



**MADISON**  
GROUP

**Madison Holdings Group Limited**

(Incorporated in the Cayman Islands with limited liability)

STOCK CODE: 8057

**THIRD QUARTERLY REPORT**  
2021

## 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 quarterly 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 of the Stock Exchange (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this quarterly 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 quarterly report misleading.*



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## CORPORATE INFORMATION

### Board of Directors

#### **Executive Directors**

Ms. Kuo Kwan

Mr. Zhang Li

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

Mr. Ji Zuguang (*Chairman*)

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

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

Ms. Fan Wei

Mr. Chu Kin Wang Peleus

Dr. Lau Reimer, Mary Jean

### Audit Committee

Mr. Chu Kin Wang Peleus  
(*Chairman*)

Ms. Fan Wei

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

Dr. Lau Reimer, Mary Jean

### Remuneration Committee

Ms. Fan Wei (*Chairlady*)

Mr. Ji Zuguang

Mr. Chu Kin Wang Peleus

Dr. Lau Reimer, Mary Jean

### Nomination and Corporate Governance Committee

Mr. Ji Zuguang (*Chairman*)

Ms. Fan Wei

Mr. Chu Kin Wang Peleus

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

Dr. Lau Reimer, Mary Jean

### Compliance Officer

Ms. Kuo Kwan

### Company Secretary

Mr. Young Ho Kee Bernard  
(resigned with effect from  
8 November 2021)

Ms. Choi Yin Ying  
(appointed with effect from  
8 November 2021)

### Authorised Representatives

Ms. Kuo Kwan

Mr. Young Ho Kee Bernard  
(resigned with effect from  
8 November 2021)

Ms. Choi Yin Ying  
(appointed with effect from  
8 November 2021)

### Auditor

SHINEWING (HK) CPA Limited  
*Certified Public Accountants*

### Registered Office

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

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

Units 26-28, 8/F  
One Island South  
2 Heung Yip Road  
Wong Chuk Hang, 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 2021, the unaudited results from continuing operations of the Company and its subsidiaries (collectively referred to as the “**Group**”) were as follows:

- the Group recorded a revenue from continuing operations of approximately HK\$102.7 million for the nine months ended 31 December 2021 (for the nine months ended 31 December 2020: approximately HK\$77.6 million), representing an increase of approximately 32.3% as compared with the corresponding period in 2020;
- net impairment recognised on loan and interest receivables amounted to approximately HK\$27.4 million for the nine months ended 31 December 2021 (for the nine months ended 31 December 2020: approximately HK\$22.6 million), representing an increase of approximately HK\$4.8 million as compared with the corresponding period in 2020;
- loss attributable to the owners of the Company from continuing operations for the nine months ended 31 December 2021 amounted to approximately HK\$19.3 million (for the nine months ended 31 December 2020: approximately HK\$6.6 million); and
- the Directors do not recommend the payment of interim dividend for the nine months ended 31 December 2021 (for the nine months ended 31 December 2020: 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 2021, together with the comparative unaudited figures for the corresponding period in 2020, as follows:

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

FOR THE NINE MONTHS ENDED 31 DECEMBER 2021

	Note	For the three months ended 31 December		For the nine months ended 31 December	
		2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited) (restated)	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited) (restated)
<b>Continuing operations</b>					
Revenue	3				
Sales of alcoholic beverages		19,035	13,930	54,484	37,746
Financial services		-	-	-	-
Loan financing services		15,813	16,383	48,169	39,890
		<b>34,848</b>	<b>30,313</b>	<b>102,653</b>	<b>77,636</b>
Cost of operations					
Cost of alcoholic beverages		(15,196)	(12,002)	(43,744)	(31,325)
Gross profit		<b>19,652</b>	<b>18,311</b>	<b>58,909</b>	<b>46,311</b>
Other income	4	4,916	1,327	8,496	4,516
Staff cost		(9,053)	(7,643)	(25,229)	(30,569)
Depreciation		(2,031)	(2,728)	(6,927)	(9,457)
Administrative and other operating expenses		(5,578)	(6,492)	(13,603)	(17,367)
Change in fair value of financial assets at fair value through profit or loss (“FVTPL”)		170	108	391	402
Change in fair value of derivative financial instruments		-	-	3,873	46,705
Gain on deemed disposal of a subsidiary		3,153	-	3,153	-
Net impairment recognised on loan and interest receivables		(20,634)	(14,077)	(27,410)	(22,576)
Finance cost	5	(6,806)	(10,028)	(20,116)	(31,508)
Gain on disposal of financial assets		-	-	-	1,313
Loss before tax		(16,211)	(21,222)	(18,463)	(12,230)
Income tax credit (expense)	6	4,138	1,141	850	(4,960)
Loss for the period from continuing operations		<b>(12,073)</b>	<b>(20,081)</b>	<b>(17,613)</b>	<b>(17,190)</b>
<b>Discontinued operations</b>					
Loss for the period from discontinued operations	8	-	(882)	(1,346)	(3,870)
Loss for the period	7	<b>(12,073)</b>	<b>(20,963)</b>	<b>(18,959)</b>	<b>(21,060)</b>
Loss for the period attributable to owners of the Company					
- From continuing operations		(11,468)	(15,353)	(19,319)	(6,561)
- From discontinued operations		-	(338)	(1,274)	(2,771)
Loss for the period attributable to owners of the Company		<b>(11,468)</b>	<b>(15,691)</b>	<b>(20,593)</b>	<b>(9,332)</b>

	Note	For the three months ended 31 December		For the nine months ended 31 December	
		2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited) (restated)	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited) (restated)
(Loss)/profit for the period attributable to non-controlling interests					
– From continuing operations		(605)	(4,728)	1,706	(10,629)
– From discontinued operations		-	(544)	(72)	(1,099)
(Loss)/profit for the period attributable to non-controlling interests		(605)	(5,272)	1,634	(11,728)
		(12,073)	(20,963)	(18,959)	(21,060)
Loss per share (HK cents)	10				
<b>From continuing and discontinued operations</b>					
Basic		0.18	0.30	0.33	0.18
Diluted		0.18	0.30	0.33	0.19
<b>From continuing operations</b>					
Basic		0.18	0.29	0.31	0.13
Diluted		0.18	0.29	0.31	0.13
<b>From discontinued operations</b>					
Basic		-	0.01	0.02	0.05
Diluted		-	0.01	0.02	0.05
Loss for the period		(12,073)	(20,963)	(18,959)	(21,060)
<b>Other comprehensive income</b>					
<i>Items that may be reclassified subsequently to profit or loss:</i>					
Exchange differences arising from translation of foreign operations		3,791	14,990	9,792	30,136
Release of translation reserve upon disposal of subsidiaries		-	-	2,811	-
		3,791	14,990	12,603	30,136
Total comprehensive (expense) income for the period		(8,282)	(5,973)	(6,356)	9,076
Total comprehensive (expense) income for the period attributable to:					
Owners of the Company		(7,505)	(7,610)	(10,572)	6,898
Non-controlling interests		(777)	1,637	4,216	2,178
		(8,282)	(5,973)	(6,356)	9,076



# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE NINE MONTHS ENDED 31 DECEMBER 2021

	Attributable to owners of the Company											Non-controlling interests HK\$'000	Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Other reserve HK\$'000	Capital reserve HK\$'000	Merger reserve HK\$'000	Share options reserve HK\$'000	Convertible bonds - equity conversion reserve HK\$'000	Translation reserve HK\$'000	Statutory reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000		
At 1 April 2021 (audited)	6,231	1,311,965	29,047	(103,832)	(598,127)	20,609	174,782	(8,012)	4,351	(825,879)	11,155	227,937	239,082
Loss for the period	-	-	-	-	-	-	-	-	-	(20,593)	(20,593)	1,634	(18,959)
Other comprehensive income for the period	-	-	-	-	-	-	-	-	-	-	-	-	-
Exchange difference arising from translation of foreign operations	-	-	-	-	-	-	-	7,210	-	-	7,210	2,582	9,792
Release of translation reserve upon disposal of subsidiaries	-	-	-	-	-	-	-	2,811	-	-	2,811	-	2,811
Loss for the period and other comprehensive income for the period	-	-	-	-	-	-	-	10,021	-	(20,593)	(10,572)	4,216	(6,356)
Recognition of equity-settled share-based payments expenses	-	-	-	-	-	548	-	-	-	-	548	-	548
Lapse of share options	-	-	-	-	-	(1)	-	-	-	-	(1)	-	(1)
Disposal of Madison Lab Limited	-	-	-	12,938	-	-	-	-	-	(12,938)	-	(59,362)	(59,362)
Appropriation to statutory reserve funds	-	-	-	-	-	-	-	-	849	(849)	-	-	-
As at 31 December 2021 (unaudited)	6,231	1,311,965	29,047	(90,894)	(598,127)	21,156	174,782	2,009	5,200	(860,259)	1,130	172,791	173,921

	Attributable to owners of the Company											Non-controlling interests HK\$'000	Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Other reserve HK\$'000	Capital reserve HK\$'000	Merger reserve HK\$'000	Share options reserve HK\$'000	Convertible bonds - equity conversion reserve HK\$'000	Translation reserve HK\$'000	Statutory reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000		
As at 1 April 2020 (audited)	5,193	1,257,060	29,047	(82,029)	(598,127)	29,623	174,782	(21,604)	4,223	(786,176)	31,992	165,923	197,915
Loss for the period	-	-	-	-	-	-	-	-	-	(9,332)	(9,332)	(11,728)	(21,060)
Other comprehensive income for the period	-	-	-	-	-	-	-	-	-	-	-	-	-
Exchange differences arising from translation of foreign operations	-	-	-	-	-	-	-	16,230	-	-	16,230	13,906	30,136
Loss for the period and other comprehensive income for the period	-	-	-	-	-	-	-	16,230	-	(9,332)	6,898	2,178	9,076
Recognition of equity-settled share-based payments expenses	-	-	-	-	-	6,844	-	-	-	-	6,844	-	6,844
Lapse of share options	-	-	-	-	-	(15,305)	-	-	-	15,305	-	-	-
Change of equity interest in a subsidiary	-	-	-	(64,773)	-	-	-	-	-	-	(64,773)	68,723	3,950
Issue of shares upon placing of shares	1,038	50,086	-	-	-	-	-	-	-	-	57,124	-	57,124
Share issue expenses	-	(1,161)	-	-	-	-	-	-	-	-	(1,161)	-	(1,161)
Appropriation to statutory reserve funds	-	-	-	-	-	-	-	-	128	(128)	-	-	-
As at 31 December 2020 (unaudited)	6,231	1,311,965	29,047	(126,802)	(598,127)	21,162	174,782	(5,374)	4,351	(780,331)	36,924	236,824	273,748

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED 31 DECEMBER 2021

## 1. GENERAL

Madison Holdings Group Limited (the “**Company**”) was incorporated in the Cayman Islands under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands as an exempted company with limited liability on 15 April 2015 and its shares are listed on GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) since 8 October 2015. Royal Spectrum Holding Company Limited (“**Royal Spectrum**”), which is a company incorporated in the Republic of Seychelles and is directly interested in approximately 31.6% of the issued share capital of the Company as at 31 December 2021, and Mr. Ting Pang Wan Raymond (“**Mr. Ting**”), who is interested in approximately 42.2% of the issued share capital of the Company as at 31 December 2021 and has control over Royal Spectrum, are controlling shareholders of the Company. The addresses of the registered office and the principal place of business of the Company are disclosed in the “Corporate Information” section of this third quarterly report.

The Company is an investment holding company. Its major operating subsidiaries are mainly engaged in the sales of alcoholic beverages, the provision of financial services and the provision of loan financing services. During the year ended 31 March 2021 and the nine months ended 31 December 2021, the Group discontinued the provision of auction of alcoholic beverages business in Hong Kong (“**Auction Business**”) and the provision of cryptocurrency exchange business in Japan (“**Blockchain Services Business**”) upon disposals of its relevant subsidiaries respectively as detailed in note 8. Accordingly, the unaudited condensed consolidated statement of profit or loss and other comprehensive income for the three months ended and nine months ended 31 December 2020 has been re-presented.

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 People’s Republic of China (the “**PRC**”) are Renminbi (“**RMB**”). 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.

All amounts are presented in HK\$ thousands (“**HK\$’000**”) in this unaudited condensed consolidated financial statements unless otherwise stated.

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and all applicable accounting principles generally accepted in Hong Kong. The financial statements also comply with the applicable disclosure requirements of the Companies Ordinance (Chapter 622 of the laws of Hong Kong) and include the applicable disclosure requirements of the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”). The accounting policies used in the financial statements for the nine months ended 31 December 2021 are the same as those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 March 2021. The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments which are stated at fair values.

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

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

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

### 3. REVENUE AND SEGMENT INFORMATION

#### Revenue

The principal activities of the Group are the sales of alcoholic beverages, the provision of financial services and the provision of loan financing services. An analysis of the Group's revenue from continuing operations is as follows:

	For the three months ended 31 December		For the nine months ended 31 December	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited) (restated)	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited) (restated)
Revenue from contracts with customers				
Disaggregated of revenue by major products or services lines				
Sales of alcoholic beverages segment				
– Sales of alcoholic beverages income	19,035	13,930	54,484	37,746
Financial services segment				
– Financial consultancy service income	-	-	-	-
Loan financing services segment				
– Loan referral services income	3,594	495	12,153	5,645
Total revenue from contracts with customers	22,629	14,425	66,637	43,391
Revenue from other sources				
Loan financing services segment				
– Interest income – Micro loans	9,815	7,920	28,830	24,429
– Interest income – Other loans	2,404	7,968	7,186	9,816
	12,219	15,888	36,016	34,245
Total Revenue	34,848	30,313	102,653	77,636

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

#### Revenue *(Cont'd)*

##### *Disaggregation of revenue by timing of recognition*

	For the three months ended 31 December		For the nine months ended 31 December	
	2021 <i>HK\$'000</i> (unaudited)	2020 <i>HK\$'000</i> (unaudited) (restated)	2021 <i>HK\$'000</i> (unaudited)	2020 <i>HK\$'000</i> (unaudited) (restated)
Timing of revenue recognition from contracts with customers				
At a point in time	22,629	14,425	66,637	43,391

#### Segment Information

Information has been reported to the chief operating decision maker (“CODM”) (i.e. the executive Directors), for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. 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 services
3. Loan financing services – provision of loan financing and loan referral services

Operating segments regarding Auction Business and Blockchain Services Business were discontinued upon disposals of relevant subsidiaries of the Company during the year ended 31 March 2021 and the nine months ended 31 December 2021 respectively. The segment information for the three months ended and nine months ended 31 December 2020 has been re-presented and does not include any amounts for these discontinued operations, which are described in more detail in note 8.

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

#### Segment revenues and results

The following is an analysis of the Group's revenue and results from continuing operations by reportable and operating segments.

	For the three months ended 31 December		For the nine months ended 31 December	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited) (restated)	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited) (restated)
<b>Revenue</b>				
Sales of alcoholic beverages	19,035	13,930	54,484	37,746
Financial services	-	-	-	-
Loan financing services	15,813	16,383	48,169	39,890
	<b>34,848</b>	<b>30,313</b>	<b>102,653</b>	<b>77,636</b>
<b>Segment profit (loss)</b>				
Sales of alcoholic beverages	3,059	(2,024)	8,463	(5,894)
Financial services	(459)	(726)	(1,420)	(2,276)
Loan financing services	(9,234)	(4,462)	4,251	(1,341)
Segment (loss) profit	(6,634)	(7,212)	11,294	(9,511)
Unallocated income	4,802	4,237	12,153	54,643
Unallocated expenses	(7,573)	(8,219)	(21,794)	(25,854)
Finance cost	(6,806)	(10,028)	(20,116)	(31,508)
Loss before tax	(16,211)	(21,222)	(18,463)	(12,230)

Segment profit (loss) represents the profit (loss) from each segment without allocation of central administration costs, directors' salaries and certain other income, changes in fair value of financial assets at FVTPL and derivative financial instruments, gain on deemed disposal of a subsidiary and finance cost. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

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

#### Geographical information

The following information about the Group's revenue from external customers is presented based on the location of continuing operations.

	For the three months ended 31 December		For the nine months ended 31 December	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited) (restated)	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited) (restated)
PRC	13,034	8,415	40,608	30,074
Hong Kong	21,814	21,898	62,045	47,562
	34,848	30,313	102,653	77,636

### 4. OTHER INCOME

	For the three months ended 31 December		For the nine months ended 31 December	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited) (restated)	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited) (restated)
<b>Continuing operations</b>				
Bank interest income	9	9	20	13
Consignment income	14	111	305	1,934
Net exchange gain	2,071	-	2,675	-
Interest income from consideration receivable	1,115	-	2,489	-
Rental income	1,015	-	1,636	-
Government grants and others	692	1,207	1,371	2,569
	4,916	1,327	8,496	4,516

## 5. FINANCE COST

	For the three months ended 31 December		For the nine months ended 31 December	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited) (restated)	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited) (restated)
<b>Continuing operations</b>				
Interest expense on:				
Convertible bonds	3,147	2,878	9,234	8,444
Promissory notes	1,499	3,260	4,393	10,668
Other borrowings	1,405	2,413	4,412	7,740
Loan from a director	-	885	-	2,790
Loan from a subsidiary of non-controlling shareholder	522	559	1,585	1,648
Lease liabilities	233	33	492	218
	<b>6,806</b>	<b>10,028</b>	<b>20,116</b>	<b>31,508</b>

## 6. INCOME TAX CREDIT (EXPENSE)

	For the three months ended 31 December		For the nine months ended 31 December	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited) (restated)	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited) (restated)
<b>Continuing operations</b>				
Current tax:				
Hong Kong Profits Tax	(281)	-	(281)	(697)
PRC Enterprise Income Tax ("EIT")	5,323	3,783	350	949
Deferred taxation	(904)	(2,642)	781	(5,212)
	<b>4,138</b>	<b>1,141</b>	<b>850</b>	<b>(4,960)</b>



## 6. INCOME TAX CREDIT (EXPENSE) (Cont'd)

### Hong Kong Profits Tax

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

### PRC Enterprise Income Tax

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the statutory EIT tax rate of the PRC subsidiaries is 25.0% for the periods. Further 10.0% withholding income tax is generally imposed on dividends relating to profits.

## 7. LOSS FOR THE PERIOD

	For the three months ended 31 December		For the nine months ended 31 December	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited) (restated)	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited) (restated)
<b>Continuing operations</b>				
Loss for the period has been arrived at after charging (crediting):				
Directors' emoluments	231	(649)	2,480	4,038
Salaries, allowances and other benefits	8,269	7,825	21,058	22,536
Contributions to retirement benefits scheme	505	286	1,498	889
Equity-settled share-based payment expenses	48	181	193	3,106
<b>Total staff cost</b>	<b>9,053</b>	<b>7,643</b>	<b>25,229</b>	<b>30,569</b>
Cost of inventories recognised as expense	14,755	11,224	42,594	29,954
Equity-settled share-based payment expenses – consultants	20	104	83	479
Net impairment recognised on loan and interest receivables	20,634	14,077	27,410	22,576

## 8. DISCONTINUED OPERATIONS

### a. Disposal of Blockchain Services Business

On 17 June 2021, the Group entered into a sale and purchase agreement with Ms. Li Li (an independent third party) as purchaser, to dispose of a wholly-owned subsidiary of the Company, Madison Lab Limited (“**Madison Lab**”) and the amount due from Madison Lab to the Group of approximately HK\$111,813,000 (the “**Sale Loan 1**”) at a consideration of HK\$90,000,000, which should be and had been satisfied by way of issue of a promissory note in the principal amount of HK\$90,000,000 by Ms. Li Li. Madison Lab and its non-wholly-owned subsidiary carried out the Group’s Blockchain Services Business. The disposal was completed on 17 June 2021 on which date control of the above-mentioned subsidiaries was passed to the purchaser. For details, please refer to the announcement of the Company dated 17 June 2021.

The result of Blockchain Services Business was as follows:

	<b>1.4.2021 to 17.6.2021 (date of disposal) HK\$’000 (unaudited)</b>	1.10.2020 to 31.12.2020 HK\$’000 (unaudited)	1.4.2020 to 31.12.2020 HK\$’000 (unaudited)
Other income	259	140	148
Staff cost	(155)	(471)	(2,098)
Depreciation	(42)	(18)	(55)
Administrative and other operating expenses	(246)	(1,127)	(2,596)
Finance cost	(1)	–	–
<b>Loss for the period</b>	<b>(185)</b>	<b>(1,476)</b>	<b>(4,601)</b>
Loss on disposal of discontinued operations	<b>(1,161)</b>	–	–
<b>Loss for the period from discontinued operations</b>	<b>(1,346)</b>	<b>(1,476)</b>	<b>(4,601)</b>
Loss for the period attributable to Owners of the Company	<b>(1,274)</b>	(932)	(3,502)
Non-controlling interests	<b>(72)</b>	(544)	(1,099)
<b>Loss for the period from discontinued operations</b>	<b>(1,346)</b>	<b>(1,476)</b>	<b>(4,601)</b>

## 8. DISCONTINUED OPERATIONS (Cont'd)

### a. Disposal of Blockchain Services Business (Cont'd)

Loss for the period from discontinued Blockchain Services Business includes the following:

	1.4.2021 to 17.6.2021 (date of disposal) HK\$'000 (unaudited)	1.10.2020 to 31.12.2020 HK\$'000 (unaudited)	1.4.2020 to 31.12.2020 HK\$'000 (unaudited)
Salaries, allowances and other benefits	138	416	1,835
Contributions to retirement benefits scheme	17	55	263

### b. Disposal of Auction Business

On 2 November 2020, the Group entered into a sale and purchase agreement with Firebird Global Investment Holdings Limited (“**Firebird Global**”), being a company wholly-owned by Mr. Ting. Pursuant to the sale and purchase agreement, the Group agreed to sell and Firebird Global agreed to purchase the entire equity interests of Focus Concept Holdings Limited (“**Focus Concept**”), being a wholly-owned subsidiary of the Company, and the amount due from Focus Concept to the Group of approximately HK\$11,421,000 (the “**Sale Loan 2**”) at a cash consideration of HK\$2,000,000. Focus Concept and its subsidiary carried out the Group’s Auction Business. The disposal was completed on 2 November 2020 on which date control of the above-mentioned subsidiaries was passed to the purchaser. For details, please refer to the announcement of the Company dated 2 November 2020.

## 8. DISCONTINUED OPERATIONS (Cont'd)

### b. Disposal of Auction Business (Cont'd)

The result of Auction Business was as follows:

	1.10.2020 to 2.11.2020 (date of disposal) HK\$'000 (unaudited)	1.4.2020 to 2.11.2020 (date of disposal) HK\$'000 (audited)
Revenue*	432	3,956
Cost of sales	(90)	(794)
Gross profit	342	3,162
Other income	2	169
Staff cost	(348)	(1,880)
Depreciation	(4)	(27)
Administrative and other operating expenses	(241)	(1,536)
Loss for the period	(249)	(112)
Gain on disposal of discontinued operations	843	843
Gain for the period from discontinued operations (attributable to owners of the Company)	594	731

\* Revenue from contract with customers recognised at a point in time.

Loss for the period from discontinued Auction Business includes the following:

	1.10.2020 to 2.11.2020 (date of disposal) HK\$'000 (unaudited)	1.4.2020 to 2.11.2020 (date of disposal) HK\$'000 (audited)
Salaries, allowances and benefits	343	1,828
Contribution to retirement benefit scheme	5	52
Auditor's remuneration	–	120
Cost of inventories recognised as expense	21	293
Government grants	–	162

## 9. DIVIDEND

No dividend was paid, declared or proposed during the nine months ended 31 December 2021. The Directors do not recommend the payment of interim dividend for the nine months ended 31 December 2021 (2020: 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:

### From continuing and discontinued operations

	For the three months ended 31 December		For the nine months ended 31 December	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited) (restated)	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited) (restated)
Loss for the purpose of basic loss per share for the period attributable to the owners of the Company	(11,468)	(15,691)	(20,593)	(9,332)
Effect of dilutive potential ordinary shares: Change in fair value of put option to non-controlling interests in CVP Capital Limited and loss attributable to the owners to the Company	-	-	-	(429)
Loss for the purpose of diluted loss per share	(11,468)	(15,691)	(20,593)	(9,761)

	For the three months ended 31 December		For the nine months ended 31 December	
	2021 (unaudited)	2020 (unaudited)	2021 (unaudited)	2020 (unaudited)
<b>Number of shares</b> Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<b>6,231,272,277</b>	5,305,612,265	<b>6,231,272,277</b>	5,230,492,185

The computation of diluted loss per share does not assume the conversion of the outstanding shares options and outstanding convertible bonds since their exercise would result in a decrease in loss per share from continuing and discontinued operations for the nine months ended 31 December 2021 and 2020.

## 10. (LOSS) PROFIT PER SHARE (Cont'd)

### From continuing operations

	For the three months ended 31 December		For the nine months ended 31 December	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited) (restated)	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited) (restated)
Loss for the purpose of basic loss per share from continuing operations	(11,468)	(15,353)	(19,319)	(6,561)
Effect of dilutive potential ordinary shares:				
Change in fair value of put option to non-controlling interests in CVP Capital Limited and loss attributable to the owners to the Company	-	-	-	(429)
Loss for the purpose of diluted loss per share	(11,468)	(15,353)	(19,319)	(6,990)

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

### From discontinued operations

	For the three months ended 31 December		For the nine months ended 31 December	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited) (restated)	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited) (restated)
Loss for the purpose of basic and diluted loss per share from discontinued operations	-	(338)	(1,274)	(2,771)

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

## 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 (the “**Shareholders**”) passed on 21 September 2015 (the “**Share Option Scheme**”) for the purpose of providing incentives or rewards to eligible persons for their contribution to the Group and/or enabling the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group.

On 17 December 2015, the Company granted an aggregate of 18,100,000 share options (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 becoming effective on 8 November 2016, adjustments had been made to the exercise price of the outstanding Share Options and the number of subdivided shares to be allotted and issued (the “**Subdivided Shares(s)**”) upon full exercise of subscription rights attaching to the outstanding Share Options in the following manner:

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

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

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

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

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

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

On 6 December 2019, the Company granted an aggregate of 355,400,000 Share Options to the employees, Directors and consultants of the Company, to subscribe, in aggregate, for up to 355,400,000 Shares at the exercise price of HK\$0.207 per Share. For details, please refer to the announcement of the Company dated 6 December 2019.

On 31 July 2020, ordinary resolutions had been passed by the Company's shareholders to refresh the scheme mandate limit under the Share Option Scheme, such that the maximum number of Shares that can be allotted and issued upon the exercise of Share Options which may be granted by the Company under the scheme mandate limit so refreshed would be 519,272,689 Shares, being 10% of the total number of issued Shares as at the date of passing of the resolution approving the said refreshment.

No option had been granted during the nine months ended 31 December 2021 and 2020. As at 31 December 2021, the number of shares in respect of which options had been granted and remained outstanding under the Share Option Scheme was 508,300,000 Shares (31 December 2020: 511,200,000 Shares), representing approximately 8.2% (31 December 2020: approximately 8.2%) of the total number of shares of the Company in issue at that date. Fair value of Share Options granted to consultants was measured at market prices for their services provided.



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

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

Weighted average share price (HK\$)	0.206-0.325
Weighted average exercise price (HK\$)	0.207-0.325
Expected volatility	59.126-59.774%
Expected life (years)	10
Risk-free rate	1.018-1.575%
Expected dividend yield	0%

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

Share-based payment expenses of approximately HK\$548,000 were recognised by the Group for the nine months ended 31 December 2021 in relation to Share Options granted by the Company (2020: approximately HK\$6,844,000).

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

Details of the Company's Share Options held by grantees as at 31 December 2021 are as follows:

Category of participant	Date of grant	Outstanding as at 1 April 2021	Outstanding as at 31 December 2021	Vesting period	Exercise period	Exercise price per share
Shareholders	17 December 2015	21,000,000	21,000,000	17 December 2015 to 16 June 2016	17 June 2016 to 16 December 2025	HK\$0.800
Consultants	17 December 2015	160,000,000	160,000,000	17 December 2015 to 16 June 2016	17 June 2016 to 16 December 2025	HK\$0.800
Directors	3 April 2018	5,900,000	5,900,000	3 April 2018 to 31 December 2018	1 January 2019 to 2 April 2028	HK\$1.890
Employees	3 April 2018	8,500,000	8,500,000	3 April 2018 to 31 December 2018	1 January 2019 to 2 April 2028	HK\$1.890
Consultants	3 April 2018	184,600,000	184,500,000	3 April 2018 to 31 December 2018	1 January 2019 to 2 April 2028	HK\$1.890
Consultants	13 December 2018	48,000,000	48,000,000	13 December 2018 to 30 June 2019	1 July 2019 to 12 December 2028	HK\$1.120
Directors	6 December 2019	8,000,000	8,000,000	6 December 2019 to 5 December 2020	6 December 2020 to 5 December 2029	HK\$0.207
Directors	6 December 2019	8,000,000	8,000,000	6 December 2019 to 5 December 2021	6 December 2021 to 5 December 2029	HK\$0.207
Consultants	6 December 2019	25,950,000	25,950,000	6 December 2019 to 5 December 2020	6 December 2020 to 5 December 2029	HK\$0.207
Consultants	6 December 2019	25,950,000	25,950,000	6 December 2019 to 5 December 2021	6 December 2021 to 5 December 2029	HK\$0.207
Employees	6 December 2019	6,250,000	6,250,000	6 December 2019 to 5 December 2020	6 December 2020 to 5 December 2029	HK\$0.207
Employees	6 December 2019	6,250,000	6,250,000	6 December 2019 to 5 December 2021	6 December 2021 to 5 December 2029	HK\$0.207

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

The following table discloses movements of the Company's Share Options held by grantees during the period:

### During the nine months ended 31 December 2021

Category of participant	Outstanding as at 1 April 2021	Granted during the period	Lapsed during the period	Outstanding as at 31 December 2021
Directors	21,900,000	-	-	21,900,000
Employees	21,000,000	-	-	21,000,000
Shareholders	21,000,000	-	-	21,000,000
Consultants	444,500,000	-	(100,000)	444,400,000
	508,400,000	-	(100,000)	508,300,000
Weighted average exercise price (HK\$)	1.2	-	0.2	1.2

### During the nine months ended 31 December 2020

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

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business review

For the nine months ended 31 December 2021 (the “**Period**”), the Company and its subsidiaries (collectively, the “**Group**”) were principally engaged in (i) the retail sales and wholesales of a wide spectrum of wine products and other alcoholic beverages in Hong Kong with a focus on red wine (the “**Wine Business**”); (ii) the provision of financial services (the “**Financial Services Business**”); and (iii) the provision of loan financing services (the “**Loan Financing Business**”).

During the Period, revenue of the Wine Business amounted to approximately HK\$54.5 million, representing an increase of approximately 44.6% as compared with that of approximately HK\$37.7 million for the corresponding period last year. Such increase was mainly due to improvement of sales volume with new and existing customers as a result of the easing of the novel coronavirus (“**COVID-19**”) pandemic in Hong Kong. Revenue generated from the Loan Financing Business amounted to approximately HK\$48.2 million, representing an increase of approximately 20.8% as compared with that of approximately HK\$39.9 million for the corresponding period last year. Such increase was mainly due to the increase in loan referral services income. As the COVID-19 pandemic severely affected the businesses in the PRC in the recent years, the Group recorded net impairment recognised on loan and interest receivables of approximately HK\$27.4 million, representing an increase of approximately HK\$4.8 million as compared with that of approximately HK\$22.6 million for the corresponding period last year. No revenue was generated from the Financial Services Business which was same as the corresponding period last year.

The management of the Company considered recent reports in relation to US Treasury's plan to tackle financial institutions for money laundering carried out through digital assets, which have adversely affected the public confidence and price volatility of Bitcoin during the Period. On 17 June 2021, the Group completed the disposal (the "**Disposal**") of the entire issued share capital of and shareholder's loan due from Madison Lab Limited ("**Madison Lab**"), which in turn held approximately 59.3% of the entire equity interest in BITOCEAN Co., Ltd. ("**Bitocean**"). Bitocean was principally engaged in the provision of cryptocurrency exchange business in Japan (the "**Blockchain Services Business**"). The consideration for the Disposal was HK\$90.0 million and had been satisfied by way of issue of a promissory note in the principal amount of HK\$90.0 million maturing on 16 December 2021 at an interest rate of 2.0% per annum by the purchaser upon Completion (the "**PN**"). Upon completion of the Disposal on 17 June 2021, the financial results of the Blockchain Services Business were no longer consolidated into the consolidated financial statements of the Group. The maturity date was subsequently extended to 16 June 2022 and the interest rate of the PN was increased to 3.0% per annum by an extension deed dated 16 December 2021. For details of the Disposal and the PN, please refer to the section headed "Acquisition and Disposal" below in this report and the announcements of the Company dated 17 June 2021 and 16 December 2021. The financial results of the Blockchain Services Business before the Disposal had been re-classified as discontinued operation of the Group.

The loss on Disposal was approximately HK\$1.2 million after taken into account loss of approximately HK\$1.5 million resulting from the initial recognition of PN at fair value.

## Financial review

During the Period, the Group's revenue from continuing operations increased by approximately 32.3% to approximately HK\$102.7 million (2020: approximately HK\$77.6 million). Increase in the Group's revenue was mainly attributable to the increase in sales of Wine Business and loan referral services income of Loan Financing Business. The revenue included (i) approximately HK\$54.5 million (2020: approximately HK\$37.7 million) of Wine Business; and (ii) approximately HK\$48.2 million (2020: approximately HK\$39.9 million) of Loan Financing Business. No revenue was generated from Financial Services Business (2020: nil).

Gross profit margin from the Wine Business in continuing operations was slightly increased to approximately 19.7% (2020: approximately 17.0%). Such increase was mainly driven by streamlining of the Wine Business operations and benefit from recovery of the market from the COVID-19 pandemic.

Gross profit from continuing operations was approximately HK\$58.9 million (2020: approximately HK\$46.3 million), representing an increase of approximately 27.2% and HK\$12.6 million as compared with the corresponding period last year. The increase in gross profit was mainly attributable to the contribution from Wine Business and Loan Financing Business of the Group.

Other income from continuing operations was approximately HK\$8.5 million (2020: approximately HK\$4.5 million). The other income mainly comprised (1) the PN interest income relating to the Disposal of approximately HK\$2.5 million; (2) rental income of approximately HK\$1.6 million; (3) net exchange gain of approximately HK\$2.7 million and (4) consignment income, government grants and others of approximately HK\$0.3 million and HK\$1.4 million respectively during the Period.

Staff cost and depreciation from continuing operations were approximately HK\$25.2 million and HK\$6.9 million (2020: approximately HK\$30.6 million and HK\$9.5 million), representing a decrease of approximately HK\$5.4 million and HK\$2.6 million, respectively, as compared with the same period last year. The decrease in staff cost and depreciation were primarily due to the decrease of approximately HK\$6.3 million of the equity-settled share-based payment expenses and approximately HK\$2.0 million of depreciation of right-of-use assets due to close of a shop, respectively.

Administrative and other operating expenses from continuing operations were approximately HK\$13.6 million (2020: approximately HK\$17.4 million), representing a decrease of approximately 21.8% and approximately HK\$3.8 million as compared with the same period last year. The decrease was mainly due to no exchange loss during the Period (2020: approximately HK\$3.1 million).

The finance cost from continuing operations during the Period amounted to approximately HK\$20.1 million (2020: approximately HK\$31.5 million) which was mainly incurred on convertible bonds, promissory note, other borrowings and loan. Such decrease of approximately HK\$11.4 million was mainly driven by (i) full repayment of loan from a Director and (ii) partial repayment of PN and other borrowings.

Loss for the period from continuing operations was approximately HK\$17.6 million (2020: approximately HK\$17.2 million). Such slight increase was mainly due to the decrease in change in fair value of derivative financial instruments of approximately HK\$42.8 million and offset by (i) the increase in other income of approximately HK\$4.0 million; (ii) the increase in net impairment recognised on loan and interest receivables of approximately HK\$4.8 million; (iii) the decrease in staff cost and depreciation of approximately HK\$5.4 million and HK\$2.6 million respectively; (iv) the decrease in finance cost of approximately HK\$11.4 million; and (v) income tax credit recognised during the Period of approximately HK\$0.9 million while an income tax expense of approximately HK\$5.0 million recognised for the corresponding period last year.

## Dividend

The Directors do not recommend the payment of interim dividend for the Period (2020: nil).

## Acquisition and Disposal

During the Period, the Group made the following disposal and acquisition:

In light of an increasing regulatory requirement in cryptocurrency market, price volatility of Bitcoin, adverse effect from criticisms of Bitcoin and no revenue generated by Bitoclean, the Directors believed that it was in the interest of the Company and its shareholders as a whole to re-allocate the Group's financial resources to strengthen the Group's remaining business and look for suitable acquisition opportunities to maximise the return of Shareholders in a more sustainable manner.

On 4 June 2021, the Company entered into a non-legally binding memorandum of understanding with Ms. Li Li ("**Ms. Li**"), an independent third party, pursuant to which the Company intended to acquire and Ms. Li intended to sell 49.0% equity interest in Up Sail Ventures Limited ("**Up Sail**", together with its subsidiaries, the "**Target Group**"), which in turn held two subsidiaries incorporated in the PRC (the "**Acquisition**"). The business activity of the Target Group is principally engaged in the provision of education management services in the PRC.

On 17 June 2021, Madison Blockchain Holdings Company Limited as vendor ("**Madison Blockchain**"), being a direct wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Ms. Li as purchaser, pursuant to which Ms. Li agreed to acquire and Madison Blockchain agreed to sell the entire share capital of and shareholder's loan due from Madison Lab, which in turn held approximately 59.3% of equity interest in Bitoccean, at a consideration of HK\$90.0 million. Such consideration should be and had been satisfied by way of issue of the PN in the principal amount of HK\$90.0 million by Ms. Li upon completion of the Disposal. The PN would be due 6 months from the date of its issue and carried an interest of 2.0% per annum. On 16 December 2021, Ms. Li and Madison Blockchain entered into an extension deed to (i) extend the maturity date of the PN from 16 December 2021 to 16 June 2022, and (ii) increase the interest rate of the PN from 2.0% to 3.0% per annum. Save as disclosed, all other terms and conditions of the PN remain valid and in full force. As security for payment of all moneys, obligations and liabilities due, owing or incurred to Madison Blockchain under the PN, Ms. Li has executed a share charge on 17 June 2021 over the entire issued share capital of Madison Lab in favour of Madison Blockchain.

On 28 June 2021, the Company and Ms. Li entered into a sale and purchase agreement (the "**SPA**"), in relation to the Acquisition at a consideration of approximately HK\$133.7 million, which shall be settled as to HK\$90.0 million by way of set off against the total principal amount of the PN and as to approximately HK\$43.7 million by the allotment and issue of 295,081,081 new shares by the Company to Ms. Li. Ms. Li has provided the Company with a profit guarantee that the audited consolidated profit after taxation of Up Sail, for the first complete financial year commencing after the completion date of the Acquisition, which is determined in accordance with HKFRSs, shall not be less than HK\$12.0 million. The Acquisition is an opportunity for the Group to tap into the business of education management services in the PRC and it is beneficial for the Group to seek suitable investment opportunities from time to time to diversify the Group's existing business portfolio and in view of broadening the Group's source of income.



The completion of Acquisition is subject to certain conditions precedent as set out in the SPA. As the conditions precedent have not been satisfied, the Company and Ms. Li agreed to extend the long stop date from 31 August 2021 to 31 March 2022. For details, please refer to the announcements of the Company dated 28 June 2021, 29 July 2021, 30 September 2021 and 30 November 2021.

On 30 November 2021, K7 Fraternity Company Limited (“**K7**”), a subsidiary of the Company, allotted 9,999,999 ordinary shares at HK\$1 per share to a wholly-owned subsidiary of the Group and certain independent third parties. Upon allotment of the new shares, the Group’s equity interest in K7 has been diluted to 15.0%. The dilution of the Group’s interest in K7 constituted a deemed disposal of the Group’s equity interest in subsidiary.

Save as disclosed above, there was no other acquisition and disposal of subsidiaries of the Group during the Period.

### Events after the reporting period

On 18 January 2022, an ordinary resolution was passed by the Shareholders to approve the share consolidation (“**Share Consolidation**”) on the basis of every ten (10) issued and unissued existing shares of HK\$0.001 each in the share capital of the Company be consolidated into one (1) consolidated share of HK\$0.01 each (“**Consolidated Share**”) in the share capital of the Company. Immediately after the Share Consolidation becoming effective on 20 January 2022, the authorised share capital of the Company has become HK\$10,000,000 divided into 1,000,000,000 Consolidated Shares of HK\$0.01 each, of which 623,127,227 Consolidated Shares would be in issue which are fully paid or credited as fully paid. For further details, please refer to the circular of the Company dated 28 December 2021 and the announcement of the Company dated 18 January 2022.

### Business Prospects

Looking forward, despite that the severity of the COVID-19 pandemic is relatively controlled in Hong Kong and the PRC, there are growing concerns due to the highly infectious COVID-19 variants (“**Omicron variant**”) spread around the world. Omicron variant is driving waves of COVID-19 infections worldwide. Under the COVID-19 pandemic, the global economic outlook remains uncertain. The Directors will continue to enhance the Group’s businesses through reviewing its existing business portfolio from time to time as well as tightening the Group’s cost control measures. In addition, the Group will actively seek other investment opportunities in other streams so as to broaden the source of income of the Group and diversify the Group’s business portfolio on an on-going basis.

## CORPORATE GOVERNANCE AND OTHER INFORMATION

### Directors' and Chief Executives' Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company or any Associated Corporation

As at 31 December 2021, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")), which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which they are taken or deemed to have under such provisions of the SFO) or which were required to be recorded in the register maintained by the Company pursuant to section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to rules 5.46 to 5.67 of the GEM Listing Rules relating to the securities transactions by the directors.

#### (A) Long Position in the Company's Shares, Underlying Shares

Name of Directors	Capacity/ nature of interest	Number of issued Shares held/ interested in	Number of underlying shares pursuant to share options	Aggregate interests	Approximate percentage of the Company's issued Shares*
Ms. Kuo Kwan ("Ms. Kuo")	Beneficial owner	-	18,000,000 (Notes 1 (a) and 2 (a))	18,000,000	0.289%
Mr. Zhang Li ("Mr. Zhang")	Beneficial owner	4,420,000 (Note 3)	1,000,000 (Note 2(b))	5,420,000	0.087%
Mr. Ji Zuguang ("Mr. Ji")	Beneficial owner	-	1,000,000 (Note 2(c))	3,089,786	0.050%
	Interest in a controlled corporation	2,089,786 (Note 4)			
Ms. Fan Wei ("Ms. Fan")	Beneficial owner	-	300,000 (Note 1(c))	300,000	0.005%
Mr. Chu Kin Wang Peleus ("Mr. Chu")	Beneficial owner	-	300,000 (Note 1(d))	300,000	0.005%
Mr. Ip Cho Yin, J.P. ("Mr. IP")	Beneficial owner	-	1,300,000 (Notes 1(b) and 2(d))	1,300,000	0.021%

*Notes:*

1. On 3 April 2018, the Company granted a total of 219,000,000 share options, of which 5,900,000 share options were granted to the following persons entitling them to subscribe for a total of 5,900,000 Shares at the exercise price of HK\$1.89 per Share:
  - a. 5,000,000 share options (carrying the right to subscribe for 5,000,000 Shares) were granted to Ms. Kuo in her capacity as an executive Director;
  - b. 300,000 share options (carrying the right to subscribe for 300,000 Shares) were granted to Mr. Ip in his then capacity as an independent non-executive Director (“INED”). He was re-designated as a non-executive Director (“NED”) on 7 March 2019;
  - c. 300,000 share options (carrying the right to subscribe for 300,000 Shares) were granted to Ms. Fan in her capacity as an INED; and
  - d. 300,000 share options (carrying the right to subscribe for 300,000 Shares) were granted to Mr. Chu in his capacity as an INED.
  
2. On 6 December 2019, the Company granted a total of 355,400,000 share options, of which 16,000,000 share options were granted to the following persons entitling them to subscribe for a total of 16,000,000 Shares at the exercise price of HK\$0.207 per Share:
  - a. 13,000,000 share options (carrying the right to subscribe for 13,000,000 Shares) were granted to Ms. Kuo in her capacity as an executive Director;
  - b. 1,000,000 share options (carrying the right to subscribe for 1,000,000 Shares) were granted to Mr. Zhang in his capacity as an executive Director;
  - c. 1,000,000 share options (carrying the right to subscribe for 1,000,000 Shares) were granted to Mr. Ji in his capacity as an NED;
  - d. 1,000,000 share options (carrying the right to subscribe for 1,000,000 Shares) were granted to Mr. Ip in his capacity as an NED.

3. Ms. Chen Hua is the spouse of Mr. Zhang. Mr. Zhang is deemed to be interested in the Shares in which Ms. Chen Hua is interested by virtue of the SFO.
4. Plan Marvel Investment Limited ("**Plan Marvel**"), being a company incorporated in the British Virgin Islands with limited liability, is wholly-owned by Mr. Ji. Mr. Ji is deemed to be interested in 2,089,786 Shares held by Plan Marvel by virtue of the SFO.

\* *The number of issued Shares as at 31 December 2021 is 6,231,272,277 Shares.*

Save as disclosed above, as at 31 December 2021, none of the Directors and chief executive of the Company nor their close associates had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations as defined in the SFO.

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

As at 31 December 2021, so far as known to the Directors, the particulars of the corporations or individuals (other than the Directors and chief executive of the Company) who had any interests or short positions in the shares and the 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, as recorded in the register required to be kept pursuant to section 336 of the SFO ("**Register of Shareholders**") were as follows:

Name	Capacity/ nature of interest	Notes	Number of Shares interested	Number of underlying shares pursuant to share options	Aggregate interests	Approximate percentage of the Company's Shares*
Royal Spectrum Holding Company Limited (" <b>Royal Spectrum</b> ")	Beneficial owner	1, 2 & 5	1,968,000,000	-	1,968,000,000	31.58%
Devoss Global Holdings Limited (" <b>Devoss Global</b> ")	Interest in controlled corporation and beneficial owner	1, 2, 3 & 4	1,968,000,000	6,000,000	1,974,000,000	31.68%
CVP Financial Group Limited (" <b>CVP</b> ")	Beneficial owner	3 & 5	504,872,727	-	504,872,727	8.10%
Mr. Ting Pang Wan Raymond (" <b>Mr. Ting</b> ")	Interest in controlled corporation	1, 2, 3, 4 & 5	2,486,916,727	142,363,636	2,629,280,363	42.19%

Name	Capacity/ nature of interest	Notes	Number of Shares interested	Number of underlying shares pursuant to share options	Aggregate interests	Approximate percentage of the Company's Shares <sup>1</sup>
Ms. Luu Huyen Bui ("Ms. Luu")	Interest of spouse	6	2,486,916,727	142,363,636	2,629,280,363	42.19%
Software Research Associates, Inc. ("SRA")	Beneficial owner	7	404,545,454	-	404,545,454	6.49%
SRA Holdings, Inc. ("SRA Holdings")	Interest in controlled corporation	7	404,545,454	-	404,545,454	6.49%
Atlantis Capital Group Holdings Limited ("ACGHL")	Interest in controlled corporation	8	563,445,000	-	563,445,000	9.04%
Ms. Liu Yang ("Ms. Liu")	Interest in controlled corporation	8	563,445,000	-	563,445,000	9.04%
Ample Cheer Limited ("Ample Cheer")	Interest in controlled corporation	9	2,213,236,382	-	2,213,236,382	35.52%
Best Forth Limited ("Best Forth")	Interest in controlled corporation	9	2,213,236,382	-	2,213,236,382	35.52%
Chu Yuet Wah ("Mrs. Chu")	Interest in controlled corporation	9	2,213,236,382	-	2,213,236,382	35.52%
Kingston Finance Limited ("Kingston")	Person having a security interest in shares	9	2,213,236,382	-	2,213,236,382	35.52%
Bartha International Limited ("Bartha International")	Beneficial owner	10	367,700,000	-	367,700,000	5.90%
Mr. Li Ran	Interest in controlled corporation	10	367,700,000	-	367,700,000	5.90%
Mr. Pu Xueyuan	Interest in controlled corporation	10	367,700,000	-	367,700,000	5.90%
Ms. Wang Xuping	Interest in controlled corporation	10	367,700,000	-	367,700,000	5.90%
Ms. Zhang Fengge	Interest in controlled corporation	10	367,700,000	-	367,700,000	5.90%
Ms. Wang Hui	Beneficial owner	11	421,392,000	-	421,392,000	6.76%

**Notes:**

- 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") respectively. 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.
- 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. Each of Devoss Global, CVP, Kaiser Capital Holdings Limited (“**Kaiser Capital**”) and Highgrade Holding Limited (“**Highgrade Holding**”) is wholly-owned by Mr. Ting. Kaiser Capital is interested in 12,172,000 Shares and Highgrade Holding is interested in 1,872,000 Shares. Mr. Ting is deemed to be interested in 2,486,916,727 Shares, held by Devoss Global, CVP, Kaiser Capital and Highgrade Holding under Part XV of the SFO.
  4. Details of the underlying shares are as follows:
    - a. 6,000,000 share options granted to Devoss Global on 17 December 2015.
    - b. 136,363,636 conversion shares of the Company under the convertible bonds of the Company (the “**Conversion Shares**”) issued to Bartha Holdings on 28 July 2018, a company owned as to approximately 88.9% by CVP Holdings Limited, which in turn, is wholly owned by Mr. Ting.
  5. On 27 October 2021, 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\$44,992,109 provided by the independent third party to the Company as general working capital.
  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 ACGHL and Ms. Liu on 22 December 2020, they are indirectly interested in 563,445,000 Shares held by their wholly-owned subsidiaries, namely Atlantis Investment Management Limited and Atlantis Investment Management (Ireland) Limited, under Part XV of the SFO.
  9. Kingston is a wholly-owned subsidiary of Ample Cheer, which is in turn owned as to 80% by Best Forth and 20% by Insight Glory Limited (“**Insight Glory**”) respectively. Both Best Forth and Insight Glory are wholly-owned by Mrs. Chu.
  10. Based on the notices of disclosure of interest filed on 22 December 2020, Bartha International is owned as to 20% by Mr. Li Ran, 25% by Mr. Pu Xueyuan, 26% by Ms. Wang Xuping and 29% by Ms. Zhang Fengge respectively.
  11. Based on the notice of disclosure of interest filed by Ms. Wang Hui on 8 April 2021.
- \* *The number of issued Shares as at 31 December 2021 is 6,231,272,277 Shares.*

Save as disclosed above, as at 31 December 2021, the Company had not been notified by any persons (other than Directors or chief executive of the Company) who has interests or short positions in the shares or underlying shares of the Company as recorded in the Register of Shareholders.

## Share Option Scheme

The Company has conditionally adopted Share Option Scheme pursuant to a written resolution of its shareholders passed on 21 September 2015 (the “**Adoption Date**”). The terms of the Share Option Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules.

### *The Remaining Life of the Scheme*

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

Details of movements of the share options granted under the Share Option Scheme during the nine months ended 31 December 2021 were as follows:

Category	Date of grant	Exercise period	Exercise price per share	Number of share options			
				As at 1 April 2021	Granted during the period	Exercised/Cancelled/Lapsed during the period	As at 31 December 2021
<b>Shareholders</b>							
Devoss Global <i>(Note 2)</i>	17 December 2015	17 June 2016 to 16 December 2025	HK\$0.80 <i>(Note 1)</i>	6,000,000	-	-	6,000,000
Montrachet <i>(Note 3)</i>	17 December 2015	17 June 2016 to 16 December	HK\$0.80 <i>(Note 1)</i>	15,000,000	-	-	15,000,000
<b>Directors</b>							
Ms. Kuo	3 April 2018	1 January 2019 to 2 April 2028	HK\$1.89	5,000,000	-	-	5,000,000
	6 December 2019	<i>(Note 4)</i>	HK\$0.207	13,000,000	-	-	13,000,000
Mr. Zhang	6 December 2019	<i>(Note 4)</i>	HK\$0.207	1,000,000	-	-	1,000,000
Mr. Ip	3 April 2018	1 January 2019 to 2 April 2028	HK\$1.89	300,000	-	-	300,000
	6 December 2019	<i>(Note 4)</i>	HK\$0.207	1,000,000	-	-	1,000,000
Mr. Ji	6 December 2019	<i>(Note 4)</i>	HK\$0.207	1,000,000	-	-	1,000,000

Category	Date of grant	Exercise period	Exercise price per share	Number of share options			
				As at 1 April 2021	Granted during the period	Exercised/Cancelled/Lapsed during the period	As at 31 December 2021
Ms. Fan	3 April 2018	1 January 2019 to 2 April 2028	HK\$1.89	300,000	-	-	300,000
Mr. Chu	3 April 2018	1 January 2019 to 2 April 2028	HK\$1.89	300,000	-	-	300,000
<b>Consultants (Note 5)</b>	17 December 2015	17 June 2016 to 16 December 2025	HK\$0.80	160,000,000	-	-	160,000,000
	3 April 2018	1 January 2019 to 2 April 2028	HK\$1.89	184,600,000	-	100,000	184,500,000
	13 December 2018	1 July 2019 to 12 December 2028	HK\$1.12	48,000,000	-	-	48,000,000
<b>Employees</b>	6 December 2019	(Note 4)	HK\$0.207	51,900,000	-	-	51,900,000
	3 April 2018	1 January 2019 to 2 April 2028	HK\$1.89	8,500,000	-	-	8,500,000
	6 December 2019	(Note 4)	HK\$0.207	12,500,000	-	-	12,500,000
				508,400,000	-	100,000	508,300,000

**Notes:**

1. The share options granted on 17 December 2015 are exercisable from 17 June 2016. The closing price of the Shares immediately before the date on which the share options were granted was HK\$7.10 per Share and adjusted on 8 November 2016.
2. Devoss Global is a company wholly-owned by Mr. Ting, being the controlling shareholder of Royal Spectrum, a substantial shareholder of the Company.
3. Montrachet, a company wholly-owned by Mr. Zhu Hui Xin, the father of Mr. Zhu Qin (former executive Director), and Montrachet is holding 3.37% shareholding interest in Royal Spectrum.
4. 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).
5. Consultants are corporations and individuals which render consultancy services to the Group.
6. During the nine months ended 31 December 2021, no share options were exercised or cancelled.



## Directors' Rights to Acquire Shares or Debentures

Save as disclosed in this quarterly report, at no time during the nine months ended 31 December 2021 was the Company, its holding company or any of its subsidiaries or fellow subsidiaries a party to an arrangement that would enable the Directors or their close associates to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

## Purchase, Sale or Redemption of the Company's Listed Securities

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the nine months ended 31 December 2021.

## Directors' Interests in Competing Business

None of the Directors or any of their respective close associates (as defined in the GEM Listing Rules) are engaged in any business that competes or may compete, either directly or indirectly, with the business of the Group or have any other conflicts of interest with the Group nor are they aware of any other conflicts of interest with the Group which any such person has or may have with the Group during the nine months ended 31 December 2021.

## 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 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 Transaction by Directors

The Company has adopted the code of conduct for securities transactions by Directors on terms no less exacting than the required standards of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the “**Model Code**”). Having made specific enquiry, all Directors have confirmed that they have fully complied with the required standards set out in the Model Code throughout the nine months ended 31 December 2021.

## Compliance with Corporate Governance Code

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 (the “**old CG Code**”) as previously set out in Appendix 15 to the GEM Listing Rules as its corporate governance practices. On 1 January 2022, the amendments to the Corporate Governance Code (the “**new CG code**”) came into effect and the requirements under the new CG code will apply to corporate governance reports for financial year commencing on or after 1 January 2022.

Throughout the nine months ended 31 December 2021, to the best knowledge of the Board, the Company had complied with the code provisions in the old CG Code as previously set out in Appendix 15 to the GEM Listing Rules.

## Audit Committee

The Company has established an audit committee of the Company (“**Audit Committee**”) 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 old CG Code (equivalent to D.3.3 of the new CG Code). The primary duties of the Audit Committee are 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.

Currently, the Audit Committee comprises four members, namely Mr. Chu Kin Wang Peleus, Ms. Fan Wei, Dr. Lau Remier, Mary Jean and Mr. Ip Cho Yin, *J.P.*, and chaired by Mr. Chu Kin Wang Peleus, who has appropriate professional qualifications and experience as required by the GEM Listing Rules. Save for Mr. Ip Cho Yin, *J.P.*, who is a NED, all other members are INEDs.

The unaudited condensed consolidated financial statements for the nine months ended 31 December 2021 have been reviewed by the Audit Committee, which is of the opinion that such financial statements have been prepared in accordance with all applicable accounting standards, the Hong Kong Companies Ordinance and the GEM Listing Rules, but have not been reviewed or audited by the Company's auditor.

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

Hong Kong, 8 February 2022