

# MADISON

GROUP

## Madison Holdings Group Limited

(Incorporated in the Cayman Islands with limited liability)

STOCK CODE: 8057



**2020**  
Third Quarterly Report

## CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (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 and no assurance is given that there will be a liquid market in the securities traded on GEM.**

*Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.*

*This report, for which the directors (the “Director(s)”) of Madison Holdings Group Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (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 report 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 report misleading.*



## CONTENTS

Corporate Information	3
Financial Highlights	5
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	6
Condensed Consolidated Statement of Changes in Equity	8
Notes to the Condensed Consolidated Financial Statements	9
Management Discussion and Analysis	26
Other Information	30

## CORPORATE INFORMATION

### Board of Directors

#### **Executive Directors**

Mr. Chen Ying-chieh (*resigned as Executive Director, chairman and chief executive officer with effect from 31 July 2020*)

Mr. Hankoo Kim (*resigned as Executive Director with effect from 31 July 2020*)

Ms. Kuo Kwan

Mr. Zhang Li

#### **Non-executive Directors**

Mr. Ip Cho Yin, *J.P.*

Mr. Ji Zuguang  
(*appointed as Chairman with effect from 31 July 2020*)

#### **Independent Non-executive Directors**

Ms. Fan Wei

Mr. Chu Kin Wang Peleus

Dr. Lau Reimer, Mary Jean

### Audit Committee

Mr. Chu Kin Wang Peleus  
(*Chairman*)

Ms. Fan Wei

Mr. Ip Cho Yin, *J.P.*

Dr. Lau Reimer, Mary Jean

### Remuneration Committee

Ms. Fan Wei (*Chairlady*)

Mr. Ji Zuguang

Mr. Chu Kin Wang Peleus

Dr. Lau Reimer, Mary Jean

### Nomination and Corporate Governance Committee

Mr. Ji Zuguang (*Chairman*)

Ms. Fan Wei

Mr. Chu Kin Wang Peleus

Mr. Ip Cho Yin, *J.P.*

Dr. Lau Reimer, Mary Jean

### Company Secretary

Mr. Young Ho Kee Bernard

### Compliance Officer

Ms. Kuo Kwan

### Authorised Representatives

Ms. Kuo Kwan

Mr. Young Ho Kee Bernard

### Auditor

SHINEWING (HK) CPA Limited  
*Certified Public Accountants*



### **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

### **Principal Share Registrar and Transfer Office in the Cayman Islands**

Conyers Trust Company  
(Cayman) Limited  
Cricket Square  
Hutchins Drive P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

### **Hong Kong Branch Share Registrar and Transfer Office**

Tricor Investor Services Limited  
Level 54, Hopewell Centre  
183 Queen's Road East  
Hong Kong

### **Principal Bankers**

The Hongkong and Shanghai  
Banking Corporation Limited

China Construction Bank (Asia)  
Corporation Limited

### **Company's Website**

[www.madison-group.com.hk](http://www.madison-group.com.hk)

### **Stock Code**

8057

## FINANCIAL HIGHLIGHTS

For the nine months ended 31 December 2020, 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\$81.6 million for the nine months ended 31 December 2020 (nine months ended 31 December 2019: approximately HK\$164.1 million), representing a decrease of approximately 50.3% as compared with the corresponding period in 2019;
- loss attributable to the Group for the nine months ended 31 December 2020 decreased to approximately HK\$21.1 million (nine months ended 31 December 2019: approximately HK\$352.1 million); and
- the Directors do not recommend the payment of any dividend for the nine months ended 31 December 2020 (nine months ended 31 December 2019: 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 2020, together with the comparative unaudited figures for the corresponding period in 2019, as follows:

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

FOR THE THREE MONTHS AND NINE MONTHS ENDED  
31 DECEMBER 2020

	NOTES	Three months ended 31 December		Nine months ended 31 December	
		2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Revenue	3				
– sales of alcoholic beverages		13,930	16,860	37,746	57,212
– financial services		–	2,396	–	7,238
– blockchain services		–	6	–	30,141
– loan financing services		16,383	16,871	39,890	65,728
– auction		432	1,218	3,956	3,816
		<b>30,745</b>	<b>37,351</b>	<b>81,592</b>	<b>164,135</b>
Cost of operation					
– cost of alcoholic beverages		(12,002)	(13,993)	(31,325)	(49,246)
– cost of auction		(90)	–	(794)	–
– cost of blockchain services		–	(6,924)	–	(36,240)
		<b>(12,092)</b>	<b>(20,917)</b>	<b>(32,119)</b>	<b>(85,486)</b>
Other income	4	1,469	961	4,833	2,546
Staff costs		(8,462)	(17,757)	(34,547)	(55,738)
Depreciation		(2,750)	(8,705)	(9,539)	(25,538)
Net trading gain		108	317	402	628
Administrative and other operating expenses		(7,860)	(22,618)	(21,499)	(56,094)
Net impairment loss (recognised) reversed on loan and interest receivables		(14,077)	5,381	(22,576)	(4,369)
Change in fair value of exchangeable bonds		–	–	–	(11,518)
Change in fair value of derivative financial instruments		–	–	46,705	(281)
Change in fair value of crypto-currencies		–	(64)	–	(589)
Impairment loss recognised on goodwill		–	–	–	(257,440)
Impairment loss recognised on plant and equipment		–	–	–	(21,760)
Gain on disposal of subsidiaries		843	–	843	42,594
Finance costs	5	(10,028)	(14,158)	(31,508)	(42,853)
Gain on disposal of a financial asset		–	–	1,313	–
Loss before tax		<b>(22,104)</b>	<b>(40,209)</b>	<b>(16,100)</b>	<b>(351,763)</b>
Income tax credit (expense)	6	1,141	3,589	(4,960)	(355)
Loss for the period	7	<b>(20,963)</b>	<b>(36,620)</b>	<b>(21,060)</b>	<b>(352,118)</b>

	NOTES	Three months ended 31 December		Nine months ended 31 December	
		2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Loss for the period attributable to:					
Owners of the Company		(15,691)	(30,695)	(9,332)	(327,479)
Non-controlling interests		(5,272)	(5,925)	(11,728)	(24,639)
		(20,963)	(36,620)	(21,060)	(352,118)
Loss per share (HK cents)	9				
Basic		(0.30)	(0.59)	(0.18)	(6.31)
Diluted		(0.30)	(0.60)	(0.18)	(6.32)
Loss for the period		(20,963)	(36,620)	(21,060)	(352,118)
<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		14,990	7,054	30,136	(14,452)
Total comprehensive (expense) income for the period		(5,973)	(29,566)	9,076	(366,570)
Total comprehensive (expense) income for the period attributable to:					
Owners of the company		(7,610)	(27,044)	6,898	(334,587)
Non-controlling interests		1,637	(2,522)	2,178	(31,983)
		(5,973)	(29,566)	9,076	(366,570)



# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE NINE MONTHS ENDED 31 DECEMBER 2020

	Attributable to owners of the Company												Total HK\$'000	
	Share capital HK\$'000	Share premium HK\$'000	Other reserve HK\$'000	Capital reserve HK\$'000	Merger reserve HK\$'000	Share options reserve HK\$'000	Convertible bonds – equity conversion reserve HK\$'000	Translation reserve HK\$'000	Statutory reserve HK\$'000	Accumulated losses HK\$'000	Convertible bonds issued by a subsidiary HK\$'000	Non-controlling interests HK\$'000		
At 1 April 2020 (audited)	5,193	1,257,060	29,047	(62,029)	(598,127)	29,623	174,782	(21,604)	4,223	(786,176)	31,992	-	165,923	167,915
Loss for the period	-	-	-	-	-	-	-	-	-	(9,332)	(9,332)	-	(11,728)	(21,060)
Other comprehensive income for the period	-	-	-	-	-	-	-	-	-	-	-	-	-	-
– Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	16,230	-	-	-	16,230	-	13,906	30,136
Loss for the period and total comprehensive income for the period	-	-	-	-	-	-	16,230	-	-	(9,332)	6,898	-	2,178	9,076
Recognition of equity-settled share-based payments expenses	-	-	-	-	-	6,844	-	-	-	-	6,844	-	-	6,844
Lapse/cancel of share options	-	-	-	-	-	(15,305)	-	-	-	15,305	-	-	-	-
Change of equity interest in subsidiaries	-	-	-	(64,773)	-	-	-	-	-	-	(64,773)	-	68,723	3,950
Issue of shares upon placing	1,038	56,086	-	-	-	-	-	-	-	-	57,124	-	-	57,124
Share issue expenses	-	(1,161)	-	-	-	-	-	-	-	-	(1,161)	-	-	(1,161)
Appropriation to statutory reserve funds	-	-	-	-	-	-	-	-	128	(128)	-	-	-	-
At 31 December 2020 (unaudited)	6,231	1,311,985	29,047	(126,802)	(598,127)	21,162	174,782	(5,374)	4,351	(780,331)	36,654	-	236,824	273,748
At 1 April 2019 (audited)	5,193	1,257,060	29,047	(108,128)	(628,167)	30,607	174,782	(10,498)	3,677	(486,052)	266,521	9,230	186,440	482,191
Loss for the period	-	-	-	-	-	-	-	-	-	(327,479)	(327,479)	-	(24,639)	(352,118)
Other comprehensive expense for the period	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Exchange difference arising on translation 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	-	-	-	-	-	-	-	(5)	-	-	(5)	-	1,469	1,414
Appropriation to statutory reserve funds	-	-	-	-	-	-	-	-	540	(540)	-	-	-	-
At 31 December 2019 (unaudited)	5,193	1,257,060	29,047	(68,013)	(628,167)	25,646	174,782	(17,661)	4,217	(606,627)	(25,523)	9,230	115,811	99,518

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED 31 DECEMBER 2020

## 1. GENERAL

Madison Holdings Group Limited (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. Royal Spectrum Holding Company Limited, which is a company incorporated in the Republic of Seychelles and is directly interested in approximately 31.58% of the issued share capital of the Company as at 31 December 2020, and Mr. Ting Pang Wan Raymond, which is interested in approximately 42.19% of the issued share capital of the Company as at 31 December 2020, are controlling shareholders of the Company. The addresses of the registered office and the principal place of business of the Company are disclosed in the “Corporate Information” section of the third quarterly report.

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



## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the accounting principles generally accepted in Hong Kong. The financial statements also comply with the applicable disclosure requirements of the Companies Ordinance (Cap. 622 of the Laws of Hong Kong) and include the applicable disclosure requirements of Rules Governing the Listing of securities on GEM of the Stock Exchange. The accounting policies used in the financial highlights for the nine months ended 31 December 2020 are the same as those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 March 2020. The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments which are stated at fair values.

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

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

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

### 3. REVENUE AND SEGMENT INFORMATION

#### Revenue

Revenue from continuing operations and discontinued operations for the period which are allocated with reference to sales and services generated by the following principal activities of the Group. Such activities are sales of alcoholic beverages, the provision of financial services, the provision of blockchain services, the provision of auction of alcoholic beverages business and the provision of loan financing services. An analysis of the Group's revenue is as follows:

	Three months ended		Nine months ended	
	31 December		31 December	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
<b>Revenue from contracts with customers</b>				
<b>Disaggregated of revenue by major products or services lines</b>				
<i>Continuing operations</i>				
<b>Financial services segment</b>				
– Financial consultancy service income	–	100	–	171
– Securities and futures dealing service income	–	325	–	1,234
<b>Sales of alcoholic beverages segment</b>				
– Sales of alcoholic beverages income	13,930	16,860	37,746	57,212
<b>Loan financing services segment</b>				
– Loan referral services income	1,173	652	5,645	5,992
<i>Discontinued operation</i>				
<b>Auction segment</b>				
– Auction income	432	1,218	3,956	3,816
<b>Total revenue from contracts with customers</b>	<b>15,535</b>	<b>19,155</b>	<b>47,347</b>	<b>68,425</b>

### 3. REVENUE AND SEGMENT INFORMATION (Cont'd)

#### Revenue (Cont'd)

	Three months ended		Nine months ended	
	31 December		31 December	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
<b>Revenue from other sources</b>				
<i>Continuing operations</i>				
<b>Financial services segment</b>				
– Interest income – Margin clients	–	1,971	–	5,833
<b>Loan financing segment</b>				
– Interest income				
– Real estate – backed loans	–	–	–	2,077
– Interest income – Micro loans	7,920	11,549	24,429	33,297
– Interest income – Other loans	7,290	4,670	9,816	24,362
<b>Blockchain services segment</b>				
– Blockchain services income	–	6	–	30,141
	15,210	18,196	34,245	95,710
<b>Revenue</b>	<b>30,745</b>	<b>37,351</b>	<b>81,592</b>	<b>164,135</b>

#### Disaggregation of revenue by timing of recognition

	Three months ended		Nine months ended	
	31 December		31 December	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
<b>Timing of revenue recognition</b>				
<i>Continuing operations</i>				
At a point in time	15,103	17,837	43,391	64,438
Over time	–	100	–	171
	15,103	17,937	43,391	64,609
<i>Discontinuing operation</i>				
At a point in time	432	1,218	3,956	3,816
<b>Total revenue from contracts with customers</b>	<b>15,535</b>	<b>19,155</b>	<b>47,347</b>	<b>68,425</b>

### 3. REVENUE AND SEGMENT INFORMATION *(Cont'd)*

#### **Segment Information**

The Group's reportable and operating segments are based on types of goods or services delivered or provided are as follows:

#### ***Continuing operations***

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

#### ***Discontinued operation***

1. Auction – provision of auction of alcoholic beverages business

### 3. REVENUE AND SEGMENT INFORMATION (Cont'd)

#### Segment Information (Cont'd)

#### Segment revenues and results

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

	Three months ended 31 December		Nine months ended 31 December	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
<b>Revenue</b>				
<b>Continuing operations</b>				
Sales of alcoholic beverages	13,930	16,860	37,746	57,212
Financial services	-	2,396	-	7,238
Blockchain services	-	6	-	30,141
Loan financing services	16,383	16,871	39,890	65,728
	30,313	36,133	77,636	160,319
<b>Discontinued operation</b>				
Auction	432	1,218	3,956	3,816
	30,745	37,351	81,592	164,135
<b>Segment (loss) profit</b>				
<b>Continuing operations</b>				
Sales of alcoholic beverages	(2,024)	(3,252)	(5,894)	(8,549)
Financial services	(726)	(2,023)	(2,276)	(8,011)
Blockchain services	(1,469)	(13,358)	(4,096)	(314,654)
Loan financing services	(4,462)	3,829	(1,341)	28,192
	(8,681)	(14,804)	(13,607)	(303,022)
<b>Discontinued operation</b>				
Auction	28	(1,294)	(1)	(2,919)
	(8,653)	(16,098)	(13,608)	(305,941)
Unallocated income	3,327	620	54,643	44,048
Unallocated expenses	(6,751)	(10,573)	(25,627)	(47,017)
Finance costs	(10,027)	(14,158)	(31,508)	(42,853)
Loss before tax	(22,104)	(40,209)	(16,100)	(351,763)

### 3. REVENUE AND SEGMENT INFORMATION (Cont'd)

#### Segment Information (Cont'd)

##### Segment revenues and results (Cont'd)

Segment (loss) profit represents the (loss) profit from each segment without allocation of central administration costs, directors' salaries and certain other revenue, net trading gain, change in fair value of exchangeable bonds, change in fair value of derivative financial instruments, change in fair value of crypto-currencies, impairment loss recognised on goodwill and plant and equipment, gain on disposal of a financial asset, gain on disposal of subsidiaries and finance costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

##### Geographical information

Information about the Group's revenue from external customers is presented based on the location of operation as set out below:

	Three months ended 31 December		Nine months ended 31 December	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
<b>Continuing operations</b>				
PRC	8,415	12,188	30,074	41,353
Hong Kong	21,898	23,939	47,562	88,825
Europe	-	6	-	30,141
	<b>30,313</b>	<b>36,133</b>	<b>77,636</b>	<b>160,319</b>
<b>Discontinued operation</b>				
Hong Kong	432	1,218	3,956	3,816
	<b>30,745</b>	<b>37,351</b>	<b>81,592</b>	<b>164,135</b>

#### 4. OTHER INCOME

	Three months ended		Nine months ended	
	31 December		31 December	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
<b><i>Continuing operations</i></b>				
Bank interest income	9	17	13	80
Consignment income	111	30	1,934	221
Gain on disposal of plant and equipment	-	-	-	35
Government grants and others	1,346	904	2,717	2,189
	1,466	951	4,664	2,525
<b><i>Discontinued operation</i></b>				
Government grants and others	3	10	169	21
	1,469	961	4,833	2,546

## 5. FINANCE COSTS

	Three months ended		Nine months ended	
	31 December		31 December	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
<b>Continuing operations</b>				
Interest expense on:				
- convertible bonds	2,878	3,735	8,444	10,951
- promissory note	3,260	3,695	10,668	10,837
- other borrowings	2,413	4,925	7,740	15,828
- loan from a director	885	958	2,790	2,863
- loan from a subsidiary of a non-controlling shareholder	559	546	1,648	1,628
- lease liabilities	33	299	218	746
	10,028	14,158	31,508	42,853
<b>Discontinued operation</b>				
Interest expense	-	-	-	-
	-	-	-	-
	10,028	14,158	31,508	42,853

## 6. INCOME TAX (CREDIT) EXPENSE

	Three months ended 31 December		Nine months ended 31 December	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
<b>Continuing operations</b>				
Current tax:				
Hong Kong Profits Tax	-	556	697	2,759
PRC Enterprise Income Tax ("EIT")	(3,783)	(1,829)	(949)	2,907
	(3,783)	(1,273)	(252)	5,666
Deferred taxation	2,642	(2,316)	5,212	(5,311)
	(1,141)	(3,589)	4,960	355
<b>Discontinued operation</b>				
Current tax and deferred tax				
	-	-	-	-
	(1,141)	(3,589)	4,960	355

### Hong Kong Profits Tax

Hong Kong Profits Tax has been provided at the rate of 16.5% on the estimated assessable profits during the relevant periods.

### PRC Enterprise Income Tax

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

## 7. LOSS FOR THE PERIOD

	Three months ended 31 December		Nine months ended 31 December	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Loss for the period has been arrived at after charging (crediting):				
<b><i>Continuing operations</i></b>				
Directors' emoluments	(649)	1,539	4,038	5,289
Salaries, allowances and other benefits	8,226	13,214	24,564	43,636
Contributions to retirement benefits scheme	550	802	1,153	2,921
Equity-settled share-based payment expenses – employees	181	674	3,106	1,108
	8,308	16,229	32,861	52,954
<b><i>Discontinued operation</i></b>				
Salaries, allowances and other benefits	148	1,494	1,633	2,691
Contributions to retirement benefits scheme	6	34	53	93
	154	1,528	1,686	2,784
Total staff cost	8,462	17,757	34,547	55,738
Cost of inventories recognised as expense:				
– continuing operations	11,224	13,351	29,954	45,317
– discontinued operation	21	20	293	466
	11,245	13,371	30,247	45,783
Equity-settled share-based payment expenses – consultants	104	177	479	627
Net gain on disposals and written off of plant and equipment	-	-	-	(35)
Net impairment loss recognised (reversed) on loan and interest receivables	14,077	(5,381)	22,576	4,369

## 8. DIVIDEND

No dividend was paid, declared or proposed during the nine months ended 31 December 2020 (2019: nil).

## 9. LOSS PER SHARE

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

	Three months ended 31 December		Nine months ended 31 December	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
<b>Loss</b>				
Loss for the purpose of basic loss per share for the period attributable to the owners of the Company	(15,691)	(30,695)	(9,332)	(327,479)
Effect of dilutive potential ordinary shares:				
Change in fair value of put option to non-controlling interests in CVP Capital Limited and loss attributable to the owners to the Company	-	(530)	(429)	(609)
Loss for the purpose of diluted loss per share	(15,691)	(31,225)	(9,761)	(328,088)
	2020	2019	2020	2019
<b>Number of shares</b>				
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	6,231,272,277	5,192,726,898	6,231,272,277	5,192,726,898

The computation of diluted loss per share does not assume the outstanding share options ("Share Options") and outstanding convertible bonds since their exercise would result in a decrease in loss per share for the three months and nine months ended 31 December 2020 and 2019.

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

## 10. 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”) 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, adjustments had been made to the exercise price of the outstanding Share Options and the number of subdivided shares to be allotted and issued (the “Subdivided Share(s)”) upon full exercise of subscription rights attaching to the outstanding Share Options in the following manner:

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

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



## 10. SHARE-BASED PAYMENT TRANSACTIONS *(Cont'd)*

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

On 17 August 2018, resolutions were passed by the then shareholders of the Company granting general and unconditional mandates to exercise the powers of the Company to, among other things, refresh the then scheme mandate limit of up to 10% of the total number of shares in issue as at the date of passing the resolution, for which the maximum number of shares which may be issued under the refreshed scheme mandate limit was 428,330,871.

On 13 December 2018, the Company granted an aggregate of 48,000,000 Share Options to the consultants of the Company, to subscribe, in aggregate, for up to 48,000,000 shares at the exercise price of HK\$1.12 each per share. 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 to the consultants of the Company, to subscribe, in aggregate, for up to 42,000,000 shares at the exercise price of HK\$1.04 each per share. For details, please refer to the announcement of the Company dated 14 December 2018.

On 16 August 2019, the Company granted an aggregate of 11,500,000 Share Options to the employees of the Company, to subscribe, in aggregate, for up to 11,500,000 shares at the exercise price of HK\$0.325 each per share. 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 to the employees, directors and consultants of the Company, to subscribe, in aggregate, for up to 355,400,000 shares at the exercise price of HK\$0.207 each per share. For details, please refer to the announcement of the Company dated 6 December 2019.

## 10. SHARE-BASED PAYMENT TRANSACTIONS (Cont'd)

As at 31 December 2020, the number of shares in respect of which options had been granted and remained outstanding under the Share Option Scheme was 511,200,000 shares (31 March 2020: 784,900,000 shares), representing approximately 8.2% (31 March 2020: approximately 15.1%) of the total number of shares of the Company in issue at that date. On 31 July 2020, ordinary resolutions had been passed by the Company's shareholders to refresh the scheme mandate limit under the Share Option Scheme, such that the maximum number of shares that can be allotted and issued upon the exercise of Share Options which may be granted by the Company under the scheme mandate limit so refreshed would be 519,272,689 shares, being 10% of the total number of issued shares as at the date of passing of the resolution approving the said refreshment.

The fair values of the Share Options granted to directors and/or employees were calculated using the Binomial model. The inputs into the model were as follows:

	2020	2019
Weighted average share price (HK\$)	0.206-0.325	1.89
Weighted average exercise price (HK\$)	0.207-0.325	1.89
Expected volatility	59.126-59.774%	75.216%
Expected life (years)	10	10
Risk-free rate	1.018-1.575%	1.898%
Expected dividend yield	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 approximately HK\$6,844,000 were recognised by the Group for the nine months ended 31 December 2020 (2019: approximately HK\$2,483,000) in relation to Share Options granted by the Company.

## 10. SHARE-BASED PAYMENT TRANSACTIONS (Cont'd)

Details of the Company's Share Options held by grantees are as follows:

Category of participant	Date of grant	Outstanding at 31 March 2020	Outstanding at 31 December 2020	Vesting period	Exercise period	Exercise price per share
Shareholders	17 December 2015	21,000,000	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	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	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	9,300,000	3 April 2018 to 31 December 2018	1 January 2019 to 2 April 2028	HK\$1.89
Consultants	3 April 2018	184,600,000	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	48,000,000	13 December 2018 to 30 June 2019	1 July 2019 to 12 December 2028	HK\$1.12
Directors	6 December 2019	59,900,000	8,000,000	6 December 2019 to 5 December 2020	6 December 2020 to 5 December 2029	HK\$0.207
Directors	6 December 2019	59,900,000	8,000,000	6 December 2019 to 5 December 2021	6 December 2021 to 5 December 2029	HK\$0.207
Consultants	6 December 2019	51,900,000	25,950,000	6 December 2019 to 5 December 2020	6 December 2020 to 5 December 2029	HK\$0.207
Consultants	6 December 2019	51,900,000	25,950,000	6 December 2019 to 5 December 2021	6 December 2021 to 5 December 2029	HK\$0.207
Employees	6 December 2019	65,900,000	7,250,000	6 December 2019 to 5 December 2020	6 December 2020 to 5 December 2029	HK\$0.207
Employees	6 December 2019	65,900,000	7,250,000	6 December 2019 to 5 December 2021	6 December 2021 to 5 December 2029	HK\$0.207

## 10. SHARE-BASED PAYMENT TRANSACTIONS (Cont'd)

The following table discloses movements of the Company's Share Options held by directors, employees, shareholders and consultants during the period:

### During the nine months ended 31 December 2020

Category of participant	Outstanding at 1 April 2020	Granted during the period	Lapse/ cancelled during the period	Outstanding at 31 December 2020
Directors	125,700,000	-	(103,800,000)	21,900,000
Employees	141,800,000	-	(118,000,000)	23,800,000
Shareholders	21,000,000	-	-	21,000,000
Consultants	496,400,000	-	(51,900,000)	444,500,000
	784,900,000	-	(273,700,000)	511,200,000
Weighted average exercise price (HK\$)	0.8	-	0.2	1.2

### During the year ended 31 March 2020

Category of participant	Outstanding at 1 April 2019	Granted during the year	Lapse/ cancelled during the year	Outstanding at 31 March 2020
Directors	7,900,000	119,800,000	(2,000,000)	125,700,000
Employees	10,300,000	143,300,000	(11,800,000)	141,800,000
Shareholders	21,000,000	-	-	21,000,000
Consultants	439,600,000	103,800,000	(47,000,000)	496,400,000
	478,800,000	366,900,000	(60,800,000)	784,900,000
Weighted average exercise price (HK\$)	1.3	0.2	1.0	0.8



## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

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 financial services (the “Financial Services Business”); (iii) the provision of crypto-currency exchange business in Japan (the “Blockchain Services Business”); and (iv) the provision of loan financing and consultancy services (the “Loan Financing Business”).

On 2 November 2020, the Group disposed the entire share capital of and shareholder’s loan in Focus Concept Holdings Limited, which in turn held entire equity interest in Madison Auction Limited (“Madison Auction”). Madison Auction was principally engaged in the provision of auction of alcoholic beverages in Hong Kong (the “Wine Auction Business”). Details of the above-mentioned disposal is set out in the Company’s announcement dated 2 November 2020. Upon completion of the above-mentioned disposal on 2 November 2020, the financial results of the Wine Auction Business would no longer be consolidated into the consolidated financial statements of the Group. The financial results of Wine Auction Business before the disposal has been re-classified as discontinued operation of the Group.

During the nine months ended 31 December 2020, the Group’s revenue from continuing operations decreased by approximately 51.6% or to approximately HK\$77.6 million (2019: approximately HK\$160.3 million). The decrease in revenue was mainly due to (i) the economic slowdown in Mainland China and Hong Kong; (ii) the on-going China-US trade frictions, (iii) the outbreak of Novel Coronavirus Disease 2019 (“COVID-19”) 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 subsidiary 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 loss from continuing operations and discontinued operation of approximately HK\$21.1 million for the nine months ended 31 December 2020 as compared to the loss of approximately HK\$352.1 million for the nine months ended 31 December 2019.

## Financial Review

For the nine months ended 31 December 2020, the Group's revenue from continuing operations and discontinued operation amounted to approximately HK\$81.6 million (2019: approximately HK\$164.1 million), representing a decrease of approximately HK\$82.5 million or 50.3% as compared with the nine months ended 31 December 2019. The revenue included (i) approximately HK\$37.7 million (2019: approximately HK\$57.2 million) from the Wine Business; (ii) approximately HK\$39.9 million (2019: approximately HK\$65.8 million) from the Loan Financing Business; (iii) no revenue was generated from both the Financial Services Business (2019: approximately HK\$7.2 million) and the Blockchain Services Business (2019: approximately HK\$30.1 million) of continuing operations; and (iv) approximately HK\$4.0 million (2019: approximately HK\$3.8 million) from the Wine Auction Business of discontinued operation.

Gross profit from continuing operations and discontinued operation was approximately HK\$49.5 million (2019: approximately HK\$78.6 million), representing a decrease of approximately 37.0% as compared with the nine months ended 31 December 2019. Details of the reasons of the decrease in revenue and gross profit were noted in the sub-section headed "Business Review" above.

Other income mainly included the consignment income and government grant for the nine months ended 31 December 2020 of approximately HK\$1.9 million and HK\$2.4 million respectively (2019: approximately HK\$0.2 million and 1.6 million respectively).



Administrative and other operating expenses and depreciation were approximately HK\$21.5 million and HK\$9.5 million respectively (2019: approximately HK\$56.1 million and HK\$25.5 million respectively), representing a decrease of approximately 61.7% and 62.7% respectively as compared with the nine months ended 31 December 2019 mainly due to the Disposal of Subsidiaries and controlling the cost of operations and administrative and other operating expenses. The finance costs amounted to approximately HK\$31.5 million (2019: approximately HK\$42.9 million) which were mainly incurred on convertible bonds, promissory note payables, other borrowings and loans.

Loss from continuing operations and discontinued operation was approximately HK\$21.1 million for the nine months ended 31 December 2020 as compared to the loss of approximately HK\$352.1 million for the nine months ended 31 December 2019, representing a decrease of approximately HK\$331.0 million. Such decrease in loss was mainly attributable to (i) no impairment loss recognised on goodwill and plant and equipment (2019: approximately HK\$257.4 million and HK\$21.8 million arising from the Disposal of Subsidiaries respectively) and (ii) the decrease of approximately HK\$16.0 million and HK\$34.6 million of the depreciation and administrative and other operating expenses respectively as compared to the corresponding period.

The loss included (i) net impairment loss recognised on loan and interest receivables arising from Loan Financing Business of approximately HK\$22.6 million (2019: approximately HK\$4.4 million); (ii) gain on change in fair value of derivative financial instruments of approximately HK\$46.7 million (2019: loss on change in fair value approximately HK\$0.3 million); and (iii) gain on disposal of subsidiaries of approximately HK\$0.8 million (2019: approximately HK\$42.6 million).

## **Dividend**

The Directors do not recommend the payment of any dividend for the nine months ended 31 December 2020 (2019: nil).

## Deemed disposal of equity interest in a subsidiary

During the period ended 31 December 2020, BITOCEAN Co., Ltd (“Bitoccean”), a subsidiary of the Company, issued 3,863 ordinary shares at approximately JPY 8,000 per share (equivalent to approximately HK\$600 per share) to its minority shareholders. Upon issuance of new shares of Bitoccean, the Group’s equity interest in Bitoccean has been diluted to approximately 57.8%. The dilution of the Group’s interest in Bitoccean constituted a deemed disposal of the Group’s equity interest in subsidiary (“Deemed Disposal”). Accordingly, no expected gain or loss will be accrued to the Company as a result of Deemed Disposal and the financial results of Bitoccean will continue to be consolidated into and reflected in the financial statements of the Group.

## Capital Structure

On 4 December 2020, the Company entered into a placing agreement with CVP Securities Limited, as the placing agent (“Placing Agent”), pursuant to which the Company has conditionally agreed to place, through the Placing Agent, on a best effort basis, up to 1,038,545,379 new shares (“Placing Shares”) of the Company to not less than six placees at the placing price of HK\$0.055 per Placing Share under the then general mandate granted to the Directors. The placing price of HK\$0.055 per Placing Share represented a discount of approximately 9.84% to the closing price of HK\$0.061 per share of the Company as quoted on the Stock Exchange on 4 December 2020, being the date of the placing agreement. The placing was completed on 22 December 2020 and the Company issued 1,038,545,379 Placing Shares to not less than six placees.

## Business Prospect

With COVID-19 sweeping across the world in early 2020, retail, trade, catering, food and beverage, tourism and other activities stood still and the global economy plummeted, leading to heightened potential economic downside pressures. 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. It is expected that the COVID-19 will be under control with the launch of vaccines and Hong Kong economy is expected to see positive growth for year 2021 as a whole, but the economic situation in the first half of year 2021 will remain challenging. 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.

## OTHER INFORMATION

### Directors' and Chief Executive's Interests and Short Position in the Shares, Underlying Shares and Debentures of the Company or any of its Associated Corporation

As at 31 December 2020, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

#### (i) Long Position in the Shares, Underlying Shares or Debentures of the Company

Name of Director	Capacity/ Nature of interest	Number of Shares interested	Number of underlying shares pursuant to share options	Aggregate interests	Approximate percentage of the Company's issued Shares*
Ms. Kuo Kwan ("Ms. Kuo")	Beneficial owner	-	18,000,000 (Notes 1 and 2)	18,000,000	0.289%
Mr. Zhang Li ("Mr. Zhang")	Beneficial owner	-	1,000,000 (Note 2)	7,904,000	0.127%
	Interest of spouse	6,904,000 (Note 3)			
Mr. Ji Zuguang ("Mr. Ji")	Beneficial owner	-	1,000,000 (Note 2)	3,089,786	0.050%
	Interest in a controlled corporation	2,089,786 (Note 4)			
Ms. Fan Wei ("Ms. Fan")	Beneficial owner	-	300,000 (Note 1)	300,000	0.005%
Mr. Chu Kin Wang Peleus ("Mr. Chu")	Beneficial owner	-	300,000 (Note 1)	300,000	0.005%
Mr. Ip Cho Yin, J.P. ("Mr. Ip")	Beneficial owner	-	1,300,000 (Notes 1 and 2)	1,300,000	0.021%

*Notes:*

1. On 3 April 2018, the Company granted a total of 219,000,000 share options of which 5,900,000 share options were granted to the following persons, entitling them to subscribe for a total of 5,900,000 Shares at the exercise price of HK\$1.89 per Share:
    - a. 5,000,000 share options (carrying the right to subscribe for 5,000,000 Shares) were granted to Ms. Kuo in her capacity as an executive Director;
    - b. 300,000 share options (carrying the right to subscribe for 300,000 Shares) were granted to Mr. Ip in his then capacity as an independent non-executive Director (“INED”). He was re-designated as a non-executive Director (“NED”) on 7 March 2019;
    - c. 300,000 share options (carrying the right to subscribe for 300,000 Shares) were granted to Ms. Fan in her capacity as an INED; and
    - d. 300,000 share options (carrying the right to subscribe for 300,000 Shares) were granted to Mr. Chu in his capacity as an INED.
  2. On 6 December 2019, the Company granted a total of 355,400,000 share options, of which 16,000,000 share options were granted to the following persons, entitling them to subscribe for a total of 16,000,000 Shares at the exercise price of HK\$0.207 per Share:
    - a. 13,000,000 share options (carrying the right to subscribe for 13,000,000 Shares) were granted to Ms. Kuo in her capacity as an executive Director;
    - b. 1,000,000 share options (carrying the right to subscribe for 1,000,000 Shares) were granted to Mr. Zhang in his capacity as an executive Director;
    - c. 1,000,000 share options (carrying the right to subscribe for 1,000,000 Shares) were granted to Mr. Ji in his capacity as a non-executive Director; and
    - d. 1,000,000 share options (carrying the right to subscribe for 1,000,000 Shares) were granted to Mr. Ip in his capacity as a non-executive Director.
  3. Ms. Chen Hua is the spouse of Mr. Zhang. Mr. Zhang is deemed to be interested in the Shares in which Ms. Chen Hua is interested in by virtue of the SFO.
  4. 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 2,089,786 Shares held by Plan Marvel by virtue of the SFO.
- \* *The number of issued Shares of the Company as at 31 December 2020 is 6,231,272,277 Shares.*

Save as disclosed above, as at 31 December 2020, none of the Directors or chief executive of the Company had any interests and short positions in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

## Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares of the Company

So far as the Directors are aware, as at 31 December 2020, other than the Directors and chief executive of the Company, the following persons or corporations had interests and short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under section 336 of the SFO:

Name	Capacity/ Nature of interest	Note	Number of Shares interested	Number of underlying shares pursuant to share options	Aggregate interests	Approximate percentage of the Company's issued Shares' (Note 9)
Royal Spectrum Holding Company Limited ("Royal Spectrum")	Beneficial owner	1, 2 & 5	1,968,000,000	-	1,968,000,000	31.58%
Devoss Global Holdings Limited ("Devoss Global")	Interest in controlled corporation	1, 2 & 4	1,968,000,000	6,000,000	1,974,000,000	31.68%
CVP Financial Group Limited ("CVP")	Beneficial owner	3 & 5	504,872,727	-	504,872,727	8.10%
Mr. Ting Pang Wan Raymond ("Mr. Ting")	Interest in controlled corporations	1, 2, 3, 4 & 5	2,486,916,727	142,363,636	2,629,280,363	42.19%
Ms. Luu Huyen Boi ("Ms. Luu")	Interest of spouse	6	2,486,916,727	142,363,636	2,629,280,363	42.19%
Software Research Associates, Inc. ("SRA")	Beneficial owner	7	447,045,454	-	447,045,454	7.17%
SRA Holdings, Inc. ("SRA Holdings")	Interest in controlled corporation	7	447,045,454	-	447,045,454	7.17%
Atlantis Capital Holdings Limited ("ACHL")	Interest in controlled corporations	8	563,445,000	-	563,445,000	9.04%
Ms. Liu Yang ("Ms. Liu")	Interest in controlled corporations	8	563,445,000	-	563,445,000	9.04%
Ample Cheer Limited ("Ample Cheer")	Interest in controlled corporations	9	2,213,236,382	-	2,213,236,382	35.51%
Best Forth Limited ("Best Forth")	Interest in controlled corporations	9	2,213,236,382	-	2,213,236,382	35.51%
Chu Yuet Wah ("Mrs. Chu")	Interest in controlled corporations	9	2,213,236,382	-	2,213,236,382	35.51%
Kingston Finance Limited ("Kingston")	Person having a security interest in shares	9	2,213,236,382	-	2,213,236,382	35.51%
Bartha International Limited	Beneficial owner	10	367,700,000	-	367,700,000	5.90%
Li Ran	Interest in controlled corporation	10	367,700,000	-	367,700,000	5.90%
Pu Xueyuan	Interest in controlled corporation	10	367,700,000	-	367,700,000	5.90%
Wang Xuping	Interest in controlled corporation	10	367,700,000	-	367,700,000	5.90%
Zhang Fengge	Interest in controlled corporation	10	367,700,000	-	367,700,000	5.90%
Wang Hui	Beneficial owner	11	474,424,000	-	474,424,000	7.61%

*Notes:*

1. The entire issued share capital in Royal Spectrum is legally and beneficially owned as to 96.63% by Devoss Global and 3.37% by Montrachet Holdings Limited (“Montrachet”). Devoss Global is legally and beneficially owned by Mr. Ting. Devoss Global is deemed to be interested in the Shares held by Royal Spectrum. Mr. Ting is a director of both Royal Spectrum and Devoss Global. Mr. Zhu Qin is a director of Royal Spectrum.
2. On 27 November 2018, Royal Spectrum pledged 199,600,000 ordinary shares in favour of an independent third party as a security of a loan in the amount of JPY2,000,000,000.
3. CVP is wholly-owned by Mr. Ting. Mr. Ting is deemed to be interested in all the Shares held by CVP. Mr. Ting is deemed to be interested in the Shares in which CVP is interested in under Part XV of the SFO.
4. Details of the underlying shares are as follows:
  - a. 6,000,000 share options granted to Devoss Global on 17 December 2015.
  - b. 136,363,636 conversion shares (the “Conversion Shares”) of the Company under the convertible bonds of the Company issued to Bartha Holdings Limited, a company owned as to approximately 88.9% by CVP holdings Limited, which in turn, is wholly owned by Mr. Ting.
5. On 5 July 2019, Royal Spectrum and CVP pledged 1,708,363,655 Shares and 504,872,727 Shares respectively in favour of an independent third party as a security of a loan in the amount of HK\$106,000,001.
6. Ms. Luu is the spouse of Mr. Ting. Ms. Luu is deemed to be interested in all the Shares and underlying shares in which Mr. Ting is interested in under Part XV of the SFO.
7. SRA is directly wholly-owned by SRA Holdings. SRA Holdings is deemed to be interested in the Shares in which SRA is interested in under Part XV of the SFO.
8. Based on the notices of disclosure of interest filed by ACHL and Ms. Liu on 22 December 2020, they are indirectly interested in 563,445,000 Shares held by their wholly owned subsidiaries under Part XV of the SFO.
9. Based on the notices of disclosure of interest filed by Ample Cheer, Best Forth, Mrs. Chu and Kingston on 9 July 2019, Mrs. Chu, Ample Cheer and Best Forth are deemed to be interested in 2,213,236,382 shares of the Company in which Kingston has an interest.
10. Based on the notices of disclosure of interest filed by Bartha International Limited, Li Ran, Pu Xueyuan, Wang Xuping and Zhang Fengge on 23 December 2020, Li Ran, Pu Xueyuan, Wang Xuping and Zhang Fengge are deemed to be interested in 367,700,000 shares of the Company in which Bartha International Limited has an interest.
11. Based on the notice of disclosure of interest filed by Wang Hui on 23 December 2020.

Save as disclosed above, as at 31 December 2020, the Directors are not aware of any substantial shareholders or other persons or corporations (other than the Directors and chief executive of the Company) who/which had any interests or short positions in the Shares or underlying shares of the Company or any of its associated companies which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

## Share Option Scheme

The Company has conditionally adopted 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.

Details of movements of the share options granted under the Share Option Scheme during the nine months ended 31 December 2020 were as follows:

Category	Date of grant	Exercise period	Exercise price per share	Number of share options			As at 31 December 2020
				As at 1 October 2020	Granted during the period	Exercised/Cancelled/Lapsed during the period	
Devoss Global (Note 2)	17 December 2015	17 June 2016 to 16 December 2025	HK\$0.80 (Note 1)	6,000,000	-	-	6,000,000
Montrachet (Note 3)	17 December 2015	17 June 2016 to 16 December 2025	HK\$0.80 (Note 1)	15,000,000	-	-	15,000,000
<b>Directors</b>							
Mr. Chen Ying-chieh (“Mr. Chen”) (Note 4)	6 December 2019	(Note 5)	HK\$0.207	-	-	-	-
Mr. Hankoo Kim (“Mr. Kim”) (Note 4)	6 December 2019	(Note 5)	HK\$0.207	-	-	-	-
Ms. Kuo	3 April 2018	1 January 2019 to 2 April 2028	HK\$1.89	5,000,000	-	-	5,000,000
	6 December 2019	(Note 5)	HK\$0.207	13,000,000	-	-	13,000,000

Category	Date of grant	Exercise period	Exercise price per share	Number of share options			
				As at 1 October 2020	Granted during the period	Exercised/Cancelled/Lapsed during the period	As at 31 December 2020
Mr. Zhang	6 December 2019	<i>(Note 5)</i>	HK\$0.207	1,000,000	-	-	1,000,000
Mr. Ip	3 April 2018	1 January 2019 to 2 April 2028	HK\$1.89	300,000	-	-	300,000
	6 December 2019	<i>(Note 5)</i>	HK\$0.207	1,000,000	-	-	1,000,000
Mr. Ji	6 December 2019	<i>(Note 5)</i>	HK\$0.207	1,000,000	-	-	1,000,000
Ms. Fan	3 April 2018	1 January 2019 to 2 April 2028	HK\$1.89	300,000	-	-	300,000
Mr. Chu	3 April 2018	1 January 2019 to 2 April 2028	HK\$1.89	300,000	-	-	300,000
<b>Consultants</b> <i>(Note 6)</i>	17 December 2015	17 June 2016 to 16 December 2025	HK\$0.80 <i>(Note 1)</i>	160,000,000	-	-	160,000,000
	3 April 2018 <i>(Note 6)</i>	1 January 2019 to 2 April 2028	HK\$1.89	184,600,000	-	-	184,600,000
	13 December 2018	1 July 2019 to 12 December 2028	HK\$1.12	48,000,000	-	-	48,000,000
	6 December 2019	<i>(Note 5)</i>	HK\$0.207	103,800,000	-	51,900,000	51,900,000
<b>Employees</b>	3 April 2018	1 January 2019 to 2 April 2028	HK\$1.89	9,400,000	-	100,000	9,300,000
	6 December 2019	<i>(Note 5)</i>	HK\$0.207	14,500,000	-	-	14,500,000
				563,200,000	-	52,000,000	511,200,000

**Notes:**

1. The share options granted on 17 December 2015 are exercisable from 17 June 2016. The closing price of the shares of the Company immediately before the date on which the share options were granted was HK\$7.10 per share and adjusted on 8 November 2016.

- 
2. Devoss Global is a company wholly-owned by Mr. Ting, being the controlling shareholder of Royal Spectrum, a substantial shareholder of the Company.
  3. Monrachat, a company wholly-owned by Mr. Zhu Hui Xin, the father of Mr. Zhu Qin, and Monrachat is holding 2.7% shareholding interest in Royal Spectrum, as at 31 December 2016.
  4. Mr. Chen and Mr. Kim resigned from their positions as executive Directors on 31 July 2020.
  5. 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).
  6. Consultants are corporations which render consultancy services to the Group.
  7. The Group recognised total expenses of approximately HK\$6.8 million for the nine months ended 31 December 2020 (as at 31 March 2020: HK\$7.763 million) relation to the share options granted by the Company.

### **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 2020.

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

As at 31 December 2020, 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 2020.

## 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.

As required by code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separated and performed by different individuals.

The Company deviated from this provision because Mr. Chen Ying-chieh had assumed the roles of both the chairman of the Board and the chief executive officer of the Company from 19 November 2019 to 31 July 2020. The Board believed that resting the roles of both the chairman and the chief executive officer in the same person had the benefit of ensuring consistent leadership within the Group and enabled more effective and efficient overall strategic planning for the Group. Although these two roles were performed by the same individual, certain responsibilities were shared with the executive Directors to balance power and authority. In addition, all major decisions were made in consultation with members of the Board, as well as with the senior management. The Board has three independent non-executive Directors who offer different independent perspectives. Therefore, the Board was of the view that the balance of power and safeguards in place were adequate.



Save as disclosed above, throughout the nine months ended 31 December 2020, 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.

### **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.*, who is a non-executive Director, all members of the Audit Committee are independent non-executive Directors.

The financial information in this report 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 2020 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.

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

Hong Kong, 8 February 2021

*As at the date of this report, 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.*