

MADISON

— G R O U P —

Madison Holdings Group Limited

麥迪森控股集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8057)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2019

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This announcement, 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 announcement 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 announcement misleading.

FINANCIAL HIGHLIGHTS

For the year ended 31 March 2019, the audited operating results of the Group were as follows:

- the Group recorded a revenue of approximately HK\$310.4 million (2018: approximately HK\$269.6 million (restated)), representing an increase of approximately 15.1% as compared with the year ended 31 March 2018;
- impairment loss recognised on goodwill and plant and equipment amounted to approximately HK\$173.3 million and approximately HK\$120.1 million, respectively;
- loss for the year was approximately HK\$419.7 million (2018: approximately HK\$127.9 million (restated)). Should the impairment loss on goodwill and plant and equipment of approximately HK\$293.4 million be excluded, loss for the year would be approximately HK\$126.3 million;
- loss for the year attributable to the owners of the Company was approximately HK\$369.2 million (2018: approximately HK\$7.0 million (restated)); and
- the Directors do not recommend the payment of a final dividend for the year ended 31 March 2019 (2018: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Company and its subsidiaries (the “Group”) is engaged in (i) the retail sales and wholesales of a wide spectrum of wine products and other alcoholic beverages in Hong Kong with a focus on red wine (the “Wine Business”); (ii) the provision of auction of alcoholic beverages (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 Asia and Europe (the “Blockchain Services Business”) upon the completion of acquisition of 51% equity interest in Diginex High Performance Computing Limited (“Diginex HPC”) and the entire issued share capital of High Performance Computing Nordic AB (“HPC Nordic”) on 31 July 2018 and 30 August 2018 respectively; and (v) the provision of loan financing and consultancy services (the “Loan Financing Business”) upon the completion of acquisition of 77% equity interest in Hackett Enterprises Limited (“Hackett”, together with its subsidiaries, the “Hackett Group”) on 29 March 2019. During the year ended 31 March 2019, revenue of the Group increased by approximately 15.1% from approximately HK\$269.6 million (restated) to approximately HK\$310.4 million for the year ended 31 March 2018 and 2019 respectively. The revenue was comprised by (i) the Wine Business which contributed approximately HK\$114.2 million; (ii) the Wine Auction Business which contributed approximately HK\$3.7 million; (iii) the Financial Services Business which contributed approximately HK\$21.7 million; (iv) the Blockchain Services Business which contributed approximately HK\$29.4 million; and (v) the Loan Financing Business which contributed approximately HK\$141.4 million.

FINANCIAL REVIEW

Revenue

Revenue of the Group increased by approximately HK\$40.8 million or 15.1% from approximately HK\$269.6 million (restated) for the year ended 31 March 2018 to approximately HK\$310.4 million for the year ended 31 March 2019. The increase in revenue was mainly contributed by the growth in the loan financing services income of HK\$49.6 million and the new source of income from blockchain services of approximately HK\$29.4 million. However, the increase was partly offset by the drop in the revenue of the sales of alcoholic beverages of approximately HK\$37.3 million which was being affected by the highly competitive environment.

Operating Costs

The Group recorded operating costs at approximately HK\$134.7 million for the year ended 31 March 2019, representing an increase of 3.0%, when comparing to approximately HK\$130.8 million for the year ended 31 March 2018. The operating costs consist of selling expenses and cost of sales. The increase was mainly due to the commencement of the Blockchain Services Business in August 2018 with operating costs amounted to approximately HK\$38.6 million. The increment was narrowed down by the decline in the operating costs in the Wine Business of approximately HK\$34.6 million, which recorded a 3.2% increase in gross profit margin to 23.3% for the year ended 31 March 2019.

Other Income

Other income of the Group increased by 336.8% from approximately HK\$1.9 million (restated) to approximately HK\$8.3 million for the year ended 31 March 2018 and 2019 respectively. The increase was mainly due to (i) the increase in claim and compensation income from the damage to the flagship store in 2017; (ii) the increase in the net exchange gain from the fluctuation of foreign currencies; and (iii) the increase in handling fee income from financial services provision.

Staff Costs

Staff costs of the Group increased by 33.8% from approximately HK\$71.1 million (restated) to approximately HK\$95.1 million for the year ended 31 March 2018 and 2019 respectively, which was mainly due to a significant increase in the share-based payment expense.

Depreciation

Depreciation of the Group increased by 302.4% from approximately HK\$8.2 million (restated) to approximately HK\$33.0 million for the year ended 31 March 2018 and 2019 respectively. The significant increase was mainly contributed by the depreciation of cryptocurrency mining machine from the newly launched Blockchain Services Business for the year ended 31 March 2019.

Administrative and Other Operating Expenses

Administrative and other operating expenses of the Group increased by 64.2% from approximately HK\$52.2 million (restated) to approximately HK\$85.7 million for the year ended 31 March 2018 and 2019 respectively. Administrative and other operating expenses included staff costs, share-based payment expense, rental and office expenses, professional consulting and services expenses and other expenses. The increase was mainly due to (i) the substantial increase in the professional fees and printing fees for the merger and acquisition projects of approximately HK\$17.2 million; (ii) the recognition of the research and development costs for developing the Blockchain Services Business of approximately HK\$3.2 million; (iii) the increase in the consulting fee of approximately HK\$3.8 million being an one-off success fee for financing; (iv) the increment on the share-based payment expenses to consultants of approximately HK\$2.7 million; and (v) the increase in rent and rates of approximately HK\$1.2 million.

Change in Fair Value of Exchangeable Bonds

The change in fair value of exchangeable bonds arose from the fair value gain recognised from the exchangeable bonds (the “Exchangeable Bonds”) issued by Bartha Holdings Limited (“Bartha Holdings”) of approximately HK\$3.1 million (31 March 2018: loss of approximately HK\$124.2 million).

On 31 May 2018, the Group completed the exercise of the exchange rights attached to the Exchangeable Bonds to exchange for 4,900 shares of Bartha International Limited (“Bartha International”), representing 49.0% of the entire issued share capital of Bartha International, resulting in the reduction of the principal of the Exchangeable Bonds from HK\$150.0 million to HK\$76.5 million as at 31 March 2019. The corresponding fair value of approximately HK\$78.1 million, resulting in a fair value gain of the Exchangeable Bonds amounted to approximately HK\$3.1 million was recognised during the year ended 31 March 2019.

Change in Fair Value of Derivative Financial Instrument

CVP Financial Holdings Limited (“CVP Financial”)(formerly known as Perfect Zone Holdings Limited) entered into the first deed (the “First Deed”) with Mr. Samuel Lin Jr. (“Mr. Lin”) and the second deed (the “Second Deed”, together with the First Deed, the “Deeds”) with Star Beauty Holdings Limited (“Star Beauty”) respectively on 9 February 2017, pursuant to which CVP Financial has conditionally agreed to grant each of Mr. Lin and Star Beauty the put option (collectively, the “Put Options”). Each of Mr. Lin and Star Beauty, pursuant to the Put Options, during the 12-month period after the second anniversary of the completion (i.e. 28 July 2019), has the right to require CVP Financial to acquire all the shares (“CVP Capital Shares”) of CVP Capital Limited (“CVP Capital”) held by him/it immediately prior to the exercise of the Put Options, at the consideration of HK\$1.26 per share in CVP Capital Share. The consideration payable by CVP Financial to each of Mr. Lin and Star Beauty shall be satisfied at the discretion of Mr. Lin or Star Beauty (as the case may be), either in cash amounted approximately HK\$11,756,000 or by CVP Financial procuring the Company to issue and allot a total of 10,631,681 consideration shares of the Company at the issue price of HK\$1.1 per the issued share of the Company of HK\$0.001 each (the “Share”). For details of the Deeds, please refer to the announcement and circular dated 9 February 2017 and 5 July 2017 respectively.

The Put Options were measured at fair value through profit and loss upon initial recognition according to the Hong Kong Accounting Standard 39. All subsequent changes in the carrying amounts are recognised in profit or loss.

The change in derivative financial instrument arose from the recognised gain on change in fair value of the Put Options of approximately HK\$5.2 million and approximately HK\$5.4 million for the year ended 31 March 2018 and 2019 respectively.

Pursuant to the valuation on the Put Options as at 31 March 2019, the fair value of the Put Options amounted to approximately HK\$9,463,000, representing a difference of approximately HK\$5,438,000 when compared to the fair value of the Put Options of approximately HK\$14,901,000 recognised on 31 March 2018.

Change in Fair Value of Cryptocurrency

During the year ended 31 March 2019, the Group has launched the new Blockchain Services Business through the acquisition of 51% equity interest in Diginex HPC and 100% equity interest in HPC Nordic. The Blockchain Services Business received cryptocurrency from mining activities and recognised immediately as revenue at fair value on the day of receipt (the “Revenue Recognition”) in a private cryptocurrency wallet controlled by the Group. The Group will trade the cryptocurrency on the day after the day of receipt at the market price (the “Disposal”). Differences in the amount of the Revenue Recognition and the Disposal will be recognised as the fair value change in the cryptocurrency and are included in profit or loss for the year. For the year ended 31 March 2019, the Group recognised a loss on change in fair value of cryptocurrency of approximately HK\$6.2 million (for the year ended 31 March 2018: nil).

Impairment Loss

In relation to the cryptocurrency mining operations, the Group recognised impairment losses on goodwill and the plant and equipment of approximately HK\$173.3 million and approximately HK\$120.1 million respectively in respect of the goodwill arised from the acquisition of the cryptocurrency computer mining business and its value of computer mining hardwares for the year ended 31 March 2019. To endeavour to expedite the diversification of the business, the Group acquired 51% equity interest in Diginex HPC and 100% equity interest in HPC Nordic in July and August 2018 at the consideration of US\$60.0 million (equivalent to approximately HK\$470.9 million) and US\$1.75 million (equivalent to approximately HK\$13.7 million) respectively and recognised goodwill at HK\$430.7 million at date of acquisition. On the track to the plan, during the year ended 31 March 2019, the Group had acquired 5,000 computers for cryptocurrency mining and high performance computing services. However, the price of Ether continued to decline after the acquisition. Since the factors which influence its price are varied, unknown and often unexpected, the Group was unable to agree or forecast on the price for the remaining Ethers. As such, the Group has adopted the professional valuation advice to recognise goodwill impairment and the plant and equipment impairment for the year ended 31 March 2019 at approximately HK\$173.3 million and approximately HK\$120.1 million respectively.

For the year ended 31 March 2019, the Group also recognised the impairment on loan and interest receivables at approximately HK\$6.5 million, representing an increase of approximately HK\$4.8 million as compared to the year ended 31 March 2018. As at 31 March 2018, impairment loss was recognised when there was objective evidence of impairment loss. Starting from 1 April 2018, the Group has applied the expected credit loss approach (the “ECL model”) in Hong Kong Financial Reporting Standard 9 to measure the loss allowance at lifetime expected credit loss.

Finance Costs

Finance costs mainly comprises (i) effective interest expense on convertible bonds and promissory notes of approximately HK\$14.7 million; and (ii) interest due on other borrowings of approximately HK\$23.4 million. The Group's finance costs increased by approximately 166.4% from approximately HK\$14.3 million (restated) to approximately HK\$38.1 million for the year ended 31 March 2018 and 2019 respectively. The significant increase in the finance costs was mainly due to the increase in the other borrowings during the year ended 31 March 2019.

Income Tax Expenses

Income tax expenses of the Group increased from approximately HK\$6.7 million (restated) to approximately HK\$16.6 million for the year ended 31 March 2018 and 2019 respectively. The increase was mainly due to the provision of income tax on companies with the assessable profit.

Loss Attributable to Owners of the Company

Loss attributable to owners of the Company increased significantly from approximately HK\$124.0 million (restated) to approximately HK\$369.2 million for the year ended 31 March 2018 and 2019 respectively. Should (i) the equity-settled share-based payment expenses for the share options granted of approximately HK\$29.0 million; (ii) the change in fair value gain of derivative financial instrument of approximately HK\$5.4 million; and (iii) the change in fair value gain of unlisted Exchangeable Bonds of approximately HK\$3.1 million during the year be excluded, the loss attributable to owners of the Company for the year ended 31 March 2019 would be approximately HK\$352.1 million, representing an increase of approximately HK\$345.1 million as compared to a profit attributable to owners of the Company of approximately HK\$7.0 million (restated) for the year ended 31 March 2018.

The increase in loss attributable to owners of the Company was mainly due to (i) impairment loss of goodwill of approximately HK\$173.3 million; (ii) the impairment loss recognised on plant and equipment of 51% equity interest owned subsidiaries of approximately HK\$61.2 million; (iii) increase in net trading loss of approximately HK\$43.5 million; (iv) the increase in the professional fees and the printing fees in administrative expenses of approximately HK\$17.2 million; (v) the increase in depreciation of approximately HK\$11.7 million; (vi) increase in the finance costs incurred by the interest expense on the convertible bonds, the promissory notes and other borrowings of approximately HK\$15.6 million; (vii) the increase in tax expenses of approximately HK\$7.8 million; and (viii) the loss on change in fair value of cryptocurrency of approximately HK\$3.2 million.

Dividend

The Directors do not recommend the payment of a final dividend for the year ended 31 March 2019 (2018: nil).

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As at 31 March 2019, the Group held shares and funds in (i) Tencent Holdings Limited (stock code 700:HK); (ii) AAC Technologies Holdings Inc. (stock code 2018:HK); and (iii) GF Money Bag Money Market Fund (PRC Market Fund code: 000509) with the total amount of approximately HK\$27.3 million.

(a) Significant investments

Details of significant held-for-trading financial assets:

| Name of investments | Notes | Fair value as at 31 March 2019 HK\$'000 | % to the total assets of the Group | % to the interest in the respective investments as at 31 March 2019 | Gain/(loss) on disposal/ redemption HK\$'000 |
|--|-------|--|--|--|---|
| China New City Commercial Development Limited (1321) ("CCC") | (i) | – | N/A | N/A | (1,026) |
| Remixpoint Inc. (Japan 3825) ("REM") | (ii) | – | N/A | N/A | (37,511) |
| TOMO Holdings Limited (8463) ("TWD") | (iii) | – | N/A | N/A | 885 |
| Zhao Zhaojin (7007) ("ZZJ") | (iv) | – | N/A | N/A | 300 |
| Tencent Holdings Limited (700) ("THL") | (v) | 361 | 0.02% | 0.00% | – |
| AAC Technologies Holdings Inc. (2018) ("AAC") | (vi) | 232 | 0.02% | 0.00% | – |
| GF Money Bag Money Market Fund (000509) ("GFMBMMF") | (vii) | 26,746 | 1.74% | 0.19% | 243 |
| | | <u>27,339</u> | | | <u>(37,109)</u> |

Notes:

- i. CCC and its subsidiaries are principally engaged in commercial development, leasing and hotel operations. In view of the trend of the share price of CCC, the Group disposed of its entire shareholding in CCC and recorded a realised loss of approximately HK\$1,026,000 during the year ended 31 March 2019.
- ii. REM and its subsidiaries are principally engaged in the development and sale of energy management solutions, and energy-saving support consulting services and virtual currency trading platform business and hotel-related business in Japan. In view of the trend of the share price of REM, the Group disposed of its entire shareholding in REM and recorded a realised loss of approximately HK\$37,511,000 during the year ended 31 March 2019.
- iii. TWD and its subsidiaries are principally engaged in the (i) design, manufacture, supply and installation of passenger vehicle leather upholstery; and (ii) supply and installation of vehicle electronic accessories in Singapore. In view of the trend of the share price of TWD, the Group disposed of its entire shareholding in TWD and recorded a realised gain of approximately HK\$885,000 during the year ended 31 March 2019.
- iv. ZZJ is a financial product launched by China Merchants Bank. During the year ended 31 March 2019, the Group recorded a realised gain of approximately HK\$300,000 for the investment in ZZJ.
- 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 People’s Republic of China (the “PRC”). During the year ended 31 March 2019, the Group has recorded an unrealised fair value loss of approximately HK\$48,000 for the investment in the shares of THL. From the first quarterly results announcement for the three months ended 31 March 2019, the THL Group recorded revenue and net profit of approximately RMB85,465 million and RMB27,856 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 year ended 31 March 2019, the Group recorded an unrealised fair value loss of approximately HK\$476,000 for the investment in the shares of AAC. From the first quarterly results announcement for the three months ended 31 March 2019, the AAC Group recorded revenue and net profit of RMB3,753 million and RMB432 million.
- vii. The investment represented 22,865,316 shares. 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. During the year ended 31 March 2019, the Group recorded a realised gain and an unrealised fair value gain of approximately HK\$243,000 and HK\$2,000 respectively, for the investment in the shares of GFMBMMF.

(b) Material Acquisitions and Disposals of Subsidiaries

The Group also held the Exchangeable Bonds issued by Bartha Holdings with the fair value of approximately HK\$78.1 million.

During the year ended 31 March 2019, the Group has completed the following acquisitions:

- the acquisition of 49% equity interest in Bartha International by exercising the exchange rights under the Exchangeable Bonds issued by Bartha Holdings;
- the acquisition of 51% equity interest in Diginex HPC for the total consideration of US\$60.0 million (equivalent to approximately HK\$470.9 million) (the “Diginex Acquisition”);
- the acquisition of 100% equity interest in HPC Nordic for the total consideration of US\$1.75 million (equivalent to approximately HK\$13.7 million);
- the acquisition of 77% equity interest in Hackett for the total consideration of HK\$685.3 million;
- the acquisition of 67.2% equity interest in BITOCEAN Co. Ltd. (“BITOCEAN”) for the total consideration of JPY1,680 million (equivalent to approximately HK\$115.9 million); and
- the subscription of 35% equity interest in Novel Idea Holdings Limited (“Novel Idea”) for the consideration of US\$636,364 (equivalent to approximately HK\$5.0 million) on 7 September 2018 and the acquisition of 20% equity interest in Novel Idea from an associated company of the Company by assigning a debt in amount of US\$363,636 (equivalent to approximately HK\$2.8 million) due by an associate on 31 January 2019. Novel Idea became a subsidiary of the Company on 31 January 2019. Novel Idea is an investment holding company and its subsidiaries are engaged in undertaking the development, testing, operation and other services of various domestic and foreign platform for global crypto-asset derivatives trading and risk management.

Blockhouse joint venture

On 23 July 2018, the Company and The Blockhouse Technology Limited (“Blockhouse”) entered into a joint venture agreement, pursuant to which the Company and Blockhouse agreed to form a joint venture company, Madison Blockhouse Limited, a company incorporated in Hong Kong and owned as to 33.3% by Blockhouse and as to 66.7% by Madison Blockchain Holdings Company Limited, a wholly-owned subsidiary of the Company. For details, please refer to the announcement of the Company dated 23 July 2018.

Remixpoint

From 16 August 2018 to 3 September 2018, the Group acquired a total of 802,900 shares of REM at the cash consideration of approximately HK\$56.56 million. For details, please refer to the announcement of the Company dated 24 September 2018. The Company disposed of all the shares of REM at the cash consideration of approximately HK\$18.7 million during the year ended 31 March 2019.

Hackett acquisitions

On 20 November 2018, the Company entered into two conditional sale and purchase agreements with each of CVP Financial Group Limited (“CVP”) (the “CVP Agreement”) and Software Research Associates, Inc. (“SRA”) (the “SRA Agreement”) respectively (collectively, the “Hackett Agreements”), pursuant to which the Company conditionally agreed to acquire, and each of CVP and SRA conditionally agreed to sell, 52 shares (the “CVP Sale Shares”) and 25 shares (the “SRA Sales Shares”) respectively, representing 52% and 25% of the entire issued share capital of Hackett respectively (collectively, the “Hackett Acquisitions”).

Under the CVP Agreement, the consideration (the “CVP Consideration”) for the purchase of the CVP Sale Shares is HK\$462.8 million. The CVP Consideration shall be satisfied: (i) in respect of 60% of the CVP Consideration (i.e. HK\$277.7 million), by the Company allotting and issuing Shares at HK\$0.55 per Share (the “Hackett’s Issue Price”) to CVP (the “CVP Consideration Shares”) at completion date; and (ii) in respect of 40% of the CVP Consideration (i.e. HK\$185.1 million), by the Company issuing the promissory note to CVP at completion date.

Under the SRA Agreement, the consideration (the “SRA Consideration”) for the purchase of the SRA Sale Shares of HK\$222.5 million shall be satisfied entirely by the Company allotting and issuing Shares at the Hackett’s Issue Price to SRA (the “SRA Consideration Shares”) at completion date.

CVP Consideration Shares and SRA Consideration Shares were allotted and issued pursuant to the specific mandate granted by the independent shareholders of the Company at the extraordinary general meeting held on 29 March 2019.

Hackett is an investment holding company which mainly holds 70% of the issued share capital of Starlight Financial Holdings Limited (“Starlight”). Starlight, together with its subsidiaries, is principally engaged in the provision of loan financing services in the PRC and money lending services in Hong Kong. Its major customers include individuals as well as small and medium enterprises.

The Hackett Acquisitions were completed on 29 March 2019.

Following completion, the Company holds 77% equity interest in Hackett. Therefore, the financial information of Hackett is consolidated into the financial statements of the Group.

For details, please refer to the announcements of the Company dated 20 November 2018, 22 November 2018, 10 December 2018, 10 January 2019, 11 February 2019, 13 March 2019, 29 March 2019 and the circular dated 13 March 2019.

BITOCEAN Acquisition

On 20 November 2018, Madison Lab Limited (“Madison Lab”), an indirectly wholly-owned subsidiary of the Company, entered into an agreement with Mr. Pu Yan, the sole representative director and one of the vendors, (“Mr. Pu”) (in his capacity as the sole representative director of BITOCEAN) and BITOCEAN entered into an agreement pursuant to which, among others, Madison Lab or its designated person intended to acquire, and Mr. Pu, Nan Ning, Daniel Kelman, Zhou Jiayu, Hashimoto Yoshikazu and Du Ping, (collectively, the “BITOCEAN Vendors”) intended to sell, 672 shares of BITOCEAN, representing 67.2% of the total issued share capital of BITOCEAN.

On 9 December 2018, Madison Lab entered into the sale and purchase agreement (“BITOCEAN SPA”) with the BITOCEAN Vendors, pursuant to which Madison Lab conditionally agreed to purchase, and the BITOCEAN Vendors conditionally agreed to sell, 672 shares of BITOCEAN (the “BITOCEAN Sale Shares”), representing 67.2% of the total issued share capital of BITOCEAN at the total consideration of JPY1,680 million (equivalent to approximately HK\$115.9 million) (the “BITOCEAN Acquisition”).

BITOCEAN is one of the 19 registered virtual currency exchange service providers currently registered with the Financial Services Agency of Japan. BITOCEAN is permitted to conduct virtual currency (mainly Bitcoin) exchange business through the auto-teller machines (the “ATMs”) in Japan. Although the ATM currency trading platforms of BITOCEAN does not apply blockchain technology, the virtual currency being traded through ATMs was one of the applications of the blockchain technology. The Company has planned to expand the scope of business of BITOCEAN to cover the trading of multiple virtual currencies on online platform.

The BITOCEAN Acquisition was completed on 11 January 2019.

BITOCEAN is currently held as to 85.36% and 11.96% by Madison Lab and an individual, who is an independent third party and is not a connected person, respectively and BITOCEAN continues to have 60 treasury shares, representing 2.68% of total issued share capital. BITOCEAN becomes an indirect non wholly-owned subsidiary of the Company and therefore the financial information of BITOCEAN is consolidated into the financial statements of the Group.

For details, please refer to the announcements dated 9 December 2018, 8 January 2019, 11 January 2019 and 23 January 2019.

(c) Future Plans for Material Investments and Capital Assets

On 2 September 2018, Diginex HPC entered into a memorandum of understanding with Symbioses S.A., pursuant to which both parties intended to cooperate on the development of high performance computing (“HPC”) business and deployment of optimizing cryptocurrency mining. For details, please refer to announcement of the Company dated 3 September 2018.

HDR MOU

On 11 December 2018, Madison Lab entered into a memorandum of understanding (the “HDR MOU”) with HDR Cadenza Management Limited (“HDR”), a close associate (as defined in the GEM Listing Rules) of HDR Global Trading Limited, subject to and upon finalization and signing of definitive agreements, HDR will grant a put option to the Company and the Company will grant a call option to HDR. Pursuant to the exercise of either option, HDR shall acquire such number of shares in Madison Lab representing 51% of the entire issued share capital of Madison Lab (the “Potential Disposal”). The indicative consideration for the Potential Disposal intended by the parties is approximately US\$17.14 million (equivalent to approximately HK\$133.69 million), subject to various adjustments and payment arrangements.

Madison Lab, an investment holding company, is indirectly and wholly-owned by the Company, which currently holds 85.36% equity interest in BITOCEAN.

It is intended that completion of the Potential Disposal will be conditional upon, among others: (i) completion of the BITOCEAN Acquisition having occurred; and (ii) all regulatory consents, approvals, filings etc. required for the consummation of the BITOCEAN Acquisition and the Potential Disposal having been made or obtained and not having been revoked or withdrawn. The definitive terms and conditions of the Potential Disposal will be determined by the parties in the final agreement (the “Disposal Final Agreement”).

The term of the HDR MOU shall be four months from the date of the HDR MOU (i.e. 11 December 2018), and provided that if there is an ongoing approval process in respect of regulatory consents, approvals, filings etc. required for the consummation of the Potential Acquisition, the term of the HDR MOU shall be for a period of six months from the date of the HDR MOU (the “Term”). Madison Lab and HDR has entered an extension agreement (the “Extension MOU”) on 11 June 2019 extending the Term for three months from 11 June 2019 to 10 September 2019.

The Company and HDR intend to work together following completion of the Potential Disposal in Madison Lab to develop and establish policies and procedures of BITOCEAN that will promote and sustain a market for a fully registered Japanese virtual currency exchange that offers both spot and derivatives trading, and intend to maintain a product and/or services of BITOCEAN that meets all business and industry standards.

For details, please refer to the announcement dated 11 December 2018.

MOU on Philippines Project

On 11 March 2019, the Company entered into a non-legally binding memorandum of understanding (the “Philippines MOU”) with a jeepney manufacturer/importer and a jeepney operation company in the Philippines, which are independent third parties, pursuant to which the parties to the Philippines MOU intended to exclusively supply electric jeepneys and provide financial and blockchain related services to the jeepney operation company in the Philippines. For details, please refer to the announcement dated 11 March 2019.

LIQUIDITY AND FINANCIAL RESOURCES

The Group’s source of fund was mainly from the cash generated from operations, other borrowings and placing. As at 31 March 2019, the Group had cash and cash equivalents of approximately HK\$106.3 million (31 March 2018: approximately HK\$213.0 million (restated)) and had net current assets of approximately HK\$76.4 million (31 March 2018: approximately HK\$500.8 million (restated)).

The current ratio of the Group was approximately 1.1 times as at 31 March 2019, as compared to that of approximately 2.6 times (restated) as at 31 March 2018. The decrease was mainly attributable to the increased borrowings to finance the business development.

As at 31 March 2019, the Group had both interest-bearing and non-interest bearing borrowings, which mainly comprised borrowings, convertible bonds, promissory notes, loans from a subsidiary of non-controlling shareholder, director and related company amounted to approximately HK\$838.6 million (2018: HK\$195.3 million). The Group's total borrowings were mainly denominated in United States dollar, Hong Kong dollars and Japanese Yen.

As at 31 March 2019, the Group's promissory notes amounted to approximately HK\$153.3 million (2018: HK\$11.3 million) in aggregate. The Group's promissory notes were denominated in Hong Kong dollars.

The gearing ratio (representing the debts of non-trade nature divided by total equity at the end of the year and multiplied by 100%) of the Group was 181.4% as at 31 March 2019 (31 March 2018: 36.0% (restated)).

FOREIGN EXCHANGE EXPOSURE

As at 31 March 2019, the Group had certain bank balances and payables denominated in foreign currencies, mainly Euro and Great British Pound, which exposed the Group to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

TREASURY POLICY

The Group adopts a conservative approach towards its treasury policies. The Group strives to reduce exposure to credit risk by performing ongoing credit evaluation of the financial conditions of its clients. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and commitments can meet its funding requirements. The group adopts a conservative approach towards its treasury policies.

CAPITAL STRUCTURE

The share subdivision of each issued and unissued ordinary share of HK\$0.01 each in the share capital of the Company into ten ordinary shares of HK\$0.001 each was effective on 8 November 2016.

As at the date of this announcement, the issued share capital of the Company was approximately HK\$5.19 million and the number of issued ordinary shares was 5,192,726,898 of HK\$0.001 each.

COMMITMENTS

The Group as lessee

As at 31 March 2019, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

| | 2019 HK\$'000 | 2018 <i>HK\$'000</i> (restated) |
|---------------------------------------|--------------------------------|---------------------------------------|
| Within one year | 10,822 | 12,864 |
| In the second to fifth year inclusive | 7,261 | 7,578 |
| | <u>18,083</u> | <u>20,442</u> |

Operating lease payments represent rentals payable by the Group for certain of its office premises, warehouses and shop. Leases are negotiated for terms ranged from one to five years and rentals are fixed over the term of lease. No provision for contingent rent and terms of renewal was established in the leases.

CONTINGENT LIABILITIES

As at 31 March 2019, the Group did not have any material contingent liabilities (31 March 2018: nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2019, the Group employed a total of 218 (31 March 2018: 190 (restated)) full-time employees. The staff cost, including Directors' emoluments, of the Group for the year ended 31 March 2019 was approximately HK\$95.1 million (2018: approximately HK\$71.1 million (restated)). Remuneration is determined with reference to market terms and the performance, qualification and experience of individual employee. In addition to a basic salary, year-end bonus may be offered to employees with outstanding performance to attract and retain eligible employees to further develop with the Group. Apart from basic remuneration, share options may be granted under the Share Option Scheme (as defined below) to eligible employees by reference to the Group's performance as well as individual's contribution. In addition, each of the sales team members is entitled to a commission with reference to the sales volume achieved by them.

Furthermore, the Company is committed to employee development and has implemented various training programs to strengthen their industry, technical and product knowledge. All the newly recruited employees are required to attend induction training. The Company believes the training program will equip the employees with skills and knowledge to enhance customer services.

OUTLOOK AND PROSPECTS

The Group has expanded the Wine Business by offering Wine Auction Business to customers. The inaugural wine auction of the Group was held in late 2018 with an online platform that customers can place bids on, followed by the live through video and real time sale from around the globe. The Directors believe that the Group can further strengthen the position in the high-end fine wine business through its Wine Auction Business, and can better leverage its cash position through receiving consignments provided by the consignors to the Wine Auction Business.

During the year ended 31 March 2019, the Group has completed the acquisitions of cryptocurrency business. Through the Diginex Acquisition, the Group has built up its expertise in cryptocurrency mining while the BITOCEAN Acquisition allows the Group to participate in the virtual currency exchange services in Japan.

BITOCEAN is one of the 19 registered virtual currency exchange service providers currently registered with the Financial Services Agency of Japan. BITOCEAN is permitted to conduct virtual currency (mainly Bitcoin) exchange business through ATMs in Japan. Although the ATM currency trading platforms of BITOCEAN does not apply blockchain technology, the virtual currency being traded through ATMs is one of the applications of the blockchain technology. The Group has planned to expand the scope of business of BITOCEAN to cover the trading of multiple virtual currencies on online platform.

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

Apart from Blockchain Services Business, the Group has completed the Hackett Acquisitions on 29 March 2019. The Group believes that the Hackett Acquisitions can strengthen the Group's ability to potentially develop cryptocurrency related financing or leasing products. It will also further explore business development in both cryptocurrency mining and the Financial Services Business.

The Directors believe that the acquisitions may create synergies to both cryptocurrency mining and the Financial Services Business. In addition to the potential synergy, the acquisitions also allow the Group to have access to Hackett's customer base and business connections. With the strong reputation of Hackett in Chongqing, the PRC, the Group is able to leverage on the market position of the management of Hackett as well as its extensive relationship with the municipal government of Chongqing and the business community in the region which should contribute significantly to the Group's entry into the PRC loan financing market and possible development of other financial products and services in the PRC market. The Directors also believe that building customer base in the PRC could help to further expand the Group's existing Wine Business. The Directors believe that the Group can leverage on the customer base of Hackett Group in the PRC to increase the Group's brand awareness in Chongqing which would benefit the Group's wine business in the long run. In the future, customers in the PRC can place a bid in the Group's wine auction to purchase wine for lifestyle and/or investment purpose via internet, borrow funds for investment in wine, and collateralize their wines for financing.

The Board believes that, with the acquisitions conducted during the year ended 31 March 2019, the Group shall broaden the source of income attributable to the Group as well as leverage on the resources of the respective companies to apply the blockchain technology into the Wine Business, the Financial Services Business and Blockchain Services Business. The Directors also consider that the development in cryptocurrency mining and HPC business can also broaden the income stream of the Group, enhance the operation mechanism and strengthen the market position under the highly competitive environment.

ANNUAL RESULTS

The Board is pleased to announce the annual consolidated results of the Group for the year ended 31 March 2019 together with the comparative figures for the year ended 31 March 2018.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2019

| | <i>Notes</i> | 2019 HK\$'000 | 2018 HK\$'000 (restated) |
|--|--------------|--------------------------------|--------------------------------|
| Revenue | 4 | | |
| – sales of alcoholic beverages | | 114,172 | 151,454 |
| – financial services | | 21,715 | 26,378 |
| – blockchain services | | 29,384 | – |
| – loan financing services | | 141,401 | 91,752 |
| – auction | | 3,680 | – |
| | | <u>310,352</u> | <u>269,584</u> |
| Cost of operations: | | | |
| – cost of alcoholic beverages | | (96,181) | (130,797) |
| – cost of blockchain services | | (38,563) | – |
| | | <u>(134,744)</u> | <u>(130,797)</u> |
| Other income | 5 | 8,341 | 1,927 |
| Staff costs | | (95,090) | (71,128) |
| Depreciation | | (33,032) | (8,238) |
| Net trading (loss) gain | | (37,631) | 5,871 |
| Administrative and other operating expenses | | (85,719) | (52,207) |
| Net impairment recognised on loan and interest receivables | | (6,482) | (1,689) |
| Change in fair value of exchangeable bonds | | 3,112 | (124,172) |
| Change in fair value of derivative financial instrument | | 5,438 | 5,243 |
| Change in fair value of crypto-currencies | | (6,194) | – |
| Impairment loss recognised on goodwill | | (173,251) | (3,817) |
| Impairment loss recognised on plant and equipment | | (120,066) | – |
| Gain on disposal of a subsidiary | | – | 2,606 |
| Finance costs | | (38,122) | (14,325) |

| | <i>Notes</i> | 2019 <i>HK\$'000</i> | 2018 <i>HK\$'000</i> (restated) |
|---|--------------|---------------------------------------|---------------------------------------|
| Loss before tax | | (403,088) | (121,142) |
| Income tax expense | 6 | <u>(16,627)</u> | <u>(6,742)</u> |
| Loss for the year | 7 | <u>(419,715)</u> | <u>(127,884)</u> |
| Loss for the year attributable to: | | | |
| Owners of the Company | | (369,244) | (123,969) |
| Non-controlling interests | | <u>(50,471)</u> | <u>(3,915)</u> |
| | | <u>(419,715)</u> | <u>(127,884)</u> |
| Loss per share (<i>HK cents</i>) | 9 | | |
| Basic | | <u>(8.76)</u> | <u>(3.10)</u> |
| Diluted | | <u>(8.99)</u> | <u>(3.24)</u> |
| Loss for the year | | <u>(419,715)</u> | <u>(127,884)</u> |
| Other comprehensive (expense) income | | | |
| <i>Item that may be reclassified subsequently to profit or loss:</i> | | | |
| Exchange differences arising on translation of foreign operations | | (29,294) | 41,619 |
| Release of translation reserve upon disposal of a subsidiary | | <u>–</u> | <u>(2,540)</u> |
| | | <u>(29,294)</u> | <u>39,079</u> |
| Total comprehensive expense for the year | | <u>(449,009)</u> | <u>(88,805)</u> |
| Total comprehensive (expense) income for the year attributable to: | | | |
| Owners of the company | | (380,764) | (108,129) |
| Non-controlling interests | | <u>(68,245)</u> | <u>19,324</u> |
| | | <u>(449,009)</u> | <u>(88,805)</u> |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2019

| | | 31 March | 31 March | 1 April |
|---|--------------|------------------------|-----------------|-----------------|
| | | 2019 | 2018 | 2017 |
| | <i>Notes</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | | | (restated) | (restated) |
| Non-current assets | | | | |
| Plant and equipment | | 92,595 | 15,865 | 19,440 |
| Financial assets at fair value through profit or loss | | 78,142 | 147,118 | – |
| Loan receivables | <i>10</i> | 19,938 | 20,039 | 20,809 |
| Deposits | <i>11</i> | 7,010 | 6,719 | 5,760 |
| Intangible assets | | 188,339 | 9,258 | 9,258 |
| Interests in associates | | – | – | – |
| Deferred tax asset | | 8,005 | 6,575 | 5,641 |
| Goodwill | | 266,468 | 9,028 | 9,028 |
| | | 660,497 | 214,602 | 69,936 |
| Current assets | | | | |
| Inventories | | 32,272 | 50,578 | 51,384 |
| Financial assets at fair value through profit or loss/held for trading investments | | 27,339 | 22,173 | 58,044 |
| Loan and interest receivables | <i>10</i> | 535,775 | 409,546 | 276,286 |
| Trade and other receivables | <i>11</i> | 169,048 | 116,920 | 121,883 |
| Amount due from ultimate holding company | | 25 | 19 | 11 |
| Amount due from immediate holding company | | 37 | 34 | 27 |
| Amount due from a fellow subsidiary | | – | – | 196 |
| Amount due from a shareholder | | 11 | – | 12 |
| Amount due from a non-controlling shareholder | | 2,000 | – | – |
| Amounts due from related companies | | 349 | 652 | – |
| Amounts due from associates | | 2,866 | – | – |
| Crypto-currencies | | 371 | – | – |
| Tax recoverable | | 32 | 29 | 1,464 |
| Bank balances – segregated accounts | | 57,822 | 119,843 | 41,881 |
| Bank balances and cash | | 48,436 | 93,202 | 67,159 |
| | | 876,383 | 812,996 | 618,347 |

| | | 31 March | 31 March | 1 April |
|--|--------------|------------------------|-----------------|-----------------|
| | | 2019 | 2018 | 2017 |
| | <i>Notes</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | | | (restated) | (restated) |
| Current liabilities | | | | |
| Trade and other payables | 12 | 145,042 | 139,442 | 56,459 |
| Contract liabilities | | 5,311 | – | – |
| Amounts due to shareholders | | – | 41,872 | – |
| Amounts due to related companies | | – | 76,213 | 318,859 |
| Amount due to a director | | 1,081 | – | 4,119 |
| Amounts due to associates | | 2,832 | – | – |
| Amounts due to non-controlling shareholders | | 707 | 4 | 4 |
| Loan from a shareholder | | – | 800 | – |
| Loan from a director | | 38,000 | 38,000 | – |
| Loan from a subsidiary of non-controlling shareholder | | 106,350 | – | – |
| Borrowings | | 281,071 | – | 30,078 |
| Tax payable | | 24,677 | 15,840 | 11,728 |
| Derivative financial instrument | | 53,638 | – | – |
| Promissory note payable | | 140,945 | – | – |
| Deferred income | | 331 | – | – |
| | | 799,985 | 312,171 | 421,247 |
| Net current assets | | 76,398 | 500,825 | 197,100 |
| Total assets less current liabilities | | 736,895 | 715,427 | 267,036 |
| Capital and reserves | | | | |
| Share capital | | 5,193 | 4,000 | 4,000 |
| Reserves | | 261,328 | 296,043 | 132,832 |
| Equity attributable to owners of the Company | | 266,521 | 300,043 | 136,832 |
| Convertible bonds issued by a subsidiary | | 9,230 | 9,230 | – |
| Non-controlling interests | | 186,440 | 233,265 | 128,180 |
| Total equity | | 462,191 | 542,538 | 265,012 |

| | 31 March 2019 | 31 March 2018 | 1 April 2017 |
|---------------------------------|------------------------------|-----------------------|-----------------------|
| <i>Notes</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | | (restated) | (restated) |
| Non-current liabilities | | | |
| Deferred tax liability | 1,605 | 1,477 | 2,024 |
| Borrowings | 88,017 | – | – |
| Loan from a related company | 14,063 | – | – |
| Convertible bonds | 157,832 | 145,254 | – |
| Derivative financial instrument | – | 14,901 | – |
| Promissory note payable | 12,359 | 11,257 | – |
| Deferred income | 828 | – | – |
| | <u>274,704</u> | <u>172,889</u> | <u>2,024</u> |
| | <u><u>736,895</u></u> | <u><u>715,427</u></u> | <u><u>267,036</u></u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

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 the GEM of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 8 October 2015. The immediate holding company of the Company is Royal Spectrum Holding Company Limited, a company incorporated in the Republic of Seychelles. The addresses of the registered office and the principal place of business of the Company are disclosed in the “Corporate Information” section of the annual report.

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 People’s Republic of China (the “PRC”), Gibraltar and Sweden are Renminbi (“RMB”), United States Dollar and Swedish Krone respectively. For the purpose of presenting the financial statements, the Company and its subsidiaries (hereinafter collectively referred to as the “Group”) adopted HK\$ as its presentation currency which is the same as the functional currency of the Company.

2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND RESTATEMENTS

At 31 March 2019, the Group incurred a net loss and net operating cash outflow of approximately HK\$419,715,000 and HK\$153,014,000 for the year ended 31 March 2019. In addition, the Group had bank balance and cash amounted approximately HK\$48,436,000, while loan from a director, loan from a subsidiary of non-controlling shareholder, borrowings and promissory notes approximately HK\$566,366,000 which will be matured within the coming twelve months, and the Group’s ability to meet these liquidity requirements depends on its ability to generate sufficient net cash inflows from future operations and/or other sources. These facts and circumstances indicate the existence of material uncertainties which may cast significant doubt on the Group’s ability to continue as a going concern.

In view of these circumstances, the directors of the Company have given consideration to the future liquidity and performance of the Group in assessing whether the Group will have sufficient financial resources to continue as a going concern. Taking into account the Group’s cash flow projection, including:

- A director, a subsidiary of non-controlling shareholder and certain creditors included in borrowings have agreed not to demand for repayment of the balances due from the Group until such time the Group has financial ability to repay without impairing its liquidity position;
- Implementing various strategies to improve the cash flow status, such as managing the loan receivable portfolio and various investments; and

- Putting extra efforts on the collection of trade debtors to improve the debtors turnover days.

The directors of the Company consider that the Group will have sufficient working capital to meet its financial obligations as they fall due for at least the next twelve months from the end of the reporting period and accordingly, the consolidated financial statements have been prepared on a going concern basis.

The effects of prior year adjustments on the Group's consolidated financial position as at 31 March 2018 and 1 April 2017 and the results for the year ended 31 March 2018 are summarised as follows:

| For the year ended 31 March 2018 | As originally stated <i>HK\$'000</i> | Bartha International (i) <i>HK\$'000</i> | Hackett (i) <i>HK\$'000</i> | Elimination (ii) <i>HK\$'000</i> | Reclassification (iii) <i>HK\$'000</i> | As restated <i>HK\$'000</i> |
|--|--|--|--------------------------------|-------------------------------------|--|--------------------------------|
| Revenue | | | | | | |
| – sale of alcoholic beverages | 151,454 | – | – | – | – | 151,454 |
| – financial services | 8,530 | 19,957 | – | (2,109) | – | 26,378 |
| – loan financing services | – | – | 91,752 | – | – | 91,752 |
| | <u>159,984</u> | <u>19,957</u> | <u>91,752</u> | <u>(2,109)</u> | <u>–</u> | <u>269,584</u> |
| Cost of sales | <u>(120,984)</u> | <u>–</u> | <u>–</u> | <u>–</u> | <u>120,984</u> | <u>–</u> |
| Cost of operations: | | | | | | |
| – cost of alcoholic beverages | <u>–</u> | <u>–</u> | <u>–</u> | <u>–</u> | <u>(130,797)</u> | <u>(130,797)</u> |
| Other income | 466 | 1,275 | 826 | (640) | – | 1,927 |
| Selling and distribution expenses | (18,145) | – | – | – | 18,145 | – |
| Staff cost | – | (7,937) | (35,751) | – | (27,440) | (71,128) |
| Depreciation | – | (1,025) | (3,052) | – | (4,161) | (8,238) |
| Net trading (loss) gain | (2,043) | 6,652 | 1,262 | – | – | 5,871 |
| Administrative and other operating expenses | (47,008) | (6,294) | (24,923) | 2,749 | 23,269 | (52,207) |
| Net impairment recognised on loan and interest receivables | – | – | (1,689) | – | – | (1,689) |
| Change in fair value of exchangeable bonds | (124,172) | – | – | – | – | (124,172) |
| Change in fair value of derivative financial instrument | 5,243 | – | – | – | – | 5,243 |
| Impairment loss recognised on goodwill | (3,817) | – | – | – | – | (3,817) |
| Gain on disposal of a subsidiary | – | – | 2,606 | – | – | 2,606 |
| Finance costs | <u>(6,572)</u> | <u>(3,614)</u> | <u>(4,139)</u> | <u>–</u> | <u>–</u> | <u>(14,325)</u> |
| (Loss) profit before tax | (157,048) | 9,014 | 26,892 | – | – | (121,142) |
| Income tax (expense) credit | <u>(68)</u> | <u>99</u> | <u>(6,773)</u> | <u>–</u> | <u>–</u> | <u>(6,742)</u> |
| (Loss) profit for the year | <u><u>(157,116)</u></u> | <u><u>9,113</u></u> | <u><u>20,119</u></u> | <u><u>–</u></u> | <u><u>–</u></u> | <u><u>(127,884)</u></u> |
| (Loss) profit before tax | | | | | | |
| Owners of the Company | (138,364) | 9,113 | 18,135 | (12,853) | – | (123,969) |
| Non-controlling interests | <u>(18,752)</u> | <u>–</u> | <u>1,984</u> | <u>12,853</u> | <u>–</u> | <u>(3,915)</u> |
| | <u><u>(157,116)</u></u> | <u><u>9,113</u></u> | <u><u>20,119</u></u> | <u><u>–</u></u> | <u><u>–</u></u> | <u><u>(127,884)</u></u> |

| For the year ended 31 March 2018 | As originally stated <i>HK\$'000</i> | Bartha International (i) <i>HK\$'000</i> | Hackett (i) <i>HK\$'000</i> | Elimination (ii) <i>HK\$'000</i> | Reclassification (iii) <i>HK\$'000</i> | As restated <i>HK\$'000</i> |
|--|--|--|---------------------------------------|--|--|---------------------------------------|
| (Loss) profit for the year | (157,116) | 9,113 | 20,119 | – | – | (127,884) |
| Other comprehensive income | | | | | | |
| Item that may be reclassified subsequently to profit or loss: | | | | | | |
| Exchange differences arising on translation of foreign operations | – | – | 41,619 | – | – | 41,619 |
| Release of translation reserve upon disposal of a subsidiary | – | – | (2,540) | – | – | (2,540) |
| Total comprehensive (expense) income for the year | <u>(157,116)</u> | <u>9,113</u> | <u>59,198</u> | <u>–</u> | <u>–</u> | <u>(88,805)</u> |
| Total comprehensive (expense) income for the year attributable to: | | | | | | |
| Owners of the company | (138,364) | 9,113 | 46,252 | (25,130) | – | (108,129) |
| Non-controlling interests | (18,752) | – | 12,946 | 25,130 | – | 19,324 |
| | <u>(157,116)</u> | <u>9,113</u> | <u>59,198</u> | <u>–</u> | <u>–</u> | <u>(88,805)</u> |

| As at 31 March 2018 | As originally stated <i>HK\$'000</i> | Bartha International (i) <i>HK\$'000</i> | Hackett (i) <i>HK\$'000</i> | Elimination and reallocation (iv) <i>HK\$'000</i> | Reclassification (v) <i>HK\$'000</i> | As restated <i>HK\$'000</i> |
|---|--|--|--------------------------------|---|--|--------------------------------|
| Non-current assets | | | | | | |
| Plant and equipment | 7,980 | 2,847 | 5,038 | – | – | 15,865 |
| Financial assets at fair value through profit or loss | 147,118 | – | – | – | – | 147,118 |
| Loan receivables | – | – | 20,039 | – | – | 20,039 |
| Deposits | 2,600 | 4,119 | – | – | – | 6,719 |
| Intangible assets | – | 7,978 | 1,280 | – | – | 9,258 |
| Deferred tax asset | 607 | 19 | 5,949 | – | – | 6,575 |
| Goodwill | – | – | 9,028 | – | – | 9,028 |
| | <u>158,305</u> | <u>14,963</u> | <u>41,334</u> | <u>–</u> | <u>–</u> | <u>214,602</u> |
| Current assets | | | | | | |
| Inventories | 50,578 | – | – | – | – | 50,578 |
| Financial assets at fair value through profit or loss | 7,027 | – | 15,146 | – | – | 22,173 |
| Trade and other receivables | 32,947 | 75,267 | 9,346 | (640) | – | 116,920 |
| Loan and interest receivables | – | – | 409,546 | – | – | 409,546 |
| Amount due from ultimate holding company | 19 | – | – | – | – | 19 |
| Amount due from immediate holding company | 34 | – | – | – | – | 34 |
| Amounts due from related companies | – | – | 652 | – | – | 652 |
| Tax recoverable | 29 | – | – | – | – | 29 |
| Bank balances – segregated accounts | – | 119,843 | – | – | – | 119,843 |
| Bank balances and cash | 43,266 | 31,000 | 18,936 | – | – | 93,202 |
| | <u>133,900</u> | <u>226,110</u> | <u>453,626</u> | <u>(640)</u> | <u>–</u> | <u>812,996</u> |
| Current liabilities | | | | | | |
| Trade and other payables | 15,659 | 117,777 | 6,646 | (640) | – | 139,442 |
| Amounts due to shareholders | 189 | – | 41,683 | – | – | 41,872 |
| Amount due to a related company | – | 76,213 | – | – | – | 76,213 |
| Amounts due to non-controlling shareholders | – | – | 4 | – | – | 4 |
| Loan from a shareholder | 800 | – | – | – | – | 800 |
| Loan from a director | – | – | 38,000 | – | – | 38,000 |
| Convertible bonds | 101,822 | – | – | – | (101,822) | – |
| Derivative financial instrument | 14,901 | – | – | – | (14,901) | – |
| Tax payable | – | – | 15,840 | – | – | 15,840 |
| | <u>133,371</u> | <u>193,990</u> | <u>102,173</u> | <u>(640)</u> | <u>(116,723)</u> | <u>312,171</u> |
| Net current assets | <u>529</u> | <u>32,120</u> | <u>351,453</u> | <u>–</u> | <u>116,723</u> | <u>500,825</u> |
| Total assets less current liabilities | <u><u>158,834</u></u> | <u><u>47,083</u></u> | <u><u>392,787</u></u> | <u><u>–</u></u> | <u><u>116,723</u></u> | <u><u>715,427</u></u> |

| As at 31 March 2018 | As originally stated <i>HK\$'000</i> | Bartha International (i) <i>HK\$'000</i> | Hackett (i) <i>HK\$'000</i> | Elimination and reallocation (iv) <i>HK\$'000</i> | Reclassification (v) <i>HK\$'000</i> | As restated <i>HK\$'000</i> |
|--|--|--|--------------------------------|---|--|--------------------------------|
| Capital and reserves | | | | | | |
| Share capital | 4,000 | –* | 1 | (1) | – | 4,000 |
| Reserves | 150,047 | 2,838 | 284,392 | (141,234) | – | 296,043 |
| Equity attributable to owners of the Company | 154,047 | 2,838 | 284,393 | (141,234) | – | 300,043 |
| Convertible bonds issued by a subsidiary | – | – | – | 9,230 | – | 9,230 |
| Non-controlling interests | (6,483) | – | 107,743 | 132,005 | – | 233,265 |
| Total equity | 147,564 | 2,838 | 392,136 | – | – | 542,538 |
| Non-current liabilities | | | | | | |
| Deferred tax liability | 13 | 813 | 651 | – | – | 1,477 |
| Convertible bonds | – | 43,432 | – | – | 101,822 | 145,254 |
| Derivative financial instrument | – | – | – | – | 14,901 | 14,901 |
| Promissory note payable | 11,257 | – | – | – | – | 11,257 |
| | 11,270 | 44,245 | 651 | – | 116,723 | 172,889 |
| | 158,834 | 47,083 | 392,787 | – | 116,723 | 715,427 |

* *The balance represents an amount less than HK\$500.*

| As at 1 April 2017 | As originally stated <i>HK\$'000</i> | Bartha International (i) <i>HK\$'000</i> | Hackett (i) <i>HK\$'000</i> | Elimination (iv) <i>HK\$'000</i> | As restated <i>HK\$'000</i> |
|---|--|--|--------------------------------|-------------------------------------|--------------------------------|
| Non-current assets | | | | | |
| Plant and equipment | 7,623 | 3,817 | 8,000 | – | 19,440 |
| Loan receivables | – | – | 20,809 | – | 20,809 |
| Deposits | 1,677 | 4,083 | – | – | 5,760 |
| Intangible assets | – | 7,978 | 1,280 | – | 9,258 |
| Deferred tax asset | 680 | – | 4,961 | – | 5,641 |
| Goodwill | – | – | 9,028 | – | 9,028 |
| | <u>9,980</u> | <u>15,878</u> | <u>44,078</u> | <u>–</u> | <u>69,936</u> |
| Current assets | | | | | |
| Inventories | 51,384 | – | – | – | 51,384 |
| Financial assets at fair value through profit or loss/held for trading investments | – | – | 58,044 | – | 58,044 |
| Loan and interest receivables | – | – | 276,286 | – | 276,286 |
| Trade and other receivables | 47,439 | 42,182 | 32,262 | – | 121,883 |
| Amount due from ultimate holding company | 11 | – | – | – | 11 |
| Amount due from immediate holding company | 27 | – | – | – | 27 |
| Amount due from a fellow subsidiary | 196 | – | – | – | 196 |
| Amount due from a shareholder | – | – | 12 | – | 12 |
| Tax recoverable | 1,464 | – | – | – | 1,464 |
| Bank balances – segregated accounts | – | 41,881 | – | – | 41,881 |
| Bank balances and cash | 52,434 | 4,044 | 10,681 | – | 67,159 |
| | <u>152,955</u> | <u>88,107</u> | <u>377,285</u> | <u>–</u> | <u>618,347</u> |
| Current liabilities | | | | | |
| Trade and other payables | 8,689 | 42,586 | 5,184 | – | 56,459 |
| Amounts due to related companies | – | 76,010 | 242,849 | – | 318,859 |
| Amount due to a director | – | – | 4,119 | – | 4,119 |
| Amounts due to non-controlling shareholders | – | – | 4 | – | 4 |
| Borrowings | – | – | 30,078 | – | 30,078 |
| Tax payable | 10 | – | 11,718 | – | 11,728 |
| | <u>8,699</u> | <u>118,596</u> | <u>293,952</u> | <u>–</u> | <u>421,247</u> |
| Net current assets (liabilities) | <u>144,256</u> | <u>(30,489)</u> | <u>83,333</u> | <u>–</u> | <u>197,100</u> |
| Total assets less current liabilities | <u><u>154,236</u></u> | <u><u>(14,611)</u></u> | <u><u>127,411</u></u> | <u><u>–</u></u> | <u><u>267,036</u></u> |

| As at 1 April 2017 | As originally stated <i>HK\$'000</i> | Bartha International (i) <i>HK\$'000</i> | Hackett (i) <i>HK\$'000</i> | Elimination (iv) <i>HK\$'000</i> | As restated <i>HK\$'000</i> |
|--|--|--|--------------------------------|-------------------------------------|--------------------------------|
| Capital and reserves | | | | | |
| Share capital | 4,000 | –* | 1 | (1) | 4,000 |
| Reserves | <u>144,720</u> | <u>(15,505)</u> | <u>(9,683)</u> | <u>13,300</u> | <u>132,832</u> |
| Equity attributable to owners of the Company | 148,720 | (15,505) | (9,682) | 13,299 | 136,832 |
| Non-controlling interests | <u>5,503</u> | <u>–</u> | <u>135,976</u> | <u>(13,299)</u> | <u>128,180</u> |
| Total equity | <u>154,223</u> | <u>(15,505)</u> | <u>126,294</u> | <u>–</u> | <u>265,012</u> |
| Non-current liabilities | | | | | |
| Deferred tax liability | <u>13</u> | <u>894</u> | <u>1,117</u> | <u>–</u> | <u>2,024</u> |
| | <u>154,236</u> | <u>(14,611)</u> | <u>127,411</u> | <u>–</u> | <u>267,036</u> |

* *The balance represents an amount less than HK\$500.*

Notes:

(i) Adoption of merger accounting and restatement

A business combination under common control were effected in respect of Bartha International Limited (“Bartha International”) and Hackett Enterprises Limited (“Hackett”) during the current year. The consolidated financial statements incorporate the financial information of the combining entities as if they had been combined from the date when the combining entities first came under the control of the controlling party.

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

The consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows 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 consolidated financial statements are restated as if the entities had been combined at the beginning of the previous reporting period or when they first came under common control, whichever is later.

(ii) Adjustments to eliminate the intra-group transactions and as a result of the adoption of merger accounting.

(iii) Change of presentation of the consolidated statement of profit or loss and other comprehensive income

During the current year, the Company had revisited the presentation of the consolidated statement of profit or loss and other comprehensive income and considered that a presentation by nature of expenses, instead of by function of expenses, would better reflect the Group's results following the further expansion into the blockchain business and the loan financing business during the year. As a result, certain comparative figures are restated to conform with the current year's presentation.

(iv) Adjustments to eliminate and reallocate the intra-group balances, share capital, reserves, convertible bonds issued by a subsidiary and non-controlling interests and as a result of the adoption of merger accounting.

(v) Being reclassification of certain financial instruments.

(vi) The basic loss per share for the year ended 31 March 2018 was adjusted as a result of the adoption of merger accounting and resulted in a decrease of HK\$0.36 cents and the restated basic loss per share was HK\$3.10 cents. The diluted loss per share was adjusted accordingly, taken into account the effect of put option to non-controlling interests in CVP Capital Limited amounted to HK\$0.14 cents and the restated diluted loss per share was HK\$3.24 cents.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following new and amendments to HKFRSs, which include HKFRSs, Hong Kong Accounting Standards ("HKAS(s)") and Interpretations ("Int(s)"), issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

| | |
|-----------------------|---|
| HKFRS 9 | Financial Instruments |
| HKFRS 15 | Revenue from Contracts with Customers and related Amendments |
| Amendments to HKFRS 2 | Classification and Measurement of Share-based Payment Transactions |
| Amendments to HKFRS 4 | Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts |
| Amendments to HKAS 28 | As part of Annual Improvements to HKFRSs 2014 – 2016 Cycle |
| Amendments to HKAS 40 | Transfers of Investment Property |
| HK(IFRIC)-Int 22 | Foreign Currency Transactions and Advance Consideration |

Except as described below, the application of other new and amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 superseded HKAS 11 Construction Contracts, HKAS 18 Revenue and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard established a five-step model for determining whether, how much and when revenue is recognised. The Group has elected to adopt the modified retrospective approach for contracts with customers that are not completed as at the date of initial application (i.e. 1 April 2018) with the cumulative effect of initially applying HKFRS 15 as an adjustment to the opening balance of retained earnings and comparative information is not restated. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 Revenue and the related interpretations.

The Group's accounting policies for its revenue streams are disclosed in detail in Note 4 below.

The impact of transition to HKFRS 15 was insignificant on the accumulated losses at 1 April 2018.

The amount of adjustment for each financial statement line item of the consolidated statement of financial position at 1 April 2018 affected by the application of HKFRS 15 is illustrated below. Line items that were not affected by the changes have not been included.

| | Carrying amount previously reported at 31 March 2018 <i>HK\$'000</i> | Impact on adoption of HKFRS 15 – Reclassification <i>HK\$'000</i> | Carrying amount as restated at 1 April 2018 <i>HK\$'000</i> |
|--------------------------|--|---|---|
| Trade and other payables | 139,442 | (9,267) | 130,175 |
| Contract liabilities | – | 9,267 | 9,267 |
| | <u> </u> | <u> </u> | <u> </u> |

The following table summarises the impact of applying HKFRS 15 on the Group's consolidated statement of financial position at 31 March 2019, by comparing the amounts reported under HKAS 18 that were in effect before the change. Line items that were not affected by the adjustments have not been included. The adoption of HKFRS 15 did not have material impact on the Group's consolidated statement of profit or loss, operating, investing and financing cash flows.

Impact on the consolidated statement of financial position at 31 March 2019

| | As reported <i>HK\$'000</i> | Impact on adoption of HKFRS 15 <i>HK\$'000</i> | Amounts excluding impact of adopting HKFRS 15 <i>HK\$'000</i> |
|--------------------------|---------------------------------------|--|---|
| Trade and other payables | 145,042 | 5,311 | 150,353 |
| Contract liabilities | 5,311 | (5,311) | – |
| | <u> </u> | <u> </u> | <u> </u> |

HKFRS 9 Financial Instruments

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The Group has applied HKFRS 9 retrospectively to financial instruments that have not been derecognised at the date of initial application (i.e. 1 April 2018) in accordance with the transition provisions under HKFRS 9, and chosen not to restate comparative information. Differences in the carrying amounts of financial assets and financial liabilities on initial application are recognised in retained earnings and other components of equity as at 1 April 2018.

The Group's accounting policies for the classification and measurement of financial instruments and the impairment of financial assets are disclosed in detail in Note 4 below.

(i) Classification and measurement of financial instruments

The directors of the Company reviewed and assessed the Group's existing financial assets as at 1 April 2018 based on the facts and circumstances that existed at that date and concluded that all recognised financial assets and financial liabilities that are within the scope of HKFRS 9 are continued to measure at amortised cost as were previously measured under HKAS 39.

(ii) Loss allowance for expected credit losses ("ECL")

The adoption of HKFRS 9 has changed the Group's accounting for impairment losses for financial assets by replacing HKAS 39's incurred loss model with a forward-looking ECL model. As at 1 April 2018, the directors of the Company reviewed and assessed the Group's existing financial assets subject to ECL for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirement HKFRS 9.

As at 1 April 2018, an additional allowance on the Group's loan and interest receivables, and trade receivables of approximately HK\$3,994,000 and HK\$240,000, respectively, have been recognised, thereby increasing the opening accumulated losses and non-controlling interest of approximately HK\$1,793,000 and HK\$1,576,000, net of their related deferred tax impact of approximately HK\$865,000.

(iii) Summary of effects arising from initial application of HKFRS 9

The table below summarises the original measurement categories under HKAS 39 and the new measurement categories under HKFRS 9 for each class of the Group's financial assets and financial liabilities and reconciles the carrying amounts of financial assets and financial liabilities under HKAS 39 to the carrying amounts under HKFRS 9 on 1 April 2018.

| | Carrying amount at 31 March 2018 (HKAS 39) <i>HK\$'000</i> | Adoption of HKFRS 9 – Reclassification <i>HK\$'000</i> | Adoption of HKFRS 9 – Remeasurement <i>HK\$'000</i> | Carrying amount at 1 April 2018 (HKFRS 9) <i>HK\$'000</i> |
|---|--|---|--|---|
| Financial Assets | | | | |
| At amortised cost | | | | |
| – Loan and interest receivables | – | 429,585 | (3,994) | 425,591 |
| – Trade and other receivables and deposits | – | 123,639 | (240) | 123,399 |
| – Amount due from ultimate holding company | – | 19 | – | 19 |
| – Amount due from immediate holding company | – | 34 | – | 34 |
| – Amounts due from related companies | – | 652 | – | 652 |
| – Bank balances – segregated accounts | – | 119,843 | – | 119,843 |
| – Bank balances and cash | – | 93,202 | – | 93,202 |
| Loan and receivable | | | | |
| – Loan and interest receivables | 429,585 | (429,585) | – | – |
| – Trade and other receivables and deposits | 123,639 | (123,639) | – | – |
| – Amount due from ultimate holding company | 19 | (19) | – | – |
| – Amount due from immediate holding company | 34 | (34) | – | – |
| – Amounts due from related companies | 652 | (652) | – | – |
| – Bank balances – segregated accounts | 119,843 | (119,843) | – | – |
| – Bank balances and cash | 93,202 | (93,202) | – | – |

Except for the above, all the other financial assets and financial liabilities within the scope of HKFRS 9 are continued to be classified and measured on the same basis as they were under HKAS 39.

The table below summarises the impact of transition to HKFRS 9 on accumulated losses and other components of equity at 1 April 2018.

| | Accumulated losses <i>HK\$'000</i> | Non-controlling interest <i>HK\$'000</i> |
|--|--|--|
| Balance at 31 March 2018 as originally stated | (135,940) | (6,483) |
| Recognition of additional expected credit losses | (2,232) | (2,002) |
| Recognition of deferred tax impact | 439 | 426 |
| Balance at 1 April 2018 as restated | <u>(137,733)</u> | <u>(8,059)</u> |

There were no financial assets or financial liabilities which the Group had previously designated as at fair value through profit or loss (“FVTPL”) under HKAS 39 that were subject to reclassification or which the Group has elected to reclassify upon the application of HKFRS 9.

4. REVENUE AND SEGMENT INFORMATION

Revenue

The principal activities of the Group are sales of alcoholic beverages, the provision of financial services, the provision of blockchain services, the provision of auction of alcoholic beverages business and the provision of loan financing services. An analysis of revenue, net is as follows:

| | 2019 <i>HK\$'000</i> | 2018* <i>HK\$'000</i> (restated) |
|---|--------------------------------|--|
| Revenue from contracts with customers within the scope of HKFRS 15 for the year ended 31 March 2019 | | |
| Disaggregated by major products or services lines | | |
| Financial services segment | | |
| – Financial consultancy service income | 7,501 | 16,232 |
| – Securities and futures dealing service income | 4,831 | 2,553 |
| Sales of alcoholic beverages segment | | |
| – Sales of alcoholic beverages income | 114,172 | 151,454 |
| Loan financing service segment | | |
| – Loan referral services income | 52,304 | 23,072 |
| – Insurance brokerage commission income | – | 3,895 |
| Auction segment | | |
| – Auction income | 3,680 | – |
| Blockchain services segment | | |
| – Provision of high performance computing services | 3,209 | – |
| Total revenue from contracts with customers | <u>185,697</u> | <u>197,206</u> |

* The amounts for the year ended 31 March 2018 were recognised under HKAS 18.

| | 2019 HK\$'000 | 2018 HK\$'000 (restated) |
|--|--------------------------------|--------------------------------|
| Revenue from other sources | | |
| Financial services segment | | |
| Interest income – Margin clients | 9,383 | 7,593 |
| Loan financing segment | | |
| Interest income – Real estate-backed loans | 5,843 | 10,303 |
| Interest income – Micro loans | 36,985 | 39,194 |
| Interest income – Other loans | 46,269 | 15,288 |
| Blockchain services segment | | |
| Blockchain services income | <u>26,175</u> | – |
| | <u>124,655</u> | 72,378 |
| Turnover | <u>310,352</u> | <u>269,584</u> |

Disaggregation of revenue by timing of recognition

| | 2019 HK\$'000 |
|---|--------------------------------|
| Timing of revenue recognition | |
| At a point in time | 174,987 |
| Over Time | <u>10,710</u> |
| Total revenue from contracts with customers | <u>185,697</u> |

Transaction price allocated to the remaining performance obligations

All sales contracts are with an original expected duration of one year or less or contracts for which revenue is recognised at the amount to which that Group has the right to invoice for the performance performed. Accordingly, the Group has elected the practical expedient and has not disclosed the amount of transaction price allocated to the performance obligations that are unsatisfied (or partially satisfied) as of the end of the reporting period.

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 focus 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 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

(a) Segment revenues and results

The following is an analysis of the Group’s revenue and results by reportable and operating segments.

| | 2019 HK\$’000 | 2018 <i>HK\$’000</i> (restated) |
|------------------------------|--------------------------------|---------------------------------------|
| Revenue | | |
| Sales of alcoholic beverages | 114,172 | 151,454 |
| Financial services | 21,715 | 26,378 |
| Blockchain services | 29,384 | – |
| Loan financing services | 141,401 | 91,752 |
| Auction | 3,680 | – |
| | <u>310,352</u> | <u>269,584</u> |
| Segment (loss) profit | | |
| Sales of alcoholic beverages | (3,664) | (4,352) |
| Financial services | (2,447) | (2,530) |
| Blockchain services | (173,402) | – |
| Loan financing services | 101,410 | 35,030 |
| Auction | (1,700) | – |
| | (79,803) | 28,148 |
| Unallocated income | 13,419 | 5,624 |
| Unallocated expenses | (298,582) | (140,589) |
| Finance costs | (38,122) | (14,325) |
| Loss before tax | <u>(403,088)</u> | <u>(121,142)</u> |

Segment (loss) profit represents the (loss) profit from by each segment without allocation of central administration costs, directors' salaries and certain other revenue, net trading (loss) gain, change in fair value of exchangeable bonds, change in fair value of derivative financial instrument, impairment loss recognised on goodwill, impairment loss recognised on plant and equipment 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) Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segments:

Segment assets

| | 2019 | 2018 |
|------------------------------|-------------------------|-------------------------|
| | HK\$'000 | HK\$'000 |
| | | (restated) |
| Sales of alcoholic beverages | 80,102 | 91,275 |
| Financial services | 176,431 | 212,886 |
| Blockchain services | 279,209 | – |
| Loan financing services | 565,361 | 444,609 |
| Auction | 1,182 | – |
| | <hr/> | <hr/> |
| Total segment assets | 1,102,285 | 748,770 |
| Unallocated assets | 434,595 | 278,828 |
| | <hr/> | <hr/> |
| Consolidated total assets | <u>1,536,880</u> | <u>1,027,598</u> |

Segment liabilities

| | 2019 | 2018 |
|--------------------------------|-------------------------|-----------------------|
| | HK\$'000 | HK\$'000 |
| | | (restated) |
| Sales of alcoholic beverages | 8,202 | 15,317 |
| Financial services | 68,566 | 118,079 |
| Blockchain services | 35,323 | – |
| Loan financing services | 11,135 | 6,006 |
| Auction | 194 | – |
| | <hr/> | <hr/> |
| Total segment liabilities | 123,420 | 139,402 |
| Unallocated liabilities | 951,269 | 345,658 |
| | <hr/> | <hr/> |
| Consolidated total liabilities | <u>1,074,689</u> | <u>485,060</u> |

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to operating segments other than financial assets at FVTPL, interests in associates, deferred tax asset, goodwill, amount due from ultimate holding company/immediate holding company/a shareholder/related companies/associates, tax recoverable, bank balances and cash and certain unallocated head office assets; and
- all liabilities are allocated to operating segments other than amount due to shareholders/related companies/ a director/associates/non-controlling shareholders, loan from a shareholder, loan from a director, loan from a subsidiary of non-controlling shareholders, loan from a related company, borrowings, tax payable, deferred tax liability, derivative financial instrument, convertible bonds, promissory note payable.

(c) Other segment information

For the year ended 31 March 2019

| | Sale of alcoholic beverages HK\$'000 | Financial services HK\$'000 | Blockchain services HK\$'000 | Loan financing service HK\$'000 | Auction HK\$'000 | Unallocated HK\$'000 | Total HK\$'000 |
|---|---|-----------------------------------|------------------------------------|--|---------------------|-------------------------|-------------------|
| <i>Amounts included in the measure of segment profit or loss or segment assets:</i> | | | | | | | |
| Additions to non-current assets (Note) | 128 | 48 | 839,871 | 26 | 103 | 165 | 840,341 |
| Depreciation of plant and equipment | 3,038 | 1,286 | 27,052 | 1,610 | 25 | 21 | 33,032 |
| Net impairment recognised | | | | | | | |
| on trade receivables | 474 | 24 | - | - | - | - | 498 |
| Net impairment loss recognised | | | | | | | |
| on loan and interest receivables | - | - | - | 6,482 | - | - | 6,482 |
| Change in fair value of crypto-currencies | - | - | (6,194) | - | - | - | (6,194) |
| Write off of loans and interest receivables | - | - | - | 2,296 | - | - | 2,296 |
| Loss on written off of plant and equipment | - | - | - | - | - | 3 | 3 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |

Amounts regularly provided to the CODM but not included in the measure of segment profit or loss or segment assets:

| | | | | | | | |
|----------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Bank interest income | - | - | - | - | - | 227 | 227 |
| Finance costs | - | 4,055 | - | 5,927 | - | 28,140 | 38,122 |
| Income tax expense | (184) | (137) | 17 | 16,931 | - | - | 16,627 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |

For the year ended 31 March 2018 (restated)

| | Sale of alcoholic beverages <i>HK\$'000</i> | Financial services <i>HK\$'000</i> | Loan financing service <i>HK\$'000</i> | Unallocated <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|---|--|--|---|--------------------------------|--------------------------|
| Amounts included in the measure of segment profit or loss or segment assets: | | | | | |
| Additions to non-current asset (<i>Note</i>) | 4,531 | 4,298 | 2,631 | – | 11,460 |
| Depreciation of plant and equipment | 3,984 | 1,202 | 3,052 | – | 8,238 |
| Net impairment recognised on trade receivables | 200 | – | – | – | 200 |
| Written off loans and interest receivables | – | – | 4,533 | – | 4,533 |
| Net impairment recognised on loan receivables | – | – | 1,689 | – | 1,689 |
| Loss on written off of plant and equipment | 525 | – | 53 | – | 578 |

Amounts regularly provided to the CODM but not included in the measure of segment profit or loss or segment assets:

| | | | | | |
|----------------------|----|-------|-------|-------|--------|
| Bank interest income | – | – | – | 244 | 244 |
| Finance costs | – | 3,614 | 4,139 | 6,572 | 14,325 |
| Income tax expense | 83 | (114) | 6,773 | – | 6,742 |

Note:

Non-current assets excluded financial instruments and deferred tax assets.

(d) Geographical information

Information about the Group's revenue from external customers is presented based on the location of operations. Information about the Group's non-current assets other than financial instruments and deferred tax assets, is presented based on the geographical location of the assets.

| | Revenue from external customers | | Non-current assets | |
|-----------|------------------------------------|---------------------------------------|-------------------------|---------------------------------------|
| | For the year ended 31 March | | As at 31 March | |
| | 2019 <i>HK\$'000</i> | 2018 <i>HK\$'000</i> (restated) | 2019 <i>HK\$'000</i> | 2018 <i>HK\$'000</i> (restated) |
| PRC | 80,858 | 63,864 | 2,555 | 4,458 |
| Hong Kong | 206,100 | 205,720 | 25,388 | 29,693 |
| Europe | 23,394 | – | 339,441 | – |
| Japan | – | – | 180,018 | – |
| | <u>310,352</u> | <u>269,584</u> | <u>547,402</u> | <u>34,151</u> |

(e) **Information about major customers**

During the years ended 31 March 2019 and 2018, there is no customer contributing over 10% of the total revenue of the Group.

5. OTHER INCOME

| | 2019 <i>HK\$'000</i> | 2018 <i>HK\$'000</i> (restated) |
|---|--------------------------------|---------------------------------------|
| Bank interest income | 227 | 244 |
| Consignment income | 855 | 339 |
| Net exchange gain | 2,058 | – |
| Promotion income | – | 77 |
| Recoveries on impaired losses on trade receivables previously written off | 34 | 51 |
| Written off of trust payable | – | 280 |
| Other handling fee income | 1,251 | 571 |
| Government grants | 300 | 101 |
| Others | 3,616 | 264 |
| | <u>8,341</u> | <u>1,927</u> |

6. INCOME TAX EXPENSE

| | 2019 <i>HK\$'000</i> | 2018 <i>HK\$'000</i> (restated) |
|-----------------------------------|--------------------------------|---------------------------------------|
| Current tax: | | |
| Hong Kong Profits Tax | 6,662 | 1,128 |
| PRC Enterprise Income Tax (“EIT”) | 10,802 | 6,559 |
| | <u>17,464</u> | <u>7,687</u> |
| Deferred taxation | (837) | (945) |
| | <u>16,627</u> | <u>6,742</u> |

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

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 year ended 31 March 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%.

Tax exemptions represented reduction of Hong Kong Profits Tax for the year of assessment of 2018/2019 and 2017/2018 by 75%, subject to a ceiling of HK\$20,000 and HK\$30,000 per case respectively.

Profits of the subsidiaries established in the PRC are subject to PRC EIT during both years.

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 both years. 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 year ended 31 March 2019.

7. LOSS FOR THE YEAR

| | 2019 HK\$'000 | 2018 HK\$'000 (restated) |
|---|--------------------------------|--------------------------------|
| Loss for the year has been arrived at after charging (crediting): | | |
| Directors' emoluments | 25,413 | 8,532 |
| Salaries, allowances and other benefits | 53,246 | 58,319 |
| Sales commission | 861 | 767 |
| Contributions to retirement benefits scheme | 3,024 | 3,510 |
| Equity-settled share-based payment expenses – employees | 12,546 | – |
| | <hr/> | <hr/> |
| Total staff costs | 95,090 | 71,128 |
| | <hr/> | <hr/> |
| Auditor's remuneration | 1,800 | 680 |
| Cost of inventories recognised as expense | 87,551 | 111,610 |
| Equity-settled share-based payment expenses – consultants | 2,719 | – |
| Loss on disposals and written off of plant and equipment | 3 | 578 |
| Net impairment recognised on trade receivables (included in administrative and other operating expenses) | 498 | 200 |
| Net impairment recognised on loan and interest receivables | 6,482 | 1,689 |
| Net exchange (gain) loss | (2,058) | 4,391 |
| Minimum lease payments under operating leases in respect of office premises, warehouses and shop | 17,201 | 15,994 |
| | <hr/> <hr/> | <hr/> <hr/> |

8. DIVIDEND

No dividend was paid or proposed during the years ended 31 March 2019 and 2018, nor has any dividend been proposed since the end of the reporting period.

9. 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:

| | 2019 | 2018 |
|--|-----------------------------|-----------------------------|
| | HK\$'000 | HK\$'000 |
| | | (restated) |
| Loss | | |
| Loss for the purpose of basic loss per share for the year attributable to the owners of the Company | <u><u>(369,244)</u></u> | <u><u>(123,969)</u></u> |
| 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 | <u>(9,948)</u> | <u>(5,821)</u> |
| Loss for the purpose of diluted loss per share | <u><u>(379,192)</u></u> | <u><u>(129,790)</u></u> |
| | 2019 | 2018 |
| Number of shares | | |
| Weighted average number of ordinary shares for the purpose of basic and diluted loss per share | <u><u>4,215,866,097</u></u> | <u><u>4,000,000,000</u></u> |

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 year ended 31 March 2019 and 2018.

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

10. LOAN AND INTEREST RECEIVABLES

| | 2019 <i>HK\$'000</i> | 2018 <i>HK\$'000</i> (restated) |
|--|-------------------------|---------------------------------------|
| Secured loans | | |
| Real estate-backed loans | 32,438 | 35,320 |
| Secured micro loans | 46,632 | 73,926 |
| | <u>79,070</u> | <u>109,246</u> |
| Unsecured loans | | |
| Unsecured micro loans | 239,442 | 225,594 |
| Unsecured other loans | 172,704 | 66,290 |
| | <u>412,146</u> | <u>291,884</u> |
| | 491,216 | 401,130 |
| <i>Less: Allowances for loan receivables</i> | <u>(33,076)</u> | <u>(24,445)</u> |
| Loan receivables | 458,140 | 376,685 |
| Interest receivables | 97,573 | 52,900 |
| | <u>555,713</u> | <u>429,585</u> |
| Loan and interest receivables analysed for reporting purpose as: | | |
| Non-current assets | 19,938 | 20,039 |
| Current assets | 535,775 | 409,546 |
| | <u>555,713</u> | <u>429,585</u> |

The following is an aged analysis of loans and interest receivables, presented based on the dates which loans are granted to borrowers and interests are accrued.

| | 2019 <i>HK\$'000</i> | 2018 <i>HK\$'000</i> (restated) |
|------------------|-------------------------|---------------------------------------|
| Within 90 days | 79,820 | 134,562 |
| 91 – 180 days | 254,936 | 57,216 |
| 181 – 365 days | 34,362 | 53,915 |
| Over 365 days | 186,595 | 183,892 |
| At 31 March 2019 | <u>555,713</u> | <u>429,585</u> |

11. TRADE AND OTHER RECEIVABLES AND DEPOSITS

| | 2019 <i>HK\$'000</i> | 2018 <i>HK\$'000</i> (restated) |
|--|-------------------------|---------------------------------------|
| Trade receivables arising from the business of securities dealing and broking: | | |
| – Cash clients (<i>Note a</i>) | 520 | 187 |
| – Margin clients (<i>Note b</i>) | 89,457 | 74,644 |
| – HKSCC (<i>Note a</i>) | <u>9,978</u> | <u>–</u> |
| | <u>99,955</u> | <u>74,831</u> |
| Trade receivables arising from the business of futures dealing and broking: | | |
| – Hong Kong Exchanges and Clearing Limited (<i>Note a</i>) | <u>428</u> | <u>45</u> |
| Other trade receivables (<i>Note a</i>) | <u>3,481</u> | <u>5,801</u> |
| | <u>103,864</u> | <u>80,677</u> |
| <i>Less: impairment</i> | <u>(938)</u> | <u>(200)</u> |
| Total trade receivables | <u>102,926</u> | <u>80,477</u> |
| Payments in advance | 37,185 | 22,694 |
| Prepayments | 9,782 | 10,536 |
| Deposits and other receivables | <u>26,165</u> | <u>9,932</u> |
| Total other receivables and deposits | <u>73,132</u> | <u>43,162</u> |
| Trade and other receivables, deposits | <u>176,058</u> | <u>123,639</u> |
| Analysed as: | | |
| Current | 169,048 | 116,920 |
| Non-current | <u>7,010</u> | <u>6,719</u> |
| Trade and other receivables, deposits | <u>176,058</u> | <u>123,639</u> |

Notes:

- (a) The following is an aged analysis of trade receivables (excluding margin clients), net of allowance for doubtful debts presented based on the delivery dates or trade date, which approximated the respective revenue recognition dates, at the end of the reporting period.

| | 2019 <i>HK\$'000</i> | 2018 <i>HK\$'000</i> (restated) |
|-----------------|---------------------------------------|---------------------------------------|
| Within 30 days | 13,174 | 4,497 |
| 31 to 60 days | 209 | 459 |
| 61 to 90 days | – | 601 |
| 91 to 180 days | 90 | 124 |
| 181 to 365 days | 125 | 150 |
| Over 365 days | 135 | 2 |
| | <hr/> | <hr/> |
| Total | 13,733 | 5,833 |
| | <hr/> <hr/> | <hr/> <hr/> |

- (b) No aged analysis is disclosed for the Group's margin clients as these margin clients were carried on an open account basis, the directors of the Company consider that the ageing analysis does not give additional value in the view of the nature of business of margin financing.

12. TRADE AND OTHER PAYABLES

| | 2019 <i>HK\$'000</i> | 2018 <i>HK\$'000</i> (restated) |
|---|-------------------------|---------------------------------------|
| Trade payables arising from the business of securities dealing and broking: (<i>Notes a, c</i>) | | |
| – Cash clients | 23,483 | 23,301 |
| – Margin clients | 42,945 | 88,591 |
| – Trust payable | 146 | 146 |
| – HKSCC | – | 4,046 |
| | <u>66,574</u> | <u>116,084</u> |
| Trade payables arising from the business of futures dealing and broking (<i>Notes b, c</i>) | <u>598</u> | <u>84</u> |
| Other trade payables (<i>Notes d</i>) | <u>8,139</u> | <u>3,346</u> |
| Total trade payables | <u>75,311</u> | <u>119,514</u> |
| Receipts in advance | – | 9,267 |
| Other payables and accruals | <u>69,731</u> | <u>10,661</u> |
| Total other payables | <u>69,731</u> | <u>19,928</u> |
| Trade and other payables | <u><u>145,042</u></u> | <u><u>139,442</u></u> |

Notes:

- (a) For trade payables arising from the business of securities dealing and broking, no aged analysis is disclosed for the Group's margin and cash clients as these clients were carried on an open account basis, the aging analysis does not give additional value in the view of the nature of business of margin financing.

Trade payables to HKSCC are current which represent pending trades arising from the business of dealing in securities, normally due within two days after the trade date in accordance with the settlement requirements in Hong Kong market.

As at 31 March 2019, trade payables of securities clients approximately HK\$57,822,000 (2018 (restated): HK\$119,843,000) respectively were payable to clients in respect of the segregated bank balances received and held for clients in the course of conducting the regulated activities. The Group currently does not have an enforceable right to offset these payables with the deposits placed.

- (b) For trade payables arising from the business of futures dealing and broking, no aged analysis is disclosed as in the opinion of the directors of the Company, the aging analysis does not give additional value in the view of the nature of business of futures dealing and broking.
- (c) For the trade payables arising from securities and futures dealing activities, there is no interest for the balance of each account higher than a prescribed amount.

The settlement terms of trade payables arising from the business of dealing in securities and futures are required to be settled in accordance with the relevant market practices in Hong Kong and overseas. The trade payables to certain cash clients arising from the business of dealing in securities bear variable interest at commercial rates, and are repayable on demand subsequent to settlement date.

- (d) The following is an aged analysis of trade payables arising from other business presented based on the invoice date at the end of the reporting period.

| | 2019 <i>HK\$'000</i> | 2018 <i>HK\$'000</i> (restated) |
|-----------------|---------------------------------------|---------------------------------------|
| Within 30 days | 5,600 | 186 |
| 31 to 60 days | 1,019 | 1,022 |
| 61 to 90 days | 388 | 694 |
| 91 to 180 days | 292 | – |
| 181 to 365 days | 546 | 881 |
| Over 365 days | 294 | 563 |
| | <hr/> | <hr/> |
| Total | 8,139 | 3,346 |
| | <hr/> <hr/> | <hr/> <hr/> |

The average credit period on purchases of goods ranged from 30 to 90 days. The Group has financial risk management in place to ensure that all payables are settled within the credit timeframe.

CLOSURE OF REGISTER OF MEMBERS AND THE ANNUAL GENERAL MEETING (THE “AGM”)

For shareholders to attend and vote in the AGM

| | |
|--|--|
| Date of the AGM | 16 August 2019 |
| Latest time to lodge share transfer forms and relevant share certificates for registration with the Company’s Hong Kong branch share registrar and transfer office | 4:30 p.m. on 12 August 2019 |
| Closure of the Company’s register of members | 13 – 16 August 2019 (both days inclusive) |
| Record date | 16 August 2019 |

CORPORATE GOVERNANCE PRACTICES

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

Following the re-designation of Mr. Ip Cho Yin, *J.P.* (“Mr. Ip”) as a non-executive Director on 7 March 2019, the Board had only two independent non-executive Directors (“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 Reimer, Mary Jean (“Dr. Lau”) as an INED on 4 June 2019.

According to the C.3.3(e)(i) of CG Code and the term of reference of the audit committee of the Company (the “Audit Committee”), the members of Audit Committee are required to meet the external auditor at least twice a year. However, the members of Audit Committee met once with the external auditor during the year ended 31 March 2019. The Company will arrange the members of the Audit Committee to meet with the external auditor at least twice a year.

Save as discussed above, throughout the period from 1 April 2018 and up to the date of this announcement, to the best knowledge of the Board, the Company had complied with the code provisions in the CG Code.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the shares of the Company during the year ended 31 March 2019.

REVIEW OF THE FINAL RESULTS BY AUDIT COMMITTEE

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

The Audit Committee comprises three INEDs, namely, Mr. Chu Kin Wang Peleus (chairman), Ms. Fan Wei and Dr. Lau, and one non-executive Director, Mr. Ip.

The Group's audited consolidated financial statements for the year ended 31 March 2019 and this announcement have been reviewed by the Audit Committee. The Board is of the opinion that such financial information has been prepared in compliance with the applicable accounting standards, the requirements under the GEM Listing Rules and any other applicable legal requirements, and that adequate disclosures have been made.

SUBSEQUENT EVENTS AFTER THE REPORTING PERIOD

On 27 May 2019, the Company entered into a loan agreement with an independent third party in amount of HK\$106,000,000. The borrowing is secured by 77 shares of Hackett held by the Company and 30,000,100 shares in Madison Lab held by Madison Blockchain Holdings Company Limited, a direct wholly owned subsidiary of the Company.

Dr. Lau was appointed as an INED on 4 June 2019.

EXTRACT FROM INDEPENDENT AUDITOR’S REPORT PREPARED BY THE INDEPENDENT AUDITOR

The Group would like to provide an extract from the independent auditor’s report prepared by SHINEWING (HK) CPA Limited (the independent auditor) on the Group’s annual financial statements for the year ended 31 March 2019 as set out below:

“Material Uncertainty Relating to Going Concern

We draw attention to note 2 to the consolidated financial statements, which indicates that the Group incurred a net loss and net operating cash outflow of approximately HK\$419,715,000 and HK\$153,014,000 for the year ended 31 March 2019. In addition, had bank balances and cash amounted to approximately HK\$48,436,000, while its loan from a director, loan from a subsidiary of non-controlling shareholder, borrowings and promissory notes totaling amounted to HK\$566,366,000 which will be matured within the coming twelve months as at 31 March 2019. These conditions, along with other matters as set forth in note 2 to the consolidated financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Group’s ability to continue as a going concern. Our opinion is not modified in respect of this matter.”

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

Hong Kong, 21 June 2019

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

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules of the Stock Exchange 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 announcement 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 announcement misleading.

This announcement will remain on the GEM website at <http://www.hkgem.com> on the “Latest Company Announcements” page for at least seven days from the date of its posting and the Company’s website at <http://www.madison-group.com.hk>.