

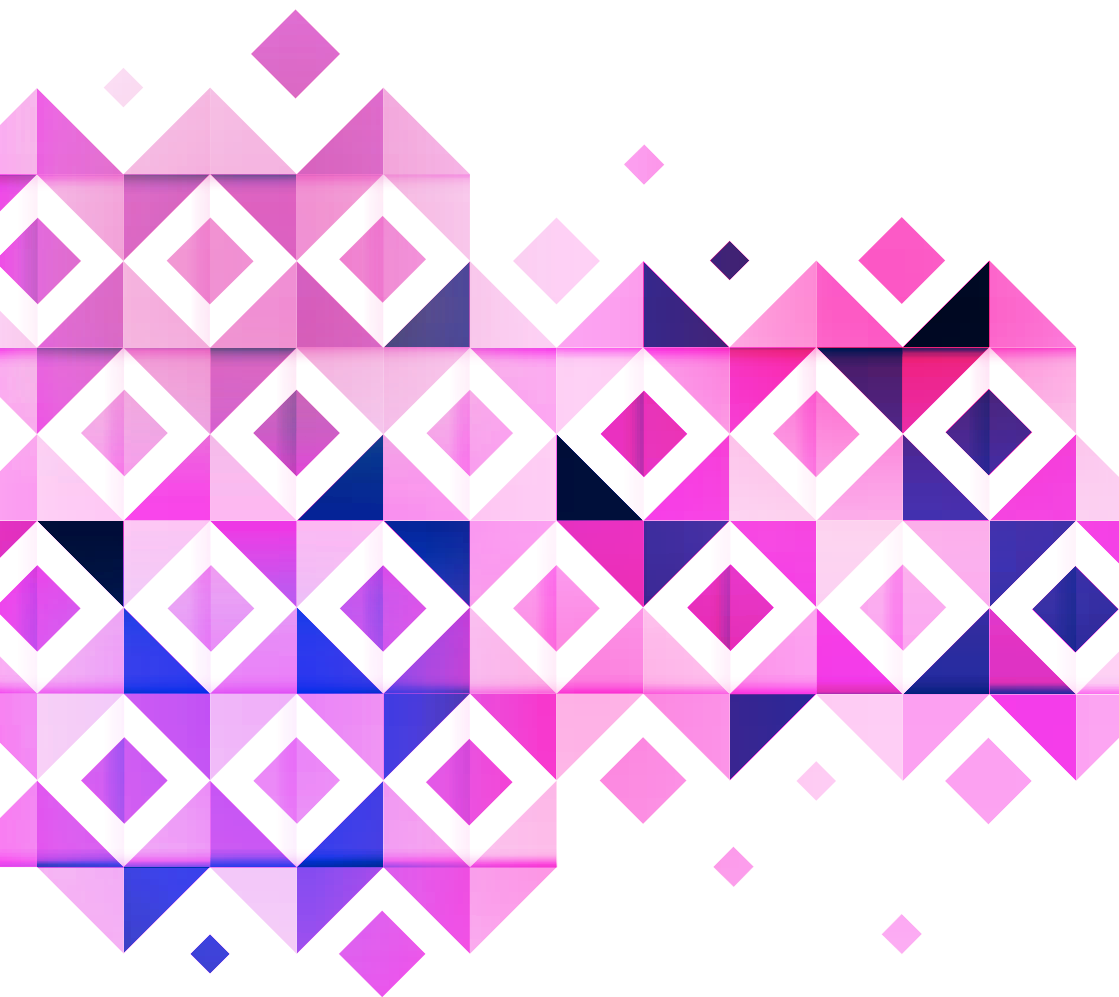


MADISON GROUP®

## Madison Holdings Group Limited

(Incorporated in the Cayman Islands with limited liability)

STOCK CODE: 8057



Third Quarterly  
Report  
2017

## **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

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**Given the emerging nature of companies listed on GEM, 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.**

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*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	22
Other Information	27

## CORPORATE INFORMATION

### Directors

#### **Executive Directors**

Mr. Ting Pang Wan Raymond  
*(Chairman)*  
Mr. Zhu Qin  
*(Deputy Chairman)*  
Mr. Teoh Ronnie Chee Keong  
*(Chief executive officer)*  
Ms. Kuo Kwan

#### **Independent non-executive Directors**

Ms. Fan Wei  
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

### Audit Committee

Mr. Chu Kin Wang Peleus  
*(Chairman)*  
Ms. Fan Wei  
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.*

### 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.*

### 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

### Independent Auditor

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

### **Compliance Adviser**

Innovax Capital Limited  
Room 2002, 20/F.  
Chinachem Century Tower  
178 Gloucester Road  
Wanchai, 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 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

### **Website**

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

### **Stock Code**

08057

## FINANCIAL HIGHLIGHTS

For the nine months ended 31 December 2017, 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\$125.2 million for the nine months ended 31 December 2017 (nine months ended 31 December 2016: HK\$104.6 million), representing an increase of approximately 19.7% as compared with the corresponding period in 2016;
- loss attributable to the owners of the Company for the nine months ended 31 December 2017 amounted to approximately HK\$145.8 million (nine months ended 31 December 2016: HK\$12.0 million); and
- the Directors do not recommend the payment of any dividend for the nine months ended 31 December 2017.

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 2017, together with the comparative unaudited figures for the corresponding period in 2016, as follows:

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

FOR THE THREE MONTHS AND NINE MONTHS ENDED  
31 DECEMBER 2017

	NOTES	Three months ended 31 December		Nine months ended 31 December	
		2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited and restated)	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited and restated)
Revenue	4	41,681	32,593	125,203	104,640
Cost of sales		(29,312)	(26,528)	(95,284)	(83,661)
Gross profit		12,369	6,065	29,919	20,979
Other income	5	64	104	2,056	1,154
Selling and distribution expenses		(3,959)	(3,305)	(12,535)	(9,995)
Administrative expenses		(11,153)	(7,217)	(30,495)	(24,412)
Impairment loss on exchangeable bonds		-	-	(151,064)	-
Finance cost	6	(2,455)	-	(4,061)	-
Loss before tax		(5,134)	(4,353)	(166,180)	(12,274)
Income tax credit	7	102	144	264	276
Loss for the period	8	(5,032)	(4,209)	(165,916)	(11,998)
(Loss) profit for the period attributable to:					
Owners of the Company		(5,713)	(4,164)	(145,827)	(11,929)
Non-controlling interests		681	(45)	(20,089)	(69)
		(5,032)	(4,209)	(165,916)	(11,998)
			(restated)		(restated)
Loss per share (HK cents)	10				
Basic and diluted		(0.14)	(0.10)	(3.65)	(0.30)

NOTES	Three months ended 31 December		Nine months ended 31 December	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited and restated)	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited and restated)
Loss for the period	(5,032)	(4,209)	(165,916)	(11,998)
<b>Other comprehensive income (expense)</b>				
<b>Item that may be reclassified subsequently to profit or loss:</b>				
Available-for-sale financial assets:				
Change in fair value recognised in available-for-sale financial assets revaluation reserve	2,238	-	(150,539)	-
Reclassified to profit or loss upon impairment	-	-	151,064	-
	2,238	-	525	-
Total comprehensive expense for the period	(2,794)	(4,209)	(165,391)	(11,998)
Total comprehensive (expense) income for the period attributable to:				
Owners of the company	(3,475)	(4,164)	(145,302)	(11,929)
Non-controlling interests	681	(45)	(20,089)	(69)
	(2,794)	(4,209)	(165,391)	(11,998)



## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE NINE MONTHS ENDED 31 DECEMBER 2017

	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	Available-for-sale financial assets revaluation reserve HK\$'000	Retained earnings (Accumulated losses) HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
At 1 April 2016, as originally stated (audited)	4,000	65,376	29,047	-	-	6,636	-	-	18,478	123,537	298	123,835
Effect of adopting merger accounting for common control combination	-	-	-	-	1,404	-	-	-	(416)	988	152	1,140
At 1 April 2016, as restated (unaudited)	4,000	65,376	29,047	-	1,404	6,636	-	-	18,062	124,525	450	124,975
Capital contribution to a merged subsidiary	-	-	-	-	500	-	-	-	-	500	-	500
Loss for the period and total comprehensive expense for the period (restated)	-	-	-	-	-	-	-	-	(11,929)	(11,929)	(69)	(11,998)
Recognition of equity-settled share-based payment expenses	-	-	-	-	-	4,740	-	-	-	4,740	-	4,740
At 31 December 2016, as restated (unaudited)	4,000	65,376	29,047	-	1,904	11,376	-	-	6,133	117,836	381	118,217
At 1 April 2017, as originally stated (audited)	4,000	65,376	29,047	34,660	-	11,376	-	-	3,859	148,318	5,441	153,759
Effect of adopting merger accounting for common control combination	-	-	-	-	1,904	-	-	-	(1,435)	469	(5)	464
At 1 April 2017, as restated (unaudited)	4,000	65,376	29,047	34,660	1,904	11,376	-	-	2,424	148,787	5,436	154,223
Loss for the period	-	-	-	-	-	-	-	-	(145,827)	(145,827)	(20,089)	(165,916)
Other comprehensive income for the period	-	-	-	-	-	-	-	525	-	525	-	525
Total comprehensive income (expense) for the period	-	-	-	-	-	-	-	525	(145,827)	(145,302)	(20,089)	(165,381)
Consideration paid for acquisition of subsidiaries under common control combination	-	-	-	-	(10,947)	-	-	-	-	(10,947)	-	(10,947)
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	-	6,766	6,766
Issue of convertible bonds	-	-	-	-	-	-	174,782	-	-	174,782	-	174,782
At 31 December 2017 (unaudited)	4,000	65,376	29,047	34,660	(9,043)	11,376	174,782	525	(143,403)	167,320	(7,887)	159,433

*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.
- (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 2017*

### **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 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 and provision of financial services.

The functional currency of the Group is Hong Kong dollar ("HK\$"), which is the same as the presentation currency of the condensed consolidated financial statements.

### **2. BASIS OF PREPARATION**

The condensed consolidated financial statements of the Group for the nine months ended 31 December 2017 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 and with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

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

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

As disclosed in note 11, 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.

## 3. SIGNIFICANT ACCOUNTING POLICIES

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

Except for the adoption of merger accounting and available-for-sale financial assets as below, the accounting policies used in the preparation of these condensed consolidated financial statements for the nine months ended 31 December 2017 are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 March 2017.

### 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 2017. 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.

#### **Merger accounting for business combination involving entities under common control**

The condensed consolidated financial statements include the financial statements items of the combining entities or businesses in which the common control combination occurs as if the combination had occurred from the date when the combining entities or businesses first came under the control of the controlling party.

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

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

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

#### **Available-for-sale financial assets**

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments.

Equity securities held by the Group that are classified as available-for-sale financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of available-for-sale monetary financial assets relating to changes in foreign currency rates, interest income calculated using the effective interest method and dividends on available-for-sale equity investments are recognised in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of available-for-sale financial assets revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the available-for-sale financial assets revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on available-for-sale financial assets below).

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period (see the accounting policy in respect of impairment loss on financial assets below).

#### **Impairment loss on available-for-sale financial assets**

Available-for-sale financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

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

#### **Impairment loss on available-for-sale financial assets *(Cont'd)***

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period in which the impairment takes place.

Impairment losses on available-for-sale equity investments will not be reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised directly in other comprehensive income and accumulated in available-for-sale financial assets revaluation reserve.

#### **Financial instruments**

##### ***Convertible bonds***

Convertible bonds issued by the Company that contain both the liability and conversion option components are classified separately into respective items on initial recognition in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the gross proceeds of the issue of the convertible bonds and the fair value assigned to the liability component, representing the conversion option for the holder to convert the bonds into equity, is included in equity ("convertible bonds – equity conversion reserve").

In subsequent periods, the liability component of the convertible bonds is carried at amortised cost using the effective interest method. The equity component, representing the option to convert the liability component into ordinary shares of the Company, will remain in "convertible bonds – equity conversion reserve" until the embedded option is exercised (in which case the balance stated in "convertible bonds – equity conversion reserve" will be transferred to share premium. Where the option remains unexercised at the expiry date, the balance stated in "convertible bonds – equity conversion reserve" will be released to the retained earnings. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

#### 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. Financial services – provision of corporate finance activities and asset management and advisory services



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	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited and restated)	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited and restated)
<b>Revenue</b>				
Sales of alcoholic beverages	36,681	32,593	118,353	104,290
Financial services	5,000	–	6,850	350
	<b>41,681</b>	32,593	<b>125,203</b>	104,640
<b>Segment profit (loss)</b>				
Sales of alcoholic beverages	3,463	2,878	10,885	11,750
Financial services	3,051	(230)	2,067	(829)
	<b>6,514</b>	2,648	<b>12,952</b>	10,921
Unallocated income	10	5	1,704	38
Unallocated expenses	(9,203)	(7,006)	(176,775)	(23,233)
Finance costs	(2,455)	–	(4,061)	–
Loss before tax	<b>(5,134)</b>	(4,353)	<b>(166,180)</b>	(12,274)

Segment profit (loss) represents the profit earned (loss from) by each segment without allocation of central administration costs, directors' salaries and certain other revenue and finance costs.

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

The Group's operations are located in Hong Kong (country of domicile) during the three months and nine months ended 31 December 2017 and 2016.

During the three months and nine months ended 31 December 2017 and 2016, the Group's revenue is derived solely in Hong Kong.

**5. OTHER INCOME**

	Three months ended 31 December		Nine months ended 31 December	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited and restated)	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited and restated)
Bank interest income	-	-	1	-
Consignment income	46	90	284	724
Insurance claim	1	-	1	195
Net exchange (loss) gain	-	(20)	-	5
Promotion income	7	29	67	197
Gain on sales of available-for-sale financial assets	-	-	1,659	-
Others	10	5	44	33
	<b>64</b>	<b>104</b>	<b>2,056</b>	<b>1,154</b>

## 6. FINANCE COSTS

	Three months ended 31 December		Nine months ended 31 December	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited and restated)	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited and restated)
Interests on:				
Convertible bonds	2,201	–	3,641	–
Promissory note	254	–	420	–
	<b>2,455</b>	<b>–</b>	<b>4,061</b>	<b>–</b>

## 7. INCOME TAX CREDIT

	Three months ended 31 December		Nine months ended 31 December	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited and restated)	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited and restated)
Current tax:				
Hong Kong Profits Tax	51	(51)	120	24
Deferred taxation	(153)	(93)	(384)	(300)
	<b>(102)</b>	<b>(144)</b>	<b>(264)</b>	<b>(276)</b>

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

**8. LOSS FOR THE PERIOD**

	Three months ended 31 December		Nine months ended 31 December	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited and restated)	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited and restated)
Loss for the period has been arrived at after charging:				
Cost of inventories recognised as expense	29,312	26,528	95,284	83,661
Depreciation of plant and equipment	941	763	3,127	2,252
Equity-settled share-based payment expenses	-	-	-	4,740
Impairment loss on exchangeable bonds	-	-	151,064	-
Loss on written off of plant and equipment	-	-	-	4
Net exchange loss	51	-	255	-
Minimum lease payments under operating leases in respect of office premises, warehouses and shop	3,545	1,332	8,262	3,532

**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 2017 (nine months ended 31 December 2016: 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	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited and restated)	2017 HK\$'000 (unaudited)	2016 HK\$'000 (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	(5,713)	(4,164)	(145,827)	(11,929)
<b>Number of shares</b>				
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	4,000,000,000	4,000,000,000	4,000,000,000	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 2017, 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 2017.

Diluted loss per share is equal to the basic loss per share for the three months and nine months ended 31 December 2016, 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 2016.

## 11. BUSINESS COMBINATION UNDER COMMON CONTROL AND RESTATEMENTS

On 9 February 2017, CVP Financial entered into the acquisition agreement with CVP Holdings Limited ("CVP Holdings"), pursuant to which CVP Financial conditionally agreed to acquire, and CVP Holdings conditionally agreed to sell, the entire issued share capital of CVP Asset Management Limited ("CVP Asset Management") for a consideration of HK\$14,000,000 which is settled by issuing the promissory note. The acquisition was completed on 28 July 2017. Mr. Ting Pang Wan is the ultimate shareholder of CVP Holdings. The Group adopts merger accounting for this common control combination.

## 11. BUSINESS COMBINATION UNDER COMMON CONTROL AND RESTATEMENTS (Cont'd)

The effects of the application of merger accounting for business combinations under common control occurred during the nine months ended 31 December 2016 on the Group's results for the three months and nine months ended 31 December 2016 are summarised as follows:

### For the three months ended 31 December 2016

	As originally stated HK\$'000	CVP Asset Management HK\$'000	Adjustment HK\$'000	As restated HK\$'000
Revenue	32,593	-	-	32,593
Loss before tax	(4,097)	(256)	-	(4,353)
Income tax credit (expense)	150	(6)	-	144
Loss for the period and total comprehensive expense for the period	(3,947)	(262)	-	(4,209)
(Loss) profit for the period and total comprehensive (expense) income for the period attributable to:				
Owners of the Company	(3,937)	(262)	35	(4,164)
Non-controlling interests	(10)	-	(35)	(45)
	(3,947)	(262)	-	(4,209)

### For the nine months ended 31 December 2016

	As originally stated HK\$'000	CVP Asset Management HK\$'000	Adjustment HK\$'000	As restated HK\$'000
Revenue	104,290	350	-	104,640
Loss before tax	(11,372)	(902)	-	(12,274)
Income tax credit (expense)	282	(6)	-	276
Loss for the period and total comprehensive expense for the period	(11,090)	(908)	-	(11,998)
(Loss) profit for the period and total comprehensive (expense) income for the period attributable to:				
Owners of the Company	(11,142)	(908)	121	(11,929)
Non-controlling interests	52	-	(121)	(69)
	(11,090)	(908)	-	(11,998)

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

During the nine months ended 31 December 2017, revenue was increased by approximately 19.7% from approximately HK\$104.6 million to approximately HK\$125.2 million during the nine months ended 31 December 2016 and 2017 respectively. 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; and (ii) the provision of financial services upon the completion of the subscription and acquisition of CVP Capital Limited and CVP Asset Management Limited on 30 June 2017 and 28 July 2017 respectively. The increase in revenue was mainly the result of (i) the expanded sales network by adopting a competitive pricing strategy on the sales of alcoholic beverages, which contributed approximately HK\$118.4 million; and (ii) the provision of financial services, which contributed approximately HK\$6.8 million.

### Financial Review

#### *Revenue*

Revenue of the Group increased by approximately 19.7% from approximately HK\$104.6 million to approximately HK\$125.2 million for the nine months ended 31 December 2016 and 2017 respectively. The increase in revenue was mainly the result of (i) the expanded sales network by adopting a competitive pricing strategy on the sales of alcoholic beverages, which contributed approximately HK\$118.4 million; and (ii) provision of financial services, which contributed approximately HK\$6.8 million.

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

For the nine months ended 31 December 2016 and 2017, (i) gross profit of the Group increased by approximately 42.4% from approximately HK\$21.0 million to approximately HK\$29.9 million; and (ii) gross profit margin of the Group increased from 20.0% to 23.9%, respectively, which was mainly due to the increase in sales of alcoholic beverages and the provision of financial services which does not incur cost of sales during the nine months ended 31 December 2017.

### ***Other Income***

Other income of the Group increased by approximately 75% from approximately HK\$1.2 million to approximately HK\$2.1 million for the nine months ended 31 December 2016 and 2017 respectively. The increase was mainly due to the increase in realised gain in investment.

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

Selling and distribution expenses of the Group increased by approximately 25.0% from approximately HK\$10.0 million to approximately HK\$12.5 million for the nine months ended 31 December 2016 and 2017 respectively. The increase was mainly due to the increase in depreciation for the additional warehouse rented in September 2016 and the additional rental expense for the new flagship store rented in November 2017.

### ***Administrative Expenses***

Administrative expenses of the Group increased by approximately 25% from approximately HK\$24.4 million to approximately HK\$30.5 million for the nine months ended 31 December 2016 and 2017 respectively. The increase was mainly due to (i) the increase in advertising and promotion of approximately HK\$2 million; (ii) the increase in professional fee of approximately HK\$2 million; and (iii) the increase in salary of approximately HK\$2 million.



### ***Impairment Loss on Exchangeable Bonds***

The impairment loss on exchangeable bonds arise from the impairment loss recognised from the exchangeable bonds (the “Exchangeable bonds”) issued by Bartha Holdings Limited of approximately HK\$151.0 million (31 December 2016: nil).

An impairment loss arises when an available-for-sale financial asset is considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected. Cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period in which the impairment takes place.

Pursuant to the valuation on the Exchangeable Bonds as at 28 July 2017 and 30 September 2017, the fair value of the Exchangeable Bonds amounted to approximately HK\$117,564,000 and HK\$120,226,000, representing a difference of approximately HK\$153,726,000 and HK\$151,064,000 respectively, when compared to the consideration of the Exchangeable Bonds amounted to approximately HK\$271,290,000, which is equal to the fair value of the convertible bonds issued by the Company as at 28 July 2017, resulting in a fair value loss of available-for-sale financial asset amounted to approximately HK\$151,064,000 was recognised in other comprehensive income during the reporting period.

As a result, available-for-sale financial assets revaluation reserve amounted to HK\$151,064,000 are reclassified to profit or loss as an impairment loss on the Exchangeable Bonds.

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

Income tax credit of the Group decreased from approximately HK\$276,000 tax credit to approximately HK\$264,000 tax credit for the nine months ended 31 December 2016 and 2017 respectively. The decrease was due to the decrease in deferred tax asset arising from temporary timing difference.

### ***Loss for the Period and Total Comprehensive Expense for the Period Attributable to Owners of the Company***

Loss for the period and the total comprehensive expense for the period attributable to owners of the Company for the nine months ended 31 December 2017 amounted to approximately HK\$145.8 million (nine months ended 31 December 2016: HK\$11.9 million). Should the impairment loss on unlisted exchangeable bonds of approximately HK\$151.0 million during the period be excluded, loss for the period and total comprehensive expense for the period attributable to owners of the Company for the nine months ended 31 December 2017 would be approximately HK\$14.9 million. The increase in loss was mainly due to the increase in professional fee incurred by the completed subscription and acquisition.

### **Dividend**

The directors do not recommend the payment of an interim dividend for the nine months ended 31 December 2017 (2016: nil).

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

As at 31 December 2017, the Group held shares in (i) Zhong An Real Estate Limited (Stock Code: 672); and (ii) China New City Commercial Development Limited (Stock Code: 1321) with the total amount of approximately HK\$17.6 million.

In addition, the Group also held the Exchangeable Bonds issued by Bartha Holdings with a fair value of approximately HK\$120.2 million.

Furthermore, the Group has entered into a Deed of Modification (as defined below) and intended to exercise the exchange rights under the Exchangeable bonds for the shares of (“Bartha Shares”) up to 49% of the entire issued share capital of Bartha International Limited (“Bartha International”).

Except for those disclosed in this report, there were no other significant investments held, material acquisitions, or disposals of subsidiaries during the reporting period. Apart from those disclosed in this report, there was no plan authorised by the Board for other material investments or additions of capital assets at the date of this report.

### **Future Plans for Material Investments and Capital Assets**

The Group has entered into a deed of modification (“Deed of Modification”) on 17 November 2017 to amend the original exchange period of the Exchangeable Bonds (i) in exchange for the number of Bartha Shares up to 49% of the entire issued share capital of Bartha International during the period from the date of issue of the Exchangeable Bonds up to and including 31 March 2020; and (ii) all outstanding Exchangeable Bonds from 1 April 2018 up to and including the maturity date.

Upon the Deed of Modification having become effective, the Board intends to exercise the Exchange Rights to exchange for 4,900 Bartha Shares to be owned by Bartha Holdings upon the loan capitalization (the “Loan Capitalization”), representing 49% of the enlarged issued share capital of Bartha International upon the Loan Capitalization.

## **OUTLOOK AND PROSPECTS**

In view of the recent surge of stock market and the initial public offer exercise, the Directors are optimistic on the future prospects of the Bartha International Limited (“Bartha International”) and Eternal Pearl Securities Limited (“Eternal Pearl”) (together as the “Bartha Group”), in particular that (i) the management team of the Bartha Group shall fully develop their potentials and push for full-gear development of the placing and underwriting business; and (ii) the Bartha Group can offer a more comprehensive financial services to complement the limited scope of services provided by CVP Capital Limited, the Group has entered into the deed of modification to alter the terms and conditions of the Exchangeable Bonds that we subscribed on 28 July 2017 and propose to exchange for up to 49% of the entire issued share capital in Bartha International Limited (the “Proposed Exercise”).

The management believe that, upon completion of the Proposed Exercise, the Bartha Group will become subsidiaries of the Group, whose financial results will be consolidated into the Group. Hence, the Group will be able to leverage on the experience and expertise of Eternal Pearl to further enhance its financial services, and at the same time enjoy the revenue and profit generated from the Bartha Group.

Looking forward, with the expanded business area into the financial market of Hong Kong upon the completion of the Proposed Subscription, the Proposed Acquisition and the EB Subscription, the Board believes that the Group could benefit from the diversified business. At the same time, the Group will also endeavor to strengthen its position in the retail sales and wholesales of wine products in Hong Kong by expanding its existing product portfolio, to provide its customers with a wider range of choices so as to facilitate the broadening of its existing customer base as well as to reinforce its market presence in Hong Kong wine industry.

## OTHER INFORMATION

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

As at 31 December 2017, 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 and Debentures of the Company

Name of Director	Capacity/ Nature of interest	Number of shares interested	Number of underlying shares (Notes 3 & 4)	Aggregate interests	Approximate percentage of the Company's issued shares*
Mr. Ting Pang Wan Raymond ("Mr. Ting") (Notes 3)	Interest in controlled corporations	1,968,000,000 (Note 1 & 4)	142,363,636 (Note 2)	2,110,363,636	52.76%

*Notes:*

1. These shares were held by Royal Spectrum Holding Company Limited (“Royal Spectrum”), which is legally and beneficially wholly-owned as to 96.63% by Devoss Global Holdings Limited (“Devoss Global”), which, in turn, is legally and beneficially owned by Mr. Ting, 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.
2. Details of the underlying shares are as follow:
  - 6,000,000 share options granted to Devoss Global on 17 December 2015; and
  - 136,363,636 conversion shares of the Company under the Convertible Bonds issued to Bartha Holdings, a company owned as to 85.25% by CVP Holdings Limited (“CVP Holdings”), which, in turn, is wholly-owned by Mr. Ting, on 28 July 2017.
3. Mr. Ting is deemed to be interested in (i) the shares held by Royal Spectrum, (ii) the underlying shares held by Devoss Global, and (iii) the underlying shares held by Bartha Holdings respectively under Part XV of the SFO.
4. On 27 November 2017, Royal Spectrum pledged 199,600,000 ordinary shares in favour of an independent third party (“Independent Third Party”) as a security of a loan in the amount of JPY2,000,000,000.
5. 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.

**(ii) Long Position in the Shares, underlying Shares and debentures of Associated Corporations**

Name of associated corporations	Name of Director	Capacity/ Nature of interest	Number of shares in the associated corporation	Approximate percentage of the shareholding in the associated corporation
Royal Spectrum	Mr. Ting	Interest in controlled corporation	9,663	96.63%
Devoss Global	Mr. Ting	Beneficial Owner	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 2017, 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 and 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 2017, 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:

### *Long Position in the Shares, Underlying Shares or Debentures of the Company*

Name	Capacity/ Nature of interest	Notes	Number of shares interested	Number of underlying 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	49.20%
Devoss Global	Interest in controlled corporation	1, 2 & 3	1,968,000,000	6,000,000	1,974,000,000	49.35%
Mr. Ting	Interest in controlled corporations	1, 2 & 3	1,968,000,000	142,363,636	2,110,363,636	52.76%
Ms. Luu Huyen Boi ("Ms. Luu")	Interest of spouse	1, 2, 3, 4 & 5	1,968,000,000	142,363,636	2,110,363,636	52.76%
Mr. Ding Lu	Beneficial owner and Interest in controlled corporation	6	357,238,800	-	357,238,800	8.93%
Timebase Holdings Limited ("Timebase")	Beneficial owner	7	218,000,000	40,000,000	258,000,000	6.45%
Ms. Lu Mengjia ("Ms. Lu")	Interest in controlled corporation	7	218,000,000	40,000,000	258,000,000	6.45%
Keyword Limited ("Keyword")	Beneficial owner	8	180,000,000	40,000,000	220,000,000	5.50%
Mr. Han Hanting ("Mr. Han")	Interest in controlled corporation	8	180,000,000	40,000,000	220,000,000	5.50%

*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.
2. On 27 November 2017, Royal Spectrum pledged 199,600,000 ordinary shares in favour of an independent third party ("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 (the "Conversion Shares") at the conversion price of HK\$1.1 per Conversion Share has been issued to Bartha Holdings on 31 July 2017 pursuant to the EB Subscription Agreement. Bartha Holdings is owned as to 85.25% by CVP Holdings, which, in turn, is wholly-owned by Mr. Ting. Mr. Ting is deemed to be interested in 136,363,636 shares which Bartha Holdings is interested in under Part XV of the SFO.
5. 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.
6. Mr. Ding is beneficial interested in 357,238,800 shares. Mr. Ding is deemed to be interested in the 50,388,800 shares owned by Flying Bridge Investment Limited, the entire issued share capital of which is legally and beneficially owned by Mr. Ding, under Part XV of the SFO.
7. 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.



8. The underlying shares represent 40,000,000 share options granted to Keywood on 17 December 2015. The entire issued share capital in Keywood is legally and beneficially owned by Mr. Han. Mr. Han is deemed to be interested in the shares and underlying shares in which Keywood is interested in under Part XV of the SFO.
9. 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.

Save as disclosed above, as at 31 December 2017, 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”) 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 (the “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 (the “Share Subdivision”) which subdivided every one (1) issued and unissued ordinary share of HK\$0.01 each in the share capital of the Company into ten (10) subdivided shares of HK\$0.001 each (the “Subdivided Shares”) 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.

Details of movements of the Share Options granted under the Share Option Scheme during the nine months ended 31 December 2017 were as follows:

Category	Date of grant	Exercise period	Exercise price per share	Number of share options			
				As at 1 April 2017	Granted during the period	Exercised/Cancelled/Lapsed during the period	As at 31 December 2017
<b>Shareholders</b>							
Devoss Global <i>(Note 2)</i>	17 December 2015	17 June 2016 to 16 December 2025	HK\$0.80	6,000,000	-	-	6,000,000
Montrachet <i>(Note 3)</i>	17 December 2015	17 June 2016 to 16 December 2025	HK\$0.80	15,000,000	-	-	15,000,000
Others	17 December 2015	17 June 2016 to 16 December 2025	HK\$0.80	160,000,000	-	-	160,000,000
<b>Total</b>				<b>181,000,000</b>	<b>-</b>	<b>-</b>	<b>181,000,000</b>

*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 2017.

The Group recognised total expenses of nil for the nine months ended 31 December 2017 (nine months ended 31 December 2016: HK\$4.7 million) relation to the share options granted by the Company.

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

Neither the Company nor any of its subsidiaries have purchased, sold or redeemed any listed securities of the Company during the period.

### **Exempted Connected Transactions**

#### ***Subscriptions of shares in Zhong An Real Estate Limited and exempted connected transactions***

On 4 July 2017, Pure Horizon Holdings Limited (“Pure Horizon”), an indirect wholly-owned subsidiary of the Company, entered into the placing letter with Eternal Pearl Securities Limited (“Eternal Pearl”), being one of the placing agents. Pursuant to the placing letter, Pure Horizon agreed to subscribe for an aggregate of 6,600,000 shares in Zhong An Real Estate Limited at a subscription price of HK\$1.50 per share of Zhong An Real Estate Limited (Stock Code 672:HK). For details, please refer to the announcement dated on 4 July 2017.

### ***Subscription of shares in China New City Commercial Development Limited***

On 20 July 2017 (after trading hours), Pure Horizon accepted the placing letter dated 19 July 2017 issued by Eternal Pearl, being one of the placing agents, pursuant to which Pure Horizon agreed to subscribe for an aggregate of 5,500,000 shares in China New City Commercial Development Limited at a subscription price of HK\$1.82 per share of China New City Commercial Development Limited (Stock Code 1321:HK). For details, please refer to the announcement of the Company dated on 20 July 2017.

### **Major and Connected Transactions**

#### ***(I) The Deed of Modification relating to the Exchangeable Bonds***

On 17 November 2017, CVP Financial Holdings Limited (“CVP Financial”) and Bartha Holdings Limited entered into the Deed of Modification pursuant to which, the parties conditionally agreed to amend the Original Exchange Period, allowing CVP Financial, as holder of the Exchangeable Bonds, to exchange (i) for the number of Bartha Shares up to 49% of the entire issued share capital in Bartha International during the period from the date of issue of the Exchangeable Bonds up to and including 31 March 2020, and (ii) all outstanding Exchangeable Bonds from 1 April 2018 up to and including the Maturity Date.

#### ***(II) The Proposed Exercise of the Exchange Rights attached to the Exchangeable Bonds***

Upon the Deed of Modification having become effective, the Board intends to exercise the Exchange Rights to exchange for 4,900 Bartha Shares to be owned by Bartha Holdings upon the Loan Capitalisation, representing 49% of the enlarged issued share capital of Bartha International upon the Loan Capitalisation.

For details of the major and connect transaction, please refer to the announcement dated 17 November 2017.

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

As at 31 December 2017, 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. 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 2017.

## **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 2017 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.

## Interests of Compliance Adviser

As notified by the Company's compliance adviser, Innovax Capital Limited (the "Compliance Adviser"), save for the compliance adviser agreement dated 24 September 2015 entered into between the Company and the Compliance Adviser, neither the Compliance Adviser nor any of its directors, employees or close associates had any interest in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities) or otherwise in relation to the Company which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules as at 31 December 2017 and the date of this report.

## 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 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 2017 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.

## Change of Director

Mr. Kao Sheng-Chi resigned as a non-executive Director on 31 October 2017.

## Change in information of Director

Mr. Chu Kin Wang Peleus, an independent non-executive Director of the Company, has resigned as an independent non-executive director, the chairman of the audit committee and a member of each of the nomination committee and remuneration committee of Telecom Service One Holdings Limited (Stock Code 8145:HK), a company listed on GEM, with effect from 27 December 2017.

By order of the Board  
**Madison Holdings Group Limited**  
**Ting Pang Wan Raymond**  
*Chairman and executive Director*

Hong Kong, 7 February 2018

*As at the date of this report, the executive Directors are Mr. Ting Pang Wan Raymond, Mr. Zhu Qin, Mr. Teoh Ronnie Chee Keong 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.*