

MADISON

GROUP

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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2021

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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 of the Stock Exchange (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquires, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respect 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 2021, the unaudited results from continuing operations of the Company and its subsidiaries (collectively referred to as the “**Group**”) were as follows:

- the Group recorded a revenue from continuing operations of approximately HK\$67.8 million for the six months ended 30 September 2021 (for the six months ended 30 September 2020: approximately HK\$47.3 million), representing an increase of approximately 43.3% as compared with the corresponding period in 2020;
- net impairment recognised on loan and interest receivables amounted to approximately HK\$6.8 million for the six months ended 30 September 2021 (for the six months ended 30 September 2020: approximately HK\$8.5 million), representing a decrease of approximately HK\$1.7 million as compared with the corresponding period in 2020;
- loss attributable to the owners of the Company for the six months ended 30 September 2021 amounted to approximately HK\$9.1 million (for the six months ended 30 September 2020: profit attributable to the owners of the Company of approximately HK\$6.4 million); and
- the Directors do not recommend the payment of an interim dividend for the six months ended 30 September 2021 (for the six months ended 30 September 2020: 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 2021, together with the comparative unaudited figures for the corresponding period in 2020, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2021

	Note	For the three months ended 30 September		For the six months ended 30 September	
		2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited) (Restated)	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited) (Restated)
Continuing operations					
Revenue	3				
sales of alcoholic beverages		17,725	13,328	35,449	23,816
financial services		–	–	–	–
loan financing services		16,283	10,581	32,356	23,507
		<u>34,008</u>	<u>23,909</u>	<u>67,805</u>	<u>47,323</u>
Cost of operations					
cost of alcoholic beverages		(13,798)	(10,570)	(28,548)	(19,323)
Gross profit		<u>20,210</u>	<u>13,339</u>	<u>39,257</u>	<u>28,000</u>
Other income	4	2,969	2,879	3,580	3,189
Staff cost		(8,165)	(10,404)	(16,176)	(22,926)
Depreciation		(3,093)	(3,365)	(4,896)	(6,729)
Administrative and other operating expenses		(3,391)	(6,723)	(8,025)	(10,875)
Change in fair value of financial assets at fair value through profit or loss ("FVTPL")		221	1,450	221	1,607
Change in fair value of derivative financial instruments		3,873	46,705	3,873	46,705
Net impairment (recognised) reversed on loan and interest receivables		(2,787)	7,553	(6,776)	(8,499)
Finance cost	5	(6,789)	(9,892)	(13,310)	(21,480)
Profit (loss) before tax		<u>3,048</u>	<u>41,542</u>	<u>(2,252)</u>	<u>8,992</u>
Income tax expense	6	(2,188)	(8,077)	(3,288)	(6,101)
Profit (loss) for the period from continuing operations		<u>860</u>	<u>33,465</u>	<u>(5,540)</u>	<u>2,891</u>
Discontinued operations					
Loss for the period from discontinued operations	8	–	(978)	(1,346)	(2,988)
Profit (loss) for the period	7	<u>860</u>	<u>32,487</u>	<u>(6,886)</u>	<u>(97)</u>

	Note	For the three months ended 30 September		For the six months ended 30 September	
		2021	2020	2021	2020
		<i>HK\$'000</i> (unaudited)	<i>HK\$'000</i> (unaudited) (Restated)	<i>HK\$'000</i> (unaudited)	<i>HK\$'000</i> (unaudited) (Restated)
(Loss) profit for the period attributable to owners of the Company					
– from continuing operations		(1,284)	34,288	(7,851)	8,792
– from discontinued operations		–	(579)	(1,274)	(2,433)
(Loss) profit for the period attributable to owners of the Company		<u>(1,284)</u>	<u>33,709</u>	<u>(9,125)</u>	<u>6,359</u>
Profit (loss) for the period attributable to non-controlling interests					
– from continuing operations		2,144	(823)	2,311	(5,901)
– from discontinued operations		–	(399)	(72)	(555)
Profit (loss) for the period attributable to non-controlling interests		<u>2,144</u>	<u>(1,222)</u>	<u>2,239</u>	<u>(6,456)</u>
		<u>860</u>	<u>32,487</u>	<u>(6,886)</u>	<u>(97)</u>
(Loss) profit per share (<i>HK cents</i>)	10				
From continuing and discontinued operations					
Basic		<u>(0.02)</u>	<u>0.65</u>	<u>(0.15)</u>	<u>0.12</u>
Diluted		<u>(0.02)</u>	<u>0.65</u>	<u>(0.15)</u>	<u>0.11</u>
From continuing operations					
Basic		<u>(0.02)</u>	<u>0.66</u>	<u>(0.13)</u>	<u>0.17</u>
Diluted		<u>(0.02)</u>	<u>0.66</u>	<u>(0.13)</u>	<u>0.16</u>
From discontinued operations					
Basic		<u>–</u>	<u>(0.01)</u>	<u>(0.02)</u>	<u>(0.05)</u>
Diluted		<u>–</u>	<u>(0.01)</u>	<u>(0.02)</u>	<u>(0.05)</u>

	For the three months ended 30 September		For the six months ended 30 September	
	2021	2020	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>Note</i>				
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
		(Restated)		(Restated)
Profit (loss) for the period	<u>860</u>	<u>32,487</u>	<u>(6,886)</u>	<u>(97)</u>
Other comprehensive income				
<i>Item that may be reclassified subsequently to profit or loss:</i>				
Exchange differences arising from translation of foreign operations	771	14,062	6,001	15,146
Release of translation reserve upon disposal of subsidiaries	<u>-</u>	<u>-</u>	<u>2,811</u>	<u>-</u>
	<u>771</u>	<u>14,062</u>	<u>8,812</u>	<u>15,146</u>
Total comprehensive income for the period	<u>1,631</u>	<u>46,549</u>	<u>1,926</u>	<u>15,049</u>
Total comprehensive (expense) income for the period attributable to:				
Owners of the Company	(865)	41,286	(3,067)	14,508
Non-controlling interests	<u>2,496</u>	<u>5,263</u>	<u>4,993</u>	<u>541</u>
	<u>1,631</u>	<u>46,549</u>	<u>1,926</u>	<u>15,049</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2021

		As at 30 September 2021 <i>HK\$'000</i> (unaudited)	As at 31 March 2021 <i>HK\$'000</i> (audited)
	<i>Note</i>		
Non-current assets			
Plant and equipment	<i>11</i>	6,163	2,556
Loan receivables	<i>12</i>	14,887	15,091
Deposits	<i>13</i>	3,113	1,896
Intangible assets		1,280	146,886
Right-of-use assets	<i>14</i>	20,668	4,599
Deferred tax asset		13,520	11,620
Goodwill		9,028	9,028
		<u>68,659</u>	<u>191,676</u>
Current assets			
Inventories		21,975	20,379
Financial assets at FVTPL		19,348	–
Loan and interest receivables	<i>12</i>	385,820	394,385
Trade and other receivables	<i>13</i>	111,088	23,059
Amounts due from associates		268	267
Bank balances and cash		24,456	19,657
		<u>562,955</u>	<u>457,747</u>

		As at 30 September 2021 <i>HK\$'000</i> (unaudited)	As at 31 March 2021 <i>HK\$'000</i> (audited)
	<i>Note</i>		
Current liabilities			
Trade and other payables	<i>15</i>	23,586	23,097
Lease liabilities	<i>14</i>	8,275	3,576
Contract liabilities		26,438	15,467
Amounts due to shareholders		347	296
Amount due to non-controlling shareholders		–	2
Amount due to a related company	<i>16</i>	4,378	–
Loan from a subsidiary of non-controlling shareholder	<i>17</i>	104,250	105,300
Borrowings	<i>18</i>	49,992	49,992
Tax payable		14,006	10,791
Derivative financial instruments	<i>19</i>	3,102	6,974
Promissory notes payables	<i>20</i>	62,561	59,667
Convertible bonds	<i>21</i>	139,231	–
		<u>436,166</u>	<u>275,162</u>
Net current assets		<u>126,789</u>	<u>182,585</u>
Total assets less current liabilities		<u>195,448</u>	<u>374,261</u>

		As at 30 September 2021 <i>HK\$'000</i> (unaudited)	As at 31 March 2021 <i>HK\$'000</i> (audited)
	<i>Note</i>		
Capital and reserves			
Share capital	22	6,231	6,231
Reserves		<u>2,267</u>	<u>4,924</u>
Equity attributable to owners of the Company		8,498	11,155
Non-controlling interests		<u>173,568</u>	<u>227,937</u>
Total equity		<u>182,066</u>	<u>239,092</u>
Non-current liabilities			
Deferred tax liability		1,001	933
Convertible bonds	21	–	133,144
Lease liabilities	14	<u>12,381</u>	<u>1,092</u>
		<u>13,382</u>	<u>135,169</u>
		<u>195,448</u>	<u>374,261</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2021

	Attributable to owners of the Company												Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Other reserve HK\$'000 (Note a)	Capital reserve HK\$'000 (Note b)	Merger reserve HK\$'000 (Note c)	Share options reserve HK\$'000	Convertible bonds – equity conversion reserve HK\$'000	Translation reserve HK\$'000	Statutory reserve HK\$'000 (Note d)	Accumulated losses HK\$'000	Total HK\$'000	Non- controlling interests HK\$'000	
As at 1 April 2021 (audited)	6,231	1,311,985	29,047	(103,832)	(598,127)	20,609	174,782	(8,012)	4,351	(825,879)	11,155	227,937	239,092
Loss for the period	-	-	-	-	-	-	-	-	-	(9,125)	(9,125)	2,239	(6,886)
Other comprehensive income for the period													
Exchange differences arising from translation of foreign operations	-	-	-	-	-	-	3,247	-	-	-	3,247	2,754	6,001
Release of translation reserve upon disposal of subsidiaries	-	-	-	-	-	-	2,811	-	-	-	2,811	-	2,811
Loss for the period and other comprehensive income for the period	-	-	-	-	-	-	6,058	-	-	(9,125)	(3,067)	4,993	1,926
Recognition of equity-settled share-based payments expenses	-	-	-	-	-	410	-	-	-	-	410	-	410
Lapse of share options	-	-	-	-	-	(1)	-	-	-	1	-	-	-
Disposal of Madison Lab Limited ("Madison Lab")	-	-	-	12,938	-	-	-	-	-	(12,938)	-	(59,362)	(59,362)
As at 30 September 2021 (unaudited)	<u>6,231</u>	<u>1,311,985</u>	<u>29,047</u>	<u>(90,894)</u>	<u>(598,127)</u>	<u>21,018</u>	<u>174,782</u>	<u>(1,954)</u>	<u>4,351</u>	<u>(847,941)</u>	<u>8,498</u>	<u>173,568</u>	<u>182,066</u>

	Attributable to owners of the Company												Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Other reserve HK\$'000 (Note a)	Capital reserve HK\$'000 (Note b)	Merger reserve HK\$'000 (Note c)	Share options reserve HK\$'000	Convertible bonds – equity conversion reserve HK\$'000	Translation reserve HK\$'000	Statutory reserve HK\$'000 (Note d)	Accumulated losses HK\$'000	Total HK\$'000	Non- controlling interests HK\$'000	
As 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 from translation of foreign operations	-	-	-	-	-	-	8,149	-	-	-	8,149	6,997	15,146
Loss for the period and other 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 of share options	-	-	-	-	-	(14,883)	-	-	-	14,883	-	-	-
Change of equity interest in a subsidiary	-	-	-	(51,007)	-	-	-	-	-	-	(51,007)	53,746	2,739
As 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>220,210</u>	<u>222,037</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 mainly arisen from the changes in ownership interests in subsidiaries without loss of control, common control combination, deemed contribution from a related company and issue of put option amounting to approximately HK\$20,144,000 exercisable by non-controlling shareholders.

The capital reserve related to the put option has been transferred to accumulated losses upon lapse of the put option at expiry date during the year ended 31 March 2021.

- (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.

On 18 May 2018, an amount of approximately HK\$76,213,000 had been capitalised into the share capital of Bartha International Limited, a then subsidiary which adopt merger accounting for common control combination. As a result, approximately HK\$33,363,000 and HK\$42,850,000 were recognised in merger reserve and non-controlling interests respectively.

- (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 10.0% 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 50.0% 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 directors of the respective PRC companies.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2021

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 GEM of the Stock Exchange since 8 October 2015. Royal Spectrum Holding Company Limited (“**Royal Spectrum**”), which is a company incorporated in the Republic of Seychelles and is directly interested in approximately 31.6% of the issued share capital of the Company as at 30 September 2021, and Mr. Ting Pang Wan Raymond (“**Mr. Ting**”), who is interested in approximately 42.2% of the issued share capital of the Company as at 30 September 2021 and has control over Royal Spectrum, are controlling shareholders of the Company. The addresses of the registered office and the principal place of business of the Company are Cricket Square, Hutchins Drive P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and Unit 26-28, 8/F., One Island South, 2 Heung Yip Road, Wong Chuk Hang, 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 and the provision of loan financing services. During the year ended 31 March 2021 and the six months ended 30 September 2021, the Group discontinued the provision of auction of alcoholic beverages business in Hong Kong (“**Auction Business**”) and the provision of cryptocurrency exchange business in Japan (“**Blockchain Services Business**”) upon disposal of its relevant subsidiaries respectively as details in note 8. Accordingly, the unaudited condensed consolidated statement of profit or loss and other comprehensive income for the six months ended 30 September 2020 has been re-presented.

The functional currency of the Company and the subsidiaries incorporated in Hong Kong are Hong Kong dollars (“**HK\$**”) while that of the subsidiaries established in the PRC are Renminbi (“**RMB**”). For the purpose of presenting the financial statements, the Group adopted HK\$ as its presentation currency which is the same as the functional currency of the Company.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These unaudited 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”) and all applicable accounting principles generally accepted in Hong Kong. The financial statements also comply with the applicable disclosure requirements of the Companies Ordinance (Chapter 622 of the laws of Hong Kong) and include the applicable disclosure requirements of the GEM Listing Rules. The accounting policies used in the financial statements for the six months ended 30 September 2021 are the same as those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 March 2021. The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments which are stated at fair values.

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

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 amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 April 2021 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2
Amendments to HKFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021

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

The interim financial statements have not been reviewed or audited by the Company’s independent auditor but have been reviewed by the Company’s audit committee.

3. REVENUE AND SEGMENT INFORMATION

Revenue

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

	For the three months ended		For the six months ended	
	30 September		30 September	
	2021	2020	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
		(restated)		(restated)
Revenue from contracts with customers				
Disaggregated of revenue by major products or services lines				
Sales of alcoholic beverages segment				
– Sales of alcoholic beverages income	17,725	13,328	35,449	23,816
Financial services segment				
– Financial consultancy service income	–	–	–	–
Loan financing services segment				
– Loan referral services income	4,454	2,770	8,559	4,472
Total revenue from contracts with customers	22,179	16,098	44,008	28,288
Revenue from other sources				
Loan financing segment				
– Interest income – Micro loans	9,425	7,811	19,015	16,509
– Interest income – Other loans	2,404	–	4,782	2,526
	11,829	7,811	23,797	19,035
Total Revenue	34,008	23,909	67,805	47,323

Disaggregation of revenue by timing of recognition

	For the three months ended		For the six months ended	
	30 September		30 September	
	2021	2020	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
		(restated)		(restated)
Timing of revenue recognition from contracts with customers				
At a point in time	<u>22,179</u>	<u>16,098</u>	<u>44,008</u>	<u>28,288</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 services
3. Loan financing services – provision of loan financing and loan referral services

Operating segments regarding Auction Business and Blockchain Services Business were discontinued upon disposal of its relevant subsidiaries in the year ended 31 March 2021 and the six months ended 30 September 2021 respectively. The segment information for the three months and six months ended 30 September 2020 has been re-presented and does not include any amounts for these discontinued operations, which are described in more detail in note 8.

Segment revenues and results

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

	For the three months ended		For the six months ended	
	30 September		30 September	
	2021	2020	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
		(restated)		(restated)
Revenue				
Sales of alcoholic beverages	17,725	13,328	35,449	23,816
Financial services	–	–	–	–
Loan financing services	16,283	10,581	32,356	23,507
	<u>34,008</u>	<u>23,909</u>	<u>67,805</u>	<u>47,323</u>
Segment profit (loss)				
Sales of alcoholic beverages	5,706	(510)	5,404	(3,870)
Financial services	(480)	(717)	(961)	(1,550)
Loan financing services	8,364	12,354	13,485	3,121
	<u>13,590</u>	<u>11,127</u>	<u>17,928</u>	<u>(2,299)</u>
Unallocated income	6,991	50,736	7,351	51,141
Unallocated expenses	(10,744)	(10,429)	(14,221)	(18,370)
Finance cost	(6,789)	(9,892)	(13,310)	(21,480)
	<u>3,048</u>	<u>41,542</u>	<u>(2,252)</u>	<u>8,992</u>

Segment profit (loss) represents the profit (loss) from each segment without allocation of central administration costs, Directors' salaries and certain other income, changes in fair value of financial assets at FVTPL and derivative financial instrument, gain (loss) on disposal of subsidiaries and finance cost. This is the measure reported to the CODM 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.

	As at 30 September 2021 HK\$'000 (unaudited)	As at 31 March 2021 HK\$'000 (audited)
Segment assets		
Continuing operations		
Sales of alcoholic beverages	35,778	36,283
Financial services	34	38
Loan financing services	<u>439,007</u>	<u>432,847</u>
Total segment assets	474,819	469,168
Assets relating to discontinued operation	–	146,789
Unallocated assets	<u>156,795</u>	<u>33,466</u>
Consolidated total assets	<u><u>631,614</u></u>	<u><u>649,423</u></u>
Segment liabilities		
Continuing operations		
Sales of alcoholic beverages	27,320	19,109
Financial services	142	125
Loan financing services	<u>16,941</u>	<u>18,744</u>
Total segment liabilities	44,403	37,978
Liabilities relating to discontinued operation	–	738
Unallocated liabilities	<u>405,145</u>	<u>371,615</u>
Consolidated total liabilities	<u><u>449,548</u></u>	<u><u>410,331</u></u>

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

all assets are allocated to operating segments other than financial assets at FVTPL, deferred tax asset, amounts due from associates, bank balances and cash and certain unallocated head office assets; and

all liabilities are allocated to operating segments other than amounts due to shareholders/non-controlling shareholders/a related company, loan from a subsidiary of non-controlling shareholder, borrowings, tax payable, deferred tax liability, derivative financial instruments, convertible bonds, promissory notes payables.

Geographical information

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

	For the three months ended		For the six months ended	
	30 September		30 September	
	2021	2020	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
		(restated)		(restated)
PRC	13,879	11,258	27,574	21,659
Hong Kong	20,129	12,651	40,231	25,664
	<u>34,008</u>	<u>23,909</u>	<u>67,805</u>	<u>47,323</u>

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

	As at	As at
	30 September	31 March
	2021	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(audited)
Continuing operations		
PRC	3,799	2,235
Hong Kong	33,340	14,587
	<u>37,139</u>	<u>16,822</u>
Discontinued operations		
Japan	–	146,247
	<u>37,139</u>	<u>163,069</u>

4. OTHER INCOME

	For the three months ended		For the six months ended	
	30 September		30 September	
	2021	2020	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
		(restated)		(restated)
Continuing operations				
Bank interest income	6	4	11	4
Consignment income	88	1,789	291	1,823
Net exchange gain	604	–	604	–
Interest income from consideration receivable	1,192	–	1,374	–
Rental income	621	–	621	–
Government grants and others	458	1,086	679	1,362
	<u>2,969</u>	<u>2,879</u>	<u>3,580</u>	<u>3,189</u>

5. FINANCE COST

	For the three months ended		For the six months ended	
	30 September		30 September	
	2021	2020	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
		(restated)		(restated)
Continuing operations				
Interest expense on:				
convertible bonds	3,078	2,814	6,087	5,566
promissory notes	1,464	3,541	2,894	7,408
other borrowings	1,511	2,453	3,007	5,327
loan from a Director	–	958	–	1,905
loan from a subsidiary of non-controlling shareholder	534	9	1,063	1,089
lease liabilities	202	117	259	185
	<u>6,789</u>	<u>9,892</u>	<u>13,310</u>	<u>21,480</u>

6. INCOME TAX EXPENSE

	For the three months ended		For the six months ended	
	30 September		30 September	
	2021	2020	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
		(restated)		(restated)
Continuing operations				
Current tax:				
Hong Kong Profits Tax	–	697	–	697
PRC Enterprise Income Tax (“EIT”)	<u>2,893</u>	<u>2,834</u>	<u>4,973</u>	<u>2,834</u>
	2,893	3,531	4,973	3,531
Deferred taxation	<u>(705)</u>	<u>4,546</u>	<u>(1,685)</u>	<u>2,570</u>
	<u>2,188</u>	<u>8,077</u>	<u>3,288</u>	<u>6,101</u>

Hong Kong Profits Tax

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

PRC Enterprise Income Tax

Under the Law of the PRC on EIT (the “**EIT Law**”) and Implementation Regulation of the EIT Law, the statutory EIT tax rate of the PRC subsidiaries is 25.0% for the period. Further 10.0% withholding income tax is generally imposed on dividends relating to profits.

7. PROFIT (LOSS) FOR THE PERIOD

	For the three months ended		For the six months ended	
	30 September		30 September	
	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
		(restated)		(restated)
Continuing operations				
Profit (loss) for the period has been arrived at after charging:				
Directors' emoluments	1,124	1,083	2,249	4,687
Salaries, allowances and other benefits	6,496	8,132	12,789	14,711
Contributions to retirement benefits scheme	472	353	993	603
Equity-settled share-based payment expenses	73	836	145	2,925
Total staff cost	<u>8,165</u>	<u>10,404</u>	<u>16,176</u>	<u>22,926</u>
Cost of inventories recognised as expense	13,468	9,905	27,839	18,298
Equity-settled share-based payment expenses – consultants	31	188	63	375
Net impairment recognised (reversed) on loan and interest receivables	<u>2,787</u>	<u>(7,553)</u>	<u>6,776</u>	<u>8,499</u>

8. DISCONTINUED OPERATIONS

a. Disposal of Blockchain Services Business

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

The result of Blockchain Services Business was as follows:

	1.4.2021 to 17.6.2021	1.7.2020 to 30.9.2020	1.4.2020 to 30.9.2020
	(date of disposal)	(date of disposal)	(date of disposal)
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)
Other income	259	8	8
Staff cost	(155)	(718)	(1,627)
Deprecation	(42)	(18)	(37)
Administrative and other operating expenses	(246)	(642)	(1,469)
Finance cost	(1)	–	–
	<u> </u>	<u> </u>	<u> </u>
Loss for the period	(185)	(1,370)	(3,125)
Loss on disposal of discontinued operations	(1,161)	–	–
	<u> </u>	<u> </u>	<u> </u>
Loss for the period from discontinued operations	<u> </u> <u> </u>	<u> </u> <u> </u>	<u> </u> <u> </u>
Loss for the period attributable to:			
Owners of the Company	(1,274)	(971)	(2,570)
Non-controlling interests	(72)	(399)	(555)
	<u> </u>	<u> </u>	<u> </u>
Loss for the period from discontinued operations	<u> </u> <u> </u>	<u> </u> <u> </u>	<u> </u> <u> </u>

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

	1.4.2021 to 17.6.2021	1.7.2020 to 30.9.2020	1.4.2020 to 30.9.2020
	(date of disposal)	(date of disposal)	(date of disposal)
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)
Salaries, allowances and other benefits	138	609	1,419
Contributions to retirement benefits scheme	17	109	208
	<u> </u>	<u> </u>	<u> </u>

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

	<i>HK\$'000</i>
Property, plant and equipment	382
Intangible asset	145,606
Right-of-use asset	217
Other receivables	590
Bank balances and cash	90
Other payables	(439)
Lease liabilities	(206)
Amount due to non-controlling shareholder	(2)
Sale Loan 1	(111,813)
	<u>34,425</u>
Loss on disposal of a subsidiary	
Consideration receivable*	88,526
Net assets disposed of	(34,425)
Sale Loan 1	(111,813)
Non-controlling interest	59,362
Cumulative exchange differences in respect of the net liabilities of the subsidiary reclassified from equity to profit or loss on loss of control of the subsidiary	<u>(2,811)</u>
Loss on disposal of a subsidiary	<u>(1,161)</u>

* *Consideration receivable was the fair value of promissory note at the date of initial recognition. The face value of this promissory note was HK\$90,000,000 for a term of six months at an interest rate of 2.0% per annum. The effective interest rate is 5.3%.*

b. Disposal of Auction Business

On 2 November 2020, the Group entered into a sale and purchase agreement with Firebird Global Investment Holdings Limited (“**Firebird Global**”), being a related company wholly-owned by Mr. Ting. Pursuant to the sale and purchase agreement, the Group agreed to sell and Firebird Global agreed to purchase the entire equity interests of Focus Concept Holdings Limited (“**Focus Concept**”), being a wholly-owned subsidiary of the Company, and the amount due from Focus Concept to the Group of approximately HK\$11,422,000 (the “**Sale Loan 2**”) at a cash consideration of HK\$2,000,000. Focus Concept and its subsidiary carried out the Group’s Auction Business. The disposal was completed on 2 November 2020 on which date control of the above-mentioned subsidiaries was passed to the purchaser. For details, please refer to the announcement of the Company dated 2 November 2020.

The result of Auction Business was as follows:

	1.7.2020 to 30.9.2020	1.4.2020 to 30.9.2020
	<i>HK\$’000</i>	<i>HK\$’000</i>
	(unaudited)	(unaudited)
Revenue*	2,094	3,524
Cost of sales	(503)	(704)
Gross profit	1,591	2,820
Other income	165	167
Staff cost	(676)	(1,532)
Deprecation	(11)	(23)
Administrative and other operating expenses	(677)	(1,295)
Profit for the period from discontinued operations (attributable to owners of the Company)	<u>392</u>	<u>137</u>

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

Profit for the period from discontinued Auction Business included the following:

	1.7.2020 to 30.9.2020	1.4.2020 to 30.9.2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Salaries, allowances and other benefits	655	1,485
Contributions to retirement benefits scheme	21	47
Cost of inventories recognised as expense	72	272
Bank interest income	–	2
	<u> </u>	<u> </u>

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

	<i>HK\$'000</i>
Property, plant and equipment	139
Inventories	833
Trade and other receivables	798
Bank balances and cash	1,572
Trade and other payables	(2,175)
Contract liabilities	(10)
Sale Loan 2	(11,422)
	<u> </u>
	<u> </u>
	(10,265)
Gain on disposal of a subsidiary	
Consideration received	2,000
Net liabilities disposed of	(10,265)
	<u> </u>
Gain on disposal of a subsidiary	12,265
Sale Loan 2	(11,422)
	<u> </u>
Net gain on disposal of a subsidiary	<u> </u>
	843

9. DIVIDEND

No dividend was paid, declared or proposed during the six months ended 30 September 2021. The Directors do not recommend the payment of an interim dividend for the six months ended 30 September 2021 (2020: nil).

10. (LOSS) PROFIT PER SHARE

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

From continuing and discontinued operations

	For the three months ended		For the six months ended	
	30 September		30 September	
	2021	2020	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
		(Restated)		(Restated)
(Loss) profit				
(Loss) profit for the purpose of basic (loss) profit per share for the period attributable to the owners of the Company	<u>(1,284)</u>	<u>33,709</u>	<u>(9,125)</u>	<u>6,359</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>–</u>	<u>(106)</u>	<u>–</u>	<u>(429)</u>
(Loss) profit for the purpose of diluted (loss) profit per share	<u>(1,284)</u>	<u>33,603</u>	<u>(9,125)</u>	<u>5,930</u>
	For the three months ended		For the six months ended	
	30 September		30 September	
	2021	2020	2021	2020
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Number of shares				
Weighted average number of ordinary shares for the purpose of basic and diluted (loss) profit per share	<u>6,231,272,277</u>	<u>5,192,726,898</u>	<u>6,231,272,277</u>	<u>5,192,726,898</u>

The computation of diluted (loss) profit per share does not assume the conversion of the outstanding shares options and outstanding convertible bonds since their exercise would result in a decrease in loss per share from continuing and discontinued operations for the six months ended 30 September 2021 and 2020.

From continuing operations

	For the three months ended		For the six months ended	
	30 September		30 September	
	2021	2020	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
		(Restated)		(Restated)
(Loss) profit for the purpose of basic (loss) profit per share from continuing operations	<u>(1,284)</u>	<u>34,288</u>	<u>(7,851)</u>	<u>8,792</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>-</u>	<u>(106)</u>	<u>-</u>	<u>(429)</u>
(Loss) profit for the purpose of diluted (loss) profit per share	<u>(1,284)</u>	<u>34,182</u>	<u>(7,851)</u>	<u>8,363</u>

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

From discontinued operations

	For the three months ended		For the six months ended	
	30 September		30 September	
	2021	2020	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
		(Restated)		(Restated)
Loss for the purpose of basic and diluted loss per share from discontinued operations	<u>-</u>	<u>(579)</u>	<u>(1,274)</u>	<u>(2,433)</u>

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

11. PLANT AND EQUIPMENT

During the six months ended 30 September 2021, the Group acquired and disposed plant and equipment of approximately HK\$4,814,000 and HK\$6,388,000 respectively. No fixed asset was acquired and disposed of by the Group for the six months ended 30 September 2020. In addition, there was no impairment of plant and equipment for the six months ended 30 September 2021 (2020: nil).

12. LOAN AND INTEREST RECEIVABLES

	As at 30 September 2021 HK\$'000 (unaudited)	As at 31 March 2021 HK\$'000 (audited)
Secured loans		
Real estate-backed loans	33,415	32,908
Secured micro loans	<u>64,888</u>	<u>66,238</u>
	<u>98,303</u>	<u>99,146</u>
Unsecured loans		
Unsecured micro loans	241,537	247,679
Unsecured other loans	<u>47,180</u>	<u>45,741</u>
	<u>288,717</u>	<u>293,420</u>
	387,020	392,566
<i>Less: Allowances for loan receivables</i>	<u>(45,291)</u>	<u>(37,754)</u>
	341,729	354,812
Interest receivables	<u>58,978</u>	<u>54,664</u>
	<u>400,707</u>	<u>409,476</u>
 Loan and interest receivables analysed for reporting purpose as:		
Non-current assets	14,887	15,091
Current assets	<u>385,820</u>	<u>394,385</u>
	<u>400,707</u>	<u>409,476</u>

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

	As at 30 September 2021 (unaudited)	As at 31 March 2021 (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	180 days to 3 years	180 days to 3 years

As at 30 September 2021, the loans provided to customers bore fixed interest rate at 0.3% to 3.0% per month (31 March 2021: 0.3% to 3.0% per month), and were repayable according to the loan agreements.

As at 30 September 2021, included in the gross balances are loans of approximately HK\$89,889,000 (31 March 2021: approximately HK\$88,077,000) were secured by real estates in the PRC; approximately HK\$8,415,000 (31 March 2021: approximately HK\$11,068,000) were secured by motor vehicles; and approximately HK\$72,365,000 (31 March 2021: approximately HK\$82,601,000) were guaranteed by guarantors.

As at 30 September 2021, the Group held collaterals with value of approximately HK\$339,584,000 (31 March 2021: approximately HK\$303,628,000) 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.

	As at 30 September 2021 HK\$'000 (unaudited)	As at 31 March 2021 HK\$'000 (audited)
Within 90 days	83,474	90,453
91 – 180 days	48,220	74,227
181 – 365 days	63,497	44,994
Over 365 days	205,516	199,802
Total	400,707	409,476

13. TRADE AND OTHER RECEIVABLES AND DEPOSITS

	As at 30 September 2021 <i>HK\$'000</i> (unaudited)	As at 31 March 2021 <i>HK\$'000</i> (audited)
Trade receivables	1,911	2,115
<i>Less: loss allowance</i>	<u>(505)</u>	<u>(507)</u>
Total trade receivables	<u>1,406</u>	<u>1,608</u>
Payments in advance	7,961	7,545
Prepayments	1,757	3,809
Deposits and other receivables	13,177	11,993
Consideration receivable (<i>note</i>)	<u>89,900</u>	<u>–</u>
Total other receivables and deposits	<u>112,795</u>	<u>23,347</u>
Trade and other receivables, deposits	<u>114,201</u>	<u>24,955</u>
Analysed as:		
Current	111,088	23,059
Non-current	<u>3,113</u>	<u>1,896</u>
Trade and other receivables, deposits	<u>114,201</u>	<u>24,955</u>

Note: The consideration receivable was from disposal of a wholly-owned subsidiary of the Company during the six months ended 30 September 2021. Details are set out in note 8(a).

Generally, the Group allows credit period of a range from 0 to 30 days to its customers.

The following is an aged analysis of trade receivables, net of allowance for doubtful debts presented based on the delivery dates, which approximated the respective revenue recognition dates, at the end of the reporting period.

	As at 30 September 2021 <i>HK\$'000</i> (unaudited)	As at 31 March 2021 <i>HK\$'000</i> (audited)
Within 30 days	811	941
31 to 60 days	290	195
61 to 90 days	69	74
91 to 180 days	90	101
181 to 365 days	81	257
Over 365 days	65	40
	<u>1,406</u>	<u>1,608</u>
Total	<u><u>1,406</u></u>	<u><u>1,608</u></u>

14. LEASES

(i) Right-of-use assets

	As at 30 September 2021 <i>HK\$'000</i> (unaudited)	As at 31 March 2021 <i>HK\$'000</i> (audited)
At beginning of the period/year	4,599	14,612
Increases	20,567	299
Decreases	(159)	–
Disposal of subsidiaries (<i>Note 8a</i>)	(217)	–
Depreciation	(4,131)	(9,827)
Exchange realignment	9	(485)
	<u>20,668</u>	<u>4,599</u>
At end of the period/year	<u><u>20,668</u></u>	<u><u>4,599</u></u>

The Group has leased arrangements for leased properties (office premises, warehouses and a wine show room). The lease terms are generally two to three years. Additions to the right-of-use assets for the six months ended 30 September 2021 amounted to approximately HK\$20,567,000 (31 March 2021: approximately HK\$299,000), due to new leases of properties.

As at 30 September 2021, the carrying amount of right-of-use assets was approximately HK\$20,668,000 (31 March 2021: approximately HK\$4,599,000) in respect of the leased properties.

(ii) Lease liabilities

	As at 30 September 2021 <i>HK\$'000</i> (unaudited)	As at 31 March 2021 <i>HK\$'000</i> (audited)
Non-current	12,381	1,092
Current	<u>8,275</u>	<u>3,576</u>
	<u><u>20,656</u></u>	<u><u>4,668</u></u>

Amount payable under lease liabilities

	As at 30 September 2021 <i>HK\$'000</i> (unaudited)	As at 31 March 2021 <i>HK\$'000</i> (audited)
Within one year	8,275	3,576
After one year but within two years	6,910	1,092
After two years but within three years	<u>5,471</u>	<u>–</u>
	20,656	4,668
<i>Less: Amount due for settlement within 12 months</i> <i>(shown under current liabilities)</i>	<u>(8,275)</u>	<u>(3,576)</u>
Amount due for settlement after 12 months	<u><u>12,381</u></u>	<u><u>1,092</u></u>

During the six months ended 30 September 2021, the Group entered into a number of new lease agreements in respect of renting properties and recognised lease liability of approximately HK\$20,567,000 (31 March 2021: approximately HK\$299,000).

As at 30 September 2021, the carrying amount of lease liabilities was approximately HK\$20,656,000 (31 March 2021: approximately HK\$4,668,000).

15. TRADE AND OTHER PAYABLES

	As at 30 September 2021 <i>HK\$'000</i> (unaudited)	As at 31 March 2021 <i>HK\$'000</i> (audited)
Trade payables	4,820	2,723
Other payables and accruals	<u>18,766</u>	<u>20,374</u>
Trade and other payables	<u><u>23,586</u></u>	<u><u>23,097</u></u>

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period.

	As at 30 September 2021 <i>HK\$'000</i> (unaudited)	As at 31 March 2021 <i>HK\$'000</i> (audited)
Within 30 days	1,066	1,661
31 to 60 days	134	167
61 to 90 days	2,731	–
91 to 180 days	–	478
181 to 365 days	471	53
Over 365 days	<u>418</u>	<u>364</u>
Total	<u><u>4,820</u></u>	<u><u>2,723</u></u>

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.

16. AMOUNT DUE TO A RELATED COMPANY

The amount is unsecured, non-interest bearing and repayable on demand.

17. LOANS FROM A SUBSIDIARY OF NON-CONTROLLING SHAREHOLDER

Loan from a subsidiary of non-controlling shareholder is the amount of JPY1,500,000,000 (equivalent to approximately HK\$104,250,000 (31 March 2021: approximately HK\$105,300,000)) with fixed interest rate of 2.0% (31 March 2021: 2.0%) per annum which was guaranteed by Mr. Ting, a substantial shareholder of the Company and the Company is arranging for extension of this loan.

18. BORROWINGS

	As at 30 September 2021 HK\$'000 (unaudited)	As at 31 March 2021 HK\$'000 (audited)
Other borrowings	<u>49,992</u>	<u>49,992</u>

The other borrowings are repayable within one year.

Effective interest rates on the Group's other borrowings are as follows:

	As at 30 September 2021 (unaudited)	As at 31 March 2021 (audited)
Other borrowings	12.0% <u>per annum</u>	12.0% <u>per annum</u>

All the other borrowings are at fixed rates.

As at 30 September 2021, included in other borrowings is carrying amount of approximately HK\$49,992,000 (31 March 2021: approximately HK\$49,992,000) bore interest at fixed rate and were due within one year. The fixed rate other borrowings carried interest at 12.0% per annum and contained a repayable on demand clause. These borrowings are secured by the Company's 77.0% of the entire issued share capital of Hackett Enterprises Limited ("Hackett") and personal guarantee provided by Mr. Ting, the substantial shareholder of the Company.

19. DERIVATIVE FINANCIAL INSTRUMENTS

During the year ended 31 March 2019, the Company entered into the acquisition agreement with CVP Financial Group Limited (“**CVP**”), a company incorporated in the British Virgin Islands with limited liability and wholly-owned by Mr. Ting (the “**CVP Agreement**”), pursuant to which the Company has conditionally agreed to acquire, and CVP has conditionally agreed to sell, 52 shares (the “**CVP Sale Shares**”) of Hackett, representing 52.0% of the entire issued share capital of Hackett.

Under the CVP Agreement, the consideration (the “**CVP Consideration**”) for the purchase of the CVP Sale Shares was HK\$462,800,000. The CVP Consideration shall be satisfied: (i) in respect of 60.0% of the CVP Consideration, by the Company allotting and issuing 504,872,727 new shares of the Company (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 acquisition of CVP; and (ii) in respect of 40.0% of the CVP Consideration, by the Company issuing a promissory note (“**PN**”) in the principal amount of HK\$185,120,000 (“**PN2**”) to CVP at completion.

PN2 is a three-year interest free note which may be redeemed any time at the request of any party by giving the other party prior notice. The PN2 contained the put option for the PN2’s holder (the “**PN2 Put Option**”).

The principal of PN2 has been partially repaid with the amount of HK\$119,525,000 during the year ended 31 March 2021. The corresponding embedded PN2 Put Option had been lapsed upon repayment.

The fair value of the PN2 is determined based on the valuation conducted by an independent valuer on the PN2 as at 29 March 2019 (“**PN2 Valuation**”). The PN2 contained three components, the call option for the Company, the put option for the PN2 holder and liability components. In the opinion of the Directors, the call option was insignificant for the Hackett.

The fair value of the put option as at 30 September 2021 is determined by Swaption Model, under which the liability component is calculated using cash flows discounted at a rate based on an equivalent market interest rate of approximately 10.3% (31 March 2021: approximately 12.0%) per annum for similar instruments without put option.

During the six months ended 30 September 2021, the Group recognised gain on change in fair value of derivative financial instruments amounted to approximately HK\$3,873,000 (2020: approximately HK\$46,705,000).

20. PROMISSORY NOTE PAYABLES

	PN1 <i>HK\$'000</i>	PN2 <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 1 April 2020	13,570	154,350	167,920
<i>Add: effective interest expenses</i>	430	24,842	25,272
<i>Less: repayments</i>	<u>(14,000)</u>	<u>(119,525)</u>	<u>(133,525)</u>
As at 31 March 2021	–	59,667	59,667
<i>Add: effective interest expenses</i>	<u>–</u>	<u>2,894</u>	<u>2,894</u>
As at 30 September 2021	<u>–</u>	<u>62,561</u>	<u>62,561</u>

On 28 July 2017, CVP Financial Holdings Limited issued PN (“**PN1**”) with the principal amount of HK\$14,000,000 as the consideration for the acquisition for CVP Asset Management Limited. PN1 is based on effective interest rate of approximately 9.4%. PN1 has been fully settled with the amount of HK\$14,000,000 and set-off against consideration receivables during the year ended 31 March 2021.

On 29 March 2019, the Company agreed to settle part of consideration for the acquisition of 52.0% equity interest in Hackett by issuing PN2 in the sum of HK\$185,120,000 to CVP. The maturity date of PN2 is the third anniversary from the date of issue of PN2, being 28 March 2022. PN2 may be redeemed any time at the request of any party by giving the other party prior notice. PN2 is based on effective interest rate of approximately 9.5%. PN2 has been partially repaid with a principal amount of HK\$119,525,000 during the year ended 31 March 2021. The PN2 was classified as a current liability as at 30 September 2021 and 31 March 2021.

21. CONVERTIBLE BONDS

	As at 30 September 2021 <i>HK\$'000</i> (unaudited)	As at 31 March 2021 <i>HK\$'000</i> (audited)
At beginning of the period/year	133,144	121,757
<i>Add: effective interest expense</i>	<u>6,087</u>	<u>11,387</u>
At end of the period/year	<u>139,231</u>	<u>133,144</u>

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

The fair value of CB of approximately HK\$271,290,000 was valued by an independent valuer as at 28 July 2017. CB comprised a liability component and an equity conversion component.

The fair value of 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 approximately 9.2% (31 March 2021: approximately 9.2%) 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 CB, which is included in the “Convertible bonds – equity conversion reserve” under reserve of the Company.

CB was classified as a current liability as at 30 September 2021 and a non-current liability as at 31 March 2021.

22. SHARE CAPITAL

	Number of shares	Share capital <i>HK\$'000</i>
<i>Ordinary shares of HK\$0.001 each</i>		
Authorised:		
At 1 April 2020, 31 March 2021 and 30 September 2021	<u>10,000,000,000</u>	<u>10,000</u>
Issued and fully paid:		
At 1 April 2020	5,192,726,898	5,193
Issue of 1,038,545,379 shares at a price of HK\$0.055 each per placing share by way of placing in December 2020 (<i>Note</i>)	<u>1,038,545,379</u>	<u>1,038</u>
At 31 March 2021 (audited) and 30 September 2021 (unaudited)	<u>6,231,272,277</u>	<u>6,231</u>

Note:

On 22 December 2020, an aggregate of 1,038,545,379 placing shares were placed to not less than six placees at the placing price of HK\$0.055 per placing share in accordance with the terms and conditions of the placing agreement. These shares rank pari passu with the existing shares in all respects. On the basis that the net proceeds were approximately HK\$55,963,000 (after deduction of commission and other expenses of the placing), the net issue price was approximately HK\$0.054 per placing share.

The details were set out in the Company’s announcement dated 22 December 2020.

23. RELATED PARTY TRANSACTIONS

- (a) During the six months ended 30 September 2021 and 2020, the Group had the following material transactions with its related parties:

Name of related party	Nature of transaction	For the three months ended 30 September		For the six months ended 30 September	
		2021 <i>HK\$'000</i> (unaudited)	2020 <i>HK\$'000</i> (unaudited) (restated)	2021 <i>HK\$'000</i> (unaudited)	2020 <i>HK\$'000</i> (unaudited) (restated)
Bartha Holdings	Interest expenses on CB	3,078	2,814	6,087	5,566
CVP Holdings Limited	Interest expenses on PN1	–	109	–	430
CVP	Interest expenses on PN2	1,464	3,432	2,894	6,978
Mr. Ting	Storage income	44	50	88	170
	Sales of wine	66	–	168	–
	Purchase of wine	42	–	42	–
Mr. Ip Cho Yin, <i>J.P.</i>	Interest expenses on loan from a Director	–	958	–	1,905
SRA Inc.	Interest expenses on loan from a subsidiary of non-controlling shareholder	534	9	1,063	1,089
Madison Auction Limited	Management income	60	–	120	–
	Rental income	124	–	246	–
	Other income	14	–	24	–
	Sales of wine	41	–	142	–
	Purchase of wine	14	–	14	–
Madison Investment (China) Limited	Purchase of wine	122	–	122	–
Golden Liquid Fine Wine Investment Limited	Storage income	6	50	11	–
	Sales of wine	94	–	526	–

Note a: Bartha Holdings is approximately 88.9% beneficially owned by Mr. Ting.

Note b: CVP Holdings Limited, Madison Auction Limited and Madison Investment (China) Limited are 100% beneficially owned by Mr. Ting.

Note c: CVP and Golden Liquid Fine Wine Investment Limited are directly wholly-owned by Mr. Ting.

Note d: Mr Ting is a substantial shareholder of the Company.

Note e: Mr. Ip Cho Yin, *J.P.* is a non-executive Director.

Note f: SRA Inc. is a non-controlling shareholder of the Company.

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

	For the three months ended		For the six months ended	
	30 September		30 September	
	2021	2020	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Short-term benefits	1,422	1,480	2,834	3,447
Post-employment benefits	–	–	–	–
Equity settled share-based payment expenses	102	901	203	3,127
	<u>1,524</u>	<u>2,381</u>	<u>3,037</u>	<u>6,574</u>

24. CHANGES IN OWNERSHIP INTERESTS IN SUBSIDIARIES

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

Deemed disposal of equity interest in a subsidiary for the year ended 31 March 2021

During the year ended 31 March 2021, BITOCEAN Co., Ltd. (“**Bitoccean**”), a subsidiary of the Company, issued 3,863 ordinary shares at approximately JPY14,000 per share (equivalent to approximately HK\$1,000 per share) to its minority shareholders. Upon issuance of new shares of Bitoccean, the Group’s equity interest in Bitoccean has been diluted to approximately 59.3%. The dilution of the Group’s interest in Bitoccean constituted a deemed disposal of the Group’s equity interest in subsidiary (“**Deemed Disposal**”). For details, please refer to note 40 to the consolidated financial statements of the Company’s annual report 2020/21.

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 (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:

	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
Date of grant				
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 (“**Share(s)**”) of HK\$0.001 each in the share capital of the Company at the exercise price of HK\$1.89 per Share. For details, please refer to the announcement of the Company dated 3 April 2018.

On 17 August 2018, resolutions were passed by the then shareholders of the Company granting general and unconditional mandates to exercise the powers of the Company to, among other things, refresh the then scheme mandate limit of up to 10.0% of the total number of Shares in issue as at the date of passing the resolution, for which the maximum number of Shares which may be issued under the refreshed scheme mandate limit was 428,330,871.

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

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

On 31 July 2020, ordinary resolutions had been passed by the Company's shareholders to refresh the scheme mandate limit under the Share Option Scheme, such that the maximum number of shares that can be allotted and issued upon the exercise of Share Options which may be granted by the Company under the scheme mandate limit so refreshed would be 519,272,689 Shares, being 10.0% of the total number of issued shares as at the date of passing of the resolution approving the said refreshment.

No option had been granted during the six months ended 30 September 2021 and 2020. As at 30 September 2021, the number of shares in respect of which options had been granted and remained outstanding under the Share Option Scheme was 508,300,000 Shares (30 September 2020: 563,200,000 Shares), representing approximately 8.2% (30 September 2020: approximately 10.8%) of the total number of Shares in issue at that date. Fair value of Share Options granted to consultants was measured at market prices for their services provided.

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

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

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

Share-based payment expenses of approximately HK\$410,000 were recognised by the Group for the six months ended 30 September 2021 in relation to Share Options granted by the Company (2020: approximately HK\$6,334,000).

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

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

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

During the six months ended 30 September 2021

Category of participant	Outstanding as at 1 April 2021	Granted during the period	Lapsed during the period	Outstanding as at 30 September 2021
Directors	21,900,000	–	–	21,900,000
Employees	21,000,000	–	–	21,000,000
Shareholders	21,000,000	–	–	21,000,000
Consultants	444,500,000	–	(100,000)	444,400,000
	<u>508,400,000</u>	<u>–</u>	<u>(100,000)</u>	<u>508,300,000</u>
Weighted average exercise price (HK\$)	<u>0.8</u>	<u>–</u>	<u>0.2</u>	<u>1.2</u>

During the six months ended 30 September 2020

Category of participant	Outstanding as at 1 April 2020	Granted during the period	Lapsed during the period	Outstanding as 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>

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the six months ended 30 September 2021 (the “**Period**”), the Group were principally engaged in (i) the retail sales and wholesales of a wide spectrum of wine products and other alcoholic beverages in Hong Kong with a focus on red wine (the “**Wine Business**”); (ii) the provision of financial services (the “**Financial Services Business**”) and (iii) the provision of loan financing services (the “**Loan Financing Business**”).

During the Period, revenue of the Wine Business amounted to approximately HK\$35.4 million, representing an increase of approximately 48.7% as compared with that of approximately HK\$23.8 million for the corresponding period last year. Such increase was mainly due to improvement of sales volume with new and existing customers as a result of the easing of the novel coronavirus (“**COVID-19**”) pandemic in Hong Kong. Revenue generated from the Loan Financing Business amounted to approximately HK\$32.4 million, representing an increase of approximately 37.9% as compared with that of approximately HK\$23.5 million for the corresponding period last year. Such increase was mainly due to the increase of loan referral services income and loan interest income. As the severity of the COVID-19 pandemic was relatively controlled in the PRC, the Group recorded net impairment recognised on loan and interest receivables of approximately HK\$6.8 million, representing a decrease of approximately HK\$1.7 million as compared with that of approximately HK\$8.5 million for the corresponding period last year. No revenue was generated from the Financial Services Business which was same as the corresponding period last year.

The management of the Company considered recent reports in relation to US Treasury’s plan to tackle financial institutions for money laundering carried out through digital assets, which have adversely affected the public confidence and price volatility of Bitcoin in the first half of 2021. On 17 June 2021, the Group completed the disposal (the “**Disposal**”) of the entire issued share capital of and shareholder’s loan in Madison Lab, which in turn held approximately 59.3% of the entire equity interest in Bitoclean. Bitoclean was principally engaged in the Blockchain Services Business. Details of the Disposal is set out in the Company’s announcement dated 17 June 2021. The consideration for the Disposal was HK\$90.0 million and had been satisfied by way of issue of a PN in the principal amount of HK\$90.0 million for a term of six months at an interest rate of 2.0% per annum by the purchaser upon completion. Upon completion of the Disposal on 17 June 2021, the financial results of the Blockchain Services Business were no longer consolidated into the consolidated financial statements of the Group. The financial results of the Blockchain Services Business before the Disposal had been re-classified as discontinued operation of the Group.

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

Financial Review

During the Period, the Group's revenue from continuing operations increased by approximately 43.3% to approximately HK\$67.8 million (2020: approximately HK\$47.3 million). Increase in the Group's revenue was mainly attributable to the increase in (1) sales of Wine Business and (2) loan referral services income and loan interest income of Loan Financing Business. The revenue included (i) approximately HK\$35.4 million (2020: approximately HK\$23.8 million) of Wine Business; (ii) approximately HK\$32.4 million (2020: approximately HK\$23.5 million) of Loan Financing Business and (iii) no revenue of Financial Services Income (2020: nil).

Gross profit margin from the Wine Business in continuing operations was slightly increased to approximately 19.5% (2020: approximately 18.9%). Such increase was mainly driven by streamlining of the wine business operations and reduction in selling expenses.

Gross profit from continuing operations was approximately HK\$39.3 million (2020: approximately HK\$28.0 million), representing an increase of approximately 40.4% and approximately HK\$11.3 million as compared with the corresponding period last year. The increase in gross profit was mainly attributable to the contribution from Loan Financing Business of the Group.

Other income from continuing operations was approximately HK\$3.6 million (2020: approximately HK\$3.2 million). The other income mainly comprised (1) the PN interest income relating to the Disposal of approximately HK\$1.4 million; (2) rental income of approximately HK\$0.6 million; (3) net exchange gain of approximately HK\$0.6 million and (4) consignment income and other income of approximately HK\$0.3 million and HK\$0.7 million respectively during the Period.

Staff cost and depreciation from continuing operations were approximately HK\$16.2 million and HK\$4.9 million (2020: approximately HK\$22.9 million and HK\$6.7 million) representing a decrease of approximately HK\$6.7 million and HK\$1.8 million respectively as compared with the same period last year. The decrease of staff cost and depreciation were primarily due to the decrease of approximately HK\$5.6 million of the equity-settled share-based payment expenses and approximately HK\$1.5 million of depreciation of right-of-use assets due to close of a shop.

Administrative and other operating expenses incurred in continuing operations were approximately HK\$8.0 million (2020: approximately HK\$10.9 million), representing a decrease of approximately 26.6% and approximately HK\$2.9 million as compared with the same period last year. The decrease was mainly due to no exchange loss during the Period (2020: approximately HK\$3.1 million).

The finance cost during the Period amounted to approximately HK\$13.3 million (2020: approximately HK\$21.5 million) which was mainly incurred on CB, PN, other borrowings and loan. Such decrease of approximately HK\$8.2 million was mainly driven by (i) full repayment of loan from a Director and (ii) partial repayment of PN and other borrowings.

Loss from continuing operations was approximately HK\$5.5 million (2020: profit of approximately HK\$2.9 million). The loss during the Period was mainly due to (i) the decrease in change in fair value of derivative financial instruments of approximately HK\$42.8 million; (ii) the decrease in net impairment recognised on loan and interest receivables of approximately HK\$1.7 million; (iii) the decrease in staff cost and depreciation of approximately HK\$6.7 million and HK\$1.8 million respectively and (iv) the decrease in finance cost and income tax expense of approximately HK\$8.2 million and HK\$2.8 million respectively.

Liquidity and Financial Resources

As at 30 September 2021, the Group's net current assets were approximately HK\$126.8 million (31 March 2021: approximately HK\$182.6 million), including cash and cash equivalents of approximately HK\$24.5 million (31 March 2021: approximately HK\$19.7 million). The Group had both interest-bearing and non-interest bearing borrowings, which mainly comprised borrowings, CB, PN and loan from a subsidiary of non-controlling shareholder amounted to approximately HK\$356.0 million (31 March 2021: HK\$348.1 million). The Group's financial resources were funded mainly by loans and its shareholders' funds.

As at 30 September 2021, the Group's current ratio, as calculated by dividing current assets by current liabilities, was approximately 1.3 times (31 March 2021: approximately 1.7 times) and the gearing ratio, as measured by the debts of non-trade nature divided by total equity, was approximately 195.5%* (31 March 2021: approximately 145.6%*). The increase of the gearing ratio was because of the decrease of total equity and increase of debts of the Group.

* *Excluded derivative financial instruments and lease liabilities*

Foreign Currency Exposure

As at 30 September 2021, the Group had certain bank balances and payables denominated in foreign currencies, mainly RMB, 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

The Company did not have any equity fund raising activities and there was no change in the capital structure of the Company during the Period.

On 4 December 2020, the Company entered into a placing agreement with CVP Securities Limited, as the placing agent (“**Placing Agent**”), pursuant to which the Company has conditionally agreed to place, through the Placing Agent, on a best effort basis, up to 1,038,545,379 new Shares (“**Placing Share(s)**”) to not less than six places at the placing price of HK\$0.055 per Placing Share under the then general mandate granted to the Directors (the “**Placing**”).

On the basis that the net proceeds were approximately HK\$56.0 million (after deduction of commission and other expenses of the Placing) (“**Net Proceeds**”), the net issue price was approximately HK\$0.054 per Placing Share. The Placing was completed on 22 December 2020 and the Company issued 1,038,545,379 Placing Shares to not less than six places. For further details, please refer to the announcements of the Company dated 4 December 2020 and 22 December 2020.

Use of Proceeds

Details of the use of Net Proceeds from the Placing are as follows:

Intended use of Net Proceeds	Net Proceeds intended to be utilised <i>HK\$' million</i>	Actual use of Net Proceeds as at 31 March 2021 <i>HK\$' million</i>	Actual use of Net Proceeds as at 30 September 2021 <i>HK\$' million</i>
Repayment of loans	40.0	40.0	40.0
Purchase of wines for the operation of the wine business of the Group	6.0	6.0	6.0
General working capital	10.0	5.9	10.0
Total	<u>56.0</u>	<u>51.9</u>	<u>56.0</u>

The Net Proceeds were used according to the intentions previously disclosed in the announcement of the Company dated 4 December 2020.

Capital Commitments and Contingent Liabilities

During the Period, the Group did not have any capital commitments and contingent liabilities (31 March 2021: Nil).

Charges on Group Assets

As at 30 September 2021, the Group had pledged 77.0% equity interest in Hackett to secure a loan of approximately HK\$50.0 million (31 March 2021: 77.0% equity interest in Hackett and the entire equity interest in Madison Lab to secure a loan of approximately HK\$50.0 million).

Dividend

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

Employee and Remuneration Policies

As at 30 September 2021, the Group employed 124 employees (31 March 2021: 128). 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.

Significant Investments Held, Future Plans for Material Investments, Acquisitions or Capital Assets

As at 30 September 2021, the Group held investments with total carrying amount of approximately HK\$19.3 million (31 March 2021: nil). The Group recorded a realised gain of approximately HK\$0.2 million during the Period. The investments under financial assets at FVTPL are as follows:

Name of investments	Description of investments	Fair value of the investments as at 30 September 2021 HK\$'000	Percentage of fair value of the investments to total assets of the Group
Zhao zhaojin (7007)	A financial product launched by China Merchants Bank	13,046	2.1%
Industrial bank golden snowball tianli express net-worth wealth management product (97318011)	A financial product launched by Industrial Bank Co., Ltd.	2,711	0.4%
Industrial bank tianli no. 3 net-worth wealth management product (98319011)	A financial product launched by Industrial Bank Co., Ltd.	3,591	0.6%
		<hr/>	
		19,348	

Save for the below sub-section headed "Acquisition and Disposal" disclosed in this announcement, the Group did not have plans for making material investments or acquiring capital assets as at 30 September 2021.

Acquisition and Disposal

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

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

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

On 17 June 2021, a direct wholly-owned subsidiary of the Company, Madison Blockchain Holdings Company Limited as vendor ("**Madison Blockchain**") entered into the sale and purchase agreement with Ms. Li as purchaser, pursuant to which Ms. Li agreed to acquire and Madison Blockchain agreed to sell the entire share capital of and shareholder's loan in Madison Lab, which in turn held approximately 59.3% of equity interest in Bitocean at a consideration of HK\$90.0 million, which should be and had been satisfied by way of issue of a PN in the principal amount of HK\$90.0 million (the "**PN3**") by Ms. Li upon completion of the Disposal. The PN3 would be due 6 months from the date of its issue and carries an interest of 2.0% per annum. As security for payment of all moneys, obligations and liabilities due, owing or incurred to Madison Blockchain under the PN3, Ms. Li has executed a share charge on 17 June 2021 over the entire issued share capital of Madison Lab in favour of Madison Blockchain.

On 28 June 2021, the Company and Ms. Li, entered into a sale and purchase agreement (the "**SPA**"), in relation to the Acquisition at a consideration of approximately HK\$133.7 million, which shall be settled as to HK\$90.0 million by way of set off against the PN3 and as to approximately HK\$43.7 million by the allotment and issue of 295,081,081 new shares by the Company to Ms. Li. Ms. Li has provided the Company with a profit guarantee that the audited consolidated profit after taxation of Up Sail, for the first complete financial year commencing after the completion date of the Acquisition, which is determined in accordance with HKFRSs, shall not be less than HK\$12.0 million. The Acquisition is an opportunity for the Group to tap into the business of education management services in the PRC and it is beneficial for the Group to seek suitable investment opportunities from time to time to diversify the Group's existing business portfolio and in view of broadening the Group's source of income.

The completion of Acquisition is subject to certain conditions precedent as set out in the SPA. As the conditions precedent have not been satisfied, on 29 July 2021, the Company and Ms. Li agreed to extend the long stop date from 31 August 2021 to 30 September 2021. On 30 September 2021, the Company and Ms. Li agreed to further extend the long stop date from 30 September 2021 to 30 November 2021. For details, please refer to the announcements of the Company dated 17 June 2021, 28 June 2021, 29 July 2021 and 30 September 2021.

Save as disclosed above, there was no other acquisition and disposal of subsidiaries of the Group during the period ended 30 September 2021.

Business Prospects

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

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities during the six months ended 30 September 2021.

DIRECTORS’ INTERESTS IN COMPETING BUSINESS

None of the Directors or any of their respective close associates (as defined in the GEM Listing Rules) are engaged in any business that competes or may compete, directly or indirectly, with the business of the Group or have any other conflicts of interest with the Group nor are they aware of any other conflicts of interest with the Group which any such person has or may have with the Group during the six months ended 30 September 2021.

DEED OF NON-COMPETITION

A deed of non-competition dated 29 September 2015 (the “**Deed of Non-competition**”) was entered into among the Company and the controlling shareholders of the Company, namely Royal Spectrum, Devoss Global 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 the code of conduct for securities transactions by Directors on terms no less exacting than the required standards of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the “**Model Code**”). Having made specific enquiry, all Directors have confirmed that they have fully complied with the required standards set out in the Model Code throughout the six months ended 30 September 2021.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

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

Throughout the six months ended 30 September 2021, 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.

AUDIT COMMITTEE

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

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

The unaudited condensed consolidated financial statements for the six months ended 30 September 2021 have been reviewed by the Audit Committee, which is of the opinion that such statements have been prepared in accordance with all applicable accounting standards, the Hong Kong Companies Ordinance and the GEM Listing Rules, but have not been reviewed or audited by the Company's auditor.

PUBLICATION OF RESULTS ANNOUNCEMENT AND 2021 INTERIM REPORT

This announcement is published on the websites of HKEXnews (www.hkexnews.hk) as well as the website of the Company (www.madison-group.com.hk). The Company's 2021 interim report will be dispatched to shareholders and will be published on the aforementioned websites in due course.

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

Hong Kong, 8 November 2021

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 will remain on the "Latest Listed Company Information" page of the GEM website at <http://www.hkgem.com> for at least seven days from the date of its publication and the Company's website at <http://www.madison-group.com.hk>.