MADISON
GROUP

Madison Holdings Group Limited

(Incorporated in the Cayman Islands with limited liability)

STOCK CODE: 8057

2018/19
Annual Report

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

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This report, for which the directors (the "Director(s)") of Madison Holdings Group Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (the "GEM Listing Rules") for the purposes of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

CONTENT

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Ting Pang Wan Raymond *(Chairman)*
Mr. Zhu Qin *(Deputy Chairman)*
Mr. Zhou, Francis Bingrong
(Chief executive officer)
(appointed as an executive Director and the Deputy Chairman on 17 April 2018 and resigned on 24 August 2018; re-appointed as an executive Director and the chief executive officer on 7 January 2019)
Mr. Teoh Ronnie Chee Keong
(resigned on 11 December 2018)
Ms. Kuo Kwan
Mr. Xiong Hu
(appointed on 24 August 2018 and resigned on 24 October 2018)

NON-EXECUTIVE DIRECTOR

Mr. Ip Cho Yin, *J.P.*
(re-designated on 7 March 2019)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Fan Wei
Mr. Chu Kin Wang Peleus
Dr. Lau Reimer, Mary Jean
(appointed on 4 June 2019)

AUDIT COMMITTEE

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

NOMINATION AND CORPORATE GOVERNANCE COMMITTEE

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

REMUNERATION COMMITTEE

Ms. Fan Wei *(Chairlady)*
Mr. Ting Pang Wan Raymond
Mr. Chu Kin Wang Peleus
Dr. Lau Reimer, Mary Jean

COMPANY SECRETARY

Ms. Tse Ka Yan

COMPLIANCE OFFICER

Mr. Zhu Qin

AUTHORISED REPRESENTATIVES

Mr. Ting Pang Wan Raymond
Ms. Tse Ka Yan

AUDITOR

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

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Flat A & B, 10/F North Point Industrial Building
499 King's Road, North Point, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East, Hong Kong
(to be relocated to Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong on 11 July 2019)

PRINCIPAL BANKERS

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

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

COMPANY'S WEBSITE

www.madison-group.com.hk

STOCK CODE

08057

CHAIRMAN'S STATEMENT

On behalf of the board (the "Board") of Directors of the Company, I am pleased to present to you the annual report of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 March 2019.

The wine industry has become much competitive in the recent years. Our wine business was severely affected by the price discount strategy adopted by our competitors and the soaring rent and labour cost which squeezed the Group's profitability. In order to maintain our competitiveness, the Group has continued to execute every possible solution to increase our market appearance as well as our marketing network.

During the year under review, the Group has been actively seeking for suitable acquisition opportunities in order to deliver long-term increase in shareholders' return. The Directors are optimistic about the future prospects of the financial sector and will keep looking for opportunities to strengthen its position in Hong Kong and overseas. The Group has exercised the exchange right attached to the exchangeable bonds for the shares of Bartha International Limited on 31 May 2018. After that, the Group engages in securities trading in the financial services business.

Along with the Group's expansion plan in cryptocurrency and blockchain related area, acquisition of Diginex High Performance Computing Limited, a cryptocurrency mining business is an essential part to fill the upstream gap of the business chain and complete it as a whole. The Group also believes that blockchain technology has a potential to become the backbone of fintech services in the future. Apart from mining business, the Group also has completed an acquisition on BITOCEAN Co., Ltd., a registered virtual currency exchange service provider in Japan. Since Japan has developed its well-established regulatory system and fair competition environment on the virtual currency trading platform business. The Group believes that the application of underlying blockchain technology will become prevalent among various industries and it can bring the long-term development of the Group.

Upon commencement of cryptocurrency mining business, the Group notices the growing demand on financing for purchase or lease of cryptocurrency mining equipment and establishment of data centers. By acquisition of Hackett Enterprises Limited, the Company can gain full access and control over the business operation of the loan business. With the Group's expertise in cryptocurrency mining, the acquisitions can strengthen the Group's ability to potentially develop cryptocurrency mining related financing or leasing products and further explore business development in both cryptocurrency mining and the financial services business. The Group engages business in loan financing may create synergies to both cryptocurrency mining and the financial services business.

The Group intends to strengthen its all-rounded market position in Hong Kong as well as explore business opportunities overseas. The Group has been striving to improve its business operations and financial position by proactively seeking potential investment opportunities that can enhance its existing service scope in both the financial services business and cryptocurrency mining segments. The Group believes that it could bring in synergies which could enhance our current fundamental business as well as additional stream of income to the Group through business diversification and to reduce the impact of increasing cost structure under the competitive environment, which will deliver long term increase in shareholders' value.

Finally, I would like to express my greatest gratitude to the Board, management and staff for their strenuous contribution towards the Group. Furthermore, I would also like to thank you our executive Directors, Mr. Zhu Qin, Mr. Zhou Francis Bingrong and Ms. Kuo Kwan. I also extend my sincere thanks to our business partners and shareholders of the Company (the "Shareholders") for their continuous support and trust. I believe all members of the Group will dedicate their best efforts to drive business growth and to deliver enhanced returns to Shareholders.

Ting Pang Wan Raymond
Chairman and executive Director

Hong Kong, 21 June 2019

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).

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. TING Pang Wan Raymond ("Mr. Ting"), aged 46, is the founder and the chairman ("Chairman") of the Group. He was appointed as a Director on 15 April 2015 and re-designated as an executive Director on 14 May 2015 and is a controlling shareholder of the Company. Mr. Ting is also the chairman of the nomination and corporate governance committee (the "Nomination and Corporate Governance Committee") and a member of the remuneration committee (the "Remuneration Committee") of the Company and also held directorships in various subsidiaries of the Group. He is primarily responsible for major decision-making and implementation of business strategies of the Group.

Mr. Ting was responsible for overseeing the overall operations as executive director, the chairman and non-executive director of China Motion Telecom International Limited (currently known as Ground International Development Limited), a company whose shares are listed on the Stock Exchange (stock code 0989:HK) from October 2006 to November 2013, from November 2006 to November 2013 and from November 2013 to August 2014, respectively. He had also been the adviser to the board of directors on corporate development and business strategies of short-term financing in Shanghai, executive director and the chairman of Credit China Holdings Limited (currently known as Chong Sing Holdings FinTech Group Limited), a company whose shares are listed on GEM (stock code 8207:HK) and principally engaged in providing financing services to small to medium sized enterprises and individuals in China and Hong Kong for the period from November 2010 to September 2012, from September 2012 to July 2014 and from October 2012 to July 2014, respectively.

Mr. Ting studied economics and international relations in Beloit College in the United States from June 1992 to May 1994.

Mr. ZHU Qin ("Mr. Zhu"), aged 41, is the deputy chairman ("Deputy Chairman") and an executive Director of the Group since 25 September 2017. He was the chief executive officer (the "CEO") of the Group from April 2017 to September 2017. He was the president of the Group from May 2015 to April 2017 and appointed as an executive Director and compliance officer on 14 May 2015 and 12 April 2017 respectively. He also held directorships in various subsidiaries of the Group. Mr. Zhu is primarily responsible for managing the operation of the Group, planning and executing our corporate strategies and the handling of external relationship of the Group. Prior to joining the Group in February 2012, Mr. Zhu had been the marketing director of Shanghai Volkswagen Automotive Co., Ltd., a company engaging in the manufacturing and sales of automobiles, where he was primarily responsible for sales and marketing from July 1999 to February 2011.

Mr. Zhu graduated from Shanghai Jiao Tong University in the People's of Republic of China ("PRC") with a bachelor's degree in industrial foreign trade in July 1999.

EXECUTIVE DIRECTORS *(Cont'd)*

Mr. ZHOU, Francis Bingrong ("Mr. Zhou"), aged 34, was appointed as an executive Director and the CEO of the Group since 7 January 2019. He was the executive Director and Deputy Chairman of the Company from 17 April 2018 to 24 August 2018, and a senior advisor to the Board of the Company from 1 October 2018 to 6 January 2019. He was a non-executive director of Risecomm Group Holdings Limited ("Risecomm"), a company whose shares are listed on the Stock Exchange (stock code 1679:HK) from 8 January 2019 to 10 June 2019 and was an executive director of Risecomm from 21 August 2018 to 7 January 2019. Mr. Zhou was the vice chairman and an executive director of Value Convergence Holdings Limited, a company whose shares are listed on the Stock Exchange (stock code 821:HK), from 22 January 2018 to 16 April 2018. Mr. Zhou was the vice chairman and an executive director of Silk Road Energy Services Group Limited, a company whose shares are listed on GEM (stock code 8250:HK) from 11 March 2016 to 21 January 2018. Mr. Zhou also held senior equity research positions with prominent regional and China-based investment banks, such as China International Capital Corporation (HK) Limited and Daiwa Capital Markets Hong Kong Limited. He also served as vice president of financial planning & analysis for Galaxy Entertainment Group.

Mr. Zhou has extensive experience in corporate finance and strategy, financial analysis and the capital markets. He started his career as an M&A Analyst with a boutique investment bank. He holds a bachelor of arts degree in economics and asian studies from Bowdoin College in Brunswick, Maine, United States.

Ms. KUO Kwan ("Ms. Kuo"), aged 49, was appointed as the executive Director on 25 September 2017. She has over 20 years' accounting and auditing experience and held senior management positions in various listed and private companies in Hong Kong. She was the chief financial officer from December 2010 to May 2016 and the company secretary from November 2011 to July 2014 of Credit China Holdings Limited (currently known as Chong Sing Holdings FinTech Group Limited), a company whose shares are listed on GEM (stock code 8207:HK). Ms. Kuo was an executive director of GreaterChina Technology Group Limited (currently known as Viva China Holdings Limited), a company whose shares are listed on GEM (stock code 8032: HK) from January 2005 to September 2008.

Ms. Kuo is a member of CPA Australia and an associate member of the Hong Kong Institute of Certified Public Accountants. She graduated from University of Melbourne in Australia with a bachelor's degree in commerce.

NON-EXECUTIVE DIRECTOR

Mr. IP Cho Yin, *J.P.* **("Mr. Ip")**, aged 68, was appointed as an independent non-executive Director (the "INED") and a member of each of the audit committee (the "Audit Committee"), the Nomination and Corporate Governance Committee and the Remuneration Committee of the Company on 1 February 2017. He was subsequently re-designated as a non-executive Director (the "NED") and resigned as a member of the Remuneration Committee on 7 March 2019. Mr. Ip possesses extensive experience in education. He is a registered teacher, an educational consultant and a teacher development expert. He is also a guest speaker of universities and educational bodies in Hong Kong. Mr. Ip is the Guest Professor of Hong Kong Financial Services Institute from 2014 to 2020, the Project Coordinator of the Education Bureau of the Government of the Hong Kong Special Administrative Region (the "Education Bureau") from 2010 to September 2019. He was the Deputy Project Director of the Education Bureau from 2004 to 2010 and the Chief School Development Officer of the Education Bureau from 2002 to 2004. Mr. Ip was a teacher of Pui Kiu Middle School from 1973 to 1997 and became the principal from 1997 to 2002.

Mr. Ip was a member of Appeals Board (Education) from 2000 to 2001, a member of Board of Education from 1998 to 2002, an elected member of Council on Professional Conduct in Education from 1998 to 2002, a member of Quality Education Fund Steering Committee from 1997 to 2001, a Standing Committee member of the Hong Kong Federation of Education Workers from 1993 to 1999. Mr. Ip was an elected member of District Board (Islands) from 1994 to 1999.

Mr. Ip obtained his bachelor's degree in mathematics at University of Waterloo in Canada in 1972 and a diploma in education at the School of Education of The Chinese University of Hong Kong in 1982.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. FAN Wei ("Ms. Fan"), aged 63, was appointed as an INED on 21 September 2015 and is also the chairlady of the Remuneration Committee and a member of each of the Audit Committee and the Nomination and Corporate Governance Committee of the Company. Since September 2013, Ms. Fan has been the general secretary responsible for arranging charity activities of 深圳市博雅文化研究基金會 (Boya Culture Foundation), which is committed to improving quality of academic researches, popularising traditional Chinese culture, facilitating the cultural exchange with its foreign counterparts, and funding activities which promote traditional Chinese culture. She served as an executive vice president of Dong Yuan Hong Kong International Limited, which is principally engaged in strategic investments, consulting, financial services, logistics and trading business, responsible for its operation management from March 2011 to June 2012.

Ms. Fan graduated from Murdoch University in Australia with a master's degree in business administration in March 2001.

INDEPENDENT NON-EXECUTIVE DIRECTORS *(Cont'd)*

Mr. CHU Kin Wang Peleus ("Mr. Chu"), aged 54, was appointed as an INED on 21 September 2015 and is also the chairman of the Audit Committee and a member of each of the Remuneration Committee and the Nomination and Corporate Governance Committee. Since December 2008, he has been the executive director responsible for investor relationship, financial management and compliance matters of Chinese People Holdings Company Limited (stock code 0681:HK), which is a company principally engaged in the sales and distribution of natural gas and liquefied petroleum gas in China and whose shares are listed on the Stock Exchange. From August 2015 to February 2017, he was a non-executive Director of Perfect Group International Holdings Limited (stock code 3326:HK), whose shares are listed on the Stock Exchange. Mr. Chu has/had been an independent non-executive director of the following companies, whose shares are listed on the Stock Exchange or GEM:

- China Huishan Dairy Holdings Company Limited (stock code 6863:HK) from June 2017 to December 2017
- PT International Development Corporation Limited (stock code 372:HK) from March 2017 to September 2017
- Mingfa Group (International) Company Limited (stock code 846:HK) since November 2016
- Telecom Service One Holdings Limited (stock code 3997:HK) from May 2013 to December 2017
- SuperRobotics Limited (stock code 8176:HK) since March 2012
- China First Capital Group Limited (stock code 1269:HK) since October 2011
- Flyke International Holdings Ltd. (stock code 1998:HK) since February 2010
- Huayu Expressway Group Limited (stock code 1823:HK) since May 2009
- Tianli Holdings Group Limited (stock code 117:HK) since April 2007

Mr. Chu graduated from the University of Hong Kong with a master's degree in business administration in December 1998. Mr. Chu is a fellow practicing member of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Association of Chartered Certified Accountants, an associate member of the Hong Kong Institute of Chartered Secretaries (formerly known as the Hong Kong Institute of Company Secretaries) and the Institute of Chartered Secretaries and Administrators.

INDEPENDENT NON-EXECUTIVE DIRECTORS *(Cont'd)*

Dr. LAU Reimer, Mary Jean ("Dr. Lau"), aged 55, was appointed as an INED on 4 June 2019 and is also a member of each of the the Audit Committee, Remuneration Committee and the Nomination and Corporate Governance Committee. Dr. Lau has been a solicitor of Cheung & Co., Solicitors since July 2017. She was a partner of Reimer & Partners from May 2004 to June 2014. Dr. Lau is admitted as solicitor in Hong Kong and England and Wales and has over 18 years of post-qualification legal experience.

Dr. Lau obtained her master of laws from the University of Hong Kong in 2001 and her doctorate degree in civil and commercial law from the China University of Political Science and Law in 2006. Dr. Lau is the Honourable Treasurer of the University of Hong Kong SPACE Alumni Association, a committee member of Youth Criminal Study Trust and a legal adviser of a number of organisations and associations.

SENIOR MANAGEMENT

Ms. CHAN Suk Yin ("Ms. Chan"), aged 48, is the financial controller of the Company since August 2018 and is principally responsible for the overall audit, accounting, budgeting and financial operations of the Group. She was appointed as vice president of the Company from 1 June 2015 to 31 July 2018. She has over 20 years of experience in financial reporting and management reporting in listed companies.

Ms. Chan graduated from the Hong Kong Polytechnic University with a master's degree in professional accounting in November 2004 and obtained her bachelor's degree in business administration (in accounting) from Hong Kong Baptist University in November 1995. She is an associate member of the Institute of Chartered Accountants in England and Wales, a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants.

COMPANY SECRETARY

Ms. TSE Ka Yan ("Ms. Tse"), aged 34, was appointed as the company secretary of the Company (the "Company Secretary") on 14 May 2015. She is responsible for handling the company secretarial matters of the Group. Ms. Tse has over 10 years of experience in company secretarial sector of listed companies and professional firm.

Ms. Tse graduated from Lingnan University in Hong Kong with a bachelor's degree in business administration in October 2007. Ms. Tse is an associate member of the Hong Kong Institute of Chartered Secretaries and an associate member of Institute of Chartered Secretaries and Administrators.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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.

FINANCIAL REVIEW (Cont'd)

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 expenses, 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.

FINANCIAL REVIEW *(Cont'd)*

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.

FINANCIAL REVIEW *(Cont'd)*

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.

FINANCIAL REVIEW *(Cont'd)*

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
		27,339			(37,109)

MANAGEMENT DISCUSSION AND ANALYSIS *(Cont'd)*

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS *(Cont'd)*

(a) Significant investments *(Cont'd)*

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 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.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS *(Cont'd)*

(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.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS *(Cont'd)*

(b) Material Acquisitions and Disposals of Subsidiaries *(Cont'd)*

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 (the "CVP 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 (collectively, the "Hackett 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.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS *(Cont'd)*

(b) Material Acquisitions and Disposals of Subsidiaries *(Cont'd)*

Hackett acquisition (Cont'd)

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 BITOECAN (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.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS *(Cont'd)*

(b) Material Acquisitions and Disposals of Subsidiaries *(Cont'd)*

BITOCEAN Acquisition (Cont'd)

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").

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS *(Cont'd)*

(c) Future Plans for Material Investments and Capital Assets *(Cont'd)*

HDR MOU (Cont'd)

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 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.

LIQUIDITY AND FINANCIAL RESOURCES *(Cont'd)*

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

Details of movements in the Company's share capital are set out in note 34 in the notes to the consolidated financial statement.

COMMITMENTS

Details of commitments are set out in note 41 in the notes to the consolidated financial statement.

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.

OUTLOOK AND PROSPECTS *(Cont'd)*

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.

The Board is pleased to present the annual report and the audited consolidated financial statements of the Group for the year ended 31 March 2019.

PRINCIPAL ACTIVITIES

The Company is engaged in (i) the Wine Business; (ii) the Wine Auction Business; (iii) the Financial Services Business; (iv) the Blockchain Services Business; and (v) the Loan Financing Business.

RESULTS

The Group's results for the year ended 31 March 2019 and the state of affairs of the Company and the Group at that date are set out in the consolidated financial statements on pages 74 to 231.

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

For shareholders to attend and vote in the AGM	Date
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

BUSINESS REVIEW

The business review of the Group for the year ended 31 March 2019 is set out in the section headed "Management Discussion and Analysis" on pages 12 to 26 respectively.

To the best knowledge of the Directors, the Group was in compliance with the relevant laws and regulations that were significant to the Group for the year ended 31 March 2019.

Relationship with Suppliers

The Group has procured its wine products across the world including Australia, the United States, the United Kingdom, Singapore and France. The Group has developed mutual trust with some of the world largest suppliers through sustained course of dealings, which enable the Group to enjoy a stable and reliable supply without any contractual commitments or sales restrictions. Capitalising on the Group's supply network, the Group is able to procure coveted wines that are reliable, rare, scarce and not widely available in the open market at competitive prices.

BUSINESS REVIEW *(Cont'd)*

Relationship with Customers

The Group has cultivated a concrete base of loyal customers comprising, among others, wine enthusiasts and wine collectors. Through its dedication to developing a customer-centric product portfolio and delivering excellent customer services, a loyal and solid customer base has been established, which comprises, among others, wine enthusiasts, wine collectors, renowned restaurants and wine merchants. With the "Madison Premier Membership Scheme" and the Madison Wine Club online trading platform launched in November 2012 and December 2018 respectively, the Directors believe that an interactive platform for information exchange has been established among wine enthusiasts, enabling direct feedbacks from the customers and identifying the Group's strengths and demands of the target clientele, altogether deepening customer reach and solidifying customer loyalty.

Relationship with Employees

The Group has a diversified team under the leadership of four executive Directors and is dedicated to establishing cultural tones, corporate values and customer-centric culture. As at 31 March 2019, the Group had a total of 218 full-time employees (2018: 190 (restated)), a 14.7% increment as compared to 2018.

In order to foster a work environment that attracts and inspires people to achieve excellent performance, remuneration packages and staff benefits are reviewed on an annual basis. The standard remuneration package includes base salary, discretionary bonuses and medical insurance. In addition, each of the sales team members is entitled to a commission with reference to the sales volume achieved by them. Each of the employee's remuneration package is determined in light of his/her qualification, position and seniority. For the years ended 31 March 2018 and 2019, staff costs of approximately HK$71.1 million (restated) and HK$95.1 million were incurred, respectively, representing 26.4% and 30.6% of the total revenue for the corresponding financial years.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five years is set out in the financial summary on page 232 of this report. This summary does not form part of the audited consolidated financial statements.

SHARE CAPITAL

Details of movements in the Group's share capital during the year ended 31 March 2019 are set out in note 34 to the consolidated financial statements.

PRE-EMPTIVE RIGHT

There are no provisions for pre-emptive rights under the Company's articles of association (the "Articles of Association"), or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing Shareholders.

EQUITY-LINKED AGREEMENTS

Save as disclosed in this report, other than the share options granted pursuant to the Share Option Scheme (as defined below), no equity-linked agreements were entered into by the Company during the year or subsisted at the end of the year ended 31 March 2019.

CONVERTIBLE SECURITIES/OPTIONS ISSUED/GRANTED

During the year ended 31 March 2019, the following share options were granted and none of the share options granted by the Company have been exercised.

(i) 219,000,000 share options were granted at HK$1.89 on 3 April 2018;

(ii) 48,000,000 share options were granted at HK$1.12 on 13 December 2018; and

(iii) 42,000,000 share options were granted at HK$1.04 on 14 December 2018.

PLANT AND EQUIPMENT

Details of movements in the plant and equipment of the Group during the year ended 31 March 2019 are set out in note 17 to the consolidated financial statement.

RESERVES

Details of movements in the reserves of the Company and the Group during the year ended 31 March 2019 are set out in note 48 to the consolidated financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

As at 31 March 2019, the Company's reserves available for distribution to the Shareholders are approximately HK$1,075,846,000 (2018: HK$18,277,000) as calculated in accordance with statutory provisions applicable in the Cayman Islands.

DIVIDEND POLICY

The Company has adopted a dividend policy, pursuant to which the Board may recommend dividends to the Shareholders, to allow the Shareholders to participate in the Company's profits and for the Company to retain adequate reserves for its future growth.

Subject to the approval of the Shareholders and requirement of the relevant law, the Company shall pay annual dividends to the Shareholders if the Group is profitable, operations environment is stable and there is no significant investment or commitment made by the Group. The Company's ability to pay dividends will depend upon, among other things, the Group's current and future operations, financial position, development pipeline, prevailing economic environment, contractual restrictions, capital and other reserve requirements, dividends received from the Company's subsidiaries and associates. The Board reserves the right in its sole and absolute discretion to update, amend, modify and/or cancel the dividend policy at any time, and this dividend policy shall in no way constitute a legally binding commitment by the Company in respect of its future dividend and/or in no way obligate the Company to declare a dividend at any time or from time to time.

MAJOR CUSTOMERS

For the years ended 31 March 2018 and 2019, the revenue generated from the five largest customers accounted for approximately 14.2% (restated) and 16.7% of the Group's total revenue, respectively, and the revenue generated from the single largest customer accounted for approximately 5.7% (restated) and 4.4% of the Group's total revenue, respectively. Generally, no credit period was offered to the Group's customers save with the approval of the management where a credit period of up to 30 days was granted to the Group's customers. During the year ended 31 March 2019 and up to the date of this report, no long-term sales agreement was entered into with any of the Group's customers.

So far as is known to the Directors, none of the Directors, their associates or substantial shareholders who/which owns more than 5% of the Company's issued share capital had any interest in the share capital of any of the five largest customers of the Group.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

The biographical information of the Directors and senior management of the Group are set out on pages 7 to 11 under the section headed Biographical Details of Director and Senior Management of this report.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service contract with the Company for an initial term of three years and renewable automatically for successive terms for one year unless and until (i) terminated by either party thereto giving not less than three months' prior written notice, with the last day of the notice falling on the last day of the initial term or any time thereafter; or (ii) the executive Director not being re-elected as a Director or being removed by Shareholders at general meeting of the Company in accordance with the Articles of Association.

Each of the NED and INEDs was appointed for a fixed term of three years by a letter of appointment and shall be subject to retirement, re-election and removal in accordance with the Articles of Association.

No Director has a service contract with the Company or any of its subsidiaries which is not determinable by the employing company within one year without the payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Saved as disclosed the sections headed "Exempted Connected Transactions" and "Non-Exempted Connected Transactions" in this Directors' Report, no transaction, arrangement or contract that is significant in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a person who at any time during the year ended 31 March 2019 was a Director or his or her connected entity had, directly or indirectly, a material interest was entered into in the year ended 31 March 2019.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors and their respective associates had an interest in any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group during the year ended 31 March 2019.

SHARE OPTION SCHEME

The Company has conditionally adopted a share option scheme (the "Share Option Scheme") pursuant to a written resolution of the Shareholders passed on 21 September 2015 (the "Adoption Date"). The terms of the Share Option Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules. The following is a summary of the principal terms of the Share Option Scheme.

(A) Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to provide an incentive or a reward to eligible persons for their contribution to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group or any entity in which the Group holds any equity interest ("Invested Entity").

(B) Participants of the Share Option Scheme

The participants of the Share Option Scheme shall be:

(1) any employee (whether full-time or part-time) of the Company, any of the subsidiaries and any Invested Entity;

(2) any director (including executive, non-executive and independent non-executive) of the Company, any of its subsidiaries or any Invested Entity;

(3) any supplier of goods or services to any member of the Group or any Invested Entity;

(4) any customer of the Group or any Invested Entity;

(5) any consultant, adviser, manager, officer or entity that provides research, development or other technological support to the Group or any Invested Entity; and

(6) or any person who, in the sole discretion of the Board, has contributed or may contribute to the Group or any Invested Entity eligible for options under the Share Option Scheme.

SHARE OPTION SCHEME *(Cont'd)*

(C) Total number of shares available for issue under the Share Option Scheme

Under the Share Option Scheme, the total number of shares which may be allotted and issued upon exercise of all Share Options to be granted under the Share Option Scheme and any other share option scheme of the Company must not in aggregate exceed 10% of the number of the issued shares as at 17 August 2018 unless the Company obtains a fresh approval from the Shareholders.

As at the date of this report, a total of 338,330,871 Shares (representing approximately 6.52% of the issued share capital of the Company) are available for issue under the Share Option Scheme.

(D) Maximum entitlement of each participant under the Share Option Scheme

The maximum entitlement of each participant under the Share Option Scheme in any 12-month period up to and including the date of grant of the options must not exceed 1% of the total number of shares in issue.

(E) The period within which the shares must be taken up under an option

The period during which an option may be exercised is determined by the Board at its discretion, save that such period shall not be longer than 10 years from the date of grant.

(F) The minimum period for which an option must be held before it can be exercised

As determined by the Board upon the grant of an option.

(G) The amount payable on acceptance of an option and the period within which payments shall be made

A consideration of HK$1 is payable on acceptance of the offer of grant of an option where the grantee should accept or decline the offer of grant of an option within the date as specified in the offer letter issued by the Company, being a date not later than 21 business days from the date upon which it is made.

(H) The basis of determining the exercise price

The exercise price of a share in respect of any particular option granted under the Share Option Scheme shall be a price determined by the Board in its absolute discretion and notified to an eligible person, and shall be at least the higher of: (1) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, (2) the average closing price of the shares as stated in the Stock Exchange's daily quotation sheets for the five consecutive business days immediately preceding the date of grant, and (3) the nominal value of a share on the date of grant.

SHARE OPTION SCHEME (Cont'd)

(I) The remaining life of the scheme

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

Details of movements of the share options granted under the Share Option Scheme during the year ended 31 March 2019 were as follows:

				Number of share options			
Category	Date of Grant *(Notes 1, 7, 8 & 9)*	Exercise period	Exercise price per Share	As at 1 April 2018	Granted during the year	Exercised/ Cancelled/ Lapsed during the year	As at 31 March 2019
Devoss Global Holdings Limited ("Devoss Global") *(Note 2)*	17 December 2015	17 June 2016 to 16 December 2025	HK$0.80 *(Note 1)*	6,000,000	–	–	6,000,000
Montrachet Holdings Ltd ("Montrachet") *(Note 3)*	17 December 2015	17 June 2016 to 16 December 2025	HK$0.80 *(Note 1)*	15,000,000	–	–	15,000,000
Directors							
Mr. Zhu	3 April 2018	1 January 2019 to 2 April 2028	HK$1.89	–	2,000,000	–	2,000,000
Mr. Teoh Ronnie Chee Keong ("Mr. Teoh") *(Note 5)*	3 April 2018	1 January 2019 to 2 April 2028	HK$1.89	–	5,000,000	5,000,000	–
Ms. Kuo	3 April 2018	1 January 2019 to 2 April 2028	HK$1.89	–	5,000,000	–	5,000,000
Ms. Fan	3 April 2018	1 January 2019 to 2 April 2028	HK$1.89	–	300,000	–	300,000
Mr. Chu	3 April 2018	1 January 2019 to 2 April 2028	HK$1.89	–	300,000	–	300,000
Mr. Ip	3 April 2018	1 January 2019 to 2 April 2028	HK$1.89	–	300,000	–	300,000
Consultants *(Note 4)*	17 December 2015	17 June 2016 to 16 December 2025	HK$0.80 *(Note 1)*	160,000,000	–	–	160,000,000
	3 April 2018 *(Note 6)*	1 January 2019 to 2 April 2028	HK$1.89	–	190,100,000	500,000	189,600,000
	13 December 2018	1 July 2019 to 12 December 2028	HK$1.12	–	48,000,000	–	48,000,000
	14 December 2018	1 July 2019 to 13 December 2028	HK$1.04	–	42,000,000	–	42,000,000
Employees	3 April 2018	1 January 2019 to 2 April 2028	HK$1.89	–	16,000,000	5,700,000	10,300,000
Total				181,000,000	309,000,000	11,200,000	478,800,000

SHARE OPTION SCHEME *(Cont'd)*

(I) The remaining life of the scheme *(Cont'd)*

Notes:

1. Upon the completion of the subdivision of the issued and unissued shares of the Company effective from 8 November 2016 (the "Share Subdivision"), the exercise price per Share and number of Shares which may be issued in respect of the outstanding share options have been adjusted, details of which were set out in the announcement of the Company dated 7 November 2016.

2. Devoss Global is a company wholly-owned by Mr. Ting, being the chairman and an executive Director and the controlling shareholder of Royal Spectrum Holding Company Limited ("Royal Spectrum"), a substantial shareholder of the Company.

3. Montrachet, a company wholly-owned by Mr. Zhu Hui Xin, the father of Mr. Zhu, an executive Director, and Montrachet is holding 3.37% shareholding interest in Royal Spectrum.

4. Consultants are corporations or individuals which rendered consultancy services to the Group.

5. Mr. Teoh resigned as an executive Director of the Company with effect from 11 December 2018. The share options granted to Mr. Teoh lapsed during the year ended 31 March 2019 pursuant to the Share Option Scheme.

6. Mr. Zhou, an executive Director of the Company, was granted 5,000,000 share options in the capacity as consultant on 3 April 2018.

7. On 3 April 2018, an aggregate of 219,000,000 share options was granted to the grantees of the Company, to subscribe, in aggregate, for up to 219,000,000 ordinary shares of the Company at the exercise price of HK$1.89. The closing price of the shares of the Company immediately before the date of which the share options were granted was HK$1.78.

8. On 13 December 2018, an aggregate of 48,000,000 share options was granted to the grantees of the Company, to subscribe, in aggregate, for up to 48,000,000 ordinary shares of the Company at the exercise price of HK$1.12. The closing price of the shares of the Company immediately before the date of which the share options were granted was HK$1.04.

9. On 14 December 2018, an aggregate of 42,000,000 share options was granted to the grantee of the Company, to subscribe, in aggregate, for up to 42,000,000 ordinary shares of the Company at the exercise price of HK$1.04. The closing price of the shares of the Company immediately before the date of which the share options were granted was HK$1.12.

The Group recognised total expenses of HK$29,049,000 for the year ended 31 March 2019 (2018: nil) in relation to the share options granted by the Company.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITION IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY OF ITS ASSOCIATED CORPORATION

As at 31 March 2019, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities Futures Ordinance (the "SFO") (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

(i) Long Position in the Shares, Underlying Shares or Debentures of the Company

Name of Directors	Capacity/ Nature of interest	Number of Shares interested	Number of underlying shares pursuant to share options/ conversion shares	Aggregate interests	Approximate percentage of the Company's issued Shares*
Mr. Ting	Interest in controlled corporations	2,486,916,727 *(Notes 1, 2 & 4)*	142,363,636 *(Note 3)*	2,629,280,363	50.63%
Mr. Zhu	Beneficial Interest	–	2,000,000 *(Note 5)*	2,000,000	0.04%
Mr. Zhou	Beneficial Interest	–	5,000,000 *(Note 5)*	5,000,000	0.10%
Ms. Kuo	Beneficial Interest	–	5,000,000 *(Note 5)*	5,000,000	0.10%
Mr. Ip	Beneficial Interest	–	300,000 *(Note 5)*	300,000	0.01%
Ms. Fan	Beneficial Interest	–	300,000 *(Note 5)*	300,000	0.01%
Mr. Chu	Beneficial Interest	–	300,000 *(Note 5)*	300,000	0.01%

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITION IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY OF ITS ASSOCIATED CORPORATION *(Cont'd)*

(i) Long Position in the Shares, Underlying Shares or Debentures of the Company *(Cont'd)*

Notes:

1. Royal Spectrum is interested in 1,968,000,000 Shares. The entire issued share capital at Royal Spectrum is legally and beneficially owned as to 96.63% by Devoss Global and 3.37% by Montrachet. Devoss Global is deemed to be interested in the Shares held by Royal Spectrum under Part XV of the SFO. The entire issued share capital in Devoss Global is legally and beneficially owned by Mr. Ting. Mr. Ting is deemed to be interested in the Shares in which Devoss Global is interested in under Part XV of the SFO.

2. Mr. Ting is also deemed to be interested in (a) 12,172,000 Shares held by Kaiser Capital Holdings Limited ("Kaiser Capital"), (b) 1,872,000 Shares held by Highgrade Holding Limited ("Highgrade") and (c) 504,872,727 Shares held by CVP under Part XV of the SFO, as the entire issued share capital of Kaiser Capital, Highgrade and CVP are legally and beneficially owned by Mr. Ting.

3. Details of the underlying shares are as follow:

   - 6,000,000 share options granted to Devoss Global on 17 December 2015; and

   - 136,363,636 conversion shares ("Conversion Shares") of the Company under the convertible bonds (the "Convertible Bonds") issued to Bartha Holdings, a company owned as to 85.25% by CVP Holdings Limited ("CVP Holdings"), which, in turn, is wholly-owned by Mr. Ting, on 28 July 2017 Bartha Holdings is currently 87.07% indirectly held by Mr. Ting.

4. On 27 November 2017, Royal Spectrum pledged 199,600,000 ordinary Shares in favour of an independent third party as a security of a loan in the amount of JPY2,000,000,000.

5. On 3 April 2018, the Company granted a total of 12,900,000 share options entitling the following persons to subscribe for a total of 12,900,000 Shares at the exercise price of HK$1.89 per Share:

   a. 2,000,000 share options (carrying the right to subscribe for 2,000,000 Shares) were granted to Mr. Zhu his capacity as an executive Director;

   b. 5,000,000 share options (carrying the right to subscribe for 5,000,000 Shares) were granted to Mr. Zhou in his then capacity as a consultant of the Company. He was subsequently re-appointed as an executive Director on 7 January 2019;

   c. 5,000,000 share options (carrying the right to subscribe for 5,000,000 Shares) were granted to Ms. Kuo in her capacity as an executive Director;

   d. 300,000 share options (carrying the right to subscribe for 300,000 Shares) were granted to Mr. Ip in his then capacity as an INED. He was re-designated to a non-executive Director on 7 March 2019;

   e. 300,000 share options (carrying the right to subscribe for 300,000 Shares) were granted to Ms. Fan in her capacity as an INED; and

   f. 300,000 share options (carrying the right to subscribe for 300,000 Shares) were granted to Mr. Chu in his capacity as an IEND.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITION IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY OF ITS ASSOCIATED CORPORATION *(Cont'd)*

(ii) Long Position in the Shares of Associated Corporations

Name of associated corporations	Name of Director	Capacity/Nature of interest	Number of shares interested	Approximate percentage of the shareholding In the associated corporation
CVP Holdings *(Note)*	Mr. Ting	Interest in controlled corporation	1	100.00%
Bartha Holdings *(Note)*	Mr. Ting	Interest in controlled corporation	21,423	87.07%
Bartha International *(Note)*	Mr. Ting	Interest in controlled corporation	5,100	51.00%

Note:

Bartha International is owned as to 49.0% by CVP Financial Holdings Limited, a non wholly-owned subsidiaries of the Company, and 51.0% by Bartha Holdings, which in turn, is owned as to 87.07% by CVP Holdings, the entire issued share capital of which is legally and beneficially owned by Mr. Ting, an executive Director.

Save as disclosed above, as at 31 March 2019, none of the Directors or chief executive of the Company had any interests and short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

So far as the Directors are aware, as at 31 March 2019, other than the Directors and chief executive of the Company, the following persons or corporations had interests and short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under section 336 of the SFO:

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

Name	Capacity/Nature of interest	*Note*	Number of Shares interested	Number of underlying shares pursuant to share options/ Conversion Shares	Aggregate interests	Approximate percentage of the Company's issued shares
Royal Spectrum	Beneficial owner	*1 & 2*	1,968,000,000	0	1,968,000,000	37.90%
Devoss Global	Interest in controlled corporation	*1, 2 & 4*	1,968,000,000	6,000,000	1,974,000,000	38.01%
CVP	Beneficial owner	*3*	504,872,727	0	504,872,727	9.72%
Ms. Luu Huyen Boi ("Ms. Luu")	Interest of spouse	*5*	2,486,916,727	142,363,636	2,629,280,363	50.63%
SRA	Beneficial owner	*6*	447,045,454	0	447,045,454	8.61%
SRA Holdings, Inc. ("SRA Holdings")	Interest in controlled corporation	*7*	447,045,454	0	447,045,454	8.61%

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY *(Cont'd)*

Long Position in the Shares, Underlying Shares or Debentures of the Company *(Cont'd)*

Notes:

1. The entire issued share capital in Royal Spectrum is legally and beneficially owned as to 96.63% by Devoss Global and 3.37% by Montrachet, Devoss Global is legally and beneficially owned by Mr. Ting. Devoss Global is deemed to be interested in the Shares held by Royal Spectrum. Mr. Ting is a director of both Royal Spectrum and Devoss Global. Mr. Zhu is a director of Royal Spectrum.

2. On 27 November 2017, Royal Spectrum pledged 199,600,000 ordinary Shares in favour of an independent third party as a security of a loan in the amount of JPY2,000,000,000.

3. Pursuant to the CVP Agreement dated 20 November 2018, the Company agreed to acquire CVP Sale Shares from CVP at the CVP Consideration of HK$462.8 million, of which 60% of the CVP Consideration was settled by the Company by allotting and issuing 504,872,727 consideration share to CVP at an issue price of HK$0.55 per consideration share. The CVP Acquisition had been completed on 29 March 2019.

4. The underlying shares represent 6,000,000 share options granted to Devoss Global on 17 December 2015.

5. Ms. Luu is the spouse of Mr. Ting. Ms. Luu is deemed to be interested in all the Shares and underlying shares in which Mr. Ting is interested in under Part XV of the SFO.

6. Pursuant to the SRA Agreement dated 20 November 2018, the Company agreed to acquire SRA Sale Shares at the SRA Consideration of HK$222.5 million, which was settled by the Company by allotting and issuing 404,545,454 consideration share to SRA at an issue price of HK$0.55 per consideration share. The SRA Acquisition had been completed on 29 March 2019. After allotting and issuing SRA Consideration Shares, SRA is beneficially owned 447,045,454 Shares as at 31 March 2019.

7. SRA is directly wholly-owned by SRA Holdings. SRA Holdings is deemed to be interested in the Shares in which SRA is interested in under Part XV of the SFO.

Save as disclosed above, as at 31 March 2019, the Directors are not aware of any substantial shareholders or other persons or corporations (other than the Directors and chief executive of the Company) who/which had any interests or short positions in the Shares or underlying shares of the Company or any of its associated companies which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at no time during the year ended 31 March 2019 did the Directors and the chief executive of the Company (including their respective spouses and children under 18 years of age) have any interest in or exercise, or had been granted, any rights to subscribe for shares (or warrants or debentures, if applicable) of the Company and/or its associated corporations (within the meaning of the SFO).

Save as disclosed above, at no time during the year ended 31 March 2019 was the Company or any of its subsidiaries, associated companies, fellow subsidiaries or holding companies a party to any arrangements to enable the Directors or the chief executive of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate at any time during the year or at the end of the year ended 31 March 2019.

NON-EXEMPT CONNECTED TRANSACTION

During the year ended 31 March 2019, the Company has completed the following connected transactions which are subject to the reporting, announcement and independent shareholders' approval under Chapter 20 of the GEM Listing Rules.

On 18 May 2018, the Group exercised the exchange rights attached to the Exchangeable Bonds to exchange for 4,900 shares of Bartha International, representing 49% of the entire issued share capital of Bartha International (the "Exercise"). No additional consideration was payable in respect of the Exercise. Mr. Ting, being an executive Director, the chairman of the Board and the controlling shareholder, is a connected person of the Company. CVP Holdings, which is wholly-owned by Mr. Ting, and Bartha Holdings, which was owned as to 85.25% by CVP Holdings as at the date of the Exercise, are associates of Mr. Ting and therefore are connected persons of the Company. Accordingly, the entering into of the deed of modification and the Exercise constituted connected transactions on the part of the Company under the GEM Listing Rules.

The completion of the Exercise took place on 31 May 2018, and Bartha International became an indirect non-wholly owned subsidiary of the Company and the financial results of the Bartha International and its subsidiary (the "Bartha Group") has been consolidated into the Group's accounts. For details, please refer to the circular and the announcement of the Company dated 28 February 2018 and 31 May 2018 respectively.

On 20 November 2018, the Company entered into CVP Agreement and SRA Agreement in respect of the Hackett Acquisitions, of which the Company agreed to acquire CVP Sale Shares from CVP for the consideration of HK$462.8 million and SRA Sale Shares from SRA for the consideration of HK$222.5 million.

NON-EXEMPT CONTINUING CONNECTED TRANSACTION *(Cont'd)*

Under the CVP Agreement, the consideration for the purchase of the CVP Sale Shares of HK$462.8 million was satisfied by: (i) the Company allotting and issuing 504,872,727 CVP Consideration Shares at the issue price of HK$0.55 per Share to CVP at completion; and (ii) the Company issuing the CVP Promissory Note in amount of HK$185,120,000 to CVP at completion.

CVP is wholly-owned by Mr. Ting, who is a controlling shareholder, the Chairman of the Board and an executive Director, therefore CVP is a connected person of the Company and the CVP Acquisition constitutes a connected transaction of the Company. Though SRA is an independent third party of the Company, given that CVP, which is a controlling shareholder of Hackett, is a "controller" of the Company as defined under Rule 20.26 of the GEM Listing Rules, the SRA Acquisition also constitutes a connected transaction under Rule 20.26 of the GEM Listing Rules. The Hackett Acquisitions constituted major and connected transactions on the part of the Company. Hackett Acquisitions were completed on 29 March 2019. For details, please refer to the announcements of the Company dated 20 November 2018, 22 November 2018, 10 January 2019, 11 February 2019, 29 March 2019 and the circular dated 13 March 2019.

EXEMPTED CONNECTED TRANSACTION

On 12 April 2018, the Company entered into the placing agreement (the "Placing Agreement") with CVP Securities Limited ("CVP Securities") (formerly known as Eternal Pearl Securities Limited) and Shenwan Hongyuan Securities (H.K.) Limited in relation to the placing (the "Placing") of up to 71,000,000 new shares of the Company (the "Placing Shares") at the placing price of HK$1.7 per Placing Share for funding the acquisition (the "BITPoint Acquisition") of 20% equity interest in BITPoint Japan Company Limited ("BITPoint"). An aggregate of 70,056,000 Placing Shares were allotted and issued to not less than six independent placees pursuant to the general mandate on 23 April 2018. The aggregate nominal value of the Placing Shares was HK$71,000. The net proceeds from the Placing, after deducting the placing commission and other related expenses payable by the Company, are approximately HK$116.76 million (representing the net issue price of HK$1.67). The closing price of the Shares on 12 April 2018 was HK$1.89 per Share.

Mr. Ting, being an executive Director, the chairman of the Board and the controlling shareholder, is a connected person of the Company and indirectly holds 67.84% of the issued share capital of CVP Securities. Hence, CVP Securities, as an associated company of Mr. Ting, is a connected person of the Company. Accordingly, the entering into of the Placing Agreement by the Company with CVP Securities is a connected transaction.

The Company confirms that the transactions disclosed in the sections headed "Non-exempted connected transactions" and "Exempted connected transactions" complied with the disclosure requirements in accordance with Chapter 20 of the GEM Listing Rules.

CHANGE IN USE OF PROCEEDS

The net proceeds of approximately HK$116.76 million from the Placing was originally intended to be used for funding of the BITPoint Acquisition. Since the BITPoint Acquisition has not been completed and was terminated on 2 August 2018, the Board has resolved to utilise approximately HK$56.56 million from the net proceeds of the Placing for the acquisition of a total of 802,900 shares in approximately 1.42% of the entire issued share capital of REM. The balance of approximately HK$60.20 million was utilised on the in the acquisition of 67.2% of the entire issued share capital of BITOCEAN. As at the date of this report, all the net proceeds from the Placing was fully utilised.

RELATED PARTY TRANSACTIONS

During the year ended 31 March 2019, the Group entered into certain transactions with "related parties" as defined under the applicable accounting standards. These related party transactions, which are disclosed in note 45 to the consolidated financial statements, did not fall under the definition of connected transactions under the GEM Listing Rules.

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles of Association, subject to the applicable laws, every Director shall be indemnified out of the assets of the Company against all losses and liabilities which he/she may sustain or incur in or about the execution of his/her office or otherwise in relation thereto. Such provisions were in force during the course of the year ended 31 March 2019 and remained in force as of the date of this report.

MANAGEMENT CONTRACTS

No contract, other than employment contracts, concerning the management and administration of the whole or any substantial part of the Company's business was entered into or existed during the year ended 31 March 2019.

CHARITABLE DONATIONS

During the year ended 31 March 2019, the Group has made a donation of HK$252,000 to a charitable organization (2018: HK$50,000).

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.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the INEDs an annual confirmation of his/her independence pursuant to Rule 5.09 of the GEM Listing Rules and considers all the INEDs to be independent.

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.

Save as disclosed in the A.2 Board Composition and B.2 Audit Committee under the section headed Corporate Governance Practices of Corporate Governance Report, throughout the period from 1 April 2018 and up to the date of this report, to the best knowledge of the Board, the Company had complied with the code provisions in the CG Code.

PRINCIPAL RISK AND UNCERTAINTIES

The Group's results of operations may fluctuate significantly from time to time due to seasonality and other factors. The Board is aware that the Group is exposed to various risks and the principal risks and uncertainties are summarized below.

This summary should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties faced by the Group, but rather those risks which the Group currently believes may have a significant impact on the Group's performance and future prospects.

The Wine Business	(i)	slow-moving inventory
	(ii)	product liability claims
	(iii)	fluctuation in the foreign currency exchange rates
The Wine Auction Business	(i)	depreciation of wines
	(ii)	failing to recognise the counterfeit wines
The Financial Services Business	(i)	withdrawals and terminations of projects or defaults or delays in payments by clients
	(ii)	failure to retain and motivate key management personnel to conduct business
	(iii)	exposure to professional liability and litigation
The Loan Financing Business	(i)	customer or counterparty to a financial instrument failing to meet its contractual obligations
	(ii)	uncertainties in the government policy, relevant regulations and guidelines established by the regulatory authorities
The Blockchain Services Business	(i)	uncertainties in the regulatory and economic conditions of countries in which the Group operates
	(ii)	uncertainties over both the timing and amount of the consideration that the Group will receive for undertaking cryptocurrency mining activities
	(iii)	availability of necessary equipment, supplies and manpower for cryptocurrency mining

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued Shares was held by the public as at the date of this report.

ENVIRONMENTAL POLICIES AND PERFORMANCES

As a supporter of environmental protection, the Company strives for efficient and effective use of energy and resources in operation and management level of the Company. Energy conservation is a priority under environmental protection and energy-saving devices are used to reduce power consumption for lights. To enhance environmental awareness and encourage daily participation among the staff, there are policies in relation to energy conservation so as to minimize negative environmental impacts. Energy efficiency practices are enforced as to reduce wastage and avoid utilization of unnecessary resources including:

1. The use of electricity in the office of the Group must comply with the principles of power saving, safety first, high efficiency and low consumption.

2. Lights and electronic appliances in living area or workplace must be turned off when not in use.

3. Every member of staff and management must turn off the power for each department's computers, photocopy machines, printers and facsimile machines when they are off duty or on leave.

4. Other than formal documents that require the use of papers, each department is advised to handle documents electronically. When the use of paper is required, each piece of paper must be printed double-sided except for formal and confidential documents.

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 (Chairman), Ms. Fan and Dr. Lau, and one NED, Mr. Ip.

The Group's audited consolidated financial statements for the year ended 31 March 2019 and this report 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.

CHANGE OF DIRECTORS

Re-designation of Director

Mr. Ip was re-designated as a NED and resigned as a member of Remuneration Committee on 7 March 2019.

Appointment and Resignation of Directors

Mr. Zhou resigned as an executive Director and Deputy Chairman on 24 August 2018 after his appointment on 17 April 2018. He was subsequently re-appointed as an executive Director and CEO on 7 January 2019.

Mr. Xiong Hu ("Mr. Xiong") was appointed as an executive Director on 24 August 2018 and resigned on 24 October 2018.

Mr. Teoh resigned as an executive Director and the CEO on 11 December 2018.

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.

CHANGE IN INFORMATION OF DIRECTOR

Mr. Zhou, an executive Director of the Company, was a non-executive director of Risecomm (stock code 1679: HK) from 8 January 2019 to 10 June 2019.

INDEPENDENT AUDITOR

SHINEWING (HK) CPA Limited was appointed as the auditor of the Company for the year ended 31 March 2019. The Company has not changed its auditor since the listing date and up to the date of this report. SHINEWING (HK) CPA Limited will retire and, being eligible, offer themselves for re-appointment at the AGM. A resolution for the re-appointment of SHINEWING (HK) CPA Limited as the auditor of the Company is expected to be proposed at the AGM.

By order of the Board
MADISON HOLDINGS GROUP LIMITED
Ting Pang Wan Raymond
Chairman and executive Director

Hong Kong, 21 June 2019

The Board hereby presents this Corporate Governance Report in the Company's annual report for the year ended 31 March 2019.

CORPORATE GOVERNANCE PRACTICES

The Company acknowledges the important roles of its Board in providing effective leadership and direction to the Group's business, and ensuring transparency and accountability of the Company's operations. The Board sets appropriate policies and implements corporate governance practices appropriate to the conduct and growth of the Group's business.

The Company has applied the principles and code provisions as set out in the Appendix 15, "Corporate Governance Code and Corporate Governance Report" of the GEM Listing Rules.

In the opinion of the Board, the Company has complied with the code provisions set out in the CG Code. Key corporate governance principles and practices of the Company are summarised below.

A. The Board

A.1 Responsibilities and Delegation

The overall management and control of the Company's business are vested in its Board. The Board is responsible for establishing policies, strategies and plans, providing leadership in creating value and overseeing the Company's financial performance on behalf of the Shareholders. All Directors carry out their duties in good faith and in compliance with applicable laws and regulations, taking decisions objectively and acting in the interests of the Company and its Shareholders at all times.

The Board reserves for its decisions all major matters of the Company, including the approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters.

All Directors have full and timely access to all relevant information as well as the advice and services of the senior management, with a view to ensuring the Board procedures and all applicable laws and regulations are followed. Each Director is able to seek independent professional advice in appropriate circumstances at the Company's expenses, upon making reasonable request to the Board. The Board has delegated day-to-day operation responsibility to the management of the Company under the supervision of the executive Directors and various Board committees.

The delegated functions and responsibilities are periodically reviewed by the Board. Approval has to be obtained from the Board prior to any significant transactions entering into by the foregoing officers and senior management.

CORPORATE GOVERNANCE PRACTICES *(Cont'd)*

A. The Board *(Cont'd)*

A.2 Board Composition

The Board comprised the following Directors during the year ended 31 March 2019 and up to the date of this report:

Executive Directors	
Mr. Ting *(Chairman)*	
Mr. Zhu *(Deputy Chairman)*	
Mr. Zhou *(CEO)*	*(Appointed as an executive Director and Deputy Chairman on 17 April 2018 and resigned on 24 August 2018; and re-appointed as executive Director and the CEO on 7 January 2019)*
Mr. Teoh *(CEO)*	*(Resigned as an executive Director and the CEO on 11 December 2018)*
Ms. Kuo	
Mr. Xiong	*(Appointed on 24 August 2018 and resigned on 24 October 2018)*
Non-executive Director	
Mr. Ip	*(Re-designated as a NED on 7 March 2019)*
Independent Non-executive Directors	
Ms. Fan	
Mr. Chu	
Dr. Lau	*(Appointed on 4 June 2019)*

The list of all Directors (by category) is set out under the section headed "Corporate Information" in this report and is also disclosed in all corporate communications issued by the Company pursuant to the GEM Listing Rules from time to time.

During the year ended 31 March 2019, Mr. Ip, a NED (who was formerly an INED from 1 February 2017 to 6 March 2019 (both days inclusive) and who was re-designated as a NED on 7 March 2019), has provided certain loans to Starlight, which is an indirect non wholly-owned subsidiary of the Company. Details of the loan agreement entered into between Mr. Ip, as lender, and Starlight, as borrower, in respect of such loans provided by Mr. Ip to Starlight, is as follows:

a. A term loan agreement dated 7 March 2019 (the "New Loan Agreement") in the principal amount of HK$38,000,000 with a term commencing from 7 March 2019 to 30 April 2020 at an interest rate of 10% per annum (the "New Loan");

CORPORATE GOVERNANCE PRACTICES *(Cont'd)*

A. The Board *(Cont'd)*

A.2 Board Composition (Cont'd)

The New Loan Agreement has superseded the following loan agreements:

b. A term loan agreement dated 24 December 2015 in the principal amount of HK$17,000,000 with a term commencing from 29 December 2015 to 28 December 2017 at an interest rate of 10% per annum (the "December Loan");

c. An extension agreement dated 4 December 2017 to extend the term of the December Loan from 29 December 2017 to 28 December 2019;

d. A term loan agreement dated 14 March 2016 in the principal amount of HK$13,000,000 with a term commencing from 14 March 2016 to 13 March 2018 at an interest rate of 10% per annum (the "March Loan");

e. An extension agreement dated 14 March 2018 to extend the term of the March Loan from 14 March 2018 to 13 March 2020; and

f. A term loan agreement dated 2 May 2017 in the principal amount of HK$8,000,000 with a term commencing from 2 May 2017 to 1 May 2019 at an interest rate of 10% per annum (the "May Loan", together with the December Loan and the March Loan, "Mr. Ip's Loans").

Mr. Ip's Loans are mainly used for the daily operation and business operation of the Hackett Group, which became part of the Group since 29 March 2019. In view of Mr. Ip's provision of Mr. Ip's Loans to Starlight, which is a core connected person of the Company before the completion of Hackett Acquisitions, the Board believed that Mr. Ip did not comply with Rule 5.09(4) of the GEM Listing Rule as Mr. Ip was an INED from 1 February 2017 to 6 March 2019, during which he had been involved in material business dealings with Starlight by virtue of Mr. Ip's Loans. The Hackett Group confirmed that Mr. Ip's Loans would not be settled after the completion of Hackett Acquisitions. Mr. Ip was then re-designated as a NED on 7 March 2019.

The INEDs are expressly identified in all corporate communications of the Company. There is no relationship (including financial, business, family or other material or relevant relationships) between the Board members, and in particular, between the Chairman, the Deputy Chairman and the CEO. The biographical details of the Directors of the Company are set out under the section headed "Biographical Details of Directors and Senior Management" in this report.

CORPORATE GOVERNANCE PRACTICES *(Cont'd)*

A. The Board *(Cont'd)*

A.2 Board Composition (Cont'd)

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

Nonetheless, the Board has an INED possessing appropriate professional qualifications and accounting and related financial management expertise as required under the GEM Listing Rules.

The Board has maintained the necessary balance of skills and experience appropriate for the business requirements and objectives of the Group and for the exercise of independent judgement. Each executive Director supervises areas of the Group's business in accordance with his/her expertise. The NED and the INEDs bring different business and financial expertise, experiences and independent judgement to the Board and they are invited to serve on the Board committees of the Company. Through participation in Board meetings, taking the lead in managing issues involving potential conflicts of interests and/or serving on Board committees, the NED and the INEDs have made contributions to the effective direction of the Company and provided adequate checks and balances to safeguard the interests of both the Group and the Shareholders.

The Company has received a written annual confirmation from each of the INEDs of his/her independence pursuant to the requirements of the GEM Listing Rules. The Company considers all INEDs to be independent in accordance with the independence guidelines set out in the GEM Listing Rules.

A.3 Chairman and Chief Executive

The Company had complied with the code provisions in the CG Code.

Mr. Ting is the Chairman and is responsible for major decision-making and implementation of business strategies of the Group. The Chairman also takes the lead to ensure that the Board works effectively and acts in the best interest of the Company by encouraging the Directors to make active contributions to Board's affairs and promoting a culture of openness and debate.

Mr. Zhou is the CEO since 7 January 2019 and is in charge of the Company's day-to-day management and operations and focuses on implementing the objectives, policies and strategies approved and delegated by the Board.

CORPORATE GOVERNANCE PRACTICES *(Cont'd)*

A. The Board *(Cont'd)*

A.4 Appointment and Re-Election of Directors

Each of the executive Directors of the Company entered into a service agreement with the Company for a term of three years. Each of the NED and INEDs was appointed by the Company pursuant to a letter of appointment for a term of three years.

At each AGM, one-third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an AGM at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself/herself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot. There are no provisions relating to retirement of Directors upon reaching any age limit.

Pursuant to the aforesaid provisions of the Articles of Association, one-third of the Company shall retire at the AGM and, being eligible, will offer themselves for re-election at the meeting. The Company's circular, sent together with this report, contains detailed information of all retiring Directors pursuant to the GEM Listing Rules.

The procedures and process of appointment, re-election and removal of Directors are laid down in the Articles of Association. The Company has established a Nomination and Corporate Governance Committee and its primary functions are to make recommendations to the Board regarding candidates to fill vacancies on the Board and policies/practices on corporate governance of the Group. Details of the Nomination and Corporate Governance Committee and its work performed are set out in the "Board Committees" section below.

A.5 Induction and Continuous Professional Development for Directors

All Directors received induction on the first occasion of his/her appointment, so as to ensure that he/she has appropriate understanding of the business and operations of the Group and that he/she is sufficiently aware of his/her responsibilities and obligations under the GEM Listing Rules and relevant regulatory requirements.

All Directors are continually updated with legal and regulatory developments, and the business and market changes to facilitate the discharge of their responsibilities.

CORPORATE GOVERNANCE PRACTICES *(Cont'd)*

A. The Board *(Cont'd)*

A.5 Induction and Continuous Professional Development for Directors (Cont'd)

According to the records maintained by the Company, the Directors received the following training regarding roles, function and duties of a director of a listed company or professional skills in compliance with the new requirement of the CG Code on continuous professional development during the year ended 31 March 2019:

	Reading materials	Attending seminars/ induction training
Executive Directors		
Mr. Ting *(Chairman)*	✓	✘
Mr. Zhu *(Deputy Chairman)*	✓	✘
Mr. Zhou *(CEO)* (appointed on 17 April 2018 as a Deputy Chairman and an executive Director and resigned on 24 August 2018; and re-appointed on 7 January 2019 as a CEO and an executive Director)	✓	✓
Mr. Teoh *(CEO)* (resigned as CEO and an executive Director on 11 December 2018)	✓	✘
Mr. Xiong (appointed on 24 August 2018 and resigned on 24 October 2018)	✘	✓
Ms. Kuo	✓	✘
Non-executive Director		
Mr. Ip (re-designated on 7 March 2019)	✓	✘
Independent Non-executive Directors		
Ms. Fan	✓	✘
Mr. Chu	✓	✘

CORPORATE GOVERNANCE PRACTICES *(Cont'd)*

A. The Board *(Cont'd)*

A.6 Board Meetings

A.6.1 Board Practices and Conduct of Meetings

Schedules for regular Board meetings are normally agreed with the Directors in advance. In addition to the above, notice of at least 14 days is given for a regular Board meeting. For other Board meetings, reasonable notice is generally given.

Draft agenda of each regular Board meeting is usually sent to all Directors together with the notice in order to give them an opportunity to include any other matters in the agenda for discussion in the meeting.

Board papers together with all appropriate, complete and reliable information are sent to all Directors at least 3 days before each Board meeting to provide them with materials relating to the transactions to be discussed in the meeting in order to enable them to make informed decisions. The Board and each Director also have separate and independent access to the senior management whenever necessary.

The Chairman, the other Directors and other relevant senior management normally attend regular Board meetings and, where necessary, other Board and committee meetings to advise on business developments, financial and accounting matters, statutory compliance, corporate governance and other major aspects of the Group.

The Company Secretary is responsible to keep minutes of all Board and committee meetings. Draft minutes are normally circulated to Directors for comments within a reasonable time after each meeting and the final version is open for Directors' inspection.

According to current Board practice, any material transaction, which involves a conflict of interest for a substantial shareholder or a Director, will be considered and dealt by the Board at a duly convened Board meeting. The Articles of Association contain provisions requiring Directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have a material interest.

CORPORATE GOVERNANCE PRACTICES *(Cont'd)*

A. The Board *(Cont'd)*

A.6 Board Meetings (Cont'd)

A.6.2 Directors' Attendance Records

The Board meets regularly for reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policies of the Company. Additional meetings are held when significant events or important issues are required to be discussed and resolved.

During the year ended 31 March 2019, the Board held four regular Board meetings. There were 47 additional Board meetings held and attended by certain executive Directors, NED and INEDs for normal course of business during the year ended 31 March 2019. Apart from the said meetings, the Company has held 3 general meetings. The attendance of each Director is as follows:

	Number of Board meeting attended/ eligible to attend	Number of general meeting attended/ eligible to attend
Executive Directors		
Mr. Ting	45/51	1/3
Mr. Zhu	50/51	3/3
Mr. Zhou (appointed on 17 April 2018 and resigned on 24 August 2018; and re-appointed on 7 January 2019)	19/21	0/3
Mr. Teoh (resigned on 11 December 2018)	33/35	2/2
Mr. Xiong (appointed on 24 August 2018 and resigned on 24 October 2018)	0/10	0/0
Mr. Kuo	51/51	3/3
Non-executive Director		
Mr. Ip (re-designated on 7 March 2019)	45/47	3/3
Independent Non-executive Directors		
Ms. Fan	46/47	0/3
Mr. Chu	46/47	0/3

CORPORATE GOVERNANCE PRACTICES *(Cont'd)*

A. The Board *(Cont'd)*

A.6 Board Meetings (Cont'd)

A.6.2 Directors' Attendance Records *(Cont'd)*

Mr. Ting, due to his other important engagements at the same time, did not attend in the AGM held on 17 August 2018 (the "2018 AGM"). He invited Mr. Teoh, the then CEO, to chair the 2018 AGM.

All business transacted at the Board meetings and by written resolutions were well-documented. Minutes of the Board meetings and written resolutions are kept by the Company and are available to all Directors.

A.7 Required Standard of Dealings

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

No incident of Code on Securities Dealings by the Directors was noted by the Company.

In case when the Company is aware of dealings in the Company's securities during the restricted period, the Company will notify its Directors in advance.

B. Board Committees

The Board delegates certain responsibilities to various committees. In accordance with the Articles of Association and the GEM Listing Rules, three Board committees, namely the Audit Committee, the Remuneration Committee and the Nomination and Corporate Governance Committee, have been formed. The Audit Committee, the Remuneration Committee, and the Nomination and Corporate Governance Committee have been established with defined written terms of reference, which are published on the Company's website and the Stock Exchange's website, or available to Shareholders upon request. All the Board committees should report to the Board on their decisions or recommendations made.

The practices, procedures and arrangements in conducting meetings of Board committees follow in line with, so far as practicable, those of the Board meetings set out in A.6.1 above.

All Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expenses.

CORPORATE GOVERNANCE PRACTICES *(Cont'd)*

B. Board Committees *(Cont'd)*

B.1 Remuneration Committee

The Company established the Remuneration Committee pursuant to a resolution of Directors passed on 21 September 2015 in compliance with Rule 5.34 of the GEM Listing Rules with written terms of reference in compliance with the CG Code. The primary functions of the Remuneration Committee are to (i) make recommendation to the Board on the remuneration packages of the Directors and senior management of the Group, (ii) review performance based remuneration, and (iii) ensure that none of the Directors determine their own remuneration.

The Remuneration Committee currently comprises a total of four members, namely, Ms. Fan (chairlady), Mr. Ting, Mr. Chu and Dr. Lau. Except Mr. Ting, all of them are INEDs.

Pursuant to the code provision B.1.5 of the CG Code, the remuneration of the members of the Board and the senior management by band for the year ended 31 March 2019 is set out below:

In the band of	Number of Individuals
Nil to HK$1,000,000	8
HK$1,000,001 to HK$2,000,000	4
HK$2,000,001 to HK$3,000,000	2
HK$3,000,001 to HK$4,000,000	2
Over HK$4,000,000	4

Details of the remuneration of each Director and the 11 individuals with the highest emoluments in the Group for the year ended 31 March 2019 are set out in notes 13 and 14 to the consolidated financial statements, respectively, contained in this report.

During the year ended 31 March 2019, the Remuneration Committee met seven times and performed the following major tasks:

– Assess the performance of the executive Directors;

– Review and make recommendation on the proposal on year-end bonus and special bonus to the Directors and senior management of the Group; and

– Review and make recommendation on the remuneration packages of Directors and senior management of the Group.

CORPORATE GOVERNANCE PRACTICES (Cont'd)

B. Board Committees (Cont'd)

B.1 Remuneration Committee (Cont'd)

During the year ended 31 March 2019, the attendance of each member of the Remuneration Committee is as follows:

	Number of Remuneration Committee meeting attended/ eligible to attend
Mr. Ting	6/7
Ms. Fan	7/7
Mr. Chu	7/7
Mr. Ip (resigned on 7 March 2019)	7/7

B.2 Audit Committee

The Company established the Audit Committee with written terms of reference in compliance with Rule 5.28 of the GEM Listing Rules pursuant to a resolution of the Directors passed on 21 September 2015. The primary duties of the Audit Committee are mainly to (i) make recommendations to the Board on the appointment and removal of the external auditor, (ii) review the financial statements and material advice in respect of financial reporting, and (iii) oversee the risk management and internal control procedures of the Company.

As at the date of this report, the Audit Committee comprises a total of four members, namely, Mr. Chu (chairman), Ms. Fan, Mr. Ip and Dr. Lau. Except Mr. Ip who is a NED, all are INEDs. The chairman of the Audit Committee also possesses the appropriate accounting and financial management expertise as required under Rule 5.28 of the GEM Listing Rules. None of the members of the Audit Committee is a former partner of the Company's existing external auditor.

During the year ended 31 March 2019, the Audit Committee met five times, of which one of the meetings was also with the presence of the external auditor. However, according to the C3.3(e)(i) of CG Code and the term of reference of the Audit Committee, the members of Audit Committee are required to meet the external auditor at least twice a year. Therefore, the Company did not comply with Rule C3.3(e)(i) of CG Code. The Company will arrange the members of the Audit Committee to meet with the external auditor twice a year. And the senior management of the Company performed the following major tasks:

– Review and discussion of the quarterly, interim and annual financial statements, results announcements and reports, the related accounting principles and practices adopted by the Group and the relevant audit findings;

– Review and discussion of the risk management and internal control system of the Group;

CORPORATE GOVERNANCE PRACTICES *(Cont'd)*

B. Board Committees *(Cont'd)*

B.2 Audit Committee (Cont'd)

- Review and discussion of the effectiveness of the internal audit function of the Group; and
- Discussion and recommendation of the re-appointment of external auditor.

During the year ended 31 March 2019, the attendance of each member of the Audit Committee is as follows:

	Number of Audit Committee meeting attended/ eligible to attend
Ms. Fan	4/5
Mr. Chu	5/5
Mr. Ip	5/5

There is no disagreement between the Board and the Audit Committee regarding the re-appointment of external auditor.

The revised terms of reference of the Audit Committee setting out its role and responsibilities are available on the Stock Exchange's website and the Company's website.

B.3 Nomination and Corporate Governance Committee

The Company established the Nomination and Corporate Governance Committee pursuant to a resolution of the Directors passed on 21 September 2015 with written terms of reference in compliance with the CG Code. The primary functions of the Nomination and Corporate Governance Committee are to make recommendations to the Board regarding candidates to fill vacancies on the Board and policies/practices on corporate governance of the Group.

Pursuant to the CG Code, the Company has established the Nomination and Corporate Governance Committee which currently comprises a total of five members, namely, Mr. Ting (chairman), Ms. Fan, Mr. Chu, Mr. Ip and Dr. Lau. Except Mr. Ting and Mr. Ip, all are INEDs.

The principal duties of the Nomination and Corporate Governance Committee are to (i) review the Board composition; (ii) develop and formulate relevant procedures for the nomination and appointment of directors; (iii) identify qualified individuals to become members of the Board; (iv) monitor the appointment and succession planning of directors; and (v) assess the independence of INEDs.

CORPORATE GOVERNANCE PRACTICES *(Cont'd)*

B. Board Committees *(Cont'd)*

B.3 Nomination and Corporate Governance Committee (Cont'd)

During the year ended 31 March 2019, the Nomination and Corporate Governance Committee met five times and performed the following major tasks:

– Review and discussion of the existing structure, size and composition of the Board to ensure that it has a balance of expertise, skills and experience appropriate to the requirements for the business of the Group;

– Assessment of the independence of the existing INEDs;

– Review, discussion and recommendation to the appointment of Directors;

– Recommendation on the re-appointment of retiring Directors at the AGM pursuant to the Articles of Association;

– Review and development of the Company's policies and practices on corporate governance and make recommendations to the Board;

– Review and monitoring of the training and continuous professional development of directors and senior management;

– Review and monitoring of the Company's policies and practices on compliance with legal and regulatory requirements;

– Review and monitoring of the code of conduct applicable to employees and directors; and

– Review of the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

During the year ended 31 March 2019, the attendance of each member of the Nomination and Corporate Governance Committee is as follows:

	Number of Nomination and Corporate Governance Committee meeting attended/ eligible to attend
Mr. Ting	4/5
Ms. Fan	5/5
Mr. Chu	5/5
Mr. Ip	5/5

CORPORATE GOVERNANCE PRACTICES *(Cont'd)*

B. Board Committees *(Cont'd)*

B.3 Nomination and Corporate Governance Committee (Cont'd)

The terms of reference of the Nomination and Corporate Governance Committee setting out its role and responsibilities are available on the Stock Exchange's website and the Company's website.

Nomination Policy

The Company follows a formal, fair and transparent procedure for selecting and recommending candidates for directorship, and shall make recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors, in particular, the chairman and the chief executive officer.

In assessing the suitability of a proposed candidate, the Nomination and Corporate Governance Committee may make reference to certain criteria such as the Company's need, the integrity, experience in principal businesses of the Company, balance of skills, knowledge and experience on the Board, the amount of time and effort that the candidate will devote to discharge his/her duties and responsibilities; and gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry and regional experience, number of directorship in other listed/public companies.

In any event, the Board shall ensure that the nomination, re-election and/or appointment of the Directors shall be conducted in compliance with the GEM Listing Rules, the memorandum and articles of association of the Company and all other applicable laws, rules and regulations.

C. Board Diversity Policy

The Company has adopted a board diversity policy (the "Board Diversity Policy") which sets out its commitment to the benefits of having a Board with appropriate balance of expertise, skills, experience and diversity of perspectives.

The Company seeks to achieve board diversity through selection of candidate based on a range of diversity perspectives including but not limited to the Company's needs, the integrity, management experience, technical skills, industry or professional knowledge and experience of the candidate and the amount of time and effort that the candidate will devote to discharge his/her duties and responsibilities.

The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

CORPORATE GOVERNANCE PRACTICES *(Cont'd)*

D. Directors' Responsibilities for Financial Reporting in Respect of the Financial Statements

The Directors acknowledge their responsibilities for preparing all information and representations contained in the consolidated financial statements for the year ended 31 March 2019 as disclosed in this report. The Directors consider that the consolidated financial statements have been prepared in conformity with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and reflect amounts that are based on the best estimates and reasonable, informed and prudent judgment of the Board and management with an appropriate consideration to materiality. The statement of the auditors of the Company regarding their responsibilities on the consolidated financial statements is set out in the Independent Auditor's Report on pages 65 to 73 of this report. The Directors noted that according 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, the Group had bank balances and cash amounted approximately HK$48,436,000, while its loan from a director, loan from a subsidiary of non-controlling shareholder, borrowings and promissory notes, in total, amounting 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.

E. Risk Management and Internal Controls

The Company has an internal audit function.

The Board is responsible for maintaining an adequate risk management and internal control systems to safeguard the interests of the Shareholders and the Group's assets. Such systems are aimed at managing, rather than eliminating, the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against misstatement or losses. With the support of the Audit Committee, the Board reviews the effectiveness of such systems on an annual basis.

The Board has conducted a review of the effectiveness of the risk management and internal control systems of the Group (including the financial, operational, information technology, risk management, legal and compliance areas) for the year ended 31 March 2019 by reviewing the regular reports from the senior management on risk management, regulatory compliance and legal matters. The senior management reviews and evaluates the control process and monitors any risk factors on a regular basis and reports to the Board and the Audit Committee on any findings and measures to address the variances and identified risks. The Board considered the risk management and internal control systems are effective and adequate.

CORPORATE GOVERNANCE PRACTICES *(Cont'd)*

F. External Auditor and Auditor's Remuneration

The statement of the external auditor of the Company on their reporting responsibilities for the Group's consolidated financial statements for the year ended 31 March 2019 is set out in the section headed "Independent Auditor's Report" in this report.

The fees paid/payable to SHINEWING (HK) CPA Limited, the Company's auditor, in respect of audit services and non-audit services for the year ended 31 March 2019 are analysed below:

Type of services provided by the external auditor	Fees paid/ payable HK$'000
Audit services	1,800
Non-audit services *(Note (i))*	2,488
TOTAL:	4,288

Note:

(i) Non-audit services comprise primarily services on the Group's internal audit, information technology audit and merger and acquisition projects.

G. Corporate Governance Functions

The Board as a whole is responsible for performing the corporate governance duties including:

– to develop and review the Company's policies and practices on corporate governance and make recommendations to the board;

– to review and monitor the training and continuous professional development of Directors and senior management;

– to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

– to develop, review and monitor the code of conduct and compliance manual applicable to employees and directors; and

– to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

During the year ended 31 March 2019 and up to the date of this report, the Board has reviewed and performed the above corporate governance functions.

CORPORATE GOVERNANCE PRACTICES *(Cont'd)*

H. Shareholders' Rights

As one of the measures to safeguard Shareholders' interests and rights, separate resolutions are proposed at Shareholders' meetings on each substantial issue, including the election of individual Directors, for Shareholders' consideration and voting. Besides, various rights of Shareholders, including the right to propose resolutions, are contained in the Articles of Association.

The summary of certain rights of the Shareholders are disclosed below:

Procedures for convening extraordinary general meetings and putting forward proposals at general meetings

Each general meeting other than an annual general meeting shall be called an extraordinary general meeting. General meetings may be held in any part of the world as may be determined by the Board. According to Article 58 of the Articles of Association, any one or more members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Any requisition to convene an extraordinary general meeting or proposal to be put forward at the general meeting can be addressed to the principal place of business in Hong Kong of the Company at Flat A & B, 10/F, North Point Industrial Building, 499 King's Road, North Point, Hong Kong marked with the attention of the Company Secretary. The requisitionists must state in their request(s) the objects of the extraordinary general meeting to be convened, and such request must be signed by all the requisitionists. Upon receipt, the Company will verify the requisitionists' particulars and if the request is in order, the Company will convene the extraordinary general meeting in accordance with the Articles of Association.

Procedures for propose a person for election as a Director

The procedures for proposing a person for election as a Director are posted under the Investor Relations section of the Company's website at www.madison-group.com.hk.

CORPORATE GOVERNANCE PRACTICES *(Cont'd)*

I. Communications with Shareholders

The Board believes that a transparent and timely disclosure of the Group's information will enable Shareholders and investors to make the best investment decision and to have better understanding on the Group's business performance and strategies. It is also vital for developing and maintaining continuing investor relations with the Company's potential and existing investors.

The Company maintains a website at "www.madison-group.com.hk" as a communication platform with Shareholders and investors, where the Group's business developments and operations, financial information, corporate governance practices and other information are available for public access.

Shareholders should direct their enquiries about their shareholdings to the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited and for other enquiries. Shareholders and investors may also write directly to the Company's principal place of business in Hong Kong at Flat A & B, 10/F, North Point Industrial Building, 499 King's Road, North Point, Hong Kong or via email to "info@madison-group.com.hk" for any inquiries. Inquiries are dealt with in an informative and timely manner.

The Board considers that general meetings of the Company provide an important channel for Shareholders to exchange views with the Board. The Chairman of the Board as well as the chairmen and/or other members of the Board committees will endeavor to be available at the meetings to answer any questions raised by Shareholders.

The Company continues to enhance communication and relationship with its investors. Designated senior management maintains regular dialogue with institutional investors and analysts to keep them informed of the Group's developments.

J. Company Secretary

Ms. Tse was appointed as the Company Secretary with effect from 14 May 2015. All Directors have access to the advice and services of the Company Secretary to ensure that board procedures, and all applicable laws, rules and regulations, are followed. The Company Secretary has confirmed that she has taken no less than 15 hours of relevant professional training during the year.

K. Inside Information

With respect to the procedures and internal controls for the handling and dissemination of price sensitive information, the Company is aware of its obligations under Part XIVA of the SFO and the GEM Listing Rules and has established the inside information/price-sensitive information disclosure policy with close regard to the "Guidelines on Disclosure of Inside Information" issued by the Securities and Future Commission.

L. Constitutional Documents

During the year ended 31 March 2019, there is no change in the Company's constitutional document.

信永中和 ShineWing

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

TO THE MEMBERS OF MADISON HOLDINGS GROUP LIMITED
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Madison Holdings Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 74 to 231, which comprise the consolidated statement of financial position as at 31 March 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code") and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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, the Group had bank balances and cash amounted 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 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.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation and impairment assessment of inventories

Refer to note 23 to the consolidated financial statements and the accounting policies on page 105.

The key audit matter	How the matter was addressed in our audit
As at 31 March 2019, the Group maintained inventories of approximately HK$32,272,000 and no impairment was recognised. The management has concluded that there is no impairment required in respect of these inventories. This conclusion required significant management judgement.	Our audit procedures were designed to challenge the assumptions and critical judgements of the Group's impairment assessment on inventories and the management estimations or judgements on the net realisable value of inventories based on the latest invoice prices and current market conditions. We have checked with the net realisable value for inventories up to the date of this report and discussed with the management in respect of the adequacy of the allowance made by the management based on assessments of individual market value. We have challenged the assumptions and critical judgements used by the management by assessing the reliability of the management's past estimates, taking into account the subsequent sales status after year end and with reference to market values of inventories.

KEY AUDIT MATTERS *(Cont'd)*

Recoverability and impairment assessment of trade receivables and loan receivables

Refer to notes 25 and 24 to the consolidated financial statements and the accounting policies on pages 107 to 114.

The key audit matter	How the matter was addressed in our audit
As at 31 March 2019, the Group's trade receivables and loan receivables amounted to approximately HK$102,926,000 and HK$458,140,000 respectively, net of accumulated impairment losses of approximately HK$938,000 and HK$33,076,000 respectively. The adoption of HKFRS 9 has fundamentally changed the Group's accounting for loss allowance by replacing HKAS 39's incurred loss approach with a forward-looking expected credit loss ("ECL") approach. The measurement of ECL requires the application of significant judgement and increased complexity which include the identification of exposures with a significant deterioration in credit quality, and assumptions used in the ECL models (for exposures assessed individually or collectively), such as the expected future cash flows and forward-looking macroeconomic factors. We consider the impairment assessment of trade receivables and loan receivables as a key audit matter due to the significance of trade receivables and loan receivables (representing 37% of total assets) and the subjective nature of the calculation because the estimates on which these provisions are based entail a significant degree of management judgement and may be subject to management bias.	We assessed the reasonableness of the Group's ECL models, including the model input, model design, model performance for significant portfolios. We assessed the reasonableness of the Group's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a lifetime ECL basis and the qualitative assessment. We challenged whether historical experience is representative of current circumstances and of the recent losses incurred in the portfolios and assessed the reasonableness of forward-looking adjustments, including the economic variables and assumptions used in each of the economic scenarios and their probability weightings. We assessed and tested the sensitivity of the credit loss provisions to changes in modelling assumptions. For a sample of exposures that was subject to an individual impairment assessment, we specifically reviewed the Group's assumptions on the expected future cash flows, including the value of realisable collateral based on available market information. We also assessed the financial statement disclosures relating to the Group's exposure to credit risk.

KEY AUDIT MATTERS *(Cont'd)*

Valuation of exchangeable bonds

Refer to note 18 to the consolidated financial statements and the accounting policies on page 109.

The key audit matter	How the matter was addressed in our audit
As at 31 March 2019, exchangeable bonds measured at fair value amounted to approximately HK$78,142,000. Due to uncertainty in valuation, this is considered a key audit matter. The Group has engaged an independent valuer to apply valuation techniques to determine the fair value of exchangeable bonds that are not quoted in active markets. These valuation techniques, in particularly those required significant unobservable inputs, usually involve subjective judgment and assumptions, the valuation results can vary significantly.	Our audit procedures were designed to challenge the assumptions, estimations and critical judgements of the management on the valuation of the exchangeable bonds. We have evaluated the valuation techniques, inputs and assumptions used by the Group through comparison with the valuation techniques commonly used in the markets and validation of observable inputs using external market data.

KEY AUDIT MATTERS *(Cont'd)*

Impairment assessment of goodwill, intangible assets and plant and equipment

Refer to notes 22, 19 and 17 to the consolidated financial statements respectively and the accounting policies on pages 102, 104 to 106.

The key audit matter

The Group has goodwill of approximately HK$266,468,000, intangible assets of approximately HK$188,339,000, plant and equipment of approximately HK$92,595,000 as at the end of the reporting period, net of accumulated impairment losses of approximately HK$177,068,000, nil and HK$120,066,000 respectively.

The Group's assessment on impairment of CGUs is a judgemental process which requires estimates concerning the forecast future cash flows associated with the CGUs, the discount rates and the growth rate of revenue and costs to be applied in determining the recoverable amounts or fair value less costs of disposal. The selection of valuation model, adoption of key assumptions and input data may be subject to management basis and changes in these assumptions and input to valuation model may result in significant financial impact.

The extent of judgment resulted in this matter being identified as a key audit matter.

How the matter was addressed in our audit

We have tested the future cash flow forecasts on whether they are agreed to the budgets approved by the board of directors of the Group and compared the budgets with actual results available up to the report date. We have also challenged the appropriateness of the assumptions, including the growth rates and gross margin, against latest market expectations. We have also challenged the discount rate employed in each calculation of recoverable amounts by reviewing its basis of calculation and comparing its input data to market sources.

As any changes in these consumptions and input to valuation made may result in significant financial impact, we have tested sensitivity analysis in relation to the key inputs to the impairment assessment which included changes in the growth rate, gross margin and discount rates employed.

KEY AUDIT MATTERS *(Cont'd)*

Acquisition of Diginex High Performance Computing Limited ("Diginex HPC") and High Performance Computing Nordic AB ("HPC Nordic")

Refer to note 37 to the consolidated financial statements and the accounting policies on pages 101 to 102.

The key audit matter	How the matter was addressed in our audit
On 31 July 2018, the Group completed the acquisition of 51% equity interests in Diginex HPC for a total consideration of HK$426,079,000. This acquisition has been accounted for using the acquisition method. The amount of goodwill arising as a result of the acquisition was HK$423,844,000. Diginex HPC is engaged in the provision of blockchain services and cryptocurrency mining business in Asia and Europe. On 30 August 2018, the Group completed the acquisition of 100% equity interests in HPC Nordic for a total consideration of HK$13,736,000. This acquisition has been accounted for using the acquisition method. The amount of goodwill arising as a result of the acquisition was HK$6,847,000. HPC Nordic is engaged in the provision of blockchain services and cryptocurrency mining business in Europe.	With respect to the acquisition of 51% and 100% equity interests in Diginex HPC and HPC Nordic respectively, we inspected the sale and purchase agreements and business activities prior to the acquisitions to determine whether these acquisitions were within the scope of HKFRS 3 Business Combination. Regarding the estimation of fair value at acquisition date of the assets and liabilities of the acquired entities, we had assessed management's identification and determination of the fair value of assets and liabilities acquired, including the valuation methodology applied and the assumptions underlying the acquisition date valuation and input data.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS OF THE COMPANY AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors of the Company determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The audit committee is responsible for reviewing and providing supervision over the Group's financial reporting process.

AUDITOR'S RESPONSIBILITY FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion, solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

AUDITOR'S RESPONSIBILITY FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Cont'd)*

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Company.

- Conclude on the appropriateness of the Company's directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

AUDITOR'S RESPONSIBILITY FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Cont'd)*

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Kwan Chi Fung.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Kwan Chi Fung
Practising Certificate Number: P06614

Hong Kong
21 June 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2019

	Notes	**2019** **HK$'000**	2018 HK$'000 (restated)
Revenue	*8*		
– sales of alcoholic beverages		**114,172**	151,454
– financial services		**21,715**	26,378
– blockchain services		**29,384**	–
– loan financing service		**141,401**	91,752
– auction		**3,680**	–
		310,352	269,584
Cost of operations:			
– cost of alcoholic beverages		**(96,181)**	(130,797)
– cost of blockchain services		**(38,563)**	–
		(134,744)	(130,797)
Other income	*9*	**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	*18*	**3,112**	(124,172)
Change in fair value of derivative financial instrument	*33*	**5,438**	5,243
Change in fair value of crypto-currencies		**(6,194)**	–
Impairment loss recognised on goodwill	*22*	**(173,251)**	(3,817)
Impairment loss recognised on plant and equipment	*17*	**(120,066)**	–
Gain on disposal of a subsidiary	*38*	**–**	2,606
Finance costs	*10*	**(38,122)**	(14,325)
Loss before tax		**(403,088)**	(121,142)
Income tax expense	*11*	**(16,627)**	(6,742)
Loss for the year	*12*	**(419,715)**	(127,884)

For the year ended 31 March 2019

	Notes	2019 HK$'000	2018 HK$'000 (restated)
Loss for the year attributable to:			
Owners of the Company		**(369,244)**	(123,969)
Non-controlling interests		**(50,471)**	(3,915)
		(419,715)	(127,884)
Loss per share (HK cents)	*16*		
Basic		**(8.76)**	(3.10)
Diluted		**(8.99)**	(3.24)
Loss for the year		**(419,715)**	(127,884)
Other comprehensive (expense) income			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(29,294)**	41,619
Release of translation reserve upon disposal of a subsidiary	*38*	**–**	(2,540)
		(29,294)	39,079
Total comprehensive expense for the year		**(449,009)**	(88,805)
Total comprehensive (expense) income for the year attributable to:			
Owners of the company		**(380,764)**	(108,129)
Non-controlling interests		**(68,245)**	19,324
		(449,009)	(88,805)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2019

	Notes	31 March 2019 HK$'000	31 March 2018 HK$'000 (restated)	1 April 2017 HK$'000 (restated)
Non-current assets				
Plant and equipment	*17*	**92,595**	15,865	19,440
Financial assets at fair value through profit or loss	*18*	**78,142**	147,118	–
Loan receivables	*24*	**19,938**	20,039	20,809
Deposits	*25*	**7,010**	6,719	5,760
Intangible assets	*19*	**188,339**	9,258	9,258
Interests in associates	*20*	**–**	–	–
Deferred tax asset	*21*	**8,005**	6,575	5,641
Goodwill	*22*	**266,468**	9,028	9,028
		660,497	214,602	69,936
Current assets				
Inventories	*23*	**32,272**	50,578	51,384
Financial assets at fair value through profit or loss/held for trading investments	*18*	**27,339**	22,173	58,044
Loan and interest receivables	*24*	**535,775**	409,546	276,286
Trade and other receivables	*25*	**169,048**	116,920	121,883
Amount due from ultimate holding company	*26*	**25**	19	11
Amount due from immediate holding company	*26*	**37**	34	27
Amount due from a fellow subsidiary		**–**	–	196
Amount due from a shareholder	*26*	**11**	–	12
Amounts due from a non-controlling shareholder	*26*	**2,000**	–	–
Amounts due from related companies	*26*	**349**	652	–
Amounts due from associates	*20*	**2,866**	–	–
Crypto-currencies		**371**	–	–
Tax recoverable		**32**	29	1,464
Bank balances – segregated accounts	*27*	**57,822**	119,843	41,881
Bank balances and cash	*27*	**48,436**	93,202	67,159
		876,383	812,996	618,347

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Cont'd)*

As at 31 March 2019

	Notes	31 March 2019 HK$'000	31 March 2018 HK$'000 (restated)	1 April 2017 HK$'000 (restated)
Current liabilities				
Trade and other payables	*29*	**145,042**	139,442	56,459
Contract liabilities	*28*	**5,311**	–	–
Amounts due to shareholders	*26*	**–**	41,872	–
Amounts due to related companies	*26*	**–**	76,213	318,859
Amount due to a director	*26*	**1,081**	–	4,119
Amounts due to associates	*20*	**2,832**	–	–
Amounts due to non-controlling shareholders	*26*	**707**	4	4
Loan from a shareholder	*30*	**–**	800	–
Loan from a director	*30*	**38,000**	38,000	–
Loan from a subsidiary of non-controlling shareholder	*30*	**106,350**	–	–
Borrowings	*31*	**281,071**	–	30,078
Tax payable		**24,677**	15,840	11,728
Derivative financial instrument	*33*	**53,638**	–	–
Promissory note payable	*35*	**140,945**	–	–
Deferred income	*36*	**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	*34*	**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	*32*	**9,230**	9,230	–
Non-controlling interests		**186,440**	233,265	128,180
Total equity		**462,191**	542,538	265,012

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Cont'd)*

As at 31 March 2019

	Notes	**31 March 2019 HK$'000**	31 March 2018 HK$'000 (restated)	1 April 2017 HK$'000 (restated)
Non-current liabilities				
Deferred tax liability	*21*	**1,605**	1,477	2,024
Borrowings	*31*	**88,017**	–	–
Loan from a related company	*30*	**14,063**	–	–
Convertible bonds	*32*	**157,832**	145,254	–
Derivative financial instrument	*33*	**–**	14,901	–
Promissory note payable	*35*	**12,359**	11,257	–
Deferred income	*36*	**828**	–	–
		274,704	172,889	2,024
		736,895	715,427	267,036

The consolidated financial statements on pages 74 to 231 were approved and authorised for issue by the board of directors on 21 June 2019 and are signed on its behalf by:

Ting Pang Wan Raymond	**Zhu Qin**
Director	*Director*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2019

	Attributable to owners of the Company													
	Share capital HK$'000	Share premium HK$'000	Other reserve HK$'000 *(Note a)*	Capital reserve HK$'000 *(Note b)*	Merger reserve HK$'000 *(Note c)*	Share options reserve HK$'000	Convertible bonds - equity conversion reserve HK$'000	Translation reserve HK$'000	Statutory reserve HK$'000 *(Note d)*	(Accumulated losses) retained earnings HK$'000	Total HK$'000	Convertible bonds issued by a subsidiary HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 April 2018, as originally stated (audited)	4,000	65,376	29,047	14,516	(9,110)	11,376	174,782	–	–	(135,940)	154,047	–	(6,483)	147,564
Effect of adopting merger accounting for common control combination *(Note 2)*	–	–	–	130,189	1	–	–	1,022	2,806	11,978	145,996	9,230	239,748	394,974
Effect of change in accounting policies	–	–	–	–	–	–	–	–	–	(1,793)	(1,793)	–	(1,576)	(3,369)
At 1 April 2018, as restated	4,000	65,376	29,047	144,705	(9,109)	11,376	174,782	1,022	2,806	(125,755)	298,250	9,230	231,689	539,169
Loss for the year	–	–	–	–	–	–	–	–	–	(369,244)	(369,244)	–	(50,471)	(419,715)
Other comprehensive expense for the year														
– Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	–	(11,520)	–	–	(11,520)	–	(17,774)	(29,294)
Loss for the year and total comprehensive expense for the year	–	–	–	–	–	–	–	(11,520)	–	(369,244)	(380,764)	–	(68,245)	(449,009)
Issue of shares upon placing *(Note 34)*	70	119,025	–	–	–	–	–	–	–	–	119,095	–	–	119,095
Share issue expenses	–	(1,355)	–	–	–	–	–	–	–	–	(1,355)	–	–	(1,355)
Recognition of equity-settled share-based payments expenses *(Note 44)*	–	–	–	–	–	29,049	–	–	–	–	29,049	–	–	29,049
Lapse of share options	–	–	–	–	–	(9,818)	–	–	–	9,818	–	–	–	–
Exercise of exchangeable bonds as consideration paid for acquisition of subsidiaries under common control combination	–	–	–	–	(64,403)	–	–	–	–	–	(64,403)	–	(7,685)	(72,088)
Capital injection from the controlling shareholder of a subsidiary which adopt merger accounting for common control combination	–	–	–	–	33,363	–	–	–	–	–	33,363	–	42,850	76,213
Deemed capital contribution from a related company	–	–	–	1,638	–	–	–	–	–	–	1,638	–	–	1,638
Share issued for acquisition of subsidiaries under common control combination *(Note 39)*	505	403,393	–	–	(589,018)	–	–	–	–	–	(185,120)	–	–	(185,120)
Acquisition of additional interest in a subsidiary by issuing share *(Note 40)*	405	323,232	–	(243,469)	–	–	–	–	–	–	80,168	–	(80,168)	–
Acquisition of additional interest in subsidiaries *(Note 40)*	–	–	–	(11,002)	–	–	–	–	–	–	(11,002)	–	2,602	(8,400)
Acquisition of subsidiaries *(Note 37)*	213	347,389	–	–	–	–	–	–	–	–	347,602	–	65,397	412,999
Appropriation to statutory reserve funds	–	–	–	–	–	–	–	–	871	(871)	–	–	–	–
	1,193	1,191,684	–	(252,833)	(620,058)	19,231	–	–	871	8,947	349,035	–	22,996	372,031
At 31 March 2019	5,193	1,257,060	29,047	(108,128)	(629,167)	30,607	174,782	(10,498)	3,677	(486,052)	266,521	9,230	186,440	462,191

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(Cont'd)*

For the year ended 31 March 2019

	Attributable to owners of the Company													
	Share capital HK$'000	Share premium HK$'000	Other reserve HK$'000 *(Note a)*	Capital reserve HK$'000 *(Note b)*	Merger reserve HK$'000 *(Note c)*	Share options reserve HK$'000	Convertible bonds - equity conversion reserve HK$'000	Translation reserve HK$'000	Statutory reserve HK$'000 *(Note d)*	Retained earnings (accumulated losses) HK$'000	Total HK$'000	Convertible bonds issued by a subsidiary HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 April 2017, as originally stated (audited)	4,000	65,376	29,047	34,660	1,837	11,376	–	–	–	2,424	148,720	–	5,503	154,223
Effect of adopting merger accounting for common control combination *(Note 2)*	–	–	–	–	1	–	–	(12,278)	2,254	(1,865)	(11,888)	–	122,677	110,789
At 1 April 2017, as restated	4,000	65,376	29,047	34,660	1,838	11,376	–	(12,278)	2,254	559	136,832	–	128,180	265,012
Loss for the year	–	–	–	–	–	–	–	–	–	(123,969)	(123,969)	–	(3,915)	(127,884)
Other comprehensive expense for the year														
– Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	–	16,870	–	–	16,870	–	24,749	41,619
– Release of translation reserve upon disposal of a subsidiary	–	–	–	–	–	–	–	(1,030)	–	–	(1,030)	–	(1,510)	(2,540)
Loss for the year and total comprehensive expense for the year	–	–	–	–	–	–	–	15,840	–	(123,969)	(108,129)	–	19,324	(88,805)
Consideration paid for acquisition of subsidiaries under common control combination	–	–	–	–	(10,947)	–	–	–	–	–	(10,947)	–	–	(10,947)
Acquisition of a subsidiary *(Note 37)*	–	–	–	–	–	–	–	–	–	–	–	–	6,766	6,766
Derecognised upon disposal of a subsidiary *(Note 38)*	–	–	–	–	–	–	–	(2,540)	–	–	(2,540)	–	(41,179)	(43,719)
Issue of convertible bonds *(Note 32)*	–	–	–	–	–	–	174,782	–	–	–	178,862	9,230	–	184,012
Issue of put option to non-controlling interests	–	–	–	(20,144)	–	–	–	–	–	–	(20,144)	–	–	(20,144)
Waiver of shareholder's loan	–	–	–	130,189	–	–	–	–	–	–	130,189	–	120,174	250,363
Appropriation to statutory reserve fund	–	–	–	–	–	–	–	–	552	(552)	–	–	–	–
At 31 March 2018, as restated	4,000	65,376	29,047	144,705	(9,109)	11,376	174,782	1,022	2,806	(123,962)	304,123	9,230	233,265	542,538

Notes:

(a) The other reserve was arisen from the transfer of the entire issued share capital and shareholder loan in Madison Wine (HK) Company Limited to Madison International Wine Company Limited upon the Reorganisation.

(b) The capital reserve was arisen from the dilution of interest in a subsidiary, CVP Financial Holdings Limited ("CVP Financial") on 23 February 2017, the deemed acquisition of additional interest in CVP Financial on 27 March 2017 and the acquisition of additional interest in CVP Financial on 27 April 2018 and Hackett Enterprises Limited ("Hackett") on 29 March 2019. In addition, a fair value of put option amounting to approximately HK$20,144,000 exercisable by non-controlling shareholders was recorded upon initial recognition, as detailed in note 33 to the consolidated financial statements.

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

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

(c) The merger reserve of the Group arose as a result of the acquisitions of a subsidiaries under common control and represented the difference between the consideration paid for the acquisition and the carrying amount of the net asset of the subsidiary at the date when the Group and the acquired subsidiary became under common control.

(d) In accordance with the relevant regulations applicable in the People's Republic of China (the "PRC"), companies established in the PRC are required to transfer at least 10% of their statutory annual profits after tax in accordance with the relevant statutory rules and regulations applicable to enterprises in the PRC to the statutory reserve until the balance of the reserve reaches 50% of their respective registered capital. Subject to certain restrictions as set out in the relevant PRC regulations, the statutory reserve may be used to offset against accumulated losses of the respective PRC companies. The amount of the transfer is subject to the approval of the board of the directors of the respective PRC companies.

(e) On 18 May 2018, an amount of approximately HK$76,213,000 had been capitalised into the share capital of Bartha International Limited ("Bartha International"), a subsidiary which adopt merger accounting for common control combination. As a result, HK$64,403,000 and HK$7,685,000 were recognised in merger reserve and non-controlling interests respectively.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2019

	Note	2019 HK$'000	2018 HK$'000 (restated)
OPERATING ACTIVITIES			
Loss before tax		**(403,088)**	(121,142)
Adjustments for:			
Bank interest income		**(227)**	(244)
Government grants		**(165)**	–
Depreciation of plant and equipment		**33,032**	8,238
Loss on disposals and written off of plant and equipment		**3**	578
Share-based payment expenses		**29,049**	–
Written off of trust payable		**–**	(280)
Change in fair value of exchangeable bonds		**(3,112)**	124,172
Change in fair value of crypto-currencies		**6,194**	–
Change in fair value of derivative financial instrument		**(5,438)**	(5,243)
Impairment loss on goodwill		**173,251**	3,817
Impairment loss on plant and equipment		**120,066**	–
Net impairment loss on trade receivables		**498**	200
Net impairment loss on loan and interest receivables		**6,482**	1,689
Written off of loans and interest receivables		**2,296**	4,533
Recoveries impaired losses on trade receivables previously written off		**(34)**	(51)
Interest expenses		**38,122**	14,325
Gain on disposal of a subsidiary		**–**	(2,606)
Net trading loss (gain)		**37,631**	(5,871)
Operating cash flows before movements in working capital		**34,560**	22,115
Decrease in inventories		**18,306**	806
Increase in loan and interest receivables		**(161,387)**	(108,875)
(Increase) decrease in trade and other receivables		**(28,306)**	3,090
(Decrease) increase in trade and other payables		**18,592**	82,742
Decrease in contract liabilities		**(3,956)**	–
Net increase in financial asset at fair value through profit or loss		**(43,860)**	(651)
Decrease (increase) in bank balances – segregated account		**62,021**	(77,962)
Increase in crypto-currencies		**(4,207)**	–
Cash used in operations		**(145,446)**	(78,735)
Income tax paid		**(7,568)**	(3,429)
NET CASH USED IN OPERATING ACTIVITIES		**(153,014)**	(82,164)

CONSOLIDATED STATEMENT OF CASH FLOWS *(Cont'd)*

For the year ended 31 March 2019

	Note	**2019 HK$'000**	2018 HK$'000 (restated)
INVESTING ACTIVITIES			
Net cash outflow on acquisition of assets through acquisition of subsidiaries	*37*	**(121,914)**	–
Net cash (outflow) inflow on acquisition of a subsidiary	*37*	**(91,382)**	2,936
Purchases of plant and equipment		**(5,922)**	(7,643)
Advance to associates		**(2,866)**	–
Capital contribution to associates		**(2,015)**	–
Advance to a non-controlling shareholder		**(2,000)**	–
(Advance to) repayment from a shareholder		**(11)**	12
Advance to ultimate holding company		**(6)**	(8)
Advance to immediate holding company		**(3)**	(7)
Repayment from (advance to) related companies		**2,309**	(652)
Government grants received		**1,324**	–
Proceeds from disposal of property, plant and equipment		**552**	2,158
Interest received		**227**	244
Net cash inflow on disposal of a subsidiary		**–**	9,991
Repayment from a fellow subsidiary		**–**	196
NET CASH (USED IN) FROM INVESTING ACTIVITIES		**(221,707)**	7,227
FINANCING ACTIVITIES			
New borrowings raised		**147,729**	–
Proceed on issue of shares upon placing		**119,095**	–
Loan from non-controlling shareholders		**106,350**	69,950
Loan from related companies		**15,701**	–
Advance from associates		**2,832**	–
Advance from (repayment to) a director		**1,081**	(4,119)
Advance from non-controlling shareholder		**703**	–
(Repayment to) advance from a shareholder		**(41,872)**	41,872
Net cash outflow on acquisition of additional interest in subsidiaries		**(8,400)**	–
Interest paid		**(4,005)**	(4,139)
Transaction cost in connection with the issue of shares upon placing		**(1,355)**	–
(Repayment to) loan from a shareholder		**(800)**	800
Issue of convertible bonds		**–**	50,000
Loan from a director		**–**	38,000
Advance from related companies		**–**	7,717
Repayment to loan from a subsidiary of non-controlling shareholders		**–**	(69,950)
Repayment of borrowings		**–**	(30,078)
Convertible bonds issue expenses		**–**	(578)
Promissory note issue expenses		**–**	(370)
NET CASH FROM FINANCING ACTIVITIES		**337,059**	99,105

CONSOLIDATED STATEMENT OF CASH FLOWS *(Cont'd)*

For the year ended 31 March 2019

	2019 **HK$'000**	2018 HK$'000 (restated)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(37,662)**	24,168
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**93,202**	67,159
Effect of changes in exchange rate	**(7,104)**	1,875
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	**48,436**	93,202

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 the 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.

2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND RESTATEMENTS *(Cont'd)*

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 HK$'000	Bartha International (i) HK$'000	Hackett (i) HK$'000	Elimination (ii) HK$'000	Reclassification (iii) HK$'000	As restated HK$'000
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
	159,984	19,957	91,752	(2,109)	–	269,584
Cost of sales	(120,984)	–	–	–	120,984	–
Cost of operations:						
– cost of alcoholic beverages	–	–	–	–	(130,797)	(130,797)
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	(6,572)	(3,614)	(4,139)	–	–	(14,325)
(Loss) profit before tax	(157,048)	9,014	26,892	–	–	(121,142)
Income tax (expense) credit	(68)	99	(6,773)	–	–	(6,742)
(Loss) profit for the year	(157,116)	9,113	20,119	–	–	(127,884)

2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND RESTATEMENTS *(Cont'd)*

For the year ended 31 March 2018 *(Cont'd)*

	As originally stated HK$'000	Bartha International (i) HK$'000	Hackett (i) HK$'000	Elimination (ii) HK$'000	Reclassification (iii) HK$'000	As restated HK$'000
(Loss) profit before tax						
Owners of the Company	(138,364)	9,113	18,135	(12,853)	–	(123,969)
Non-controlling interests	(18,752)	–	1,984	12,853	–	(3,915)
	(157,116)	9,113	20,119	–	–	(127,884)
(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	(157,116)	9,113	59,198	–	–	(88,805)
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
	(157,116)	9,113	59,198	–	–	(88,805)

2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND RESTATEMENTS *(Cont'd)*

As at 31 March 2018

	As originally stated HK$'000	Bartha International (i) HK$'000	Hackett (i) HK$'000	Elimination and reallocation (iv) HK$'000	Reclassification (v) HK$'000	As restated HK$'000
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
	158,305	14,963	41,334	–	–	214,602
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
	133,900	226,110	453,626	(640)	–	812,996
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
	133,371	193,990	102,173	(640)	(116,723)	312,171
Net current assets	529	32,120	351,453	–	116,723	500,825
Total assets less current liabilities	158,834	47,083	392,787	–	116,723	715,427

2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND RESTATEMENTS *(Cont'd)*

As at 31 March 2018 *(Cont'd)*

	As originally stated HK$'000	Bartha International (i) HK$'000	Hackett (i) HK$'000	Elimination and reallocation (iv) HK$'000	Reclassification (v) HK$'000	As restated HK$'000
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.

2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND RESTATEMENTS *(Cont'd)*

As at 1 April 2017

	As originally stated HK$'000	Bartha International (i) HK$'000	Hackett (i) HK$'000	Elimination (iv) HK$'000	As restated HK$'000
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
	9,980	15,878	44,078	–	69,936
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
	152,955	88,107	377,285	–	618,347
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
	8,699	118,596	293,952	–	421,247
Net current assets (liabilities)	144,256	(30,489)	83,333	–	197,100
Total assets less current liabilities	154,236	(14,611)	127,411	–	267,036

2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND RESTATEMENTS *(Cont'd)*

As at 1 April 2017 *(Cont'd)*

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

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

Notes:

(i) Adoption of merger accounting and restatement

As disclosed in note 39, business combinations 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.

2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND RESTATEMENTS *(Cont'd)*

As at 1 April 2017 *(Cont'd)*

Notes: *(Cont'd)*

(i) Adoption of merger accounting and restatement *(Cont'd)*
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. Please refer to Note 32 and Note 33 for details.

(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.

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

HKFRS 15 Revenue from Contracts with Customers *(Cont'd)*

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 HK$'000	**Impact on adoption of HKFRS 15- Reclassification** HK$'000	**Carrying amount as restated at 1 April 2018** HK$'000
Trade and other payables	139,442	(9,267)	130,175
Contract liabilities	–	9,267	9,267

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 HK$'000	**Impact on adoption of HKFRS 15** HK$'000	**Amounts excluding impact of adopting HKFRS 15** HK$'000
Trade and other payables	145,042	5,311	150,353
Contract liabilities	5,311	(5,311)	–

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

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 recongised 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.

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.

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

HKFRS 9 Financial instruments *(Cont'd)*

	Carrying amount at 31 March 2018 (HKAS 39) HK$'000	Adoption of HKFRS 9 – Reclassification HK$'000	Adoption of HKFRS 9 – Remeasurement HK$'000	Carrying amount at 1 April 2018 (HKFRS 9) HK$'000
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.

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

HKFRS 9 Financial instruments *(Cont'd)*

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 HK$'000	Non-controlling interest HK$'000
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	(137,733)	(8,059)

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.

New and revised HKFRSs issued but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[3]
Amendments to HKFRS 3	Definition of a Business[2]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKAS 1 and HKAS 8	Definition of Material[5]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle[1]

[1] Effective for annual periods beginning on or after 1 January 2019.
[2] Effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period.
[3] Effective for annual periods beginning on or after 1 January 2021.
[4] Effective for annual periods beginning on or after a date to be determined.
[5] Effective for annual periods beginning on or after 1 January 2020.

The directors of the Company anticipate that, except as described below, the application of other new and amendments to HKFRSs will have no material impact on the results and the financial position of the Group.

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

HKFRS 16 Leases

HKFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessors and lessees.

In respect of the lessee accounting, the standard introduces a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases with the lease term of more than 12 months, unless the underlying asset has a low value.

At the commencement date of the lease, the lessee is required to recognise a right-of-use asset at cost, which consists of the amount of the initial measurement of the lease liability, plus any lease payments made to the lessor at or before the commencement date less any lease incentives received, the initial estimate of restoration costs and any initial direct costs incurred by the lessee. A lease liability is initially recognised at the present value of the lease payments that are not paid at that date.

Subsequently, the right-of-use asset is measured at cost less any accumulated depreciation and any accumulated impairment losses, and adjusted for any remeasurement of the lease liability. Lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payment made, and remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments. Depreciation and impairment expenses, if any, on the right-of-use asset will be charged to profit or loss following the requirements of HKAS 16 Property, Plant and Equipment, while interest accrual on lease liability will be charged to profit or loss.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17 Leases. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

HKFRS 16 will supersede the current lease standards including HKAS 17 Leases and the related Interpretations when it becomes effective.

As at 31 March 2019, the Group has non-cancellable operating lease commitments of approximately HK$18,083,000 as disclosed in note 41. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise right-of-use assets and corresponding liabilities in respect of all these leases unless they are exempt from the reporting obligations under HKFRS 16. The directors of the Company expect that, apart from the changes in the measurement, presentation and disclosure as indicated above, the adoption of HKFRS 16 will not have other material impact on amounts reported in the Group's consolidated financial statements.

The Group plans to elect to use the modified retrospective approach for the adoption of HKFRS 16 on 1 April 2019 and will recognise the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 April 2019. Comparative information will not be restated. Lease liabilities will measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on GEM of the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value-in-use in HKAS 36.

Fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

At the end of the reporting period, the Group determines whether transfer occur between levels of the fair value hierarchy for assets and liabilities which are measured at fair value on recurring basis by reviewing their respective fair value measurement.

In addition to merger accounting for business combination involving entities under common control as set out in note 2, the principal accounting policies are set up below.

4. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

4. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Basis of consolidation *(Cont'd)*

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of subsidiaries, it (i) derecognises the assets (including any goodwill) and liabilities of the subsidiaries at their carrying amounts at the date when control is lost, (ii) derecognises the carrying amount of any non-controlling interests in the former subsidiaries at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognises the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognise as a gain or loss in profit or loss attributable to the Group. The fair value of any investment retained in the former subsidiaries at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9 Financial Instruments (on or after 1 April 2018) or HKAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in associates.

4. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Business combinations

Businesses combinations are accounted for by applying the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs incurred to effect a business combination are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities arising from the assets acquired and liabilities assumed in the business combination are recognised and measured in accordance with HKAS 12 Income Taxes;
- assets or liabilities related to the acquiree's employee benefit arrangements are recognised and measured in accordance with HKAS 19 Employee Benefits;
- liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of the acquiree's share-based payment transactions with the share-based payment transactions of the Group are measured in accordance with HKFRS 2 Share-based Payment at the acquisition date (see the accounting policy below); and
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

Goodwill is measured as the excess of the aggregate of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the Group's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the aggregate of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a gain on bargain purchase.

Non-controlling interests, unless as required by another standards, are measured at acquisition-date fair value except for non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured either at fair value or at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets on a transaction-by-transaction basis.

4. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Business combinations *(Cont'd)*

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

Merger accounting for business combination involving entities under common control

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

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

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

The comparative amounts in the consolidated financial statements are presented as if the entities or businesses had been combined at the end of the previous reporting period unless the combining entities or businesses first came under common control at a later date.

Goodwill

Goodwill arising from a business combination is carried at cost less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

4. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

After application of the equity method, including recognising the associate's losses (if any), the Group determines whether it is necessary to recognise any additional impairment loss with respect to its investment in the associate. Goodwill that forms part of the carrying amount of an investment in an associate is not separately recognised. The entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount (higher of value-in-use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment in the associate. Any reversal of that impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

When the investment ceases to be an associate upon the Group losing significant influence over the associate, the Group discontinues to apply equity method and any retained interest is measured at fair value at that date which is regarded as its fair value on initial recognition as a financial asset in accordance with the applicable standard. Any difference between the fair value of any retained interest and any proceeds from disposing of a part interest in the associate and the carrying amount of the investment at the date the equity method was discontinued is recognised in profit or loss. Any amount previously recognised in other comprehensive income in relation to that investment is reclassified to profit or loss or retained earnings on the same basis as it would have been required if the investee had directly disposed of the related assets or liabilities.

4. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Investments in associates *(Cont'd)*

When the Group's ownership interest in an associate is reduced, but the Group continues to apply the equity method, the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest is reclassified to profit or loss if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate of the Group (such as a sale or contribution of assets), profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Plant and equipment

Plant and equipment held for use in the supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets over their estimated useful lives, using the straight-line method. The estimated useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Intangible assets acquired separately

Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Alternatively, intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Impairment on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the CGU to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGU, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

4. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Impairment on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above) *(Cont'd)*

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or CGU) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Cash and cash equivalents

Bank balances and cash in the consolidated statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of bank balances and cash as defined above.

Fiduciary activities

The Group maintains segregated accounts with authorised institutions to hold clients' monies arising from its normal course of the regulated business activities. The Group has classified the "bank balances – segregated accounts" within the current assets in the consolidated statement of financial position and recognised the corresponding trade payables to respective clients and other institutions on the grounds that it is liable for any loss or misappropriation of clients' monies.

The Group is not allowed to use the clients' monies to settle its own obligations. The cash held on behalf of customers is restricted and governed by the Securities and Futures (Client Money) Rules under the Securities and Futures Ordinance.

4. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets at fair value through profit or loss) are added to or deducted from the fair value of the financial assets, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets at fair value through profit or loss are recognised immediately in profit or loss.

Under HKFRS 9 (applicable on or after 1 April 2018)

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets. Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, FVTOCI, and FVTPL.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

Financial assets at amortised cost (debt instruments)

The Group measures financial assets subsequently at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment.

4. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Financial instruments *(Cont'd)*

Under HKFRS 9 (applicable on or after 1 April 2018) (Cont'd)

Financial assets *(Cont'd)*

Financial assets at amortised cost (debt instruments) *(Cont'd)*

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Group recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognised in profit or loss and is included in the "Interest income" (note 7) and "other income" (note 9).

4. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Financial instruments *(Cont'd)*

Under HKFRS 9 (applicable on or after 1 April 2018) (Cont'd)

Financial assets *(Cont'd)*

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.

- Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Group has not designated any debt instruments as at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is disclosed separately in profit or loss. Fair value is determined in the manner described in note 7.

A financial asset is held for trading if:

- It has been acquired principally for the purpose of selling it in the near term; or

- on initial recognition, it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or

- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

4. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Financial instruments *(Cont'd)*

Under HKFRS 9 (applicable on or after 1 April 2018) (Cont'd)

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group measures the loss allowance equal to 12-month ECL, unless when there has a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increase in the likelihood or risk of a default occurring since initial recognition.

<u>Significant increase in credit risk</u>

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's operations.

4. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Financial instruments *(Cont'd)*

Under HKFRS 9 (applicable on or after 1 April 2018) (Cont'd)

Impairment of financial assets *(Cont'd)*

Significant increase in credit risk *(Cont'd)*

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if i) the financial instrument has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term, and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of "Normal". "Normal" means that the counterparty has a strong financial position and there is no past due amounts.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

4. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Financial instruments *(Cont'd)*

Under HKFRS 9 (applicable on or after 1 April 2018) (Cont'd)

Impairment of financial assets *(Cont'd)*

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

The Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Financial instruments *(Cont'd)*

Under HKFRS 9 (applicable on or after 1 April 2018) (Cont'd)

Impairment of financial assets *(Cont'd)*

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

4. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Financial instruments *(Cont'd)*

Under HKFRS 9 (applicable on or after 1 April 2018) (Cont'd)

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

4. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Financial instruments *(Cont'd)*

Under HKFRS 9 (applicable on or after 1 April 2018) (Cont'd)

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is 1) contingent consideration of an acquirer in a business combination to which HKFRS 3 applies, 2) held for trading, or 3) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKFRS 9 permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value with any gains or losses arising on changes in fair value recognised in profit or loss to the extent that they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liabilities and is included in the 'change in fair value of derivative financial instrument' line item in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Financial instruments *(Cont'd)*

Under HKFRS 9 (applicable on or after 1 April 2018) (Cont'd)

Financial liabilities (Cont'd)

Financial liabilities at FVTPL (Cont'd)

However, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognised in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not 1) contingent consideration of an acquirer in a business combination, 2) held-for-trading, or 3) designated as at FVTPL, are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Financial instruments *(Cont'd)*

Under HKFRS 9 (applicable on or after 1 April 2018) (Cont'd)

Convertible bonds

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

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

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

Transaction costs that relate to the issue of the convertible bond are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible bond using the effective interest method.

4. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Financial instruments *(Cont'd)*

Under HKFRS 9 (applicable on or after 1 April 2018) (Cont'd)

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

Under HKAS 39 (applicable before 1 April 2018)

Financial assets

The Group's financial assets are financial assets at FVTPL and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

4. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Financial instruments *(Cont'd)*

Under HKAS 39 (applicable before 1 April 2018) (Cont'd)

Financial assets *(Cont'd)*

Financial assets at FVTPL

Financial assets at FVTPL has two subcategories, including financial assets held for trading and those designated as at FVTPL on initial recognition.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is included in the net trading loss line item in the consolidated statement of profit or loss and other comprehensive income. Fair value is determined in the manner described in note 7.

4. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Financial instruments *(Cont'd)*

Under HKAS 39 (applicable before 1 April 2018) (Cont'd)

Financial assets *(Cont'd)*

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including loan and interest receivables deposits, trade and other receivables, amount due from ultimate holding company, amount due from immediate holding company, amounts due from related companies and bank balances and cash) are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of financial assets

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

For all financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade and other receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

4. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Financial instruments *(Cont'd)*

Under HKAS 39 (applicable before 1 April 2018) (Cont'd)

Financial assets *(Cont'd)*

Impairment of financial assets *(Cont'd)*

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, amount due from ultimate holding company and amount due from immediate holding company, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade or other receivable, amount due from ultimate holding company or amount due from immediate holding company is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liabilities are either held for trading or those designated as at FVTPL on initial recognition.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

For the put option liabilities on non-controlling interests are measured at fair value and are recorded in "Derivative financial instrument" upon initial recognition, with a corresponding amount debited to "Capital reserve" within equity of the Group. All subsequent changes in the carrying amount of the "Derivative financial instrument" are recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Financial instruments *(Cont'd)*

Under HKAS 39 (applicable before 1 April 2018) (Cont'd)

Financial liabilities and equity instruments *(Cont'd)*

Other financial liabilities

Other financial liabilities including trade and other payables, amount due to shareholders, amount due to non-controlling shareholder, convertible bonds, promissory note payable loan from a director and loan from a shareholder are subsequently measured at the amortised cost, using the effective interest method.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Financial instruments *(Cont'd)*

Under HKAS 39 (applicable before 1 April 2018) (Cont'd)

Convertible bonds

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

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

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

Transaction costs that relate to the issue of the convertible bond are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible bond using the effective interest method.

Derivative financial instrument

Derivatives are initially recognised at fair value at the date when a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Revenue recognition

Policy applicable for the year ended 31 March 2019 (with applicable of HKFRS 15)

Revenue is recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Group uses a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

The Group recognised revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to customers.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- The Group's performance creates and enhances an asset that the customer controls as the asset is created and enhanced; or
- The Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct goods or service.

Revenue is measured based on the consideration specified in a contract with a customer, excludes amounts collected on behalf of third parties, discounts and sales related taxes.

4. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Revenue recognition *(Cont'd)*

Policy applicable for the year ended 31 March 2019 (with applicable of HKFRS 15) (Cont'd)

The Group recognised revenue from the following major sources:

- Sales of alcoholic beverages
- Provision of wine auction services
- Commission from dealing in securities, futures and options contracts
- Commission from underwriting and placing services
- Provision of corporate finance and advisory services
- Provision of loan referral services
- Provision of high performance computing services

Revenue from sales of alcoholic beverages is recognised when goods is transferred to and accepted by the customers, which is the point of time the customer has the ability to direct the use of the products and obtain substantially all of the remaining benefits of the products.

Auction service revenue is recognised at a point in time when the Company transfers the promised auction services to the customers upon the fall of hammer in auctions. Auction services revenue includes buyer's and seller's commission, which are based on a percentage of hammer price of the auction sales.

Commission and brokerage income is recognised at a point in time when the trading transaction is executed, with reference to the trading transaction volume and the commission rate applicable.

Underwriting and placing are at a point in time with reference to the detailed terms of transactions as stipulated in the contracts entered into with its customers and counterparties.

Financial advisory fee from corporate finance and advisory services is recognised over the service period based on services provided as the customer simultaneously receives and consumes the services provided by the Group over the period in accordance with relevant terms of the agreement. Payment of the transaction is due immediately when the services are rendered to the customers. The Group has the primary responsibility for providing the services to the customer or for fulfilling the order, for example by being responsible for the acceptability of the services ordered by the customer.

4. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Revenue recognition *(Cont'd)*

Policy applicable for the year ended 31 March 2019 (with applicable of HKFRS 15) (Cont'd)

Loan referral services income is recognised at a point in time when the service for the transaction are completed under the terms of each engagement and the revenue can be measured reliable as only that time the Group has a present right to payment for services performed.

High performance computing services income is recognised over the service period based on services provided as the customer simultaneously receives and consumes the services provided by the Group over the period in accordance with relevant terms of the agreement. Payment of the transaction is due immediately when the services are rendered to the customers. The Group has the primary responsibility for providing the services to the customer or for fulfilling the order, for example by being responsible for the acceptability of the services ordered by the customer.

Policy applicable for the year ended 31 March 2018

Revenue is measured at the fair value of the consideration received or receivable.

Revenue from the sale of goods is recognised when the goods are delivered and title has passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Consignment income is recognised when the consignment inventories are sold.

Storage service income is recognised when services are rendered.

Financial service income is recognised when services are provided.

4. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Revenue recognition *(Cont'd)*

Policy applicable for the year ended 31 March 2018 (Cont'd)

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Contract costs

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. The Group recognises such costs (i.e. sales commissions) as an asset if it expects to recover these costs.

The asset so recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate.

The Group applies the practical expedient of expensing all incremental costs to obtain a contract if these costs would otherwise have been fully amortised to profit or loss within one year.

4. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as "deferred income" in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease.

Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purpose of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operation are translated into presentation currency of the Group (i.e. HK$) at the rate of exchange prevailing at the end of the reporting period, and their income and expense are translated at the average rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve (attributed to non-controlling interests as appropriate).

4. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Employee benefits

Retirement benefit cost

Payments to the Mandatory Provident Fund Scheme (the "MPF Scheme") and state-managed retirement benefit schemes are recognised as an expense when employees have rendered services entitling them to the contributions.

Short-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "loss before tax" as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

4. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Taxation *(Cont'd)*

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss.

Share-based payment transactions

Equity-settled share-based payment transactions of the Company

Share options granted to shareholders

For grants of share options that are conditional upon satisfying specified vesting conditions, the fair value of services received is determined by reference to the fair value of share options granted at the date of grant and is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve).

At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited or cancelled after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained earnings.

Share options granted to consultants

Share options issued in exchange for goods or services are measured at the fair values of the goods or services received, unless the fair value cannot be reliably measured, in which case the goods or services received are measured by reference to the fair value of the share options granted. The fair values of the goods or services received are recognised as expenses on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve), when the Group obtains the goods or when the counterparties render services, unless the goods or services qualify for recognition as assets.

4. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Crypto-currencies

Crypto-currencies are open-source software-based online payment system where payments are recorded in a public ledger using its own unit of account. The Group is engaged into crypto-currencies mining principally for the purpose of selling in the near future and generating a profit from fluctuations in price. The Group measures crypto-currencies at its fair value less costs to sell, with any change in fair value less costs to sell being recognised in profit or loss in the period of the change. Crypto-currencies derecognised when the group has transferred substantially all the risks and awards of ownership. As a result of the crypto-currencies protocol, costs to sell them are immaterial in the current period and no allowance is made for such costs.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

Crypto-currencies fair value measurement is a Level 1 fair value as it is based on a quoted (unadjusted) market price in active markets for identical assets.

Crypto-currencies are derecognised when the Group disposes of them through its trading activities or when the Group otherwise loses control and, therefore, access to the economic benefits associated with ownership of the crypto-currencies.

Crypto-currencies inventory is measured at fair value using the quoted price in United States dollars on the Currency Exchange Market at closing Coordinated Universal Time. Management considers this fair value to be a Level 1 input under the HKFRS 13 Fair Value Measurement fair value hierarchy as the price on the Currency Exchange Market represents a quoted price in an active market for identical assets. Management has selected the Currency Exchange Market as it is a major crypto currencies exchange with appropriate size and liquidity to provide reliable evidence of fair value for the size and volume of transactions that are reasonably contemplated by the Group.

Refer to note 5 "Crypto-currencies" for further discussion in respect of crypto-currencies valuation and the judgement made in determining that such inventories are carried as commodity broker-trader inventory.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Going concern and liquidity

The assessment of the going concern assumptions involves making judgement by the directors of the Company, at a particular point of time, about the future outcome of events or conditions which are inherently uncertain. Please refer to note 2 in relation to the going concern assumptions adopted by the directors of the Company.

De facto control over subsidiaries

Notwithstanding the lack of majority of equity ownership in Bartha International Limited ("Bartha International"), the Group is able to exercise control over the subsidiaries above through the director's meeting and shareholders' meeting of Bartha International.

The directors of the Company assessed whether or not the Group has control over the subsidiaries above based on whether the Group has the practical ability to direct the relevant activities of the subsidiaries above unilaterally. In making their judgement, the directors of the Company considered the Group had majority of voting rights and appointed all directors to the board of Bartha International. After assessment, the directors of the Company concluded that the Group has sufficiently dominant voting interest to direct the relevant activities of the subsidiaries above and therefore the Group has control over the subsidiaries above.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Cont'd)*

Estimated useful lives and impairment assessment of plant and equipment

Plant and equipment are depreciated on a straight-line basis over their estimated useful lives. The determination of the useful lives involves management's estimation based on historical experience. The Group assesses annually the useful lives of the plant and equipment and if the expectation differs from the original estimate, such a difference may impact the depreciation in the year and the estimate will be changed in the future period.

The mining equipment is used to generate crypto-currencies ("Crypto-currencies mining machines"). The rate at which the Company generates crypto-currencies and, therefore, consumes the economic benefits of its mining equipment are influenced by several factors including, but not limited to, the following:

- The complexity of the mining process which is driven by the algorithms contained within the crypto-currencies open source software; and

- Product life cycle of Crypto-currencies mining machines such that more recently developed hardware is more economically efficient to run as a function of operating costs, primarily power costs is such that later mining machine models generally have faster processing capacity combined with lower operating costs.

Based on current data available, management has determined that the straight-line method of amortisation best reflects the current expected useful life of mining equipment. Management will review their estimates at each reporting date and will revise such estimates as and when data become available. Management will review the appropriateness of its assumption related to residual value at each reporting date.

The Group determines whether the plant and equipment are impaired whenever there is indication of impairment presented. The impairment loss for plant and equipment are recognised for the amounts by which the carrying values exceed their recoverable amounts, in accordance with the Group's accounting policy. The recoverable amounts of plant and equipment have been determined based on value-in-use calculations. These calculations require the use of estimates such as future revenue and discount rates. As at 31 March 2019, the carrying values of plant and equipment were approximately HK$92,595,000 (2018 (restated): HK$15,865,000).

Allowance for inventories

The management of the Group reviews the ageing of the inventories at the end of the reporting period, and makes allowance for obsolete and slow-moving inventory items identified that are no longer saleable in the market. The identification of obsolete inventories requires the use of estimation of the net realisable value of items of inventories and judgements on the conditions of items of inventories. Where the expected net realisable value is lower than the cost of certain items, a write-down of inventories may arise. As at 31 March 2019, the carrying amounts of inventories were approximately HK$32,272,000 (2018: HK$50,578,000). No allowance was recognised for inventories as at 31 March 2019 and 2018.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Cont'd)*

Impairment of loan and interest receivables, trade receivables, other receivables and amount due from a non-controlling shareholder and associates

The impairment provisions for loan and interest receivables, trade receivables, other receivables and amounts due from a non-controlling shareholder and associates are based on assumptions about ECL. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, bases on the number of days that an individual receivable is outstanding as well as the Group's historical experience and forward-looking information at the end of the reporting period. Changes in these assumptions and estimates could materially affect the result of the assessment and it may be necessary to make additional impairment charge to the consolidated statement of profit or loss and other comprehensive income. As at 31 March 2019, the carrying amounts of loan and interest receivables, trade receivables, other receivables and amount due from a non-controlling shareholder and associates of the Group were approximately HK$555,713,000 (1 April 2018: HK$425,591,000), HK$102,926,000 (1 April 2018: HK$80,237,000), HK$26,165,000 (1 April 2018: HK$9,932,000), HK$2,000,000 (1 April 2018: nil) and HK$2,866,000 (1 April 2018: nil) respectively, net of accumulated impairment losses of loan and interest receivables, trade receivables, other receivables and amounts due from a non-controlling Shareholder and associates of approximately HK$33,076,000 (1 April 2018: HK$28,439,000), HK$938,000 (1 April 2018: HK$440,000), nil (1 April 2018: nil), nil (1 April 2018: nil) and nil (1 April 2018: nil) respectively.

Loan receivables mainly include financing advances provided to customers which are mainly secured by real estates and other collaterals. Apart from assessing the financial positions of customers, the management further reviews value of the pledged real estates and other collaterals by reference to recent market transactions in comparable properties or fair values determined by the directors of the Company. If the market value of secured real estates and other collaterals is deteriorated and is below the carrying amount of the corresponding financing advances, provision on impairment may be required.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Cont'd)*

Impairment of intangible assets

The management of the Group determines whether the intangible assets are impaired (see the accounting policy regarding impairment on tangible and intangible assets other than goodwill). The impairment loss for intangible assets is recognised for the amounts by which the carrying amounts exceed their recoverable amounts, in accordance with the Group's accounting policy. The recoverable amounts of intangible assets have been determined based on value-in-use calculations. These calculations require the use of estimates such as the future revenue and/or discount rates. As at 31 March 2019, the carrying amounts of intangible assets are approximately HK$188,339,000 (2018 (restated): HK$9,258,000). No impairment losses were recognised as at 31 March 2019 and 2018.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value-in-use of the CGU to which goodwill has been allocated. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 March 2019, the carrying amount of goodwill is approximately HK$266,468,000 (2018 (restated): HK$9,028,000) as detailed in note 22. Impairment loss of HK$173,251,000 is recognised during the year ended 31 March 2019 (2018: HK$3,817,000) as a result of actual results of the subsidiaries did not meet the management's expectations. Accumulated impairment losses of HK$177,068,000 (2018: HK$3,817,000) were recognised as at 31 March 2019.

Useful lives of intangible assets

The license is an intangible asset acquired from third parties with indefinite useful life. The license allows the Group to conduct the sale and purchase of bitcoin and Japanese Yen through ATMs.

Trading rights mainly comprise the trading rights in the Stock Exchanges of Hong Kong Limited (the "SEHK") and the Hong Kong Futures Exchange Limited (the "HKFE"). These rights allow the Group to trade securities and futures contracts on or through these exchanges.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Cont'd)*

Useful lives of intangible assets *(Cont'd)*

The club membership is an intangible asset acquired from third parties with indefinite useful life.

The Group's licenses, trading rights and club membership are classified as indefinite-lived intangible assets in accordance with HKAS 38 "Intangible Assets". This conclusion is supported by the fact that there were no specific terms for the rights and the directors of the Company expected that the business underlying the rights can be operated perpetually. Under HKAS 38, the Group re-evaluates the useful lives of the licences at the end of each reporting period to determine whether events and circumstances continue to support the view of indefinite useful life for the assets. As at 31 March 2019, the carrying amount of trading rights, club membership and license of the Group are approximately HK$7,978,000, HK$1,280,000 and HK$179,081,000 (2018 (restated): HK$7,978,000, HK$1,280,000 and nil) respectively.

Fair value measurements and valuation processes

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes. The directors of the Company are responsible in determining the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The directors of the Company work closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The directors of the Company regularly assess the impact and the cause of fluctuations in the fair value of the assets and liabilities.

The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments, including unlisted exchangeable bonds, put option of non-controlling interest and put option to the promissory note holder. Note 7 provides detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of various assets and liabilities.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Cont'd)*

Crypto-currencies

Management considers that the Group's crypto-currencies are a commodity. As Hong Kong Financial Reporting Standards do not define the term "commodity", management has considered the guidance in HKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors ("HKAS 8") that allows an entity to consider the most recent pronouncements of other standard-setting bodies that use a similar conceptual framework to develop accounting standards, other accounting literature and accepted industry practice to the extent that these do not conflict with the requirements of the Hong Kong Financial Reporting Standards and the Hong Kong Accounting Standards Board Conceptual Framework. Under United States Generally Accepted Accounting Principles (US GAAP) as set out in the Master Glossary of the Accounting Standards Codification, a commodity has been defined as "products whose units are interchangeable, are traded on an active market where customers are not readily identifiable, and are immediately marketable at quoted prices". Based on this definition and the guidance in HKAS 8, management has therefore determined that crypto-currencies are a commodity notwithstanding that crypto-currencies lack physical substance.

The Group's activities include trading crypto-currencies, primarily the buying and selling of crypto-currencies and, therefore, subsequent to initial recognition, crypto-currencies (whether received as consideration for mining activities or acquired through purchase) is held at fair value less costs to sell, reflecting the Group's purpose of holding such crypto-currencies as a commodity broker-trader in accordance with HKAS 2 Inventories. As a result of the crypto-currencies protocol, costs to sell crypto-currencies are immaterial and no allowance is made for such costs. Changes in the amount of crypto-currencies based on fair value are included in profit or loss for the period.

Crypto-currencies is derecognised when the Group disposes of the inventory through its trading activities or when the Group otherwise loses control, and, therefore, access to the economic benefits associated with ownership of the crypto-currencies.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Cont'd)*

Revenue from transaction verification service

The Group generates revenue by providing computer processing activities for crypto-currencies generation and transaction processing services on the public ledger system known as the crypto-currencies blockchain. In the crypto-currency industry such activity is generally referred to as crypto-currency mining. The Group receives consideration for providing such crypto-currency mining activities in the form of crypto-currencies. The Group has determined that the substance of its crypto-currency mining activities is service provision under the scope of HKFRS 15 Revenue from Contracts with Customers notwithstanding that there is no contractual arrangement under which it provides such services as the services are provided instead through open source software being the crypto-currencies protocol. Furthermore, the nature of the crypto-currencies protocol is such that the Group is unable to determine in advance the consideration that it will receive, if any, for the crypto-currency mining services that it provides and, therefore, the Group is unable to estimate reliably the outcome of its mining activities in advance of actual receipt of consideration in the form of crypto-currencies. Because of the uncertainty over both the timing and amount of the consideration that the Group will receive for undertaking mining activities, management has determined that revenue should only be recognised on actual receipt of crypto-currencies as consideration for services provided.

Crypto-currencies received for mining activities are, therefore, recognised as revenue at fair value on the day of receipt in a private crypto-currencies wallet controlled by the Group. The fair value of crypto-currencies received is determined in accordance with the Group's accounting policy. Crypto-currencies received are recognised immediately as "crypto-currencies" into the trading book. As revenue from crypto-currency mining activity is measured on an as received basis revenues are neither earned on a constant basis over time, nor necessarily in a direct relationship to computer processing capacity utilised. As a consequence, future generation of crypto-currencies and, therefore future revenues, from crypto-currency mining activities may be subject to volatility due to factors outside the Group's control.

6. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, reserves and accumulated losses.

The directors of the Company review the capital structure regularly. As part of this review, the directors of the Company consider the cost of capital and risks associated with each class of capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through the payment of dividends, new share issues and issue of new debt.

7. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2019 HK$'000	2018 HK$'000 (restated)
Financial assets		
Financial assets at FVTPL		
– Financial assets mandatorily measured at FVTPL/held for trading investments	**105,481**	169,291
Financial assets at amortised cost/loans and receivables (including cash and cash equivalents)	**796,350**	733,744
	901,831	903,035
Financial liabilities		
Financial liabilities at FVTPL		
– Derivative financial instrument	**53,638**	14,901
At amortised cost	**988,299**	443,575
	1,041,937	458,476

7. FINANCIAL INSTRUMENTS *(Cont'd)*

(a) Categories of financial instruments *(Cont'd)*

Offsetting of financial assets and financial liabilities

The following financial assets and financial liabilities are subject to offsetting, enforceable master netting arrangements and similar agreements.

The Group maintained accounts with the Hong Kong Securities Clearing Company Limited ("HKSCC") through which they conducted securities trading transactions and settlement on a net basis.

In presenting the amounts due from and to HKSCC (included in trade receivables or trade payables with clearing house), the Group has offset the gross amount of the accounts receivable from and the gross amount of the accounts payable to HKSCC. The amounts offset and the net balances are shown as follows:

	Gross amount HK$'000	**Amount off set** HK$'000	**Net amount receivable (payable)** HK$'000
2019			
Trade receivable from HKSCC	**22,229**	**(12,251)**	**9,978**
Trade payable to HKSCC	**(12,251)**	**12,251**	**–**
2018			
Trade receivable from HKSCC	33,374	(33,374)	–
Trade payable to HKSCC	(37,420)	33,374	(4,046)

7. FINANCIAL INSTRUMENTS *(Cont'd)*

(b) Financial risk management objectives and policies

The Group's major financial instruments include financial assets at FVTPL, loan and interest receivables, deposits, trade and other receivables, held-for-trading financial assets, amount due from ultimate holding company, amount due from immediate holding company, amount due from a shareholder, amount due from a non-controlling shareholder, amounts due from related companies, amounts due from associates, bank balances and cash, trade and other payables, amounts due to shareholders, amounts due to related companies, amount due to a director, amounts due to associates, amounts due to non-controlling shareholders, loan from a shareholder, loan from a director, loan from a subsidiary of non-controlling shareholder, loan from a related company, borrowings, convertible bonds, derivatives financials instruments and promissory note payable. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

RMB is not freely convertible into foreign currencies. All foreign exchange transactions involving RMB must take place through the People's Bank of China or other institutions authorised to buy and sell foreign exchange. The exchange rate adopted for the foreign exchange transactions are the rates of exchange quoted by the People's Bank of China that are determined largely by supply and demand.

Certain loan and interest receivables are denominated in JPY, certain bank balances are denominated in RMB, HK$ and US$, certain payment in advance and trade payable are denominated in US$, EUR and GBP, and certain bank borrowings are denominated in JPY, which are currencies other than the functional currency of the relevant group entities.

7. FINANCIAL INSTRUMENTS *(Cont'd)*

(b) Financial risk management objectives and policies *(Cont'd)*

Market risk (Cont'd)

(i) Currency risk *(Cont'd)*

The carrying amounts of the Group's monetary assets and liabilities that are denominated in currencies other than the functional currency of relevant group entities at the end of the reporting period are as follows:

	2019		2018	
	Assets HK$'000	**Liabilities HK$'000**	Assets HK$'000	Liabilities HK$'000
RMB	**2**	**–**	–	–
United States dollar ("US$")	**469**	**817**	385	850
Euro ("EUR")	**1,177**	**191**	–	2,026
Great British Pound ("GBP")	**1,142**	**7**	–	54
Japanese yen ("JPY")	**137,321**	**144,350**	40,580	–

Sensitivity analysis

As HK$ is pegged to US$, the Group does not expect any significant movements in the US$/HK$ exchanges rate. In the opinion of the directors of the Company, the foreign currency sensitivity analysis does not give additional value in view of insignificant movement in the US$/HK$ exchange rate.

No sensitivity analysis is presented for RMB, EUR and GBP as in the opinion of the directors of the Company, the expected change in foreign exchange rates of RMB/HK$ and GBP/HK$ will not have significant impact on the loss during the years ended 31 March 2019 and 2018.

7. FINANCIAL INSTRUMENTS *(Cont'd)*

(b) Financial risk management objectives and policies *(Cont'd)*

Market risk (Cont'd)

(i) Currency risk *(Cont'd)*

Sensitivity analysis *(Cont'd)*

If a 5% increase/decrease in JPY against the HK$ and all other variables were held constant, the Group's loss after tax for the year would increase/decrease by approximately HK$293,000 (2018: (restated): decrease/increase by HK$1,694,000). 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items. The sensitivity analysis includes cash and cash equivalents where the denomination is JPY other than the functional currency.

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank borrowings (see Note 31). The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider other necessary action when significant interest rate exposure is anticipated.

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances. To mitigate the impact of interest rate fluctuations, the Group assesses and monitors the exposure to interest rate risk.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the prevailing market rates on bank balances.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative instruments at the end of reporting period. The analysis is prepared assuming the amount of assets and liabilities outstanding at the end of reporting period was outstanding for the whole year. A 10 basis point (2018: 10 basis point) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 10 basis point (2018: 10 basis point) higher/lower and all other variables were held constant, the Group's post-tax loss for the year ended 31 March 2019 would decrease/increase by approximately HK$3,190,000 (2018: HK$7,199,000). This is mainly attributable to the Group's exposure to cash flow interest rate risk on its variable rate bank balances.

7. FINANCIAL INSTRUMENTS *(Cont'd)*

(b) Financial risk management objectives and policies *(Cont'd)*

Market risk (Cont'd)

(iii) Other price risk

The Group is exposed to equity price risk through investments in listed equity securities. The management manages this exposure by maintaining a portfolio of investments with different risks. The Group has appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks at the end of the reporting period.

If the stock prices of the Company had been 5% higher/lower, post-tax loss for the year ended 31 March 2019 would increase by approximately HK$310,000 (2018: HK$946,000) and decrease by approximately HK$144,000 (2018: HK$946,000) for the Group respectively as a result of the changes in fair value of derivative financial instrument. The directors of the Company decide to increase the rate of sensitivity to reflect significant movement on the stock price in current year.

If the prices of the listed equity securities had been 10% higher/lower, post-tax loss for the year ended 31 March 2019 would decrease/increase by approximately HK$50,000 (2018: HK$587,000) for the Group as a result of the changes in fair value of listed equity securities. The directors of the Company decide to increase the rate of sensitivity to reflect significant movement on the stock price in current year.

Credit risk

As at the end of each reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The Group's credit risk is primarily attributable to trade receivables and loan and interest receivables. Management has a credit policy in place and the exposures to the credit risk are monitored on an on-going basis.

7. FINANCIAL INSTRUMENTS *(Cont'd)*

(b) Financial risk management objectives and policies *(Cont'd)*

Credit risk (Cont'd)

In respect of trade receivables due from clients, individual credit evaluations are performed on all clients including cash and margin clients. Cash clients are required to place deposits as prescribed by the Group's credit policy before execution of any purchase transactions. Receivables due from cash clients are due within the settlement period commonly adopted by the relevant market convention, which is usually within a few days from the trade date. Because of the prescribed deposit requirements and the short settlement period involved, credit risk arising from the trade receivables due from cash clients is considered to be minimal. For margin clients, the Company normally obtains liquid securities and/or cash deposits as collateral for providing margin financing to its clients. Margin loans due from margin clients are repayable on demand. Market conditions and adequacy of securities collateral of each margin account are monitored by management on a daily basis. Margin calls and forced liquidation will be made where necessary in order to recover the outstanding debts. As at 31 March 2019, the top and top 5 of margin clients constitute 16% and 45% (2018: 27% and 74%) of trade receivables from margin clients respectively. The total market value of securities pledged as collateral in respect of the top and these top 5 margin clients were approximately HK$96,274,000 and HK$143,851,000 (2018: HK$30,929,000 and HK$116,554,000) respectively.

In respect of trade receivables from clearing house, credit risks are considered to be limited as the Company normally enters into transactions with clearing house which are registered with regulatory bodies and with sound reputation in the industry.

In respect of loan and interest receivables, representing financing advances to customers under the Group's loan financing business, individual credit evaluations are performed. These evaluations focus on the customer's financial background and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates.

13% (2018: 24%) of all financing advances given out as at 31 March 2019, are backed by real estates and motor vehicles situated in Chongqing, the PRC as a security. The Group also identified legal ownership and the valuation of the collaterals. An advance given out is based on the value of collaterals and is generally less than the estimated value of the collaterals. The Group closely monitors the ownership and value of the collaterals throughout the loan period. Advances to customers are due by the date as specified in the corresponding loan agreements.

7. FINANCIAL INSTRUMENTS *(Cont'd)*

(b) Financial risk management objectives and policies *(Cont'd)*

Credit risk (Cont'd)

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. 9% (2018: 9%) of the total loan receivables was due from the Group's largest customer as at 31 March 2019.

The maximum exposure to credit risk without taking account of the collateral held is represented by the carrying amount of loan receivables as at the end of the reporting period. The Group does not provide any guarantees which would expose the Group to credit risk.

The credit risk for bank balances is considered minimal as such amounts are placed with banks with high credit ratings assigned by international credit-rating agencies.

As at 31 March 2018, impairment loss was recognised when there was objective evidence of impairment loss.

Starting from 1 April 2018, for trade receivables (except interest receivables), the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL on an individual basis for customer with significant balances and/or collectively by using a provision matrix, estimated based on historical credit loss experience, as well as the general economic conditions of the industry in which the debtors operate. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

For other non-traded related receivables, the Group has assessed whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Group will measure the loss allowance based on lifetime rather than 12-month ECL.

Management considered amounts due from ultimate holding company/immediate holding company/a shareholder/a non-controlling shareholder/related parties/ associates to be low credit risk and thus the impairment provision recognised during the year was limited to 12-month ECL.

The Group's concentration of credit risk by geographical location for customers is mainly in Hong Kong and China, which accounted for 65% and 21% (2018 : 79% and 18%) of the total trade receivables as at 31 March 2019 respectively.

7. FINANCIAL INSTRUMENTS *(Cont'd)*

(b) Financial risk management objectives and policies *(Cont'd)*

Credit risk (Cont'd)

The Group's concentration of credit risk of loan receivables by geographical locations is mainly in the PRC, which accounted for 71% (2018: 87%) of the total loan receivables as at 31 March 2019.

With respect to credit risk arising from trade and loan and interest receivables, the Group has limited concentration of credit risk as it has a large number of customers in sales of alcoholic beverage, provision of financial services, loan financing and auction business segment.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout the reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- internal credit rating
- external credit rating
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations
- actual or expected significant changes in the operating results of the debtor
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements
- significant increase in credit risk on other financial instruments of the debtor
- significant changes in the expected performance and behaviour of the debtor, including changes in the payment status of debtors in the Group and changes in the operating results of the debtor

7. FINANCIAL INSTRUMENTS *(Cont'd)*

(b) Financial risk management objectives and policies *(Cont'd)*

Credit risk (Cont'd)

The Group's exposure to credit risk

In order to minimise the credit risk, the management of the Group has delegated a team responsible to develop and maintain the Group's credit risk grading to categorise exposures according to their degree of risk of default. The credit rating information is supplied by independent rating agencies where available and, if not available, the operation management committee uses other publicly available financial information and reasonable and supportive forward-looking information. Especially the following indicators are incorporated.

- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations.

- significant changes in the expected performance and behaviour of the debtors, including changes in the payment status of debtors.

The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The Group's current credit risk grading framework comprises the following categories:

Category (Grading)	Description	Basis of recognising ECL
Normal BB	For financial assets where there has low risk of default or has not been a significant increase in credit risk since initial recognition and that are not credit impaired (refer to as Stage 1)	12-month ECL
Special mention Substandard B	For financial assets where there has been a significant increase in credit risk since initial recognition but that are not credit impaired (refer to as Stage 2)	Lifetime ECL – not credit impaired
Doubtful Loss CCC	Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred (refer to as Stage 3)	Lifetime ECL – credit impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off

7. FINANCIAL INSTRUMENTS *(Cont'd)*

(b) Financial risk management objectives and policies *(Cont'd)*

Credit risk (Cont'd)

The Group's exposure to credit risk *(Cont'd)*

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from loan and interest receivables, trade and other receivables are set out in notes 24 and 25 resepctively.

The carrying amount of the Group's financial assets at FVTPL as disclosed in note 18 best represents their respective maximum exposure to credit risk. The Group holds no collateral over any of these balances.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The directors of the Company have given careful consideration on the measures currently undertaken in respect of the Group's liquidity position. As disclosed in note 2, the directors of the Company believe that the Company 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 following table details the Group's remaining contractual maturity for its non-derivative and derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

7. FINANCIAL INSTRUMENTS *(Cont'd)*

(b) Financial risk management objectives and policies *(Cont'd)*

Liquidity risk (Cont'd)

Liquidity tables

	On demand or within one year HK$'000	More than 1 year and less than 2 years HK$'000	More than 2 years and less than 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
At 31 March 2019					
Non-derivative financial liabilities					
Trade and other payables	145,042	–	–	145,042	145,042
Amounts due to director	1,081	–	–	1,081	1,081
Amounts due to associates	2,832	–	–	2,832	2,832
Amounts due to non-controlling shareholders	707	–	–	707	707
Loan from a director	38,000	–	–	38,000	38,000
Loan from a subsidiary of non-controlling shareholder	107,416	–	–	107,416	106,350
Loan from a related company	–	15,701	–	15,701	14,063
Borrowings	287,022	113,010	–	400,032	369,088
Convertible bonds	1,000	50,048	150,000	201,048	157,832
Promissory note payable	–	14,000	185,120	199,120	153,304
	583,100	192,759	335,120	1,110,979	988,299
Derivatives					
Derivative financial instrument	11,756	–	–	11,756	9,463

7. FINANCIAL INSTRUMENTS *(Cont'd)*

(b) Financial risk management objectives and policies *(Cont'd)*

Liquidity risk (Cont'd)

Liquidity tables *(Cont'd)*

	On demand or within one year HK$'000 (restated)	More than 1 year and less than 2 years HK$'000 (restated)	More than 2 years and less than 5 years HK$'000 (restated)	Total undiscounted cash flows HK$'000 (restated)	Carrying amount HK$'000 (restated)
At 31 March 2018					
Non-derivative financial liabilities					
Trade and other payables	130,175	–	–	130,175	130,175
Amount due to a shareholders	41,872	–	–	41,872	41,872
Amount due to related companies	76,213	–	–	76,213	76,213
Amount due to non-controlling shareholders	4	–	–	4	4
Convertible bonds	1,000	1,000	200,048	202,048	145,254
Promissory note payable	–	–	14,000	14,000	11,257
Loan from a shareholder	800	–	–	800	800
Loan from a director	44,374	–	–	44,374	38,000
	294,438	1,000	214,048	509,486	443,575
Derivatives					
Derivative financial instrument	–	11,756	–	11,756	14,901

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

Other borrowings and loan from a director with a repayment on demand clause are included in the "on demand or within 1 year" time band in the above maturity analysis. At 31 March 2019, the aggregate undiscounted principal amounts of these other borrowings and loan from a director amounted to approximately HK$162,100,000 and HK$38,000,000, respectively (2018 (restated): nil and HK$38,000,000, respectively). Taking into account the Group's financial position, the directors of the Company do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors of the Company believe that these other borrowings and loan from a director will be repaid in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows of other borrowings and loan from a director will amount to approximately HK$169,860,000 and HK$42,117,000 (2018 (restated): nil and approximately HK$44,632,000).

7. FINANCIAL INSTRUMENTS *(Cont'd)*

(c) Fair value measurements of financial instruments

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The level in the fair value hierarchy within which the financial asset (liability) is categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement. The financial assets (liabilities) of the Group at fair value in the consolidated statement of financial position are grouped into fair value hierarchy as follows:

	Fair value as at		Fair value hierarchy	Valuation technique and key inputs	Significant unobservable inputs	Relationship of key inputs and significant unobservable inputs to fair value
	2019 HK$'000	2018 HK$'000				
Financial assets at FVTPL						
– listed investments	**593**	7,027	Level 1	Quoted bid price in an active market	N/A	N/A
– unlisted investment	**26,746**	15,146	Level 2	Fair value quoted by the relevant bank	N/A	N/A
Financial assets at FVTPL						
– unlisted exchangeable bonds	**78,142**	147,118	Level 3	Expected Value Model based on probability of different outcomes	Probability where Bartha International Limited and its subsidiary ("Bartha Group") meet the profit target with reference to the profit guarantee amounted HK$15,000,000 for the 24 months ending 31 March 2019 ("Profit Target")	The higher probability of fulfilling Profit Guarantee, the higher the fair value *(note i)*.
				Binomial Option Pricing Model based on the equity value, volatility, risk free rate and option life	Equity value of HK$60,831,000 and volatility of 56.79%	The higher equity value, the higher fair value *(note ii)*; The higher volatility, the higher fair value *(note iii)*.
				Discounted cash flow model based on discount rate and future cash flow	Discount rate of 5.08%	The higher the discount rate, the lower the value *(note iv)*.
Derivative financial instrument						
– put option to non-controlling interests	**9,463**	14,901	Level 3	Monte Carlo simulation Model based on risk free rate, volatilities, share prices and equity value	Volatility of the Company, volatility and equity value of CVP Capital Limited ("CVP Capital") of 99.37%, 44.00% and HK$2,664,000 respectively	The higher volatility of the Company, the higher the value *(note v)*. The higher volatility of CVP Capital, the higher the value *(note v)*. The higher equity value of CVP Capital, the lower the value *(note v)*.
– put option to the promissory note holder	**44,175**	–	Level 3	Swaption Model	Discount rate of 9.51%	The higher the discount rate, the lower the value *(note vi)*.

7. FINANCIAL INSTRUMENTS *(Cont'd)*

(c) Fair value measurements of financial instruments *(Cont'd)*

Notes:

For recurring fair value measurements categorised within Level 3 of the fair value hierarchy are detailed as follows:

(i) For the year ended 31 March 2019, the probability where Bartha Group meets the Profit Target does not affect the carrying amount of the exchangeable bonds since the Bartha Group had already met the Profit Target for the 24 months ended 31 March 2019 in current year.

For the year ended 31 March 2018, if the probability where Bartha Group meets the Profit Target to the valuation model were 5% higher/lower while all the other variables were held constant, the carrying amount of the exchangeable bonds would increase/decrease by approximately HK$294,000.

(ii) If the equity value to the valuation model were 5% higher/lower while all the other variables were held constant, the carrying amount of the unlisted exchangeable bonds would increase/decrease by approximately HK$1,162,000 (2018: HK$1,626,000).

(iii) If the volatility of the Company to the valuation model were 5% higher/lower while all the other variables were held constant, the carrying amount of the exchangeable bonds would increase by approximately HK$1,456,000 (2018: HK$1,982,000) and decrease by approximately HK$1,495,000 (2018: HK$2,064,000) respectively.

(iv) If the discount rate to the valuation model were 10 basis point higher/lower while all the other variables were held constant, the carrying amount of the exchangeable bonds would decrease/increase by approximately HK$1,631,000 (2018: HK$3,071,000).

(v) If these unobservable inputs including volatility of the Company, volatility and equity value in CVP Capital to the valuation model were 5% higher/lower while all the other variables were held constant, the carrying amount of the put option to non-controlling interests would decrease by approximately HK$14,000 (2018: increase by approximately HK$612,000) and increase by approximately HK$148,000 (2018: decrease by approximately HK$948,000) respectively.

(vi) If the discount rate to the valuation model were 10 basis point higher/lower while all the other variables were held constant, the carrying amount of the put option to the promissory note holder would decrease by approximately HK$385,000 and increase by approximately HK$387,000 respectively.

Reconciliation of Level 3 fair value measurements of financial assets on recurring basis:

	Unlisted Exchangeable Bonds HK$'000	Put option to non-controlling interests HK$'000	Put option to the promissory note holder HK$'000	Total HK$'000
At 1 April 2017	–	–	–	–
Addition during the year	271,290	(20,144)	–	251,146
Total (loss) gain in profit or loss	(124,172)	5,243	–	(118,929)
At 31 March 2018	147,118	(14,901)	–	132,217
Issue of promissory note	–	–	(44,175)	(44,175)
Exercised during the year	(72,088)	–	–	(72,088)
Total gain in profit or loss	3,112	5,438	–	8,550
At 31 March 2019	78,142	(9,463)	(44,175)	24,504

7. FINANCIAL INSTRUMENTS *(Cont'd)*

(c) Fair value measurements of financial instruments *(Cont'd)*

Notes: (Cont'd)

During the year ended 31 March 2019, profit of approximately HK$3,112,000 and profit of HK$5,438,000 (2018: loss of approximately HK$124,172,000 and profit of approximately HK$5,243,000) are included in change in fair value of exchangeable bonds and change in fair value of derivative financial instrument respectively. Included in the total losses in profit or loss, none of the amount is attributable to the change in unrealised gains or losses relating to financial assets held at the end of the reporting period.

During the year, there were no transfers between levels of fair value hierarchy.

The directors of the Company consider that the carrying amounts of current financial assets and financial liabilities recorded at amortised cost using the effective interest rate method in the consolidated financial statements approximate their fair values due to their immediate or short-term maturities.

The directors of the Company consider that the carrying amounts of the other non-current financial liabilities recorded at amortised cost using the effective interest rate method in the consolidated financial statements approximate their fair values.

8. 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 **HK$'000**	2018* HK$'000 (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	**185,697**	197,206

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

8. REVENUE AND SEGMENT INFORMATION *(Cont'd)*

Revenue *(Cont'd)*

	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	**26,175**	–
	124,655	72,378
Turnover	**310,352**	269,584

Disaggregation of revenue by timing of recognition

	2019 HK$'000
Timing of revenue recognition	
At a point in time	**174,987**
Over Time	**10,710**
Total revenue from contracts with customers	**185,697**

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.

8. REVENUE AND SEGMENT INFORMATION *(Cont'd)*

Segment Information

Information has been reported to the chief operating decision maker ("CODM") (i.e. the executive Directors), for the purposes of resource allocation and assessment of segment performance focuses on types of good 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 service and securities and futures dealing services
3. Blockchain services	–	provision of transaction verification and high performance computing services
4. Loan financing services	–	provision of loan financing and loan referral services
5. Auction	–	provision of auction of alcoholic beverages business

8. REVENUE AND SEGMENT INFORMATION *(Cont'd)*

(a) Segment revenues and results

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

	2019 **HK$'000**	2018 HK$'000 (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**	–
	310,352	269,584
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	**(403,088)**	(121,142)

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, 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.

8. REVENUE AND SEGMENT INFORMATION *(Cont'd)*

(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 HK$'000	2018 HK$'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**	–
Total segment assets	**1,102,285**	748,770
Unallocated assets	**434,595**	278,828
Consolidated total assets	**1,536,880**	1,027,598

Segment liabilities

	2019 HK$'000	2018 HK$'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**	–
Total segment liabilities	**123,420**	139,402
Unallocated liabilities	**951,269**	345,658
Consolidated total liabilities	**1,074,689**	485,060

8. REVENUE AND SEGMENT INFORMATION *(Cont'd)*

(b) Segment assets and liabilities *(Cont'd)*

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, amounts due from ultimate holding company/immediate holding company/a shareholder/a non-controlling 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 amounts 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 shareholder, 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
Amounts included in the measure of segment profit or loss or segment assets:							
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)
Written off of loans and interest receivables	–	–	–	2,296	–	–	2,296
Loss on disposals and written off of plant and equipment	–	–	–	–	–	3	3
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

8. REVENUE AND SEGMENT INFORMATION *(Cont'd)*

(c) Other segment information *(Cont'd)*

For the year ended 31 March 2018 (restated)

	Sale of alcoholic beverages HK$'000	Financial services HK$'000	Loan financing service HK$'000	Unallocated HK$'000	Total HK$'000
Amounts included in the measure of segment profit or loss or segment assets:					
Additions to non-current assets *(Note)*	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 of loans and interest receivables	–	–	4,533	–	4,533
Net impairment recognised on loan and interest receivables	–	–	1,689	–	1,689
Loss on disposals and 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.

8. REVENUE AND SEGMENT INFORMATION *(Cont'd)*

(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 For the year ended 31 March		Non-current assets As at 31 March	
	2019	2018	**2019**	2018
	HK$'000	HK$'000 (restated)	**HK$'000**	HK$'000 (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**	–
	310,352	269,584	**547,402**	34,151

(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.

9. OTHER INCOME

	2019 **HK$'000**	2018 HK$'000 (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 *(Note 36)*	**300**	101
Others	**3,616**	264
	8,341	1,927

10. FINANCE COSTS

	2019 **HK$'000**	2018 HK$'000 (restated)
Interest expense on:		
– convertible bonds	**13,578**	9,506
– promissory note	**1,102**	680
– other borrowings	**17,520**	–
– Loan from a director	**3,800**	3,732
– Loan from a subsidiary of non-controlling shareholder	**2,122**	407
	38,122	14,325

11. INCOME TAX EXPENSE

	2019 **HK$'000**	2018 HK$'000 (restated)
Current tax:		
Hong Kong Profits Tax	**6,662**	1,128
PRC Enterprise Income Tax ("EIT")	**10,802**	6,559
	17,464	7,687
Deferred taxation *(Note 21)*	**(837)**	(945)
	16,627	6,742

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.

11. INCOME TAX EXPENSE *(Cont'd)*

The income tax expense for the year can be reconciled to the loss before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2019 HK$'000	2018 HK$'000 (restated)
Loss before tax	**(403,088)**	(121,142)
Notional tax on profit before tax, calculated at the rates applicable to profits in the tax jurisdictions concerned	**(63,828)**	(17,422)
Tax effect of income not taxable for tax purpose	**(7,113)**	(4,319)
Tax effect of expenses not deductible for tax purpose	**87,374**	27,645
Utilisation of tax losses previously not recognised	**(2,577)**	(3,961)
Tax effect of tax losses not recognised	**2,892**	4,799
Temporary difference not recognised	**84**	–
Effect of tax exemptions granted	**(40)**	–
Effect of two-tiered profit tax rates regime	**(165)**	–
Income tax expense for the year	**16,627**	6,742

12. LOSS FOR THE YEAR

	2019 HK$'000	2018 HK$'000 (restated)
Loss for the year has been arrived at after charging (crediting):		
Directors' emoluments *(Note 13)*	**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**	–
Total staff costs	**95,090**	71,128
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
Written off of loans and interest receivables	**2,296**	4,533
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

13. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of directors were as follows:

Year ended 31 March 2019

	Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking				
	Fees HK$'000	Salaries, allowances and other benefits HK$'000	Share-based payments HK$'000	Contributions to retirement benefits scheme HK$'000	Total HK$'000
Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking					
Executive directors					
Mr. Ting	–	6,254	–	18	6,272
Mr. Zhu Qin	–	1,690	2,137	18	3,845
Mr. Zhou, Francis Bingrong *(Notes i)*	–	884	–	12	896
Mr. Teoh Ronnie Chee Keong *(Notes ii)*	–	1,405	5,342	14	6,761
Ms. Kuo Kwan	–	650	5,342	18	6,010
Mr. Xiong Hu *(Note iii)*	–	126	–	–	126
Emoluments paid or receivable in respect of a person's services as a director of the Company or its subsidiary undertaking					
Non-executive director					
Mr. Ip Cho Yin, *J.P.* *(Note iv)*	180	–	321	–	501
Independent non-executive directors					
Mr. Chu Kin Wang Peleus	180	–	321	–	501
Ms. Fan Wei	180	–	321	–	501
	540	11,009	13,784	80	25,413

13. DIRECTORS' EMOLUMENTS *(Cont'd)*

Year ended 31 March 2018

	Emoluments paid or receivable in respect of a person's services as a director of the Company or its subsidiary undertaking				
	Fees HK$'000	Salaries, allowances and other benefits HK$'000	Share-based payments HK$'000	Contributions to retirement benefits scheme HK$'000	Total HK$'000
Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking					
Executive directors					
Mr. Ting	–	4,439	–	18	4,457
Mr. Zhu Qin	–	1,800	–	18	1,818
Mr. Teoh Ronnie Chee Keong *(Notes ii)*	–	970	–	8	978
Ms. Kuo Kwan *(Note vi)*	–	323	–	8	331
Emoluments paid or receivable in respect of a person's services as a director of the Company or its subsidiary undertaking					
Non-executive directors					
Mr. Kao Sheng-Chi *(Note v)*	–	402	–	6	408
Independent non-executive directors					
Mr. Chu Kin Wang Peleus	180	–	–	–	180
Ms. Fan Wei	180	–	–	–	180
Mr. Ip Cho Yin, *J.P.*	180	–	–	–	180
	540	7,934	–	58	8,532

Notes:

(i) Appointed on 17 April 2018, resigned on 24 August 2018 and re-appointed on 7 January 2019.

(ii) Appointed on 25 September 2017 and resigned on 11 December 2018.

(iii) Appointed on 24 August 2018 and resigned on 24 October 2018.

(iv) Re-designated from an independent non-executive director to non-executive director on 7 March 2019.

(v) Re-designated from an executive director to a non-executive director on 12 April 2017 and resigned on 31 October 2017.

(vi) Appointed on 25 September 2017.

13. DIRECTORS' EMOLUMENTS *(Cont'd)*

Mr. Zhu Qin was the chief executive officer of the Company from 28 April 2017 to 24 September 2017. On 25 September 2017, Mr. Teoh Ronnie Chee Keong was appointed as the chief executive officer of the Company and resigned on 11 December 2018. On 7 January 2019, Mr. Zhou, Francis Bingrong was appointed as the chief executive officer of the Company. Their emoluments disclosed above include those for services rendered by them as the chief executive officer.

During the years ended 31 March 2019 and 2018, no emoluments were paid by the Group to the directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors of the Company has waived or agreed to waive any emoluments during the years ended 31 March 2019 and 2018.

There is no discretionary bonus paid during the years ended 31 March 2019 and 2018.

14. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, four (2018: two) were directors of the Company for the year ended 31 March 2019, whose emoluments are disclosed in note 13 above. The emoluments of the remaining one (2018: three) individuals was as follows:

	2019 **HK$'000**	2018 HK$'000
Salaries, allowances and other benefits	**4,991**	3,217
Contributions to retirement benefits scheme	**18**	54
	5,009	3,271

Their emoluments were within the following bands:

	Number of individuals	
	2019	2018
HK$1,000,001 to HK$1,500,000	**–**	3
HK$5,000,001 to HK$5,500,000	**1**	–
	1	3

No emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the years ended 31 March 2019 and 2018.

15. 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.

16. 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 HK$'000	2018 HK$'000 (restated)
Loss		
Loss for the purpose of basic loss per share for the year attributable to the owners of the Company	**(369,244)**	(123,969)
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	**(9,984)**	(5,821)
Loss for the purpose of diluted loss per share	**(379,192)**	(129,790)

	2019	2018
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**4,215,866,097**	4,000,000,000

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.

17. PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Crypto-currencies mining machine HK$'000	Shop equipment HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
COST						
At 1 April 2017 (restated)	20,425	–	509	9,821	6,562	37,317
Additions (restated)	4,934	–	30	2,679	–	7,643
Disposals and written off	(4,544)	–	–	(583)	–	(5,127)
Additions from acquisition of a subsidiary *(Note 37)*	–	–	–	31	–	31
Disposal from derecognition of a subsidiaries *(Note 38)*	(707)	–	–	(191)	–	(898)
Exchange realignment	67	–	–	832	502	1,401
At 31 March 2018 (restated)	20,175	–	539	12,589	7,064	40,367
Additions	304	5,572	31	15	–	5,922
Additions from acquisition of a subsidiary *(Note 37)*	–	223,548	–	1,099	–	224,647
Disposals and written off	(493)	–	–	(308)	–	(801)
Exchange realignment	(58)	(10)	–	(124)	(328)	(520)
At 31 March 2019	19,928	229,110	570	13,271	6,736	269,615
ACCUMULATED IMPAIRMENT AND DEPRECIATION						
At 1 April 2017 (restated)	11,258	–	432	2,459	3,728	17,877
Charge for the year (restated)	4,149	–	65	2,453	1,571	8,238
Eliminated upon disposals and written off	(1,916)	–	–	(475)	–	(2,391)
Disposal from derecognition of a subsidiary	–	–	–	(60)	–	(60)
Exchange realignment	–	–	–	539	299	838
At 31 March 2018 (restated)	13,491	–	497	4,916	5,598	24,502
Charge for the year	3,628	27,052	12	1,182	1,158	33,032
Impairment loss for the year	–	120,066	–	–	–	120,066
Eliminated upon disposals and written off	–	–	–	(246)	–	(246)
Exchange realignment	–	(9)	–	(61)	(264)	(334)
At 31 March 2019	17,119	147,109	509	5,791	6,492	177,020
CARRYING VALUES						
At 31 March 2019	2,809	82,001	61	7,480	244	92,595
At 31 March 2018 (restated)	6,684	–	42	7,673	1,466	15,865

17. PLANT AND EQUIPMENT *(Cont'd)*

The above items of plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Leasehold improvements	Over the term of the lease
Crypto-currency mining machine	30%
Shop equipment	20%
Furniture, fixtures and office equipment	20%
Motor vehicles	30%

During the year ended 31 March 2019, the directors of the Company conducted a review of the Group's crypto-currencies mining machine and determined that a number of those assets were impaired, due to drop in market price of crypto-currencies resulting in their carrying values are not expected to be fully recoverable. Accordingly, impairment loss of approximately HK$120,266,000 have been recognised in respect of plant and equipment, which are used in the blockchain services segment. The recoverable amounts of the relevant assets have been determined on the basis of their value in use. The discount rates in measuring the amounts of value in use were 22.51% respectively in relation to plant and equipment.

18. FINANCIAL ASSET AT FVTPL/HELD FOR TRADING INVESTMENTS

	2019 **HK$'000**	2018 HK$'000 (restated)
Unlisted exchangeable bonds, at fair value *(Note a)*	**78,142**	147,118
Unlisted investments, at fair value *(Note b)*	**26,746**	15,146
Held for trading investments (*Note c)*		
Equity securities listed in Hong Kong	**593**	7,027
	105,481	169,291
Analysed for reporting purposes as:		
Non-current assets at FVTPL	**78,142**	147,118
Current assets at FVTPL	**27,339**	22,173
	105,481	169,291

18. FINANCIAL ASSET AT FVTPL/HELD FOR TRADING INVESTMENTS *(Cont'd)*

Note:

(a) On 28 July 2017, CVP Financial, the indirectly non-wholly owned subsidiary of the Company, subscribed for zero coupon exchangeable bonds (the "Exchangeable Bonds") in a principal amounting to HK$150,000,000 issued by Bartha Holdings Limited ("Bartha Holdings"), an unlisted company and 85.25% beneficially owned by Mr. Ting. The subscription was satisfied by the Company by way of issuance of convertible bonds in the principal amount of HK$150,000,000 *(Note 32)*. The Exchangeable Bonds will mature on 27 July 2022 (the "Maturity Date"). CVP Financial is entitled to convert the whole Exchangeable Bonds into all of the shares in Bartha International Limited ("Bartha Shares"), a company incorporated in Hong Kong with limited liability, owned by Bartha Holdings, with no additional consideration on any business day and from time to time, after 3 years from the date of issue and up to and including the Maturity Date (the "Exchange Period"). If the Exchangeable Bonds is not converted into Bartha Shares, the Exchangeable Bonds will be redeemed by Bartha Holdings.

In the event that Bartha Holdings fails to meet the Profit Target, the holder of the Exchangeable Bonds may, at any time before the Maturity Date, give not less than 20 Business Days' prior written notice to Bartha Holdings to redeem the Exchangeable Bonds and Bartha Holdings shall within one month pay a redemption price equivalent to 100% of the outstanding principal amount of the Exchangeable Bonds in cash or setting off the convertible bonds *(Note 32)*. Details are disclosed in the Company's circular dated 29 June 2017.

On 17 November 2017, CVP Financial and Bartha Holdings entered into the Deed of Modification pursuant to which, the parties conditionally agreed to amend the original Exchange Period, allowing CVP Financial, as holder of the Exchangeable Bonds, to exchange (i) for the number of Bartha Shares up to 49% of the entire issued share capital in Bartha International during the period from the date of issue of the Exchangeable Bonds up to and including 31 March 2020, and (ii) all outstanding Exchangeable Bonds from 1 April 2018 up to and including the Maturity Date. Details are disclosed in the Company's circular dated 28 February 2018.

CVP Financial and Bartha Holdings had also enter into the put option deed at zero consideration, pursuant to which Bartha Holdings shall grant to CVP Financial the right (but not obligation) to require Bartha Holdings to acquire all the Bartha Shares held by it immediately prior to the exercise of the Put Option at the purchase price equivalent to the aggregate of (i) the principal amount of the Exchangeable Bonds being exchanged, and (ii) any further investment made by CVP Financial and its related parties after the exercise of 49% of Exchangeable bonds. The Put Option right will be exercisable on the condition that the Bartha Group cannot meet the Profit Target.

On 31 May 2018, CVP Financial exercised the exchange rights to exchange the carrying amount of the Exchangeable Bonds amounted approximately HK$72,088,000 into 49% Bartha Shares.

The fair value of the Exchangeable Bonds is based on the valuation conducted by an independent valuer. The fair value of the Exchangeable Bonds as a whole is determined by using the Expected Value Model.

For valuing the Exchangeable Bonds, the independent valuer had considered two scenarios to obtain the fair value of the Exchangeable Bonds. The first scenario ("Scenario 1"), where the Profit Target can be met and the second scenario ("Scenario 2"), where the Profit Target cannot be met. As advised by the management of the Company (the "Management"), the probabilities were assumed to be 100% (2018: 80%) for Scenario 1 and 0% (2018: 20%) for Scenario 2 based on the actual profit of Bartha Group for the year.

Under the Scenario 1, the fair value of the Exchangeable Bonds as a whole is determined by using the Binomial Option Pricing Model based on the equity value, volatility, risk free rate and option life.

Under the Scenario 2, where the Profit Target cannot be met, the Exchangeable Bonds shall be redeemed by Bartha Holdings. The fair value of the Exchangeable Bonds is the present value of the principal amount of the Exchangeable Bonds.

18. FINANCIAL ASSET AT FVTPL/HELD FOR TRADING INVESTMENTS *(Cont'd)*

Note: (Cont'd)

(a) The fair value of the Exchangeable Bonds is weighted average, with respect to the probabilities of Scenario 1 and Scenario 2 as provided by the Management, of the fair values under Scenario 1 and Scenario 2.

During the year ended 31 March 2019, the Group recognised a gain from change in fair value of exchangeable bonds amounted to approximately HK$3,112,000 (2018: loss of HK$124,172,000).

(b) For the year ended 31 March 2019, the unlisted funds managed by the bank in the PRC with underlying financial instrument mainly consist of the bank deposits and bonds of the PRC with approximately HK$26,746,000 (2018: HK$15,146,000).

(c) The fair value of listed equity securities is determined based on the quoted market bid prices available on the Stock Exchange for the year ended 31 March 2019 and 2018.

19. INTANGIBLE ASSETS

	Club membership HK$'000	**Trading rights** HK$'000	**License** HK$'000	**Total** HK$'000
COST				
At 1 April 2017 (restated) and 31 March 2018 (restated)	1,280	7,978	–	9,258
Acquisitions of subsidiaries *(Note 37)*	–	–	179,081	179,081
At 31 March 2019	1,280	7,978	179,081	188,339
CARRYING AMOUNTS				
At 31 March 2019	1,280	7,978	179,081	188,339
At 31 March 2018 (restated)	1,280	7,978	–	9,258

Trading rights mainly comprise the trading rights in the SEHK and HKFE. These rights allow the Group to trade securities and futures contracts on or through these exchanges.

The club membership is an intangible asset acquired from third parties with indefinite useful life.

On 11 January 2019, the Company completed the acquisition of 67.2% interest in BITOCEAN Co., Ltd. ("BITOCEAN") from 6 independent individuals who are not connected with the Group for consideration of JPY1,680,000,000 (equivalent to approximately HK$121,456,000). The acquisition is to develop the Company's virtual currency auto teller machine trading platform business.

This acquisition has been accounted for acquisition of assets. The amount of intangible asset arising as a result of the acquisition representing a license was HK$179,081,000, which allows BITOCEAN to conduct the sale and purchase of bitcoin and Japanese Yen through auto teller machines.

19. INTANGIBLE ASSETS *(Cont'd)*

Impairment testing on trading rights with indefinite useful lives

The trading rights held by the Group are considered by the directors of the Company as having indefinite useful lives because they are expected to contribute to net cash inflow indefinitely. The trading rights will not be amortised until their useful lives are determined to be finite. Instead, they will be tested for impairment annually and wherever there is an indication that they may be impaired.

No impairment loss has been recognised for the year ended 31 March 2019 and 2018 as the directors of the Company are of the opinion that the recoverable amount was higher than the carrying amount. The recoverable amount has been determined based on value-in-use of trading rights.

The recoverable amount of this trading has been determined based on a value-in-use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period, and discount rate of 15%. The license's cash flows beyond the 5-year period are extrapolated using a steady 2% growth rate. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry.

Impairment testing on club membership with indefinite useful lives

The club membership held by the Group is considered by the directors of the Company as having indefinite useful lives because it is a life-time membership which has no explicit legal life. The club membership will not be amortised until their useful lives are determined to be finite. Instead, they will be tested for impairment annually and wherever there is an indication that they may be impaired.

No impairment loss has been recognised for the year ended 31 March 2019 and 2018 as the directors of the Company are of the opinion that the recoverable amount was higher than the carrying amount. The recoverable amount has been determined based on fair value of club membership.

The fair values of the Group's club membership at the end of each reporting period have been determined by the directors of the Company with by reference to recent market prices for similar assets in similar transaction and conditions.

Impairment testing on license with indefinite useful lives

The license held by the Group are considered by the directors of the Company as having indefinite useful lives because they are expected to contribute to net cash inflow indefinitely. The license will not be amortised until their useful lives are determined to be finite. Instead, they will be tested for impairment annually and wherever there is an indication that they may be impaired.

No impairment loss has been recognised for the year ended 31 March 2019 as the directors of the Company are of the opinion that the recoverable amount was higher than the carrying amount. The recoverable amount has been determined based on value-in-use of the licenses.

The recoverable amount of this license has been determined based on a value-in-use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period, and discount rate of 14.53%. The license's cash flows beyond the 5-year period are extrapolated using a steady 1.41% growth rate. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry.

20. INTERESTS IN ASSOCIATES

	2019 HK$'000	2018 HK$'000
Cost of investment, unlisted	–*	–
Share of post-acquisition profit and other comprehensive income	–*	–
	–	–
Amounts due from associates	2,866	–
Amounts due to associates	(2,832)	–
	34	–

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

The amounts due from (to) associates were unsecured, interest-free and repayable on demand.

Details of the Group's associates as at 31 March 2019 and 2018 are as follows:

Name of entity	Form of entity	Place of establishment and operation	Class of shares held	Percentage of nominal value of registered capital and voting power held by the Group: Directly 2019	Directly 2018	Indirectly 2019	Indirectly 2018	Principal activity
Telebox Technology Holdings Limited ("Telebox") and its subsidiary	Limited liability company	Seychelles	Registered capital	20%	N/A	N/A	N/A	(i) operation of social media platform; (ii) operation of crypto-currencies trading platform; and (iii) provision of digital wallet for custody and transfer of crypto-currencies.

On 8 June 2018, 20% of Telebox was formed by the Group with initial registered capital of HK$156. During the year ended 31 March 2019, the Group shared loss and other comprehensive expense of HK$156 from Telebox.

The Group has stopped recognising its share of losses of Telebox when applying the equity method. The unrecognised share of Telebox, both for the year and cumulatively, are set out below:

	2019 HK$'000
Unrecognised share of losses of associates for the year	9
Accumulated unrecognised share of losses of associates	9

21. DEFERRED TAX ASSET (LIABILITY)

	2019 HK$'000	2018 HK$'000 (restated)
Deferred tax asset	**8,005**	6,575
Deferred tax liability	**(1,605)**	(1,477)
	6,400	5,098

The following is the major deferred tax asset and liability recognised and movements thereon during the current and prior years:

	Withholding tax on undistributed profit of subsidiaries in the PRC HK$'000	Fair value adjustments arising from acquisition of a subsidiary HK$'000	Impairment on loan receivables HK$'000	Accelerated tax depreciation HK$'000	Total HK$'000
At 1 April 2017 (restated)	(1,117)	(813)	4,960	587	3,617
Arising from acquisition of a subsidiary *(Note 37)*	–	–	–	(5)	(5)
Credited to profit or loss *(Note 11)* (restated)	462	–	452	31	945
Exchange realignment	5	–	536	–	541
At 31 March 2018	(650)	(813)	5,948	613	5,098
Effect of change in accounting policy *(Note 3)*	–	–	865	–	865
At 1 April 2018 (restated)	(650)	(813)	6,813	613	5,963
Arising from acquisition of a subsidiary *(Note 37)*	–	–	–	(2)	(2)
(Charged) credited to profit or loss *(Note 11)*	(157)	–	673	321	837
Exchange realignment	14	–	(412)	–	(398)
At 31 March 2019	(793)	(813)	7,074	932	6,400

21. DEFERRED TAX ASSET (LIABILITY) *(Cont'd)*

At 31 March 2019, the Group had unused tax loss of approximately HK$79,839,000 (2018 (restated): HK$77,930,000) available for offset against future profits. No deferred tax asset has been recognised in respect of such tax loss due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of approximately HK$1,622,000 (2018: HK$1,622,000) as at 31 March 2019 that will expire in five years from the dates they were incurred. Other losses may be carried forward indefinitely.

At 31 March 2019, the Group has deductible temporary differences derived from plant and equipment and impairment of trade receivables of approximately HK$9,700,000 (2018 (restated): HK$7,732,000) and HK$30,073,000 (2018 (restated): HK$23,794,000) respectively. A deferred tax asset has been recognised in relation to approximately HK$5,648,000 (2018 (restated): HK$3,715,000) and HK$29,597,000 (2018 (restated): HK$23,794,000) of such temporary differences respectively. No deferred tax asset has been recognised in relation to remaining temporary differences of approximately HK$4,052,000 (2018 (restated): HK$4,017,000) and HK$476,000 (2018 (restated): nil) respectively as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

Under the EIT Law, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to approximately HK$87,987,000 (31 March 2018: HK$78,604,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

22. GOODWILL

	2019 **HK$'000**	2018 HK$'000 (restated)
COST		
At the beginning of the financial year	**12,845**	9,028
Arising on acquisitions of subsidiaries *(Note 37)*	**430,691**	3,817
At the end of the financial year	**443,536**	12,845
IMPAIRMENT		
At the beginning of the financial year	**3,817**	–
Impairment recognised during the year	**173,251**	3,817
At the end of the financial year	**177,068**	3,817
CARRYING AMOUNTS		
At 31 March	**266,468**	9,028

22. GOODWILL *(Cont'd)*

For the purposes of impairment test, goodwill has been allocated to individual CGUs, being the subsidiaries, CVP Capital, Starlight Financial Holdings Limited ("Starlight Financial") and Diginex High Performance Computing Limited ("Diginex HPC").

	As at 31 March	
	2019	2018
	HK$'000	HK$'000
		(restated)
CVP Capital – financial services segment	**–**	–
Starlight Financial – loan financing services segment	**9,028**	9,028
Diginex HPC – blockchain services segment	**257,440**	–
	266,468	9,028

For the purposes of impairment testing, goodwill have been allocated to three individual cash-generating units, comprising three subsidiaries.

CVP Capital

For the year ended 31 March 2018, the recoverable amount of CVP Capital is approximately HK$15,818,000 and has been determined on a value-in-use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period and pre-tax discount rate of 18.38%. Cash flows beyond the five-year period are extrapolated using an estimated annual growth rate. Management determined the budgeted gross margin based on past performance, its expectations on the market development, and a long-term growth rate of 2.60%, which is based on the industry growth forecasts and does not exceed the long-term average growth rate for the business in the country in which the CVP Capital operates. The discount rates used are the CVP Capital's specific weighted average cost of capital, adjusted for the risks of the CVP Capital. Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amounts of CVP Capital to exceed its recoverable amount.

During the year ended 31 March 2018, the Group recognised an impairment loss of approximately HK$3,817,000 in relation to goodwill arising on acquisition of CVP Capital as the actual results of the CVP Capital did not meet the management's expectations.

22. GOODWILL *(Cont'd)*

Starlight Financial

The recoverable amount of Starlight Financial has been determined based on value-in-use calculation. In assessing the valuation of the CGU, the management adopted the income approach. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period, and a discount rate of 10% (2018: 10%). Starlight Financial's cash flows beyond the five-year period are extrapolated using a pre-tax 3% (2018: 3%) growth rate, which represents the long-term inflation rate in the PRC. No impairment loss has been recognised during the years ended 31 March 2019 and 2018 as directors of the Target Company are of the opinion that the recoverable amount was higher than the carrying amount.

Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amount of this CGU to exceed its recoverable amount.

Diginex HPC

For the year ended 31 March 2019, the recoverable amount of Diginex HPC is approximately HK$668,922,000 and has been determined on fair value less cost of disposal using the income approach method. The recoverable amount of the CGU was classified as level 3 in the fair value hierarchy. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period and pre-tax discount rate of 22.51%. Cash flows beyond the five-year period are extrapolated using an estimated annual growth rate. The key assumptions adopted in the income approach method relate to the business expansion, estimated productivity of crypto-currencies mining machines and the estimated prices of crypto-currencies. Management determined the budgeted gross margin based on past performance, its expectations on the market development, and a long-term growth rate of 2%, which is based on the industry growth forecasts and does not exceed the long-term average growth rate for the business in the country in which Diginex HPC operates. The discount rates used are Diginex HPC's specific weighted average cost of capital, adjusted for the risks of Diginex HPC. Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amounts of Diginex HPC to exceed its recoverable amount.

During the year ended 31 March 2019, the Group recognised an impairment loss of approximately HK$173,251,000 in relation to goodwill arising on acquisition of Diginex HPC as the performance of the crypto-currencies mining business was lower than management's initial expectations.

23. INVENTORIES

	2019 HK$'000	2018 HK$'000
Goods held for resale	**32,272**	50,578

24. LOAN AND INTEREST RECEIVABLES

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

24. LOAN AND INTEREST RECEIVABLES *(Cont'd)*

The average loan period as at the end of the reporting period as follows:

	2019	2018
Real estate-backed loans	**180 days to 1 year**	180 days to 1 year
Secured and unsecured micro loans	**90 days to 4 years**	60 days to 4 years
Other loans	**90 days to 2 years**	113 days to 1 year

As at 31 March 2019, the loans provided to customers bore fixed interest rate at 0.3% to 3% per month (2018 (restated): 0.3% to 3.5% per month), and were repayable according to the loan agreements.

As at 31 March 2019, included in the gross balances are loans of approximately HK$63,318,000 (2018 (restated): HK$103,310,000) were secured by real estates in the PRC; approximately HK$13,752,000 (2018 (restated): HK$5,936,000) were secured by motor vehicles; and approximately HK$138,118,000 (2018 (restated): HK$105,680,000) were guaranteed by guarantors.

As at 31 March 2019, the Group held collaterals with value of approximately HK$265,715,000 (2018 (restated): HK$239,259,000) over the financing advances to customers.

Movement in the allowance for loan receivables:

	HK$'000
At 1 April 2017	20,543
Allowance for impairment on loan receivables	2,208
Reversal of allowance for impairment on loan receivables	(519)
Exchange realignment	2,213
At 31 March 2018	24,445

24. LOAN AND INTEREST RECEIVABLES *(Cont'd)*

	Stage 1: 12-month ECL HK$'000	Stage 2: Lifetime ECL HK$'000	Stage 3: Lifetime ECL – Credit impaired HK$'000	Total HK$'000
At 31 March 2018				24,445
Adoption of HKFRS 9 on 1 April 2018				3,994
At 1 April 2018	4,273	12,113	12,053	28,439
Increasing during the year	1,611	3,259	1,612	6,482
Exchange realignment	(283)	(790)	(772)	(1,845)
At 31 March 2019	5,601	14,582	12,893	33,076

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

	2019 HK$'000	2018 HK$'000 (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	**555,713**	429,585

Included in the Group's loan and interest receivables of approximately HK$196,268,000 as at 31 March 2018 were past due as at the reporting date.

The ageing of loan and interest receivables which were past due but not impaired is as follows:

	2018 HK$'000
Within 90 days	51,081
91 – 180 days	5,212
181 – 365 days	11,769
Over 365 days	128,206
	196,268

As at 31 March 2018, the Group's neither past due nor impaired loan and interest receivables mainly represented loans granted to creditworthy customers for whom there was no recent history of default.

24. LOAN AND INTEREST RECEIVABLES *(Cont'd)*

During the year ended 31 March 2019, in determining the expected credit losses for these assets, the directors of the Company have taken into account the historical default experience, the financial position of the counterparties, value of collaterals as well as the future prospects of the industries in which the borrowers operate, considering various external sources of actual and forecast economic information for estimating the probability of default of each of these financial assets occurring within their respective loss assessment time horizon and the loss upon default in each case.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for loan receivables.

As at 1 April 2018 and 31 March 2019, an analysis of the gross amount of loans and interest receivables is as follows:

	As at 31 March 2019				As at 1 April 2018			
	Stage 1: 12-month ECL HK$'000	**Stage 2: Lifetime ECL HK$'000**	**Stage 3: Lifetime ECL – credit impaired HK$'000**	**Total HK$'000**	Stage 1: 12-month ECL HK$'000	Stage 2: Lifetime ECL HK$'000	Stage 3: Lifetime ECL – credit impaired HK$'000	Total HK$'000
Gross amount:								
Normal	**365,645**	**–**	**–**	**365,645**	251,758	–	–	251,758
Special Mention	**–**	**143,829**	**–**	**143,829**	–	129,305	–	129,305
Substandard	**–**	**–**	**58,911**	**58,911**	–	–	62,058	62,058
Doubtful	**–**	**–**	**17,389**	**17,389**	–	–	9,641	9,641
Loss	**–**	**–**	**3,015**	**3,015**	–	–	1,268	1,268
	365,645	**143,829**	**79,315**	**588,789**	251,758	129,305	72,967	454,030

During the years ended 31 March 2019, bad debts of approximately HK$2,296,000 (2018: HK$4,533,000) directly written off respectively.

25. TRADE AND OTHER RECEIVABLES AND DEPOSITS

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

25. TRADE AND OTHER RECEIVABLES AND DEPOSITS *(Cont'd)*

Notes:

(a) The settlement terms of trade receivables, except for secured margin clients, arising from the business of dealing in securities and futures are two days after trade date.

(b) Generally, the Group allows credit period of a range from 0 to 30 days to its customers.

(c) 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 **HK$'000**	2018 HK$'000 (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
Total	**13,733**	5,833

(d) 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.

(e) Trade receivables from HKSCC and Hong Kong Exchanges and Clearing Limited are current which represent pending trades arising from the business of dealing in securities and futures, normally due within two days after the trade date in accordance with the settlement requirements in Hong Kong market.

(f) As at 31 March 2019, trade receivables from cash and margin clients are secured by the clients' pledged securities at fair values of approximately HK$1,603,987,000 (2018 (restated): HK$1,425,346,000) which can be sold at the Group's discretion to settle any margin call requirements imposed by their respective securities transactions. The trade receivables from margin clients are repayable on demand and bear interest at commercial rates. As at 31 March 2019 included in the total trade receivables, approximately HK$89,977,000 (2018 (restated): HK$74,831,000) were interest bearing whereas approximately HK$13,887,000 (2018 (restated): HK$5,846,000) were non-interest bearing. There is no repledge of the collateral from margin clients during the year.

25. TRADE AND OTHER RECEIVABLES AND DEPOSITS *(Cont'd)*

Notes: (Cont'd)

(g) Trade receivables that were neither past due nor impaired as at 31 March 2018 related to a wide range of customers for whom there was no recent history of default.

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of approximately HK$4,589,000 as at 31 March 2018 which are past due as at the end of the reporting period for which the Group has not provided for impairment loss as these balances were either subsequently settled or there has not been a significant change in credit quality and the amounts are still considered recoverable.

In respect of trade receivables (excluding margin clients) which are past due but not impaired at the end of respective reporting period, the aged analysis is as follows:

	2018 HK$'000 (restated)
Within 30 days	3,254
31 to 60 days	459
61 to 90 days	600
91 to 180 days	124
181 to 365 days	150
Over 365 days	2
Total	4,589

For the year ended 31 March 2019, the Group measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

The Group recognised lifetime ECL for trade receivables (excluding margin clients) based on individually significant customer or the ageing of customers collectively that are not individually significant as follows:

	31 March 2019			1 April 2018		
	Weighted average expected loss rate %	**Gross carrying amount HK$'000**	**Loss allowance HK$'000**	Weighted average expected loss rate %	Gross carrying amount HK$'000	Loss allowance HK$'000
Current (not past due)	**0.0%**	**10,414**	**–**	0.0%	2,300	–
0 – 90 days past due	**0.0%**	**2,969**	**–**	0.0%	3,254	–
91 – 180 days past due	**15.1%**	**106**	**16**	0.0%	124	–*
181 – 365 days past due	**63.3%**	**341**	**216**	0.0%	150	–*
Over 1 year past due	**76.6%**	**577**	**442**	99.0%	202	200
Total	**3.3%**	**14,407**	**674**		6,030	200

* The balance represents an amount less than $500.

25. TRADE AND OTHER RECEIVABLES AND DEPOSITS *(Cont'd)*

Notes: (Cont'd)

(g) *(Cont'd)*

The movement in the allowance for impairment of trade receivables (excluding margin clients) is set out below:

	2019	2018
	HK$'000	HK$'000
At 1 April	**200**	–
Increase during the year, net	**474**	200
At 31 March	**674**	200

(h) During the year ended 31 March 2019, in determining the expected credit losses for trade receivables from margin clients, the directors of the Company have taken into account the historical default experience, the financial position of the counterparties, value of collateral as well as the future prospects of the industries in which the lenders operate obtained from economic expert reports, financial analyst reports, considering various external sources of actual and forecast economic information, as appropriate, in estimating the probability of default of each of these financial assets occurring within their respective loss assessment time horizon, as well as the loss upon default in each case.

As at 1 April 2018 and 31 March 2019, an analysis of the gross amount of trade receivables from margin clients is as follows:

	As at 1 April 2018				**As at 31 March 2019**			
	Stage 1: 12-month ECL HK$'000	Stage 2: Lifetime ECL HK$'000	Stage 3: Lifetime ECL – credit impaired HK$'000	Total HK$'000	**Stage 1: 12-month ECL HK$'000**	**Stage 2: Lifetime ECL HK$'000**	**Stage 3: Lifetime ECL – credit impaired HK$'000**	**Total HK$'000**
Gross amount:								
BB	63,139	–	–	63,139	**85,272**	**–**	**–**	**85,272**
B	–	11,505	–	11,505	**4,179**	**6**	**–**	**4,185**
	63,139	11,505	–	74,644	**89,451**	**6**	**–**	**89,457**

	Stage 1: 12-month ECL HK$'000	**Stage 2: Lifetime ECL** HK$'000	**Stage 3: Lifetime ECL – credit impaired** HK$'000	**Total** HK$'000
At 31 March 2018				–
Impact on adoption of HKFRS 9				240
At 1 April 2018	64	176	–	240
Increase (decrease) during the year	200	(176)	–	24
At 31 March 2019	264	–	–	264

26. AMOUNTS DUE FROM (TO) ULTIMATE HOLDING COMPANY/IMMEDIATE HOLDING COMPANY/SHAREHOLDERS/RELATED COMPANIES/ A DIRECTOR/NON-CONTROLLING SHAREHOLDERS

The amounts are unsecured, non-interest bearing and repayable on demand.

Since 1 April 2018, the Group has applied the general approach to provide for expected credit losses for non-trade amounts due from ultimate holding company/immediate holding company/a non-controlling shareholder/related companies under HKFRS 9. The Group considers the historical loss rate and adjusts for forward looking macroeconomic data in calculating the expected credit loss rate. The Group has classified financial assets included in amounts due from ultimate holding company/immediate holding company/ a non-controlling shareholder/related companies in stage 1 and continuously monitors their credit risk. As at 31 March 2019, the Group estimated the expected loss rate for financial assets included in amounts due from ultimate holding company/immediate holding company/a non-controlling shareholder/related companies is insignificant.

27. BANK BALANCES AND CASH

	2019 **HK$'000**	2018 HK$'000 (restated)
Bank balances		
General accounts	**48,361**	93,177
Cash in hand	**75**	25
	48,436	93,202
Bank balances		
Segregated accounts *(Note (i))*	**57,822**	119,843
Bank balances and cash	**106,258**	213,045

(i) The Group maintains segregated accounts with licensed banks to hold clients' monies arising from its securities and futures brokerage business. The Group has classified the clients' monies as "bank balances – segregated accounts" under current assets in the consolidated statement of financial position and recognised the corresponding account payables to respective clients on the grounds that it is liable for any loss or misappropriation of clients' monies. The Group is restricted to use the clients' monies to settle its own obligations.

(ii) Bank balances carries interest at prevailing market rate for the year ended 31 March 2019 and 2018.

28. CONTRACT LIABILITIES

	31/3/2019 HK$'000	1/4/2018 HK$'000
Sales of alcoholic beverages	**5,311**	9,267

Contract liabilities are mainly from sales of alcoholic beverages. In general, the Group receives certain percentage of the contract sum as advance payment from the customers upon signing of the sales contracts.

The significant changes in contract liabilities during the year ended 31 March 2019 were mainly due to the decrease in purchases order from customers during the year.

Revenue recognised during the year ended 31 March 2019 that was included in the contract liabilities as at 1 April 2018 was approximately HK$7,055,000. There was no revenue recognised in the current year that related to performance obligations that were satisfied in a prior year. The directors of the Company considered that the contract liabilities as at 31 March 2019 will be recognised as revenue in profit or loss within one year.

29. TRADE AND OTHER PAYABLES

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

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.

29. TRADE AND OTHER PAYABLES *(Cont'd)*

Notes: (Cont'd)

(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 **HK$'000**	2018 HK$'000 (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
Total	**8,139**	3,346

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.

30. LOAN FROM A SHAREHOLDER/A DIRECTOR/A SUBSIDIARY OF NON-CONTROLLING SHAREHOLDER/A RELATED COMPANY

(a) Loan from a shareholder

The amount is unsecured, non-interest bearing and expected to be repaid within one year.

(b) Loan from a director

The amount is unsecured, with fixed interest rate of 10% p.a. and repayable on demand with maturity date of 30 April 2020. The loan from a director contained a repayable on demand clause.

(c) Loan from a subsidiary of non-controlling shareholder

The amount of JPY1,500,000,000 (equivalent to approximately HK$106,350,000) guaranteed by 250,000,000 shares of the Company which is held by Royal Spectrum Holding Company Limited, the immediate holdings company of the Company. The amount has a fixed interest rate of 2% p.a. The balance is due as at 31 March 2019 and extented to 26 September 2019 subsequently.

(d) Loan from a related company

The amount is unsecured, non-interest bearing and repayable only after the full settlement of other borrowings of Diginex HPC amounted to HK$206,988,000.

31. BORROWINGS

	2019 HK$'000	2018 HK$'000 (restated)
Unsecured other borrowings	**369,088**	–
Carrying amount repayable:		
Within one year	**281,071**	–
After one year but within two years	**88,017**	–
	369,088	–
Amounts show under current liabilities	**(281,071)**	–
Amounts show under non-current liabilities	**(88,017)**	–

The ranges of effective interest rates on the Group's other borrowings are as follows:

	2019 HK$'000	2018 HK$'000 (restated)
Unsecured other borrowings	**9% to 12% per annum**	–

31. BORROWINGS *(Cont'd)*

All the other borrowings are at fixed rates.

As at 31 March 2019, other borrowings with carrying amounts of approximately HK$162,100,000 bore interest at fixed rate and were due within one year. The fixed rate other borrowings carried interest ranging from 10% to 12% per annum during the year ended 31 March 2019. These other borrowings contained a repayable on demand clause.

As at 31 March 2019, other borrowings with carrying amounts of approximately HK$17,750,000 bore interest at fixed rate of 9% and repayable by monthly installments at amount not exceeding 75% of Diginex HPC's monthly cash flows (represented by earnings before interest, taxes, depreciation and amortisation) until the full repayment of the debt. As at 31 March 2019, the directors of the Company expected to repay HK$66,119,000 of the carrying amount of the borrowings in the next twelve months from the end of the reporting period.

As at 31 March 2019, other borrowings with carrying amounts of approximately HK$89,238,000 is interest-free and repayable by monthly installment at an amount not exceeding 75% of Diginex HPC's monthly cash flows (represented by earnings before interest, taxes, depreciation and amortisation) until the full repayment of the debt. Imputed interest on these advances had been computed at an original effective interest rate of 9% per annum. As at 31 March 2019, the directors of the Company expected to repay HK$52,852,000 of the carrying amount of the borrowings in the next twelve months from the end of the reporting period.

32. CONVERTIBLE BONDS

The Company issued convertible bonds with zero coupon rate at a total principal value of HK$150,000,000 ("CB 1") on 28 July 2017 to Bartha Holdings. The convertible bonds will mature on 27 July 2022 at its principal amount or can be converted into 136,363,636 shares in the Company at Bartha Holdings' option at the conversion price of HK$1.1 per share.

The fair value of the convertible bonds of HK$271,290,000 was valued by an independent valuer, as at 28 July 2017. The convertible bonds comprise a liability component and an equity conversion component.

The fair value of the convertible bonds as a whole is determined by using the Binomial Option Pricing Model. The fair value of the liability component of the convertible bonds is calculated using cash flows discounted at a rate based on an equivalent market interest rate of 9.23% per annum for equivalent non-convertible bonds using market comparable approach. The initial carrying amount of the equity component is determined by deducting the estimated legal and professional fee and fair value of the liability component from the fair value of the convertible bonds, which is included in the "Convertible bonds – equity conversion reserve" under reserve of the Company.

32. CONVERTIBLE BONDS *(Cont'd)*

The CB1 shall not be redeemed at the request of the Company or the holders of CB1 before the maturity date, except for in the circumstances that Bartha Holdings cannot meet the Profit Target. In such circumstances, Bartha Holdings shall early redeem the entire Exchangeable Bonds *(Note 18)* at 100% of its principal amounts within 30 days after the issue of the profit certificate. Bartha Holdings and CVP Financial agrees that the redemption money payable by Bartha Holdings to CVP Financial arising from the redemption of the Exchangeable Bonds could be settled in cash or by setting off the amount payable by the Company to Bartha Holdings under the CB1.

During the year, the directors of the Company revisit the classification and reclassified the convertible bonds into non-current liabilities.

Bartha International, an indirect non-wholly owned subsidiary of the Company, has raised HK$50,000,000 by way of issuing convertible bonds with 2% coupon rate payable annually at a principal value of HK$10,000,000 on 11 April 2017 ("CB 2") and HK$40,000,000 18 April 2017 ("CB 3") to three independent third parties. These convertible bonds will mature on 11 April 2020 and 18 April 2020 respectively at their principal amount or can be converted into 12.5% of the issued share capital in Bartha International at any time commencing from the issue date upto tenth business day immediately preceding the maturity dates.

The proceeds from the issuance of these convertible bonds of HK$50,000,000 have been split into liability and equity components. The fair values of the liability component of these convertible bonds of HK$40,770,000 were valued by an independent valuer, using Binominal Option Pricing Model. These convertible bonds comprise a liability component and an equity conversion component. The fair values of the liability component of these convertible bonds are calculated using cash flows discounted at a rate based on an equivalent market interest rate of 9.39% for CB 2 and 9.32% for CB 3 per annum respectively for equivalent non-convertible bonds using market comparable approach. The residual amounts are assigned as the equity component and are included in the convertible bonds issued by a subsidiary.

32. CONVERTIBLE BONDS *(Cont'd)*

The convertible bonds recognised in the condensed consolidated statement of financial position are as follows:

	Issued by the Company	Issued by a subsidiary		
	CB 1	**CB 2**	**CB 3**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000
Fair value of liabilities component	96,508	8,142	32,628	137,278
Fair value of equity component	174,782	1,858	7,372	184,012
Fair value of the convertible bonds issued	271,290	10,000	40,000	321,290

The movement of liability component of the convertible bonds is as follows:

	Issued by the Company	Issued by a subsidiary		
	CB 1	**CB 2**	**CB 3**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000
Liability component on initial recognition	96,508	8,142	32,628	137,278
Add: Effective interest expense	5,892	726	2,888	9,506
Less: Issuing cost	(578)	–	–	(578)
Less: interest payable	–	(190)	(762)	(952)
Liability component at 31 March 2018 (restated)	101,822	8,678	34,754	145,254
Add: Effective interest expense	9,522	811	3,245	13,578
Less: interest payable	–	(200)	(800)	(1,000)
Liability component at 31 March 2019	111,344	9,289	37,199	157,832

33. DERIVATIVE FINANCIAL INSTRUMENTS

	2019 HK$'000	2018 HK$'000
Put option to non-controlling interests in CVP Capital *(Note a)*	**9,463**	14,901
Put option to the promissory note holder *(Note b)*	**44,175**	–
	53,638	14,901
Derivative financial instrument analysed for reporting purpose as:		
Non-current liabilities	**–**	14,901
Current liabilities	**53,638**	–
	53,638	14,901

Note:

(a) CVP Financial entered into the first deed (the "First Deed") with Mr. Samuel Lin Jr. ("Mr. Lin"), and the second deed (the "Second Deed", together 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 (the "CVP Put Option"). Each of Mr. Lin and Star Beauty, pursuant to the CVP Put Option, during the 12-month period after the 2nd anniversary of the completion (28 July 2019), has the right to require CVP Financial to acquire all the shares of CVP Capital held by him/it immediately prior to the exercise of the CVP Put Option, at the consideration of HK$1.26 per share in CVP Capital. 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 Share. Details of the Deeds are set out in the Company's announcement dated 9 February 2017 and 5 July 2017 respectively.

The fair value of CVP Put Option at 31 March 2019 and 2018 is based on valuations by an independent valuer, determined by using Monte Carlo Simulation Model. The significant inputs to the models were as follows:

	31 March 2019	31 March 2018
Risk free rate	**1.43%**	1.44%
Year to maturity	**1.33 years**	2.33 years
Share price of the Company	**HK$0.80**	HK$1.78

During the year, the directors of the Company revisited the classification and reclassified the CVP Put Options into non-current liabilities.

33. DERIVATIVE FINANCIAL INSTRUMENTS *(Cont'd)*

Note: (Cont'd)

(b) The Company entered into the acquisition agreement with CVP Financial Group Limited ("CVP"), a company incorporated in the British Virgin Islands with limited liability and wholly-owned by Mr. Ting (the "CVP Agreement"), pursuant to which the Company has conditionally agreed to acquire, and CVP has conditionally agreed to sell, 52 shares (the "CVP Sale Shares") of Hackett, representing 52% of the entire issued share capital of Hackett.

Under the CVP Agreement, the consideration (the "CVP Consideration") for the purchase of the CVP Sale Shares is HK$462,800,000. The CVP Consideration shall be satisfied: (i) in respect of 60% of the CVP Consideration, by the Company allotting and issuing 504,872,727 new shares of the Company (the "Shares") (collectively referred to as the "CVP Consideration Shares") of HK$0.001 each at an issue price of HK$0.55 per Share (the "Issue Price") to CVP at completion of the CVP Acquisition; and (ii) in respect of 40% of the CVP Consideration, by the Company issuing a promissory note in the principal amount of HK$185,120,000 (the "PN2") to CVP at completion.

The PN2 is a three-year interest free note which may be redeemed any time at the request of any party by giving the other party prior notice. The PN2 contains the put option for the PN2's holder (the "PN Put Option").

The fair value of the Promissory Note is determined based on the valuation conducted by an independent valuer, on the Promissory Note as at 29 March 2019 ("PN Valuation"). The Promissory Note contains three components, the call option for the Company, the put option for the Promissory Note holder and liability components. In the opinion of the directors of the Company, the call option was insignificant for the Target Company. The fair value of the liability component is calculated using cash flows discounted at a rate based on an equivalent market interest rate of 7.70% per annum for similar instruments without put option.

The fair value of the put option is determined by Swaption Model at discount rate of 7.70% of approximately HK$44,175,000.

(c) During the year ended 31 March 2019, the Group recognised gain on change in fair value of derivative financial instrument amounted to approximately HK$5,438,000 (2018: HK$5,243,000).

34. SHARE CAPITAL

	Number of shares	Share capital HK$'000
Ordinary shares of HK$0.001 each		
Authorised:		
At 1 April 2017, 31 March 2018 and 31 March 2019	10,000,000,000	10,000
Issued and fully paid:		
At 1 April 2017 and 31 March 2018	4,000,000,000	4,000
Issue of 70,056,000 shares at a price of HK$1.70 each per placing share by way of placing in April 2018 *(Note)*	70,056,000	70
Issue of 213,252,717 shares at a price of HK$1.63 each per consideration share as the consideration of acquisition of a subsidiary in July 2018 *(Note 37(i))*	213,252,717	213
Issue of 504,872,727 shares at a price of HK$0.80 each per consideration share as the consideration of acquisition of a subsidiary in March 2019 *(Note 39(ii))*	504,872,727	505
Issue of 404,545,454 shares at a price of HK$0.80 each per consideration share as the consideration of acquisition of additional interest in a subsidiary on 29 March 2019 *(Note 40(ii))*	404,545,454	405
At 31 March 2019	5,192,726,898	5,193

Note:

On 23 April 2018, an aggregate of 70,056,000 placing shares were placed to not less than six placees at the placing price of HK$1.70 per placing share in accordance with the terms and conditions of the placing agreement entered into between the Company and CVP Securities Limited (formerly known as "Eternal Pearl Securities Limited", "CVP Securities"), an indirect non-wholly owned subsidiary of the Company, and Shenwan Hongyuan Securities (H.K.) Limited, an independent third party of the Group. These shares rank pari passu with the existing shares in all respects. The average closing price in last five trading days immediately prior to the date of placing agreement was HK$1.83 per share. The net proceeds are intended to be used for funding the acquisition of 20% equity interest in BITPoint Japan Company Limited, a company which is registered to carrying on virtual currency trading platform in Japan. The details were set out in the Company's announcement dated 12 April 2018.

35. PROMISSORY NOTE PAYABLE

On 9 February 2017, CVP Financial entered into the acquisition agreement with CVP Holdings Limited ("CVP Holdings"), pursuant to which CVP Financial conditionally agreed to acquire, and CVP Holdings conditionally agreed to sell, the entire issued share capital of CVP Asset Management Limited ("CVP Asset Management") for a consideration of HK$14,000,000.

Pursuant to the acquisition, CVP Financial agreed to settle the total consideration for the acquisition by issuing an interest-free promissory note in the sum of HK$14,000,000 (the "PN1") to CVP Holdings on 28 July 2017. The maturity date of the PN1 is the third anniversary from the date of issue of the PN1, being 27 July 2020. The effective interest rate of the PN1 is approximately 9.38%.

Pursuant to the acquisition of Hackett stated in note 33(b), the Company agreed to settle the part of consideration for the acquisition by issuing PN2 in the sum of HK$185,120,000 to CVP on 29 March 2019. The maturity date of the PN2 is the third anniversary from the date of issue of the PN2, being 25 March 2021. The effective interest rate of the PN2 is approximately 9.51%.

	PN1 HK$'000	**PN2** HK$'000	**Total** HK$'000
Issue of promissory note on 28 July 2017	10,947	–	10,947
Direct issuance expenses	(370)	–	(370)
Effective interest expenses	680	–	680
At 31 March 2018	11,257	–	11,257
Issue of promissory note on 29 March 2019	–	140,945	140,945
Effective interest expenses	1,102	–	1,102
At 31 March 2019	12,359	140,945	153,304

	2019 **HK$'000**	2018 HK$'000
Promissory note payable analysed for reporting purpose as:		
Non-current liabilities	**12,359**	11,257
Current liabilities	**140,945**	–
	153,304	11,257

36. DEFERRED INCOME

Government grants in respect of encouragement of expansion of enterprise of approximately 300,000 (2018: HK$101,000) were recognised at the time the Group fulfilled the relevant granting criteria.

For the year ended 31 March 2019, the Group received a government subsidy of approximately HK$1,324,000 towards the cost of crypto-currencies mining machine. The amount has been treated as deferred income. The amount is transferred to income over the useful lives of the relevant assets. This policy has resulted in a credit to income in the current period of HK$165,000. As at 31 March 2019, an amount of approximately HK$1,159,000 remains to be unamortised. The government grants of approximately HK$828,000 (2018: nil) is stated as non-current liabilities in the consolidated statement of financial position based on the useful lives of the relevant asset. The remaining amount of HK$331,000 as at 31 March 2019 (2018: nil) was classified as current liabilities.

37. ACQUISITIONS OF SUBSIDIARIES/ACQUISIITON OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES

For the year ended 31 March 2019

(i) Acquisition of Diginex High Performance Computing Limited ("Diginex HPC")

On 26 April 2018, Madison Future Games Limited, an indirect wholly owned subsidiary of the Company, entered into the acquisition agreement with Diginex Global Limited, for acquisition of 51% of the entire issued share capital in Diginex HPC for a total consideration of US$60,000,000 (equivalent to approximately HK$470,862,000), of which US$10,000,000 (equivalent to approximately HK$78,477,000) was satisfied by cash and US$50,000,000 (equivalent to approximately HK$392,385,000) was satisfied by the Company allotting and issuing 213,252,717 consideration shares. The fair value of the ordinary shares of the Company, determined using the published price available at the date of the acquisition, amounted to HK$1.63 per share. This acquisition has been accounted for using the acquisition method. Diginex HPC was acquired so as to develop the Group's blockchain services business. The acquisition was completed on 31 July 2018.

Consideration transferred	HK$'000
Cash	78,477
Consideration shares	347,602
Total	426,079

37. ACQUISITIONS OF SUBSIDIARIES/ACQUISIITON OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES *(Cont'd)*

For the year ended 31 March 2019 *(Cont'd)*

(i) Acquisition of Diginex High Performance Computing Limited ("Diginex HPC") (Cont'd)

The directors are of the opinion that the acquiree's assets and liabilities approximate their fair values. The net assets acquired from the acquisition and the goodwill arising are as follows:

	Fair value
	HK$'000
Net assets acquired	
Plant and equipment	216,295
Crypto currencies	2,358
Deposits	7,246
Amount due from related company	2,006
Bank balances and cash	8
Trade and other payables	(5,525)
Other borrowings	(218,007)
Total identifiable net assets	4,381

	HK$'000
Fair value of consideration given for obtaining the controlling interest (51%)	426,079
Plus: non-controlling interests (49% in Diginex HPC)	2,146
Less: fair value of net assets acquired	(4,381)
Goodwill arising on acquisition of Diginex HPC	423,844

The non-controlling interests (49%) in Diginex HPC recognised at the acquisition date were measured by reference to the non-controlling interests' proportionate share of the acquiree's identifiable net assets.

Goodwill arose in the acquisition of Diginex HPC because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of revenue growth and future market development in blockchain services business. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

37. ACQUISITIONS OF SUBSIDIARIES/ACQUISIITON OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES *(Cont'd)*

For the year ended 31 March 2019 *(Cont'd)*

(i) Acquisition of Diginex High Performance Computing Limited ("Diginex HPC") (Cont'd)

None of the goodwill arising from the acquisition is expected to be deductible for tax purposes.

	HK$'000
Cash consideration paid	78,477
Less: cash and cash equivalent balances acquired	(8)
Net cash outflow on acquisition of Diginex HPC	78,469

Acquisition-related costs amounting to approximately HK$1,412,000 have been excluded from the consideration transferred and have been recognised as an expense in the current period, within the administrative expenses in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2019.

Included in the loss for the year is HK$53,724,000 attributable to the additional business generated by Diginex HPC. Revenue for the year includes HK$29,156,000 generated from Diginex HPC.

Had the acquisition been completed on 1 April 2018, revenue for the year ended 31 March 2019 would have been approximately HK$318,698,000, and loss for the year ended 31 March 2019 would have been approximately HK$394,325,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 April 2018, nor is it intended to be a projection of future results.

In determining the "pro-forma" revenue and loss of the Group had Diginex HPC been acquired at the beginning of the current year, the Directors have:

- calculated depreciation of plant and equipment acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognised in the pre-acquisition financial statements; and

- determined borrowing costs based on the funding levels, credit ratings and debt/equity position of the Group after the business combination.

37. ACQUISITIONS OF SUBSIDIARIES/ACQUISIITON OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES *(Cont'd)*

For the year ended 31 March 2019 *(Cont'd)*

(ii) Acquisition of High Performance Computing Nordic AB ("HPC Nordic")

On 25 May 2018, Diginex HPC, an indirect non-wholly owned subsidiary of the Company, entered into the acquisition agreement with Mr. Andrew Spence, an independent third party to the Group, for acquisition of 100% of the entire issued share capital in HPC Nordic for a total consideration of US$1,750,000 (equivalent to approximately HK$13,736,000) satisfied by cash. After the acquisition, the Group's effective shareholding in HPC Nordic is 51%. This acquisition has been accounted for using the acquisition method. HPC Nordic was acquired so as to develop the Group's blockchain services business. The acquisition was completed on 30 August 2018.

Consideration transferred	HK$'000
Cash	13,736

The directors are of the opinion that the acquiree's assets and liabilities approximate their fair values. The net assets acquired from the acquisition and the goodwill arising are as follows:

	Fair value HK$'000
Net assets acquired	
Plant and equipment	7,253
Trade and other receivables	1,500
Tax recoverable	37
Bank balances and cash	823
Trade and other payables	(1,170)
Other borrowings	(1,552)
Deferred tax liabilities	(2)
Total identifiable net assets	6,889

	HK$'000
Fair value of consideration given	13,736
Less: fair value of net assets acquired	(6,889)
Goodwill arising on acquisition of HPC Nordic	6,847

37. ACQUISITIONS OF SUBSIDIARIES/ACQUISIITON OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES *(Cont'd)*

For the year ended 31 March 2019 *(Cont'd)*

(ii) Acquisition of High Performance Computing Nordic AB ("HPC Nordic") (Cont'd)

The non-controlling interests (49%) in HPC Nordic recognised at the acquisition date were measured by reference to the non-controlling interests' proportionate share of the acquiree's identifiable net assets.

Goodwill arose in the acquisition of HPC Nordic because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of revenue growth and future market development in blockchain services business. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising from the acquisition is expected to be deductible for tax purposes.

	HK$'000
Cash consideration paid	13,736
Less: cash and cash equivalent balances acquired	(823)
Net cash outflow on acquisition of HPC Nordic	12,913

Minimal acquisition-related costs of the transaction have been excluded from the consideration transferred and have been recognised as an expense in the current period, within the administrative expenses in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2019.

Included in the loss for the year is HK$7,597,000 attributable to the additional business generated by HPC Nordic. Revenue for the year includes HK$26,100,000 generated from HPC Nordic.

Had the acquisition been completed on 1 April 2018, revenue was noted for the year ended 31 March 2019 would have been HK$311,533,000, and loss for the year ended 31 March 2019 would have been approximately HK$421,650,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 April 2018, nor is it intended to be a projection of future results.

37. ACQUISITIONS OF SUBSIDIARIES/ACQUISIITON OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES *(Cont'd)*

For the year ended 31 March 2019 *(Cont'd)*

(ii) Acquisition of High Performance Computing Nordic AB ("HPC Nordic") (Cont'd)

In determining the "pro-forma" revenue and loss of the Group had HPC Nordic been acquired at the beginning of the current year, the Directors have:

- calculated depreciation of plant and equipment acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognised in the pre-acquisition financial statements; and
- determined borrowing costs based on the funding levels, credit ratings and debt/equity position of the Group after the business combination.

(iii) Acquisition of assets through acquisition of BITOCEAN

On 9 December 2018, Madison Lab Limited, an indirect non-wholly owned subsidiary of the Company, entered into the acquisition agreement with Mr. Pu Yan, Mr. Nan Ning, Mr. Daniel Kelman, Mr. Zhou Jiayu, Mr. Hashimoto Yoshikazu and Mr. Du Ping, for acquisition of 67.2% of the total issued share in BITOCEAN for a total consideration of JPY1,680,000,000 (equivalent to approximately HK$121,456,000) satisfied by cash. In the opinion of directors of the Company, at the acquisition date, no business was conducted by BITOCEAN but only held intangible assets (i.e. licnese). Thus, the transaction was accounted for acquisition of assets rather than business combination. The acquisition was completed on 11 January 2019.

Assets acquired recognised at the date of acquisition are as follows:

	HK$'000
Plant and equipment	1,096
Intangible assets	179,081
Other receivables	812
Bank balance and cash	11
Other payable	(262)
Non-controlling interests	(59,282)
Total identifiable net assets	121,456

	HK$'000
Cash consideration paid	121,456
Less: cash and cash equivalent balances acquired	(11)
Net cash outflow on acquisition of BITOCEAN	121,445

37. ACQUISITIONS OF SUBSIDIARIES/ACQUISIITON OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES *(Cont'd)*

For the year ended 31 March 2019 *(Cont'd)*

(iv) Acquisition of assets through acquisition of Novel Idea Holdings Limited ("Novel Idea")

During the year ended 31 March 2019, the Group subscribed 35% equity interest in Novel Idea which was classified as an associate. On 7 September 2018, Madison Public Chain Limited, an indirect non-wholly owned subsidiary of the Company, entered into the acquisition agreement with Telebox Limited, an associate of the Company, for acquisition of additional 20% of the total issued shares in Novel Idea for a total consideration of US$364,000 (equivalent to approximately HK$2,836,000) satisfied by cash. Following the acquisition of additional 20% interest Novel Idea became a subsidiary of the Company. In the opinion of directors of the Company, at the acquisition date, no business was conducted by Novel Idea. The acquisition was completed on 31 January 2019.

Assets acquired recognised at the date of acquisition are as follows:

	HK$'000
Plant and equipment	3
Other receivables	8,344
Bank balance and cash	2,367
Other payable	(1,894)
Non-controlling interests	(3,969)
Total identifiable net assets	4,851

Consideration satisfied by:	HK$'000
Cash consideration transferred	2,836
Fair value of interest in an associate on date of acquisition	2,015
	4,851

	HK$'000
Cash consideration paid	2,836
Less: cash and cash equivalent balances acquired	(2,367)
Net cash outflow on acquisition of Novel Idea	469

37. ACQUISITIONS OF SUBSIDIARIES/ACQUISIITON OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES *(Cont'd)*

For the year ended 31 March 2018

Acquisition of CVP Financial

On 9 February 2017, CVP Financial, an indirect non-wholly owned subsidiary of the Company, entered into the subscription agreement with CVP Capital for acquisition of approximately 60.08% of the entire issued share capital in CVP Capital for a cash consideration of HK$14,000,000. This acquisition has been accounted for using the acquisition method. CVP Capital was acquired so as to develop the Group's financial services business. The acquisition was completed on 30 June 2017.

The directors are of the opinion that the acquiree's assets and liabilities approximate their fair values. The net assets acquired from the acquisition and the goodwill arising are as follows:

	Fair value HK$'000
Net assets acquired	
Plant and equipment	31
Bank balances and cash	16,936
Trade and other payables	(13)
Deferred tax liability	(5)
Total identifiable net assets	16,949

	HK$'000
Fair value of consideration given for obtaining the controlling interest (60.08%)	14,000
Plus: non-controlling interests (39.92% in CVP Capital)	6,766
Less: fair value of net assets acquired	(16,949)
Goodwill arising on acquisition of CVP Capital	3,817

The non-controlling interests (39.92%) in CVP Capital recognised at the acquisition date were measured by reference to the non-controlling interests' proportionate share of the acquiree's identifiable net assets.

Goodwill arose in the acquisition of CVP Capital because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of CVP Capital. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

37. ACQUISITIONS OF SUBSIDIARIES/ACQUISIITON OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES *(Cont'd)*

For the year ended 31 March 2018 *(Cont'd)*

Acquisition of CVP Financial (Cont'd)

None of the goodwill arising from the acquisition is expected to be deductible for tax purposes.

	HK$'000
Cash consideration paid	(14,000)
Less: cash and cash equivalent balances acquired	16,936
Net cash inflow on acquisition of CVP Capital	2,936

Acquisition-related costs amounting to approximately HK$401,000 have been excluded from the consideration transferred and have been recognised as an expense in the current period, within the administrative expenses in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2018.

CVP Capital has contributed net loss and revenue of approximately HK$1,205,000 and HK$8,530,000 respectively to the Group during the year ended 31 March 2018.

Had the acquisition been completed on 1 April 2017, no impact on revenue was noted for the year ended 31 March 2018, and loss for the year ended 31 March 2018 would have been approximately HK$129,140,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 April 2017, nor is it intended to be a projection of future results.

In determining the "pro-forma" revenue and loss of the Group had CVP Capital been acquired at the beginning of the current year, the Directors have:

- calculated depreciation of plant and equipment acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognised in the pre-acquisition financial statements; and

- determined borrowing costs based on the funding levels, credit ratings and debt/equity position of the Group after the business combination.

38. DISPOSAL OF A SUBSIDIARY

On 17 November 2017, The Group disposed of its 24% equity interest in Yuanjian Insurance Brokerage Company Limited# ("遠見保險代理有限公司", "Yuanjian") to Shenzhen Qianhai Dudao Financial Services Company Limited# ("深圳前海大道金融服務有限公司"), an independent third party at a net consideration of approximately RMB13,766,000 (equivalent to approximately HK$16,273,000). It is considered to be a subsidiary of the Company despite the Company holds indirectly not more than half of the equity interest therein as the Company has the power to cast the majority of votes at meetings of the board of directors of the entity, which has power to affect the returns of this subsidiary.

The net assets of the subsidiary disposed of at the date of disposal are as follows:

	HK$'000
Property, plant and equipment	838
Held for trading investment	47,898
Prepayments and other receivables	3,366
Cash and cash equivalents	6,282
Accruals and other payables	(998)
	57,386
Gain on disposal of a subsidiary	
Net consideration received and receivable	16,273
Net assets disposed of	(57,386)
Non-controlling interest	41,179
Cumulative exchange differences in respect of the net assets of the subsidiary reclassified from equity to profit or loss on loss of control of the subsidiary	2,540
Gain on disposal of a subsidiary	2,606
Consideration received and receivable	
Cash received	16,273
Net cash inflow arising on disposal	
Cash consideration received	16,273
Cash and cash equivalents	(6,282)
	9,991

Profit for the year ended 31 March 2018 of the Group includes loss of approximately HK$950,000 and revenue for the year of the Group included HK$3,895,000 which were generated by Yuanjian.

During the period from 1 April 2017 to 17 November 2017, Yuanjian contributed approximately HK$5,775,000 to the Group's net operating cash outflows and paid approximately HK$7,553,000 in respect of investing activities.

The English translation is for identification only.

39. BUSINESS COMBINATION UNDER COMMON CONTROL

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

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

On 20 November 2018, the Company entered into the acquisition agreement with Software Research Associates, Inc., a company incorporated in Japan with limited liability and wholly-owned by SRA Holdings, Inc., the shares of which are listed on the First Section of the Tokyo Stock Exchange, for acquisition of 25% issued share in Hackett for a total consideration of HK$222,500,000 by issuing 404,545,454 shares ("SRA Acquisition"). Completion of the SRA Acquisition is conditional upon completion of the CVP Acquisition having occurred. The fair value of the ordinary shares of the Company, determined using the published price available at the date of the acquisition, amounted to HK$0.8 per share. Upon completion of the SRA Acquisition, the difference between the consideration and the derecognition of the carrying value of respective non-controlling interest of Hackett is recognised in other reserve of the Company since changes in the Group's ownership interests in the Hackett do not result in a change of control as detailed in Note 40 (ii). The acquisition was completed on 29 March 2019.

(iii) On 9 February 2017, CVP Financial entered into the acquisition agreement with CVP Holdings, pursuant to which CVP Financial conditionally agreed to acquire, and CVP Holdings conditionally agreed to sell, the entire issued share capital of CVP Asset Management for a consideration of HK$14,000,000 which is settled by issuing the Promissory Note (Note 35). The fair value of the consideration is approximately HK$10,947,000. Mr. Ting is the ultimate shareholder of CVP Holdings. The Group adopts merger accounting for this common control combination. The acquisition was completed on 28 July 2017.

The effects of the application of merger accounting for business combinations under common control occurred during the year ended 31 March 2019 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 disclosed in note 2.

40. CHANGES IN OWNERSHIP INTERESTS IN SUBSIDIARIES

For the year ended 31 March 2019, the Group had the following changes in its ownership interest in a subsidiary that did not result in a loss of control.

Acquisition of additional interest in a subsidiary

(i) CVP Financial

On 27 April 2018, the Company acquired an additional 2.67% issued shares of CVP Financial, increasing its ownership interest to 89.34%. Cash consideration of HK$8,400,000 was paid to the non-controlling shareholders. The carrying value of the net liabilities of CVP Financial was approximately HK$97,439,000. A schedule of the effect of acquisition of additional interest is as follow:

	2019 HK$'000
Carrying amount of non-controlling interest acquired	**(2,602)**
Consideration paid for acquisition of additional interest in CVP Financial	**(8,400)**
Difference recognised in capital reserve within equity	**(11,002)**

(ii) Hackett

On 29 March 2019, the Company acquired an additional 25% issued shares of Hackett, increasing its ownership interest to 77%. A total consideration of HK$222,500,000 was settled by issuing 404,545,454 consideration shares to the non-controlling shareholders. The carrying value of the net assets of Hackett was approximately HK$320,672,000. A schedule of the effect of acquisition of additional interest is as follow:

	2019 HK$'000
Carrying amount of non-controlling interest acquired	**80,168**
Consideration paid for acquisition of additional interest in Hackett	**(323,637)**
Difference recognised in capital reserve within equity	**(243,469)**

41. OPERATING LEASES

The Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2019 **HK$'000**	2018 HK$'000 (restated)
Within one year	**10,822**	12,864
In the second to fifth year inclusive	**7,261**	7,578
	18,083	20,442

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.

42. MAJOR NON-CASH TRANSACTIONS

(a) During the year ended 31 March 2019, CVP Financial exercised the exchange rights to exchange the carrying amount of the Exchangeable Bonds amounted approximately HK$72,088,000 into 49% Bartha Shares as detailed in Note 18.

(b) During the year ended 31 March 2019, the Company acquired 52% of Hackett by issuance of new shares and PN2 to CVP as detailed in Note 39.

(c) During the year ended 31 March 2019, the Group acquired additional equity interests over Hackett by issuance of new shares as detailed in the Note 40(ii).

(d) During the year ended 31 March 2019, the Group acquired certain equity interests over Diginex HPC by issuance of new shares as detailed in the Note 37(i).

(e) During the year ended 31 March 2018, an amount of approximately HK$250,363,000 had been waived by Mr. Ting.

(f) During the year ended 31 March 2018, the Group subscribed Exchangeable Bonds from and issued CB1 to Bartha Holdings. Details are set out in Notes 18 and 32 respectively.

(g) During the year ended 31 March 2018, the Group acquired CVP Asset Management by issuance of PN1 to CVP Holding. Details are set out in Note 39(iii).

43. RETIREMENT BENEFITS SCHEME

Hong Kong

The Group operates a MPF Scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of the relevant payroll costs and up to maximum of HK$1,500 per month for each employee to the scheme, to which the same amount of contribution is matched by employees.

The PRC

Employees of the subsidiaries in the PRC are members of the state-managed retirement benefit plan operated by the government of the PRC. The subsidiaries are required to contribute a specific percentage of payroll costs to the retirement benefit plan to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the required contributions.

There were no forfeited contributions utilised to offset employers' contributions for the year. The employers' contributions which have been dealt with in the consolidated statements of profit or loss and other comprehensive income were as follows:

	2019 **HK$'000**	2018 HK$'000 (restated)
Employers' contributions charged to the consolidated statements of profit or loss and other comprehensive income	**3,097**	3,568

44. SHARE-BASED PAYMENT TRANSACTIONS

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

At 31 March 2019, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 484,100,000 (31 March 2018: 181,000,000), representing 9.3% (31 March 2018: 4.5%) of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

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

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

Upon the Share Subdivision becoming effective on 8 November 2016, adjustments shall be made to the exercise price of the outstanding Share Options and the number of Subdivided Shares to be allotted and issued upon full exercise of subscription rights attaching to the outstanding Share Options in the following manner:

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

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

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

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

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

On 14 December 2018, the Company granted an aggregate of 42,000,000 share options (the "2018 Third Options") to the consultants of the Company, to subscribe, in aggregate, for up to 42,000,000 Shares at exercise price of HK$1.04 each per share. For details, please refer to the announcement of the Company dated 14 December 2018.

During the year ended 31 March 2019, options were granted on 3 April 2018, 13 December 2018 and 14 December 2018. The estimated fair values of the options granted on those dates are HK$28,707,000, HK$185,000 and HK$161,000 respectively. Fair value of share options granted to consultants was measured at market prices for their services provided.

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

	3 April 2018
Weighted average share price	**HK$1.89**
Weighted average exercise price	**HK$1.89**
Expected volatility	**75.216%**
Expected life	**10 years**
Risk-free rate	**1.898%**
Expected dividend yield	**0%**

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

Share-based payment expenses of approximately HK$29,049,000 (2018: nil) were recognised by the Group for the year ended 31 March 2019 in relation to share options granted by the Company.

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

Details of the Company's share options held by shareholders, consultants and directors are as follows:

Category of participant	Date of grant	Outstanding at 31 March 2019	Vesting period	Exercise period	Exercise price per share
Shareholders	17 December 2015	21,000,000	17 December 2015 to 16 June 2016	17 June 2016 to 16 June 2025	HK$0.80
Consultants	17 December 2015	160,000,000	17 December 2015 to 16 June 2016	17 June 2016 to 16 June 2025	HK$0.80
Directors	3 April 2018	12,900,000	3 April 2018 to 31 December 2018	1 January 2019 to 2 April 2028	HK$1.89
Employees	3 April 2018	16,000,000	3 April 2018 to 31 December 2018	1 January 2019 to 2 April 2028	HK$1.89
Consultants	3 April 2018	190,100,000	3 April 2018 to 31 December 2018	1 January 2019 to 2 April 2028	HK$1.89
Consultants	13 December 2018	48,000,000	13 December 2018 to 30 June 2019	1 July 2019 to 12 December 2028	HK$1.12
Consultants	14 December 2018	42,000,000	14 December 2018 to 29 March 2019	1 July 2019 to 12 December 2028	HK$1.04

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

Category of participant	Outstanding at 1 April 2017, 31 March 2018 and 1 April 2018	Granted during the year	Cancelled during the year	Outstanding at 31 March 2019
Directors	–	12,900,000	(5,000,000)	7,900,000
Employees	–	16,000,000	(400,000)	15,600,000
Shareholders	21,000,000	–	–	21,000,000
Consultants	160,000,000	280,100,000	(500,000)	439,600,000
	181,000,000	309,000,000	(5,900,000)	484,100,000
Weighted average exercise price (HK$)	0.80	1.65	1.89	1.33

45. RELATED PARTY TRANSACTIONS

(a) The balances with related parties at the end of the reporting period are disclosed elsewhere in the consolidated financial statements.

(b) During the year ended 31 March 2019, the Group had following material transactions with its related party:

Name of related party	Nature of transaction	2019 HK$'000	2018 HK$'000 (restated)
Bartha Holdings	Interest expenses on convertible bonds	**9,522**	5,892
CVP Holdings	Interest expenses on promissory note	**1,102**	680
Mr. Ting	Commission income	**86**	–
	Storage income	**216**	77

Note a: Bartha Holdings is 87.07% beneficially owned by Mr. Ting.

Note b: CVP Holdings is 100% beneficially owned by Mr. Ting.

Note c: Mr Ting, a director and a substantial shareholder of the Company.

During the year ended 31 March 2019, the Group acquired Hackett from CVP Financial Group Limited by issuing 504,872,727 shares and PN2. Details are set out in Note 39(ii).

During the year ended 31 March 2019, the Group acquired additional 20% of the total issued share in Novel Idea from an associate of the Company. Details are set out in Note 37(iv).

During the year ended 31 March 2018, the Group subscribed Exchangeable Bonds from and issued CB1 to Bartha Holdings. Details are set out in notes 18 and 32 respectively.

During the year ended 31 March 2019, the Group has exercised the exchange rights to exchange the carrying amount of the Exchangeable Bonds amounted approximately HK$72,088,000 into 49% Bartha Shares as detailed in note 18.

During the year ended 31 March 2018, the Group acquired CVP Asset Management from CVP Holdings by issuing PN1. Details are set out in notes 35.

45. RELATED PARTY TRANSACTIONS *(Cont'd)*

(c) The remuneration of directors and other members of key management during the year are as follows:

	2019 **HK$'000**	2018 HK$'000
Short-term benefits	**21,659**	9,742
Post-employment benefits	**195**	121
Equity-settled share-based payment expenses	**23,586**	–
	45,440	9,863

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

46. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the consolidated statement of cash flows as cash flows from financing activities.

			Non-cash changes							
	1/4/2018	**Financing cash flows**	**Finance cost incurred**	**Interests accrued**	**Deemed capital contribution**	**Capital injection from the ex-shareholder of a subsidiary**	**Acquisitions of subsidiaries**	**Settlement of consideration for the acquisition of a subsidiary**	**Foreign exchange movements**	**31/3/2019**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Amount due to a shareholder	41,872	(41,872)	–	–	–	–	–	–	–	–
Amount due to related companies	76,213	–	–	–	–	(76,213)	–	–	–	–
Amount due to a director	–	1,081	–	–	–	–	–	–	–	1,081
Amount due to associates	–	2,832	–	–	–	–	–	–	–	2,832
Amount due to non-controlling shareholder	4	703	–	–	–	–	–	–	–	707
Loan from a director	38,000	–	3,800	(3,800)	–	–	–	–	–	38,000
Loan from a subsidiary of non-controlling shareholder	–	106,350	2,122	(2,122)	–	–	–	–	–	106,350
Loan from related companies	–	15,701	–	–	(1,638)	–	–	–	–	14,063
Loan from a shareholder	800	(800)	–	–	–	–	–	–	–	–
Interest payable (included in trade and other payables)	952	–	–	20,437	–	–	–	–	–	21,389
Borrowings	–	143,724	17,520	(13,515)	–	–	219,559	–	1,800	369,088
Convertible bonds *(Note 32)*	145,254	–	13,578	(1,000)	–	–	–	–	–	157,832
Promissory note *(Note 35)*	11,257	–	1,102	–	–	–	–	140,945	–	153,304
	314,352	227,719	38,122	–	(1,638)	(76,213)	219,559	140,945	1,800	864,646

			Non-cash changes						
	1/4/2017	**Financing cash flows**	**Finance cost incurred**	**Interest accrued**	**Convertible bonds – equity component**	**Waiver of amounts due to related company**	**Subscription of exchangeable bonds**	**Settlement of consideration for the acquisition of a subsidiary**	**31/3/2018**
	HK$'000 (restated)	HK$'000 (restated)	HK$'000 (restated)	HK$'000 (restated)	HK$'000 (restated)	HK$'000 (restated)	HK$'000 (restated)	HK$'000 (restated)	HK$'000 (restated)
Amount due to shareholders	–	41,872	–	–	–	–	–	–	41,872
Amount due to related companies	318,859	7,717	–	–	–	(250,363)	–	–	76,213
Amount due to non-controlling interests	4	–	–	–	–	–	–	–	4
Loan from a director	–	34,268	3,732	–	–	–	–	–	38,000
Loan from a subsidiary of non-controling shareholder	–	(407)	407	–	–	–	–	–	–
Loan from a shareholder	–	800	–	–	–	–	–	800	
Amount due to a director	4,119	(4,119)	–	–	–	–	–	–	–
Interest payable (included in trade and other payables)	–	–	–	952	–	–	–	–	952
Borrowings	30,078	(30,078)	–	–	–	–	–	–	–
Convertible bonds *(Note 32)*	–	49,422	9,506	(952)	(9,230)	–	96,508	–	145,254
Promissory note *(Note 35)*	–	(370)	680	–	–	–	–	10,947	11,257
	353,060	99,512	13,918	–	(9,230)	(250,363)	96,508	10,947	314,352

47. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Details of the subsidiaries as at 31 March 2019 and 2018 are as follows:

Name of subsidiary	Place and date of incorporation/ establishment	Place of operation	Issued and fully paid share capital/ registered capital	Issued and fully paid share capital/ registered capital	Percentage of equity interest attributable to the Group				Percentage of proportion of voting power held by the Company				Principal activities
					2019		2018 (restated)		2019		2018 (restated)		
					Directly	Indirectly	Directly	Indirectly	Directly	Indirectly	Directly	Indirectly	
Madison International	Republic of Seychelles ("Seychelles") 21 November 2013	Hong Kong	Ordinary shares	US$10,870/ US$10,870	**100%**	**–**	100%	–	**100%**	**–**	100%	–	Investment holding
Madison (China) Limited	Hong Kong 14 April 1997	Hong Kong	Ordinary shares	HK$10,000/ HK$10,000	**–**	**100%**	–	100%	**–**	**100%**	–	100%	Sales of alcoholic beverages
Madison Wine Club Limited	Hong Kong 12 January 2012	Hong Kong	Ordinary shares	HK$1/ HK$1	**–**	**100%**	–	100%	**–**	**100%**	–	100%	Sales of alcoholic beverages and wine storage
CVP Financial	BVI 21 September 2016	Hong Kong	Ordinary shares	US$10,000/ US$10,000	**–**	**89.34%**	–	86.67%	**–**	**89.34%**	–	86.67%	Investment holding
Pure Horizon Holdings Limited	BVI 23 June 2016	Hong Kong	Ordinary shares	US$1/ US$1	**–**	**100%**	–	100%	**–**	**100%**	–	100%	Investment holding
CVP Capital	Hong Kong 20 May 2014	Hong Kong	Ordinary shares	HK$9,300,000/ HK$9,300,000	**–**	**57.75%**	–	52.07%	**–**	**64.64%**	–	60.08%	Financial services
Madison Auction Limited	Hong Kong 9 January 2018	Hong Kong	Ordinary shares	HK$1/ HK$1	**–**	**100%**	–	100%	**–**	**100%**	–	100%	Investment holding
CVP Investment Holdings Limited	Hong Kong 28 June 2017	Hong Kong	Ordinary shares	HK$1/ HK$1	**–**	**89.34%**	–	86.67%	**–**	**100%**	–	100%	Investment holding
Bartha International	Hong Kong 15 April 2015	Hong Kong	Ordinary shares	HK$76,213,000/ HK$76,213,000	**–**	**43.78%**	–	42.47%	**–**	**100%**	–	100%	Investment holding
CVP Securities	Hong Kong 22 March 2014	Hong Kong	Ordinary shares	HK$100,000,000/ HK$100,000,000	**–**	**43.78%**	–	42.47%	**–**	**100%**	–	100%	Trading and advising of securities and futures
Diginex HPC	Gibraltar 21 December 2015	Gibraltar	Ordinary shares	GBP2,000/ GBP2,000	**–**	**51%**	N/A	N/A	**–**	**51%**	N/A	N/A	Blockchain service business
HPC Nordic	Swedish 17 October 2017	Swedish	Ordinary shares	Swedish Korna ("SEK") 50,000/ SEK200,000	**–**	**51%**	N/A	N/A	**–**	**100%**	N/A	N/A	Blockchain service business
Hackett Enterprises Limited	Seychelles 3 September 2014	Hong Kong	Ordinary shares	Ordinary US$100	**77%**	**–**	52%	–	**77%**	**–**	52%	–	Investment holding

47. PARTICULARS OF SUBSIDIARIES OF THE COMPANY *(Cont'd)*

Details of the subsidiaries as at 31 March 2019 and 2018 are as follows: *(Cont'd)*

Name of subsidiary	Place and date of incorporation/ establishment	Place of operation	Issued and fully paid share capital/ registered capital	Issued and fully paid share capital/ registered capital	Percentage of equity interest attributable to the Group				Percentage of proportion of voting power held by the Company				Principal activities
					2019		2018 (restated)		**2019**		2018 (restated)		
					Directly	**Indirectly**	Directly	Indirectly	**Directly**	**Indirectly**	Directly	Indirectly	
Starlight Financial Holdings Limited	Hong Kong 3 June 2011	Hong Kong	Ordinary shares	HK$234,000,000/ HK$234,000,000	**–**	**53.9%**	–	36.4%	**–**	**70%**	–	70%	Investment holding
China Runking Financing Group Limited	Hong Kong 15 February 2013	Hong Kong	Ordinary shares	HK$1/ HK$1	**–**	**53.9%**	–	36.4%	**–**	**100%**	–	100%	Loan financing service
City Eagle Holdings Limited	Hong Kong 27 June 2011	Hong Kong	Ordinary shares	HK$100/ HK$100	**–**	**53.9%**	–	36.4%	**–**	**100%**	–	100%	Investment holding
Wine Financier Limited	Hong Kong 11 September 2014	Hong Kong	Ordinary shares	HK$10,000/ HK$10,000	**–**	**53.9%**	–	36.4%	**–**	**100%**	–	100%	Loan financing service
Chongqing Run Kun Management Consulting Company Limited# ("重慶潤坤企業管理諮詢有限公司")	The PRC 17 June 2013	The PRC	Registered capital	HK$10,000,000/ HK$10,000,000	**–**	**53.9%**	–	36.4%	**–**	**100%**	–	100%	Financial consulting services
Run Tong Credit (Liangliang District Chongqing) Co. Ltd# ("重慶市兩江新區潤通小額貸款有限公司")	The PRC 18 October 2011	The PRC	Registered capital	US$30,000,000/ US$30,000,000	**–**	**53.9%**	–	36.4%	**–**	**100%**	–	100%	Provision of loan financing services and microfinance services

\# The English translation is for identification only.

In the opinion of the directors of the Company, the subsidiaries of the Company listed in the above table principally affected the results, assets and liabilities of the Group. To give details of other subsidiaries would result in particular of excessive length.

None of the subsidiaries had any debt securities outstanding as at the end of the year or at any time during the year.

47. PARTICULARS OF SUBSIDIARIES OF THE COMPANY *(Cont'd)*

Composition of the Group

Information about the composition of the Group other than the principal subsidiaries disclose above at the end of the reporting period is as follows:

Principal activities	**Places of incorporation and operation**	**Number of wholly-owned subsidiaries**	
		2019	2018
Investment holding	Hong Kong	**7**	3
	BVI	**4**	2
	Seychelles	**2**	1
	Cayman	**2**	2
		15	8

Principal activities	**Places of incorporation and operation**	**Number of non-wholly-owned subsidiaries**	
		2019	2018
Investment holding	Hong Kong	**8**	5
	Japan	**1**	–
	Seychelles	**1**	–
	The PRC	**2**	–
Financial services	Hong Kong	**1**	1
Loan financing services	PRC	**3**	3
		16	9

47. PARTICULARS OF SUBSIDIARIES OF THE COMPANY *(Cont'd)*

Details of non-wholly owned subsidiaries that have material non-controlling interests to the Group are disclosed below.

Details of non-wholly owned subsidiary that have material non-controlling interests

The table below shows details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Place of incorporation/ principal place of business	Proportion of ownership interests held by non-controlling interests		Voting rights held by non-controlling interests		(Loss) profit allocated to non-controlling interests		Accumulated non-controlling interest	
		2019	2018 (restated)	**2019**	2018 (restated)	**2019**	2018 (restated)	**2019**	2018 (restated)
						HK$'000	HK$'000	**HK$'000**	HK$'000
CVP Financial	BVI/Hong Kong	**10.66%**	13.33%	**10.66%**	13.33%	**(7,172)**	(13,832)	**17,509**	(10,349)
Hackett	Seychelles/ Hong Kong	**23%**	48%	**23%**	48%	**41,427**	1,984	**269,169**	243,532
Diginex HPC	Gibraltar	**49%**	N/A	**49%**	N/A	**(83,318)**	N/A	**(86,037)**	N/A
Individual immaterial subsidiaries with non-controlling interests						**(1,408)**	7,933	**(14,201)**	82
Total						**(50,471)**	(3,915)	**186,440**	233,265

Summarised financial information in respect of the Group's subsidiaries that have material non-controlling interests are set out below. The summarised financial information below represents amounts before intra-group eliminations.

47. PARTICULARS OF SUBSIDIARIES OF THE COMPANY *(Cont'd)*

Details of non-wholly owned subsidiary that have material non-controlling interests *(Cont'd)*

CVP Financial

	2019 HK$'000	2018 HK$'000
Current assets	**195,570**	243,042
Non-current assets	**92,442**	162,457
Current liabilities	**(385,877)**	(501,855)
Non-current liabilities	**(47,288)**	(1,619)
Equity attributable to owner of the Company	**(162,662)**	(87,626)
Non-controlling interests	**17,509**	(10,349)

	2019 HK$'000	2018 HK$'000
Revenue	**21,175**	26,378
Expenses	**(72,778)**	(154,414)
Loss for the year and total comprehensive expense for the year	**(51,063)**	(128,036)
Loss for the year and total comprehensive expense for the year attributable to owners of the Company	**(43,891)**	(114,204)
Loss for the year and total comprehensive expense for the year attributable to non-controlling interests	**(7,172)**	(13,832)

47. PARTICULARS OF SUBSIDIARIES OF THE COMPANY *(Cont'd)*

Details of non-wholly owned subsidiary that have material non-controlling interests *(Cont'd)*

CVP Financial (Cont'd)

	2019 HK$'000	2018 HK$'000
Net cash outflow from operating activities	**(47,712)**	(55,246)
Net cash inflow from investing activities	**24,295**	39,545
Net cash inflow (outflow) from financing activities	**33,527**	161,421
Net cash inflow	**10,110**	145,720

Hackett

	2019 HK$'000	2018 HK$'000
Current assets	**575,522**	603,626
Non-current assets	**40,017**	41,334
Current liabilities	**(178,926)**	(252,173)
Non-current liabilities	**(794)**	(651)
Equity attributable to owner of the Company	**166,650**	148,604
Non-controlling interests	**269,169**	243,532

47. PARTICULARS OF SUBSIDIARIES OF THE COMPANY *(Cont'd)*

Details of non-wholly owned subsidiary that have material non-controlling interests *(Cont'd)*

Hackett (Cont'd)

	2019 HK$'000	2018 HK$'000
Revenue	**141,400**	91,752
Expenses	**(71,199)**	(71,633)
Profit for the year and total comprehensive income for the year	**70,201**	20,119
Profit for the year and total comprehensive income for the year attributable to owners of the Company	**28,774**	18,135
Profit for the year and total comprehensive income for the year attributable to non-controlling interests	**41,427**	1,984

	2019 HK$'000	2018 HK$'000
Net cash outflow from operating activities	**(46,760)**	(83,399)
Net cash outflow from investing activities	**(191,286)**	(5,710)
Net cash inflow from financing activities	**100,663**	3,543
Net cash outflow	**(137,383)**	(85,556)

47. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (CONTINUED)

Details of non-wholly owned subsidiary that have material non-controlling interests *(Cont'd)*

Diginex HPC

	2019 **HK$'000**
Current assets	**15,576**
Non-current assets	**82,001**
Current liabilities	**(170,253)**
Non-current liabilities	**(102,909)**
Equity attributable to owner of the Company	**(89,548)**
Non-controlling interests	**(86,037)**

	31 July **2018 to** **31 March** **2019** HK$'000
Revenue	29,384
Expenses	(209,645)
Loss for the period and total comprehensive expense for the period	(180,261)
Loss for the period and total comprehensive expense for the period attributable to owners of the Company	(96,943)
Loss for the period and total comprehensive expense for the period attributable to non-controlling interests	(83,318)

47. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (CONTINUED)

Details of non-wholly owned subsidiary that have material non-controlling interests *(Cont'd)*

Diginex HPC (Cont'd)

	2019 HK$'000
Net cash outflow from operating activities	**(274,011)**
Net cash inflow from investing activities	**252,326**
Net cash inflow from financing activities	**57,871**
Net cash inflow	**30,186**

48. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2019 HK$'000	2018 HK$'000
Non-current assets		
Investments in subsidiaries	**941,547**	62,217
Plant and equipment	**168**	–
	941,715	62,217
Current assets		
Other receivables	**715**	–
Amount due from immediate holding company	**4**	–
Amounts due from associates	**11**	–
Amount due from a subsidiary	**528,946**	305,526
Bank balances	**4,518**	10,745
	534,194	316,271

48. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Cont'd)*

	2019 HK$'000	2018 HK$'000
Current liabilities		
Other payables	**11,944**	–
Amounts due to subsidiaries	**14,450**	–
Borrowings	**162,100**	–
Derivative financial instrument	**53,638**	–
Promissory note payable	**140,945**	–
	383,077	–
Net current assets	**151,117**	316,271
Net assets	**1,092,832**	378,488
Capital and reserves		
Share capital	**5,193**	4,000
Reserves *(Note)*	**963,936**	246,508
Total equity	**969,129**	250,508
Non-current liabilities		
Convertible bonds	**111,344**	101,822
Derivative financial instrument	**–**	14,901
Promissory note payable	**12,359**	11,257
	123,703	127,980
	1,092,832	378,488

48. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Cont'd)*

Note:

Reserves of the Company

	Share premium HK$'000	Other reserve HK$'000 *(Note a)*	Capital reserve HK$'000 *(Note b)*	Share options reserve HK$'000	Convertible bonds – equity conversion reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2017	65,376	62,217	–	11,376	–	(51,530)	87,439
Profit for the year end and total comprehensive expense for the year	–	–	–	–	–	4,431	4,431
Issue of convertible bonds *(Note 32)*	–	–	–	–	174,782	–	174,782
Issue of put option to non-controlling interests *(Note 33)*	–	–	(20,144)	–	–	–	(20,144)
At 31 March 2018	65,376	62,217	(20,144)	11,376	174,782	(47,099)	246,508
Loss for the year end and total comprehensive expense for the year	–	–	–	–	–	(498,112)	(498,112)
Issue of shares upon placing *(Note 34)*	119,025	–	–	–	–	–	119,025
Share issue expenses	(1,355)	–	–	–	–	–	(1,355)
Recognition of equity-settled share-based payments expenses	–	–	–	29,049	–	–	29,049
Lapse of share options	–	–	–	(9,818)	–	9,818	–
Share issued for acquisition of subsidiaries under common control combination *(Note 39)*	403,393	–	–	–	–	–	403,393
Acquisition of additional interest in a subsidiary by issuing share	323,232	–	–	–	–	–	323,232
Acquisition of a subsidiary *(Note 37)*	347,389	–	–	–	–	–	347,389
At 31 March 2019	1,257,060	62,217	(20,144)	30,607	174,782	(535,393)	(969,129)

Notes:

(a) Other reserve represents the difference between the nominal value of the shares issued for the acquisition of Madison International and the consolidated net asset values of Madison International and its subsidiaries at the date of acquisition.

(b) Capital reserve represents a fair value of put option amounting to approximately HK$20,144,000 exercisable by non-controlling shareholders was recorded upon initial recognition, as detailed in Note 33 to the consolidated financial statements.

49. EVENT AFTER THE END OF THE REPORTING PERIOD

On 27 May 2019, the Company obtained other borrowing amounted HK$106,000,000 from an independent third party. The borrowing is secured by 77 shares of Hackett held by the Company and 30,000,100 shares in Madison Lab Limited held by Madison Blockchain Holdings Company Limited, a directly wholly owned subsidiary of the Company.

FINANCIAL SUMMARY

RESULTS

For the year ended 31 March

	2019 HK$'000	2018 HK$'000	2017 HK$'000	2016 HK$'000	2015 HK$'000
Revenue	**310,352**	269,584	139,912	126,684	145,687
(Loss) profit before tax	**(403,088)**	(121,142)	(16,366)	(7,083)	17,290
Income tax (expense) credit	**(16,627)**	(6,742)	374	(2,221)	(2,976)
(Loss) profit for the year and total comprehensive (expense) income for the year attributable to:					
Owners of the Company	**(369,244)**	(123,969)	(15,638)	(9,447)	14,159
Non-controlling interests	**(50,471)**	(3,915)	(354)	143	155

ASSETS AND LIABILITIES

As at 31 March

	2019 HK$'000	2018 HK$'000	2017 HK$'000	2016 HK$'000	2015 HK$'000
Total assets	**1,536,880**	1,027,598	162,935	130,520	75,890
Total liabilities	**(1,074,689)**	(485,060)	(8,712)	(5,545)	(24,063)
Total equity	**462,191**	542,538	154,223	124,975	51,827