

# 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)**

## **ANNOUNCEMENT OF THIRD QUARTERLY RESULTS FOR THE NINE MONTHS ENDED 31 DECEMBER 2019**

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## FINANCIAL HIGHLIGHTS

For the nine months ended 31 December 2019, the unaudited operating results of the Company and its subsidiaries (collectively referred to as the “Group”) were as follows:

- the Group recorded a revenue of approximately HK\$164.1 million for the nine months ended 31 December 2019 (nine months ended 31 December 2018 (restated): approximately HK\$235.1 million), representing a decrease of approximately 30.2% as compared with the corresponding period in 2018;
- loss attributable to the owners of the Company for the nine months ended 31 December 2019 amounted to approximately HK\$327.5 million (nine months ended 31 December 2018 (restated): approximately HK\$156.9 million); and
- the Directors do not recommend the payment of any dividend for the nine months ended 31 December 2019 (nine months ended 31 December 2018: nil).

The board of Directors (the “Board”) is pleased to present the unaudited condensed consolidated results of the Group for the nine months ended 31 December 2019, together with the comparative unaudited figures for the corresponding period in 2018, as follows:

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE THREE MONTHS AND NINE MONTHS ENDED 31 DECEMBER 2019

		Three months ended		Nine months ended	
		31 December		31 December	
		2019	2018	2019	2018
	NOTES	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(unaudited)	(unaudited)	(unaudited)	(unaudited)
			and restated)		and restated)
Revenue	4				
– sales of alcoholic beverages		16,860	24,040	57,212	92,135
– financial services		2,396	3,135	7,238	10,920
– blockchain services		6	12,596	30,141	15,721
– loan financing services		16,871	35,490	65,728	113,082
– auction		1,218	3,227	3,816	3,227
		<u>37,351</u>	<u>78,488</u>	<u>164,135</u>	<u>235,085</u>
Cost of operations					
– cost of alcoholic beverages		(13,993)	(20,430)	(49,246)	(77,195)
– cost of blockchain services		(6,924)	(17,556)	(36,240)	(24,306)
		<u>(20,917)</u>	<u>(37,986)</u>	<u>(85,486)</u>	<u>(101,501)</u>

	NOTES	Three months ended		Nine months ended	
		31 December		31 December	
		2019	2018	2019	2018
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(unaudited)	(unaudited and restated)	(unaudited)	(unaudited and restated)
Other income	5	961	5,847	2,546	8,592
Staff costs		(17,757)	(18,822)	(55,738)	(69,413)
Depreciation		(8,705)	(12,285)	(25,538)	(19,477)
Net trading gain (loss)		317	(30,691)	628	(33,771)
Administrative and other operating expenses		(22,618)	(64,317)	(56,094)	(97,160)
Net impairment reversed (recognised) on loan and interest receivables		5,381	(4,392)	(4,369)	(8,011)
Change in fair value of exchangeable bonds		–	–	(11,518)	(11,727)
Change in fair value of derivative financial instrument		–	–	(281)	(1,119)
Change in fair value of crypto-currencies		(64)	(5,206)	(589)	(6,413)
Impairment loss recognised on goodwill		–	–	(257,440)	(6,847)
Impairment loss recognised on plant and equipment		–	–	(21,760)	–
Gain on disposal of a subsidiary		–	–	42,594	–
Finance costs	6	(14,158)	(10,239)	(42,853)	(25,686)
Loss before tax		(40,209)	(99,603)	(351,763)	(137,448)
Income tax credit (expense)	7	3,589	(4,558)	(355)	(13,325)
Loss for the period	8	<u>(36,620)</u>	<u>(104,161)</u>	<u>(352,118)</u>	<u>(150,773)</u>
Loss for the period attributable to:					
Owners of the Company		(30,695)	(96,426)	(327,479)	(156,867)
Non-controlling interests		<u>(5,925)</u>	<u>(7,735)</u>	<u>(24,639)</u>	<u>6,094</u>
		<u>(36,620)</u>	<u>(104,161)</u>	<u>(352,118)</u>	<u>(150,773)</u>

	<i>NOTES</i>	Three months ended		Nine months ended	
		31 December		31 December	
		2019	2018	2019	2018
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(unaudited)	(unaudited and restated)	(unaudited)	(unaudited and restated)
Loss per share ( <i>HK cents</i> )	10				
Basic		<u>(0.59)</u>	<u>(2.25)</u>	<u>(6.31)</u>	<u>(3.75)</u>
Diluted		<u>(0.60)</u>	<u>(2.26)</u>	<u>(6.32)</u>	<u>(3.80)</u>
Loss for the period		<u>(36,620)</u>	<u>(104,161)</u>	<u>(352,118)</u>	<u>(150,773)</u>
<b>Other comprehensive income (expense)</b>					
<b>Item that may be reclassified subsequently to profit or loss:</b>					
Exchange differences arising on translation of foreign operations		<u>7,054</u>	<u>(15,133)</u>	<u>(14,452)</u>	<u>(34,896)</u>
Total comprehensive expense for the period		<u>(29,566)</u>	<u>(119,294)</u>	<u>(366,570)</u>	<u>(185,669)</u>
Total comprehensive expense for the period attributable to:					
Owners of the company		<u>(27,044)</u>	<u>(102,022)</u>	<u>(334,587)</u>	<u>(169,611)</u>
Non-controlling interests		<u>(2,522)</u>	<u>(17,272)</u>	<u>(31,983)</u>	<u>(16,058)</u>
		<u>(29,566)</u>	<u>(119,294)</u>	<u>(366,570)</u>	<u>(185,669)</u>

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

## FOR THE NINE MONTHS ENDED 31 DECEMBER 2019

	Attributable to owners of the Company													Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Other reserve HK\$'000 <i>(Note a)</i>	Capital reserve HK\$'000 <i>(Note b)</i>	Merger reserve HK\$'000 <i>(Note c)</i>	Share options reserve HK\$'000	Convertible bonds - equity conversion reserve HK\$'000	Translation reserve HK\$'000	Statutory reserve HK\$'000 <i>(Note d)</i>	(Accumulated losses) retained earnings HK\$'000	Total HK\$'000	Convertible bonds issued by a subsidiary HK\$'000	Non- controlling interests HK\$'000	
At 1 April 2019 (audited)	5,193	1,257,060	29,047	(108,128)	(629,167)	30,607	174,782	(10,498)	3,677	(486,052)	266,521	9,230	186,440	462,191
Loss for the period	-	-	-	-	-	-	-	-	-	(327,479)	(327,479)	-	(24,639)	(352,118)
Other comprehensive expense for the period	-	-	-	-	-	-	-	(7,108)	-	-	(7,108)	-	(7,344)	(14,452)
– Exchange difference arising on translation of foreign operations	-	-	-	-	-	-	-	(7,108)	-	-	(7,108)	-	(7,344)	(14,452)
Loss for the period and total comprehensive expense for the period	-	-	-	-	-	-	-	(7,108)	-	(327,479)	(334,587)	-	(31,983)	(366,570)
Lapse/cancel of share options	-	-	-	-	-	(7,444)	-	-	-	7,444	-	-	-	-
Recognition of equity-settled share-based payments expenses	-	-	-	-	-	2,483	-	-	-	-	2,483	-	-	2,483
Acquisition of additional interest in subsidiaries	-	-	-	40,115	-	-	-	-	-	-	40,115	-	(40,115)	-
Derecognised upon disposal of a subsidiary	-	-	-	-	-	-	-	(55)	-	-	(55)	-	1,469	1,414
Appropriation to statutory reserve funds	-	-	-	-	-	-	-	-	540	(540)	-	-	-	-
	-	-	-	40,115	-	(4,961)	-	(55)	540	6,904	42,543	-	(38,646)	3,897
At 31 December 2019 (unaudited)	5,193	1,257,060	29,047	(68,013)	(629,167)	25,646	174,782	(17,661)	4,217	(806,627)	(25,523)	9,230	115,811	99,518
At 1 April 2018, as originally stated (audited)	4,000	65,376	29,047	14,516	(9,110)	11,376	174,782	-	-	(134,468)	155,519	-	(5,117)	150,402
Effect of adopting merger accounting for common control combination	-	-	-	130,189	1	-	-	1,022	2,806	10,506	144,524	9,230	238,382	392,136
Effect of change in accounting policies	-	-	-	-	-	-	-	-	-	(1,793)	(1,793)	-	(1,576)	(3,369)
At 1 April 2018, as restated	4,000	65,376	29,047	144,705	(9,109)	11,376	174,782	1,022	2,806	(125,755)	298,250	9,230	231,689	539,169
Loss for the period	-	-	-	-	-	-	-	-	-	(156,867)	(156,867)	-	6,094	(150,773)
Other comprehensive expense for the period	-	-	-	-	-	-	-	-	-	-	-	-	-	-
– Exchange difference arising on translation of foreign operations	-	-	-	-	-	-	-	(12,744)	-	-	(12,744)	-	(22,152)	(34,896)
Loss for the period and total comprehensive expense for the period	-	-	-	-	-	-	-	(12,744)	-	(156,867)	(169,611)	-	(16,058)	(185,669)
Issue of shares upon placing	70	119,025	-	-	-	-	-	-	-	-	119,095	-	-	119,095
Share issue expenses	-	(1,355)	-	-	-	-	-	-	-	-	(1,355)	-	-	(1,355)
Recognition of equity-settled share-based payments expenses	-	-	-	-	-	70,473	-	-	-	-	70,473	-	-	70,473
Exercise of exchangeable bonds as consideration paid for acquisition of subsidiaries under common control combination	-	-	-	-	(64,403)	-	-	-	-	-	(64,403)	-	(7,685)	(72,088)
Capital injection from the controlling shareholder of a subsidiary which adopt merger accounting for common control combination <i>(Note e)</i>	-	-	-	-	33,363	-	-	-	-	-	33,363	-	42,850	76,213
Acquisition of additional interest in subsidiaries	-	-	-	(11,002)	-	-	-	-	-	-	(11,002)	-	2,602	(8,400)
Acquisition of subsidiaries	213	347,389	-	-	-	-	-	-	-	-	347,602	-	2,087	349,689
Appropriation to statutory reserve funds	-	-	-	-	-	-	-	-	862	(862)	-	-	-	-
	283	465,059	-	(11,002)	(31,040)	70,473	-	-	862	(862)	493,773	-	39,854	533,627
At 31 December 2018 (unaudited and restated)	4,283	530,435	29,047	133,703	(40,149)	81,849	174,782	(11,722)	3,668	(283,484)	622,412	9,230	255,485	887,127

*Notes:*

- (a) The other reserve was arisen from the transfer of the entire issued share capital and shareholder's loan in Madison Wine (HK) Company Limited to Madison International Wine Company Limited upon the reorganisation.
- (b) The capital reserve was arisen from the dilution of interest in a subsidiary of the Company, CVP Financial Holdings Limited ("CVP Financial"), on 23 February 2017, the deemed acquisition of additional interest in CVP Financial on 27 March 2017, the deemed acquisitions of additional interest in CVP Capital Limited ("CVP Capital") and BITOCEAN Co., Ltd. ("BITOCEAN") during the period and the acquisition of additional interest in CVP Financial on 27 April 2018 and Hackett Enterprises Limited ("Hackett") on 29 March 2019. In addition, a fair value of put option amounting to approximately HK\$20,144,000 exercisable by non-controlling shareholders was recorded upon initial recognition.

On 31 December 2017, an amount of approximately HK\$250,363,000 had been waived by Mr. Ting Pang Wan Raymond ("Mr. Ting"), one of the ultimate beneficial owners of the Company. As a result, approximately HK\$130,189,000 and approximately HK\$120,174,000 were recognised in capital reserve and non-controlling interests respectively.

Moreover, an amount of approximately HK\$1,638,000 arose as a result of the deemed contribution from the interest free loan by a related company, Highgrade Holding Limited, which is 100% beneficially owned by Mr. Ting.

- (c) The merger reserve of the Group arose as a result of the acquisition of a subsidiary under common control and represented the difference between the consideration paid for the acquisition and the carrying amount of the net asset of the subsidiary at the date when the Group and the acquired subsidiary became under common control.
- (d) In accordance with the relevant regulations applicable in the People's Republic of China (the "PRC"), companies established in the PRC are required to transfer at least 10% of their statutory annual profits after tax in accordance with the relevant statutory rules and regulations applicable to enterprises in the PRC to the statutory reserve until the balance of the reserve reaches 50% of their respective registered capital. Subject to certain restrictions as set out in the relevant PRC regulations, the statutory reserve may be used to offset against accumulated losses of the respective PRC companies. The amount of the transfer is subject to the approval of the board of the directors of the respective PRC companies.
- (e) On 18 May 2018, an amount of approximately HK\$76,213,000 had been capitalised into the share capital of Bartha International Limited ("Bartha International"), a subsidiary which adopted merger accounting for common control combination. As a result, approximately HK\$33,363,000 and approximately HK\$42,850,000 were recognised in merger reserve and non-controlling interests respectively.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE NINE MONTHS ENDED 31 DECEMBER 2019

### 1. GENERAL

The Company was incorporated in the Cayman Islands under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands as an exempted company with limited liability on 15 April 2015 and its shares are listed on GEM of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 8 October 2015. The addresses of the registered office and the principal place of business of the Company are Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and 28/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong respectively.

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

The functional currency of the Company and the subsidiaries incorporated in Hong Kong are Hong Kong dollars (“HK\$”) while that of the subsidiaries established in the PRC, Gibraltar and Sweden are Renminbi (“RMB”), United States Dollar and Swedish Krone respectively. For the purpose of presenting the financial statements, the Group adopted HK\$ as its presentation currency which is the same as the functional currency of the Company.

### 2. BASIS OF PREPARATION AND RESTATEMENT

The condensed consolidated financial statements of the Group for the nine months ended 31 December 2019 have been prepared in accordance with the applicable disclosure provisions of Chapter 18 of the GEM Listing Rules.

#### **Adoption of merger accounting and restatement**

As disclosed in note 12, a business combination under common control was effected during the current period. The condensed consolidated financial statements incorporate the financial information of the combining entities as if they had been combined from the date when the combining entities first came under the control of the controlling party.

The net assets of the combining entities are consolidated using the existing book values from the controlling parties’ perspective. No amount is recognised in respect of goodwill or excess of acquirer’s interest in the net fair value of acquiree’s identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination to the extent of the continuation of the controlling party’s interest.

The condensed consolidated statement of profit or loss and other comprehensive income and the condensed consolidated statement of changes in equity include the results of each of the combining entities from the earliest date presented or since the date when the combining entities first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the condensed consolidated financial statements are reclassified and restated as if the entities had been combined at the beginning of the previous reporting period or when they first came under common control, whichever is later, to conform with the current period’s presentation. The impact on the Group arising from the common control combinations is disclosed in note 12 of these condensed consolidated financial statements.



### 3. SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

The accounting policies used in the preparation of these condensed consolidated financial statements for the nine months ended 31 December 2019 are consistent with those followed in the preparation of the Group's interim condensed consolidated financial statements for the six months ended 30 September 2019.

In the current period, the Group has adopted all the new and revised HKFRSs, amendments to HKASs and interpretations ("Ints") (hereinafter collectively referred to as "new and revised HKFRSs") issued by the HKICPA that are relevant to the Group and effective for accounting periods beginning on or after 1 April 2019. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies and amounts reported for the current and prior periods.

The Group has not early adopted the new and revised HKFRSs issued by the HKICPA that have been issued but are not yet effective for the current period. The Directors anticipate that the application of the new and revised HKFRSs will have no material impact on the results and financial position of the Group.

### 4. REVENUE AND SEGMENT INFORMATION

The principal activities of the Group are sales of alcoholic beverages, the provision of financial services, the provision of blockchain services, the provision of loan financing services and the provision of auction of alcoholic beverages business.

#### Segment information

Information has been reported to the chief operating decision maker ("CODM") (i.e. the Directors) for the purposes of resource allocation and assessment of segment performance. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

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

1. Sales of alcoholic beverages – retail sales and wholesales of wine products and other alcoholic beverages
2. Financial services – provision of financial consultancy service and securities and futures dealing services
3. Blockchain services – provision of transaction verification and high performance computing services
4. Loan financing services – provision of loan financing and loan referral services
5. Auction – provision of auction of alcoholic beverages business

(a) *Segment revenues and results*

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

	Three months ended		Nine months ended	
	31 December		31 December	
	2019	2018	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited and restated)	(unaudited)	(unaudited and restated)
<b>Revenue</b>				
Sales of alcoholic beverages	16,860	24,040	57,212	92,135
Financial services	2,396	3,135	7,238	10,920
Blockchain services	6	12,596	30,141	15,721
Loan financing services	16,871	35,490	65,728	113,082
Auction	1,218	3,227	3,816	3,227
	<u>37,351</u>	<u>78,488</u>	<u>164,135</u>	<u>235,085</u>
<b>Segment (loss) profit</b>				
Sales of alcoholic beverages	(3,252)	1,808	(8,549)	2,185
Financial services	(2,023)	(2,714)	(8,011)	(6,750)
Blockchain services	(13,358)	(19,908)	(314,654)	(36,258)
Loan financing services	3,829	25,000	28,192	82,123
Auction	(1,294)	(319)	(2,919)	(319)
	<u>(16,098)</u>	<u>3,867</u>	<u>(305,941)</u>	<u>40,981</u>
Unallocated income	620	134	44,048	366
Unallocated expenses	(10,573)	(93,365)	(47,017)	(153,109)
Finance costs	<u>(14,158)</u>	<u>(10,239)</u>	<u>(42,853)</u>	<u>(25,686)</u>
Loss before tax	<u>(40,209)</u>	<u>(99,603)</u>	<u>(351,763)</u>	<u>(137,448)</u>

Segment (loss) profit represents the (loss) profit from by each segment without allocation of central administration costs, directors' salaries and certain other income, net trading gain (loss), change in fair value of exchangeable bonds, change in fair value of derivative financial instrument, gain on disposal of a subsidiary and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

(b) *Geographical information*

An analysis of Group's revenue from external customers is presented based on the location of operations as below:

	Three months ended		Nine months ended	
	31 December		31 December	
	2019	2018	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited and restated)	(unaudited)	(unaudited and restated)
Hong Kong	25,157	50,672	92,641	168,024
The PRC	12,188	17,746	41,353	56,991
Europe	6	10,070	30,141	10,070
	<u>37,351</u>	<u>78,488</u>	<u>164,135</u>	<u>235,085</u>

5. OTHER INCOME

	Three months ended		Nine months ended	
	31 December		31 December	
	2019	2018	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited and restated)	(unaudited)	(unaudited and restated)
Bank interest income	17	19	80	181
Claim and compensation income	–	2,373	–	2,373
Consignment income	30	163	221	623
Promotion income	–	342	–	655
Government grant	825	573	1,641	1,213
Exchange gain	–	2,075	–	2,863
Gain on disposal of plant and equipment	–	184	35	185
Others	89	118	569	499
	<u>961</u>	<u>5,847</u>	<u>2,546</u>	<u>8,592</u>

## 6. FINANCE COSTS

	Three months ended		Nine months ended	
	31 December		31 December	
	2019	2018	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited and restated)	(unaudited)	(unaudited and restated)
Interests on:				
Convertible bonds	3,735	3,436	10,951	10,077
Borrowings	4,925	5,045	15,828	10,336
Promissory note payables	3,695	278	10,837	817
Loan from a director	958	958	2,863	2,863
Loan from a subsidiary of a non-controlling shareholder	546	522	1,628	1,593
Lease liabilities	299	–	746	–
	<u>14,158</u>	<u>10,239</u>	<u>42,853</u>	<u>25,686</u>

## 7. INCOME TAX (CREDIT) EXPENSE

	Three months ended		Nine months ended	
	31 December		31 December	
	2019	2018	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited and restated)	(unaudited)	(unaudited and restated)
Current tax:				
Hong Kong Profits Tax	556	10,221	2,759	13,354
PRC Enterprise Income Tax (“EIT”)	(1,829)	(3,543)	2,907	1,899
Deferred taxation	<u>(2,316)</u>	<u>(2,120)</u>	<u>(5,311)</u>	<u>(1,928)</u>
	<u>(3,589)</u>	<u>4,558</u>	<u>355</u>	<u>13,325</u>

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profits during the relevant periods.

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “Bill”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of qualifying corporation will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. For the nine months ended 31 December 2019, Hong Kong Profits Tax of the qualified entity of the Group is calculated in accordance with the two-tiered profits tax rates regime. The profits of other Group entities in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at the flat rate of 16.5%.

Profits of the subsidiaries established in the PRC are subject to PRC EIT during the relevant periods.

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the statutory EIT tax rate of the PRC subsidiaries is 25% for the both periods. Further 10% withholding income tax is generally imposed on dividends relating to profits.

No provision for Gibraltar Corporate Tax and Sweden Income Tax have been made as the Group did not have any assessable profits subject to Gibraltar Corporate Tax and Sweden Income Tax respectively for the nine months ended 31 December 2019.

## 8. LOSS FOR THE PERIOD

	Three months ended 31 December		Nine months ended 31 December	
	2019	2018	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited and restated)	(unaudited)	(unaudited and restated)
Loss for the period has been arrived at after charging (crediting):				
Directors' emoluments	1,539	752	5,289	14,833
Salaries, sales commissions, allowances and other benefits	14,708	12,485	46,327	37,637
Contributions to retirement benefits scheme	836	726	3,014	2,366
Equity-settled share-based payment expenses – employees	674	4,859	1,108	14,577
	<u>17,757</u>	<u>18,822</u>	<u>55,738</u>	<u>69,413</u>
Cost of inventories recognised as expense	13,371	18,209	45,783	70,600
Depreciation of plant and equipment	5,228	12,285	16,866	19,477
Depreciation of right-of-use assets	3,477	–	8,672	–
Equity-settled share-based payment expenses – consultants	177	48,608	627	50,192
Gain on disposals and written off of plant and equipment	–	(184)	(35)	(185)
Net impairment (reversed) recognised on loan and interest receivables	(5,381)	4,392	4,369	8,011
Written off of loans and interest receivables	11,740	307	11,790	–
Net exchange (gain) loss	(292)	(2,075)	684	(2,863)
Minimum lease payments under operating leases in respect of office premises, warehouses and shop	–	3,834	–	12,164
Rental expenses on short-term leases	<u>4,066</u>	<u>–</u>	<u>5,042</u>	<u>–</u>

## 9. DIVIDEND

No dividend was paid, declared or proposed during the nine months ended 31 December 2019 (nine months ended 31 December 2018: nil).

## 10. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to the owners of the Company are based on the following data:

	Three months ended		Nine months ended	
	31 December		31 December	
	2019	2018	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited and restated)	(unaudited)	(unaudited and restated)
<b>Loss</b>				
Loss for the purpose of basic loss per share for the period attributable to the owners of the Company	<u>(30,695)</u>	<u>(96,426)</u>	<u>(327,479)</u>	<u>(156,867)</u>
Effect of dilutive potential ordinary shares: Change in fair value of put option to non-controlling interests in CVP Capital and loss attributable to the owners to the Company	<u>(530)</u>	<u>(184)</u>	<u>(609)</u>	<u>(2,056)</u>
Loss for the purpose of diluted loss per share	<u>(31,225)</u>	<u>(96,610)</u>	<u>(328,088)</u>	<u>(158,923)</u>
	<b>2019</b>	2018	<b>2019</b>	2018
	<b>(unaudited)</b>	(unaudited)	<b>(unaudited)</b>	(unaudited)
<b>Number of shares</b>				
Weighted average number of ordinary shares for the purpose of basic loss per share	<u>5,192,726,898</u>	<u>4,283,308,717</u>	<u>5,192,726,898</u>	<u>4,184,341,202</u>

The computation of diluted loss per share does not assume the outstanding shares options and outstanding convertible bonds since their exercise would result in a decrease in loss per share for the nine months ended 31 December 2019 and 2018.

The denominators used are the same as these detailed above for both basic and diluted loss per share.

## 11. SHARE-BASED PAYMENT TRANSACTIONS

The Company has conditionally adopted a share option scheme pursuant to a written resolution of the shareholders of the Company passed on 21 September 2015 (the “Share Option Scheme”) and the scheme mandate limit refreshed on 17 August 2018 for the purpose of providing incentives or rewards to eligible persons for their contribution to the Group and/or enabling the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group.

On 17 December 2015, the Company granted an aggregate of 18,100,000 share options to the grantees of the Company, to subscribe, in aggregate, for up to 18,100,000 ordinary shares of HK\$0.01 each in the share capital of the Company under the Share Option Scheme.

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

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

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

On 3 April 2018, the Company granted an aggregate of 219,000,000 share options (the “2018 First Options”) to the grantees of the Company, to subscribe, in aggregate, for up to 219,000,000 ordinary shares (“Share(s)”) of HK\$0.001 each in the share capital of the Company at exercise price of HK\$1.89 per Share subject to acceptance of the grantees, under the Share Option Scheme and the payment of HK\$1.00 by each of the grantees upon acceptance of the 2018 First Options. For details, please refer to the announcement of the Company dated 3 April 2018.

On 13 December 2018, the Company granted an aggregate of 48,000,000 share options (the “2018 Second Options”) to the grantees of the Company, to subscribe, in aggregate, for up to 48,000,000 Shares at exercise price of HK\$1.12 per Share subject to acceptance of the grantees, under the Share Option Scheme and the payment of HK\$1.00 by each of the grantees upon acceptance of the 2018 Second Options. For details, please refer to the announcement of the Company dated 13 December 2018.

On 14 December 2018, the Company granted an aggregate of 42,000,000 share options (the “2018 Third Options”) to the grantee of the Company, to subscribe, in aggregate, for up to 42,000,000 Shares in the share capital of the Company at exercise price of HK\$1.04 per Share subject to acceptance of the grantee, under the Share Option Scheme and the payment of HK\$1.00 by the grantee upon acceptance of the 2018 Third Options. For details, please refer to the announcement of the Company dated 14 December 2018.

On 16 August 2019, the Company granted 11,500,000 share options (the “2019 First Options”) to the grantee of the Company, to subscribe, in aggregate, for up to 11,500,000 Shares in the share capital of the Company at exercise price of HK\$0.325 per Share subject to acceptance of the grantee, under the Share Option Scheme and the payment of HK\$1.00 by the grantee upon acceptance of the 2019 First Options. For details, please refer to the announcement of the Company dated 16 August 2019.

On 6 December 2019, the Company granted an aggregate of 355,400,000 share options (the “2019 Second Options”) to the grantees of the Company, to subscribe, in aggregate, for up to 355,400,000 Shares in the share capital of the Company at exercise price of HK\$0.207 per Share subject to acceptance of the grantees, under the Share Option Scheme and the payment of HK\$1.00 by each of the grantees upon acceptance of the 2019 Second Options. For details, please refer to the announcement of the Company dated 6 December 2019.

As at 31 December 2019, the number of Shares in respect of which options had been granted and remained outstanding under the Share Option Scheme was 796,400,000 (31 December 2018: 484,100,000), representing approximately 15.3% (31 December 2018: approximately 11.3%) of the Shares in issue on that date.

The fair values of the share options granted on 3 April 2018, 16 August 2019 and 6 December 2019 were calculated using the Binomial model. The inputs into the modal were as follows:

	<b>3 April 2018</b>	<b>16 August 2019</b>	<b>6 December 2019</b>
Weighted average share price	HK\$1.89	HK\$0.325	HK\$0.207
Weighted average exercise price	HK\$1.89	HK\$0.325	HK\$0.207
Expected volatility	75.216%	59.774%	59.126%
Expected life	10 years	10 years	10 years
Risk-free rate	1.898%	1.018%	1.575%
Expected dividend yield	0%	0%	0%

Expected volatility was determined by using the historical volatility of the Company’s share price and reference to the companies in the similar industry.

Share-based payment expenses of the Group for the nine months ended 31 December 2019 in relation to share options granted by the Company were approximately HK\$2,483,000 (nine months ended 31 December 2018: approximately HK\$70,473,000).



Details of the Company's share options held by Directors, employees, shareholders and consultants are as follows:

Category of participant	Date of grant	Outstanding at 31 December 2019	Vesting period	Exercise period	Exercise price per share
Shareholders	17 December 2015	21,000,000	17 December 2015 to 16 June 2016	17 June 2016 to 16 December 2025	HK\$0.80
Consultants	17 December 2015	160,000,000	17 December 2015 to 16 June 2016	17 June 2016 to 16 December 2025	HK\$0.80
Directors	3 April 2018	5,900,000	3 April 2018 to 31 December 2018	1 January 2019 to 2 April 2028	HK\$1.89
Employees	3 April 2018	10,000,000	3 April 2018 to 31 December 2018	1 January 2019 to 2 April 2028	HK\$1.89
Consultants	3 April 2018	184,600,000	3 April 2018 to 31 December 2018	1 January 2019 to 2 April 2028	HK\$1.89
Consultants	13 December 2018	48,000,000	13 December 2018 to 30 June 2019	1 July 2019 to 12 December 2028	HK\$1.12
Employee	16 August 2019	11,500,000	16 August 2019 to 31 December 2019	1 January 2020 to 15 August 2029	HK\$0.325
Directors	6 December 2019	119,800,000	<i>Note 1</i>	<i>Note 1</i>	HK\$0.207
Consultants	6 December 2019	103,800,000	<i>Note 1</i>	<i>Note 1</i>	HK\$0.207
Employees	6 December 2019	131,800,000	<i>Note 1</i>	<i>Note 1</i>	HK\$0.207

**Note:**

- Vesting period: (i) 50% of the Options from 6 December 2019 to 5 December 2020 (both days inclusive); and (ii) 50% of the Options from 6 December 2019 to 5 December 2021 (both days inclusive).

Exercise period: (i) 50% of the Options are exercisable from 6 December 2020 to 5 December 2029 (both days inclusive); and (ii) 50% of the Options are exercisable from 6 December 2021 to 5 December 2029 (both days inclusive).

The following table discloses movements of the Company's share options held by Directors, employees, shareholders and consultants during the period:

Category of participant	Outstanding at 1 April 2019	Granted during the period	Exercised/ Cancelled/ Lapsed/ Reclassified	Outstanding at 31 December 2019
			during the period	
Directors	7,900,000	119,800,000	(2,000,000)	125,700,000
Employees	10,300,000	143,300,000	(300,000)	153,300,000
Shareholders	21,000,000	–	–	21,000,000
Consultants	439,600,000	103,800,000	(47,000,000)	496,400,000
	<u>478,800,000</u>	<u>366,900,000</u>	<u>(49,300,000)</u>	<u>796,400,000</u>
Weighted average exercise price (HK\$)	<u>1.33</u>	<u>0.21</u>	<u>1.06</u>	<u>0.83</u>

## 12. BUSINESS COMBINATION UNDER COMMON CONTROL AND RESTATEMENTS

On 31 May 2018, CVP Financial exercised the exchange rights to exchange the carrying amount of the exchangeable bonds amounted approximately HK\$72,088,000 into 49% issued shares in Bartha International from Bartha Holdings Limited (“Bartha Holdings”). Mr. Ting is the ultimate shareholder and the sole director of Bartha International before and after the completion of exercise. The Group adopts merger accounting for this common control combination. The exercise was completed on 31 May 2018.

On 20 November 2018, the Company entered into the acquisition agreement with CVP Financial Group Limited, a company incorporated in the British Virgin Islands with limited liability and wholly-owned by Mr. Ting, for acquisition of 52% issued shares in Hackett for a total consideration of HK\$462,800,000 by issuing 504,872,727 shares with promissory note in the principal amount of HK\$185,120,000 (“CVP Acquisition”). Upon completion of the CVP Acquisition, Mr. Ting is the ultimate shareholder of Hackett. The Group adopts merger accounting for this common control combination. The acquisition was completed on 29 March 2019.

On 20 November 2018, the Company entered into the acquisition agreement with Software Research Associates, Inc., a company incorporated in Japan with limited liability and wholly-owned by SRA Holdings, Inc., the shares of which are listed on the First Section of the Tokyo Stock Exchange, for acquisition of 25% issued shares in Hackett for a total consideration of HK\$222,500,000 by issuing 404,545,454 shares (“SRA Acquisition”). Completion of the SRA Acquisition is conditional upon completion of the CVP Acquisition having occurred. The fair value of the ordinary shares of the Company, determined using the published price available at the date of the acquisition, amounted to HK\$0.8 per share. Upon completion of the SRA Acquisition, the difference between the consideration and the derecognition of the carrying value of respective non-controlling interest of Hackett is recognised in other reserve of the Company since changes in the Group's ownership interests in Hackett do not result in a change of control. The acquisition was completed on 29 March 2019.

The effects of the application of merger accounting for business combination under common control on the Group's results for the three months and nine months ended 31 December 2018 are summarised as follows:

**For the three months ended 31 December 2018**

	<b>As originally stated</b> <i>HK\$'000</i>	<b>Hackett</b> <i>HK\$'000</i>	<b>Elimination</b> <i>HK\$'000</i>	<b>As restated</b> <i>HK\$'000</i>
Revenue	<u>42,998</u>	<u>35,490</u>	<u>–</u>	<u>78,488</u>
(Loss) profit before tax	(122,616)	23,013	–	(99,603)
Income tax credit (expense)	<u>–</u>	<u>(4,558)</u>	<u>–</u>	<u>(4,558)</u>
(Loss) profit after tax	<u>(122,616)</u>	<u>18,455</u>	<u>–</u>	<u>(104,161)</u>
<b>Other comprehensive (expense) income</b>				
<b>Item that may be reclassified</b>				
<b>subsequently to profit or loss:</b>				
Exchange differences arising on translation of foreign operations	<u>(234)</u>	<u>(14,899)</u>	<u>–</u>	<u>(15,133)</u>
Total comprehensive (expense) income for the period	<u>(122,850)</u>	<u>3,556</u>	<u>–</u>	<u>(119,294)</u>
Total comprehensive (expense) income for the period attributable to:				
Owners of the Company	(104,260)	4,303	(2,065)	(102,022)
Non-controlling interests	<u>(18,590)</u>	<u>(747)</u>	<u>2,065</u>	<u>(17,272)</u>
	<u>(122,850)</u>	<u>3,556</u>	<u>–</u>	<u>(119,294)</u>

**For the nine months ended 31 December 2018**

	<b>As originally stated HK\$'000</b>	<b>Hackett HK\$'000</b>	<b>Elimination HK\$'000</b>	<b>As restated HK\$'000</b>
Revenue	<u>122,003</u>	<u>113,082</u>	<u>–</u>	<u>235,085</u>
(Loss) profit before tax	(207,344)	69,896	–	(137,448)
Income tax credit (expense)	<u>231</u>	<u>(13,556)</u>	<u>–</u>	<u>(13,325)</u>
(Loss) profit after tax	<u>(207,113)</u>	<u>56,340</u>	<u>–</u>	<u>(150,773)</u>
<b>Other comprehensive (expense) income</b>				
<b>Item that may be reclassified</b>				
<b>subsequently to profit or loss:</b>				
Exchange differences arising on translation of foreign operations	<u>74</u>	<u>(34,970)</u>	<u>–</u>	<u>(34,896)</u>
Total comprehensive (expense) income for the period	<u>(207,039)</u>	<u>21,370</u>	<u>–</u>	<u>(185,669)</u>
Total comprehensive (expense) income for the period attributable to:				
Owners of the Company	(180,570)	21,075	(10,116)	(169,611)
Non-controlling interests	<u>(26,469)</u>	<u>295</u>	<u>10,116</u>	<u>(16,058)</u>
	<u>(207,039)</u>	<u>21,370</u>	<u>–</u>	<u>(185,669)</u>

# MANAGEMENT DISCUSSION AND ANALYSIS

## **Business Review**

During the nine months ended 31 December 2019, the Group is principally engaged in (i) the retail sales and wholesales of a wide spectrum of wine products and other alcoholic beverages in Hong Kong with a focus on red wine (the “Wine Business”); (ii) the provision of auction of alcoholic beverages (the “Wine Auction Business”); (iii) the provision of financial services (the “Financial Services Business”); (iv) the provision of blockchain services and cryptocurrency mining business in Europe (the “Blockchain Services Business”); and (v) the provision of loan financing and consultancy services (the “Loan Financing Business”). During the nine months ended 31 December 2019, revenue of the Group decreased by approximately 30.2% to approximately HK\$164.1 million (2018: approximately HK\$235.1 million (restated)). The revenue comprised of (i) the Wine Business which contributed approximately HK\$57.2 million; (ii) the Wine Auction Business which contributed approximately HK\$3.8 million; (iii) the Financial Services Business which contributed approximately HK\$7.2 million; (iv) the Blockchain Services Business which contributed approximately HK\$30.1 million; and (v) the Loan Financing Business which contributed approximately HK\$65.8 million.

The Group ceased its operation in the cryptocurrency mining business in Europe on 22 January 2020. For details, please refer to the announcement of the Company dated 22 January 2020.

## **Financial Review**

### ***Revenue***

Revenue of the Group decreased by approximately HK\$71.0 million or 30.2% to approximately HK\$164.1 million for the nine months ended 31 December 2019 (2018: approximately HK\$235.1 million (restated)). The decrease in revenue was mainly the result of (i) the decrease in the income from the provision of Loan Financing Business affected by the slowdown of economic growth momentum in Hong Kong and the PRC; and (ii) the decrease in sales of alcoholic beverages which was affected by the highly competitive environment in the industry as well as continuous social incidents in Hong Kong since June 2019. However, the growth in revenue from the Blockchain Services Business launched in August 2018 partly offset the decline in other segments.

### ***Operating Costs***

Operating costs which consisted of selling expenses and cost of sales decreased by approximately HK\$16.0 million or 15.8% to approximately HK\$85.5 million for the nine months ended 31 December 2019 (2018: approximately HK\$101.5 million (restated)). The decrease was mainly attributable to the decrease in the operating costs in the Wine Business by approximately HK\$28.0 million or 36.3% from approximately HK\$77.2 million (restated) to approximately HK\$49.2 million for the nine months ended 31 December 2018 and 2019 respectively due to the reduction in trade volume.

### ***Other Income***

Other income of the Group decreased by approximately HK\$6.1 million or 70.9% to approximately HK\$2.5 million for the nine months ended 31 December 2019 (2018: approximately HK\$8.6 million (restated)). The decrease was mainly due to (i) the one-off claim and compensation from the damage to the flagship store in 2017 for the nine months ended 31 December 2018; and (ii) the fluctuation of foreign currencies resulting in a net exchange loss of approximately HK\$0.7 million for the nine months ended 31 December 2019 (2018: a net exchange gain of approximately HK\$2.9 million).

### ***Staff Costs***

Staff costs of the Group decreased by approximately HK\$13.7 million or 19.7% to approximately HK\$55.7 million for the nine months ended 31 December 2019 (2018: approximately HK\$69.4 million (restated)), which was mainly due to a significant decrease in the share-based payment expense on staff and directors to approximately HK\$1.9 million for the nine months ended 31 December 2019 (2018: approximately HK\$20.3 million (restated)).

### ***Depreciation***

The Group's depreciation increased by approximately HK\$6.0 million or 30.8% to approximately HK\$25.5 million for the nine months ended 31 December 2019 (2018: approximately HK\$19.5 million (restated)). For the nine months ended 31 December 2019, depreciation of the Group mainly comprised (i) the depreciation of plant and equipment, in particular, the cryptocurrency mining machines from the Blockchain Services Business which commenced in August 2018, amounting to approximately HK\$16.8 million; and (ii) the depreciation of the right-of-use assets from the first adoption of HKFRS 16 Leases from 1 April 2019 amounting to approximately HK\$8.7 million.

### ***Administrative and Other Operating Expenses***

The Group's administrative and other operating expenses primarily comprised share-based payment expenses, written off expenses, professional fee, rental expense and other expenses. The Group's administrative and other operating expenses decreased by approximately HK\$41.1 million or 42.3% to approximately HK\$56.1 million for the nine months ended 31 December 2019 (2018: approximately HK\$97.2 million (restated)). The decrease was mainly due to the significant decrease in the equity-settled share-based payment expenses for the share options granted for the nine months ended 31 December 2019.

### ***Change in Fair Value of Exchangeable Bonds***

The change in fair value of exchangeable bonds arisen from the fair value loss recognised from the exchangeable bonds issued by Bartha Holdings. For the nine months ended 31 December 2019, the fair value of exchangeable bonds decreased by approximately HK\$0.2 million or 1.7% to approximately HK\$11.5 million (2018: approximately HK\$11.7 million).

### ***Change in Fair Value of Cryptocurrencies***

The loss on change in fair value of cryptocurrencies decreased by approximately HK\$5.8 million or 90.6% to approximately HK\$0.6 million for the nine months ended 31 December 2019 (2018: approximately HK\$6.4 million). The decrease was due to the fluctuation in market price of cryptocurrencies and decrease in trade volume from the temporary suspension of cryptocurrency mining operation. For details, please refer to the announcement of the Company dated 7 November 2019.

### ***Impairment Loss***

In relation to the cryptocurrency mining operations, impairment losses of approximately HK\$257.4 million and approximately HK\$21.8 million were recognised for the goodwill arisen from the acquisition of 51% equity interest in Diginex High Performance Computing Limited ("Diginex") and the value of plant and equipment of Diginex and High Performance Computing Nordic AB ("Nordic") for the nine months ended 31 December 2019 respectively.

Given that the discussions with the potential clients for the provision of high performance computing services (the "HPC services") did not materialise, Diginex failed to meet its business projection. In view that the delay in the business development pace of high performance computing services may be an indication for impairment, the Group appointed an independent professional valuer to carry out valuation on Diginex based on discounted cash flow method and valuation on plant and equipment of Diginex and Nordic based on fair value less cost of disposal method during the nine months ended 31 December 2019.

For the nine months ended 31 December 2018, impairment loss recognized on goodwill of approximately HK\$6.8 million was made on the acquisition of Nordic by Diginex due to the fluctuations of the price of cryptocurrencies.

For the nine months ended 31 December 2019, the Group recognised the impairment on loan and interest receivables at approximately HK\$4.4 million based on the credit risk assessment of each individual borrower, representing a decrease of approximately HK\$3.6 million as compared to the nine months ended 31 December 2018. For the nine months ended 31 December 2019, those non-performing clients were being written off, resulting in a decrease in the impairment loss.

### ***Gain on Disposal of a Subsidiary***

For the best interest of the Group by realising the investment with capital gain, on 27 August 2019, the Group completed the disposal of all of its 55% equity interests in Novel Idea Holdings Limited (“Novel Idea”), an indirect non-wholly owned subsidiary, at a consideration of HK\$45.0 million to an independent third party. Novel Idea is principally engaged in software development and operation of an online cryptocurrency derivative trading platform. As at the date of completion, the Group recognised a gain from the disposal of Novel Idea of approximately HK\$42.6 million. For details, please refer to the announcement of the Company dated 27 August 2019.

### ***Finance Costs***

Finance costs mainly comprised (i) effective interest expense on convertible bonds and promissory notes of approximately HK\$21.8 million; (ii) interest due on borrowings, a director and a subsidiary of a non-controlling shareholder of approximately HK\$20.4 million; and (iii) imputed interest on lease liabilities upon adoption of HKFRS 16 on 1 April 2019 of approximately HK\$0.7 million. The Group’s finance costs increased by approximately HK\$17.2 million or 66.9% to approximately HK\$42.9 million for the nine months ended 31 December 2019 (2018: approximately HK\$25.7 million (restated)). The significant increase in the finance costs was mainly due to the commencement of recording the effective interest expense on the promissory note which was issued on 29 March 2019 and the increase in interest expense on the borrowings during the nine months ended 31 December 2019.



### ***Income Tax Expense***

Income tax expense for the Group decreased by approximately HK\$12.9 million or 97.0% to approximately HK\$0.4 million for the nine months ended 31 December 2019 (2018: approximately HK\$13.3 million (restated)). The decrease was mainly due to the drop in the profits tax expense and the reversal of deferred tax arising from temporary timing difference.

### ***Loss Attributable to Owners of the Company***

Loss attributable to owners of the Company increased by approximately HK\$170.6 million or 108.7% to approximately HK\$327.5 million for the nine months ended 31 December 2019 (2018: approximately HK\$156.9 million (restated)). The increase was mainly due to the impairment loss of goodwill and plant and equipment of Diginex and Nordic, offsetting by the gain from the disposal of Novel Idea.

### **Dividend**

The Directors do not recommend the payment of any dividend for the nine months ended 31 December 2019 (nine months ended 31 December 2018: nil).

### **Pledge of Assets**

As at 31 December 2019, the Group had pledged (i) 77% equity interest in Hackett Enterprises Limited; and (ii) the entire equity interest in Madison Lab Limited (“Madison Lab”) to secure a loan of HK\$99,992,109.

### **Significant Investments, Material Acquisitions and Disposals of Subsidiaries, Future Plans for Material Investments and Capital Assets**

As at 31 December 2019, the Group held shares and funds in (i) Tencent Holdings Limited (Stock Code: 700) and (ii) AAC Technologies Holdings Inc. (Stock Code: 2018) with the total amount of approximately HK\$716,000.

(a) **Significant Investments**

Details of significant held-for-trading financial assets:

Name of investments	Notes	Fair value as at 31 December 2019 HK\$'000	% to the total assets of the Group	% to the interest in the respective investments as at 31 December 2019	Gain on disposal/ redemption HK\$'000
GF Money Bag Money Market Fund (000509) (“GFMBMMF”)	(i)	–	N/A	N/A	71
GF Huoqibao Monetary Fund A (000748) (“GFHQBMF A”)	(ii)	–	N/A	N/A	81
GF Huoqibao Monetary Fund B (003281) (“GFHQBMF B”)	(iii)	–	N/A	N/A	231
Zhao Zhaojin (7007) (“ZZJ”)	(iv)	–	N/A	N/A	122
Tencent Holdings Limited (700) (“THL”)	(v)	376	0.03%	0.00%	–
AAC Technologies Holdings Inc. (2018) (“AAC”)	(vi)	340	0.03%	0.00%	–
		<u>716</u>			<u>505</u>

Notes:

- (i) GFMBMMF is an open-end fund incorporated in the PRC. Its objective is to outperform its benchmark, as well as maintaining assets liquidity and preserving capital. In view of the trend of the market value of GFMBMMF, the Group disposed of its entire shareholding in GFMBMMF and recorded a realised gain of approximately HK\$71,000 during the nine months ended 31 December 2019.
- (ii) GFHQBMF A is a financial product launched by GF Fund Management Company Limited. In view of the trend of the market value of GFHQBMF A, the Group disposed of its entire shareholding in GFHQBMF A and recorded a realised gain of approximately HK\$81,000 during the nine months ended 31 December 2019.

- (iii) GFHQBMF B is a financial product launched by GF Fund Management Company Limited. In view of the trend of the market value of GFHQBMF B, the Group disposed of its entire shareholding in GFHQBMF B and recorded a realised gain of approximately HK\$231,000 during the nine months ended 31 December 2019.
- (iv) ZZJ is a financial product launched by China Merchants Bank. In view of the trend of the market value of ZZJ, the Group disposed of its entire shareholding in ZZJ and recorded a realised gain of approximately HK\$122,000 during the nine months ended 31 December 2019.
- (v) The investment represented 1,000 shares. THL and its subsidiaries (“THL Group”) are principally engaged in the provision of value-added services and online advertising services to users in the PRC. During the nine months ended 31 December 2019, the Group has recorded an unrealised gain of approximately HK\$15,000 for the investment in the shares of THL. From the 2019 results announcement for the nine months ended 30 September 2019, the THL Group recorded revenue and net profit of approximately RMB271,522 million and RMB73,516 million respectively. The profit was driven primarily by payment related services, digital content subscriptions and sales, social and others advertising, and smart phone games.
- (vi) The investment represented 5,000 shares. AAC and its subsidiaries (“AAC Group”) are principally engaged in offering cutting-edge advanced miniaturized technology components to the consumer electronics industry worldwide. During the nine months ended 31 December 2019, the Group recorded an unrealised gain of approximately HK\$108,000 for the investment in the shares of AAC. From the 2019 results announcement for the nine months ended 30 September 2019, the AAC Group recorded revenue and net profit of RMB12,579 million and RMB1,465 million.

**(b) Material Acquisitions and Disposals of Subsidiaries**

On 27 August 2019, the Group disposed of all of its 55% equity interest in Novel Idea for the consideration of HK\$45.0 million. Details of the disposal of Novel Idea are disclosed in the announcement of the Company dated 27 August 2019.

During the nine months ended 31 December 2019, 1,790 ordinary shares in BITOCEAN Co., Ltd. had been issued to Madison Lab and the Group’s shareholding was increased to approximately 90.66%.

Save as disclosed above, the Group had no significant investment and no material acquisition or disposal during the nine months ended 31 December 2019.

## **Outlook and Prospects**

The Group has commenced Wine Auction Business in 2018. The Directors believe that the Group can further strengthen its position in the high-end fine wine business through its Wine Auction Business, and can better leverage its cash position through receiving consignments provided by the consignors to the Wine Auction Business.

The outlook remains highly uncertain due to continuous social incidents in Hong Kong since June 2019 as well as 2019-20 Wuhan coronavirus outbreak. The Board and all our staff will carry on with the spirit of dedication and diligence, to provide high-quality products and services as well as to find new direction and potential business collaboration to reduce the impact as well as creating more value for shareholders.

## **OTHER INFORMATION**

### **Share Option Scheme**

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

#### ***The Remaining Life of the Scheme***

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

### **Guaranteed Profit**

According to the consolidated financial statements of Bartha International and CVP Securities Limited (formerly known as Eternal Pearl Securities Limited) (the “Bartha Group”), the audited consolidated profit attributable to owners of Bartha Group for the 24 months ended 31 March 2019 was HK\$15,015,916, which is slightly higher than the guaranteed profit as disclosed in the circular of the Company dated 28 February 2018.

## **Unauthorised Disposal**

The Group has filed a writ with the Shenzhen Qianhai Cooperation Zone People's Court against Diginex Global Limited ("Diginex Global"), the minority shareholder of Diginex, and 深圳市欣誠捷碩科技有限公司 (transliterated in English as Shenzhen Xincheng Jieshuo Technology Limited) (the "Management Company"), the management company of Diginex in the PRC, in relation to a disposal of all the cryptocurrency mining rigs in the operation site in the PRC owned by Diginex, unauthorisedly made by Diginex Global and the Management Company, without the Group's approval, consent and authorisation. The first arraignment was held on 14 November 2019 and such legal proceedings are expected to be completed in around 18 months from the date of the first arraignment. For details, please refer to the announcement of the Company dated 13 September 2019.

## **Purchase, Sale or Redemption of Listed Securities**

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Shares during the nine months ended 31 December 2019.

## **Directors' Interests in Competing Business**

As at 31 December 2019, none of the Directors or their respective associates had any business or interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

## **Deed of Non-competition**

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

## **Code of Conduct Regarding Securities Transactions by Directors**

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the “Code on Securities Dealings”). The Company, having made specific enquiry of all the Directors, confirmed that all the Directors have complied with the required standard of dealings as set out in the Code on Securities Dealings for the nine months ended 31 December 2019.

## **Corporate Governance Practices**

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

Following the re-designation of Mr. Ip as a NED on 7 March 2019, the Board had only two INEDs, the number of which falls below the minimum number required under Rule 5.05(1) and Rule 5.05A of the GEM Listing Rules, until the appointment of Dr. Lau Remier, Mary Jean as an INED on 4 June 2019.

Pursuant to Rule 5.14 of the GEM Listing Rules, the Company must appoint a company secretary. Upon the resignation of company secretary of Ms. Tse Ka Yan with effect from 7 September 2019, the Company failed to comply with Rule 5.14 of the GEM Listing Rules. Mr. Young Ho Kee Bernard was appointed as company secretary of the Company with effect from 11 November 2019 to fill the vacancy of the company secretary in order to ensure compliance by the Company with Rule 5.14 of the GEM Listing Rules.

Save as disclosed above, throughout nine months ended 31 December 2019, to the best knowledge of the Board, the Company had complied with the code provisions in the CG Code as set out in Appendix 15 to the GEM Listing Rules as its corporate governance practices.

## **Audit Committee**

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

The Audit Committee comprises four members, namely Mr. Chu Kin Wang Peleus (chairman), Ms. Fan Wei, Dr. Lau Remier, Mary Jean and Mr. Ip Cho Yin, *J.P.*. Save for Mr. Ip Cho Yin, *J.P.*, all are independent non-executive Directors.

The financial information in this announcement has not been audited by the auditor of the Company, but the Audit Committee has reviewed the unaudited consolidated results of the Group for the nine months ended 31 December 2019 and is of the opinion that such results complied with the applicable accounting standards, the requirements under the GEM Listing Rules and other applicable legal requirements, and that adequate disclosures had been made.

## **Significant Events after the Reporting Period**

### ***Disposal of Bartha International Limited***

CVP Financial Holdings Limited (“CVP Financial”), a direct non wholly-owned subsidiary of the Company, entered into an agreement (the “2019 Agreement”) with Mr. Ding Lu on 23 December 2019 in respect of the disposal of 49% equity interest in Bartha International at the consideration of HK\$45,000,000, which is payable by Mr. Ding Lu in cash on completion of such disposal. For details, please refer to the announcement of the Company dated 23 December 2019.

However, on 15 January 2020, CVP Financial, entered into a deed of settlement (the “Deed of Settlement”) with Mr. Ding Lu, pursuant to which CVP Financial has agreed to pay to Mr. Ding Lu a settlement sum in an amount of HK\$1,000,000 (the “Settlement Sum”) within 10 business days from the date of the Deed of Settlement.

Pursuant to the Deed of Settlement, CVP Financial and Mr. Ding Lu shall be released and discharged from their respective duties, obligations and liabilities as set out in the 2019 Agreement, and the 2019 Agreement shall be terminated with effect from the date of settlement of the Settlement Sum.

On 15 January 2020, CVP Financial entered into two conditional sale and purchase agreements with each of Mr. Zuo Tao and Ms. Zhang Fengge, pursuant to which CVP Financial has conditionally agreed to sell, and each of Mr. Zuo Tao and Ms. Zhang Fengge has conditionally agreed to purchase, 20% and 29% equity interest in Bartha International at the consideration of HK\$20,408,163 and HK\$29,591,837, respectively (the “Bartha Disposals”).

Completion of the Bartha Disposals took place on 17 January 2020, upon which Bartha International and its subsidiary, CVP Securities Limited, ceased to be subsidiaries of the Company and their financial results would not be consolidated into the financial statements of the Group. For details, please refer to the announcement of the Company dated 15 January 2020.

## ***Disposal of Madison Future Games Limited***

On 22 January 2020, Victory Heights International Limited (“Victory Heights”), a direct wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Mr. Zhang Shurong, pursuant to which the Victory Heights agreed to sell, and Mr. Zhang Shurong agreed to purchase, the entire equity interest in Madison Future Games Limited (“Madison Future Games”) and the sale loan in the amount of approximately HK\$24,543,000 at the cash consideration of HK\$1.00 (the “Madison Future Games Disposal”).

Completion of the Madison Future Games Disposal took place on 22 January 2020, upon which Madison Future Games and its subsidiaries, namely Diginex and Nordic, ceased to be subsidiaries of the Company and their financial results would no longer be consolidated into the financial statements of the Group. Upon completion, the Group has also ceased its operation in the cryptocurrency mining business in Europe.

For details, please refer to the announcement of the Company dated 22 January 2020.

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

Hong Kong, 10 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 Company Announcements” page of the GEM website at [www.hkgem.com](http://www.hkgem.com) for at least 7 days from the date of its posting. This announcement will also be published on the website of the Company at <https://www.madison-group.com.hk>.*