

# MADISON

— G R O U P —

## Madison Holdings Group Limited

(Incorporated in the Cayman Islands with limited liability)

STOCK CODE: 8057



► 2018  
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 “Directors”) 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 purposes 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	10
Management Discussion and Analysis	23
Other Information	32

## CORPORATE INFORMATION

### Directors

#### **Executive Directors**

Mr. Ting Pang Wan Raymond  
(Chairman)

Mr. Zhu Qin (Deputy Chairman)

Mr. Teoh Ronnie Chee Keong  
(Chief executive officer)  
(resigned on  
11 December 2018)

Mr. Zhou, Francis Bingrong  
(Chief executive officer)  
(appointed on 7 January 2019)

Ms. Kuo Kwan

Mr. Xiong Hu  
(resigned on 24 October 2018)

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

Ms. Fan Wei  
Mr. Chu Kin Wang Peleus  
Mr. Ip Cho Yin, J.P.

#### **Audit Committee**

Mr. Chu Kin Wang Peleus  
(Chairman)  
Ms. Fan Wei  
Mr. Ip Cho Yin, J.P.

#### **Nomination and Corporate Governance Committee**

Mr. Ting Pang Wan Raymond  
(Chairman)  
Ms. Fan Wei  
Mr. Chu Kin Wang Peleus  
Mr. Ip Cho Yin, J.P.

### Remuneration Committee

Ms. Fan Wei (Chairlady)  
Mr. Ting Pang Wan Raymond  
Mr. Chu Kin Wang Peleus  
Mr. Ip Cho Yin, J.P.

### Company Secretary

Ms. Tse Ka Yan

### Compliance Officer

Mr. Zhu Qin

### Authorised Representatives

Mr. Ting Pang Wan Raymond  
Ms. Tse Ka Yan

### Auditor

SHINEWING (HK) CPA Limited  
Certified Public Accountants  
43/F., Lee Garden One  
33 Hysan Avenue  
Causeway Bay, Hong Kong

### Registered Office

Cricket Square, Hutchins Drive  
P.O. Box 2681, Grand Cayman  
KY1-1111, Cayman Islands

### **Principal Place of Business in Hong Kong**

Flat A & B, 10/F  
North Point Industrial Building  
499 King's Road, North Point,  
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 22, Hopewell Centre  
183 Queen's Road East,  
Hong Kong

### **Principal Bankers**

The Hongkong and Shanghai  
Banking Corporation Limited  
HSBC Main Building  
1 Queen's Road Central  
Hong Kong

China Construction Bank (Asia)  
Corporation Limited  
139 Hennessy Road, Wan Chai  
Hong Kong

### **Company's Website**

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

### **Stock Code**

08057

## FINANCIAL HIGHLIGHTS

- the Group recorded a revenue of approximately HK\$122.0 million for the nine months ended 31 December 2018 (nine months ended 31 December 2017: HK\$140.1 million (restated)), representing a decrease of approximately 12.9% as compared with the corresponding period in 2017;
- loss attributable to the owners of the Company for the nine months ended 31 December 2018 increased significantly which amounted to approximately HK\$177.3 million (nine months ended 31 December 2017: HK\$144.0 million); and
- the Directors do not recommend the payment of any dividend for the nine months ended 31 December 2018 (nine months ended 31 December 2017: nil).

The board (the “Board”) of Directors of the Company (together with its subsidiaries, the “Group”) is pleased to present the unaudited condensed consolidated results of the Group for the nine months ended 31 December 2018, together with the comparative unaudited figures for the corresponding period in 2017, as follows:

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

FOR THE THREE MONTHS AND NINE MONTHS ENDED  
31 DECEMBER 2018

	NOTES	Three months ended 31 December		Nine months ended 31 December	
		2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited and restated)	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited and restated)
Revenue	4	42,998	44,278	122,003	140,116
Cost of sales		(18,209)	(29,395)	(70,600)	(95,431)
Gross profit		24,789	14,883	51,403	44,685
Other income	5	3,342	679	5,142	1,507
Selling and distribution expenses		(4,130)	(3,959)	(12,328)	(12,535)
Net trading (loss) gain		(30,756)	2,238	(34,206)	2,184
Administrative and other operating expenses		(101,850)	(15,165)	(169,879)	(41,658)
Share of results of associates		(47)	-	(72)	-
Change in fair value of derivative financial instrument		-	-	(1,119)	-
Change in fair value of crypto currencies		(5,206)	-	(6,413)	-
Change in fair value of exchangeable bonds		-	-	(11,727)	(151,064)
Impairment loss on goodwill		-	-	(3,492)	-
Deemed loss on disposal of an associate		-	-	(69)	-
Finance cost	6	(8,759)	(2,707)	(21,230)	(6,009)
Loss before tax		(122,617)	(4,031)	(203,990)	(162,890)
Income tax credit	7	-	125	231	335
Loss for the period	8	(122,617)	(3,906)	(203,759)	(162,555)

	NOTES	Three months ended 31 December		Nine months ended 31 December	
		2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited and restated)	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited and restated)
(Loss) profit for the period attributable to:					
Owners of the Company		(104,167)	(3,969)	(177,281)	(144,049)
Non-controlling interests		(18,450)	63	(26,478)	(18,506)
		(122,617)	(3,906)	(203,759)	(162,555)
Loss per share (HK cents)					
Basic and diluted	10	(2.43)	(0.10)	(4.24)	(3.60)
Loss for the period		(122,617)	(3,906)	(203,759)	(162,555)
<b>Other comprehensive (expense) income</b>					
<b>Item that may be reclassified subsequently to profit or loss:</b>					
Exchange differences arising on translation of foreign operations		(234)	-	74	-
Total comprehensive expense for the period		(122,851)	(3,906)	(203,685)	(162,555)
Total comprehensive (expense) income for the period attributable to:					
Owners of the company		(104,261)	(3,969)	(177,216)	(144,049)
Non-controlling interests		(18,590)	63	(26,469)	(18,506)
		(122,851)	(3,906)	(203,685)	(162,555)

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE NINE MONTHS ENDED 31 DECEMBER 2018

	Attributable to owners of the Company											
	Share capital HK\$'000	Share premium HK\$'000	Other reserve HK\$'000 (Note a)	Capital reserve HK\$'000 (Note b)	Merger reserve HK\$'000 (Note c)	Share options reserve HK\$'000	Convertible bonds – equity conversion reserve HK\$'000	Translation reserve HK\$'000	Retained earnings (Accumulated losses) HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
At 1 April 2017, as originally stated (audited)	4,000	65,376	29,047	34,660	1,837	11,376	-	-	2,424	148,720	5,503	154,223
Effect of adopting merger accounting for common control combination	-	-	-	-	-	-	-	-	(6,854)	(6,854)	(6,651)	(15,505)
At 1 April 2017, as restated (unaudited)	4,000	65,376	29,047	34,660	1,837	11,376	-	-	(4,430)	141,866	(3,148)	138,718
Losses for the period and total comprehensive expense for the period (restated)	-	-	-	-	-	-	-	-	(144,049)	(144,049)	(18,506)	(162,555)
Consideration paid for acquisition of a subsidiary under common control combination	-	-	-	-	(10,947)	-	-	-	-	(10,947)	-	(10,947)
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	-	6,766	6,766
Issue of convertible bonds	-	-	-	-	-	-	178,862	-	-	178,862	5,150	184,012
At 31 December 2017, as restated (unaudited)	4,000	65,376	29,047	34,660	(8,110)	11,376	178,862	-	(148,479)	165,732	(9,738)	155,994
At 1 April 2018, as originally stated (audited)	4,000	65,376	29,047	14,516	(8,110)	11,376	174,782	-	(135,940)	154,047	(6,483)	147,564
Effect of adopting merger accounting for common control combination	-	-	-	-	-	-	4,080	-	(2,608)	1,472	1,366	2,838
At 1 April 2018, as restated (unaudited)	4,000	65,376	29,047	14,516	(8,110)	11,376	178,862	-	(138,548)	155,519	(5,117)	150,402
Loss for the period	-	-	-	-	-	-	-	-	(177,281)	(177,281)	(26,478)	(203,759)
Other comprehensive income for the period – Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	-	65	-	65	9	74
Loss for the period and total comprehensive income (expense) for the period	-	-	-	-	-	-	-	65	(177,281)	(177,216)	(26,469)	(203,685)
Acquisition of subsidiaries	213	347,389	-	-	-	-	-	-	-	347,602	(1,267)	346,335
Acquisition of additional interest in subsidiaries	-	-	-	(11,002)	-	-	-	-	-	(11,002)	2,602	(8,400)
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 bond as consideration paid for acquisition of subsidiaries under common control combination	-	-	-	-	(64,403)	-	-	-	-	(64,403)	(7,685)	(72,088)
Capital injection from the ex-shareholder of a subsidiary which adopt merger accounting for common control combination	-	-	-	-	33,364	-	-	-	-	33,364	42,849	76,213
At 31 December 2018 (unaudited)	4,283	530,435	29,047	3,514	(40,149)	81,849	178,862	65	(315,829)	472,077	4,913	476,990

*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, CVP Financial Holdings Limited ("CVP Financial"), without loss of control and the deemed acquisition of additional interest in CVP Financial. 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.
- (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.

## **NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

*FOR THE NINE MONTHS ENDED 31 DECEMBER 2018*

### **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. The shares of the Company have been listed on GEM of 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 Flat A & B, 10/F, North Point Industrial Building, 499 King's Road, North Point, 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 and cryptocurrency mining business and the provision of auction of alcoholic beverages business.

The functional currency of the Company and the subsidiaries incorporated in Hong Kong is Hong Kong dollars ("HK\$") while the functional currencies of the subsidiaries established in the People's Republic of China (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**

The unaudited condensed consolidated financial statements of the Group for the nine months ended 31 December 2018 have been prepared in accordance with the applicable disclosure provisions of Chapter 18 of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange.

## **2. BASIS OF PREPARATION** *(Cont'd)*

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

As disclosed in note 12, a business combination under common control was effected during the current period. The unaudited 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 unaudited condensed consolidated statement of profit or loss and other comprehensive income includes 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 unaudited condensed consolidated financial statements are 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. The impact on the Group arising from the common control combinations is disclosed in note 12 of this unaudited condensed consolidated financial statements.

## **3. SIGNIFICANT ACCOUNTING POLICIES**

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

The accounting policies used in the preparation of these unaudited condensed consolidated financial statements for the nine months ended 31 December 2018 are consistent with those followed in the preparation of the Group's interim condensed consolidated financial statements for the six months ended 30 September 2018.

### 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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 2018. 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

#### Revenue

Revenue represents the fair value of the consideration received or receivable for goods sold and services provided by the Group to outside customers less discounts.

#### 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. Auction of alcoholic beverages – auction of wine and other alcoholic beverages
3. Financial services – provision of corporate finance activities and asset management and advisory services
4. Blockchain services – provision of blockchain services and cryptocurrency mining business in Asia and Europe

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

##### Segment Information (Cont'd)

##### (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 31 December		Nine months ended 31 December	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited and restated)	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited and restated)
<b>Revenue</b>				
Sales of alcoholic beverages	24,041	36,680	92,136	118,352
Auction of alcoholic beverages	3,227	-	3,227	-
Financial services	3,134	7,598	10,919	21,764
Blockchain services	12,596	-	15,721	-
	<b>42,998</b>	<b>44,278</b>	<b>122,003</b>	<b>140,116</b>
<b>Segment (loss) profit</b>				
Sales of alcoholic beverages	(1,662)	(537)	(1,288)	(3,355)
Auction of alcoholic beverages	589	-	(322)	-
Financial services	(1,535)	(707)	(6,854)	1,016
Blockchain services	(8,139)	-	(17,806)	-
	<b>(10,747)</b>	<b>(1,244)</b>	<b>(26,270)</b>	<b>(2,339)</b>
Unallocated income	2,434	2,817	3,134	3,407
Unallocated expenses	(105,545)	(2,897)	(159,624)	(157,949)
Finance costs	(8,759)	(2,707)	(21,230)	(6,009)
Loss before tax	<b>(122,617)</b>	<b>(4,031)</b>	<b>(203,990)</b>	<b>(162,890)</b>

Segment (loss) profit represents the loss from by each segment without allocation of central administration costs, directors' salaries, net trading loss, share of results of associates, change in fair value of derivative financial instrument, change in fair value of exchangeable bonds, impairment loss on goodwill, deemed loss on disposal of associate and certain other revenue and finance costs.

**4. REVENUE AND SEGMENT INFORMATION** *(Cont'd)*
**Segment Information** *(Cont'd)*
**(b) Geographical information**

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

	Three months ended 31 December		Nine months ended 31 December	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited and restated)	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited and restated)
Hong Kong	30,402	44,278	106,282	140,116
The PRC	2,526	–	5,651	–
Europe	10,070	–	10,070	–
	<b>42,998</b>	44,278	<b>122,003</b>	140,116

**5. OTHER INCOME**

	Three months ended 31 December		Nine months ended 31 December	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited and restated)	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited and restated)
Bank interest income	14	95	172	98
Claim and compensation income	2,373	–	2,373	–
Consignment income	163	46	623	284
Promotion income	342	38	655	98
Recoveries on impaired losses on trade receivables previously written off	–	9	–	40
Government grant	448	–	1,088	–
Others	2	491	231	987
	<b>3,342</b>	679	<b>5,142</b>	1,507

**6. FINANCE COSTS**

	Three months ended 31 December		Nine months ended 31 December	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited and restated)	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited and restated)
Interests on:				
Convertible bonds	3,436	2,453	10,077	5,589
Other borrowings	5,044	-	10,335	-
Promissory note payable	279	254	818	420
	<b>8,759</b>	<b>2,707</b>	<b>21,230</b>	<b>6,009</b>

**7. INCOME TAX CREDIT**

	Three months ended 31 December		Nine months ended 31 December	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited and restated)	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited and restated)
Current tax:				
Hong Kong Profits Tax	-	51	-	120
Deferred taxation	-	(176)	(231)	(455)
	<b>-</b>	<b>(125)</b>	<b>(231)</b>	<b>(335)</b>

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

No provision for PRC Enterprise Income Tax, Gibraltar Corporate Tax and Sweden Income Tax have been made as the Group did not have any assessable profits subject to PRC Enterprise Income Tax, Gibraltar Corporate Tax and Sweden Income Tax respectively for the nine months ended 31 December 2018.

**8. LOSS FOR THE PERIOD**

	Three months ended 31 December		Nine months ended 31 December	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited and restated)	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited and restated)
Loss for the period has been arrived at after charging (crediting):				
Staff costs, including directors' remuneration				
Salaries, sales commissions, allowances and other benefits	11,086	7,795	30,071	21,367
Contributions to retirement benefits scheme	228	209	762	579
	<b>11,314</b>	8,004	<b>30,833</b>	21,946
Cost of inventories recognized as expense	18,209	29,312	70,600	95,284
Depreciation of plant and equipment	11,732	1,198	17,691	3,894
Equity-settled share-based payment expenses	51,335	-	70,473	-
Realised loss (gain) on disposal of held-for-trading financial assets - listed equity securities	-	-	1,026	(1,659)
Unrealised loss (gain) on change in fair value of held-for-trading financial assets - listed equity securities	30,756	2,238	33,180	(525)
Net exchange (gain) loss	(39)	51	552	255
Minimum lease payments under operating leases in respect of office premises, warehouses and shop	2,730	4,047	8,847	9,769

**9. DIVIDEND**

No dividend was paid, declared or proposed during the period. The Directors do not recommend the payment of any dividend for the nine months ended 31 December 2018 (nine months ended 31 December 2017: nil).

**10. 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	
	2018 <i>HK\$'000</i> <b>(unaudited)</b>	2017 <i>HK\$'000</i> (unaudited and restated)	2018 <i>HK\$'000</i> <b>(unaudited)</b>	2017 <i>HK\$'000</i> (unaudited and restated)
<b>Loss</b>				
Loss for the purpose of basic and diluted loss per share for the period attributable to the owners of the Company	<b>(104,167)</b>	(3,969)	<b>(177,281)</b>	(144,049)
<b>Number of shares</b>				
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<b>4,283,308,717</b>	4,000,000,000	<b>4,184,341,202</b>	4,000,000,000

Diluted loss per share is equal to the basic loss per share for the three months and nine months ended 31 December 2018, as the effect of the Company's outstanding share options and outstanding convertible bonds would result in a decrease in loss per share for the three months and nine months ended 31 December 2018.

Diluted loss per share is equal to the basic loss per share for the three months and nine months ended 31 December 2017, as the effect of the Company's outstanding share options would result in a decrease in loss per share for the three months and nine months ended 31 December 2017.

## 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:

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 Shares
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 (each a “Share”) of HK\$0.001 each in the share capital of the Company at exercise price of HK\$1.89 each per Share subject to acceptance of the grantees, under the Share Option Scheme adopted by the Company on 21 September 2015 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.

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

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 each per Share subject to acceptance of the grantees, under the Share Option Scheme adopted by the Company on 21 September 2015 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 of HK\$0.001 each in the share capital of the Company at exercise price of HK\$1.04 each per Share subject to acceptance of the grantee, under the Share Option Scheme adopted by the Company on 21 September 2015 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.

As at 31 December 2018, the number of Shares in respect of which options had been granted and remained outstanding under the Share Option Scheme was 484,100,000 (31 March 2018: 181,000,000), representing 11.30% (31 March 2018: 4.53%) of the ordinary shares in issue on that date.

The fair values of the share options granted on 3 April 2018 were calculated using the Binomial model. The inputs into the modal were as follows:

**3 April 2018**

Weighted average share price	HK\$1.89
Weighted average exercise price	HK\$1.89
Expected volatility	75.216%
Expected life	10 years
Risk-free rate	1.898%
Expected dividend yield	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\$70,473,000 (nine months ended 31 December 2017: nil) were recognised by the Group for the nine months ended 31 December 2018 in relation to share options granted by the Company.

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

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 2018	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 June 2025	HK\$0.80
Consultants	17 December 2015	160,000,000	17 December 2015 to 16 June 2016	17 June 2016 to 16 June 2025	HK\$0.80
Directors	3 April 2018	7,900,000	3 April 2018 to 31 December 2018	1 January 2019 to 2 April 2028	HK\$1.89
Employees	3 April 2018	15,600,000	3 April 2018 to 31 December 2018	1 January 2019 to 2 April 2028	HK\$1.89
Consultants	3 April 2018	189,600,000	3 April 2018 to 31 December 2018	1 January 2019 to 2 April 2028	HK\$1.89
Consultants	13 December 2018	48,000,000	<i>Note 1</i>	<i>Note 1</i>	HK\$1.12
Consultant	14 December 2018	42,000,000	<i>Note 1</i>	<i>Note 1</i>	HK\$1.04

  

Category of participant	Outstanding at 1 April 2017, 31 March 2018 and 1 April 2018	Granted during the period	Exercised/ Cancelled/ Lapsed during the period	Outstanding at 31 December 2018
Directors ( <i>Note 2</i> )	–	12,900,000	(5,000,000)	7,900,000
Employees	–	16,000,000	(400,000)	15,600,000
Shareholders	21,000,000	–	–	21,000,000
Consultants	160,000,000	280,100,000	(500,000)	439,600,000
	181,000,000	309,000,000	(5,900,000)	484,100,000

  

Weighted average exercise price (HK\$)	0.80	1.65	1.89	1.33

**Note:**

1. The vesting period and the exercise period for the 2018 Second Options and 2018 Third Options shall be the later of the following dates: –
  - a. 1 July 2019; or
  - b. the date of the announcement by the Company of the completion of CVP FG Acquisition or the date of the announcement by the Company of the completion of SRA Acquisition and the completion of Hackett Acquisitions (as the case may be), in each case as further described in the announcement of the Company dated 20 November 2018; or
  - c. if the completion of CVP FG Acquisition does not proceed (in which case the completion of SRA Acquisition will also not proceed as well), the date of the announcement of the termination of the Hackett Agreements.

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

Note: (Cont'd)

2. Mr. Teoh Ronnie Chee Keong ("Mr. Teoh") was resigned as an executive Director of the Company with effect from 11 December 2018. The share options granted to Mr. Teoh lapsed during the nine months ended 31 December 2018 pursuant to the Share Option Scheme.

**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% equity interest in Bartha International Limited ("Bartha International"). Upon completion of the exercise, Mr. Ting is the ultimate shareholder of Bartha International. The Group adopts merger accounting for this common control combination.

The effects of the application of merger accounting for business combinations under common control occurred during the nine months ended 31 December 2018 on the Group's results for the three months and nine months ended 31 December 2017 are summarised as follows:

**For the three months ended 31 December 2017**

	As originally stated HK\$'000	Bartha International HK\$'000	Adjustment HK\$'000	As restated HK\$'000
Revenue	41,681	2,597	-	44,278
Loss before tax	(2,896)	(1,135)	-	(4,031)
Income tax credit	102	23	-	125
Loss for the period and total comprehensive expense for the period	(2,794)	(1,112)	-	(3,906)
(Loss) profit for the period and total comprehensive (expense) income for the period attributable to:				
Owners of the Company	(3,475)	(1,112)	618	(3,969)
Non-controlling interests	681	-	(618)	63
	(2,794)	(1,112)	-	(3,906)

**12. BUSINESS COMBINATION UNDER COMMON CONTROL AND RESTATEMENTS**

*(Cont'd)*

**For the nine months ended 31 December 2017**

	<b>As originally stated</b>	<b>Bartha International</b>	<b>Adjustment</b>	<b>As restated</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	125,203	14,913	-	140,116
(Loss) profit before tax	(165,655)	2,765	-	(162,890)
Income tax credit	264	71	-	335
(Loss) profit for the period and total comprehensive (expense) income for the period	(165,391)	2,836	-	(162,555)
(Loss) profit for the period and total comprehensive (expense) income for the period attributable to:				
Owners of the Company	(145,302)	2,836	(1,583)	(144,049)
Non-controlling interests	(20,089)	-	1,583	(18,506)
	(165,391)	2,836	-	(162,555)

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

During the reporting period, the Group is 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; (iii) the provision of financial services (the “Financial Services Business”); and (iv) the provision of blockchain services and cryptocurrency mining business in Asia and Europe (the “Blockchain Services Business”). During the nine months ended 31 December 2018, revenue of the Group decreased by approximately 12.9% from approximately HK\$140.1 million (restated) to approximately HK\$122.0 million for the nine months ended 31 December 2017 and 2018 respectively. The revenue was mainly comprised of (i) the sales of alcoholic beverages, which contributed approximately HK\$92.1 million; (ii) the provision of wine auction business which contributed approximately HK\$3.2 million; (iii) the Financial Services Business which contributed approximately HK\$10.9 million; and (iv) the Blockchain Services Business which contributed approximately HK\$15.7 million.

### Financial Review

#### *Revenue*

Revenue of the Group decreased by approximately 12.9% from approximately HK\$140.1 million (restated) to approximately HK\$122.0 million for the nine months ended 31 December 2017 and 2018 respectively. The decrease in revenue was mainly the result of (i) the decrease in sales of alcoholic beverages which was affected by the highly competitive environment in the industry; and (ii) the decrease in the placing commission income in the Financial Services Business.

### ***Gross Profit and Gross Profit Margin***

For the nine months ended 31 December 2017 and 2018 respectively, (i) gross profit of the Group increased by approximately 15.0% from approximately HK\$44.7 million (restated) to approximately HK\$51.4 million; and (ii) gross profit margin of the Group increased from 31.9% to 42.1%, respectively, which was mainly due to the provision of the Financial Services Business, the Blockchain Services Business and the wine auction business which did not incur cost of sales during the nine months ended 31 December 2018.

### ***Other Income***

Other income of the Group increased by approximately 240.0% from approximately HK\$1.5 million (restated) to approximately HK\$5.1 million for the nine months ended 31 December 2017 and 2018 respectively. The increase was mainly due to (i) the increase in government grant; and (ii) the increase in claim and compensation income.

### ***Selling and Distribution Expenses***

Selling and distribution expenses of the Group decreased by approximately 1.6% from approximately HK\$12.5 million to approximately HK\$12.3 million for the nine months ended 31 December 2017 and 2018 respectively. The decrease was mainly due to the decrease in the rental expenses.

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

Administrative and other operating expenses of the Group increased significantly from approximately HK\$41.7 million (restated) to approximately HK\$169.9 million for the nine months ended 31 December 2017 and 2018 respectively. The increase was mainly due to (i) the recognition of equity-settled share-based payment expenses for the share options granted of approximately HK\$70.5 million; (ii) the increase in the operating expenses including the depreciation, electricity and consulting fee from the new blockchain services approximately HK\$38.2 million; (iii) the increase in the staff costs of approximately HK\$8.9 million for the management and administrative staff; (iv) the increase in the professional fee of approximately HK\$4.0 million; and (v) the increase in other administrative expenses and other operating expenses of approximately HK\$6.6 million incurred by the Group with the increase in number of staff and business development.

### ***Finance Costs***

Finance costs mainly comprised (i) effective interest expense on convertible bonds and promissory notes; and (ii) interest due on other borrowings. The Group's finance costs increased by approximately 253.3% from HK\$6.0 million (restated) to HK\$21.2 million for the nine months ended 31 December 2017 and 2018 respectively. The significant increase in the finance costs was mainly due to the increase in the other borrowings during the nine months ended 31 December 2018.

### ***Impairment Loss on Goodwill***

A goodwill of approximately HK\$3.5 million has been recognized upon the completion of acquisition of High Performance Computing Nordic AB ("HPC Nordic"). The impairment loss recognized on goodwill of approximately HK\$3.5 million arose for the nine months ended 31 December 2018 due to the fluctuations of the price of crypto currencies.

### ***Income Tax Credit***

Income tax credit of the Group decreased from approximately HK\$335,000 (restated) to approximately HK\$231,000 for the nine months ended 31 December 2017 and 2018 respectively. The decrease was due to the increase in loss before tax and decrease in deferred tax asset arising from temporary timing difference.

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

Loss for the period attributable to owners of the Company increased significantly from approximately HK\$144.0 million (restated) to approximately HK\$177.3 million for the nine months ended 31 December 2017 and 2018 respectively. The increase was mainly due to the increase in equity-settled share-based payment expenses for the share options granted and the increase in administrative expenses.

### **Dividend**

The Directors do not recommend the payment of any dividend for the nine months ended 31 December 2018 (nine months ended 31 December 2017: nil).

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

As at 31 December 2018, the Group held shares in namely (i) Tencent Holdings Limited (Hong Kong Stock Code: 700); (ii) AAC Technologies Holdings Inc. (Hong Kong Stock Code: 2018); (iii) Remixpoint Inc. (Japan Stock Code: 3825); and (iv) TOMO Holdings Limited (Hong Kong Stock Code: 8463) with the total amount of approximately HK\$27.9 million.

### Significant investments

a) Details of significant held-for-trading financial assets:

Name of investments	Notes	Fair value as at 31 December 2018 HK\$'000	% to the total assets of the Group	% to the interest in the respective investments as at 31 December 2018	Gain/(loss) on disposal/ redemption HK\$'000
China New City Commercial Development Limited (1321) ("CCC")	(i)	-	N/A	N/A	(1,026)
Tencent Holdings Limited (700) ("THL")	(ii)	314	0.03%	0.00%	-
AAC Technologies Holdings Inc. (2018) ("AAC")	(iii)	228	0.02%	0.00%	-
Remixpoint Inc. (Japan 3825) ("REM")	(iv)	22,834	1.95%	1.41%	-
TOMO Holdings Limited (8463) ("TWD")	(v)	4,533	0.39%	1.06%	-
		27,909			(1,026)

#### Notes:

- (i) CCC and its subsidiaries are principally engaged in commercial development, leasing and hotel operations. In view of the trend of the share price of CCC, the Group disposed of its entire shareholding in CCC and recorded a realised loss of approximately HK\$1,026,000 during the period.

- (ii) 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 People’s Republic of China. During the nine months ended 31 December 2018, the Group has recorded an unrealized fair value loss of approximately HK\$95,000 for the investment in the shares of THL. From the interim report of THL for the six months ended 30 June 2018, the THL Group recorded revenue and net profit of approximately RMB147,203 million and RMB42,553 million respectively. From the 2018 third quarter results announcement for the three months ended 30 September 2018, the THL Group recorded revenue and net profit of approximately RMB80,595 million and RMB23,405 million respectively. The profit was driven primarily by payment related services, digital content subscriptions and sales, social and others advertising, and smart phone games.
  
- (iii) 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 2018, the Group recorded an unrealized fair value loss of approximately HK\$481,000 for the investment in the shares of AAC. During the nine months ended 30 September 2018, the AAC Group recorded revenue and net profit of RMB13.3 billion and RMB2.8 billion. The ACC Group believes that, in addition to the two existing core segments, Optics and Micro Electro-Mechanical Systems segments will also be important growth drivers for the ACC Group in the near future.
  
- (iv) The investment represented 802,900 shares. REM and its subsidiaries (“REM Group”) are principally engaged in the development and sale of energy management solutions, and energy-saving support consulting services and virtual currency trading platform business and hotel-related business in Japan. During the nine months ended 31 December 2018, the Group recorded an unrealized fair value loss of approximately HK\$33,411,000 for the investment in the shares of REM. During the six months ended 30 September 2018, REM Group recorded revenue and net income of approximately JPY7,532 million and JPY393 million.

- (v) The investment represented 4,772,000 shares. TWD and its subsidiaries (“TWD Group”) are principally engaged in the (i) design, manufacture, supply and installation of passenger vehicle leather upholstery; and (ii) supply and installation of vehicle electronic accessories in Singapore. During the nine months ended 31 December 2018, the Group has recorded an unrealized fair value gain of approximately HK\$807,000 for the investment in the shares of TWD. The TWD Group recorded revenue and net profits of approximately S\$13.2 million and S\$3.1 million during the nine months ended 30 September 2018.

As at the date of this report, the Group held the exchangeable bonds issued by Bartha Holdings Limited (“Bartha Holdings”), with the fair value of approximately HK\$63.3 million which conferring the holder thereof to exchange for 51% equity interest in Bartha International.

During the nine months ended 31 December 2018, the Group has made the following acquisitions:

- The acquisition of 49% equity interest in Bartha International by exercising the exchange rights under the exchangeable bonds in the principal amount of HK\$73,500,000 issued by Bartha Holdings.
- The acquisition of 51% equity interest in the issued capital of Diginex High Performance Computing Limited (“Diginex Acquisition”) for the total consideration of approximately HK\$426.1 million.
- The acquisition of 100% equity interest in the issued capital of HPC Nordic for the total consideration of USD1.75 million (equivalent to approximately HK\$13.7 million).
- The formation of a joint venture company, namely Madison Blockhouse Limited (“Madison Blockhouse”) which is owned as to 33.3% by The Blockhouse Technology Limited and as to 66.7% by Madison Blockchain Holdings Company Limited, a wholly-owned subsidiary of the Company. The initial capital contribution to Madison Blockhouse shall be USD2.0 million (equivalent to approximately HK\$15.6 million).

- During the period from 16 August 2018 to 3 September 2018, the Group acquired on-market a total of 802,900 shares in REM at the total cash consideration of approximately HK\$56.56 million.
- On 20 November 2018, the Company entered into two conditional sale and purchase agreements in respect of the acquisitions (the “Hackett Acquisitions”) of in aggregate 77% the entire issued share capital of Hackett Enterprises Limited (“Hackett”), of which the Company agreed to acquire 52% of the entire issued share capital of Hackett (the “CVP FG Acquisition”) from CVP Financial Group Limited (“CVP Financial Group”) for a consideration of HK\$462.8 million (the “CVP FG Agreement”) and 25% of the entire issued share capital of Hackett (the “SRA Acquisition”) from Software Research Associates, Inc. (“SRA”) for a consideration of HK\$222.5 million (the “SRA Agreement”). Hackett and its subsidiaries are principally engaged in the provision of loan financing and financial consultancy services in the People’s Republic of China and provision of money lending services in Hong Kong. Its major customers include individuals as well as small and medium enterprises.

CVP Financial Group is wholly-owned by Mr. Ting Pang Wan Raymond (“Mr. Ting”), who is a controlling Shareholder, the chairman of the Board and an executive Director, therefore CVP Financial Group is a connected person of the Company and the CVP FG Acquisition constitutes a connected transaction of the Company. Though SRA is an independent third party of the Company, given that CVP Financial Group, which is a controlling shareholder of Hackett, is a “controller” of the Company as defined under Rule 20.26 of the GEM Listing Rules, the SRA Acquisition also constitutes a connected transaction under Rule 20.26 of the GEM Listing Rules. The Hackett Acquisitions constituted major and connected transactions on the part of the Company. As at the date of this report, the Hackett Acquisitions have not yet completed.

- On 9 December 2018, Madison Lab Limited (“Madison Lab”), an indirectly wholly-owned subsidiary of the Company, has entered into a sale and purchase agreement with Mr. Pu Yan, Mr. Nan Ning, Mr. Daniel Kelman, Mr. Zhou Jiayu, Mr. Hashimoto Yoshikazu and Mr. Du Ping (collectively “BITOCEAN Vendors”) in relation to the acquisition of 67.2% of the total issued share capital of BITOCEAN Co., Ltd. by Madison Lab from BITOCEAN Vendors for the total consideration of JPY1,680,000,000 (equivalent to approximately HK\$115,852,800) (“BITOCEAN Acquisition”). Completion of the BITOCEAN Acquisition took place on 11 January 2019.

## Outlook and Prospects

The Group has recently expanded the Wine Business by offering wine auction business to customers. The inaugural wine auction of the Group was held in late 2018 with an online platform that customers can place bids on, followed by the live through video and real time sale from around the globe. The Directors believe that the Group can further strengthen the 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.

During the period under review, the Group has completed the acquisitions of cryptocurrency business, including but not limited to the Diginex Acquisition and BITOCEAN Acquisition. Through the Diginex Acquisition, the Group has built up its expertise in cryptocurrency mining while the BITOCEAN Acquisition allows the Group to participate in the virtual exchange services in Japan.

BITOCEAN is one of the 17 registered virtual currency exchange service providers currently registered with the Financial Services Agency of Japan. BITOCEAN is permitted to conduct virtual currency (mainly Bitcoin) exchange business through auto teller machines (the “ATM”) in Japan. Although the ATM currency trading platforms of BITOCEAN does not apply blockchain technology, the virtual currency being traded through ATMs is one of the applications of the blockchain technology. The Company has planned to expand the scope of business of BITOCEAN to cover the trading of multiple virtual currencies on online platform.

It is the business direction of the Company to choose a developed country where its regulatory system has been well-established and allows fair competition for operating virtual currency trading platform business. The Company believes that the BITOCEAN Acquisition would allow the Company to materialize its long-term goal of developing the Company's virtual currency trading platform business.

The Hackett Acquisitions, if materialized, will strengthen the Group's ability to potentially develop cryptocurrency related financing or leasing products. It will also further explore business development in both cryptocurrency mining and the Financial Services Business.

The Board believes that, with the acquisitions conducted during the nine months ended 31 December 2018, the Group shall broaden the source of income attributable to the Group as well as leverage the resources of the respective companies to apply the blockchain technology into the Wine Business, the Financial Services Business and cryptocurrency business. The Directors also consider that the development in cryptocurrency mining and HPC business development can also broaden the income stream of the Group, enhance the operation mechanism and strengthen the market position under the highly competitive environment.

## 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 2018, 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 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/ Conversion shares	Aggregate interests	Approximate percentage of the Company's issued Shares*
Mr. Ting Pang Wan Raymond ("Mr. Ting")	Interest in controlled corporations	2,486,916,727 (Notes 1, 2 and 4)	142,363,636 (Note 3)	2,629,280,363	61.38%
Mr. Zhu Qin	Beneficial owner	-	2,000,000 (Note 6)	2,000,000	0.05%
Ms. Kuo Kwan	Beneficial owner	-	5,000,000 (Note 6)	5,000,000	0.12%
Ms. Fan Wei	Beneficial owner	-	300,000 (Note 6)	300,000	0.01%
Mr. Chu Kin Wang Peleus	Beneficial owner	-	300,000 (Note 6)	300,000	0.01%
Mr. Ip Cho Yin, J.P.	Beneficial owner	-	300,000 (Note 6)	300,000	0.01%

*Notes:*

1. (i) Royal Spectrum Holding Company Limited (“Royal Spectrum”) is interested in 1,968,000,000 Shares. The entire issued share capital at Royal Spectrum is legally and beneficially owned as to 96.63% by Devoss Global Holdings Limited (“Devoss Global”) and 3.37% by Montrachet Holdings Ltd. (“Montrachet”). Devoss Global is deemed to be interested in the Shares held by Royal Spectrum under Part XV of the SFO. The entire issued share capital in Devoss Global is legally and beneficially owned by Mr. Ting. Mr. Ting is deemed to be interested in the Shares in which Devoss Global is interested in under Part XV of the SFO.
- (ii) Mr. Ting is also deemed to be interested in (a) 12,172,000 Shares held by Kaiser Capital Holdings Limited (“Kaiser Capital”) and (b) 1,872,000 Shares held by Highgrade Holding Limited (“Highgrade”); the entire issued share capital of Kaiser Capital and Highgrade are legally and beneficially owned by Mr. Ting, under Part XV of the SFO.
2. On 20 November 2018, CVP Financial Group entered into a CVP FG Agreement with the Company, pursuant to which CVP Financial Group agreed to sell 52% interest in Hackett to the Company at a total consideration of HK\$462.8 million and 60% of such consideration will be settled by the Company issuing 504,872,727 consideration shares (“CVP FG Consideration Shares”) to CVP Financial Group at an issue price of HK\$0.55 per consideration share. The consideration shares will be issued to CVP Financial Group at completion.
3. Details of the underlying shares are as follows:
  - 6,000,000 share options granted to Devoss Global on 17 December 2015; and
  - 136,363,636 conversion shares (“Conversion Shares”) of the Company under the convertible bonds of the Company issued to Bartha Holdings, a company owned as to 87.07% by CVP Holdings Limited (“CVP Holdings”), which, in turn, is wholly-owned by Mr. Ting, on 28 July 2017.
4. On 27 November 2017, 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.
- \* *The number of issued share of the Company as at 31 December 2018 is 4,283,308,717 shares.*

**(ii) Long Position in the Shares of Associated Corporations**

Name of associated corporations	Name of Director	Capacity/ Nature of interest	Number of shares interested	Approximate percentage of the shareholding In the associated corporation
Royal Spectrum <i>(Note)</i>	Mr. Ting	Interest in controlled corporation	9,663	96.63%
Devoss Global <i>(Note)</i>	Mr. Ting	Interest in controlled corporation	1,000	100%

*Note:* Royal Spectrum is legally and beneficially wholly-owned as to 96.63% by Devoss Global, which, in turn, is legally and beneficially owned by Mr. Ting, and 3.37% by Montrachet Holdings Ltd., a company wholly-owned by Mr. Zhu Huixin, the father of Mr. Zhu Qin, the executive Director.

Save as disclosed above, as at 31 December 2018, 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 2018, 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/ conversion shares	Aggregate interests	Approximate percentage of the Company's issued Shares*
Royal Spectrum	Beneficial owner	1 & 2	1,968,000,000	-	1,968,000,000	45.95%
Devoss Global	Interest in controlled corporation	1, 2 & 3	1,968,000,000	6,000,000	1,974,000,000	46.09%
CVP Financial Group	Beneficial owner	5	504,872,727	-	504,872,727	11.79%
Ms. Luu Huyen Bui ("Ms. Luu")	Interest of spouse	4 & 6	2,486,916,727	142,363,636	2,629,280,363	61.38%
SRA	Beneficial owner	7	447,045,454	-	447,045,454	10.44%
SRA Holdings, Inc. ("SRA Holdings")	Interest in controlled corporation	8	447,045,454	-	447,045,454	10.44%
Timebase Holdings Limited ("Timebase")	Beneficial owner	9	177,299,440	40,000,000	217,299,440	5.07%
Ms. Lu Mengjia ("Ms. Lu")	Interest in controlled corporation	9 & 10	177,299,440	45,000,000	222,299,440	5.19%

*Notes:*

1. The entire issued share capital in Royal Spectrum is legally and beneficially wholly-owned as to 96.63% by Devoss Global and 3.37% by 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 2017, 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. The underlying shares represent 6,000,000 share options granted to Devoss Global on 17 December 2015.
4. The convertible bonds in the principal amount of HK\$150,000,000 which entitle the holder thereof to convert into 136,363,636 Conversion Shares of the Company at the conversion price of HK\$1.1 per Conversion Share has been issued to Bartha Holdings on 28 July 2017 pursuant to the exchangeable bonds subscription agreement. Bartha Holdings is owned as to 87.07% by CVP Holdings, which, in turn, is wholly-owned by Mr. Ting. Mr. Ting is deemed to be interested in 136,363,636 Conversion Shares which Bartha Holdings is interested in under Part XV of the SFO.
5. Pursuant to the CVP FG Agreement dated 20 November 2018, the Company agreed to acquire 52% interest in Hackett from CVP Financial Group at a total consideration of HK\$462.8 million, of which 60% of the consideration will be settled by the Company by allotting and issuing 504,872,727 consideration shares to CVP Financial Group at an issue price of HK\$0.55 per consideration share. As at the date of this report, the CVP FG Agreement has not yet been completed.
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 pursuant to Part XV of the SFO.

7. Pursuant to the SRA Agreement dated 20 November 2018, the Company agreed to acquire 25% interest in Hackett from SRA at a total consideration of HK\$222.5 million, which will be settled by the Company by allotting and issuing 404,545,454 consideration shares to SRA at an issue price of HK\$0.55 per consideration share. As at the date of this report, the SRA Agreement has not yet been completed.
  8. 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.
  9. The underlying shares represent 40,000,000 share options granted to Timebase on 17 December 2015. The entire issued share capital in Timebase is legally and beneficially owned by Ms. Lu. Ms. Lu is deemed to be interested in the shares and underlying shares in which Timebase is interested in under Part XV of the SFO.
  10. The underlying shares of the Company represents 2,000,000 share options granted to Sharp Edge Ventures Limited (“Sharp Edge”) on 3 April 2018. Sharp Edge is legally and beneficially owned by Ms. Lu. Ms. Lu is deemed to be interested in the shares and underlying shares in which Sharp Edge is interested in under Part XV of the SFO.
- \* *The number of issued shares of the Company as at 31 December 2018 is 4,283,308,717 shares.*

Save as disclosed above, as at 31 December 2018, 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 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. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules. 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 were 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:

Date of grant	Immediately before the Share Subdivision becoming effective		Immediately after the Share Subdivision becoming effective	
	Number of Shares to be issued	Exercise price per Share	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.

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 (each a “Share”) of HK\$0.001 each in the share capital of the Company at exercise price of HK\$1.89 each per Share subject to acceptance of the grantees, under the Share Option Scheme adopted by the Company on 21 September 2015 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 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 of HK\$0.001 each in the share capital of the Company at exercise price of HK\$1.12 each per Share subject to acceptance of the grantees, under the Share Option Scheme adopted by the Company on 21 September 2015 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 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 of HK\$0.001 each in the share capital of the Company at exercise price of HK\$1.04 each per Share subject to acceptance of the grantee, under the Share Option Scheme adopted by the Company on 21 September 2015 and the payment of HK\$1.00 by the grantee upon acceptance of the 2018 Third Options. For details, please refer to the announcement dated 14 December 2018.

Details of movements of the share options granted under the Share Option Scheme during the nine months ended 31 December 2018 were as follows:

Category	Date of grant	Exercise period	Exercise price per share	Number of share options			
				As at 1 April 2018	Granted during the period	Exercised/Cancelled/Lapsed during the period	As at 31 December 2018
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. Zhu Qin	3 April 2018	1 January 2019 to 2 April 2028	HK\$1.89	-	2,000,000	-	2,000,000
Mr. Teoh Ronnie Chee Keong ("Mr. Teoh") (Note 6)	3 April 2018	1 January 2019 to 2 April 2028	HK\$1.89	-	5,000,000	5,000,000	0
Ms. Kuo Kwan	3 April 2018	1 January 2019 to 2 April 2028	HK\$1.89	-	5,000,000	-	5,000,000
Ms. Fan Wei	3 April 2018	1 January 2019 to 2 April 2028	HK\$1.89	-	300,000	-	300,000
Mr. Chu Kin Wang Peleus	3 April 2018	1 January 2019 to 2 April 2028	HK\$1.89	-	300,000	-	300,000
Mr. Ip Cho Yin, J.P.	3 April 2018	1 January 2019 to 2 April 2028	HK\$1.89	-	300,000	-	300,000
Consultants (Note 4)	17 December 2015	17 June 2016 to 16 December 2025	HK\$0.80 (Note 1)	160,000,000	-	-	160,000,000
	3 April 2018	1 January 2019 to 2 April 2028	HK\$1.89	-	190,100,000	500,000	189,600,000
	13 December 2018	Note 5	HK\$1.12	-	48,000,000	-	48,000,000
	14 December 2018	Note 5	HK\$1.04	-	42,000,000	-	42,000,000
Employees	3 April 2018	1 January 2019 to 2 April 2028	HK\$1.89	-	16,000,000	400,000	15,600,000
				181,000,000	309,000,000	5,900,000	484,100,000

*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 chairman and an executive Director and the controlling shareholder of Royal Spectrum, a substantial shareholder of the Company.
3. Montrachet, a company wholly-owned by Mr. Zhu Hui Xin, the father of Mr. Zhu Qin, and Montrachet is holding 2.7% shareholding interest in Royal Spectrum, as at 31 December 2016.
4. Consultants are corporations or individuals which render consultancy services to the Group.
5. Exercise period for the options granted on 13 December 2018 and 14 December 2018 shall be the later of the following dates:-
  - a. 1 July 2019; or
  - b. the date of the announcement by the Company of the completion of CVP FG Acquisition or the date of the announcement by the Company of the completion of SRA Acquisition and the completion of Hackett Acquisitions (as the case may be), in each case as further described in the announcement of the Company dated 20 November 2018; or
  - c. if the completion of CVP FG Acquisition does not proceed (in which case the completion of SRA Acquisition will also not proceed as well), the date of the announcement of the termination of the Hackett Agreements.
6. Mr. Teoh was resigned as an Executive Director of the Company with effect from 11 December 2018. The share options granted to Mr. Teoh lapsed during the year ended 31 December 2018 pursuant to the Share Option Scheme.

The Group recognised a total expenses of HK\$70,473,000 for the nine months ended 31 December 2018 (2017: nil) in relation to the share options granted by the Company.

## Change in Use of Proceeds from the Placing

The net proceeds of approximately HK\$116.76 million from the actual placing (the “Placing”) of 70,056,000 new Shares at the placing price of HK\$1.70 per new Shares pursuant to the placing agreement dated 12 April 2018 was originally intended to be used for funding of the acquisition of 20% equity interest in BITPoint Japan Company Limited (the “BITPoint Acquisition”). Since the BITPoint Acquisition has not been completed and was terminated on 2 August 2018, the Board has resolved to utilise approximately HK\$56.56 million from the net proceeds of the Placing for the acquisition of a total of 802,900 shares in REM. The balance of approximately HK\$60.20 million was utilised on the BITOCEAN Acquisition. As at the date of this report, all the use of proceeds from the Placing was fully utilised.

## Fulfillment of Profit Estimate

According to the consolidated financial statements of Bartha International, the audited consolidated profit attributable to owners of Bartha International for the year ended 31 March 2018 amounted to approximately HK\$9.1 million, which is higher than the profit estimate disclosed in the circular dated 28 February 2018. Details were disclosed in the announcement of the Company dated 8 October 2018.

## 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 2018.

## Directors’ Interests in Competing Business

As at 31 December 2018, Mr. Ting held approximately 9.57% in Value Convergence as a passive investor. Value Convergence Holdings Limited, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 821), is principally engaged in the provision of financial services, including (i) the brokerage and dealing of securities, futures and options, the provision of margin financing and money lending, and (iv) the provision of placing and underwriting services, corporate financial advisory services and asset management services mainly in China.

Save as disclosed above, none of the Directors of the Company 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.

## 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 2018.

## Corporate Governance Practices

The Company is committed to achieving high standards of corporate governance to safeguard the interests of the Shareholders and enhance 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.

Throughout the period from 1 April 2018 and up to the date of this report, to the best knowledge of the Board, the Company had complied with the code provisions in the CG Code.

## Audit Committee

The audit committee (the “Audit Committee”) of the Company 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 three members, namely Mr. Chu Kin Wang Peleus (chairman), Ms. Fan Wei and Mr. Ip Cho Yin, *J.P.*, all of whom 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 2018 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**  
**Ting Pang Wan Raymond**  
*Chairman & Executive Director*

Hong Kong, 11 February 2019

*As at the date of this report, the executive Directors are Mr. Ting Pang Wan Raymond, Mr. Zhu Qin, Mr. Zhou Francis Bingrong and Ms. Kuo Kwan; and the independent non-executive Directors are Ms. Fan Wei, Mr. Chu Kin Wang Peleus and Mr. Ip Cho Yin, J.P.*