

MADISON

— G R O U P —

Madison Holdings Group Limited

麥迪森控股集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8057)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

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

FINANCIAL HIGHLIGHTS

For the six months ended 30 September 2019, unaudited operating results of the Company and its subsidiaries (collectively referred to as the “Group”) were as follows:

- the Group recorded a revenue of approximately HK\$126.8 million for the six months ended 30 September 2019 (six months ended 30 September 2018: approximately HK\$156.6 million (restated)), representing a decrease of approximately 19.0% as compared with the corresponding period in 2018;
- loss attributable to the owners of the Company for the six months ended 30 September 2019 increased to approximately HK\$296.8 million (six months ended 30 September 2018: approximately HK\$60.4 million (restated)); and
- the Directors do not recommend the payment of an interim dividend for the six months ended 30 September 2019.

The board of Directors (the “Board”) is pleased to present the unaudited condensed consolidated results of the Group for the six months ended 30 September 2019, together with the comparative unaudited figures for the corresponding period in 2018, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE THREE MONTHS AND SIX MONTHS ENDED 30 SEPTEMBER 2019

	NOTES	Three months ended		Six months ended	
		30 September		30 September	
		2019	2018	2019	2018
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(unaudited)	(unaudited)	(unaudited)	(unaudited)
		(unaudited)	and restated)	(unaudited)	and restated)
Revenue	5				
– sales of alcoholic beverages		18,008	30,478	40,352	68,095
– financial services		2,414	2,401	4,842	7,785
– blockchain services		11,598	3,125	30,135	3,125
– loan financing service		22,670	40,653	48,857	77,592
– auction		144	–	2,598	–
		<u>54,834</u>	<u>76,657</u>	<u>126,784</u>	<u>156,597</u>
Cost of operations:					
– cost of alcoholic beverages		(16,542)	(25,572)	(35,253)	(56,765)
– cost of blockchain services		(15,273)	(6,750)	(29,316)	(6,750)
		<u>(31,815)</u>	<u>(32,322)</u>	<u>(64,569)</u>	<u>(63,515)</u>

	NOTES	Three months ended		Six months ended	
		30 September		30 September	
		2019	2018	2019	2018
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(unaudited)	(unaudited and restated)	(unaudited)	(unaudited and restated)
Other income	6	697	117	1,585	2,745
Staff costs		(18,902)	(24,756)	(37,981)	(50,591)
Depreciation		(9,260)	(5,408)	(16,833)	(7,192)
Net trading gain (loss)		108	(2,052)	311	(3,080)
Administrative and other operating expenses		(13,043)	(12,699)	(33,476)	(32,843)
Net impairment recognised on loan and interest receivables		(5,057)	(1,333)	(9,750)	(3,619)
Change in fair value of exchangeable bonds	14	(11,518)	(11,727)	(11,518)	(11,727)
Change in fair value of derivative financial instrument		(281)	(1,119)	(281)	(1,119)
Change in fair value of crypto-currencies		(776)	(1,207)	(525)	(1,207)
Impairment loss recognised on goodwill		(257,440)	(6,847)	(257,440)	(6,847)
Impairment loss recognised on plant and equipment		(21,760)	–	(21,760)	–
Gain on disposal of a subsidiary	28	42,594	–	42,594	–
Finance costs	7	(14,010)	(9,724)	(28,695)	(15,447)
Loss before tax		(285,629)	(32,420)	(311,554)	(37,845)
Income tax expense	8	(2,471)	(2,671)	(3,944)	(8,767)
Loss for the period	9	<u>(288,100)</u>	<u>(35,091)</u>	<u>(315,498)</u>	<u>(46,612)</u>
(Loss) profit for the period attributable to:					
Owners of the Company		(270,050)	(42,337)	(296,784)	(60,441)
Non-controlling interests		(18,050)	7,246	(18,714)	13,829
		<u>(288,100)</u>	<u>(35,091)</u>	<u>(315,498)</u>	<u>(46,612)</u>
Loss per share (HK cents)	11				
Basic		<u>(5.20)</u>	<u>(1.00)</u>	<u>(5.72)</u>	<u>(1.46)</u>
Diluted		<u>(5.21)</u>	<u>(1.01)</u>	<u>(5.74)</u>	<u>(1.49)</u>

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE THREE MONTHS AND SIX MONTHS ENDED 30 SEPTEMBER 2019

	Three months ended		Six months ended	
	30 September		30 September	
	2019	2018	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited and restated)		(unaudited and restated)	
	(unaudited)		(unaudited)	
Loss for the period	<u>(288,100)</u>	<u>(35,091)</u>	<u>(315,498)</u>	<u>(46,612)</u>
Other comprehensive (expense) income				
Item that may be reclassified				
subsequently to profit or loss:				
Exchange differences arising on translation of foreign operations	<u>(13,310)</u>	<u>100</u>	<u>(21,506)</u>	<u>(19,763)</u>
Total comprehensive expense for the period	<u>(301,410)</u>	<u>(34,991)</u>	<u>(337,004)</u>	<u>(66,375)</u>
Total comprehensive (expense) income for the period attributable to:				
Owners of the company	<u>(277,625)</u>	<u>(35,580)</u>	<u>(307,543)</u>	<u>(67,589)</u>
Non-controlling interests	<u>(23,785)</u>	<u>589</u>	<u>(29,461)</u>	<u>1,214</u>
	<u>(301,410)</u>	<u>(34,991)</u>	<u>(337,004)</u>	<u>(66,375)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2019

		30 September 2019 <i>HK\$'000</i> (unaudited)	31 March 2019 <i>HK\$'000</i> (audited)	1 April 2018 <i>HK\$'000</i> (audited and restated)
Non-current assets				
Plant and equipment	12	58,950	92,595	15,865
Right-of-use assets	13	24,820	–	–
Financial assets at fair value through profit or loss	14	66,624	78,142	147,118
Loan receivables	15	14,726	19,938	20,039
Deposits	16	6,281	7,010	6,719
Intangible assets		188,339	188,339	9,258
Interests in associates		–	–	–
Deferred tax asset		10,552	8,005	6,575
Goodwill	17	9,028	266,468	9,028
		<u>379,320</u>	<u>660,497</u>	<u>214,602</u>
Current assets				
Inventories		31,314	32,272	50,578
Promissory note receivable		40,529	–	–
Financial assets at fair value through profit or loss/held for trading investments	14	22,962	27,339	22,173
Loan and interest receivables	15	437,669	535,775	409,546
Trade and other receivables	16	146,101	169,048	116,920
Amount due from ultimate holding company		–	25	19
Amount due from immediate holding company		–	37	34
Amount due from a shareholder		–	11	–
Amount due from non-controlling shareholders		11	2,000	–
Amounts due from related companies		–	349	652
Amounts due from associates		258	2,866	–
Tax recoverable		–	32	–
Crypto currencies		243	371	29
Bank balances – segregated accounts		51,907	57,822	119,843
Bank balances and cash		46,046	48,436	93,202
		<u>777,040</u>	<u>876,383</u>	<u>812,996</u>

		30 September	31 March	1 April
		2019	2019	2018
	<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(unaudited)	(audited)	(audited and restated)
Current liabilities				
Trade and other payables	<i>18</i>	150,335	145,042	139,442
Contract liabilities		7,323	5,311	–
Lease liabilities	<i>13</i>	13,175	–	–
Amounts due to shareholders		4	–	41,872
Amounts due to related companies		–	–	76,213
Amount due to a director		1,092	1,081	–
Amounts due to associates		–	2,832	–
Amounts due to a non-controlling shareholder		–	707	4
Loan from a shareholder		–	–	800
Loan from a director	<i>19</i>	38,000	38,000	38,000
Loan from a subsidiary of a non-controlling shareholder	<i>19</i>	108,900	106,350	–
Borrowings	<i>20</i>	116,613	281,071	–
Tax payable		25,934	24,677	15,840
Derivative financial instrument		53,949	53,638	–
Promissory note payables	<i>23</i>	160,446	140,945	–
Convertible bonds	<i>21</i>	48,114	–	–
Deferred income		319	331	–
		724,204	799,985	312,171
Net current assets		52,836	76,398	500,825
Total assets less current liabilities		432,156	736,895	715,427

		30 September 2019	31 March 2019	1 April 2018
	<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(unaudited)	(audited)	(audited and restated)
Capital and reserves				
Share capital	22	5,193	5,193	4,000
Reserves		<u>(11,695)</u>	<u>261,328</u>	<u>296,043</u>
Equity attributable to owners				
of the Company		(6,502)	266,521	300,043
Convertible bonds issued by a subsidiary	21	9,230	9,230	9,230
Non-controlling interests		<u>124,757</u>	<u>186,440</u>	<u>233,265</u>
Total equity		<u>127,485</u>	<u>462,191</u>	<u>542,538</u>
Non-current liabilities				
Deferred tax liability		1,658	1,605	1,477
Lease liabilities	13	11,903	–	–
Borrowings	20	159,407	88,017	–
Loan from a related company		14,627	14,063	–
Convertible bonds	21	116,434	157,832	145,254
Derivative financial instrument		–	–	14,901
Promissory note payables	23	–	12,359	11,257
Deferred income		<u>642</u>	<u>828</u>	<u>–</u>
		<u>304,671</u>	<u>274,704</u>	<u>172,889</u>
		<u>432,156</u>	<u>736,895</u>	<u>715,427</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

	Attributable to owners of the Company													Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000 (Note a)	Other reserve HK\$'000 (Note b)	Capital reserve HK\$'000 (Note c)	Merger reserve HK\$'000	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	
At 1 April 2019 (audited)	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
Loss for the period	-	-	-	-	-	-	-	-	-	(296,784)	(296,784)	-	(18,714)	(315,498)
Other comprehensive expense for the period														
– Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	-	(10,759)	-	-	(10,759)	-	(10,747)	(21,506)
Loss for the period and total comprehensive expense for the period	-	-	-	-	-	-	-	(10,759)	-	(296,784)	(307,543)	-	(29,461)	(337,004)
Lapse/cancel of share options	-	-	-	-	-	(1,474)	-	-	-	1,474	-	-	-	-
Recognition of equity-settled share-based payments expenses (Note 25)	-	-	-	-	-	884	-	-	-	-	884	-	-	884
Acquisition of additional interest in subsidiaries (Note 29)	-	-	-	33,691	-	-	-	-	-	-	33,691	-	(33,691)	-
Derecognised upon disposal of a subsidiary (Note 28)	-	-	-	-	-	-	-	(55)	-	-	(55)	-	1,469	1,414
	-	-	-	33,691	-	(590)	-	(55)	-	1,474	34,520	-	(32,222)	2,298
At 30 September 2019 (unaudited)	5,193	1,257,060	29,047	(74,437)	(629,167)	30,017	174,782	(21,312)	3,677	(781,362)	(6,502)	9,230	124,757	127,485
At 1 April 2018, as originally stated (audited)	4,000	65,376	29,047	14,516	(9,110)	11,376	174,782	-	-	(134,468)	155,519	-	(5,117)	150,402
Effect of adopting merger accounting for common control combination (Note 2)	-	-	-	130,189	1	-	-	1,022	2,806	10,506	144,524	9,230	238,382	392,136
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 period	-	-	-	-	-	-	-	-	-	(60,441)	(60,441)	-	13,829	(46,612)
Other comprehensive expense for the period														
– Exchange differences arising on translation of foreign operation	-	-	-	-	-	-	-	(7,148)	-	-	(7,148)	-	(12,615)	(19,763)
Loss for the period and total comprehensive expense for the period	-	-	-	-	-	-	-	(7,148)	-	(60,441)	(67,589)	-	1,214	(66,375)
Issue of share upon placing (Note 22)	70	119,025	-	-	-	-	-	-	-	-	119,095	-	-	119,095
Share issue expenses	-	(1,355)	-	-	-	-	-	-	-	-	(1,355)	-	-	(1,355)
Recognition of equity-settled share-based payments expenses	-	-	-	-	-	19,138	-	-	-	-	19,138	-	-	19,138
Exercise of exchangeable bonds as consideration paid for acquisition of subsidiaries under common control combination	-	-	-	-	(64,403)	-	-	-	-	-	(64,403)	-	(7,685)	(72,088)
Capitalisation in a subsidiary which adopt merger accounting for common control combination (Note e)	-	-	-	-	33,363	-	-	-	-	-	33,363	-	42,850	76,213
Acquisition of additional interest in subsidiaries (Note 29)	-	-	-	(11,002)	-	-	-	-	-	-	(11,002)	-	2,602	(8,400)
Acquisition of subsidiaries (Note 27)	213	347,389	-	-	-	-	-	-	-	-	347,602	-	2,087	349,689
	283	465,059	-	(11,002)	(31,040)	19,138	-	-	-	-	442,438	-	39,854	482,292
At 30 September 2018 (unaudited and restated)	4,283	530,435	29,047	133,703	(40,149)	30,514	174,782	(6,126)	2,806	(186,196)	673,099	9,230	272,757	955,086

Notes:

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

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

1. GENERAL

The Company was incorporated in the Cayman Islands under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands as an exempted company with limited liability on 15 April 2015 and its shares are listed on the GEM of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 8 October 2015. The addresses of the registered office and the principal place of business of the Company are Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and Flat A & B, 10/F., North Point Industrial Building, 499 King’s Road, North Point, Hong Kong respectively.

The Company is an investment holding company. Its major operating subsidiaries are mainly engaged in sales of alcoholic beverages, 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, 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 AND RESTATEMENTS

The condensed consolidated financial statements of the Group for the six months ended 30 September 2019 have been prepared in accordance with the applicable disclosure provisions of Chapter 18 of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange and with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

The effects of prior year adjustments on the Group’s condensed consolidated financial position as at 1 April 2018 and the results for the three months and six months ended 30 September 2018 are summarised as follows:

For the three months ended 30 September 2018

	As originally stated	Hackett (i)	Elimination (ii)	Reclassification (iii)	As restated
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
Revenue					
– sale of alcoholic beverages	30,478	–	–	–	30,478
– financial services	2,401	–	–	–	2,401
– blockchain services	3,125	–	–	–	3,125
– loan financing services	–	40,653	–	–	40,653
	<u>36,004</u>	<u>40,653</u>	<u>–</u>	<u>–</u>	<u>76,657</u>

	As originally stated	Hackett (i)	Elimination (ii)	Reclassification (iii)	As restated
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost of sales	(23,373)	–	–	23,373	–
Cost of operations:					
– cost of alcoholic beverages	–	–	–	(25,572)	(25,572)
– cost of blockchain services	–	–	–	(6,750)	(6,750)
	–	–	–	(32,322)	(32,322)
Other income	1,297	(345)	(835)	–	117
Selling and distribution expenses	(3,538)	–	–	3,538	–
Staff cost	–	(6,129)	–	(18,627)	(24,756)
Depreciation	–	(613)	–	(4,795)	(5,408)
Net trading (loss) gain	(2,253)	201	–	–	(2,052)
Administrative and other operating expenses	(39,111)	(3,162)	835	28,739	(12,699)
Net impairment recognised on loan and interest receivables	–	(1,333)	–	–	(1,333)
Share of results of associates	(25)	–	–	25	–
Change in fair value of exchangeable bonds	(11,727)	–	–	–	(11,727)
Change in fair value of derivative financial instrument	(1,119)	–	–	–	(1,119)
Change in fair value of crypto-currencies	(1,207)	–	–	–	(1,207)
Impairment loss recognised on goodwill	(6,847)	–	–	–	(6,847)
Deemed loss on disposal of an associate	(69)	–	–	69	–
Finance costs	(8,231)	(1,493)	–	–	(9,724)
(Loss) profit before tax	(60,199)	27,779	–	–	(32,420)
Income tax credit (expense)	72	(2,743)	–	–	(2,671)
(Loss) profit for the period	<u>(60,127)</u>	<u>25,036</u>	<u>–</u>	<u>–</u>	<u>(35,091)</u>

	As originally stated	Hackett (i)	Elimination (ii)	Reclassification (iii)	As restated
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
(Loss) profit before tax attributable to:					
Owners of the Company	(53,236)	20,958	(10,059)	–	(42,337)
Non-controlling interests	(6,891)	4,078	10,059	–	7,246
	<u>(60,127)</u>	<u>25,036</u>	<u>–</u>	<u>–</u>	<u>(35,091)</u>
(Loss) profit for the period	<u>(60,127)</u>	<u>25,036</u>	<u>–</u>	<u>–</u>	<u>(35,091)</u>
Other comprehensive income (expense)					
Item that may be reclassified subsequently to profit or loss:					
Exchange differences arising on translation of foreign operations	308	(208)	–	–	100
Total comprehensive (expense) income for the period	<u>(59,819)</u>	<u>24,828</u>	<u>–</u>	<u>–</u>	<u>(34,991)</u>
Total comprehensive (expense) income for the period attributable to:					
Owners of the company	(53,077)	25,548	(8,051)	–	(35,580)
Non-controlling interests	(6,742)	(720)	8,051	–	589
	<u>(59,819)</u>	<u>24,828</u>	<u>–</u>	<u>–</u>	<u>(34,991)</u>

For the six months ended 30 September 2018

	As originally stated	Hackett (i)	Elimination (ii)	Reclassification (iii)	As restated
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue					
– sale of alcoholic beverages	68,095	–	–	–	68,095
– financial services	7,785	–	–	–	7,785
– blockchain services	3,125	–	–	–	3,125
– loan financing services	–	77,592	–	–	77,592
	<u>79,005</u>	<u>77,592</u>	<u>–</u>	<u>–</u>	<u>156,597</u>
Cost of sales	<u>(52,391)</u>	<u>–</u>	<u>–</u>	<u>52,391</u>	<u>–</u>
Cost of operations:					
– cost of alcoholic beverages	–	–	–	(56,765)	(56,765)
– cost of blockchain services	–	–	–	(6,750)	(6,750)
	<u>–</u>	<u>–</u>	<u>–</u>	<u>(63,515)</u>	<u>(63,515)</u>
Other income	1,800	1,866	(921)	–	2,745
Selling and distribution expenses	(8,198)	–	–	8,198	–
Staff cost	–	(13,470)	–	(37,121)	(50,591)
Depreciation	–	(1,233)	–	(5,959)	(7,192)
Net trading (loss) gain	(3,450)	370	–	–	(3,080)
Administrative and other operating expenses	(68,029)	(11,647)	921	45,912	(32,843)
Net impairment recognised on loan and interest receivables	–	(3,619)	–	–	(3,619)
Share of results of associates	(25)	–	–	25	–
Change in fair value of exchangeable bonds	(11,727)	–	–	–	(11,727)
Change in fair value of derivative financial instrument	(1,119)	–	–	–	(1,119)
Change in fair value of crypto-currencies	(1,207)	–	–	–	(1,207)
Impairment loss recognised on goodwill	(6,847)	–	–	–	(6,847)
Deemed loss on disposal of an associate	(69)	–	–	69	–
Finance costs	<u>(12,471)</u>	<u>(2,976)</u>	<u>–</u>	<u>–</u>	<u>(15,447)</u>

	As originally stated	Hackett (i)	Elimination (ii)	Reclassification (iii)	As restated
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
(Loss) profit before tax	(84,728)	46,883	–	–	(37,845)
Income tax credit (expense)	231	(8,998)	–	–	(8,767)
	<u>(84,497)</u>	<u>37,885</u>	<u>–</u>	<u>–</u>	<u>(46,612)</u>
(Loss) profit for the period					
(Loss) profit before tax attributable to:					
Owners of the Company	(76,469)	30,823	(14,795)	–	(60,441)
Non-controlling interests	(8,028)	7,062	14,795	–	13,829
	<u>(84,497)</u>	<u>37,885</u>	<u>–</u>	<u>–</u>	<u>(46,612)</u>
(Loss) profit for the period	<u>(84,497)</u>	<u>37,885</u>	<u>–</u>	<u>–</u>	<u>(46,612)</u>
Other comprehensive income (expense)					
Item that may be reclassified subsequently to profit or loss:					
Exchange differences arising on translation of foreign operations	308	(20,071)	–	–	(19,763)
Total comprehensive (expense) income for the period	<u>(84,189)</u>	<u>17,814</u>	<u>–</u>	<u>–</u>	<u>(66,375)</u>
Total comprehensive (expense) income for the period attributable to:					
Owners of the company	(76,310)	16,772	(8,051)	–	(67,589)
Non-controlling interests	(7,879)	1,042	8,051	–	1,214
	<u>(84,189)</u>	<u>17,814</u>	<u>–</u>	<u>–</u>	<u>(66,375)</u>

As at 1 April 2018

	As originally stated	Hackett (i)	Elimination and reallocation (iv)	Reclassification (v)	As restated
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets					
Plant and equipment	10,827	5,038	–	–	15,865
Financial assets at fair value through profit or loss	147,118	–	–	–	147,118
Loan receivables	–	20,039	–	–	20,039
Deposits	6,719	–	–	–	6,719
Intangible assets	7,978	1,280	–	–	9,258
Deferred tax asset	626	5,949	–	–	6,575
Goodwill	–	9,028	–	–	9,028
	<u>173,268</u>	<u>41,334</u>	<u>–</u>	<u>–</u>	<u>214,602</u>
Current assets					
Inventories	50,578	–	–	–	50,578
Financial assets at fair value through profit or loss/held for trading investment	7,027	15,146	–	–	22,173
Trade and other receivables	108,214	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
Amount due from related companies	–	652	–	–	652
Tax recoverable	29	–	–	–	29
Bank balances					
– segregated accounts	119,843	–	–	–	119,843
Bank balances and cash	74,266	18,936	–	–	93,202
	<u>360,010</u>	<u>453,626</u>	<u>(640)</u>	<u>–</u>	<u>812,996</u>

	As originally stated	Hackett (i)	Elimination and reallocation (iv)	Reclassification (v)	As restated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current liabilities					
Trade and other payables	133,436	6,646	(640)	–	139,442
Amounts due to shareholders	189	41,683	–	–	41,872
Amounts due to related companies	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	145,254	–	–	(145,254)	–
Derivative financial instrument	14,901	–	–	(14,901)	–
Tax payable	–	15,840	–	–	15,840
	<u>370,793</u>	<u>102,173</u>	<u>(640)</u>	<u>(160,155)</u>	<u>312,171</u>
Net current (liabilities) assets	<u>(10,783)</u>	<u>351,453</u>	<u>–</u>	<u>160,155</u>	<u>500,825</u>
Total assets less current liabilities	<u><u>162,485</u></u>	<u><u>392,787</u></u>	<u><u>–</u></u>	<u><u>160,155</u></u>	<u><u>715,427</u></u>
Capital and reserves					
Share capital	4,000	1	(1)	–	4,000
Reserves	<u>151,519</u>	<u>284,392</u>	<u>(139,868)</u>	<u>–</u>	<u>296,043</u>
Equity attributable to owners					
of the Company	155,519	284,393	(139,869)	–	300,043
Convertible bonds issued by a subsidiary	–	–	9,230	–	9,230
Non-controlling interests	<u>(5,117)</u>	<u>107,743</u>	<u>130,639</u>	<u>–</u>	<u>233,265</u>
Total equity	<u>150,402</u>	<u>392,136</u>	<u>–</u>	<u>–</u>	<u>542,538</u>
Non-current liabilities					
Deferred tax liability	826	651	–	–	1,477
Convertible bonds	–	–	–	145,254	145,254
Derivative financial instrument	–	–	–	14,901	14,901
Promissory note payables	<u>11,257</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>11,257</u>
	<u>12,083</u>	<u>651</u>	<u>–</u>	<u>160,155</u>	<u>172,889</u>
	<u><u>162,485</u></u>	<u><u>392,787</u></u>	<u><u>–</u></u>	<u><u>160,155</u></u>	<u><u>715,427</u></u>

Notes:

(i) Adoption of merger accounting and restatement

As disclosed in note 30, business combinations under common control were effected in respect of Hackett Enterprises Limited (“Hackett”) during the current year. The condensed consolidated financial statements incorporate the financial information of the combining entities as if they had been combined from the date when the combining entities first came under the control of the controlling party.

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

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

The comparative amounts in the condensed consolidated financial statements are restated as if the entities had been combined at the beginning of the previous reporting period or when they first came under common control, whichever is later.

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

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

During the current period, the Company had revisited the presentation of the condensed 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 period. As a result, certain comparative figures are restated to conform with the current period’s presentation.

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

(v) Being reclassification of certain financial instruments.

(vi) The basic loss per share for the three months and six months ended 30 September 2018 were adjusted as a result of the adoption of merger accounting and resulted in a decrease of HK\$0.3 cents and HK\$0.18 cents respectively and the restated basic loss per share were HK\$1.00 cents and HK\$1.46 cents respectively. 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\$0.01 cents and HK\$0.03 cents respectively, and the restated diluted loss per share was HK\$1.01 cents and HK\$1.49 cents respectively.

3. SIGNIFICANT ACCOUNTING POLICIES

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

The accounting policies used in the condensed consolidated financial statements for the six months ended 30 September 2019 are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 March 2019 except as described below.

In the current interim period, the Group has applied, for the first time, the following new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA which are effective for the Group's financial year beginning 1 April 2019:

HKFRS 16	Leases
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle

The adoption of HKFRS 16 resulted in changes in the Group's accounting policies and adjustments to the amounts recognised in the condensed consolidated financial statements. The new accounting policies are set out in note 4 below. The application of other new and amendments to HKFRSs in the current interim period has had no material effect on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

Impacts on adoption of HKFRS 16 Leases

HKFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating lease and finance lease and requiring the recognition of right-of-use asset and a lease liability for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new accounting policies are described in note 4. The Group has applied HKFRS 16 Leases retrospectively with the cumulative effect of initial application as an adjustment to the opening balance of equity, where appropriate, at 1 April 2019, and has not restated comparatives for the 2018 reporting period as permitted under the specific transitional provisions in the standard. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 17 Leases.

On transition to HKFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which arrangements are, or contain, leases. It applied HKFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 April 2019.

The major impacts of the adoption of HKFRS 16 on the Group's condensed consolidated financial statements are described below.

The Group as lessee

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 Leases (except for lease of low value assets and lease with remaining lease term of twelve months or less). These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 April 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 April 2019 was 4.21%.

The Group recognises right-of-use assets and measures them at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments – the Group applied this approach to all other leases.

The following table summarises the impact on transition to HKFRS 16 on retained earnings at 1 April 2019:

		Carrying amount previously reported at 31 March 2019 HK\$'000	Impact on adoption of HKFRS 16 HK\$'000	Carrying amount as restated at 1 April 2019 HK\$'000
	<i>Note</i>			
Right-of-use assets	<i>(a)</i>	–	12,557	12,557
Lease liabilities				
– current liabilities	<i>(a)</i>	–	5,393	5,393
– non-current liabilities	<i>(a)</i>	–	7,164	7,164
		<u> </u>	<u> </u>	<u> </u>

Note:

- (a) As at 1 April 2019, right-of-use assets were measured at an amount of approximately HK\$12,557,000 and lease liabilities were measured at an amount of approximately HK\$12,557,000. The adoption of HKFRS 16 has had no material impact on the accumulated losses of the Group.

Differences between operating lease commitment as at 31 March 2019, the date immediately preceding the date of initial application, discounted using the incremental borrowing rate, and the lease liabilities recognised as at 1 April 2019 are as follow:

HK\$'000

Operating lease commitment disclosed as at 31 March 2019	18,083
Discounted using the applicable incremental borrowing rate at the date of initial application	(530)
<i>Less:</i> short term leases recognised on a straight-line basis as expense	(4,796)
<i>Less:</i> Prepaid rental	<u>(200)</u>
 Lease liabilities recognised as at 1 April 2019	 <u><u>12,557</u></u>

Practical expedients applied

On the date of initial application of HKFRS 16, the Group has used the following practical expedients permitted by the standard:

- Not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease;
- The exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

4. CHANGE IN ACCOUNTING POLICIES

Leases

Definition of a lease

Under HKFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

The Group as lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Lease liabilities

At the commencement date, the Group measures lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted by using the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease.

The lease liability is presented as a separate line in the condensed consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

Lease liability is remeasured (and with a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

Right-of-use assets

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date and any initial direct costs, less lease incentives received.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, provision is recognised and measured under HKAS 37 “Provision, Contingent Liabilities and Contingent Assets”. The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses. They are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The Group applies HKAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the “Property and equipment” policy as stated in the Group’s annual consolidated financial statements for the year ended 31 March 2019.

Lease modification

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

5. 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:

	Three months ended		Six months ended	
	30 September		30 September	
	2019	2018	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited and restated)	(unaudited)	(unaudited and restated)
Sales of alcoholic beverages segment				
– Sales of alcoholic beverages income	18,008	30,478	40,352	68,095
Financial services segment				
– Financial consultancy service income	71	50	71	1,202
– Securities and futures dealing service income	508	840	909	1,678
– Interest income – Margin clients	1,835	1,511	3,862	4,905
Blockchain services segment				
– Blockchain services income	11,598	3,125	30,135	3,125
Loan financing services segment				
– Loan referral services income	2,748	14,458	5,340	27,837
– Interest income				
– Real estate – backed loans	1,041	1,798	2,077	3,607
– Interest income – Micro loans	10,588	12,709	21,748	24,207
– Interest income – Other loans	8,293	11,688	19,692	21,941
Auction segment				
– Auction income	144	–	2,598	–
	<u>54,834</u>	<u>76,657</u>	<u>126,784</u>	<u>156,597</u>

Segment Information

Information has been reported to the chief operating decision maker (“CODM”) (i.e. the executive Directors), for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

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

1. Sales of alcoholic beverages – retail sales and wholesales of wine products and other alcoholic beverages
2. Financial services – provision of financial consultancy 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

(a) *Segment revenues and results*

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

	Three months ended		Six months ended	
	30 September		30 September	
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited and restated)	(unaudited)	(unaudited and restated)
Revenue				
Sales of alcoholic beverages	18,008	30,478	40,352	68,095
Financial services	2,414	2,401	4,842	7,785
Blockchain services	11,598	3,125	30,135	3,125
Loan financing services	22,670	40,653	48,857	77,592
Auction	144	–	2,598	–
	<u>54,834</u>	<u>76,657</u>	<u>126,784</u>	<u>156,597</u>
Segment (loss) profit				
Sales of alcoholic beverages	(1,842)	(487)	(5,297)	377
Financial services	(2,768)	(3,567)	(5,988)	(4,036)
Blockchain services	(287,306)	(15,691)	(301,296)	(16,350)
Loan financing services	11,102	30,746	24,363	57,123
Auction	(1,187)	–	(1,625)	–
	<u>(282,001)</u>	<u>11,001</u>	<u>(289,843)</u>	<u>37,114</u>
Unallocated income	43,415	(41)	43,428	232
Unallocated expenses	(26,021)	(33,656)	(36,444)	(59,744)
Finance costs	(14,010)	(9,724)	(28,695)	(15,447)
Loss before tax	<u>(278,617)</u>	<u>(32,420)</u>	<u>(311,554)</u>	<u>(37,845)</u>

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

(b) Segment assets and liabilities

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

Segment assets

	30 September 2019 HK\$'000 (unaudited)	31 March 2019 HK\$'000 (audited)
Sales of alcoholic beverages	67,408	80,102
Financial services	157,309	176,431
Blockchain services	303,713	279,209
Loan financing services	469,865	565,361
Auction	873	1,182
	<hr/>	<hr/>
Total segment assets	999,168	1,102,285
Unallocated assets	157,192	434,595
	<hr/>	<hr/>
Consolidated total assets	<u>1,156,360</u>	<u>1,536,880</u>

Segment liabilities

	30 September 2019 HK\$'000 (unaudited)	31 March 2019 HK\$'000 (audited)
Sales of alcoholic beverages	19,402	8,202
Financial services	59,021	68,566
Blockchain services	29,036	35,323
Loan financing services	18,543	11,135
Auction	151	194
	<hr/>	<hr/>
Total segment liabilities	126,153	123,420
Unallocated liabilities	902,722	951,269
	<hr/>	<hr/>
Consolidated total liabilities	<u>1,028,875</u>	<u>1,074,689</u>

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

- all assets are allocated to operating segments other than financial assets at fair value through profit or loss (“FVTPL”), interests in associates, deferred tax asset, goodwill, promissory note receivable, 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/a non-controlling shareholder loan from a shareholder, loan from a director, loan from a subsidiary of a non-controlling shareholder, loan from a related company, borrowings, tax payable, deferred tax liability, derivative financial instrument, convertible bonds, promissory note payables and certain unallocated head office liabilities.

(c) Geographical information

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

	Three months ended		Six months ended	
	30 September		30 September	
	2019	2018	2019	2018
	HK\$’000	HK\$’000	HK\$’000	HK\$’000
	(unaudited)	(unaudited and restated)	(unaudited)	(unaudited and restated)
Hong Kong	28,859	54,836	67,484	117,352
The PRC	14,377	21,821	29,165	39,245
Europe	11,598	–	30,135	–
	<u>54,834</u>	<u>76,657</u>	<u>126,784</u>	<u>156,597</u>

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 as below:

	30 September	31 March
	2019	2019
	HK\$’000	HK\$’000
	(unaudited)	(audited)
PRC	9,977	2,555
Hong Kong	39,587	25,388
Europe	50,999	339,441
Japan	180,574	180,018
	<u>281,137</u>	<u>547,402</u>

6. OTHER INCOME

	Three months ended		Six months ended	
	30 September		30 September	
	2019	2018	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited and restated)	(unaudited)	(unaudited and restated)
Bank interest income	47	10	63	162
Consignment income	82	185	191	460
Promotion income	–	313	–	313
Government grant	99	640	816	640
Exchange (loss) gain	–	(1,292)	–	788
Gain on disposal of plant and equipment	35	1	35	1
Others	434	260	480	381
	697	117	1,585	2,745

7. FINANCE COSTS

	Three months ended		Six months ended	
	30 September		30 September	
	2019	2018	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited and restated)	(unaudited)	(unaudited and restated)
Interests on:				
Convertible bonds	3,649	3,357	7,216	6,641
Borrowings	7,372	4,601	10,903	5,291
Promissory note payables	1,244	273	7,142	539
Loan from a director	958	958	1,905	1,905
Loan from a subsidiary of a non-controlling shareholder	550	535	1,082	1,071
Lease liabilities	237	–	447	–
	14,010	9,724	28,695	15,447

8. INCOME TAX EXPENSE

	Three months ended		Six months ended	
	30 September		30 September	
	2019	2018	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited and restated)	(unaudited)	(unaudited and restated)
Current tax:				
Hong Kong Profits Tax	866	96	2,203	3,133
PRC Enterprise Income Tax (“EIT”)	2,569	1,956	4,736	5,442
Deferred taxation	(964)	619	(2,995)	192
	<u>2,471</u>	<u>2,671</u>	<u>3,944</u>	<u>8,767</u>

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

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “Bill”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of qualifying corporation will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. For the period ended 30 September 2019, Hong Kong profits tax of the qualified entity of the Group is calculated in accordance with the two-tiered profits tax rates regime. The profits of other Group entities in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at the flat rate of 16.5%.

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

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

No provision for Gibraltar Corporate Tax and Sweden Income Tax have been made as the Group did not have any assessable profits subject to Gibraltar Corporate Tax and Sweden Income Tax respectively for the six months ended 30 September 2019.

9. LOSS FOR THE PERIOD

	Three months ended		Six months ended	
	30 September		30 September	
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited and restated)	(unaudited)	(unaudited and restated)
Loss for the period has been arrived at after charging (crediting):				
Directors' emoluments	1,286	10,964	3,750	14,081
Salaries, sales commissions, allowances and other benefits	15,780	11,965	31,619	25,152
Contributions to retirement benefits scheme	1,402	886	2,178	1,640
Equity-settled share-based payment expenses – employees	434	941	434	9,718
	<u>18,902</u>	<u>24,756</u>	<u>37,981</u>	<u>50,591</u>
Cost of inventories recognised as expense	14,145	23,373	32,412	52,391
Depreciation of plant and equipment	6,364	5,408	11,638	7,192
Depreciation of right-of-use assets	2,896	–	5,195	–
Equity-settled share-based payment expenses – consultants	156	792	450	1,584
Gain on disposals and written off of plant and equipment	(35)	(1)	(35)	(1)
Net impairment recognised on loan and interest receivables	5,057	1,333	9,750	3,619
Written off (reversal) of loans and interest receivables	50	–	50	(307)
Net exchange (gain) loss	(227)	1,292	976	(788)
Minimum lease payments under operating leases in respect of office premises, warehouses and shop	–	4,091	–	8,330

10. DIVIDEND

No dividend was paid, declared or proposed during the six months ended 30 September 2019 (six months ended 30 September 2018: nil).

11. LOSS PER SHARE

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

	Three months ended		Six months ended	
	30 September		30 September	
	2019	2018	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited and restated)	(unaudited)	(unaudited and restated)
Loss				
Loss for the purpose of basic loss per share for the period attributable to the owners of the Company	<u><u>(270,050)</u></u>	<u><u>(42,337)</u></u>	<u><u>(296,784)</u></u>	<u><u>(60,441)</u></u>
Effect of dilutive potential ordinary shares:				
Change in fair value of put option to non-controlling interests in CVP Capital Limited and loss attributable to the owners to the Company	<u>(530)</u>	<u>(75)</u>	<u>(1,317)</u>	<u>(1,090)</u>
Loss for the purpose of diluted loss per share	<u><u>(270,580)</u></u>	<u><u>(42,412)</u></u>	<u><u>(298,101)</u></u>	<u><u>(61,531)</u></u>
	2019	2018	2019	2018
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Number of shares				
Weighted average number of ordinary shares for the purpose of basic loss per share	<u><u>5,192,726,898</u></u>	<u><u>4,213,769,788</u></u>	<u><u>5,192,726,898</u></u>	<u><u>4,133,883,522</u></u>

The computation of diluted loss per share does not assume the outstanding shares options and outstanding convertible bonds since their exercise would result in a decrease in loss per share for the six months ended 30 September 2019 and 2018.

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

12. MOVEMENTS IN PLANT AND EQUIPMENT

During the six months ended 30 September 2019, the Group spent approximately HK\$1,195,000 (six months ended 30 September 2018 and restated: approximately HK\$4,056,000) on acquisition of plant and equipment.

Assets with a carrying amount of approximately HK\$22,000 were disposed of by the Group during the six months ended 30 September 2019 (six months ended 30 September 2018: approximately HK\$16,000), resulting in a net gain on disposal of approximately HK\$35,000 (six months ended 30 September 2018: approximately HK\$1,000).

During the six months ended 30 September 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\$21,760,000 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 fair value less costs of disposal. To determine the recoverable amount, management has engaged an independent valuer to perform a valuation, taking into the current status of the assets and market price or transactions for similar assets.

The directors of the Company announces that it has recently been aware of the disposal (the "Unauthorised Disposal") of all the crypto-currencies mining rigs in the operation site (the "PRC site") in the PRC owned by Diginex High Performance Computing Limited ("Diginex HPC"), a non-wholly owned subsidiary of the Company. Having made reasonable enquiries, the Board believes that the Unauthorised Disposal was unauthorisedly made by Diginex Global Limited ("Diginex Global"), the minority shareholder of Diginex HPC and 深圳市欣誠捷碩科技有限公司 ("Shenzhen Xincheng Jieshuo Technology Limited"*) (the "Management Company"), the management company of Diginex HPC in the PRC, without the Group's approval, consent and authorisation. The Group has filed a writ with the Shenzhen Qianhai Cooperation Zone People's Court against Diginex Global and the Management Company in relation to the Unauthorised Disposal.

The directors of the Company consider that the Unauthorised Disposal has no material adverse impact on the business operations and/or financial position of the Group.

* *The English translation is for identification only.*

13. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

(i) Right-of-use assets

Upon adoption of HKFRS 16 on 1 April 2019, the Group recognised right-of-use assets of approximately HK\$12,557,000 in respect of the leased properties. As at 30 September 2019, the carrying amounts of right-of-use assets were approximately HK\$24,820,000 in respect of the leased properties.

(ii) Lease liabilities

Upon adoption of HKFRS 16 on 1 April 2019, the Group recognised total lease liabilities of approximately HK\$12,557,000. As at 30 September 2019, the carrying amount of total lease liabilities was approximately HK\$25,078,000.

(iii) Amounts recognised in profit or loss

	For the three months ended 30 September 2019 HK\$'000 (unaudited)	For the six months ended 30 September 2019 HK\$'000 (unaudited)
Depreciation of right-of-use assets	2,896	5,195
Interest on lease liabilities	<u>237</u>	<u>447</u>
	<u>3,133</u>	<u>5,642</u>

(iv) Others

The total cash outflow for leases including interest paid on lease liabilities and payment of lease liabilities amount to approximately HK\$5,384,000.

At 30 September 2019, the Group is committed to approximately HK\$1,452,000.

14. FINANCIAL ASSET AT FVTPL/HELD FOR TRADING INVESTMENTS

	30 September 2019 HK\$'000 (unaudited)	31 March 2019 HK\$'000 (audited)
Unlisted exchangeable bonds, at fair value (<i>Note a</i>)	<u>66,624</u>	<u>78,142</u>
Unlisted investments, at fair value (<i>Note b</i>)	<u>22,424</u>	<u>26,746</u>
Held for trading investments (<i>Note c</i>)		
Equity securities listed in Hong Kong	<u>538</u>	<u>593</u>
	<u>89,586</u>	<u>105,481</u>
Analysed for reporting purposes as:		
Non-current assets at FVTPL	66,624	78,142
Current assets at FVTPL	<u>22,962</u>	<u>27,339</u>
	<u>89,586</u>	<u>105,481</u>

Notes:

- (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 21). 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 21). 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 the 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% (31 March 2019: 100%) for Scenario 1 and 0% (31 March 2019: 0%) 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.

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 six months ended 30 September 2019, the Group recognised a loss from change in fair value of exchangeable bonds amounted to approximately HK\$11,518,000 (Six months ended 30 September 2018: approximately HK\$11,727,000).

- (b) For the six months ended 30 September 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\$22,424,000 (31 March 2019: approximately HK\$26,746,000).
- (c) The fair value of listed equity securities is determined based on the quoted market bid prices available on the Stock Exchange as at 30 September 2019 and 31 March 2019.

15. LOAN AND INTEREST RECEIVABLES

	30 September 2019 <i>HK\$'000</i> (unaudited)	31 March 2019 <i>HK\$'000</i> (audited)
Secured loans		
Real estate-backed loans	30,434	32,438
Secured micro loans	<u>55,162</u>	<u>46,632</u>
	<u>85,596</u>	<u>79,070</u>
Unsecured loans		
Unsecured micro loans	229,250	239,442
Unsecured other loans	<u>102,812</u>	<u>172,704</u>
	<u>332,062</u>	<u>412,146</u>
	417,658	491,216
<i>Less: Allowances for loan receivables</i>	<u>(40,729)</u>	<u>(33,076)</u>
Loan receivables	376,929	458,140
Interest receivables	<u>75,466</u>	<u>97,573</u>
	<u>452,395</u>	<u>555,713</u>
Loan and interest receivables analysed for reporting purpose as:		
Non-current assets	14,726	19,938
Current assets	<u>437,669</u>	<u>535,775</u>
	<u>452,395</u>	<u>555,713</u>

The average loan period as at the end of the reporting period as follows:

	30 September 2019	31 March 2019
Real estate-backed loans	180 days to 1 year	180 days to 1 year
Secured and unsecured micro loans	90 days to 3 years	90 days to 4 years
Other loans	180 days to 2 years	90 days to 2 years

As at 30 September 2019, the loans provided to customers bore fixed interest rate at 0.3% to 3% per month (31 March 2019: 0.3% to 3% per month), and were repayable according to the loan agreements.

As at 30 September 2019, included in the gross balances are loans of approximately HK\$70,055,000 (31 March 2019: approximately HK\$63,318,000) were secured by real estates in the PRC; approximately HK\$15,541,000 (31 March 2019: approximately HK\$13,752,000) were secured by motor vehicles; and approximately HK\$141,876,000 (31 March 2019: approximately HK\$138,118,000) were guaranteed by guarantors.

As at 30 September 2019, the Group held collaterals with value of approximately HK\$216,566,000 (31 March 2019: approximately HK\$265,715,000) over the financing advances to customers.

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

	30 September 2019	31 March 2019
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Within 90 days	80,340	79,820
91 – 180 days	64,455	254,936
181 – 365 days	125,165	34,362
Over 365 days	182,435	186,595
	452,395	555,713

16. TRADE AND OTHER RECEIVABLES, DEPOSITS

	30 September 2019 <i>HK\$'000</i> (unaudited)	31 March 2019 <i>HK\$'000</i> (audited)
Trade receivables arising from the business of securities dealing and broking:		
– Cash clients (<i>Notes a, c, f</i>)	7	520
– Margin clients (<i>Notes a, d, f</i>)	83,374	89,457
– HKSCC (<i>Notes c, e</i>)	–	9,978
	<u>83,381</u>	<u>99,955</u>
Trade receivables arising from the business of futures dealing and broking:		
– Hong Kong Exchanges and Clearing Limited (<i>Notes a, c, e</i>)	<u>79</u>	<u>428</u>
Other trade receivables (<i>Notes b, c</i>)	<u>2,728</u>	<u>3,481</u>
	86,188	103,864
Less: impairment	<u>(988)</u>	<u>(938)</u>
Total trade receivables	<u>85,200</u>	<u>102,926</u>
Payments in advance	16,123	37,185
Prepayments	8,843	9,782
Deposits and other receivables	<u>42,216</u>	<u>26,165</u>
Total other receivables and deposits	<u>67,182</u>	<u>73,132</u>
Trade and other receivables, deposits	<u><u>152,382</u></u>	<u><u>176,058</u></u>
Analysed as:		
Non-current	6,281	7,010
Current	<u>146,101</u>	<u>169,048</u>
Trade and other receivables, deposits	<u><u>152,382</u></u>	<u><u>176,058</u></u>

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.

	30 September	31 March
	2019	2019
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Within 30 days	909	13,174
31 to 60 days	237	209
61 to 90 days	214	–
91 to 180 days	419	90
181 to 365 days	258	125
Over 365 days	100	135
	<hr/>	<hr/>
Total	2,137	13,733
	<hr/> <hr/>	<hr/> <hr/>

- (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 30 September 2019, trade receivables from cash and margin clients are secured by the clients' pledged securities at fair values of approximately HK\$1,033,062,000 (31 March 2019: approximately HK\$1,603,987,000) 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 cash and margin clients are repayable on demand and bear interest at commercial rates. As at 30 September 2019 included in the total trade receivables, approximately HK\$83,381,000 (31 March 2019: approximately HK\$89,977,000) were interest bearing whereas approximately HK\$2,807,000 (31 March 2019: approximately HK\$13,887,000) were non-interest bearing. There is no repledge of the collateral from margin clients during the period.

17. GOODWILL

During the six months ended 30 September 2019, the Group recognised an impairment loss of approximately HK\$257,440,000 in relation to goodwill arising on acquisition of Diginex HPC as the performance of the cryptocurrencies mining business was lower than management's initial expectations.

18. TRADE AND OTHER PAYABLES

	30 September	31 March
	2019	2019
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Trade payables arising from the business of securities dealing and broking: <i>(Notes a, c)</i>		
– Cash clients	587	23,483
– Margin clients	42,819	42,945
– Trust payable	146	146
– HKSCC	9,065	–
	<u>52,617</u>	<u>66,574</u>
Trade payables arising from the business of futures dealing and broking <i>(Notes b, c)</i>	<u>91</u>	<u>598</u>
Other trade payables <i>(Notes d)</i>	<u>17,334</u>	<u>8,139</u>
Total trade payables	<u>70,042</u>	<u>75,311</u>
Other payables and accruals	<u>80,293</u>	<u>69,731</u>
Trade and other payables	<u><u>150,335</u></u>	<u><u>145,042</u></u>

Notes:

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

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

As at 30 September 2019, trade payables of securities clients approximately HK\$51,907,000 (31 March 2019: approximately HK\$57,822,000) respectively were payable to clients in respect of the segregated bank balances received and held for clients in the course of conducting the regulated activities. The Group currently does not have an enforceable right to offset these payables with the deposits placed.

- (b) For trade payables arising from the business of futures dealing and broking, no aged analysis is disclosed as in the opinion of the directors of the Company, the aging analysis does not give additional value in the view of the nature of business of margin financing.
- (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.

	30 September	31 March
	2019	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(audited)
Within 30 days	11,147	5,600
31 to 60 days	3,641	1,019
61 to 90 days	420	388
91 to 180 days	907	292
181 to 365 days	257	546
Over 365 days	962	294
	<hr/>	<hr/>
Total	17,334	8,139
	<hr/> <hr/>	<hr/> <hr/>

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

19. LOANS FROM A DIRECTOR/A SUBSIDIARY OF A NON-CONTROLLING SHAREHOLDER

(a) Loan from a director

The amount of HK\$38,000,000 is unsecured, with fixed interest rate of 10% per annum and repayable on demand with maturity date of 30 April 2020. The loan from a director contained a repayable on demand clause.

(b) Loan from a subsidiary of a non-controlling shareholder

The amount of JPY1,500,000,000 (equivalent to approximately HK\$108,900,000) is pledged by a property in the PRC. The amount has a fixed interest rate of 2% per annum. The Group is arranging for extension of the loan upon the maturity.

20. BORROWINGS

	30 September 2019 <i>HK\$'000</i> (unaudited)	31 March 2019 <i>HK\$'000</i> (audited)
Secured borrowings	106,000	–
Unsecured borrowings	<u>170,020</u>	<u>369,088</u>
	<u>276,020</u>	<u>369,088</u>
Carrying amount repayable:		
Within one year	116,613	281,071
After one year but within two years	9,067	88,017
After two years but within five years	–	–
After five years	<u>150,340</u>	<u>–</u>
	<u>276,020</u>	<u>369,088</u>
Amounts show under current liabilities	<u>(116,613)</u>	<u>(281,071)</u>
Amounts show under non-current liabilities	<u>159,407</u>	<u>88,017</u>

The ranges of effective interest rates on the Group's borrowings are as follows:

	30 September 2019 HK\$'000 (unaudited)	31 March 2019 HK\$'000 (audited)
Secured borrowings	12% per annum	N/A
Unsecured borrowings	5% to 12% per annum	9% to 12% per annum

All the borrowings are at fixed rates.

As at 30 September 2019, borrowings with carrying amount of approximately HK\$110,000,000 (31 March 2019: HK\$162,100,000) bore interest at fixed rate and were due within one year. The fixed rate borrowings carried interest at 12% per annum (31 March 2019: 10% to 12% per annum) as at 30 September 2019. These borrowings contained a repayable on demand clause.

As at 30 September 2019, borrowings with carrying amount of approximately HK\$15,680,000 (31 March 2019: nil) bore interest at fixed rate of 5% per annum and repayable by monthly installments at amount 100% 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 30 September 2019, the directors of the Company expected to repay approximately HK\$6,613,000 (31 March 2019: nil) of the carrying amount of the borrowings in the next twelve months from the end of the reporting period.

As at 30 September 2019, borrowings with carrying amount of approximately HK\$82,318,000 (31 March 2019: approximately HK\$117,750,000) bore interest at fixed rate of 9% per annum (31 March 2019: 9% per annum) 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 30 September 2019, the directors of the Company expected to repay nil (31 March 2019: approximately 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 30 September 2019, borrowings with carrying amount of approximately HK\$68,022,000 (31 March 2019: 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 (31 March 2019: 9% per annum). As at 30 September 2019, the directors of the Company expected to repay nil (31 March 2019: approximately HK\$52,852,000) of the carrying amount of the borrowings in the next twelve months from the end of the reporting period.

As at 30 September 2019, secured borrowings with carrying amount of approximately HK\$106,000,000 were secured by (i) 77% equity interest in Hackett; and (ii) the entire equity interest in Madison Lab Limited ("Madison Lab").

21. 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.

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 14) 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 on 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 dates 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.

The convertible bonds recognised in the condensed consolidated statement of financial position are as follows:

	Issued by the Company	Issued by a subsidiary		Total
	CB 1	CB 2	CB 3	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	
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
	<hr/>	<hr/>	<hr/>	<hr/>
Fair value of the convertible bonds issued	<u>271,290</u>	<u>10,000</u>	<u>40,000</u>	<u>321,290</u>

The movement of liability component of the convertible bonds is as follows:

	CB 1	CB 2	CB 3	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Liability component at 1 April 2018	101,822	8,678	34,754	145,254
<i>Add:</i> Effective interest expense	9,522	811	3,245	13,578
<i>Less:</i> interest payable	<u>–</u>	<u>(200)</u>	<u>(800)</u>	<u>(1,000)</u>
	<hr/>	<hr/>	<hr/>	<hr/>
Liability component at 31 March 2019	111,344	9,289	37,199	157,832
<i>Add:</i> Effective interest expense	5,090	428	1,698	7,216
<i>Less:</i> interest payable	<u>–</u>	<u>(100)</u>	<u>(400)</u>	<u>(500)</u>
	<hr/>	<hr/>	<hr/>	<hr/>
Liability component at 30 September 2019	<u>116,434</u>	<u>9,617</u>	<u>38,497</u>	<u>164,548</u>

22. SHARE CAPITAL

	Number of shares	Share capital HK\$'000
Ordinary shares of HK\$0.001 each		
Authorised:		
At 1 April 2018, 31 March 2019 and 30 September 2019	<u>10,000,000,000</u>	<u>10,000</u>
Issued and fully paid:		
At 1 April 2018	4,000,000,000	4,000
Issue of 70,056,000 shares at a price of HK\$1.70 per placing share by way of placing in April 2018	70,056,000	70
Issue of 213,252,717 shares at a price of HK\$1.63 per consideration share as the consideration of acquisition of a subsidiary in July 2018 (<i>Note 27(i)</i>)	213,252,717	213
Issue of 504,872,727 shares at a price of HK\$0.8 per consideration share as the consideration of acquisition of a subsidiary in March 2019 (<i>Note 30(ii)</i>)	504,872,727	505
Issue of 404,545,454 shares at a price of HK\$0.8 per consideration share as the consideration of acquisition of additional interest in a subsidiary on 29 March 2019 (<i>Note 29(b)(ii)</i>)	<u>404,545,454</u>	<u>405</u>
At 31 March 2019 and 30 September 2019	<u>5,192,726,898</u>	<u>5,193</u>

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.

23. PROMISSORY NOTE PAYABLES

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 30(ii), the Company agreed to settle the part of consideration for the acquisition by issuing an interest-free promissory note in the sum of HK\$185,120,000 (the “PN2”) to CVP Financial Group Limited (“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 2022. The effective interest rate of the PN2 is approximately 9.51%.

	PN1 <i>HK\$'000</i>	PN2 <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2018	11,257	–	11,257
Issue of promissory note on 29 March 2019	–	140,945	140,945
Effective interest expenses	<u>1,102</u>	<u>–</u>	<u>1,102</u>
At 31 March 2019	12,359	140,945	153,304
Effective interest expenses	<u>592</u>	<u>6,550</u>	<u>7,142</u>
At 30 September 2019	<u><u>12,951</u></u>	<u><u>147,495</u></u>	<u><u>160,446</u></u>
		30 September	31 March
		2019	2019
		<i>HK\$'000</i>	<i>HK\$'000</i>
		(unaudited)	(audited)
Promissory note payables analysed for reporting purpose as:			
Non-current liabilities		–	12,359
Current liabilities		<u>160,446</u>	<u>140,945</u>
		<u><u>160,446</u></u>	<u><u>153,304</u></u>

24. 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:

	30 September 2019 HK\$'000 (unaudited)	31 March 2019 HK\$'000 (audited)
Within one year	N/A	10,822
In the second to fifth year inclusive	<u>N/A</u>	<u>7,261</u>
	<u><u>N/A</u></u>	<u><u>18,083</u></u>

Operating lease payments represent rentals payable by the Group for certain of its office premises, warehouses, shop and director's quarter. Leases are negotiated for terms ranged from one to five years and rentals are fixed over the term of lease. The amounts as at 30 September 2019 were recognised under HKFRS 16.

25. 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.

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

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

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

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

On 3 April 2018, the Company granted an aggregate of 219,000,000 share options to the grantees of the Company, to subscribe, in aggregate, for up to 219,000,000 ordinary shares (“Shares”) at exercise price of HK\$1.89 of HK\$0.001 each in the share capital of the Company under the Share Option Scheme.

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

On 14 December 2018, the Company granted an aggregate of 42,000,000 share options 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.

On 16 August 2019, the Company granted an aggregate of 11,500,000 share options to the employees of the Company, to subscribe, in aggregate, for up to 11,500,000 Shares at exercise price of HK\$0.325 each per share. For details, please refer to the announcement of the Company dated 16 August 2019.

As at 30 September 2019, the number of shares in respect of which options had been granted and remained outstanding under the Share Option Scheme was 446,800,000 (31 March 2019: 478,800,000), representing 8.60% (31 March 2019: 9.2%) of the ordinary shares in issue on that date.

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

	3 April 2018	16 August 2019
Weighted average share price	HK\$1.89	HK\$0.325
Weighted average exercise price	HK\$1.89	HK\$0.325
Expected volatility	75.216%	59.774%
Expected life	10 years	10 years
Risk-free rate	1.898%	1.018%
Expected dividend yield	0%	0%

Share-based payment expenses of approximately HK\$884,000 (six months ended 30 September 2018: HK\$19,138,000) were recognised by the Group for the six months ended 30 September 2019 in relation to share options granted by the Company.

Expected volatility of the options granted under the Share Option Scheme was determined by using the historical volatility of the share price of comparable companies and the Company respectively. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioral considerations.

Details of the Company's share options held by shareholders and consultants are as follows:

Category of participant	Date of grant	Outstanding at 30 September 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	7,900,000	3 April 2018 to 31 December 2018	1 January 2019 to 2 April 2028	HK\$1.89
Employees	3 April 2018	8,800,000	3 April 2018 to 31 December 2018	1 January 2019 to 2 April 2028	HK\$1.89
Consultants	3 April 2018	189,600,000	3 April 2018 to 31 December 2018	1 January 2019 to 2 April 2028	HK\$1.89
Consultants	13 December 2018	48,000,000	13 December 2018 to 30 June 2019	1 July 2019 to 12 December 2028	HK\$1.12
Employees	16 August 2019	11,500,000	16 August 2019 to 31 December 2019	1 January 2020 to 15 August 2029	HK\$0.325

Movements of the Company's share options held by directors, employees, shareholders and consultants during the six months ended 30 September 2019 and 2018 are:

Category of participant	Outstanding at 1 April 2019	Granted during the period	Lapsed/ cancelled during the period	Outstanding at 30 September 2019
Directors	7,900,000	–	–	7,900,000
Employees	10,300,000	11,500,000	(1,500,000)	20,300,000
Shareholders	21,000,000	–	–	21,000,000
Consultants	439,600,000	–	(42,000,000)	397,600,000
	<u>478,800,000</u>	<u>11,500,000</u>	<u>(43,500,000)</u>	<u>446,800,000</u>
Weighted average exercise price (HK\$)	<u>1.33</u>	<u>0.325</u>	<u>1.07</u>	<u>1.33</u>
Category of participant	Outstanding at 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	(5,700,000)	10,300,000
Shareholders	21,000,000	–	–	21,000,000
Consultants	160,000,000	280,100,000	(500,000)	439,600,000
	<u>181,000,000</u>	<u>309,000,000</u>	<u>(11,200,000)</u>	<u>478,800,000</u>
Weighted average exercise price (HK\$)	<u>0.80</u>	<u>1.65</u>	<u>1.89</u>	<u>1.33</u>

26. RELATED PARTY TRANSACTIONS

- (a) During the six months ended 30 September 2019 and 2018, the Group had following material transactions with its related party:

Name of related party	Nature of transaction	Three months ended		Six months ended	
		30 September	2018	30 September	2018
		2019	2018	2019	2018
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(unaudited)	(unaudited and restated)	(unaudited)	(unaudited and restated)
Bartha Holdings	Interest expenses on convertible bonds	2,574	1,485	5,090	2,954
CVP Holdings	Interest expenses on promissory note	299	171	592	341
CVP	Interest expenses on promissory note	3,312	–	6,550	–
Mr. Ting	Storage income	41	–	82	–
Ip Cho Yin	Interest expenses on loan from a director	958	958	1,905	1,905

(b) The remuneration of directors and other members of key management during the period are as follows:

	Three months ended		Six months ended	
	30 September		30 September	
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited and restated)	(unaudited)	(unaudited and restated)
Short-term benefits	2,418	1,612	4,729	3,846
Post-employment benefits	27	24	54	49
Equity settled share-based payment expenses	–	7,689	–	15,638
	<u>2,445</u>	<u>9,325</u>	<u>4,783</u>	<u>19,533</u>

27. ACQUISITIONS OF SUBSIDIARIES/ACQUISITION OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES

For the year ended 31 March 2019

(i) Acquisition of 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	<u>347,602</u>
Total	<u>426,079</u>

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 <i>HK\$'000</i>
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	<u>(218,007)</u>
 Total identifiable net assets	 <u><u>4,381</u></u>
	 <i>HK\$'000</i>
Fair value of consideration given	
for obtaining the controlling interest (51%)	426,079
<i>Plus:</i> non-controlling interests (49% in Diginex HPC)	2,146
<i>Less:</i> fair value of net assets acquired	<u>(4,381)</u>
 Goodwill arising on acquisition of Diginex HPC	 <u><u>423,844</u></u>

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.

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)
	<hr/>
Net cash outflow on acquisition of Diginex HPC	78,469
	<hr/> <hr/>

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 condensed consolidated statement of profit or loss and other comprehensive income for the six months ended 30 September 2018.

(ii) Acquisition of High Performance Computing Nordic AB (“HPC Nordic”)

On 25 May 2018, prior to the completion of the acquisition of Diginex HPC and becoming an indirect non-wholly owned subsidiary of the Company, Diginex HPC 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
	<hr/> <hr/>

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)
	<hr/>
Total identifiable net assets	6,889
	<hr/> <hr/>

HK\$'000

Fair value of consideration given	13,736
Less: fair value of net assets acquired	<u>(6,889)</u>
Goodwill arising on acquisition of HPC Nordic	<u><u>6,847</u></u>

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	<u>(823)</u>
Net cash outflow on acquisition of HPC Nordic	<u><u>12,913</u></u>

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 condensed consolidated statement of profit or loss and other comprehensive income for the six months ended 30 September 2018.

(iii) Acquisition of assets through acquisition of BITOCEAN

On 9 December 2018, Madison Lab, 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. license). 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:

	<i>HK\$'000</i>
Plant and equipment	1,096
Intangible assets	179,081
Other receivables	812
Bank balance and cash	11
Other payable	(262)
Non-controlling interests	<u>(59,282)</u>
 Total identifiable net assets	 <u><u>121,456</u></u>
	 <i>HK\$'000</i>
Cash consideration paid	121,456
<i>Less:</i> cash and cash equivalent balances acquired	<u>(11)</u>
 Net cash outflow on acquisition of BITOCEAN	 <u><u>121,445</u></u>

(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:

	<i>HK\$'000</i>
Plant and equipment	3
Other receivables	8,344
Bank balance and cash	2,367
Other payable	(1,894)
Non-controlling interests	<u>(3,969)</u>
Total identifiable net assets	<u><u>4,851</u></u>
Consideration satisfied by:	<i>HK\$'000</i>
Cash consideration transferred	2,836
Fair value of interest in an associate on date of acquisition	<u>2,015</u>
	<u><u>4,851</u></u>
	<i>HK\$'000</i>
Cash consideration paid	2,836
<i>Less:</i> cash and cash equivalent balances acquired	<u>(2,367)</u>
Net cash outflow on acquisition of Novel Idea	<u><u>469</u></u>

28. DISPOSAL OF A SUBSIDIARY

On 27 August 2019, the Group disposed of its 55% equity interest in Novel Idea Holdings Limited (“Novel Idea”) to Hega Incorporation Limited, an independent third party at a net consideration of approximately HK\$45,000,000.

The net assets of the subsidiary disposed of at the date of disposal are as follows:

HK\$'000

Plant and equipment	5
Other receivables	1,517
Cash and cash equivalents	98
Other payables	(557)
Borrowings	(71)
	<u>992</u>

HK\$'000

Gain on disposal of a subsidiary

Net consideration received and receivable	45,000
Net assets disposed of	(992)
Non-controlling interest	(1,469)
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	55
	<u>42,594</u>

Gain on disposal of a subsidiary

42,594

HK\$'000

Consideration received and receivable

Cash received	4,500
Promissory note receivable	40,500
	<u>45,000</u>

HK\$'000

Net cash inflow arising on disposal

Cash consideration received	4,500
Cash and cash equivalents	(98)
	<u>4,402</u>

29. CHANGES IN OWNERSHIP INTERESTS IN SUBSIDIARIES

(a) Deemed acquisitions of additional interest in subsidiaries

(i) CVP Capital

During the six months ended 30 September 2019, CVP Capital issued 2,000,000 ordinary shares at HK\$1 per share to CVP Financial and the Group's ownership was increased to 59.98%. This resulted in an increase in non-controlling interests and decrease in equity attributable to owners of the Company of approximately HK\$711,000. A schedule of the effect of deemed acquisition of additional interest is as follow:

	<i>HK\$'000</i>
Carrying amount of non-controlling interest acquired and difference recognised in capital reserve within equity	<u><u>(711)</u></u>

(ii) BITOCEAN

During the six months ended 30 September 2019, BITOCEAN issued 1,510 ordinary shares at approximately JPY58,940 per share (equivalent to approximately HK\$4,290 per share) to Madison Lab and the Group's ownership was increased to 86.93%. This resulted in a decrease in non-controlling interests and increase in equity attributable to owners of the Company of approximately HK\$34,402,000. A schedule of the effect of deemed acquisition of additional interest is as follow:

	<i>HK\$'000</i>
Carrying amount of non-controlling interest acquired and difference recognised in capital reserve within equity	<u><u>34,402</u></u>

(b) 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:

	<i>HK\$'000</i>
Carrying amount of non-controlling interest acquired	(2,602)
Consideration paid for acquisition of additional interest in CVP Financial	<u>(8,400)</u>
Difference recognised in capital reserve within equity	<u><u>(11,002)</u></u>

(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:

	<i>HK\$'000</i>
Carrying amount of non-controlling interest acquired	80,168
Consideration paid for acquisition of additional interest in Hackett	<u>(323,637)</u>
Difference recognised in capital reserve within equity	<u><u>(243,469)</u></u>

30. BUSINESS COMBINATION UNDER COMMON CONTROL AND RESTATEMENTS

- (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 Hackett do not result in a change of control as detailed in note 29 (b). The acquisition was completed on 29 March 2019.

The effects of the application of merger accounting for business combinations under common control on the Group’s condensed consolidated financial position as at 31 March 2019 and 1 April 2018 and the results for the three months and six months ended 30 September 2018 are disclosed in note 2.

31. COMPARATIVE FIGURES

Certain comparative figures have been reclassified and restated to conform with the current period’s presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

During the six months ended 30 September 2019, 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 Europe (the “Blockchain Services Business”); and (v) the provision of loan financing and consultancy services (the “Loan Financing Business”). During the six months ended 30 September 2019, revenue of the Group decreased by approximately 19.0% to approximately HK\$126.8 million (2018: approximately HK\$156.6 million (restated)). The revenue comprised of (i) the Wine Business which contributed approximately HK\$40.4 million; (ii) the Wine Auction Business which contributed approximately HK\$2.6 million; (iii) the Financial Services Business which contributed approximately HK\$4.8 million; (iv) the Blockchain Services Business which contributed approximately HK\$30.1 million; and (v) the Loan Financing Business which contributed approximately HK\$48.9 million.

Financial Review

Revenue

Revenue of the Group decreased by approximately HK\$29.8 million or 19.0% to approximately HK\$126.8 million for the six months ended 30 September 2019 (2018: approximately HK\$156.6 million (restated)). The decrease in revenue was mainly the result of (i) the decrease in sales of alcoholic beverages which was affected by the highly competitive environment in the industry; (ii) the decrease in the income from the provision of Loan Financing Business affected by the slowdown of economic growth momentum in Hong Kong and the People’s of Republic of China (“PRC”), and off-setting a growth in revenue from the Blockchain Services Business launched in August 2018.

Operating Costs

Operating costs which consisted of selling expenses and cost of sales increased by approximately HK\$1.1 million or 1.7% to approximately HK\$64.6 million for the six months ended 30 September 2019 (2018: approximately HK\$63.5 million (restated)). The increase was mainly attributable to the operation of the Blockchain Services Business which commenced in August 2018 with the increase in operating costs by approximately HK\$22.5 million or 330.9% from approximately HK\$6.8 million to approximately HK\$29.3 million for the six months ended 30 September 2018 and 2019 respectively. The increment was narrowed down by the decrease in the operating costs in the Wine Business by approximately HK\$21.5 million or 37.9% from approximately HK\$56.8 million to approximately HK\$35.3 million for the six months ended 30 September 2018 and 2019 respectively due to the reduction in trade volume.

Other Income

Other income of the Group decreased by approximately HK\$1.1 million or 40.7% to approximately HK\$1.6 million for the six months ended 30 September 2019 (2018: approximately HK\$2.7 million (restated)). The decrease was mainly due to the fluctuation of foreign currencies resulting in a net exchange loss of approximately HK\$1.0 million for the six months ended 30 September 2019 (2018: a net exchange gain of approximately HK\$0.8 million).

Staff costs

Staff costs of the Group decreased by approximately HK\$12.6 million or 24.9% to approximately HK\$38.0 million for the six months ended 30 September 2019 (2018: approximately HK\$50.6 million (restated)), which was mainly due to a significant decrease in the share-based payment expense on staff and directors to approximately HK\$0.4 million for the six months ended 30 September 2019 (2018: approximately HK\$17.6 million (restated)).

Depreciation

The Group's depreciation increased by approximately HK\$9.6 million or 133.3% to approximately HK\$16.8 million for the six months ended 30 September 2019 (2018: approximately HK\$7.2 million (restated)). For the six months ended 30 September 2019, depreciation of the Group mainly comprised (i) the depreciation of plant and equipment, in particular, the cryptocurrency mining machines from the Blockchain Services Business which commenced in August 2018, amounting to approximately HK\$11.6 million and (ii) the depreciation of the right-of-use assets from the first adoption of HKFRS 16 Leases from 1 April 2019 amounting to approximately HK\$5.2 million.

Administrative and Other Operating Expenses

The Group's administrative and other operating expenses primarily comprised professional fee, rental expenses, travelling expenses and other expenses. The Group's administrative and other operating expenses slightly increased by approximately HK\$0.7 million or 2.1% to approximately HK\$33.5 million for the six months ended 30 September 2019 (2018: approximately HK\$32.8 million (restated)). The increase was mainly due to the increase in travelling expenses of approximately HK\$1.2 million for the six months ended 30 September 2019.

Change in Fair Value of Exchangeable Bonds

The change in fair value of exchangeable bonds arisen from the fair value loss recognized from the exchangeable bonds issued by Bartha Holdings Limited decreased by approximately HK\$0.2 million or 1.7% to approximately HK\$11.5 million for the six months ended 30 September 2019 (2018: approximately HK\$11.7 million).

Change in Fair Value of Cryptocurrencies

The loss on change in fair value of cryptocurrencies decreased by approximately HK\$0.7 million or 58.3% to approximately HK\$0.5 million for the six months ended 30 September 2019 (2018: approximately HK\$1.2 million). The decrease was due to the fluctuation in market price of cryptocurrencies during the six months ended 30 September 2019.

Impairment Loss

In relation to the cryptocurrency mining operations, impairment losses of approximately HK\$257.4 million and approximately HK\$21.8 million were recognized for the goodwill arisen from the acquisition of 51% equity interest in Diginex High Performance Computing Limited ("Diginex") as well as its value of plant and equipment of Diginex and High Performance Computing Nordic AB ("Nordic") for the six months ended 30 September 2019.

Given that the discussions with the potential clients for the provision of high performance computing services (the "HPC services") did not materialize, Diginex failed to meet its business projection. In view that the delay in the business development pace of high performance computing services may be an indication for impairment, the Group appointed an independent professional valuer to carry out valuation on Diginex based on discounted cash flow method and valuation on plant and equipment of Diginex and Nordic based on fair value less cost of disposal method during the six months ended 30 September 2019.

For the six months ended 30 September 2018, impairment loss recognized on goodwill of approximately HK\$6.8 million was made on the acquisition of Nordic by Diginex due to the fluctuations of the price of cryptocurrencies.

For the six months ended 30 September 2019, the Group recognised the impairment on loan and interest receivables at approximately HK\$9.8 million based on the credit risk assessment of each individual borrower, representing an increase of approximately HK\$6.2 million as compared to the six months ended 30 September 2018. The increase in credit risk was noted on the performance in the borrowers' industries and the overall economic environment, resulting in a higher loss allowance provision.

Gain on Disposal of a Subsidiary

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

Finance Costs

Finance costs mainly comprised (i) effective interest expense on convertible bonds and promissory notes of approximately HK\$14.4 million; (ii) interest due on other borrowings, a director and a subsidiary of a non-controlling shareholder of approximately HK\$13.9 million; and (iii) imputed interest on lease liabilities upon adoption of HKFRS 16 on 1 April 2019 of approximately HK\$0.4 million. The Group's finance costs increased by approximately HK\$13.3 million or 86.4% to approximately HK\$28.7 million for the six months ended 30 September 2019 (2018: approximately HK\$15.4 million (restated)). The significant increase in the finance costs was mainly due to the commencement of recording the effective interest expense on the promissory note which was issued on 29 March 2019 and the increase in interest expense on the borrowings during the six months ended 30 September 2019.

Income Tax Expense

Income tax expense for the Group decreased by approximately HK\$4.9 million or 55.7% to approximately HK\$3.9 million for the six months ended 30 September 2019 (2018: approximately HK\$8.8 million (restated)). The decrease was mainly due to the reversal of deferred tax arising from temporary timing difference.

Loss Attributable to Owners of the Company

Loss attributable to owners of the Company increased by approximately HK\$236.4 million or 391.4% to approximately HK\$296.8 million for the six months ended 30 September 2019 (2018: approximately HK\$60.4 million (restated)). The increase was mainly due to the impairment loss of goodwill and plant and equipment of Diginex and Nordic, offsetting by the gain from the Disposal.

Foreign Exchange Exposure

As at 30 September 2019, the Group had certain bank balances and payables denominated in foreign currencies, mainly Euro, Great British Pound, Japanese Yen (“Yen”), US Dollars (“USD”) and Swedish Krona (“SEK”), which exposed the Group to foreign currency risk. 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.

Capital Structure, Liquidity and Financial Resources

During the six months ended 30 September 2019, the Group’s source of funds was mainly from the cash generated from operations and borrowings. For the six months ended 30 September 2019, the Group recorded a net cash outflow of approximately HK\$5.5 million (six months ended 30 September 2018: net cash inflow of approximately HK\$14.9 million (restated)), while its total cash and cash equivalents decreased to approximately HK\$46.0 million (31 March 2019: approximately HK\$48.4 million (restated)).

As at 30 September 2019, the Group had net current assets of approximately HK\$52.8 million (31 March 2019: net current assets of approximately HK\$76.4 million). The current ratio of the Group was 1.1 times as at 30 September 2019 (31 March 2019: 1.1 times).

As at 30 September 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 a non-controlling shareholder, director and related company, and, in aggregate, amounted to approximately HK\$762.5 million (31 March 2019: approximately HK\$838.6 million). The Group’s total borrowings were mainly denominated in USD, Hong Kong dollars and Yen.

Significant Investments Held, Material Acquisitions and Disposal of Subsidiaries, Future Plans for Material Investments and Capital Assets

As at 30 September 2019, the Group held shares and funds in (i) Tencent Holdings Limited (Hong Kong Stock Code: 700); (ii) AAC Technologies Holdings Inc. (Hong Kong Stock Code: 2018); (iii) GF Huoqibao Monetary Fund A (PRC Securities code: 000748); (iv) GF Huoqibao Monetary Fund B (PRC Securities code: 003281); and (v) Zhao Zhaojin (PRC Securities code: 7007) with the total amount of approximately HK\$23.0 million.

a) Significant investments

Details of significant held-for-trading financial assets:

Name of investments	Notes	Fair value	% to the	% to the	Gain/(loss)
		as at 30 September 2019 HK\$'000	total assets of the Group	interest in the respective investments as at 30 September 2019	on disposal/ redemption HK\$'000
GF Money Bag Money Market Fund (000509) (“GFMBMMF”)	(i)	–	N/A	N/A	175
Tencent Holdings Limited (700) (“THL”)	(ii)	330	0.03%	0.00%	–
AAC Technologies Holdings Inc. (2018) (“AAC”)	(iii)	208	0.02%	0.00%	–
GF Huoqibao Monetary Fund A (000748) (“GFHQBMF A”)	(iv)	4,695	0.41%	0.34%	15
GF Huoqibao Monetary Fund B (003281) (“GFHQBMF B”)	(v)	10,476	0.90%	0.02%	171
Zhao Zhaojin (7007) (“ZZJ”)	(vi)	7,253	0.63%	0.01%	74
		<u>22,962</u>			<u>435</u>

Notes:

- (i) GFMBMMF is an open-end fund incorporated in the PRC. Its objective is to outperform its benchmark, as well as maintaining assets liquidity and preserving capital. In view of the trend of the market value of GFMBMMF, the Group disposed of its entire shareholding in GFMBMMF and recorded a realised gain of approximately HK\$175,000 during the six months ended 30 September 2019.
- (ii) 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 six months ended 30 September 2019, the Group has recorded an unrealised loss of approximately HK\$31,000 for the investment in the shares of THL. From the interim report of THL for the six months ended 30 June 2019, the THL Group recorded revenue and net profit of approximately RMB174,286 million and RMB52,540 million respectively. The profit was driven primarily by payment related services, digital content subscriptions and sales, social and others advertising, and smart phone games.
- (iii) 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 six months ended 30 September 2019, the Group recorded an unrealised loss of approximately HK\$25,000 for the investment in the shares of AAC. From the interim report of ACC for the six months ended 30 June 2019, the AAC Group recorded revenue and net profit of RMB7,568 million and RMB770 million.
- (iv) The investment represented 4,278,006 shares. GFHQBMF A is a financial product launched by GF Fund Management Company Limited. During the six months ended 30 September 2019, the Group recorded a realised gain and an unrealised gain of approximately HK\$15,000 and HK\$13,000 respectively for the investment in the shares of GFHQBMF A.
- (v) The investment represented 9,545,501 shares. GFHQBMF B is a financial product launched by GF Fund Management Company Limited. During the six months ended 30 September 2019, the Group recorded a realised gain and an unrealised loss of approximately HK\$171,000 and HK\$92,000 respectively for the investment in the shares of GFHQBMF B.
- (vi) The investment represented 6,609,433 shares. ZZJ is a financial product launched by China Merchants Bank. During the six months ended 30 September 2019, the Group recorded a realised gain and an unrealised gain of approximately HK\$74,000 and HK\$11,000 respectively for the investment in the shares of ZZJ.

Pledge of the Group’s Assets

As at 30 September 2019, the Group had pledged (i) 77% equity interest in Hackett Enterprises Limited; and (ii) the entire equity interest in Madison Lab Limited (“Madison Lab”) to secure a loan of HK\$106,000,001.

Gearing Ratio

The gearing ratio (representing the debts of non-trade nature divided by total equity at the end of the period/year and multiplied by 100%) of the Group was approximately 598.1% as at 30 September 2019 (31 March 2019: approximately 181.4%).

The Group closely monitors its gearing ratio to optimise its capital structure so as to ensure solvency and the Group's ability to continue as a going concern.

Capital Commitment

As at 30 September 2019, the Group did not have any significant capital commitments (31 March 2019: nil).

Contingent Liabilities

As at 30 September 2019, the Group did not have any material contingent liabilities (31 March 2019: nil).

Interim Dividend

The Directors do not recommend the payment of an interim dividend for the six months ended 30 September 2019 (six months ended 30 September 2018: nil).

Employees and Remuneration Policies

As at 30 September 2019, the Group employed a total of 191 (31 March 2019: 218) full-time employees. The staff costs, including Directors' emoluments, of the Group for the six months ended 30 September 2019 were approximately HK\$38.0 million (2018: approximately HK\$50.6 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 the employees with outstanding performance to attract and retain eligible employees in the Group. Share options may also 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 him/her.

Significant Investments/Material Acquisitions and Disposals

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

As at 30 September 2019, 1,510 ordinary shares in BITOCEAN Co., Ltd. had been issued to Madison Lab and the Group's shareholding was increased to 86.93%. Details are set out in note 29 to the condensed consolidated financial statements.

Save as disclosed above, the Group had no significant investment and no material acquisition or disposal during the six months ended 30 September 2019.

Outlook and Prospects

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

During the six months ended 30 September 2019, the Group has built up its expertise in cryptocurrency mining, participated in the virtual currency exchange service and the Group has planned to expand the scope of business by covering the trading of multiple virtual currencies on online platform. Further, by acquisition of a loan financing business, the Group may strengthen its ability to develop cryptocurrency related financing or leasing products. It will also further explore business development in both blockchain technology and the Financial Services Business.

Besides, on 28 October 2019, the Company entered into a non-legally binding memorandum with Zhejiang Ebang Communication Co., Ltd. (浙江億邦通信科技有限公司) (“Ebang”), pursuant to which, (i) the Company intends to acquire blockchain computing equipment from Ebang; (ii) the Company, through its subsidiary, intends to manage an investment fund to invest in companies and projects of blockchain industry; and (iii) the Company and Ebang intend to conduct research and development on the application of blockchain technology (the “Potential Business Collaboration”). For details, please refer to the announcement of the Company dated 28 October 2019.

The Board believes that, the Potential Business Collaboration, is an example of the Company's unique position to leverage its complementary financial services and blockchain businesses as well as its strong relationship network to identify profitable business opportunities, which enables the Group to further expand its blockchain and financial services business and brings long term value to the Group.

OTHER INFORMATION

Share Option Scheme

The Company has conditionally adopted a share option scheme pursuant to a written resolution of the shareholders of the Company passed on 21 September 2015 (the “Share Option Scheme”) and the scheme mandate limit refreshed on 17 August 2018 for the purpose of providing incentives or rewards to eligible persons for their contribution to the Group and/or enabling the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules.

The Board had resolved to grant 11,500,000 share options to the grantee (the “Grantee”) of the Company on 16 August 2019 to subscribe, for up to 11,500,000 ordinary shares of HK\$0.001 each in the share capital of the Company subject to acceptance of the Grantee, under the Share Option Scheme. Details are disclosed in the announcement of the Company dated 16 August 2019.

Share-based payment expenses of approximately HK\$884,000 (2018: approximately HK\$19,138,000) were recognised by the Group for the six months period ended 30 September 2019 in relation to share options granted by the Company.

Guaranteed Profit

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

Unauthorised Disposal

The Group has filed a writ with the Shenzhen Qianhai Cooperation Zone People’s Court against Diginex Global Limited (“Diginex Global”), the minority shareholder of Diginex, and 深圳市欣誠捷碩科技有限公司 (transliterated in English as Shenzhen Xincheng Jieshuo Technology Limited) (the “Management Company”), the management company of Diginex in the PRC, in relation to a disposal of all the cryptocurrency mining rigs in the operation site in the PRC owned by Diginex, unauthorisedly made by Diginex Global and the Management Company, without the Group’s approval, consent and authorisation. For details, please refer to the announcement of the Company dated 13 September 2019.

Purchase, Sale or Redemption of Listed Securities

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Shares during the six months ended 30 September 2019.

Directors' Interests in Competing Business

As at 30 September 2019, none of the Directors or their respective associates had any business or interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

Deed of Non-competition

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

Code of Conduct Regarding Securities Transactions by Directors

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the “Code on Securities Dealings”). The Company, having made specific enquiry of all the Directors, confirmed that all the Directors have complied with the required standard of dealings as set out in the Code on Securities Dealings for the six months ended 30 September 2019.

Corporate Governance Practices

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

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

Pursuant to Rule 5.14 of the GEM Listing Rules, the Company must appoint a company secretary. Upon the resignation of company secretary of Ms. Tse Ka Yan with effect from 7 September 2019, the Company failed to comply with Rule 5.14 of the GEM Listing Rules. The Company is currently identifying a suitable candidate to fill the vacancy of company secretary in order to ensure compliance by the Company with Rule 5.14 of the GEM Listing Rules.

Save as disclosed above, throughout six months ended 30 September 2019, to the best knowledge of the Board, the Company had complied with the code provisions in the CG Code as set out in Appendix 15 to the GEM Listing Rules as its corporate governance practices.

Audit Committee

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

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

The financial information in this announcement has not been audited by the auditor of the Company, but the Audit Committee has reviewed the unaudited consolidated results of the Group for the six months ended 30 September 2019 and is of the opinion that such results complied with the applicable accounting standards, the requirements under the GEM Listing Rules and other applicable legal requirements, and that adequate disclosures had been made.

Subsequent Events after the Reporting Period

Suspension of operations in the Swedish premises

In view that the market price of Ether remains at a low level in the past few months which leads to the Group's cryptocurrency mining business operating at a loss, the Group is exploring the feasibility of disposing (the "Potential Disposal") of the rigs in its Swedish premises (the "Existing Rigs") and replacing them with new and energy-saving models so as to enhance the productivity and reduce the operating cost of cryptocurrency mining. Therefore, the operation of the Existing Rigs has been suspended temporarily in order to maintain the conditions of the Existing Rigs. As at the date of this announcement, the Board has not yet decided to proceed with the Potential Disposal and no agreement has been entered into in respect of the Potential Disposal. For details, please refer to the announcement of the Company dated 7 November 2019.

Change of Directors

Mr. Ji Zuguang was appointed as a non-executive Director, the chairman of the Company, the chairman of the nomination and corporate governance committee of the Company and a member of the remuneration committee of the Company and Mr. Zhang Li was appointed as a non-executive Director both with effect from 3 October 2019.

Mr. Ting resigned as an executive Director, the chairman of the Company, the authorised representative of the Company, the chairman of the nomination and corporate governance committee of the Company and a member of the remuneration committee of the Company and Mr. Zhou Francis Bingrong resigned as an executive Director and chief executive officer of the Company, both with effect from 3 October 2019.

For details, please refer to the announcement of the Company dated 3 October 2019.

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

Hong Kong, 8 November 2019

As at the date of this announcement, the executive Directors are Mr. Zhu Qin and Ms. Kuo Kwan; the non-executive directors are Mr. Ip Cho Yin J.P., Mr. Zhang Li and Mr. Ji Zuguang; and the independent non-executive Directors are Ms. Fan Wei, Mr. Chu Kin Wang Peleus and Dr. Lau Reimer, Mary Jean.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules of the Stock Exchange for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the “Latest Company Announcements” page of the GEM website at www.hkgem.com for at least 7 days from the date of its posting and on the website of the Company at www.madison-group.com.hk.