

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 2020

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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

FINANCIAL HIGHLIGHTS

For the six months ended 30 September 2020, 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\$50.8 million for the six months ended 30 September 2020 (six months ended 30 September 2019: approximately HK\$126.8 million), representing a decrease of approximately 59.9% as compared with the corresponding period in 2019;
- loss attributable to the Group for the six months ended 30 September 2020 decreased to approximately HK\$0.1 million (six months ended 30 September 2019: approximately HK\$315.5 million); and
- the Directors do not recommend the payment of an interim dividend for the six months ended 30 September 2020 (six months ended 30 September 2019: nil).

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 2020, together with the comparative unaudited figures for the corresponding period in 2019, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE THREE MONTHS AND SIX MONTHS ENDED 30 SEPTEMBER 2020

	NOTES	Three months ended		Six months ended	
		30 September		30 September	
		2020	2019	2020	2019
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue	3				
– sales of alcoholic beverages		13,328	18,008	23,816	40,352
– financial services		–	2,414	–	4,842
– blockchain services		–	11,598	–	30,135
– loan financing services		10,581	22,670	23,507	48,857
– auction		2,094	144	3,524	2,598
		<u>26,003</u>	<u>54,834</u>	<u>50,847</u>	<u>126,784</u>
Cost of operation					
– cost of alcoholic beverages		(10,570)	(16,542)	(19,323)	(35,253)
– cost of auction		(503)	–	(704)	–
– cost of blockchain services		–	(15,273)	–	(29,316)
		<u>(11,073)</u>	<u>(31,815)</u>	<u>(20,027)</u>	<u>(64,569)</u>

	NOTES	Three months ended		Six months ended	
		30 September		30 September	
		2020	2019	2020	2019
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(unaudited)	(unaudited)	(unaudited)	(unaudited)
Other income	4	3,052	697	3,364	1,585
Staff costs		(11,798)	(18,902)	(26,085)	(37,981)
Depreciation		(3,394)	(9,260)	(6,789)	(16,833)
Net trading gain		137	108	294	311
Administrative and other operating expenses		(8,042)	(13,043)	(13,639)	(33,476)
Net impairment loss reversed (recognised)					
on loan and interest receivables		7,553	(5,057)	(8,499)	(9,750)
Change in fair value of exchangeable bonds		–	(11,518)	–	(11,518)
Change in fair value of					
derivative financial instruments		46,705	(281)	46,705	(281)
Change in fair value of					
crypto-currencies		–	(776)	–	(525)
Impairment loss recognised on goodwill		–	(257,440)	–	(257,440)
Impairment loss recognised on					
plant and equipment		–	(21,760)	–	(21,760)
Gain on disposal of a subsidiary		–	42,594	–	42,594
Gain on disposal of a financial asset		1,313	–	1,313	–
Finance costs	5	(9,892)	(14,010)	(21,480)	(28,695)
Profit (Loss) before tax		40,564	(285,629)	6,004	(311,554)
Income tax expense	6	(8,077)	(2,471)	(6,101)	(3,944)
Profit (Loss) for the period	7	<u>32,487</u>	<u>(288,100)</u>	<u>(97)</u>	<u>(315,498)</u>

	NOTES	Three months ended		Six months ended	
		30 September		30 September	
		2020	2019	2020	2019
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(unaudited)	(unaudited)	(unaudited)	(unaudited)
Profit (Loss) for the period attributable to:					
Owners of the Company		33,709	(270,050)	6,359	(296,784)
Non-controlling interests		(1,222)	(18,050)	(6,456)	(18,714)
		<u>32,487</u>	<u>(288,100)</u>	<u>(97)</u>	<u>(315,498)</u>
Profit (Loss) per share (HK cents)					
Basic	9	<u>0.65</u>	<u>(5.20)</u>	<u>0.12</u>	<u>(5.72)</u>
Diluted		<u>0.65</u>	<u>(5.21)</u>	<u>0.11</u>	<u>(5.74)</u>
Profit (Loss) for the period		<u>32,487</u>	<u>(288,100)</u>	<u>(97)</u>	<u>(315,498)</u>
Other comprehensive income (expense)					
Item that may be reclassified					
subsequently to profit or loss:					
Exchange differences arising on translation of foreign operations		<u>14,062</u>	<u>(13,310)</u>	<u>15,146</u>	<u>(21,506)</u>
Total comprehensive income (expense) for the period		<u>46,549</u>	<u>(301,410)</u>	<u>15,049</u>	<u>(337,004)</u>
Total comprehensive income (expense) for the period attributable to:					
Owners of the Company		41,286	(277,625)	14,508	(307,543)
Non-controlling interests		5,263	(23,785)	541	(29,461)
		<u>46,549</u>	<u>(301,410)</u>	<u>15,049</u>	<u>(337,004)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2020

		30 September 2020	31 March 2020
	<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(unaudited)	(audited)
Non-current assets			
Plant and equipment	<i>10</i>	3,836	4,850
Loan receivables	<i>11</i>	8,106	10,420
Deposits	<i>12</i>	1,520	1,520
Intangible assets		180,361	180,361
Right-of-use assets		8,412	14,612
Deferred tax asset		17,920	19,776
Goodwill		9,028	9,028
		229,183	240,567
Current assets			
Inventories		24,205	28,998
Financial assets at fair value through profit or loss		–	41,212
Loan and interest receivables	<i>11</i>	385,580	386,834
Trade and other receivables	<i>12</i>	16,292	123,609
Amount due from associates		263	263
Bank balances and cash		39,986	42,031
		466,326	622,947

		30 September	31 March
		2020	2020
	<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(unaudited)	(audited)
Current liabilities			
Trade and other payables	<i>13</i>	23,351	23,148
Lease liabilities		6,302	10,089
Contract liabilities		9,024	3,329
Amount due to shareholders		296	296
Amount due to a director		171	164
Amount due to a non-controlling shareholder		598	–
Loan from a director	<i>14</i>	38,000	38,000
Loan from a subsidiary of a non-controlling shareholder	<i>14</i>	109,950	107,100
Borrowings	<i>15</i>	79,992	103,992
Tax payable		20,971	24,954
Derivative financial instruments	<i>16</i>	12,500	59,205
Promissory notes payables	<i>18</i>	41,803	167,920
		342,958	538,197
Net current assets		123,368	84,750
Total assets less current liabilities		352,551	325,317

		30 September 2020	31 March 2020
	<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(unaudited)	(audited)
Capital and reserves			
Share capital	<i>17</i>	5,193	5,193
Reserves		(3,366)	26,799
		<hr/>	<hr/>
Equity attributable to owners of the Company		1,827	31,992
Non-controlling interests		220,210	165,923
		<hr/>	<hr/>
Total equity		222,037	197,915
		<hr/>	<hr/>
Non-current liabilities			
Deferred tax liability		931	893
Convertible bonds	<i>19</i>	127,323	121,757
Lease liabilities		2,260	4,752
		<hr/>	<hr/>
		130,514	127,402
		<hr/>	<hr/>
		352,551	325,317
		<hr/> <hr/>	<hr/> <hr/>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

Attributable to owners of the Company

	Share capital <i>HKS'000</i>	Share premium <i>HKS'000</i>	Other reserve <i>HKS'000</i> <i>(Note a)</i>	Capital reserve <i>HKS'000</i> <i>(Note b)</i>	Merger reserve <i>HKS'000</i> <i>(Note c)</i>	Share options reserve <i>HKS'000</i>	Convertible bonds – equity conversion reserve <i>HKS'000</i>	Translation reserve <i>HKS'000</i>	Statutory reserve <i>HKS'000</i> <i>(Note d)</i>	Accumulated losses <i>HKS'000</i>	Total <i>HKS'000</i>	Convertible bonds issued by a subsidiary <i>HKS'000</i>	Non- controlling interests <i>HKS'000</i>	Total <i>HKS'000</i>
At 1 April 2020 (audited)	5,193	1,257,060	29,047	(62,029)	(598,127)	29,623	174,782	(21,604)	4,223	(786,176)	31,992	–	165,923	197,915
Loss for the period	–	–	–	–	–	–	–	–	–	6,359	6,359	–	(6,456)	(97)
Other comprehensive income for the period														
– Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	–	8,149	–	–	8,149	–	6,997	15,146
Loss for the period and total comprehensive income for the period	–	–	–	–	–	–	–	8,149	–	6,359	14,508	–	541	15,049
Recognition of equity-settled share-based payments expenses	–	–	–	–	–	6,334	–	–	–	–	6,334	–	–	6,334
Lapse/cancel of share options	–	–	–	–	–	(14,883)	–	–	–	14,883	–	–	–	–
Change of equity interest in a subsidiary	–	–	–	(51,007)	–	–	–	–	–	–	(51,007)	–	53,746	2,739
At 30 September 2020 (unaudited)	<u>5,193</u>	<u>1,257,060</u>	<u>29,047</u>	<u>(113,036)</u>	<u>(598,127)</u>	<u>21,074</u>	<u>174,782</u>	<u>(13,455)</u>	<u>4,223</u>	<u>(764,934)</u>	<u>1,827</u>	<u>–</u>	<u>220,210</u>	<u>222,037</u>
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)
Recognition of equity-settled share-based payments expenses	–	–	–	–	–	884	–	–	–	–	884	–	–	884
Lapse/cancel of share options	–	–	–	–	–	(1,474)	–	–	–	1,474	–	–	–	–
Acquisition of additional interest in subsidiaries	–	–	–	33,691	–	–	–	–	–	–	33,691	–	(33,691)	–
Derecognised upon disposal of a subsidiary	–	–	–	–	–	–	–	(55)	–	–	(55)	–	1,469	1,414
At 30 September 2019 (unaudited)	<u>5,193</u>	<u>1,257,060</u>	<u>29,047</u>	<u>(74,437)</u>	<u>(629,167)</u>	<u>30,017</u>	<u>174,782</u>	<u>(21,312)</u>	<u>3,677</u>	<u>(781,362)</u>	<u>(6,502)</u>	<u>9,230</u>	<u>124,757</u>	<u>127,485</u>

Notes:

- (a) The other reserve was arisen from the transfer of the entire issued share capital and shareholder loan in Madison Wine (HK) Company Limited to Madison International Wine Company Limited upon the Reorganisation.
- (b) The capital reserve was arisen from the dilution of interest in a subsidiary, CVP Financial Holdings Limited (“CVP Financial”) on 23 February 2017, the deemed acquisition of additional interest in CVP Financial on 27 March 2017 and the acquisition of additional interest in CVP Financial on 27 April 2018, Hackett Enterprises Limited (“Hackett”) on 29 March 2019 and the dilution of interest in a subsidiary, BITOCEAN Co., Ltd (“Bitocean”) during the six months ended 30 September 2020. 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 acquisitions of subsidiaries under common control and represented the difference between the consideration paid for the acquisition and the carrying amount of the net asset of the subsidiaries at the date when the Group and the acquired subsidiaries 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

1. GENERAL

Madison Holdings Group Limited (the “Company”) was incorporated in the Cayman Islands under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands as an exempted company with limited liability on 15 April 2015 and its shares are listed on GEM of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 8 October 2015. The immediate holding company of the Company is Royal Spectrum Holding Company Limited (“Royal Spectrum”), a company incorporated in the Republic of Seychelles and Mr. Ting Pang Wan Raymond (“Mr. Ting”) is the controlling shareholder of the Company. The addresses of the registered office and the principal place of business of the Company are disclosed in the “Corporate Information” section of the interim report.

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

The functional currency of the Company and the subsidiaries incorporated in Hong Kong are Hong Kong dollars (“HK\$”) while that of the subsidiaries established in the People’s Republic of China (the “PRC”) are Renminbi (“RMB”) and United States Dollar 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 ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance and include the applicable disclosure requirements of Rules Governing the Listing of Securities on GEM of the Stock Exchange. The accounting policies used are the same as those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 March 2020. The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments which are stated at fair values.

Application of new and amendments to Hong Kong Financial Reporting Standards (“HKFRSs”)

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 April 2020 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 7, HKFRS 9 and HKAS 39	Interest Rate Benchmark Reform
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 16	COVID-19-Related Rent Concessions
Revised Conceptual Framework	Revised Conceptual Framework for Financial Reporting

The application of the new and amendments to HKFRSs in the current period has had no material impact 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.

The interim financial statements are unaudited but have been reviewed by the audit committee of the Company.

3. 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 the Group's revenue is as follows:

	Three months ended		Six months ended	
	30 September		30 September	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue from contracts with customers				
Disaggregated of revenue by major products or services lines				
Financial services segment				
– Financial consultancy service income	–	71	–	71
– Securities and futures dealing service income	–	508	–	909
Sales of alcoholic beverages segment				
– Sales of alcoholic beverages income	13,328	18,008	23,816	40,352
Loan financing services segment				
– Loan referral services income	2,770	2,748	4,472	5,340
Auction segment				
– Auction income	2,094	144	3,524	2,598
Total revenue from contracts with customers	18,192	21,479	31,812	49,270

	Three months ended		Six months ended	
	30 September		30 September	
	2020	2019	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue from other sources				
Financial services segment				
– Interest income – Margin clients	–	1,835	–	3,862
Loan financing segment				
– Interest income				
– Real estate-backed loans	–	1,041	–	2,077
– Interest income – Micro loans	7,811	10,588	16,509	21,748
– Interest income – Other loans	–	8,293	2,526	19,692
Blockchain services segment				
– Blockchain services income	–	11,598	–	30,135
	7,811	33,355	19,035	77,514
Revenue	26,003	54,834	50,847	126,784

Disaggregation of revenue by timing of recognition

	Three months ended		Six months ended	
	30 September		30 September	
	2020	2019	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Timing of revenue recognition				
At a point in time	18,192	21,408	31,812	49,199
Over time	<u>–</u>	<u>71</u>	<u>–</u>	<u>71</u>
Total revenue from contracts with customers	<u>18,192</u>	<u>21,479</u>	<u>31,812</u>	<u>49,270</u>

Segment Information

The Group's reportable and operating segments are based on types of goods or services delivered or provided 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

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	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue				
Sales of alcoholic beverages	13,328	18,008	23,816	40,352
Financial services	–	2,414	–	4,842
Blockchain services	–	11,598	–	30,135
Loan financing services	10,581	22,670	23,507	48,857
Auction	2,094	144	3,524	2,598
	<u>26,003</u>	<u>54,834</u>	<u>50,847</u>	<u>126,784</u>
Segment profit (loss)				
Sales of alcoholic beverages	(510)	(1,842)	(3,870)	(5,297)
Financial services	(717)	(2,768)	(1,550)	(5,988)
Blockchain services	(1,234)	(294,318)	(2,627)	(301,296)
Loan financing services	12,354	11,102	3,121	24,363
Auction	(214)	(1,187)	(29)	(1,625)
	<u>9,679</u>	<u>(289,013)</u>	<u>(4,955)</u>	<u>(289,843)</u>
Unallocated income	50,919	43,415	51,316	43,428
Unallocated expenses	(10,141)	(26,021)	(18,876)	(36,444)
Finance costs	(9,893)	(14,010)	(21,481)	(28,695)
	<u>40,564</u>	<u>(285,629)</u>	<u>6,004</u>	<u>(311,554)</u>
Profit (Loss) before tax	<u>40,564</u>	<u>(285,629)</u>	<u>6,004</u>	<u>(311,554)</u>

Segment profit (loss) represents the profit (loss) from each segment without allocation of central administration costs, directors' salaries and certain other revenue, net trading gain, change in fair value of exchangeable bonds, change in fair value of derivative financial instruments, change in fair value of crypto-currencies, impairment loss recognised on goodwill and plant and equipment, gain on disposal of a financial asset, gain on disposal of a subsidiary and finance costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

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 2020 <i>HK\$'000</i> (unaudited)	31 March 2020 <i>HK\$'000</i> (audited)
Sales of alcoholic beverages	38,937	47,217
Financial services	642	1,464
Blockchain services	181,355	222,785
Loan financing services	405,474	420,187
Auction	1,694	1,963
	<hr/>	<hr/>
Total segment assets	628,102	693,616
Unallocated assets	67,407	169,898
	<hr/>	<hr/>
Consolidated total assets	695,509	863,514

Segment liabilities

	30 September 2020 <i>HK\$'000</i> (unaudited)	31 March 2020 <i>HK\$'000</i> (audited)
Sales of alcoholic beverages	12,199	14,213
Financial services	80	171
Blockchain services	317	813
Loan financing services	16,098	16,182
Auction	5,846	2,776
	<hr/>	<hr/>
Total segment liabilities	34,540	34,155
Unallocated liabilities	438,932	631,444
	<hr/>	<hr/>
Consolidated total liabilities	473,472	665,599

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

- all assets are allocated to operating segments other than deferred tax asset, goodwill, amount due from associates, tax recoverable, bank balances and cash and certain unallocated head office assets; and
- all liabilities are allocated to operating segments other than amount due to shareholders/a director/associates/a non-controlling shareholder, loan from a director, loan from a subsidiary of a non-controlling shareholder, borrowings, tax payable, deferred tax liability, derivative financial instruments, convertible bonds, promissory notes payables.

Geographical information

Information about the Group's revenue from external customers is presented based on the location of operation as set out below:

	Three months ended		Six months ended	
	30 September		30 September	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
PRC	11,258	14,377	21,659	29,165
Hong Kong	14,745	28,859	29,188	67,484
Europe	–	11,598	–	30,135
	26,003	54,834	50,847	126,784

Information about the Group's non-current assets other than financial instruments and deferred tax assets, deposits and loan receivables, is presented based on the geographical location of the asset as set out below:

	30 September	31 March
	2020	2020
	HK\$'000	HK\$'000
	(unaudited)	(audited)
PRC	2,830	3,430
Hong Kong	18,918	25,523
Japan	179,889	179,898
	201,637	208,851

4. OTHER INCOME

	Three months ended		Six months ended	
	30 September		30 September	
	2020	2019	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Bank interest income	2	47	4	63
Consignment income	1,789	82	1,823	191
Gain on disposal of plant and equipment	–	35	–	35
Government grants	402	99	520	816
Others	859	434	1,017	480
	<u>3,052</u>	<u>697</u>	<u>3,364</u>	<u>1,585</u>

5. FINANCE COSTS

	Three months ended		Six months ended	
	30 September		30 September	
	2020	2019	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Interest expense on:				
– convertible bonds	2,814	3,649	5,566	7,216
– promissory note	3,541	7,372	7,408	10,903
– other borrowings	2,453	1,244	5,327	7,142
– loan from a director	958	958	1,905	1,905
– loan from a subsidiary of a non-controlling shareholder	9	550	1,089	1,082
– lease liabilities	117	237	185	447
	<u>9,892</u>	<u>14,010</u>	<u>21,480</u>	<u>28,695</u>

6. INCOME TAX EXPENSE

	Three months ended		Six months ended 30	
	30 September		September	
	2020	2019	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Current tax:				
Hong Kong Profits Tax	697	866	697	2,203
PRC Enterprise Income Tax ("EIT")	<u>2,834</u>	<u>2,569</u>	<u>2,834</u>	<u>4,736</u>
	3,531	3,435	3,531	6,939
Deferred taxation	<u>4,546</u>	<u>(964)</u>	<u>2,570</u>	<u>(2,995)</u>
	<u><u>8,077</u></u>	<u><u>2,471</u></u>	<u><u>6,101</u></u>	<u><u>3,944</u></u>

Hong Kong Profits Tax

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

PRC Enterprise Income Tax

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

7. PROFIT (LOSS) FOR THE PERIOD

	Three months ended		Six months ended	
	30 September		30 September	
	2020	2019	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Profit (loss) for the period has been arrived at after charging (crediting):				
Directors' emoluments	1,083	1,286	4,687	3,750
Salaries, allowances and other benefits	9,604	15,780	17,823	31,619
Contributions to retirement benefits scheme	275	1,402	650	2,178
Equity-settled share-based payment expenses – employees	836	434	2,925	434
Total staff costs	11,798	18,902	26,085	37,981
Cost of inventories recognised as expense	10,409	14,145	19,002	32,412
Equity-settled share-based payment expenses – consultants	188	156	375	450
Net gain on disposals and written off of plant and equipment	–	(35)	–	(35)
Net impairment loss (reversed) recognised on loan and interest receivables	(7,553)	5,057	8,499	9,750

8. DIVIDEND

No dividend was paid, declared or proposed during the six months ended 30 September 2020 (2019: nil).

9. PROFIT (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	
	2020	2019	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Profit (loss)				
Profit (loss) for the purpose of basic loss per share for the period attributable to the owners of the Company	<u>33,709</u>	<u>(270,050)</u>	<u>6,359</u>	<u>(296,784)</u>
Effect of dilutive potential ordinary shares:				
Change in fair value of put option to non-controlling interests in CVP Capital Limited (“CVP Capital”) and loss attributable to the owners to the Company	<u>(106)</u>	<u>(530)</u>	<u>(429)</u>	<u>(1,317)</u>
Profit (loss) for the purpose of diluted loss per share	<u>33,603</u>	<u>(270,580)</u>	<u>5,930</u>	<u>(298,101)</u>
	2020	2019	2020	2019
Number of shares				
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<u>5,192,726,898</u>	<u>5,192,726,898</u>	<u>5,192,726,898</u>	<u>5,192,726,898</u>

The computation of diluted profit (loss) per share does not assume the outstanding shares options and outstanding convertible bonds since their exercise would result in a decrease in profit (loss) per share for the three months and six months ended 30 September 2020 and 2019.

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

10. PLANT AND EQUIPMENT

During the six months ended 30 September 2020, no fixed asset was acquired (2019: approximately HK\$1,195,000) and disposed of by the Group (2019: approximately HK\$22,000). In addition, there was no impairment of plant and equipment for the six months ended 30 September 2020.

During the six months ended 30 September 2019, impairment loss of approximately HK\$21,760,000 had been recognised in respect of plant and equipment due to drop in market price of crypto-currencies, which was used in the blockchain services segment. The recoverable amount of the relevant assets had been determined on the basis of their fair value less costs of disposal.

11. LOAN AND INTEREST RECEIVABLES

	30 September 2020 HK\$'000 (unaudited)	31 March 2020 HK\$'000 (audited)
Secured loans		
Real estate-backed loans	31,567	30,284
Secured micro loans	<u>62,704</u>	<u>74,553</u>
	<u>94,271</u>	<u>104,837</u>
Unsecured loans		
Unsecured micro loans	223,475	192,078
Unsecured other loans	<u>77,328</u>	<u>102,107</u>
	<u>300,803</u>	<u>294,185</u>
	395,074	399,022
<i>Less: Allowances for loan receivables</i>	<u>(72,592)</u>	<u>(81,168)</u>
Loan receivables	322,482	317,854
Interest receivables	<u>71,204</u>	<u>79,400</u>
	<u>393,686</u>	<u>397,254</u>
Loan and interest receivables analysed for reporting purpose as:		
Non-current assets	8,106	10,420
Current assets	<u>385,580</u>	<u>386,834</u>
	<u><u>393,686</u></u>	<u><u>397,254</u></u>

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

	30 September 2020 HK\$'000 (unaudited)	31 March 2020 HK\$'000 (audited)
Real estate-backed loans	180 days to 1 year	180 days to 1 year
Secured and unsecured micro loans	90 days to 4 years	90 days to 4 years
Other loans	90 days to 2 years	90 days to 2 years
	<u> </u>	<u> </u>

As at 30 September 2020, the loans provided to customers bore fixed interest rate at 0.3% to 3% (31 March 2020: 0.3% to 3%) per month, and were repayable according to the loan agreements.

As at 30 September 2020, included in the gross balances are loans of approximately HK\$81,019,000 (31 March 2020: approximately HK\$87,065,000) were secured by real estates in the PRC; approximately HK\$13,252,000 (31 March 2020: approximately HK\$17,772,000) were secured by motor vehicles; and approximately HK\$143,853,000 (31 March 2020: approximately HK\$115,411,000) were guaranteed by guarantors.

As at 30 September 2020, the Group held collaterals with value of approximately HK\$259,099,000 (31 March 2020: approximately HK\$231,466,000) 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 2020 HK\$'000 (unaudited)	31 March 2020 HK\$'000 (audited)
Within 90 days	80,326	92,789
91 – 180 days	65,803	88,836
181 – 365 days	70,421	47,852
Over 365 days	177,136	167,777
	<u> </u>	<u> </u>
	<u>393,686</u>	<u>397,254</u>

12. TRADE AND OTHER RECEIVABLES

	30 September	31 March
	2020	2020
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Trade receivables (<i>Notes a and b</i>)	1,783	1,674
Less: impairment	<u>(338)</u>	<u>(338)</u>
Total trade receivables	<u>1,445</u>	<u>1,336</u>
Payments in advance	6,513	5,653
Prepayments	3,947	5,312
Deposits and other receivables	5,907	6,689
Consideration receivables (<i>Note c</i>)	<u>–</u>	<u>106,139</u>
Total other receivables	<u>16,367</u>	<u>123,793</u>
Trade and other receivables	<u>17,812</u>	<u>125,129</u>
Analysed as:		
Current	16,292	123,609
Non-current	<u>1,520</u>	<u>1,520</u>
Trade and other receivables	<u>17,812</u>	<u>125,129</u>

Notes:

- (a) Generally, the Group allows credit period of a range from 0 to 30 days to its customers.
- (b) The following is an aged analysis of trade receivables, 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
	2020	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(audited)
Within 30 days	764	362
31 to 60 days	180	345
61 to 90 days	35	10
91 to 180 days	140	203
181 – 365 days	33	30
Over 365 days	293	386
	<hr/> 1,445 <hr/>	<hr/> 1,336 <hr/>

- (c) The consideration receivables are from disposal of unlisted exchangeable bonds and a subsidiary during the year ended 31 March 2020.

13. TRADE AND OTHER PAYABLES

	30 September	31 March
	2020	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(audited)
Trade payables (<i>Note</i>)	550	2,883
Other payables and accruals	22,801	20,265
	<hr/> 23,351 <hr/>	<hr/> 23,148 <hr/>

Note: 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 2020 HK\$'000 (unaudited)	31 March 2020 HK\$'000 (audited)
Within 30 days	63	816
31 to 60 days	1	288
61 to 90 days	111	521
91 to 180 days	15	361
181 – 365 days	13	347
Over 365 days	347	550
	<u>550</u>	<u>2,883</u>

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

(a) Loan from a director

The amount is unsecured, with fixed interest rate of 10% per annum and repayable on demand with maturity date of 30 June 2021 (31 March 2020: 30 June 2021). The loan from a director contained a repayable on demand clause.

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

As at 30 September 2020, loan amount of JPY1,500,000,000 (equivalent to approximately HK\$109,950,000 (31 March 2020: JPY1,500,000,000 (equivalent to approximately HK\$107,100,000)) with an interest rate of 2% (31 March 2020: 2% to 4%) per annum was guaranteed by Mr. Ting, a substantial shareholder of the Company.

15. BORROWINGS

	30 September 2020 HK\$'000 (unaudited)	31 March 2020 HK\$'000 (audited)
Other borrowings	<u>79,992</u>	<u>103,992</u>
Carrying amount repayable:		
Within one year	79,992	103,992
After one year but within two years	<u>—</u>	<u>—</u>
	<u>79,992</u>	<u>103,992</u>
Amount show under current liabilities	<u>79,992</u>	<u>103,992</u>
Amount show under non-current liabilities	<u>—</u>	<u>—</u>

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

	30 September 2020 (unaudited)	31 March 2020 (audited)
Other borrowings	12% <u>per annum</u>	12% <u>per annum</u>

All the other borrowings are at fixed rates.

As at 30 September 2020, included in other borrowings is carrying amount of approximately HK\$79,992,000 (31 March 2020: approximately HK\$99,992,000) bore interest at fixed rate and were due within one year. The fixed rate of other borrowings carried interest at 12% (31 March 2020: 12%) per annum and contained a repayable on demand clause. These borrowings are secured by the Company's 77% of the entire issued share capital of Hackett and entire issued share capital of Madison Lab Limited and personal guarantee provided by Mr. Ting.

As at 31 March 2020, included in other borrowings were a carrying amount of approximately HK\$4,000,000 bore fixed interest rate at 12% per annum. The said borrowing had been repaid during the six months ended 30 September 2020.

16. DERIVATIVE FINANCIAL INSTRUMENTS

	30 September	31 March
	2020	2020
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Put option to non-controlling interests in CVP Capital (<i>Note a</i>)	–	9,742
Put option to the promissory note holder (<i>Note b</i>)	<u>12,500</u>	<u>49,463</u>
	<u>12,500</u>	<u>59,205</u>

Note:

- (a) On 9 February 2017, CVP Financial has conditionally agreed to grant put option (“CVP Put Option”) to two existing shareholders of CVP Capital. Each of existing shareholders of CVP Capital has the right to require CVP Financial to acquire all the shares of CVP Capital held by him/it immediately prior to the exercise of the CVP Put Option, at the consideration of HK\$1.26 per share in CVP Capital. The consideration payable by CVP Financial to each of existing shareholders shall be satisfied at the discretion of each of existing shareholders (as the case may be), either in cash amounting approximately HK\$11,756,000 or by CVP Financial procuring the Company to issue and allot a total of 10,631,681 consideration shares of the Company at the issue price of HK\$1.1 per Share. Details are set out in the Company’s announcements dated 9 February 2017 and 5 July 2017 respectively.

During the six months ended 30 September 2020, the CVP Put Option has been expired and a gain of approximately HK\$9,742,000 was recognised in condensed consolidated statement of profit or loss and other comprehensive income.

- (b) During the year ended 31 March 2019, the Company entered into the acquisition agreement (the “CVP Agreement”) with CVP Financial Group Limited (“CVP”), a company incorporated in the British Virgin Islands with limited liability and wholly-owned by Mr. Ting, pursuant to which the Company has conditionally agreed to acquire, and CVP has conditionally agreed to sell, 52 shares (the “CVP Sale Shares”) of Hackett, representing 52% of the entire issued share capital of Hackett (“CVP Acquisition”).

Under the CVP Agreement, the consideration (the “CVP Consideration”) for the purchase of the CVP Sale Shares is HK\$462,800,000. The CVP Consideration shall be satisfied: (i) in respect of 60% of the CVP Consideration, by the Company allotting and issuing 504,872,727 new shares of the Company (the “Shares”) (collectively referred to as the “CVP Consideration Shares”) of HK\$0.001 each at an issue price of HK\$0.55 per Share (the “Issue Price”) to CVP at completion of the CVP Acquisition; and (ii) in respect of 40% of the CVP Consideration, by the Company issuing a promissory note in the principal amount of HK\$185,120,000 (the “PN”) to CVP at completion.

The PN is a three-year interest free note which may be redeemed any time at the request of any party by giving the other party prior notice. The PN contains the put option for the PN’s holder.

The fair value of the PN is determined based on the valuation conducted by an independent valuer on the PN as at 29 March 2019. The PN contains three components, the call option for the Company, the put option for the PN holder and liability components. In the opinion of the directors of the Company, the call option was insignificant for the Hackett. The fair value of the liability component is calculated using cash flows discounted at a rate based on an equivalent market interest rate of 15.2% (31 March 2020: 16.9%) per annum for similar instruments without put option.

The fair value of the put option at 30 September 2020 is determined by Swaption Model at discount rate of 15.2% (31 March 2020: 16.9%).

- (c) During the six months ended 30 September 2020, the Group recognised gain on change in fair value of derivative financial instruments amounted to approximately HK\$46,705,000 (2019: loss on change in fair value HK\$281,000).

17. SHARE CAPITAL

	Number of shares	Amount HK\$'000
<i>Ordinary shares of HK\$0.001 each</i>		
Authorised:		
At 1 April 2019, 31 March 2020 and 30 September 2020	<u>10,000,000,000</u>	<u>10,000</u>
Issued and fully paid:		
At 1 April 2019, 31 March 2020 (audited) and 30 September 2020 (unaudited)	<u>5,192,726,898</u>	<u>5,193</u>

18. PROMISSORY NOTES PAYABLES

	30 September 2020 HK\$'000 (unaudited)	31 March 2020 HK\$'000 (audited)
Promissory notes payables		
– issued on 28 July 2017, unsecured (<i>Note 1</i>)	–	13,570
– issued on 29 March 2019, unsecured (<i>Note 2</i>)	<u>41,803</u>	<u>154,350</u>
	<u>41,803</u>	<u>167,920</u>
	30 September 2020 HK\$'000 (unaudited)	31 March 2020 HK\$'000 (audited)
Represented by:		
– Current	41,803	167,920
– Non-current	<u>–</u>	<u>–</u>
	<u>41,803</u>	<u>167,920</u>

Note:

- On 28 July 2017, CVP Financial issued promissory note with the principal amount of HK\$14,000,000 as the consideration for the acquisition for CVP Asset Management Limited. The note is unsecured, based on effective interest rate of approximately 9.4%. The note has been fully repaid with the amount of HK\$14,000,000 during the six months ended 30 September 2020.
- On 29 March 2019, the Company agreed to settle part of consideration for the acquisition of 52% equity interest in Hackett by issuing promissory note in the sum of HK\$185,120,000 to CVP. The note is unsecured, based on effective interest rate of approximately 9.5%. During the six months ended 30 September 2020, the note has been partially repaid with the amount of approximately HK\$119,525,000.

19. CONVERTIBLE BONDS

Movements in convertible bonds are as follows: –

	30 September 2020 HK\$'000 (unaudited)	31 March 2020 HK\$'000 (audited)
At beginning of the period/year	121,757	157,832
Add: Effective interest expense	5,566	13,642
Less: Interest payable	–	(751)
Disposal of subsidiaries (<i>Note</i>)	–	(48,966)
	<hr/>	<hr/>
At end of the period/year	<u>127,323</u>	<u>121,757</u>

At 28 July 2017, the Company issued convertible bonds with zero coupon rate at a total principal value of HK\$150,000,000 (“CB”) to Bartha Holdings Limited (“Bartha Holdings”). The CB 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.

At 30 September 2020, the fair value of the CB as a whole is determined by using the binomial option pricing model. The fair value of the liability component of the CB is calculated using cash flows discounted at a rate based on an equivalent market interest rate of 9.2% (31 March 2020: 9.2%) per annum for equivalent non-convertible bonds using market comparable approach. The CB with the principal amount of HK\$150,000,000 (31 March 2020: HK\$150,000,000) remained outstanding. The CB shall not be redeemed at the request of the Company or the holders of CB before the maturity date and therefore it is classified as non-current liabilities.

Note: During the year ended 31 March 2020, the Company disposed of its 49% equity interest in Bartha International Limited, which had issued two convertible bonds with the total principal amount of HK\$50,000,000. The two convertible bonds have been derecognised upon disposal.

20. RELATED PARTY TRANSACTIONS

- (a) During the six months ended 30 September 2020 and 2019, 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		30 September	
		2020	2019	2020	2019
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(unaudited)	(unaudited)	(unaudited)	(unaudited)
Bartha Holdings	Interest expenses on convertible bonds	2,814	2,574	5,556	5,090
CVP Holdings Ltd	Interest expenses on promissory note	109	299	430	592
CVP	Interest expenses on promissory note	3,432	3,312	6,978	6,550
Mr. Ting	Storage income	–	41	–	82
	Commission income	50	–	170	–
Ip Cho Yi	Interest expenses on loan from a director	958	958	1,905	1,905

Notes:

1. Bartha Holdings is 88.9% beneficially owned by Mr. Ting;
2. CVP Holdings Ltd is deemed to be beneficially owned by Mr. Ting;
3. CVP is 100% beneficially owned by Mr. Ting;
4. Ip Cho Yin is a non-executive director of the Company.

(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	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Short-term benefits	1,480	2,418	3,447	4,729
Post-employment benefits	–	27	–	54
Equity settled share-based payment expenses	901	–	3,127	–
	<u>2,381</u>	<u>2,445</u>	<u>6,574</u>	<u>4,783</u>

21. CHANGES IN OWNERSHIP INTERESTS IN SUBSIDIARIES

The Group had the following changes in its ownership interest in subsidiaries that did not result in a loss of control.

Dilution of interest in a subsidiary without loss of control

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

During the six months ended 30 September 2020, Bitoccean issued 2,781 ordinary shares to its lender to repay all its debts of approximately JPY41,715,000 (approximately equivalent to HK\$3,030,000). Upon issuance of new shares of Bitoccean, the Group's equity interest in Bitoccean has been diluted to approximately 65.5%. This resulted in an increase in non-controlling interests and decrease in equity attributable to owners of the Company of approximately HK\$51,007,000. A schedule of the effect of deemed disposal of equity interest is as follow:

HK\$'000

Carrying amount of non-controlling interest acquired and recognised in capital reserve within equity	<u>(51,007)</u>
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Deemed acquisition of additional interest in subsidiaries

FOR THE YEAR ENDED 31 MARCH 2020

(i) CVP Capital

During the year ended 31 March 2020, CVP Capital issued 2,000,000 ordinary shares at HK\$1 per share to CVP Financial and the Group's ownership in CVP Capital increased from 57.8% to 60.0%. 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:

HK\$'000

Carrying amount of non-controlling interest acquired and recognised in capital reserve within equity	<u>(711)</u>
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(ii) Bitocean

During the year ended 31 March 2020, Bitocean issued 3,110 ordinary shares at approximately JPY27,000 per share (equivalent to approximately HK\$2,000 per share) to Madison Lab Limited and the Group's ownership in Bitocean was increased from 85.4% to 94.9%. This resulted in a decrease in non-controlling interests and increase in equity attributable to owners of the Company of approximately HK\$48,447,000. 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 recognised in capital reserve within equity	48,447

22. DISPOSAL OF SUBSIDIARIES

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 to the Group, at a consideration of HK\$45,000,000. Details are set out in the Company's announcement dated 27 August 2019. Novel Idea and its subsidiaries are principally engaged in provision of blockchain services. The disposal was completed on 27 August 2019 on which date control of the subsidiary passed to the acquirer.

On 15 January 2020, CVP Financial entered into a deed of settlement with the previous purchaser, Mr. Ding Lu, pursuant to which CVP Financial has agreed to pay to the previous purchaser the settlement sum in an amount of HK\$1,000,000, and the previous agreement shall be terminated with effect from the settlement date. At the same time, CVP Financial entered into new agreements that disposed of its 49% equity interest in Bartha International Limited ("Bartha") to Ms. Zhang Fengge for 29% and Mr. Zuo Tao for 20%, independent third parties to the Group, at cash considerations of approximately HK\$29,592,000 and HK\$20,408,000 respectively. Bartha and its subsidiaries are principally engaged in provision of financial services. Details are set out in the Company's announcement dated 15 January 2020. The disposal was completed on 17 January 2020 on which date control of the subsidiary passed to the acquirers.

On 22 January 2020, the Group disposed of its 100% equity interest in Madison Future Games Limited ("Future Games") and the amount due from Future Games to the Group of HK\$24,543,000 to Mr. Zhang Shurong, an independent third party to the Group, at a cash consideration of HK\$1. Details are set out in the Company's announcement dated 22 January 2020. Future Games and its subsidiaries are principally engaged in provision of blockchain services. The disposal was completed on 22 January 2020 on which date control of the subsidiary passed to the acquirer.

23. 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 (the “Share Options”) to the grantees of the Company, to subscribe, in aggregate, for up to 18,100,000 ordinary shares of HK\$0.01 each in the share capital of the Company under the Share Option Scheme.

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

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

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

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

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

On 13 December 2018, the Company granted an aggregate of 48,000,000 Share Options to the consultants of the Company, to subscribe, in aggregate, for up to 48,000,000 shares at 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.

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

As at 30 September 2020, the number of shares in respect of which options had been granted and remained outstanding under the Share Option Scheme was 563,200,000 shares (31 March 2020: 784,900,000 shares), representing approximately 10.8% (31 March 2020: approximately 15.1%) of the total number of shares of the Company in issue at that date. On 31 July 2020, ordinary resolutions had been approved by the Company's shareholders to refresh the scheme mandate limit under the Share Option Scheme, such that the maximum number of shares that can be allotted and issued upon the exercise of Share Options which may be granted by the Company under the scheme mandate limit so refreshed would be 519,272,689 shares, being 10% of the total number of issued shares as at the date of passing of the resolution approving the said refreshment.

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

	2020	2019
Weighted average share price (<i>HK\$</i>)	0.206-0.325	1.89
Weighted average exercise price (<i>HK\$</i>)	0.207-0.325	1.89
Expected volatility	59.126-59.774%	75.216%
Expected life (<i>years</i>)	10	10
Risk-free rate	1.018-1.575%	1.898%
Expected dividend yield	0%	0%

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

Share-based payment expenses of approximately HK\$6,334,000 were recognised by the Group for the six months ended 30 September 2020 (2019: approximately HK\$884,000) in relation to Share Options granted by the Company.

Details of the Company's Share Options held by grantees are as follows:

Category of participant	Date of grant	Outstanding at 31 March 2020	Outstanding at 30 September 2020	Vesting period	Exercise period	Exercise price per share
Shareholders	17 December 2015	21,000,000	21,000,000	17 December 2015 to 16 June 2016	17 June 2016 to 16 December 2025	HK\$0.80
Consultants	17 December 2015	160,000,000	160,000,000	17 December 2015 to 16 June 2016	17 June 2016 to 16 December 2025	HK\$0.80
Directors	3 April 2018	5,900,000	5,900,000	3 April 2018 to 31 December 2018	1 January 2019 to 2 April 2028	HK\$1.89
Employees	3 April 2018	10,000,000	9,400,000	3 April 2018 to 31 December 2018	1 January 2019 to 2 April 2028	HK\$1.89
Consultants	3 April 2018	184,600,000	184,600,000	3 April 2018 to 31 December 2018	1 January 2019 to 2 April 2028	HK\$1.89
Consultants	13 December 2018	48,000,000	48,000,000	13 December 2018 to 30 June 2019	1 July 2019 to 12 December 2028	HK\$1.12
Directors	6 December 2019	59,900,000	8,000,000	6 December 2019 to 5 December 2020	6 December 2020 to 5 December 2029	HK\$0.207
Directors	6 December 2019	59,900,000	8,000,000	6 December 2019 to 5 December 2021	6 December 2021 to 5 December 2029	HK\$0.207
Consultants	6 December 2019	51,900,000	51,900,000	6 December 2019 to 5 December 2020	6 December 2020 to 5 December 2029	HK\$0.207
Consultants	6 December 2019	51,900,000	51,900,000	6 December 2019 to 5 December 2021	6 December 2021 to 5 December 2029	HK\$0.207
Employees	6 December 2019	65,900,000	7,250,000	6 December 2019 to 5 December 2020	6 December 2020 to 5 December 2029	HK\$0.207
Employees	6 December 2019	65,900,000	7,250,000	6 December 2019 to 5 December 2021	6 December 2021 to 5 December 2029	HK\$0.207

The following table discloses movements of the Company's Share Options held by directors, employees, shareholders and consultants during the period:

During the six months ended 30 September 2020

Category of participant	Outstanding at 1 April 2020	Granted during the period	Lapse/ cancelled during the period	Outstanding at 30 September 2020
Directors	125,700,000	–	(103,800,000)	21,900,000
Employees	141,800,000	–	(117,900,000)	23,900,000
Shareholders	21,000,000	–	–	21,000,000
Consultants	496,400,000	–	–	496,400,000
	<u>784,900,000</u>	<u>–</u>	<u>(221,700,000)</u>	<u>563,200,000</u>
Weighted average exercise price (HK\$)	<u>0.8</u>	<u>–</u>	<u>0.2</u>	<u>1.1</u>

During the year ended 31 March 2020

Category of participant	Outstanding at 1 April 2019	Granted during the year	Lapse/ cancelled during the year	Outstanding at 31 March 2020
Directors	7,900,000	119,800,000	(2,000,000)	125,700,000
Employees	10,300,000	143,300,000	(11,800,000)	141,800,000
Shareholders	21,000,000	–	–	21,000,000
Consultants	439,600,000	103,800,000	(47,000,000)	496,400,000
	<u>478,800,000</u>	<u>366,900,000</u>	<u>(60,800,000)</u>	<u>784,900,000</u>
Weighted average exercise price (HK\$)	<u>1.3</u>	<u>0.2</u>	<u>1.0</u>	<u>0.8</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

During the six months ended 30 September 2020, the Group was principally engaged in (i) the retail sales and wholesales of a wide spectrum of wine products and other alcoholic beverages in Hong Kong with a focus on red wine (the “Wine Business”); (ii) the provision of auction of alcoholic beverages (the “Wine Auction Business”); (iii) the provision of financial services (the “Financial Services Business”); (iv) the provision of blockchain services business (the “Blockchain Services Business”); and (v) the provision of loan financing and consultancy services (the “Loan Financing Business”).

During the period under review, the Group’s revenue decreased by approximately 59.9% to approximately HK\$50.8 million (2019: approximately HK\$126.8 million). The decrease in revenue was mainly due to (i) the economic slowdown in Mainland China and Hong Kong; (ii) the on-going China-US trade frictions, (iii) the outbreak of Coronavirus Disease 2019 (“COVID-19”) in early 2020 and the necessary anti-epidemic measures seriously disrupted a wide range of economic activities; and (iv) disposal of 49% equity interest in Bartha International Limited with its subsidiaries on 17 January 2020 which were principally engaged in the provision of financial services; and disposal of the entire share capital of Madison Future Games Limited with its subsidiaries on 22 January 2020 which were principally engaged in the provision of crypto-currency mining business (the “Disposal of Subsidiaries”).

The Group recorded a loss of approximately HK\$0.1 million for the six months ended 30 September 2020 as compared to the loss of approximately HK\$315.5 million for the six months ended 30 September 2019.

Financial Review

The Group’s revenue for the six months ended 30 September 2020 amounted to approximately HK\$50.8 million (2019: approximately HK\$126.8 million), representing a decrease of approximately HK\$76.0 million or 59.9% as compared with the six months ended 30 September 2019. The revenue included (i) approximately HK\$23.8 million (2019: approximately HK\$40.4 million) from the Wine Business; (ii) approximately HK\$3.5 million (2019: approximately HK\$2.6 million) from the Wine Auction Business; (iii) approximately HK\$23.5 million (2019: approximately HK\$48.9 million) from the Loan Financing Business; and (iv) no revenue was generated from both the Financial Services Business (2019: approximately HK\$4.8 million) and the Blockchain Services Business (2019: approximately HK\$30.1 million).

Gross profit was approximately HK\$30.8 million (2019: approximately HK\$62.2 million), representing a decrease of approximately 50.5% as compared with the six months ended 30 September 2019. Details of the reasons of the decrease in revenue and gross profit were noted in the sub-section headed “Business Review” above.

Other income mainly included the consignment income for the six months ended 30 September 2020 of approximately HK\$1.8 million (2019: approximately HK\$0.2 million).

Administrative and other operating expenses and depreciation were approximately HK\$13.6 million and HK\$6.8 million respectively (2019: approximately HK\$33.5 million and HK\$16.8 million respectively), representing a decrease of approximately 59.4% and 59.5% respectively as compared with the six months ended 30 September 2019 mainly due to the Disposal of Subsidiaries and controlling the cost of operations and administrative and other operating expenses. The finance costs amounted to approximately HK\$21.5 million (2019: approximately HK\$28.7 million) which were mainly incurred on convertible bonds, promissory note payables, other borrowings and loans.

Loss was approximately HK\$0.1 million for the six months ended 30 September 2020 as compared to the loss of approximately HK\$315.5 million for the six months ended 30 September 2019, representing a decrease of approximately HK\$315.4 million. The decrease in loss was mainly attributable to no impairment loss recognised on goodwill and plant and equipment (2019: approximately HK\$257.4 million and HK\$21.8 million arising from the Disposal of Subsidiaries respectively). The loss included net impairment loss recognised on loan and interest receivables arising from Loan Financing Business of approximately HK\$8.5 million (2019: approximately HK\$9.8 million) and gain on change in fair value of derivative financial instruments of approximately HK\$46.7 million (2019: loss on change in fair value approximately HK\$0.3 million).

Liquidity and Financial Resources

As at 30 September 2020, the Group’s net current assets were approximately HK\$123.4 million (31 March 2020: approximately HK\$84.8 million), including cash and cash equivalents of approximately HK\$40.0 million (31 March 2020: approximately HK\$42.0 million). The Group had both interest-bearing and non-interest bearing borrowings, which mainly comprised borrowings, convertible bonds, promissory notes payables, loan from a subsidiary of non-controlling shareholder and a director amounted to approximately HK\$397.1million (31 March 2020: HK\$538.8 million). The Group’s financial resources were funded mainly by loans and its shareholders’ funds.

As at 30 September 2020, the Group's current ratio, as calculated by dividing current assets by current liabilities, was approximately 1.4 times (31 March 2020: approximately 1.2 times) and the gearing ratio, as measured by the debts of non-trade nature divided by total equity, was approximately 178.8%* (31 March 2020: approximately 272.2%). The decrease of the gearing ratio was because of the increase of total equity of the Company.

* Excluded derivative financial instruments and lease liabilities

Foreign Currency Exposure

As at 30 September 2020, the Group had certain bank balances and payables denominated in foreign currencies, mainly Renminbi ("RMB"), Japanese Yen ("JPY"), Euro ("EUR") and Pound sterling ("GBP"), which exposed the Group to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Treasury Policy

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

Capital Structure

During the period under review, the Company did not make any fund raising activities (31 March 2020: Nil) and there was no change in the capital structure of the Company.

Capital Commitments and Contingent Liabilities

During the period under review, the Group did not have any capital commitments and contingent liabilities (31 March 2020: Nil).

Charges on Group Assets

As at 30 September 2020, the Group had pledged (i) 77% equity interest in Hackett Enterprises Limited; and (ii) the entire equity interest in Madison Lab Limited to secure a loan of approximately HK\$80.0 million (31 March 2020: approximately HK\$100.0 million).

Dividend

The Directors do not recommend the payment of any dividend for the six months ended 30 September 2020 (2019: nil).

Employee and Remuneration Policies

As at 30 September 2020, the Group employed 143 employees (31 March 2020: 145). Staff costs were approximately HK\$26.1million (2019: approximately HK\$38.0 million), representing a decrease of approximately HK\$11.9 million as compared with the six months ended 30 September 2019 mainly due to the Disposal of Subsidiaries. The Group determines the employees' remuneration based on factors such as qualification, duty, contributions and years of experience. In addition, the Group provides comprehensive training programs to its employees or sponsors the employees to attend various job-related training courses. Apart from basic remuneration, share options may be granted under the share option scheme of the Company to eligible employees by reference to the Group's performance as well as the individual's contribution. In addition, each of the sales team members is entitled to a commission with reference to the sales volume achieved by them. The Directors believe that the compensation packages offered by the Group to its staff are competitive in comparison with market standards and practices.

Future Plans for Material Investments, Acquisitions or Capital Assets

The Group has not executed any agreement in respect of material acquisitions, investments or capital asset and does not have any other specific future plans relating to material acquisitions, investments or capital asset as at the date of this announcement.

Events after the reporting date

On 2 November 2020, Madison Wine (HK) Company Limited, being an indirect wholly-owned subsidiary of the Company, as vendor, entered into a sale and purchase agreement with a controlling shareholder of the Company, as purchaser, pursuant to which the purchaser had agreed to acquire and the vendor had agreed to sell the entire issued share capital of and shareholder's loan in Focus Concept Holdings Limited ("Focus Concept") at a consideration of HK\$2.0 million (the "Disposal"). Prior to the Disposal, Focus Concept together with its direct wholly-owned subsidiary (collectively, the "Disposal Group") were principally engaged in the Wine Auction Business. Upon completion of the Disposal on 2 November 2020, the Disposal Group ceased to be subsidiaries of the Group and their financial results would no longer be consolidated into the consolidated financial statements of the Group.

Business Prospect

With COVID-19 sweeping across the world in early 2020, retail, trade, catering, food and beverage, tourism and other activities stood still and the global economy plummeted, leading to an increase in the unemployment rate and heightened potential economic downside pressures. The Group foresees such uncertainty is expected to continue to affect the Group's performance until 2021 when COVID-19 eases and the domestic and global markets show signs of recovery. The Group will continue to enhance the Group's businesses through review of its existing business portfolio from time to time. Going forward, the Group will continue looking for other investment opportunities in other streams so as to sustain the growth of the Group in the long run.

OTHER INFORMATION

Share Option Scheme

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

The Remaining Life of the Scheme

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

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 2020.

Directors' Interests in Competing Business

As at 30 September 2020, none of the Directors or their respective associates had any business or interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

Deed of Non-competition

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

Code of Conduct Regarding Securities Transactions by Directors

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the “Code on Securities Dealings”). The Company, having made specific enquiry of all the Directors, confirmed that all the Directors have complied with the required standard of dealings as set out in the Code on Securities Dealings for the six months ended 30 September 2020.

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.

As required by code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separated and performed by different individuals.

The Company deviated from this provision because Mr. Chen Ying-chieh had assumed the roles of both the chairman of the Board and the chief executive officer of the Company from 19 November 2019 to 31 July 2020. The Board believed that resting the roles of both the chairman and the chief executive officer in the same person had the benefit of ensuring consistent leadership within the Group and enabled more effective and efficient overall strategic planning for the Group. Although these two roles were performed by the same individual, certain responsibilities were shared with the executive Directors to balance power and authority. In addition, all major decisions were made in consultation with members of the Board, as well as with the senior management. The Board has three independent non-executive Directors who offer different independent perspectives. Therefore, the Board was of the view that the balance of power and safeguards in place were adequate.

Save as disclosed above, throughout the six months ended 30 September 2020, 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.*, who is a non-executive Director, all members of the Audit Committee 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 2020 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.

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

Hong Kong, 9 November 2020

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

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.