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BLOCKCHAIN GROUP COMPANY LIMITED
區塊鏈集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 364)

UPDATE ON THE WINDING UP PETITIONS

This announcement is made by Blockchain Group Company Limited (the “**Company**”) on a voluntary basis. Reference is made to the announcements of the Company dated 10 May 2018, 16 May 2018, 18 May 2018, 29 May 2018, 4 June 2018, 7 June 2018, 8 June 2018, 11 July 2018, 13 July 2018, 23 July 2018, 8 August 2018, 5 September 2018, 12 September 2018, 13 September 2018, 19 September 2018, 26 September 2018 and 8 October 2018 (collectively the “**Announcements**”) in relation to the winding up petitions of the Company. Unless otherwise defined herein, capitalised terms used in this announcement shall have the same meanings as defined in the Announcements.

FURTHER INFORMATION ON WINDING UP PETITION - HCCW 264/2018

Set out below is the breakdown of claim amount as disclosed in the petition filed by Asia Equity Value Limited (“AEV”) to the High Court:

	HK\$
Balance of principal due and owing on the Promissory Note issued by the Company dated 25 February 2015	135,026,193.51
Amount of unpaid interest accrued on the balance of the principal of HK\$135,026,193.51 at a rate of 28% per annum from 27 February 2015 to 14 July 2018 (1234 days) calculated on a basis of a year of 360 days	44,485,094.62
Amount of interest accrued on the balance of the principal of HK\$135,026,193.51 at the rate of 28% per annum from 15 July 2018 to 13 September 2018 (61 days) calculated on a basis of a year of 360 days	<u>6,406,242.74</u>
	<u><u>185,917,530.87</u></u>

The Company received the statutory demand dated 16 July 2018 in respect of the outstanding promissory notes payable to AEV (the “**AEV Debt**”). The repayment date requested is 3 weeks from the date of the statutory demand (i.e. 6 August 2018).

The default in repayment of the AEV Debt or the petition received on 13 September 2018 has not / would not lead to a cross default of the Company’s other outstanding liabilities.

In March 2018, the Company negotiated with AEV for the settlement proposal of the promissory notes. During the negotiation, the Company negotiated with AEV the final settlement amount of the promissory notes to be HK\$83 million, and entered the memorandum of understanding (the “**MOU**”) with AEV in March 2018. This valid MOU represented the agreements between the Company and AEV on the settlement terms, including the final settlement amount of HK\$83 million but there are no terms about the cancellation of the MOU.

Accordingly, the Company considers the promissory notes of HK\$83 million due to AEV as disclosed in the announcement on 18 May 2018 and 2018 Interim Report, is in accordance with the MOU signed between the Company and AEV in March 2018. In contrast, the amount of approximately HK\$185.9 million as claimed by AEV is not verified by the Company.

The Company has not repaid the amount to AEV as the Company needed to reserve cash for the potential acquisition of ginseng and blockchain business as stated in the Company's announcements dated 30 July 2018 and 27 September 2018. Set out below the expected timetable for the execution of the relevant agreement and the expected capital required for the acquisitions:

Business	Expected timetable	Expected capital HK\$'000
Ginseng	Before December 2018	1,200,000
Blockchain	Before December 2018	600,000

The Directors consider to reserve the cash for potential acquisition of ginseng and blockchain business instead of repayment of indebtedness is of the best interest to the shareholders of the Company due to the following reasons:

- Ginseng products will become more popular as people have more concern about regimen and thus have increased demand on health products. Thus the Company believes that penetration to the ginseng market will improve the profitability of the Group; and
- Blockchain technology will improve the society in different aspects. The Group will contribute to improve the society by penetration to the blockchain business. The Company believes that penetration to the blockchain business will also improve the profitability of the Group.

The Board considers the above will improve the profitability of the Group as a whole and thus will be beneficial to the Group and the shareholders of the Company. The Board further considers to reserve the cash for these 2 aspects, and will actively negotiate with the creditors to extend the due dates of the indebtedness for their continuous funding supports.

The Directors has acknowledged the outstanding amounts payable to AEV and continuously negotiated with AEV for the settlement proposal which allows the Company to repay the amounts to AEV at a later time, so that AEV will provide continuous funding supports to the Company.

As at 31 August 2018, the Group had bank balances of approximately HK\$1,970 million, of which approximately HK\$1,970 million are placed in the bank accounts in the People's Republic of China.

FURTHER INFORMATION OF OVERDUE INDEBTEDNESS

Set out below is the original maturity dates and extended maturity dates (if any) of the overdue indebtedness as disclosed in the announcement dated 8 October 2018:

Description of the indebtedness	Original maturity date and extended maturity date
The debenture and accrued interest thereof due to Ji Jingyang in the total claim amount of approximately HK\$10,826,000	The principal was due on 29 June 2018
The promissory notes due to Asia Equity Value Limited in 2015, and the accrued interest in the total claim amount of approximately HK\$185,918,000	The principal was due on 27 February 2015
The debenture and accrued interest thereof in the total claim amount of HK\$10,600,000 due to Zhou Shunhua in 2018	The interest was due on 25 June 2018 and the principal will be due on 25 June 2024
The convertible bond and accrued interest thereof in the total claim amount of approximately HK\$59,958,000 due to Great Vantage	The convertible bond was due on 31 December 2015 and the extended maturity date was 15 March 2018

Description of the indebtedness	Original maturity date and extended maturity date
The convertible bond and cash consideration payable due to Teya Holdings Limited in 2015 and 2013 respectively, and the accrued interest thereof up to 8 May 2018, in the total claim amount of approximately HK\$226,534,000	The convertible bond was due on 31 December 2015 and the cash consideration was due on 22 July 2013
The debenture and accrued interest thereof in the total claim amount of HK\$1,095,000 due to Feng Xuehui in 2017	The principal was due on 23 December 2017
The debenture and accrued interest thereof in the total claim amount of HK\$10,400,000 due to Zou Xiaohong in 2018	The interest was due on 13 July 2018 and the principal will be due on 13 July 2023
The debenture and accrued interest thereof in the total claim amount of HK\$10,400,000 due to Zou Weiping in 2018	The interest was due on 7 July 2018 and the principal will be due on 7 July 2023
The debenture and accrued interest thereof in the total amount of HK\$10,300,000 due to Liu Yingxia in 2017	The interest was due on 16 November 2017 and the principal will be due on 16 November 2022
The debenture and accrued interest thereof in the total amount of HK\$10,600,000 due to Huang Huizhen in 2017	The interest was due on 2 April 2017 and the principal will be due on 2 October 2022
The debenture and accrued interest thereof in the total amount of HK\$9,989,882 due to Sun Quanhong on 23 April 2018	The interest was due on 30 November 2017 and the principal will be due on 30 November 2020

Description of the indebtedness	Original maturity date and extended maturity date
The debenture and accrued interest thereof in the total amount of HK\$1,210,000 due to Yuen Hongqin in 2017	The principal was due on 17 April 2017
The debenture and accrued interest thereof in the total amount of HK\$8,026,109 due to Wei Xiaofeng on 4 April 2018	The interest was due on 25 June 2017 and the principal will be due on 25 June 2022
The convertible bond and cash consideration payable due to Ample Gold International Limited in 2015 and 2013 respectively, and the accrued interest thereof up to 27 March 2018, in the total amount of approximately HK\$52,751,000	The convertible bond was due on 31 December 2015 and the cash consideration was due on 22 July 2013
The bond and accrued interest thereof in the total amount of approximately HK\$264,971,000 due to PC Securities Limited in August 2017 and July 2017	The principal was due on 3 August 2017, 20 August 2017 and 1 October 2017 respectively, and the extended maturity date was 30 June 2018.
The debenture and accrued interest thereof in the total amount of approximately HK\$10,853,000 due to Chen Guoji in 2017	The interest was due on 16 February 2018 and the principal will be due on 16 February 2023
The debenture and accrued interest thereof in the total amount of approximately HK\$10,861,000 due to Chen Wujie in 2017	The interest was due on 11 February 2018 and the principal will be due on 11 February 2023
The debenture and accrued interest thereof in the total amount of HK\$10,800,000 due to Ling Jing in 2017	The interest was due on 25 August 2017 and the principal will be due on 25 February 2023

Description of the indebtedness	Original maturity date and extended maturity date
The debenture and accrued interest thereof in the total amount of HK\$6,480,000 due to Zhang Wenji in 2017	The interest was due on 20 August 2017 and the principal will be due on 20 August 2023
The debenture and accrued interest thereof in the total amount of HK\$8,120,000 due to Zhang Zhi Lai in 2017	The interest was due on 1 June 2017 and the principal will be due on 1 June 2023
The debenture and accrued interest thereof in the total amount of HK\$5,800,000 due to Li Juan in 2017	The interest was due on 6 July 2017 and the principal will be due on 6 July 2023
The debenture and accrued interest thereof in the total amount of HK\$3,240,000 due to Kong Yanhong in 2017	The interest was due on 24 November 2017 and the principal will be due on 24 November 2023
The debenture and accrued interest thereof in the total amount of approximately HK\$1,567,000 due to Liao Jing in 2018	The principal was due on 26 January 2018
The debenture and accrued interest thereof in the total amount of approximately HK\$3,425,000 due to Sun Guangyue in 2017	The interest was due on 11 May 2017 and the principal will be due on 11 May 2019
The debenture and accrued interest thereof in the total amount of approximately HK\$11,315,000 due to Xu Jinghong in 2017	The interest was due on 13 July 2017 and the principal will be due on 13 July 2023
Total overdue indebtedness as disclosed in the announcement dated 8 October 2018 amounted to approximately HK\$946 million (including the AEV debt which is not verified by the Company). The overdue indebtedness has not / would not lead to a cross default of the Company's other outstanding liabilities.	

The Company will also keep its shareholders and investors informed of any significant development of the petitions as and when appropriate.

Shareholders and potential investors should accordingly exercise caution when dealing in the securities of the Company.

By order of the Board
Blockchain Group Company Limited
Cai Yangbo
Executive Director

Hong Kong, 23 October 2018

As at the date of this announcement, the executive Directors are Mr. Cai Zhenrong, Mr. Cai Zhenyao, Mr. Cai Zhenying, Mr. Cai Yangbo, Mr. Choi Wing Toon and Mr. Chen Wenfang. The independent non-executive Directors are Mr. Lawrence Gonzaga, Mr. Wang Qidong, Mr. Tham Wan Loong, Jerome, Dr. Li Mow Ming Sonny and Mr. Chong Hetao.