

# MADISON

GROUP

## Madison Holdings Group Limited

(Incorporated in the Cayman Islands with limited liability)

STOCK CODE: 8057

2019  
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.**

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

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## CORPORATE INFORMATION

### Board of Directors

#### **Executive Directors**

- Mr. Chen Ying-chieh  
(appointed as Executive Director, Chairman and Chief Executive Officer on 19 November 2019)
- Mr. Hankoo Kim  
(appointed as Executive Director on 19 November 2019)
- Mr. Zhu Qin  
(resigned as Executive Director and Deputy Chairman on 19 November 2019)
- Ms. Kuo Kwan
- Mr. Zhang Li  
(re-designated as Executive Director on 22 November 2019)
- Mr. Ting Pang Wan Raymond  
(resigned as Executive Director and Chairman on 3 October 2019)
- Mr. Zhou Francis Bingrong  
(resigned as Executive Director and Chief Executive Officer on 3 October 2019)

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

- Mr. Ip Cho Yin, *J.P.*
- Mr. Ji Zuguang  
(appointed as non-executive Director and Chairman on 3 October 2019 and ceased as Chairman on 19 November 2019)
- Mr. Zhang Li  
(appointed as non-executive Director on 3 October 2019 and re-designated as Executive Director on 22 November 2019)

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

- Ms. Fan Wei  
Mr. Chu Kin Wang Peleus  
Dr. Lau Reimer, Mary Jean

#### **Audit Committee**

- Mr. Chu Kin Wang Peleus  
(*Chairman*)  
Ms. Fan Wei  
Mr. Ip Cho Yin, *J.P.*  
Dr. Lau Reimer, Mary Jean

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

- Mr. Ji Zuguang (*Chairman*)  
(appointed as Chairman on 3 October 2019)
- Ms. Fan Wei  
Mr. Chu Kin Wang Peleus  
Mr. Ip Cho Yin, *J.P.*  
Dr. Lau Reimer, Mary Jean  
Mr. Ting Pang Wan Raymond  
(resigned as chairman on 3 October 2019)

#### **Remuneration Committee**

- Ms. Fan Wei (*Chairlady*)  
Mr. Ji Zuguang  
(appointed as member on 3 October 2019)
- Mr. Chu Kin Wang Peleus  
Dr. Lau Reimer, Mary Jean  
Mr. Ting Pang Wan Raymond  
(resigned as member on 3 October 2019)

#### **Company Secretary**

- Mr. Young Ho Kee Bernard  
(appointed on 11 November 2019)
- Ms. Tse Ka Yan  
(resigned on 7 September 2019)

### Compliance Officer

Ms. Kuo Kwan  
(appointed on  
19 November 2019)  
Mr. Zhu Qin  
(resigned on  
19 November 2019)

### Authorised Representatives

Ms. Kuo Kwan  
(appointed on  
7 September 2019)  
Mr. Young Ho Kee Bernard  
(appointed on  
12 November 2019)  
Ms. Tse Ka Yan  
(resigned on 7 September 2019)  
Mr. Ting Pang Wan Raymond  
(resigned on 3 October 2019)  
Mr. Zhu Qin  
(appointed on 3 October 2019  
and resigned on  
12 November 2019)

### 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

28/F., Bank of East Asia  
Harbour View Centre  
56 Gloucester Road  
Wanchai, Hong Kong

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

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

### Hong Kong Branch Share Registrar and Transfer Office

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

### Principal Bankers

The Hongkong and Shanghai  
Banking Corporation Limited  
  
China Construction Bank (Asia)  
Corporation Limited

### Company's Website

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

### Stock Code

08057

## FINANCIAL HIGHLIGHTS

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

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

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

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

FOR THE THREE MONTHS AND NINE MONTHS ENDED  
31 DECEMBER 2019

	NOTES	Three months ended 31 December		Nine months ended 31 December	
		2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited and restated)	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited and restated)
Revenue	4				
- sales of alcoholic beverages		16,860	24,040	57,212	92,135
- financial services		2,396	3,135	7,238	10,920
- blockchain services		6	12,596	30,141	15,721
- loan financing services		16,871	35,490	65,728	113,082
- auction		1,218	3,227	3,816	3,227
		<b>37,351</b>	<b>78,488</b>	<b>164,135</b>	<b>235,085</b>
Cost of operations					
- cost of alcoholic beverages		(13,993)	(20,430)	(49,246)	(77,195)
- cost of blockchain services		(6,924)	(17,556)	(36,240)	(24,306)
		<b>(20,917)</b>	<b>(37,986)</b>	<b>(85,486)</b>	<b>(101,501)</b>
Other income	5	961	5,847	2,546	8,592
Staff costs		(17,757)	(18,822)	(55,738)	(69,413)
Depreciation		(8,705)	(12,285)	(25,538)	(19,477)
Net trading gain (loss)		317	(30,691)	628	(33,771)
Administrative and other operating expenses		(22,618)	(64,317)	(56,094)	(97,160)
Net impairment reversed (recognised) on loan and interest receivables		5,381	(4,392)	(4,369)	(8,011)
Change in fair value of exchangeable bonds		-	-	(11,518)	(11,727)
Change in fair value of derivative financial instrument		-	-	(281)	(1,119)
Change in fair value of crypto-currencies		(64)	(5,206)	(589)	(6,413)
Impairment loss recognised on goodwill		-	-	(257,440)	(6,847)
Impairment loss recognised on plant and equipment		-	-	(21,760)	-
Gain on disposal of a subsidiary		-	-	42,594	-
Finance costs	6	(14,158)	(10,239)	(42,853)	(25,686)
Loss before tax		(40,209)	(99,603)	(351,763)	(137,448)
Income tax credit (expense)	7	3,589	(4,558)	(355)	(13,325)
Loss for the period	8	<b>(36,620)</b>	<b>(104,161)</b>	<b>(352,118)</b>	<b>(150,773)</b>

NOTES	Three months ended 31 December		Nine months ended 31 December	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited and restated)	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited and restated)
Loss for the period attributable to:				
Owners of the Company	(30,695)	(96,426)	(327,479)	(156,867)
Non-controlling interests	(5,925)	(7,735)	(24,639)	6,094
	<b>(36,620)</b>	<b>(104,161)</b>	<b>(352,118)</b>	<b>(150,773)</b>
Loss per share ( <i>HK cents</i> )	<i>10</i>			
Basic	(0.59)	(2.25)	(6.31)	(3.75)
Diluted	(0.60)	(2.26)	(6.32)	(3.80)
Loss for the period	<b>(36,620)</b>	<b>(104,161)</b>	<b>(352,118)</b>	<b>(150,773)</b>
<b>Other comprehensive income (expense)</b>				
<b>Item that may be reclassified subsequently to profit or loss:</b>				
Exchange differences arising on translation of foreign operations	7,054	(15,133)	(14,452)	(34,896)
Total comprehensive expense for the period	<b>(29,566)</b>	<b>(119,294)</b>	<b>(366,570)</b>	<b>(185,669)</b>
Total comprehensive expense for the period attributable to:				
Owners of the company	(27,044)	(102,022)	(334,587)	(169,611)
Non-controlling interests	(2,522)	(17,272)	(31,983)	(16,058)
	<b>(29,566)</b>	<b>(119,294)</b>	<b>(366,570)</b>	<b>(185,669)</b>



# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE NINE MONTHS ENDED 31 DECEMBER 2019

	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	Statutory reserve HK\$'000 (Note d)	(Accumulated losses) retained earnings HK\$'000	Convertible bonds issued by a subsidiary HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000	
At 1 April 2019 (audited)	5,193	1,257,060	29,047	(108,128)	(828,167)	30,007	174,782	(10,498)	3,677	(486,052)	296,521	9,230	186,440	402,191
Loss for the period	-	-	-	-	-	-	-	-	-	(327,478)	(327,478)	-	(24,639)	(321,117)
Other comprehensive expense for the period	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Exchange difference arising on translation of foreign operations	-	-	-	-	-	-	-	(7,108)	-	-	(7,108)	-	(7,344)	(14,452)
Loss for the period and total comprehensive expense for the period	-	-	-	-	-	-	-	(7,108)	-	(327,478)	(334,587)	-	(31,983)	(665,570)
Lapse/cancel of share options	-	-	-	-	-	(7,444)	-	-	-	7,444	-	-	-	-
Recognition of equity-settled share-based payments expenses	-	-	-	-	-	2,483	-	-	-	-	2,483	-	-	2,483
Acquisition of additional interest in subsidiaries	-	-	-	40,115	-	-	-	-	-	-	-	40,115	-	(40,115)
Deconsolidated upon disposal of a subsidiary	-	-	-	-	-	-	-	(5)	-	-	(5)	-	-	1,469
Appropriation to statutory reserve funds	-	-	-	-	-	-	-	-	540	(540)	-	-	-	-
	-	-	-	40,115	-	(4,961)	-	(5)	540	6,904	42,543	-	(36,648)	3,897
At 31 December 2019 (unaudited)	5,193	1,257,060	29,047	(68,013)	(828,167)	25,646	174,782	(17,661)	4,217	(806,627)	(25,523)	9,230	115,811	95,618
At 1 April 2018, as originally stated (audited)	4,000	65,376	29,047	14,516	(8,110)	11,378	174,782	-	-	(134,468)	155,519	-	(5,117)	150,402
Effect of adopting merger accounting for common control combination	-	-	-	130,169	1	-	-	1,022	2,806	10,506	144,524	9,230	238,382	392,136
Effect of change in accounting policies	-	-	-	-	-	-	-	-	-	(1,735)	(1,735)	-	(1,578)	(3,369)
At 1 April 2018, as restated	4,000	65,376	29,047	144,705	(8,109)	11,378	174,782	1,022	2,806	(125,735)	298,250	9,230	231,689	539,169
Loss for the period	-	-	-	-	-	-	-	-	-	(156,867)	(156,867)	-	6,084	(150,773)
Other comprehensive expense for the period	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Exchange difference arising on translation of foreign operations	-	-	-	-	-	-	-	(12,744)	-	-	(12,744)	-	(22,152)	(34,896)
Loss for the period and total comprehensive expense for the period	-	-	-	-	-	-	-	(12,744)	-	(156,867)	(169,611)	-	(16,068)	(185,689)
Issue of shares upon placing	70	119,025	-	-	-	-	-	-	-	-	119,095	-	-	119,095
Share issue expenses	-	(1,355)	-	-	-	-	-	-	-	-	(1,355)	-	-	(1,355)
Recognition of equity-settled share-based payments expenses	-	-	-	-	-	70,473	-	-	-	-	70,473	-	-	70,473
Exercise of exchangeable bonds as consideration paid for acquisition of subsidiaries under common control combination	-	-	-	-	(64,403)	-	-	-	-	-	-	(64,403)	-	(7,685)
Capital injection from the controlling shareholder of a subsidiary which adopt merger accounting for common control combination (Note e)	-	-	-	-	33,363	-	-	-	-	-	33,363	-	42,850	76,213
Acquisition of additional interest in subsidiaries	-	-	-	(11,002)	-	-	-	-	-	-	(11,002)	-	2,802	(8,400)
Acquisition of subsidiaries	213	347,380	-	-	-	-	-	-	-	-	347,602	-	2,067	348,669
Appropriation to statutory reserve funds	-	-	-	-	-	-	-	-	862	(862)	-	-	-	-
	283	465,059	-	(11,002)	(31,040)	70,473	-	-	862	(862)	493,773	-	39,854	533,627
At 31 December 2018 (unaudited and restated)	4,283	530,435	29,047	133,703	(40,149)	81,849	174,782	(11,722)	3,688	(283,484)	622,412	9,230	255,485	887,127

*Notes:*

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

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

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

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED 31 DECEMBER 2019

### 1. GENERAL

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

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

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

### 2. BASIS OF PREPARATION AND RESTATEMENT

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

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

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

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

### **Adoption of merger accounting and restatement *(Cont'd)***

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

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

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

## 3. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

### 4. REVENUE AND SEGMENT INFORMATION

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

#### Segment Information

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

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

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

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

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

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

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

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

##### (b) Geographical information

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

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

## 5. OTHER INCOME

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

## 6. FINANCE COSTS

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



## 7. INCOME TAX (CREDIT) EXPENSE

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

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

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

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

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

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

## 8. LOSS FOR THE PERIOD

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

## 9. DIVIDEND

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

## 10. LOSS PER SHARE

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

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

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

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

## 11. SHARE-BASED PAYMENT TRANSACTIONS

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

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

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

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 (“Share(s)”) of HK\$0.001 each in the share capital of the Company at exercise price of HK\$1.89 per Share subject to acceptance of the grantees, under the Share Option Scheme and the payment of HK\$1.00 by each of the grantees upon acceptance of the 2018 First Options. For details, please refer to the announcement of the Company dated 3 April 2018.

## 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 per Share subject to acceptance of the grantees, under the Share Option Scheme and the payment of HK\$1.00 by each of the grantees upon acceptance of the 2018 Second Options. For details, please refer to the announcement of the Company dated 13 December 2018.

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

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

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

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

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

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

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

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

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

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

**Note:**

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

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

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

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

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

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

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

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



## 12. BUSINESS COMBINATION UNDER COMMON CONTROL AND RESTATEMENTS

(Cont'd)

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

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

### For the three months ended 31 December 2018

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

**12. BUSINESS COMBINATION UNDER COMMON CONTROL AND RESTATEMENTS***(Cont'd)***For the nine months ended 31 December 2018**

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

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

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

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

### Financial Review

#### *Revenue*

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

### ***Operating Costs***

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

### ***Other Income***

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

### ***Staff Costs***

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

### ***Depreciation***

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

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

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

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

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

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

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

### ***Impairment Loss***

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

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

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

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

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

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

### ***Finance Costs***

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

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

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

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

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

### **Dividend**

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

### **Pledge of Assets**

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

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

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



**(a) Significant Investments**

Details of significant held-for-trading financial assets:

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

**Notes:**

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

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

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

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

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

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

### **Outlook and Prospects**

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

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

## OTHER INFORMATION

### 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 2019, 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	Aggregate interests	Approximate percentage of the Company's issued Shares <sup>1</sup>
Mr. Chen Ying-chieh ("Mr. Chen")	Beneficial owner	-	51,900,000 (Note 2)	51,900,000	0.999%
Mr. Hankoo Kim ("Mr. Kim")	Beneficial owner	-	51,900,000 (Note 2)	51,900,000	0.999%
Ms. Kuo Kwan ("Ms. Kuo")	Beneficial owner	-	18,000,000 (Notes 1 and 2)	18,000,000	0.347%
Mr. Zhang Li ("Mr. Zhang")	Beneficial owner	-	1,000,000 (Note 2)	1,000,000	0.019%
Mr. Ji Zuguang ("Mr. Ji")	Beneficial owner	-	1,000,000 (Note 2)	1,000,000	0.019%
Ms. Fan Wei ("Ms. Fan")	Beneficial owner	-	300,000 (Note 1)	300,000	0.006%
Mr. Chu Kin Wang Peleus ("Mr. Chu")	Beneficial owner	-	300,000 (Note 1)	300,000	0.006%
Mr. Ip Cho Yin, J.P. ("Mr. Ip")	Beneficial owner	-	1,300,000 (Note 1 and 2)	1,300,000	0.025%

*Notes:*

1. On 3 April 2018, the Company granted a total of 5,900,000 share options entitling the following persons to subscribe for a total of 5,900,000 Shares at the exercise price of HK\$1.89 per Share:
    - a. 5,000,000 share options (carrying the right to subscribe for 5,000,000 Shares) were granted to Ms. Kuo in her capacity as an executive Director;
    - b. 300,000 share options (carrying the right to subscribe for 300,000 Shares) were granted to Mr. Ip in his then capacity as an independent non-executive Director (“INED”). He was re-designated as a non-executive Director (“NED”) on 7 March 2019;
    - c. 300,000 share options (carrying the right to subscribe for 300,000 Shares) were granted to Ms. Fan in her capacity as an INED; and
    - d. 300,000 share options (carrying the right to subscribe for 300,000 Shares) were granted to Mr. Chu in his capacity as an INED.
  
  2. On 6 December 2019, the Company granted a total of 355,400,000 share options entitling the following persons to subscribe for a total of 355,400,000 Shares at the exercise price of HK\$0.207 per Share:
    - a. 51,900,000 share options (carrying the right to subscribe for 51,900,000 Shares) were granted to Mr. Chen in his capacity as an executive Director, chairman and chief executive officer;
    - b. 51,900,000 share options (carrying the right to subscribe for 51,900,000 Shares) were granted to Mr. Kim in his capacity as an executive Director;
    - c. 13,000,000 share options (carrying the right to subscribe for 13,000,000 Shares) were granted to Ms. Kuo in her capacity as an executive Director;
    - d. 1,000,000 share options (carrying the right to subscribe for 1,000,000 Shares) were granted to Mr. Zhang in his capacity as an executive Director;
    - e. 1,000,000 share options (carrying the right to subscribe for 1,000,000 Shares) were granted to Mr. Ji in his capacity as a non-executive Director;
    - f. 1,000,000 share options (carrying the right to subscribe for 1,000,000 Shares) were granted to Mr. Ip in his capacity as a non-executive Director;
- \* *The number of issued Shares of the Company as at 31 December 2019 is 5,192,726,898 Shares.*

## 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 2019, other than the Directors and chief executive of the Company, the following persons or corporations had interests and short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under section 336 of the SFO:

Name	Capacity/ Nature of interest	Note	Number of Shares interested	Number of underlying shares pursuant to share options	Aggregate interests	Approximate percentage of the Company's issued Shares' (Note 9)
Royal Spectrum Holdings Limited ("Royal Spectrum")	Beneficial owner	1, 2 & 5	1,968,000,000	-	1,968,000,000	37.90%
Devoss Global Holdings Limited ("Devoss Global")	Interest in controlled corporation	1, 2 & 4	1,968,000,000	6,000,000	1,974,000,000	38.01%
CVP Financial Group Limited ("CVP")	Beneficial owner	3 & 5	504,872,727	-	504,872,727	9.72%
Ms. Luu Huyen Boi ("Ms. Luu")	Interest of spouse	6	2,124,407,636	-	2,124,407,636	40.91%
Software Research Associates, Inc. ("SRA")	Beneficial owner	7	447,045,454	-	447,045,454	8.61%
SRA Holdings Inc. ("SRA Holdings")	Interest in controlled corporation	7	447,045,454	-	447,045,454	8.61%
Atlantis Capital Holdings Limited ("ACHL")	Interest in controlled corporations	8	312,645,000	-	312,645,000	6.02%
Ms. Liu Yang ("Ms. Liu")	Interest in controlled corporations	8	312,645,000	-	312,645,000	6.02%
Ample Cheer Limited ("Ample Cheer")	Interest in controlled corporations	9	2,213,236,382	-	2,213,236,382	42.62%
Best Forth Limited ("Best Forth")	Interest in controlled corporations	9	2,213,236,382	-	2,213,236,382	42.62%
Chu Yuet Wah ("Mrs. Chu")	Interest in controlled corporations	9	2,213,236,382	-	2,213,236,382	42.62%
Kingston Finance Limited ("Kingston")	Interest in controlled corporations	9	2,213,236,382	-	2,213,236,382	42.62%

*Notes:*

1. The entire issued share capital in Royal Spectrum is legally and beneficially owned as to 96.63% by Devoss Global and 3.37% by Montrachet Holdings Limited (“Montrachet”). Devoss Global is legally and beneficially owned by Mr. Ting. Devoss Global is deemed to be interested in the Shares held by Royal Spectrum. Mr. Ting is a director of both Royal Spectrum and Devoss Global. Mr. Zhu Qin is a director of Royal Spectrum.
2. On 27 November 2018, Royal Spectrum pledged 199,600,000 ordinary shares in favour of an independent third party as a security of a loan in the amount of JPY2,000,000,000.
3. CVP is wholly-owned by Mr. Ting. Mr. Ting is deemed to be interested in all the Shares held by CVP. Mr. Ting is deemed to be interested in the Shares in which CVP is interested in under Part XV of the SFO.
4. The underlying shares represent 6,000,000 share options granted to Devoss Global on 17 December 2015.
5. On 5 July 2019, Royal Spectrum and CVP pledged 1,708,363,655 Shares and 504,872,727 Shares respectively in favour of an independent third party as a security of a loan in the amount of HK\$106,000,001. As at 31 December 2019, the carrying amount is HK\$99,992,109.
6. Ms. Luu is the spouse of Mr. Ting. Ms. Luu is deemed to be interested in all the Shares and underlying shares in which Mr. Ting is interested in under Part XV of the SFO.
7. SRA is directly wholly-owned by SRA Holdings. SRA Holdings is deemed to be interested in the Shares in which SRA is interested in under Part XV of the SFO.
8. Based on the notices of disclosure of interest filed by ACHL and Ms. Liu on 25 June 2019, they are indirectly interested in 312,645,000 Shares held by their wholly owned subsidiaries under Part XV of the SFO.
9. Based on the notices of disclosure of interest filed by Ample Cheer, Best Forth, Mrs. Chu and Kingston on 9 July 2019, Mrs. Chu, Ample Cheer and Best Forth are deemed to be interested in 2,213,236,382 shares of the Company in which Kingston has an interest.

Save as disclosed above, as at 31 December 2019, 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 (the “Share Option Scheme”) pursuant to a written resolution of the Shareholders passed on 21 September 2015 (the “Adoption Date”). The terms of the Share Option Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules.

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

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



Details of movements of the share options granted under the Share Option Scheme to subscribe for the Shares were as follows:

Category	Date of grant	Exercise period	Exercise price per share	Number of share options			
				As at 1 October 2019	Granted during the period	Exercised/Cancelled/Lapsed/Reclassified during the period	As at 31 December 2019
Devoss Global (Note 3)	17 December 2015	17 June 2016 to 16 December 2025	HK\$0.80 (Note 1)	6,000,000	-	-	6,000,000
Montrachet (Note 4)	17 December 2015	17 June 2016 to 16 December 2025	HK\$0.80 (Note 1)	15,000,000	-	-	15,000,000
<b>Directors</b>							
Mr. Chen	6 December 2019	(Note 5)	HK\$0.207	-	51,900,000	-	51,900,000
Mr. Kim	6 December 2019	(Note 5)	HK\$0.207	-	51,900,000	-	51,900,000
Ms. Kuo	3 April 2018	1 January 2019 to 2 April 2028	HK\$1.89	5,000,000	-	-	5,000,000
	6 December 2019	(Note 5)	HK\$0.207	-	13,000,000	-	13,000,000
Mr. Zhang	6 December 2019	(Note 5)	HK\$0.207	-	1,000,000	-	1,000,000
Mr. Ip	3 April 2018	1 January 2019 to 2 April 2028	HK\$1.89	300,000	-	-	300,000
	6 December 2019	(Note 5)	HK\$0.207	-	1,000,000	-	1,000,000
Mr. Ji	6 December 2019	(Note 5)	HK\$0.207	-	1,000,000	-	1,000,000
Ms. Fan	3 April 2018	1 January 2019 to 2 April 2028	HK\$1.89	300,000	-	-	300,000
Mr. Chu	3 April 2018	1 January 2019 to 2 April 2028	HK\$1.89	300,000	-	-	300,000
Mr. Zhu Qin	3 April 2018	1 January 2019 to 2 April 2028	HK\$1.89	2,000,000	-	(2,000,000)	-
Consultants (Note 6)	17 December 2015	17 June 2016 to 16 December 2025	HK\$0.80 (Note 1)	160,000,000	-	-	160,000,000
	3 April 2018 (Note 6)	1 January 2019 to 2 April 2028	HK\$1.89	189,600,000	-	(5,000,000)	184,600,000
	13 December 2018	1 July 2019 to 12 December 2028	HK\$1.12	48,000,000	-	-	48,000,000
	14 December 2018	1 July 2019 to 13 December 2028	HK\$1.04	-	-	-	-
	6 December 2019	(Note 5)	HK\$0.207	-	103,800,000	-	103,800,000
Employees	3 April 2018	1 January 2019 to 2 April 2028	HK\$1.89	8,800,000	-	1,200,000	10,000,000
	16 August 2019	1 January 2020 to 15 August 2029	HK\$0.325 (Note 2)	11,500,000	-	-	11,500,000
	6 December 2019	(Note 5)	HK\$0.207	-	131,800,000	-	131,800,000
				446,800,000	355,400,000	(5,800,000)	796,400,000

*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. The share options granted on 16 August 2019 are exercisable from 1 January 2020. The exercise price of the share options was HK\$0.325 per share. The closing price of the shares of the Company immediately before the date on which the share options were granted was HK\$0.310 per share.
3. Devoss Global is a company wholly-owned by Mr. Ting, being the controlling shareholder of Royal Spectrum, a substantial shareholder of the Company.
4. Montrachet, a company wholly-owned by Mr. Zhu Hui Xin, the father of Mr. Zhu Qin, and Montrachet is holding 3.37% shareholding interest in Royal Spectrum, as at 31 December 2016.
5. Exercise period: (i) 50% of the Options are exercisable from 6 December 2020 to 5 December 2029 (both days inclusive); and (ii) 50% of the Options are exercisable from 6 December 2021 to 5 December 2029 (both days inclusive).
6. Consultants are corporations which render consultancy services to the Group.
7. The Group recognised total expenses of approximately HK\$2,483,000 for the nine months ended 31 December 2019 (nine months ended 31 December 2018: approximately HK\$70,473,000) relation to the share options granted by the Company.

**Guaranteed Profit**

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

## Unauthorised Disposal

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

## Purchase, Sale or Redemption of Listed Securities

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

## Directors' Interests in Competing Business

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

## Deed of Non-competition

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

## Code of Conduct Regarding Securities Transactions by Directors

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

## Corporate Governance Practices

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

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

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

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

### **Audit Committee**

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

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

The financial information in this 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 2019 and is of the opinion that such results complied with the applicable accounting standards, the requirements under the GEM Listing Rules and other applicable legal requirements, and that adequate disclosures had been made.

## Significant Events after the Reporting Period

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

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

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

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

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

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

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

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

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

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

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

Hong Kong, 10 February 2020

*As at the date of this report, the executive Directors are Mr. Chen Ying-chieh, Mr. Hankoo Kim, Ms. Kuo Kwan and Mr. Zhang Li; the non-executive Directors are Mr. Ip Cho Yin J.P. and Mr. Ji Zuguang; and the independent non-executive Directors are Ms. Fan Wei, Mr. Chu Kin Wang Peleus and Dr. Lau Reimer, Mary Jean.*