, Shareholders joining via telephone conference will not be counted towards a quorum nor will they be able to cast their vote via telephone.

This circular will remain on the GEM website at www.hkgem.com on the "Latest Listed Company Information" page for at least 7 days from the date of its posting and on the website of the Company at www.madison-group.com.hk.

3 February 2021

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE

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

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

CONTENTS

DEFINITIONS

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

"AGM"	the annual general meeting of the Company held on 31 July 2020 in which the Shareholders had approved, among other things, the Current General Mandate
"Articles"	the articles of association of the Company as amended from time to time
"associates"	has the same meaning as ascribed to it under the GEM Listing Rules
"Board"	the board of Directors
"Company"	Madison Holdings Group Limited, a company incorporated in the Cayman Islands with limited liability and whose Shares are listed on GEM (stock code: 8057)
"controlling shareholder(s)"	has the same meaning ascribed to it under the GEM Listing Rules
"Current General Mandate"	the general mandate approved at the AGM authorising the Directors to allot and issue Shares up to 20% of the number of issued Shares as at the date of passing the relevant ordinary resolutions at the AGM
"Director(s)"	director(s) of the Company
"EGM"	the extraordinary general meeting of the Company to be convened and held at 28/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong on Tuesday, 23 February 2021 at 10:00 a.m. to consider and, if thought fit, to approve the proposed refreshment of the Current General Mandate and the matters contemplated thereunder
"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 People's Republic of China
"INCU" or "Independent Financial Adviser"	INCU Corporate Finance Limited, a licensed corporation to carry on Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the refreshment of the Current General Mandate
"Independent Board Committee"	an independent committee of the Board, comprising all the independent non-executive Directors, to advise the Independent Shareholders as to the fairness and reasonableness of the refreshment of the Current General Mandate, the voting at the EGM for the refreshment of the Current General Mandate and whether the refreshment of the Current General Mandate is in the interests of the Company and the Shareholders as a whole
"Independent Shareholder(s)"	Shareholder(s) other than any controlling shareholder(s) of the Company and their respective associates or, where there are no controlling shareholders, any Shareholder(s) other than the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates
"Latest Practicable Date"	29 January 2021, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
"New General Mandate"	the general mandate proposed to be granted to the Directors at the EGM to allot, issue and deal with new Shares not exceeding 20% of the aggregate number of the issued Shares as at the date of the EGM

"Placing"	the placing of up to 1,038,545,379 Shares at the placing price of HK$0.055 per placing Share pursuant to the conditional placing agreement dated 4 December 2020 and entered into between the Company and CVP Securities Limited as the placing agent
"SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
"Share(s)"	ordinary share(s) of HK$0.001 each in the share capital of the Company
"Shareholder(s)"	holder(s) of issued Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"%"	per cent.

MADISON
GROUP

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

Executive Directors:
Ms. Kuo Kwan
Mr. Zhang Li

Non-executive Directors:
Mr. Ip Cho Yin, *J.P.*
Mr. Ji Zuguang *(Chairman)*

Independent non-executive Directors:
Ms. Fan Wei
Mr. Chu Kin Wang Peleus
Dr. Lau Reimer, Mary Jean

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

Principal place of business in Hong Kong:
28/F.,
Bank of East Asia Harbour View Centre
56 Gloucester Road
Wanchai, Hong Kong

3 February 2021

To the Shareholders

Dear Sir or Madam,

REFRESHMENT OF CURRENT GENERAL MANDATE TO ISSUE SHARES AND NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

The Board proposes to refresh the Current General Mandate subject to the Independent Shareholders' approval. Ordinary resolutions will be proposed at the EGM to the Independent Shareholders to consider and, if thought fit, approve the refreshment of the Current General Mandate.

The purpose of this circular is to provide you with the information relating to (i) the refreshment of the Current General Mandate; (ii) the recommendation from the Independent Board Committee to the Independent Shareholders on the refreshment of the Current General Mandate; (iii) the recommendation from INCU to the Independent Board Committee and the Independent Shareholders on the refreshment of the Current General Mandate; and (iv) the notice of EGM.

CURRENT GENERAL MANDATE

At the AGM, the Shareholders approved, among other things, ordinary resolutions for granting to the Directors the Current General Mandate to allot and issue up to a maximum of 1,038,545,379 Shares, representing 20% of the number of issued Shares of the Company as at the date of passing of the relevant resolutions.

References are made to the announcements of the Company dated 4 December 2020 and 22 December 2020 in relation to, among other matters, the Placing. Pursuant to the Placing, 1,038,545,379 new Shares were issued and allotted by the Company to not less than six placees, on 22 December 2020.

The Current General Mandate has been fully utilised by way of the Placing. The net proceeds of approximately HK$55.6 million from the Placing have almost been fully utilised, of which (i) approximately HK$40.0 million had been applied for the repayment of loans; (ii) approximately HK$9.6 million had been utilised for the general working capital of the Group; and (iii) approximately HK$2.0 million had also been utilised for the purchase of wine for the operation of the wine business of the Group, with the remaining balance of approximately HK$4.0 million to be applied for such purpose.

As at the Latest Practicable Date, the Company has not made any refreshment of the Current General Mandate since the AGM, and save for the 511,200,000 outstanding share options granted under the share option scheme adopted on 21 September 2015, there are no outstanding options, warrants, convertible securities or other rights to subscribe for Shares.

PROPOSED REFRESHMENT OF THE CURRENT GENERAL MANDATE

The Company will convene and hold the EGM at which ordinary resolutions will be proposed to the Independent Shareholders that: (i) the Directors be granted the general mandate to allot and issue Shares not exceeding 20% of the number of issued Shares as at the date of passing the relevant ordinary resolutions at the EGM; and (ii) the New General Mandate be extended to Shares repurchased by the Company pursuant to the repurchase mandate granted to the Directors at the AGM.

As at the Latest Practicable Date, the Company had an aggregate of 6,231,272,277 Shares in issue. Subject to the passing of the ordinary resolutions for the approval of the refreshment of the Current General Mandate and on the basis that no further Shares will be issued and/or repurchased by the Company between the Latest Practicable Date and the date of the EGM, the Company will be allowed to issue and allot up to 1,246,254,455 Shares, being 20% of the number of issued Shares as at the Latest Practicable Date.

The New General Mandate (including the extended New General Mandate) will expire at the earliest of (a) the conclusion of the next annual general meeting of the Company; (b) the date by which the next annual general meeting of the Company is required to be held by law or by the Articles; or (c) the date upon which such authority is revoked or varied by an ordinary resolution of the Shareholders in a general meeting of the Company prior to the next annual general meeting of the Company.

REASONS FOR THE REFRESHMENT OF THE CURRENT GENERAL MANDATE

The Company is an investment holding company. 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.

As explained in the paragraph headed "Current General Mandate" above, the Current General Mandate has been fully utilised as at the Latest Practicable Date. The next annual general meeting of the Company is expected to be held in or about July 2021, which is about six months from the date of this circular.

In assessing the needs for the refreshment of Current General Mandate, the Board has considered the followings:

(a) Overview of global economics

As there are uncertainties in the global economics due to the outbreak of Novel Coronavirus Disease 2019 (the "**COVID-19**"), the Directors are of the view that the instability of the global economics will persist in the foreseeable future which will have a negative impact on the Group's operation. Taking into account the adverse impact and high uncertainty on the Group's normal business operation imposed by the COVID-19 pandemic and the possibility that the Group's existing financial resources may be exhausted quicker than expected if the COVID-19 pandemic persists for a prolonged period of time, the Directors consider that having the fundraising capability through the grant of the New General Mandate is a prudent approach in maintaining the financial flexibility of the Group during the current economic downturn and therefore sufficient cashflow for the normal operation of the Group as well as grasping the opportunities of recovery from the aftermath of COVID-19 pandemic.

(b) Existing financial performance and cash position of the Group

As set out in the interim results of the Company for the six months ended 30 September 2020 (the "**Interim Results**"), the Group recorded an unaudited loss attributable to equity holders of the Company of approximately HK$97,000.

As at the Latest Practicable Date, the Company has outstanding repayment obligations in the total amount of approximately HK$109.95 million, which will be due in March 2021. Although the cash and bank balance of the Company was maintained at approximately HK$39.98 million as at 30 September 2020, a majority of such cash and bank balance has been allocated for the general working capital of the Group and/or partial settlement of the said outstanding repayment obligations that will fall due prior to the next annual general meeting.

In addition, the net proceeds from the Placing of approximately HK$55.6 million have almost been fully utilised, of which (i) approximately HK$40.0 million had been applied for the repayment of loans; (ii) approximately HK$9.6 million had been utillised for the general working capital of the Group; and (iii) approximately HK$2.0 million had also been utilised for the purchase of wine for the operation of the wine business of the Group, and the remaining balance of approximately HK$4.0 million will be applied for such purpose. Further, one of the principal businesses of the Group is loan financing related, which will require a high level of funds for its operation.

In view of (i) the current financial position and the operating expenses of the Group, including but not limited to salary expenses, rental expenses and cost of purchasing inventories, to support the continuous operation of its wine business; (ii) the outstanding repayment obligations of the Group that will fall due prior to the next annual general meeting; and (iii) the requirement for the Group to maintain a certain level of cash in respect of the operation of the Group's loan financing business, the Group's liquidity would be under pressure in the short run. On this basis, the Board considers that the Group will have short-term funding needs prior to the next annual general meeting and the Group has an imminent need to refresh the Current General Mandate.

Subject to the Independent Shareholders' approval having been obtained in respect of the refreshment of the Current General Mandate, the Company intends to use the proceeds from the possible issue of new Shares using the New General Mandate for settlement of the outstanding repayment obligations payable and/or for payment of the operating expenses of the Group to support its business operations. Nevertheless, as at the Latest Practicable Date, the Company was in the process of negotiation with the relevant lender in relation to the possible extension of certain outstanding loans which will fall due. As at the Latest Practicable Date, such negotiation was still ongoing. Given the uncertainty on whether the Company would be able to reach a consensus with the relevant lender in relation to the possible extension of the outstanding repayment obligations on favourable terms, the Directors consider that the refreshment of the Current General Mandate is in the best interests of the Company and the Shareholders as a whole by providing the financial flexibility to allow the Company to meet the funding needs of the Group in the event that the negotiation falls through. In the event that such loans are successfully extended on favourable terms, subject to the Group's then financial position and the then market conditions, the Company may utilise the New General Mandate for fund raising exercise or issue of Shares as the consideration or part of the consideration for possible business development(s) or investment(s) in the future when opportunities arise.

In order to provide additional flexibility to allow the Company to grasp appropriate fund raising opportunities, the Board believes that the refreshment of the Current General Mandate is in the best interests of the Company and the Shareholders as a whole by maintaining the financial flexibility necessary for the Group's future business expansion and development as well as to cater for future funding requirement of the Group. The Board considers equity financing to be an important avenue of resources to the Group since it does not create any interest paying obligations on the Group. In appropriate circumstances, the Group will also consider other financing methods such as debt financing or internal cash resources to fund its future business development.

Given that the negotiation with the relevant lender in relation to the possible extension of the outstanding repayment obligations was still ongoing, the Company has not formulated a concrete fund raising plan for settlement of such loans as at the Latest Practicable Date. The Company will grasp any suitable fund raising opportunities should attractive terms for investment become available from potential investors and there is currently no particular fund raising opportunity being identified by the Company as at the Latest Practicable Date. If any fund raising opportunities materialise, the Company will make further announcement(s) as and when appropriate in compliance with the GEM Listing Rules.

The Directors have considered other financing alternatives apart from equity financing such as debt financing, rights issue, open offer or internal cash resources to meet the financial requirements of the Group, if appropriate, taking into consideration the then financial position, capital structure and cost of funding of the Group as well as the prevailing market condition. However, debt financing will incur interest burden on the Group and may be subject to lengthy due diligence and negotiations as compared to the equity financing available to the Directors if the refreshment of the Current General Mandate is granted. Furthermore, rights issue or open offer may also involve substantial time and cost to complete as compared to equity financing by issuance of new Shares under general mandate.

Having considered that (i) the Current General Mandate has been fully utilised after the Placing; (ii) the majority of the cash and bank balance of the Company has been allocated for specific uses; (iii) debt financing may incur additional interest burden to the Group; (iv) rights issue or open offer may take a longer time to complete while fund raising exercise pursuant to general mandate provides the Company a simpler and less lead time process than other types of fund raising exercise and avoids the uncertainties in such circumstances that specific mandate may not be obtained in a timely manner; and (v) the refreshment of the Current General Mandate will provide the Company with an additional alternative and flexibility of financing to the Group, the Directors consider that it is reasonable for the Company to have the flexibility in deciding the financing methods for its future investment and/or development, including equity issuance.

The Directors have no concrete plan for raising funding by issuing new Shares or acquiring any investments as at the Latest Practicable Date, and there is currently no concrete proposal presented by any potential investors for investment in the Shares. Nevertheless, the Board is now proposing to seek the approval of the Independent Shareholders at the EGM for the refreshment of the Current General Mandate, apart from the reasons disclosed above, the Directors consider that should attractive terms for investment in the Shares become available from potential investors or the Group being able to identify suitable investment, the Board will be able to respond to the market promptly because fund raising exercise or issue of Shares as the consideration or part of the consideration for investment projects pursuant to a general mandate provides the Company with a simpler and less lead time process and to avoid the uncertainties in such circumstances that specific mandate may not be obtained in a timely manner.

If such opportunities arise prior to the next annual general meeting, decisions may have to be made within a limited period of time. If any potential investors offer attractive terms for investment in the Shares subject to the then market conditions, the Directors will consider and may conduct an equity fund raising exercise by issuing new Shares, the proceeds of which may be used for general working capital and/or supporting the Group's future business development. Announcement will be made by the Company in the event that any concrete fund raising plan arises as and when appropriate.

There has not been any other refreshment of the Current General Mandate since the AGM. Save for the use of the Current General Mandate by way of the Placing since the AGM as mentioned in the paragraph headed "Current General Mandate" above, the Company has not conducted any other equity fund raising activities under the Current General Mandate in the past twelve months immediately preceding the Latest Practicable Date.

The full utilisation of the refreshed Current General Mandate will have potential dilution impact on shareholding of the existing public Shareholders of approximately 11.4% (assuming that no Shares will be issued and/or repurchased by the Company from the Latest Practicable Date up to and including the date of the EGM).

Notwithstanding the potential dilution impact of the Shareholders, in view of the above, the Directors consider that the refreshment of the Current General Mandate is in the best interests of the Company and the Shareholders as a whole.

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, which comprises Ms. Fan Wei, Mr. Chu Kin Wang Peleus and Dr. Lau Reimer, Mary Jean, all being the independent non-executive Directors, has been established to advise the Independent Shareholders on the refreshment of the Current General Mandate.

INCU has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the refreshment of the Current General Mandate.

The Independent Board Committee and the Directors, having taken into account the advice of INCU, consider that the refreshment of the Current General Mandate is in the interests of the Company and the Shareholders as a whole and is fair and reasonable so far as the Independent Shareholders are concerned and accordingly recommend the Independent Shareholders to vote in favour of the ordinary resolutions which will be proposed at the EGM for approving the refreshment of the Current General Mandate.

EGM

A notice convening the EGM to be held at 28/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong on Tuesday, 23 February 2021 at 10:00 a.m. is set out on pages EGM-1 to EGM-5 of this circular for the purpose of considering and, if thought fit, passing the resolutions set out therein.

A form of proxy for the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete and return the enclosed proxy form in accordance with the instructions printed thereon to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event no less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM, or any adjournment thereof if you so wish, and in such event, the form of proxy shall be deemed to be revoked.

Pursuant to the GEM Listing Rules, the refreshment of the Current General Mandate will be subject to the Independent Shareholders' approval by way of passing an ordinary resolution at the EGM at which any of the controlling Shareholders and their respective associates, or where there are no controlling Shareholders, Directors (excluding independent non-executive Directors) and the chief executives and all their respective associates shall abstain from voting in favour of the resolutions approving the refreshment of the Current General Mandate.

As at the Latest Practicable Date, Royal Spectrum Holding Company Limited ("**Royal Spectrum**") is a controlling Shareholder. Accordingly, Royal Spectrum and its associates shall abstain from voting in favour of the resolutions approving the refreshment of the Current General Mandate. To the best of the Director's knowledge, information and belief having made all reasonable enquiries, as at the Latest Practicable Date, save for Royal Spectrum and its associates, no Shareholder is required to abstain from voting on the proposed resolutions on the refreshment of the Current General Mandate at the EGM.

In light of the continuing risks posed by the COVID-19 pandemic and in the interests of protecting the Shareholders, the Company strongly advises the Independent Shareholders to appoint the chairman of the EGM as their proxy to vote on the relevant resolutions as an alternative to attending the EGM in person.

The voting of the Independent Shareholders in respect of the refreshment of the Current General Mandate at the EGM will be taken by way of poll.

The Directors confirmed that to the best of their knowledge, information and belief having made all reasonable enquiries, as at the Latest Practicable Date, there was no voting trust or other agreement or arrangement or understanding (other than an outright sale) entered into by or binding upon any Shareholder and there was no obligation or entitlement of any Shareholder whereby he or she has or may have temporarily or permanently passed control over the exercise of the voting right in respect of his or her Shares to a third party, either generally or on a case-by-case basis.

RESPONSIBILITY STATEMENT

This circular, 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 circular 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 circular misleading.

RECOMMENDATIONS

The Directors consider the proposed refreshment of the Current General Mandate is in the interests of the Company and the Shareholders as a whole and accordingly recommend the Independent Shareholders to vote in favour of the proposed resolutions in relation to the refreshment of the Current General Mandate as set out in the notice of EGM.

The Independent Board Committee, having taken into account the advice of INCU in relation to the refreshment of the Current General Mandate, is of the opinion that the refreshment of the Current General Mandate is in the best interests of the Company and is fair and reasonable so far as the Independent Shareholders are concerned and accordingly recommends the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM for approving the refreshment of the Current General Mandate.

GENERAL

Your attention is drawn to the letter of advice from INCU set out on pages 14 to 34 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in connection with the refreshment of the Current General Mandate and the letter from the Independent Board Committee set out on page 13 of this circular which contains its recommendation to the Independent Shareholders in relation to the refreshment of the Current General Mandate.

INCU has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which they respectively appear.

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

MADISON
GROUP

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)

3 February 2021

To the Independent Shareholders

Dear Sir or Madam,

REFRESHMENT OF CURRENT GENERAL MANDATE TO ISSUE SHARES

We refer to the circular of the Company dated 3 February 2021 (the "**Circular**") of which this letter forms part. Unless the context requires otherwise, capitalised terms used herein shall have the same meanings as those defined in the Circular.

We have been appointed by the Board to advise the Independent Shareholders as to whether the terms of the proposed refreshment of the Current General Mandate are fair and reasonable so far as the Independent Shareholders are concerned. INCU has been appointed as the independent financial adviser to advise us in this respect.

Having considered the principal reasons and factors considered by, and the advice of, INCU as set out in its letter of advice to us on pages 14 to 34 of the Circular, we are of the opinion that the refreshment of the Current General Mandate is in the interests of the Company and the Shareholders as a whole and the terms of which are fair and reasonable so far as the Company and the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the refreshment of the Current General Mandate.

Yours faithfully,
For and on behalf of the Independent Board Committee

Ms. Fan Wei	**Mr. Chu Kin Wang Peleus**	**Dr. Lau Reimer, Mary Jean**
Independent non-executive Director	*Independent non-executive Director*	*Independent non-executive Director*

The following is the text of a letter of advice from INCU Corporate Finance Limited, which has been prepared for the purpose of incorporation into this circular, setting out its opinion to the Independent Board Committee and the Independent Shareholders in connection with the refreshment of the Current General Mandate.

INCU Corporate Finance Limited
Unit D, 6/F,
Bank of China Building,
2A Des Voeux Road Central,
Central, Hong Kong

3 February 2021

To: The Independent Board Committee and the Independent Shareholders of
Madison Holdings Group Limited

Dear Sirs or Madams,

REFRESHMENT OF CURRENT GENERAL MANDATE TO ISSUE SHARES

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the refreshment of the Current General Mandate, details of which are set out in the letter from the board (the "**Letter from the Board**") contained in the circular of the Company dated 3 February 2021 (the "**Circular**"), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

The Current General Mandate was granted to the Directors to allot and issue up to 1,038,545,379 Shares, representing 20% of the number of issued Shares of the Company as at the date of passing of the relevant resolution at the AGM. As at the Latest Practicable Date, the Current General Mandate has been fully utilised by way of the Placing. Therefore, the Board proposes to refresh the Current General Mandate for the Directors to allot and issue Shares not exceeding 20% of the number of issued Shares as at the date of passing the relevant ordinary resolutions at the EGM.

As the refreshment of the Current General Mandate is made before the next annual general meeting of the Company, pursuant to Rule 17.42A(1) of the GEM Listing Rules, the refreshment of Current General Mandate will be subject to the approval of the Independent Shareholders by way of an ordinary resolution at the EGM. The EGM will be convened and held for the Independent Shareholders to consider and, if thought fit, pass the ordinary resolutions to approve the refreshment of Current General Mandate. Any controlling Shareholders and their respective associates, or where there is no controlling Shareholders, the Directors (excluding independent non-executive Directors) and the chief executives of the Company and all their respective associates shall abstain from voting in favour of the resolutions approving the refreshment of the Current General Mandate.

As at the Latest Practicable Date, Royal Spectrum is a controlling Shareholder. Accordingly, Royal Spectrum and its associates shall abstain from voting in favour of the resolutions approving the refreshment of the Current General Mandate. To the best of the Director's knowledge, information and belief having made all reasonable enquiries, as at the Latest Practicable Date, save for Royal Spectrum and its associates, no Shareholder is required to abstain from voting on the proposed resolutions on the refreshment of the Current General Mandate at the EGM.

During the last two years, there was no previous engagement between us and the Group or any of their respective subsidiaries or associates, prior to our engagement as the Independent Financial Adviser in relation to the refreshment of Current General Mandate. As at the Latest Practicable Date, we were not aware of any relationships or interests between us and the Company or any other parties that could reasonably be regarded as hindrance to our independence as defined under Rule 17.96 of the GEM Listing Rules to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the refreshment of Current General Mandate. We are not associated with the Company, its subsidiaries, its associates or their respective substantial shareholders or associates or any other parties to the refreshment of Current General Mandate, and accordingly, are eligible to give independent advice and recommendations on the refreshment of Current General Mandate. Apart from normal professional fees payable to us in connection with this appointment as the Independent Financial Adviser, no arrangement exists whereby we will receive any fees from the Company, its subsidiaries, its associates or their respective substantial shareholders or associates or any other parties to the refreshment of Current General Mandate.

INDEPENDENT BOARD COMMITTEE

An Independent Board Committee comprising all the independent non-executive Directors, namely Ms. Fan Wei, Mr. Chu Kin Wang Peleus and Dr. Lau Reimer, Mary Jean, has been formed to advise the Independent Shareholders on the refreshment of the Current General Mandate and as to whether the refreshment of the Current General Mandate is fair and reasonable and in the interests of the Company and the Shareholders as a whole, taking into account our recommendations.

As the Independent Financial Adviser, our role is to give independent opinions to the Independent Board Committee and the Independent Shareholders as to whether the refreshment of the Current General Mandate is fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole.

BASIS OF OUR OPINION

In formulating our opinion and recommendations, we have relied on the statements, information, opinions and representations relating to the operations, financial condition and prospects of the Group contained or referred to in this Circular and/or provided to us by the Company and the management of the Group. We have assumed that such information and any representation made to us were true, accurate and complete in all material respects as at the Latest Practicable Date and considered that the information we have received is sufficient for us to reach our advice and recommendation as set out in this letter and to justify our reliance on such information. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed by them in this Circular have been arrived at after due and careful consideration and there are no other material facts not contained in this Circular, the omission of which would make any such statement made by them that contained in this Circular misleading in all material respects. We have no reason to doubt the truth or accuracy of the information provided to us, or to believe that any material information has been omitted or withheld.

Our review and analyses were based upon, among others, the information provided by the Group including this Circular, working capital forecast for the Company for the period ending 31 May 2022 and certain published information from the public domain, including but not limited to, the interim report of the Company for the six months ended 30 September 2020 (the "**Interim Report 2020**") and the annual report of the Company for the year ended 31 March 2020 (the "**Annual Report 2019/2020**"). We have also discussed with the Directors and the management of the Group with respect to the terms of and the basis and assumptions adopted in the working capital forecast and the reasons for the refreshment of Current General Mandate. We have not, however, for the purpose of this exercise, conducted any in-depth independent investigation into the businesses, affairs and financial positions of the Group nor have we carried out any independent verification of the information supplied.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation to the Independent Board Committee and the Independent Shareholders in respect of the refreshment of Current General Mandate, we have taken into account the following principal factors and reasons:

1. Background and historical financial information of the Group

1.1 Background of the Group

The Group is principally engaged in (i) the retail sales and wholesale of a wide spectrum of wine products and other alcoholic beverages in Hong Kong (the "**Wine Business**"); (ii) the provision of financial services including securities advisory and asset management (the "**Financial Services Business**"); (iii) the provision of cryptocurrency exchange business in Japan (the "**Blockchain Services Business**"); and (iv) the provision of loan financing and consultancy services (the "**Loan Financing Business**").

1.2 Historical financial information of the Group

Consolidated financial performance of the Group

Set out below are (i) the audited consolidated financial information of the Group for the two years ended 31 March 2019 ("**FY2019**") and 31 March 2020 ("**FY2020**"), as extracted from the Annual Report 2019/2020; and (ii) the unaudited consolidated financial results of the Group for the six months ended 30 September 2019 ("**1H2019**") and 30 September 2020 ("**1H2020**"), as extracted from the Interim Report 2020:

	FY2019	**FY2020**	**1H2019**	**1H2020**
	(Audited)	(Audited)	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)		*(Note 1)*	
Revenue				
– Wine Business	114,172	69,392	40,352	23,816
– Financial Services Business	21,715	10,455	4,842	–
– Blockchain Services Business	29,384	30,141	30,135	–
– Loan Financing Business	141,401	86,547	48,857	23,507
– Wine auction business	3,680	4,948	2,598	3,524
Total of revenue	310,352	201,483	126,784	50,847
(Loss)/profit for the year/period attributable to owners of the Company	(369,244)	(278,922)	(296,784)	6,359

Notes:

1. Key financial figures for FY2019 and 1H2019 are shown in the table above for comparative purpose.

1H2020 vs 1H2019

As set out in the table above, the revenue of the Group in 1H2020 decreased by approximately HK$75.93 million or 59.89% to approximately HK$50.85 million, as compared with approximately HK$126.78 million in 1H2019. According to the Interim Report 2020, such decrease in revenue was mainly attributable to (i) the economic slowdown in Mainland China and Hong Kong; (ii) the on-going China-US trade frictions; (iii) the outbreak of coronavirus disease 2019 in early 2020 and the necessary anti-epidemic measures seriously disrupted a wide range of economic activities; and (iv) disposal of 49% equity interest in Bartha International Limited with its subsidiaries on 17 January 2020 which were principally engaged in the provision of financial services, and disposal of the entire share capital of Madison Future Games Limited with its subsidiaries on 22 January 2020 which were principally engaged in the provision of crypto-currency mining business (the "**Disposal of Subsidiaries**").

The Group recorded a profit for the period attributable to owners of the Company of approximately HK$6.36 million in 1H2020, and a loss for the period attributable to owners of the Company of approximately HK$296.78 million in 1H2019. Such turnaround from loss to profit was mainly due to the combined effects of (i) the absence of impairment loss recognised on goodwill and plant and equipment in 1H2020 as compared to a total of approximately HK$279.2 million of impairment loss recorded from the Disposal of Subsidiaries in 1H2019; (ii) the gain of approximately HK$46.71 million on change in fair value of derivative financial instruments; and (iii) no costs of operation from Blockchain Services Business of approximately HK$29.32 million was recognized as a result of the Disposal of Subsidiaries.

FY2020 vs FY2019

As set out in the table above, the revenue of the Group in FY2020 decreased by approximately HK$108.87 million or 35.08% to approximately HK$201.48 million, as compared with approximately HK$310.35 million in FY2019. Such decrease in revenue was mainly attributable to the decrease in revenue of the Wine Business and the Loan Financing Business due to (i) the economic slowdown in Mainland China and Hong Kong; (ii) the on-going China-US trade frictions, (iii) the social unrest in Hong Kong since mid of 2019; (iv) the outbreak of coronavirus disease 2019 in early 2020; and (v) Disposal of Subsidiaries.

The Group recorded a loss for the year attributable to owners of the Company of approximately HK$278.92 million in FY2020, representing a decrease of approximately HK$90.32 million or 24.46% from that in FY2019. According to the Annual Report 2019/2020, such decrease was mainly due to the combined effects of (i) the gain on Disposal of Subsidiaries of approximately HK$144.2 million; (ii) the decrease in impairment loss recognised on goodwill and plant and equipment arising from the Blockchain Services Business of approximately HK$14.2 million; and (iii) the increase in net impairment recognised on loan and interest receivables in respect of the Loan Financing Business of approximately HK$44.6 million.

Consolidated financial position of the Group

Set out below are the highlights of the financial positions of the Group as at 31 March 2020 and 30 September 2020, as extracted from the Interim Report 2020:

	As at 31 March 2020 *HK$'000* *(Audited)* *(Note)*	**As at 30 September 2020** *HK$'000* *(Unaudited)*
Non-current assets,	**240,567**	**229,183**
mainly comprised:		
– Intangible assets	180,361	180,361
– Deferred tax asset	19,776	17,920
– Loan receivables	10,420	8,106
– Right-of-use assets	14,612	8,412
Current assets,	**622,947**	**466,326**
mainly comprised:		
– Loan and interest receivables	386,834	385,580
– Trade and other receivables	123,609	16,292
– Bank balances and cash	42,031	39,986
– Financial assets at fair value through profit or loss	41,212	–
Total assets	**863,514**	**695,509**

	As at 31 March 2020 *HK$'000* *(Audited)* *(Note)*	**As at 30 September 2020** *HK$'000* *(Unaudited)*
Current liabilities,	**538,197**	**342,958**
mainly comprised:		
– Loan from a subsidiary of a non-controlling shareholder	107,100	109,950
– Borrowings	103,992	79,992
– Promissory notes payables	167,920	41,803
– Derivative financial instruments	59,205	12,500
Non-current liabilities,	**127,402**	**130,514**
mainly comprised:		
– Convertible bonds	121,757	127,323
Total liabilities	**665,599**	**473,472**
Net assets	**197,915**	**222,037**
Gearing ratio	**272.2%**	**178.8%**

Note: Key financial figures as at 31 March 2020 are shown in the table above for comparative purpose.

Non-current assets of the Group as at 31 March 2020 and as at 30 September 2020 mainly comprised, among other things, (i) intangible assets; (ii) deferred tax assets; (iii) loan receivables; and (iv) right-of-use assets. Balance of total non-current assets decreased from approximately HK$240.57 million as at 31 March 2020 to approximately HK$229.18 million as at 30 September 2020, representing a decrease of approximately HK$11.39 million or 4.73%. According to the Interim Report 2020, such decrease was mainly attributable to (a) the decrease in deferred tax assets of approximately HK$1.86 million; (b) the decrease in loan receivables of approximately HK$2.31 million due to the decrease in the principal amount of the loans outstanding of the Group's Loan Financing Business as at 30 September 2020; and (c) the decrease in right-of-use assets of approximately HK$6.20 million due to the amount recognized in profit or loss of the leased arrangements for the leased properties.

Current assets of the Group as at 31 March 2020 and as at 30 September 2020 mainly comprised, among other things, (i) loan and interest receivables; (ii) trade and other receivables; (iii) bank balances and cash; and (iv) financial assets at fair value through profit or loss. Balance of total current assets decreased from approximately HK$622.95 million as at 31 March 2020 to approximately HK$466.33 million as at 30 September 2020, representing a decrease of approximately HK$156.62 million or 25.14%. Such decrease was mainly attributable to (a) the decrease in loan and interest receivables of approximately HK$1.25 million due to the decrease in the principal amount of the loans outstanding of the Group's Loan Financing Business as at 30 September 2020; (b) the decrease in trade and other receivables of approximately HK$107.32 million due to the settlement of consideration receivable from disposal of unlisted exchangeable bonds and a subsidiary of approximately HK$106.14 million as at 30 September 2020; (c) the decrease in bank balances and cash by approximately HK$2.05 million; and (d) the absence of financial assets at fair value through profit or loss of approximately HK$41.21 million due to the mature of promissory note on 27 August 2020 received from the disposal of subsidiaries which were principally engaged in provision of blockchain services. Under normal circumstances, as at 30 September 2020, (1) loan and interest receivables of approximately HK$385.58 million, of which approximately HK$228.10 million will be received before the next annual general meeting, and approximately HK$157.49 million will be received after the next annual general meeting; and (2) trade and other receivables of approximately HK$16.29 million, of which approximately HK$11.76 million will be received before the next annual general meeting, and approximately HK$4.53 million will be received after the next annual general meeting.

Current liabilities of the Group as at 31 March 2020 and as at 30 September 2020 mainly comprised, among other things, (i) loan from a subsidiary of a non-controlling shareholder; (ii) borrowings; (iii) promissory notes payables; and (iv) derivative financial instruments. Balance of total current liabilities decreased from approximately HK$538.20 million as at 31 March 2020 to approximately HK$342.96 million as at 30 September 2020, representing a decrease of approximately HK$195.24 million or 36.28%. Such decrease was mainly attributable to the combined effects of (a) the increase in loan from a subsidiary of a non-controlling shareholder of approximately HK$2.85 million due to the increasing effect of exchange rate change for the loan in Japanese yen; (b) the decrease in borrowings of approximately HK$24.00 million due to the repayment of the borrowings during the six months ended 30 September 2020; (c) the decrease in promissory notes payables of approximately HK$126.12 million due to the repayment of promissory notes of HK$14.00 million for the acquisition of CVP Asset Management Limited, and the repayment of promissory notes of approximately HK$119.53 million for the acquisition of Hackett Enterprises Limited; and (d) the decrease in derivative financial instruments of approximately HK$46.71 million due to expiry of put option to non-controlling interests in CVP Capital Limited of approximately HK$9.74 million, and also due to the decrease in the put option to the promissory note holder of approximately HK$36.97 million. As at 30 September 2020, (1) loan from a subsidiary of a non-controlling shareholder of approximately HK$109.95 million, of which the whole balance will be due before the next annual general meeting; (2) borrowings of approximately HK$79.99 million, of which approximately HK$30.00 million will be due before the next annual general meeting, and approximately HK$49.99 million will be due after the next annual general meeting; (3) promissory notes payables of approximately HK$41.80 million, of which the whole balance will be due after the next annual general meeting; (4) derivative financial instruments of approximately HK$12.50 million, of which the whole balance will be due after the next annual general meeting; and (5) trade and other payables of approximately HK$23.35 million, of which the whole balance will be due before the next annual general meeting.

Non-current liabilities of the Group as at 31 March 2020 and as at 30 September 2020 mainly comprised convertible bonds. Balance of total non-current liabilities increased from approximately HK$127.40 million as at 31 March 2020 to approximately HK$130.51 million as at 30 September 2020, representing a slight increase of approximately HK$3.11 million or 2.44%.

The gearing ratio of the Group, which was measured by the debts of non-trade nature divided by total equity, decreased from approximately 272.2% as at 31 March 2020 to approximately 178.8% as at 30 September 2020. The decrease in gearing ratio was mainly attributable to (i) the repayment of the borrowings during the six months ended 30 September 2020; and (ii) the decrease in promissory notes payables of approximately HK$126.12 million as stated above.

1.3 Analysis on historical financial information of the Group

Based on the financial information as disclosed above, the performance of the Group was adversely impacted by the global economy. As disclosed in the Interim Report 2020, in view of (i) the economic slowdown in Mainland China and Hong Kong; (ii) the on-going China-US trade frictions; and (iii) the outbreak of coronavirus disease 2019 ("**COVID-19**") in early 2020 and the necessary anti-epidemic measures seriously disrupted a wide range of economic activities. The Group foresees such uncertainty is expected to continue to affect the Group's performance until 2021 when COVID-19 eases and the domestic and global markets show signs of recovery. The Group will continue to enhance the Group's businesses through review of its existing business portfolio from time to time. Going forward, the Group will continue looking for other investment opportunities in other streams so as to sustain the growth of the Group in the long run. As stated in the Letter from the Board, subject to the Independent Shareholders' approval having been obtained in respect of the refreshment of the Current General Mandate, the Company intends to use the proceeds from the possible issue of new Shares using the New General Mandate for settlement of the outstanding repayment obligations payable and/or for payment of the operating expenses of the Group to support its business operations and/or seek suitable investment opportunities in order to broaden the source of income of the Group and diversify the Group's business portfolio. Nevertheless, as at the Latest Practicable Date, the Company was in the process of negotiation with the relevant lender in relation to the possible extension of certain outstanding loans which will fall due. Given the uncertainty on whether the Company would be able to reach a consensus with the relevant lender in relation to the possible extension of the outstanding repayment obligations on favourable terms, the Directors consider that the refreshment of the Current General Mandate is in the best interests of the Company and the Shareholders as a whole by providing the financial flexibility to allow the Company to meet the funding needs of the Group in the event that the negotiation falls through. In the event that such loans are successfully extended on favourable terms, subject to the Group's then financial position and the then market conditions, the Company may utilise the New General Mandate for fund raising exercise or issue of Shares as the consideration or part of the consideration for possible business development(s) or investment(s) in the future when opportunities arise. We have discussed with the management of the Group and confirmed that the Company has yet to identify any investment target as at the Latest Practicable Date.

Having considered that (i) the Group has been incurring net losses attributable to owners of the Company during the past two years; (ii) the uncertainties to Hong Kong's economy from the on-going China-US trade frictions and the outbreak of COVID-19 in Hong Kong is expected to continue to affect the Group's financial performance; (iii) the high gearing ratio of the Group would hinder the Group's future development by incurring higher interest burden; (iv) the Group's intention of continue looking for other investment opportunities in other streams so as to sustain the growth of the Group in the long run; and (v) the Current General Mandate has been fully utilised and can only be renewed (if not refreshed now) at the next annual general meeting, which is expected to be held in or about July 2021, which is about six months from the date of this Circular, we are of the view that the Group would need more financial flexibility to support its future development. We consider that the refreshment of Current General Mandate would provide the Company with an additional financing option to raise further capital in the near term in order to improve its financial position.

2. Background of the Current General Mandate and proposed refreshment of the Current General Mandate

2.1 Current General Mandate

At the AGM, the Shareholders approved, among other things, an ordinary resolution for granting to the Directors the Current General Mandate to allot and issue up to a maximum of 1,038,545,379 Shares, representing 20% of the number of issued Shares of the Company as at the date of passing of the relevant resolution.

References are made to the announcements of the Company dated 4 December 2020 and 22 December 2020 in relation to, among other matters, the Placing. Pursuant to the Placing, 1,038,545,379 new Shares were issued and allotted by the Company to not less than six placees, on 22 December 2020.

The Current General Mandate has been fully utilised by way of the Placing. The net proceeds of approximately HK$55.60 million from the Placing have almost been fully utilised, of which (i) approximately HK$40.00 million had been applied for the repayment of loans; (ii) approximately HK$9.60 million had been utilised for the general working capital of the Group; and (iii) approximately HK$2.00 million had also been utilised for the purchase of wine for the operation of the Wine Business, with the remaining balance of approximately HK$4.00 million to be applied for such purpose.

Save as disclosed above, the Company has not carried out any other equity fund raising activities in the past 12 months immediately preceding the Latest Practicable Date.

As at the Latest Practicable Date, the Company has not made any refreshment of the Current General Mandate since the AGM, and save for the 511,200,000 outstanding share options granted under the share option scheme adopted on 21 September 2015, there are no outstanding options, warrants, convertible securities or other rights to subscribe for Shares.

As stated in the Letter from the Board, the full utilisation of the refreshed Current General Mandate will have potential dilution impact on shareholding of the existing public Shareholders of approximately 11.4% (assuming that no Shares will be issued and/or repurchased by the Company from the Latest Practicable Date up to and including the date of the EGM).

2.2 Proposed refreshment of the Current General Mandate

The Company will convene and hold the EGM at which ordinary resolutions will be proposed to the Independent Shareholders that: (i) the Directors be granted the general mandate to allot and issue Shares not exceeding 20% of the number of issued Shares as at the date of passing the relevant ordinary resolutions at the EGM; and (ii) the New General Mandate be extended to Shares repurchased by the Company pursuant to the repurchase mandate granted to the Directors at the AGM.

As at the Latest Practicable Date, the Company had an aggregate of 6,231,272,277 Shares in issue. Subject to the passing of the ordinary resolutions for the approval of the refreshment of the Current General Mandate and on the basis that no further Shares will be issued and/or repurchased by the Company between the Latest Practicable Date and the date of the EGM, the Company will be allowed to allot and issue up to 1,246,254,455 Shares, being 20% of the number of issued Shares as at the Latest Practicable Date.

The New General Mandate (including the extended New General Mandate) will expire at the earliest of (a) the conclusion of the next annual general meeting of the Company; (b) the date by which the next annual general meeting of the Company is required to be held by law or by the Articles; or (c) the date upon which such authority is revoked or varied by an ordinary resolution of the Shareholders in a general meeting of the Company prior to the next annual general meeting of the Company.

3. Reasons for the refreshment of the Current General Mandate

As disclosed in the Letter from the Board, as there are uncertainties in the global economics due to the outbreak of COVID-19, the Directors are of the view that the instability of the global economics will persist in the foreseeable future which will have a negative impact on the Group's operation. Taking into account the adverse impact and high uncertainty on the Group's normal business operation imposed by the COVID-19 pandemic and the possibility that the Group's existing financial resources may be exhausted quicker than expected if the COVID-19 persisted for a prolonged period of time, the Directors consider that having the fundraising capability through the grant of the New General Mandate is a prudent approach in maintaining the financial flexibility of the Group during the current economic downturn and therefore sufficient cashflow for the normal operation of the Group as well as grasping the opportunities of recovery from the aftermath of COVID-19 pandemic.

As disclosed in the Letter from the Board, the Current General Mandate has been fully utilised as at the Latest Practicable Date. The Board considers the refreshment of Current General Mandate will provide additional flexibility to allow the Company to grasp appropriate fund raising opportunities. Therefore, the Board proposes to seek the approval of the Independent Shareholders to refresh Current General Mandate at the EGM such that should funding needs arise or attractive terms for future business expansion and development become available before the next annual general meeting, the Board will be able to respond to the market opportunities promptly.

In assessing the need for the refreshment of Current General Mandate, we have also taken into account the funding needs by considering (i) the financial position of the Group; (ii) the breakdown of monthly operating expenses of the Group; and (iii) the working capital forecast of the Group for the period ending 31 May 2022. We have also discussed with the Directors and/or management of the Group regarding the basis and assumptions adopted in the working capital forecast and the funding needs of the Company prior to the next annual general meeting.

According to the Interim Report 2020, the Group had bank balances and cash of approximately HK$39.99 million as at 30 September 2020, a majority of such cash and bank balance has been allocated for the general working capital of the Group and/or partial settlement of the said outstanding repayment obligations that will fall due prior to the next annual general meeting. As mentioned in the Letter from the Board, the Group raised net proceeds of approximately HK$55.60 million from the Placing, which was completed in December 2020, in which approximately HK$40.00 million, HK$6.00 million and HK$9.60 million have almost been fully utilised as repayment of loans, purchase of wine for the operation of the Wine Business of the Group, and the general working capital of the Group respectively as at the Latest Practicable Date, except for the remaining unutilised net proceeds of approximately HK$4.00 million will be utilised as intended for the purchase of wine for the operation of the Wine Business.

As discussed with the management of the Group, the Group will have an imminent funding need before the next annual general meeting, considering the fact that the balance to be received from loan receivables (approximately HK$314.38 million) will continue to be used as the funding source of the Loan Financing Business, one of the principal businesses of the Group, in order to maintain its regular operation. As discussed in the section headed "1.2 Historical financial information of the Group", having considered the maturity profile of the current assets and current liabilities of the Group as at 30 September 2020, when excluding the loan receivable balance, the Group will have a funding need (e.g. loan repayment and general working capital) of approximately HK$99.25 million and HK$99.77 million that are due before the next annual general meeting and after the next annual general meeting respectively as at 30 September 2020.

According to the unaudited management account of the Group, the Group had bank balances and cash of approximately HK$29.83 million as at 30 November 2020. Based on the working capital forecast which stated the funding need of the Group for the period ending 31 May 2022, and discussion with the management of the Group, save for the usage of the net proceeds from the Placing as stated above, we noted that (1) the Group also intend to repay the borrowings drawn down by the Group previously, promissory notes payables, and the additional funding needs of the Group prior to the next annual general meeting will be approximately HK$157.07 million, including (i) the repayment of the loan from a subsidiary of a non-controlling shareholder of approximately HK$109.95 million, which will be due in March 2021; and (ii) the general working capital for the period from 1 December 2020 until the next annual general meeting, which is expected to be held in or about July 2021, of approximately HK$47.12 million, based on the average monthly operating expenses of approximately HK$5.89 million. (2) Further, we note that one of the principal businesses of the Group is loan financing related, which will require a high level of funds for its operation. In view of (i) the current financial position and the monthly operating expenses of the Group mentioned above; and (ii) the requirement for the Group to maintain a certain level of cash from settlement of loan and interest receivables for the operation of the Loan Financing Business, the Group's liquidity would be under pressure in the short run. On the other hand, the Group will also need funding for its operating expenses, including but not limited to salary expenses, rental expenses and cost of purchasing inventories, to support its continuous operation of the Wine Business. On this basis, we consider that the Group will have short-term funding needs for payment of expenses and if investment opportunities arise prior to the next annual general meeting and the Group has an imminent need to refresh the Current General Mandate.

As discussed in the section headed "1.3 Analysis on historical financial information of the Group", it is the Group's strategy to continue looking for other investment opportunities in other streams so as to sustain the growth of the Group in the long run. We are of the view that the refreshment of Current General Mandate is in line with the Group's strategy.

It is noted that although given that the negotiation with the relevant lender in relation to the possible extension of the outstanding repayment obligations was still ongoing, the Company has not formulated a concrete fund raising plan for settlement of such loans as at the Latest Practicable Date, the Company will grasp any suitable fund raising opportunities should attractive terms for investment become available from potential investors. As compared to issuing Shares under general mandate, issuing Shares under specific mandate will involve extra time and cost, arising from the preparation, printing and despatch of the relevant circular and notice of extraordinary general meeting as well as the holding and convening of extraordinary general meeting for each occasion. The Directors consider that the refreshment of Current General Mandate will provide the Group with the flexibility in future fund raising exercise in a way that issuing Shares under general mandate will become more readily available in the near future, since it involves simpler execution with less lead time process to avoid the uncertainties in such circumstances that specific mandate may not be obtained in a timely manner. In the event that the Group encounter favourable investment opportunities, a decision relating to any fundraising opportunities often carries a time constraint and it has to be made within a very short period of time and the Board will be able to respond to the market promptly. As such, we concur with the Board's view that the refreshment of Current General Mandate will provide additional flexibility to the Company.

Taking into account (i) that the Current General Mandate has been fully utilised by way of the Placing as at the Latest Practicable Date; (ii) that the next annual general meeting will be about six months from the date of this Circular; (iii) the current financial position of the Group; (iv) the Group requires additional funding for its operation and the outstanding repayment obligations prior the next annual general meeting; and (v) that the refreshment of Current General Mandate will provide the Board with a simpler execution with less lead time process as to respond to the market promptly, we are of the view that there is an imminent need of the refreshment of Current General Mandate to maintain financial flexibility necessary for the Group's business operation and development cater for future funding requirement of the Group. Therefore, we concur with the view of the Directors that the refreshment of Current General Mandate is in the interests of the Company and the Shareholders as a whole.

4. Other financing alternatives

As set out in the Company's announcement dated 4 December 2020, the Company has considered other alternative fundraising methods such as debt financing, however, the Board considered that debt financing may incur interest burden on the Group with reference to the Group's financial position and the then financial market condition.

As disclosed in the Letter from the Board, the Directors have considered other financing alternatives apart from equity financing such as debt financing, rights issue, open offer or internal cash resources to meet the financial requirements of the Group, if appropriate, taking into consideration the then financial position, capital structure and cost of funding of the Group as well as the prevailing market condition.

However, the Directors are of the view that debt financing will incur interest burden on the Group and may be subject to lengthy due diligence and negotiations as compared to the equity financing available to the Directors if the refreshment of the Current General Mandate is granted. Furthermore, rights issue or open offer may also involve substantial time and cost to complete as compared to equity financing by issuance of new Shares under general mandate. As disclosed in section headed "1.2 Historical financial information of the Group" above, we note that the Company had gearing ratios of 272.2% and 178.8% as at 31 March 2020 and 30 September 2020 respectively. As advised by the Directors, given the current financial position of the Group and the high gearing ratios, the Company found it difficult to seek for additional debt financing without incurring unfavourable terms such as high interest rates and tightened collateral requirement.

Although rights issue and open offer would allow the Shareholders to maintain their respective pro-rata shareholdings in the Company, lengthy discussion with potential commercial underwriters may be required and the Company may not be able to grasp the potential opportunities in a timely manner. In addition, carrying out rights issue and open offer may incur certain transaction costs such as underwriting commission and involve extra administrative work and cost including: (i) splitting costs for Shareholders who only take up their rights issue entitlement partially; (ii) the fee payable for nil-paid rights trading arrangement; and (iii) additional professional fees for preparing and reviewing the provisional allotment letters and the excess application forms, as well as liaising with the registrar of the Company.

The Board considers equity financing to be an important avenue of resources to the Group since it does not create any interest paying obligations on the Group. In appropriate circumstances, the Group will also consider other financing methods such as debt financing or internal cash resources to fund its future business development.

Having considered that (i) the Current General Mandate has been fully utilised after the Placing; (ii) the majority of the bank balances and cash of the Company has been allocated for specific uses; (iii) debt financing may be subject to lengthy due diligence and negotiations and incur higher interest burden to the Group or tightened collateral requirements; (iv) rights issue and open offer may take a longer time to complete and may incur additional legal and professional costs while fund raising exercise pursuant to general mandate provides the Company a simpler and less lead time process than other types of fund raising exercise and avoids the uncertainties in such circumstances that specific mandate may not be obtained in a timely manner; and (v) the refreshment of Current General Mandate will provide the Group with an additional alternative and it is reasonable for the Group to have the flexibility in deciding the financing methods for its future development, including equity issuance, we concur with the Directors' view that the refreshment of the Current General Mandate will be in the interests of the Company and the Independent Shareholders as a whole.

5. Potential dilution effect on to the existing public Shareholders

The refreshment of Current Generate Mandate would dilute shareholding of existing Shareholders. The table below sets out the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) for illustrative purpose, upon completion of the refreshment of the Current Generate Mandate (assuming no other Shares are issued and/or repurchased by the Company from the Latest Practicable Date up to and including the date of the next annual general meeting):

Shareholders	**As at the Latest Practicable Date**		**Upon completion of the refreshment of the Current Generate Mandate**	
	No. of Shares	*Approximate % of shareholdings*	*No. of Shares*	*Approximate % of shareholdings*
Royal Spectrum Holding Company Limited ("**Royal Spectrum**") *(Note 1)*	1,968,000,000	31.58	1,968,000,000	26.32
Directors:				
Mr. Ji Zuguang ("**Mr. Ji**") *(Note 2)*	2,089,786	0.03	2,089,786	0.03
Existing public Shareholders	4,261,182,491	68.39	4,261,182,491	56.99
Maximum number of new Shares that can be issued upon the completion of refreshment of the Current General Mandate	–	–	1,246,254,455	16.66
Total	6,231,272,277	100.00	7,477,526,732	100.00

Notes:

1. The entire issued share capital in Royal Spectrum is legally and beneficially owned as to 96.63% by Devoss Global Holdings Limited ("**Devoss Global**") and 3.37% by Montrachet Holdings Limited. Devoss Global is legally and beneficially owned by Mr. Ting Pang Wan Raymond. Mr. Ting Pang Wan Raymond is deemed to be interested in an aggregate of 2,629,280,363 shares under Part XV of the SFO.

2. Plan Marvel Investment Limited ("**Plan Marvel**"), being a company incorporated in the British Virgin Islands with limited liability, is wholly-owned by Mr. Ji. Mr. Ji is deemed to be interested in 32,633,786 Shares held by Plan Marvel by virtue of the SFO.

3. Certain percentage figures included in the above table have been subject to rounding adjustments.

Assuming that (i) the refreshment of the Current General Mandate is approved at the EGM; (ii) no Shares will be repurchased and no new Shares will be issued from the Latest Practicable Date up to the date of the EGM (both dates inclusive); and (iii) upon completion of refreshment of the Current General Mandate, the maximum of 1,246,254,455 new Shares which may be issued and allotted under the refreshed Current General Mandate, which represents 20% of the number of issued Shares as at the Latest Practical Date and approximately 16.66% of the number of issued Shares as enlarged by the allotment and issue of such 1,246,254,455 Shares. The aggregate shareholding of the existing public Shareholders will be diluted from 68.39% to approximately 56.99%.

Notwithstanding the potential dilution impact to the Shareholders, having considered that the refreshment of the Current General Mandate (i) will allow the Company to raise capital by allotment and issue of new Shares and/or convertible securities before the next annual general meeting which is expected to be held in approximately six months from date of this Circular; (ii) will provide alternative means for the Company to raise capital; (iii) will provide more options of financing to the Group for further development of its businesses as well as in other potential future investments as and when such opportunities arise; and (iv) the above flexibility outweighs the dilution effect of the existing Shareholders as the Company is able to respond in a timely and effective manner to take advantages of any material investment opportunities for the benefit of the Company and its Shareholders as a whole, we concur with the Directors' view that such potential dilution to the shareholdings of the public Shareholders to be justifiable.

RECOMMENDATION

Having considered the abovementioned principal factors and reasons, in particular, that (i) the Current General Mandate has been fully utilised as at the Latest Practicable Date; (ii) the next annual general meeting of the Company is expected to be held in about six months from the date of this Circular; (iii) there is an imminent need for the Group to refresh the Current General Mandate in view of its additional funding needs prior to the next annual general meeting; (iv) the refreshment of the Current General Mandate will provide the Group with the flexibility and capability to capture any capital raising and/or prospective investment opportunity as and when it arises; and (v) as compared to other financing alternatives, issuing Shares under general mandate provides the Company with a simpler and less lead time process, with lower interests expense incurred, we are of the view that the proposed grant of refreshed Current General Mandate is fair and reasonable so far as the Company and the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the proposed grant of refreshed Current General Mandate. Independent Shareholders are however advised to take note of the possible dilution effect on their shareholdings in the Company when and if the refreshed Current General Mandate is utilised.

Yours faithfully,
For and on behalf of
INCU CORPORATE FINANCE LIMITED
Gina Leung
Managing Director

Ms. Gina Leung is a licensed person registered with the SFC and a responsible officer of INCU Corporate Finance Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. She has over 20 years of experience in the corporate finance industry and has participated in the provision of independent financial advisory services for various transactions involving companies listed in Hong Kong.

MADISON
GROUP

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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8057)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "**Meeting**") of Madison Holdings Group Limited (the "**Company**") will be held at 28/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong on Tuesday, 23 February 2021 at 10:00 a.m. for the purpose of considering and, if thought fit, passing with or without amendments, the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. "**THAT**, to the extent not already exercised, the mandate to allot and issue shares of the Company given to the directors of the Company (the "**Directors**") at the annual general meeting of the Company held on 31 July 2020 (the "**AGM**") be and is hereby revoked and replaced by the mandate **THAT**:

   (a) subject to paragraph (c) below, pursuant to the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), the exercise by the Directors during the Relevant Period (as defined in paragraph (d) below) of all the powers of the Company to allot, issue and deal with unissued shares of HK$0.001 each (the "**Shares**") in the capital of the Company and to make or grant offers, agreements and options, including warrants to subscribe for Shares, which might require the exercise of such powers be and is hereby generally and unconditionally approved;

   (b) the approval in paragraph (a) above shall authorise the Directors during the Relevant Period (as defined in paragraph (d) below) to make or grant offers, agreements and options which might require the exercise of such powers after the end of the Relevant Period;

(c) the aggregate number of shares allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to options or otherwise), issued or dealt with by the Directors pursuant to the approval in paragraph 1(a) above, otherwise than pursuant to (i) a Rights Issue (as defined in paragraph 1(d) below); or (ii) the exercise of any options granted under the share option scheme of the Company; or (iii) any scrip dividend or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the articles of association (the "**Articles**") of the Company in force from time to time; or (iv) any issue of Shares upon the exercise of rights of subscription or conversion under the terms of any warrants of the Company or any securities which are convertible into Shares, shall not exceed the aggregate of:

(i) 20% of the total number of issued Shares on the date of the passing of this resolution; and

(ii) the number of Shares repurchased by the Company subsequent to the passing of this resolution (up to a maximum equivalent to 10% of the number of issued Shares as at the date of the AGM, pursuant to the resolution passed at the AGM),

PROVIDED that if any subsequent consolidation or subdivision of Shares is effected, the maximum amount of Shares that may be issued pursuant to the approval in paragraph (a) of this resolution as a percentage of the total number of issued Shares at the date immediately before and after such consolidation or subdivision shall be the same and such maximum number of Shares shall be adjusted accordingly, and the authority pursuant to paragraph (a) of this resolution shall be limited accordingly; and

(d) for the purposes of this resolution:

"**Relevant Period**" means the period from the date of the passing of this resolution until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by the memorandum of association of the Company and the Articles or any applicable laws of the Cayman Islands to be held; or

(iii) the date on which the authority set out in this resolution is revoked or varied by an ordinary resolution of the Shareholders in general meeting;

"**Rights Issue**" means an offer of Shares, or offer or issue of warrants, options or other securities giving rights to subscribe for Shares open for a period fixed by the Directors to holders of Shares on the register on a fixed record date in proportion to their then holdings of Shares (subject to such exclusion or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements, or having regard to any restrictions or obligations under the laws of, or the requirements of, or the expense or delay which may be involved in determining the existence or extent of any restrictions or obligations under the laws of, or the requirements of, any jurisdiction outside Hong Kong or any recognised regulatory body or any stock exchange outside Hong Kong)."

2. "**THAT** conditional upon the passing of resolution no. 1 above, the mandate granted to the Directors at the AGM to extend the general mandate to allot and issue Shares to Shares repurchased by the Company be and is hereby revoked and replaced by the mandate **THAT** the Directors be and are hereby authorised to exercise the authority referred to in paragraph (a) of resolution no. 1 above in respect of the number of Shares of the Company referred to in sub-paragraph (ii) of paragraph (c) of such resolution."

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

Hong Kong, 3 February 2021

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

Principal place of business in Hong Kong:
28/F., Bank of East Asia Harbour View Centre
56 Gloucester Road
Wanchai, Hong Kong

Notes:

1. A member of the Company entitled to attend and vote at the EGM is entitled to appoint one or more proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.

2. In order to be valid, the instrument appointing a proxy and (if required by the board of Directors) the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power or authority, shall be delivered to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not less than 48 hours before the time appointed for holding the EGM or adjourned meeting (as the case may be).

3. Delivery of an instrument appointing a proxy will not preclude a member from attending and voting in person at the EGM if the member so desires and in such event, the instrument appointing the proxy shall be deemed to be revoked.

4. In the case of joint holders of a share, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she were solely entitled thereto, but if more than one of such joint holders are present at the above meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders. For this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.

5. For determining the entitlement to attend and vote at the EGM, the register of members of the Company will be closed from Thursday, 18 February 2021 to Tuesday, 23 February 2021 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the above meeting, unregistered holders of shares of the Company should ensure that all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Wednesday, 17 February 2021.

6. Any voting at the EGM shall be taken by poll pursuant to the GEM Listing Rules and the results of the poll will be published on the websites of GEM and the Company in accordance with the GEM Listing Rules.

7. If Typhoon Signal No. 8 or above, or a "black" rainstorm warning is in effect any time after 7:00 a.m. on the date of the EGM, the meeting will be postponed. The Company will post an announcement on the website of the Company at www.madison-group.com.hk and on the "Latest Company Announcements" page of the GEM website at www.hkgem.com to notify shareholders of the Company of the date, time and place of the rescheduled meeting.

8. In the case of any inconsistency between the Chinese translation and the English text hereof, the English text shall prevail.

9. In line with the latest recommendations issued by the Government of Hong Kong in relation to the COVID-19 pandemic, and for the health and safety of the Shareholders and other attendees, the precautionary measures to be taken by the Company at the EGM are as follows:–

(1) compulsory temperature checks at the entrance of the EGM venue;

(2) compulsory wearing of surgical face mask by the attendees (please bring your own mask);

(3) no corporate gift, refreshments or drinks will be provided during the EGM; and

(4) depending on circumstances, separate rooms connected by instant electronic conferencing system may be arranged at the EGM venue to restrict the number of attendees at each room.

Attendees are requested to observe and practise good personal hygiene at the EGM venue during the EGM. To the extent permitted by law, the Company reserves the right to deny entry into the EGM venue or require any person to leave the EGM venue so as to safeguard the health and safety of the attendees at the EGM.

Shareholders are reminded that, in order to avoid attending the EGM in person, they may appoint the chairman of the EGM as their proxy to vote on any resolution(s) at the EGM in accordance with the voting preferences indicated on the proxy form. Shareholders attending the EGM via telephone conference are also reminded that a proxy form is required to be submitted in advance of the EGM and their votes through proxy form will be valid.

Shareholders not attending the EGM in person may join via telephone conference (dial-in number: +852 2888 0011; access code: 2417400972). Please however note that in accordance with the articles of association of the Company, Shareholders joining via telephone conference will not be counted towards a quorum nor will they be able to cast their vote via telephone.

10. As at the date of this notice, 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.