# Sino Prosper (Group) Holdings Limited
# 中盈(集團)控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 766)

2017
ANNUAL
REPORT

# Contents

# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors

Mr. Leung Ngai Man *(Chairman)*
Ms. Wong Li Fong

### Independent Non-executive Directors

Mr. Cai Wei Lun
Mr. Zhang Qingkui
Ms. Xuan Hong

## COMPANY SECRETARY

Ms. Chan Yuen Ying Stella

## AUTHORIZED REPRESENTATIVES

Mr. Leung Ngai Man
Ms. Chan Yuen Ying Stella

## AUDIT COMMITTEE

Ms. Xuan Hong *(Chairlady)*
Mr. Cai Wei Lun
Mr. Zhang Qingkui

## REMUNERATION COMMITTEE

Ms. Xuan Hong *(Chairlady)*
Mr. Cai Wei Lun
Mr. Zhang Qingkui
Mr. Leung Ngai Man
Ms. Wong Li Fong

## LEGAL ADVISORS

Chiu & Partners

## AUDITORS

HLB Hodgson Impey Cheng Limited

## PRINCIPAL BANKER

Bank of Communications, Hong Kong Branch

## REGISTERED OFFICE

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

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit A03, 11/F
Bank of East Asia Harbour View Centre
56 Gloucester Road, Wanchai
Hong Kong

## PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT IN THE CAYMAN ISLANDS

SMP Partners (Cayman) Limited
Royal Bank House – 3rd Floor
24 Shedden Road
P.O. Box 1586
Grand Cayman KY1-1110
Cayman Islands

## BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Secretaries Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

## STOCK CODE

766

## WEBSITE

www.sinoprosper.com

# Management Discussion & Analysis

On behalf of the board (the "**Board**") of directors (the "**Director(s)**") of Sino Prosper (Group) Holdings Limited (the "**Company**"), the annual results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 March 2017 (the "**Reporting Period**") are presented below:

## OPERATIONAL REVIEW

The following sets out the major developments of the Group during the Reporting Period.

### Current Operations

#### *Aohan Qi Mine, Inner Mongolia*

Aohan Qi Mine is undergoing a period of small-scale operation and routine maintenance, due to the sluggish domestic economy, rising production cost and capital shortage.

#### *Zhongyi Weiye Heilongjiang Mines ("Zhongyi Weiye"), Heilongjiang Province, the People's Republic of China (the "PRC")*

The exploration rights of the two mines, namely Paoshouying Mine and Dumuhe Mine, expired on 16 April 2015 and the renewal has not yet been approved by the Ministry of Land and Resources of the PRC (the "**MLR**"). The Group has recognized impairment loss of approximately HK$394,899,000, please refer to the section headed "Reason for impairment losses" for more details.

#### *Micro-Financing Business in Jilin City, PRC*

In light of the continuously increasing downward pressure of Jilin's macro economy, the prominent structural contradiction, the slowing real economy growth of the city, and the declining production and operation, the Company will adopt a more prudent lending principle to strengthen the control on loan risks.

#### *SP Securities Limited (formerly known as China Silver Securities Limited) ("SP Securities")*

SP Securities is a licensed corporation under the regulation of Securities and Futures Commission for carrying on "Dealing in Securities" and "Advising on Securities" regulated activities. SP Securities also obtained the Asset Management licence in the first quarter of 2017 (i.e. holder of Type 1, 4 & 9 licences) and mainly offers wealth management services to high net worth clients and professional investors, including estate planning, entrepreneurial investments, real estate, tax and insurance advice. SP Securities is the Exchange Participant and Direct Clearing Participant with the Hong Kong Exchanges and Clearing Limited.

### Legal Proceedings

Reference are made to the announcements of the Company dated 19 December 2014 and 27 January 2017, in relation to the legal proceedings initiated by the Group against certain state-owned enterprises due to the defaults in payment by such enterprises.

In June 2014, the Group, through its micro-financing operation in Jilin, the PRC, granted eight micro-finance loans (the "**Loans**") of RMB5 million each to eight state-owned enterprises (the "**Customers**"). The Loans matured in September 2014 but the Customers failed to make repayments to the Group on time. The Group has initiated legal proceedings at Jilin City Intermediate People's Court（吉林市中級人民法院）(the "**Court**") in the PRC against certain state-owned enterprises due to the defaults in payment by such enterprises.

The Group received notices from the Court dated 17 December 2014 and 18 December 2014 respectively which accepted the Group's legal actions for further processing in respect of the Customers and their respective guarantors. On 21 April 2015, the Court issued a civil judgement in relation to the legal proceedings proposed by the Group against certain state-owned enterprises due to their defaults in payment. It was judged that the abovementioned state-owned enterprises shall pay the outstanding principal and interest due to Jilin Ruixin Microfinance Co., Ltd ("**Ruixin Microfinance**"), a wholly-owned subsidiary of the Company, together with overdue interest accrued up to the date of payment, within 10 days of the effective date of the judgement. The civil judgement ruled that respective guarantors of the Customers bear joint liability for the Customers' debts owed to Ruixin Microfinance.

During the litigation process, on 29 December 2014, the Court issued another civil judgement and ruled that an aggregate amount of RMB5 million in the bank account of one of the Customers shall be frozen for a six-month period. As the Customers failed to perform the obligations specified under the civil judgement dated 29 December 2014, Ruixin Microfinance made a petition to the Court on 29 June 2015 and that the Court further ruled that an aggregate amount of RMB20 million in the bank account of such Customer shall be frozen for a one-year period until 29 June 2016. As both parties reached a settlement agreement, the Court issued an enforcement ruling on 25 January 2016 to unfreeze the abovementioned amounts in the bank account of the customer. Subsequently, such Customer failed to perform its obligations specified under the civil judgement again and the Court issued another civil judgement on 30 June 2016 and ruled that an aggregate amount of RMB40 million in the bank account to be frozen for a one-year period until 29 June 2017. The Customer then initiated the objection of jurisdiction against the Court to request the cancellation of the freezing of assets in its bank account according to the judgement dated 30 June 2016, which was then dismissed by the Court on 23 December 2016, while the judgement dated 30 June 2016 remained effective.

## Outlook

In addition to constantly reviewing its existing businesses, the Company will make appropriate adjustments according to market changes (including further increase or decrease relevant investments). Meanwhile, the Company will keep pace with the trends by proactively seeking opportunities to invest in the innovative financial technology as part of its efforts to bring greater return for shareholders, taking into account the state's plan on developing the Greater Bay Area and responding to the government's initiatives to encourage the expansion and development of innovative financial technology.

## FINANCIAL REVIEW

During the Reporting Period, the Group recorded total turnover of approximately HK$27,563,000 (year ended 31 March 2016 ("**FY2016**"): HK$37,892,000) which mainly comprises a turnover of (i) approximately HK$203,000 from the sales of gold (FY2016: HK$2,872,000); (ii) Nil from the sales of silver concentrates (FY2016: HK$198,000); (iii) Nil from the sales of bronze concentrates (FY2016: HK$101,000); (iv) approximately HK$15,515,000 representing interest income from loan financing activities (FY2016: HK$18,132,000); (v) approximately HK$9,523,000 representing consultancy services income (FY2016: HK$16,589,000); and (vi) approximately HK$2,305,000 financial advisory fee income (FY2016: Nil). The Group's total turnover decreased by approximately 27.3% as compared to last financial year. Such decrease was mainly attributable to the decrease in the consultancy service income as a result of the decline in the micro-financing business of the Group during the Reporting Period.

During the Reporting Period, the Group's loss was approximately HK$770,807,000 (FY2016: approximately HK$197,818,000). The increase in the Group's net loss was mainly due to (i) the impairment loss of the Group's exploration and evaluation assets of approximately HK$395 million; and (ii) the impairment loss of goodwill with respect to the Group's loan financing activities of approximately HK$338 million.

As at 31 March 2017, the Group's total assets was approximately HK$598,937,000 (as at 31 March 2016: approximately HK$1,401,693,000), and the total liabilities was approximately HK$159,182,000 (as at 31 March 2016: approximately HK$167,698,000). The Group's net asset value as at 31 March 2017 decreased by 64.4% to approximately HK$439,755,000 as compared to approximately HK$1,233,995,000 as at 31 March 2016.

### Reason for impairment losses

The Group has recognized impairment losses of approximately HK$732,999,000, comprised of (i) impairment loss of approximately HK$394,899,000 in respect of the exploration and evaluation assets of Paoshouying Mine and Dumuhe Mine; and (ii) the impairment loss of approximately HK$338,100,000 in respect of the goodwill associated with the loan financing activities.

### *Heilongjiang mines exploration*

Zhongyi Weiye holds exploration permits of Paoshouying Mine and Dumuhe Mine which expired in April 2015. During the year ended 31 March 2016, Zhongyi Weiye has submitted applications to the MLR for the renewals of such permits under applicable PRC national policies. According to applicable rules and regulations of the PRC, if the renewals of permits are approved and granted by relevant authorities, the exploration permits of Paoshouying Mine and Dumuhe Mine could be extended for a term of two years. However, up to the date of this report, the relevant authorities have not yet given consent to Zhongyi Weiye for the renewals of the exploration permits. Taken into account of the legal opinion obtained from the PRC legal counsel regarding the probability and likelihood of the Group's entitlement to renew its exploration permits of Paoshouying Mine and Dumuhe Mine, the Directors are of the opinion that the exploration and evaluation assets relating to Paoshouying Mine and Dumuhe Mine are fully impaired.

### *Loan financing activities*

The micro financing industry was booming in the PRC before year 2014. Nevertheless, the micro-financing industry slowed down in recent years in Jilin Province, the PRC. Demand for micro-financing in the Reporting Period continued to decline when compared to previous years, which in turn lead to decline in interest rate and consultancy fee rate. The decline in value in use of the loan financing activities' cash-generating unit was mainly attributable by the decline in interest rate and consultancy fee rate, from 10% to 8% and 17% to 9% respectively during the year. The interest rate and consultancy fee rate adopted in the value in use calculation have been made based on the actual rate charged to customers by the loan financing business in the PRC. Such decline in rates were due to the declining demand for financing in Jilin Province, the PRC.

## CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operations with internally generated cash flows and capital fund raising activities.

As at 31 March 2017, the Group had bank balances and cash of approximately HK$34,549,000 (as at 31 March 2016: approximately HK$123,182,000). As at 31 March 2017, the Group had carrying amounts of HK$80,996,000 for convertible bonds (as at 31 March 2016: approximately HK$89,129,000). Its gearing ratio calculated as a ratio of net debt (representing borrowings less bank balances and cash) to total equity was 10.56% (as at 31 March 2016: zero). As at 31 March 2017, net current assets of the Group totaled approximately HK$214,857,000 (as at 31 March 2016: approximately HK$233,137,000) and the current ratio was maintained at a level of approximately 6.1 (as at 31 March 2016: approximately 7.6).

On 9 August 2016, the Company successfully placed 196,430,000 existing ordinary shares of HK$0.01 each of the Company (the "**Share(s)**") to not less than six placees who are independent third parties, at a placing price of HK$0.168 per Share, and subsequently on 16 August 2016, the Company allotted and issued 196,430,000 Shares to Mr. Leung Ngai Man at a subscription price of HK$0.168 per Share. The closing market price of the Share on 3 August 2016 was HK$0.195. The net proceeds from the top-up placing were approximately HK$31.6 million. The placing represents an opportunity for the Company to raise capital while broadening its shareholder base as well as its capital base. The net price per share was approximately HK$0.161. As at 31 March 2017, the net proceeds from such funding raising activity were used (i) for acquisition of SP Securities of HK$23 million, (ii) for early redemption of convertible bonds of HK$6 million and (iii) for general working capital (including salaries and office expenses) of approximately HK$2.6 million.

On 30 August 2016, 70,202,702 ordinary shares were issued upon conversion of an aggregate principal amount of HK$25,975,000 of the convertible bonds due on the 5th anniversary of 11 October 2013 at a conversion price of HK$0.37 per share.

## TREASURY POLICIES

As at 31 March 2017, the Group had bank balances and cash of approximately HK$34,549,000 (as at 31 March 2016: HK$123,182,000). The Group has sufficient capital, and generally exercises caution when using cash and making capital commitments. As at 31 March 2017, the Group had loans receivables of approximately HK$210,675,000 (as at 31 March 2016: HK$134,815,000).

## CONTINGENT LIABILITIES

As at 31 March 2017 and 2016, the Group had no significant contingent liabilities.

## CAPITAL COMMITMENTS

As at 31 March 2017 and 2016, the Group had no significant capital commitments.

## FOREIGN EXCHANGE EXPOSURE

The Group's exposure to currency exchange rates is minimal as the Group usually holds most of their financial assets/liabilities in their own functional currencies.

Transactional currency exposures arise from revenue or cost of sales by operating units in currencies other than the unit's functional currency. Substantially all of the Group's revenue and cost of sales are denominated in the functional currency of the operating units generating the revenue, and substantially all of the cost of sales are denominated in the operating unit's functional currency. Accordingly, the Directors consider that the Group is not exposed to significant 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.

## EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2017, the Group employed 55 full-time employees in the PRC and Hong Kong. The Group remunerated its employees based on their performance, qualifications, work experience and the prevailing market salaries. Performance related bonuses are paid on a discretionary basis. Other employee benefits include mandatory provident fund, insurance and medical coverage, training programs and grant of share options under the Company's share options scheme.

## CLOSURE OF REGISTER OF MEMBERS

The forthcoming annual general meeting of the Company (the "**AGM**") is scheduled to be held on Thursday, 28 September 2017. For the purpose of determining the identity of the shareholders entitled to attend and vote at the AGM, the register of members of the Company will be closed from Friday, 22 September 2017 to Thursday, 28 September 2017, both days inclusive, during which period no transfer of shares will be registered. All transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Thursday, 21 September 2017.

# Profile of Directors and Senior Management

## Executive Directors

**Mr. LEUNG Ngai Man**, aged 56, is the Chairman of the Group. He was appointed as an executive Director in 2001. He is also a member of the remuneration committee of the Company. Mr. Leung has an extensive network and relationship with numerous PRC companies and authorities. He is currently the Chairman and executive director of China Netcom Technology Holdings Limited ("**China Netcom**", stock code: 8071), the shares of which are listed on the Growth Enterprise Market ("**GEM**") of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

**Ms. WONG Li Fong**, aged 50, was appointed as an executive Director in March 2015, she is also a member of the remuneration committee of the Company. Ms. Wong obtained Bachelor Degree of Commerce from Curtin University of Technology Australia with major in Accounting and Commerce. She has over 20 years of working experience in corporate and financial management. She also held financial and administrative executive positions with a variety of leading companies. She is familiar with finance, banking, corporation and human resources related work.

## Independent Non-Executive Directors

**Ms. XUAN Hong**, aged 52, joined the Group on 3 December 2013 as an independent non-executive Director. Ms. Xuan is also the chairlady of each of the audit committee and remuneration committee of the Company. She has the qualifications of Certified Public Accountant in the PRC and is a senior accountant, and has worked in several accounting firms. She has extensive working experience in accounting, auditing and taxation, and has substantial experience in accounting policy, tax law and judicial accounting sectors. Currently, Ms. Xuan is an independent non-executive director and the chairlady of each of the audit committee and the remuneration committee as well as a member of nomination committee of China Netcom.

**Mr. CAI Wei Lun**, aged 61, joined the Group and was appointed as an independent non-executive Director in June 2004. He is also a member of each of the audit committee and remuneration committee of the Company. Mr. Cai has over two decades of experience in China property. Mr. Cai is also an independent non-executive director of China Netcom.

**Mr. ZHANG Qingkui**, aged 49, joined the Group and was appointed as an independent non-executive Director in 2011. He is also a member of each of the audit committee and remuneration committee of the Company. Mr. Zhang graduated from the Faculty of Geology of China University of Mining and Technology in 1991 with a Bachelor's degree in water engineering and graduated from China University of Geosciences in 2004 with a Postgraduate's degree in geology. He has successively obtained the titles of and worked as assistant geology engineer, engineer and senior engineer. Since 1995, Mr. Zhang has been working with Liaoning Provincial Institute of Geological Exploration, being mainly responsible for the geological exploration of mines.

## SENIOR MANAGEMENT

Ms. WU Wei Hua, aged 46, joined the Group in 1996. Ms. Wu is the Finance Director of the Group in the PRC. Ms. Wu holds a Bachelor's degree in Textile Engineering from Donghua University in the PRC. She has over 18 years of accounting experience. Ms. Wu is an executive director of China Netcom.

# Directors' Report

The Directors present their report and the audited consolidated financial statements of the Group for the Reporting Period.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Group are investment holding, investment in energy and natural resources (including precious metals) related projects, provision of loan financing and investment and management consultation services in the PRC and provision of advising on securities and securities dealing and brokerage services in Hong Kong. Details of its principal subsidiaries are set out in note 42 to the consolidated financial statements.

## BUSINESS REVIEW

The business review, analysis using financial key performance indicators and future development in the Company's business of the Group for the Reporting Period are set out in the section headed "Management Discussion & Analysis" on pages 3 to 8 of this annual report.

### Principal Risks and Uncertainties

The Group's business and profitability growth in the year under review is affected by the increase in competition in the industry and the volatility and uncertainty of macro-economic conditions in the PRC. The Group is expected to continue to be affected by the above factors.

### Environmental Policy and Performance

We are committed to building an environmentally-friendly corporation that pays close attention to conserving natural resources. We strive to minimise our environmental impact by saving electricity and encouraging recycle of office supplies and other materials.

The environmental policies and performance of the Group for the year ended 31 March 2017 is set out in the section headed "Environmental, Social and Governance Report" on pages 28 to 38 of this annual report.

### Compliance with the Relevant Laws and Regulations

During the Reporting Period, as far as the Board and management are aware, there was no material breach of or non-compliance with the applicable laws and regulations by the Group that has a significant impact on the businesses and operation of the Group.

### Key Relationships with Employees and Customers

The key relationships with the Group's employees and customers is discussed under section headed "Environmental, Social and Governance" on pages 28 to 38 of this annual report.

### Key Relationships with Suppliers

The Group understands sustainable supply of quality products is indispensable for long-term business development. In view of this, the Group has adopted a supplier management policy to ensure quality and sustainability of product supply. The Group selects its suppliers prudently. The suppliers need to fulfill certain assessment criteria of the Group, including meeting the Group's standards for the quality of raw materials, reputation, environmental friendliness, production capacity, financial capability and experience. We view our suppliers as partners who make important contribution to our business success.

## RESULTS AND APPROPRIATIONS

The Group's loss for the Reporting Period and the financial position of the Group as at 31 March 2017 are set out on pages 46 to 47 of this annual report.

The Directors did not recommend the payment of any dividend in respect of the Reporting Period.

## CHARITABLE DONATIONS

During the year ended 31 March 2017, the Group did not make charitable donations (2016: Nil).

## FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five financial years as extracted from the audited consolidated financial statements of the Group is set out on page 148 of this annual report.

## PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the Reporting Period are set out in note 15 to the consolidated financial statements.

## SHARE CAPITAL, SHARE OPTIONS, AND CONVERTIBLE BONDS

Details of the movements in the Company's share capital, share options, and convertible bonds during the year, together with the reasons thereof, are set out in notes 33, 34 and 29 to the consolidated financial statements respectively.

## SHARES ISSUED

During the year, the Company has issued shares with details as follows:

1. On 16 August 2016, an aggregate of 196,430,000 ordinary shares were allotted and issued at HK$0.168 per share pursuant to the subscription agreement dated 3 August 2016. The gross proceeds of the subscription was HK$33,000,240; and

2. On 30 August 2016, 70,202,702 ordinary shares were issued upon conversion of an aggregate principal amount of HK$25,975,000 of the convertible bonds due on the 5th anniversary of 11 October 2013 at a conversion price of HK$0.37 per share.

## RESERVES

Details of the movements in the reserves of the Company and the Group during the Reporting Period are set out in note 43 to the consolidated financial statements and the consolidated statement of changes in equity respectively.

In accordance with the Companies Law of the Cayman Islands, the share premium as received in the share premium account is distributable to the Shareholders provided that immediately following the distribution or payment of the dividend, the Company is able to pay its debts as they fall due in the ordinary course of business. As at 31 March 2017, the reserves of the Company available for distribution to the Shareholders amounted to approximately HK$384,746,000 (As at 31 March 2016: approximately HK$1,086,890,000).

## MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, revenue from the Group's five largest customers accounted for 62% of the total revenue for the year and revenue from the largest customer amounted to 34%. Purchases from the Group's five largest suppliers accounted for 76% of the total purchases for the year and purchases from the largest supplier amounted to 38%.

None of the Directors or any of their associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's largest customer or supplier.

## DIRECTORS

The Directors during the year and up to the date of this annual report were:

### Executive Directors

Mr. Leung Ngai Man *(Chairman)*
Ms. Wong Li Fong

### Independent Non-executive Directors

Mr. Cai Wei Lun
Mr. Zhang Qingkui
Ms. Xuan Hong

In accordance with article 108(A) of the article of association of the Company (the "**Articles**"), Mr. Leung Ngai Man and Mr. Cai Wei Lun will retire as Directors by rotation and, being eligible, offer themselves for re-election as Directors at the AGM.

## DIRECTORS' BIOGRAPHIES

Biographical details of the Directors are set out on page 9 of this annual report.

## DIRECTORS' SERVICE CONTRACTS

Mr. Leung Ngai Man entered into a service contract with the Group for a term of three years commencing from 3 September 2013 and expired on 3 September 2016. On 3 September 2016, Mr. Leung entered into a new service contract with the Group for a term of one year commencing from 3 September 2016 which was automatically renewable for the successive terms of one year but not more than an aggregate of three years from the date of initial commencement, unless terminated by either party giving not less than three months' notice in writing to the other party.

Mr. Cai Wei Lun signed an appointment letter with the Group on 1 April 2016 for a term of two years commencing from 1 April 2016, which would then be renewed thereafter on terms to be mutually agreed, unless terminated by either party giving not less than one month's notice in writing to the other party.

Mr. Zhang Qingkui signed an appointment letter with the Group on 31 January 2015 for a term of two years commencing from 31 January 2015, which was expired on 31 January 2017. On 31 January 2017, Mr. Zhang signed an appointment letter issued by the Company for a term of two years commencing from 31 January 2017, which would then be renewed thereafter on terms to be mutually agreed, unless terminated by either party giving not less than one month's notice in writing to the other party.

Ms. Xuan Hong has signed an appointment letter with the Group on 3 December 2014 for a term of two years commencing from 3 December 2014, which was expired on 3 December 2016. On 3 December 2016, Ms. Xuan signed an appointment letter issued by the Company for a term of two years commencing from 3 December 2016, which would then be renewed thereafter on terms to be mutually agreed, unless terminated by either party giving not less than one month's notice in writing to the other party.

None of the Directors proposed for re-election at the AGM has a service contract with the Company or any of its subsidiaries which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

## DIRECTOR'S INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS AND CONNECTED TRANSACTIONS

Details of the related party transactions are set out in note 40 to the consolidated financial statements. The related party transactions did not constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Rules Governing the Listing of Securities of the Stock Exchange (the "**Listing Rules**").

No Director had a material interest, either directly or indirectly, in any significant transaction, arrangements and contract to the business of the Group to which the Company or any of its subsidiaries was a party during the year, nor are there any other connected transactions which are subject to reporting or announcement requirements under the Listing Rules.

## DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES

As at 31 March 2017, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")), which had been notified to the Company and The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors were deemed or taken to have under such provisions of the SFO) or as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code (the "**Model Code**") for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules were as follows:–

### Interests in the Shares and Underlying Shares

| Name | Capacity | Long position/ short position | Number of ordinary shares | Number of underlying shares | Total | Approximate percentage of issued share capital *(Note 1)* |
|---|---|---|---|---|---|---|
| Leung Ngai Man *(Executive Director)* | Beneficial owner | Long position | 398,536,002 | 283,108,108 *(Notes 2)* | 681,644,110 | 48.77% |
| Wong Li Fong *(Executive Director)* | Beneficial owner | Long position | 15,000 | – | 15,000 | Negligible |

*Notes*

1. The percentage is calculated on the basis of 1,397,720,199 Shares of the Company in issue as at 31 March 2017 but does not take into account of any Shares which may fall to be allotted and issued upon the exercise of any options which remained outstanding as at 31 March 2017.

2. These underlying shares are 283,108,108 Shares to be issued upon exercise of conversion rights attaching to the tranche 2 convertible bonds (the "T2 CB") in the principal amount of HK$120,000,000 at the conversion price of HK$0.37 per Share issued by the Company to the Mr. Leung on 22 November 2013. As at 31 March 2017, the T2 CB in the aggregate amount of HK$104,750,000 remain outstanding.

Save as disclosed above, as at 31 March 2017, none of the Directors or the chief executive of the Company had any interest or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and the chief executive of the Company were deemed or taken to have under such provisions of the SFO) or as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the sections headed "Directors' Interests and Short Positions in Shares" and "Share Option Schemes" of this annual report, at no time during the Reporting Period were rights to acquire benefits by means of the acquisition of shares in and debentures of the Company granted to any Director or their respective spouses or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

## DIRECTORS' INTEREST IN COMPETING BUSINESS

Mr. Leung has established and operated a micro-financing enterprise in Changchun city, Jilin Province. However, such enterprise is not allowed to conduct business in Jilin City (although such enterprise and the PRC Subsidiaries of the Group both are located at Jilin Province) due to the geographic restrictions imposed by the relevant permits and the related applicable laws and regulations in the PRC. Save as disclosed above, during the Reporting Period and up to the date of this annual report, no Director and his/her associates are considered to have an interest in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group, other than those businesses of which the Directors were nominated and appointed as directors and/or senior management to represent the interests of the Company and/or the Group.

## ANNUAL CONFIRMATIONS FROM INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all of the independent non-executive Directors are independent.

## SUBSTANTIAL SHAREHOLDERS OR OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES

Save as disclosed above, as at 31 March 2017, no person (other than Mr. Leung, a Director whose interests are set out in the section headed "Directors' interests and short positions in Shares and Underlying Shares" above) had interest or short position in the Shares or underlying Shares of the Company that was required to be recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO or which would fall to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO.

## EMOLUMENT POLICY

The Group's emolument policy, including salaries and bonuses, are in line with the local practices where the Company and its subsidiaries operate, and is reviewed and determined by the Board regularly with reference to the duties, responsibility and performance of individual employees, the legal framework and the market conditions. The emolument of the Directors is subject to review by the remuneration committee of the Company. Their emoluments are determined with reference to their roles and responsibilities in the Group and the prevailing market conditions. Details of Directors' and employees' emoluments are set out in notes 10, 11 and 12, respectively to the consolidated financial statements.

## SHARE OPTION SCHEMES

The old share option scheme was adopted by the Company on 25 April 2002 (the "**2002 Scheme**") for granting share options to eligible participants for the purpose of providing incentives and rewards to those who contribute to the success of the Group's operations. The 2002 Scheme was terminated and a new share option scheme was adopted by the Company on 20 April 2012 (the "**2012 Scheme**"). The terms of the 2012 Scheme are similar to those of the 2002 Scheme, and the 2012 Scheme will expire on 20 April 2022. Details of the two share option schemes are set out in note 34 to the consolidated financial statements.

As at 31 March 2017, the Company had 20,300,000 share options outstanding under the two share option schemes, which represented approximately 1.45% of the Shares in issue as at 31 March 2017. No option has been exercised under the 2012 Scheme and 2002 Scheme during the Reporting Period. 6,500,000 share options has been lapsed under 2002 Scheme during the Reporting Period.

As at the date of this annual report, there are 139,772,019 options available for grant under the 2012 Scheme, representing approximately 10% of the issued share capital of the Company.

## EQUITY-LINKED AGREEMENTS

Save as those disclosed in the sections headed "Share Option Schemes" and "Share Capital, Share Options, and Convertible Bonds" in this Directors' Report, no other equity-linked agreements were entered into by the Group, or existed during the Reporting Period.

## CONTRACT OF SIGNIFICANCE

Saved as disclosed in this annual report, during the Reporting Period, the Group did not enter into any contract of significance with the controlling Shareholder or any of its subsidiaries, nor was there any contract of significance for the provision of services to the Group by the controlling Shareholder or any of its subsidiaries.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

## PERMITTED INDEMNITY PROVISION

The Company has arranged for appropriate insurance cover for Directors' and officers' liabilities in respect of legal actions against its Directors and senior management arising out of corporate activities. The permitted indemnity provision is in force for the benefit of the Directors as required by section 470 of the Companies Ordinance (Chapter 622 of the laws of Hong Kong) when the Report of the Board of the Directors prepared by the Directors is approved in accordance with section 391(1) (a) of the Companies Ordinance (Chapter 622 of the laws of Hong Kong).

## MATERIAL ACQUISITIONS OR DISPOSALS

### Acquisition of SP Securities

On 26 August 2016, SP Financial Group Holdings Limited ("**SP Financial**"), an indirect wholly-owned subsidiary of the Company, entered into a conditional sale and purchase agreement (the "**Agreement**") with China Silver Financial Group Limited ("**China Silver Financial**"), pursuant to which SP Financial conditionally agreed to acquire and China Silver Financial conditionally agreed to sell the entire issued share capital of SP Securities at an aggregated consideration of HK$23,000,000.

As at the date of the Agreement, SP Securities holds licenses to carry out type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under SFO (Chapter 571 of the Laws of Hong Kong) and is also an Exchange Participant and a HKSCC Participant. SP Securities was subsequently granted the license to carry out type 9 (asset management) regulated activities under the SFO with effect from 31 March 2017. It is principally engaged in the business of securities dealings and advising on securities.

The completion of the Agreement took place on 22 December 2016 in accordance with the terms and conditions of the Agreement. Upon completion, SP Securities has become an indirect wholly-owned subsidiary of the Company and the financial results of SP Securities has been since then consolidated into the Group's consolidated financial statement.

Please refer to the Company's announcement dated 26 August 2016 for more details.

Save as disclosed above, there were no material acquisitions or disposals of subsidiaries or associates during the Reporting Period.

## TAXATION RELIEF

The Company is not aware of any tax relief and exemption available to Shareholders by reason of their holding of the Company's securities.

## PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles or the laws of the Cayman Islands being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing Shareholders.

## SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float during the Reporting Period. Based on the information that is publicly available to the Company and within the knowledge of the Directors, there was a sufficient prescribed public float of the issued shares of the Company under the Listing Rules as at the latest practicable date prior to the issue of this annual report.

## AUDIT COMMITTEE'S REVIEW

The annual results of the Group for the Reporting Period have been reviewed by the audit committee of the Company.

## AUDITORS

The accounts for the year ended 31 March 2017 were audited by HLB Hodgson Impey Cheng Limited whose term of office will expire upon the conclusion of the AGM. A resolution for the re-appointment of HLB Hodgson Impey Cheng Limited as the auditors of the Company for the subsequent year is to be proposed at the AGM. There has been no other change in the auditors of the Company in any of the preceding three years.

By Order of the Board
Sino Prosper (Group) Holdings Limited
Leung Ngai Man
*Chairman and Executive Director*

Hong Kong, 29 June 2017

## CORPORATE GOVERNANCE & PRACTICES

The Board is committed to maintaining high standard of corporate governance within the Group at all times and believes that good corporate governance helps the Group to safeguard the interests of the shareholders and improve its performance.

In essence, the Board supports the principles-based approach of the Corporate Governance Code (the "**Code**") contained in Appendix 14 to the Listing Rules and periodically reviews the corporate governance practices of the Group to meet rising expectations of the shareholders and comply with the increasingly stringent regulatory requirements. The Board is of the opinion that the Group has applied and adopted the principles and strives to implement the best practices embodies in the Code where feasible and as far as practicable. Throughout the Reporting Period, the Group complied with the code provisions of the Code, except for the deviations set out below.

### Code Provision A.2.1

Pursuant to the Code Provision A.2.1, the role of chairman and chief executive officer should be separate and should not be performed by the same individual. The Company has not appointed a chief executive and the role and functions of chief executive have been performed by all the executive Directors, including the Chairman, collectively.

### Code Provision A.5.1

Pursuant to the Code Provision A.5.1, the Company should establish a nomination committee which should be chaired by the chairman of the Board or an independent non-executive Director. However, the Company has not established a nomination committee but it has formulated a policy statement (the "**Policy Statement**") regarding nomination of Directors and senior officers. The Company considers that the Policy Statement is an effective mechanism which sets out the Board's policy on nomination of Directors and senior officers of the Company. The Policy Statement is available at the website of the Company.

### Code Provision D.1.4

Pursuant to the Code Provision D.1.4, the Company should have formal letters of appointment for directors setting out the key terms and conditions of their appointment. The Company did not have formal letter of appointment for Ms. Wong Li Fong who was appointed as an executive Director on 2 March 2015. However, she is subject to retirement and re-election at the next following general meeting of the Company after her appointment and thereafter subject to retirement by rotation in accordance with the articles of association of the Company. In addition, the Directors are required to refer to the guidelines set out in "A Guide on Directors' Duties" issued by the Companies Registry and "Guidelines for Directors" and "Guide for Independent Non-executive Directors" (if applicable) published by the Hong Kong Institute of Directors in performing their duties and responsibilities as Directors. Besides, the Directors are required to comply with the requirements under statue and common law, the Listing Rules, legal and other regulatory requirements and the Company's business and governance policies.

### Corporate Governance Functions

The Board is responsible for performing the functions set out in Code Provision D.3.1 of the Code. Up to the date of this annual report, the Board met once during the Reporting Period to review the Group's corporate governance policies and practices, training and continuous professional development of directors and senior management of the Group and the Group's policies and practices in compliance with legal and regulatory requirements such as the Model Code and the disclosure obligations under the Listing Rules.

## DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as the Company's code of conduct for dealing in securities of the Company by the Directors. In response to the Company's specific enquiry made, all Directors of the Reporting Period have confirmed that they have complied with the required standard set out in the Model Code throughout the Reporting Period.

## BOARD OF DIRECTORS

The composition of the Board during the Reporting Period and up to the date of this annual report is as follows:

### Executive Directors

Mr. Leung Ngai Man *(Chairman)*
Ms. Wong Li Fong

### Independent Non-executive Directors

Mr. Cai Wei Lun
Mr. Zhang Qingkui
Ms. Xuan Hong

The biographical details of the current Directors are set out on page 9 of this annual report. The Board possesses a balance of skills and experience which is appropriate for the requirements of the business of the Group. The opinions raised by the independent non-executive Directors in the Board meetings facilitate the maintenance of good corporate governance practices. A balanced composition of executive Directors and independent non-executive Directors also provides a strong independent element on the Board, which allows for independent and objective decision making in the best interests of the Company. The Company will review the composition of the Board regularly to ensure the Board possesses the appropriate and necessary expertise, skills and experience to meet the needs of the Group's business.

The Company has received from each independent non-executive Director an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and the Company considers all the independent non-executive Directors to be independent during the Reporting Period and up to the date of this annual report.

As at the date of this annual report, there is no financial relationship between any of the Directors and the members of the senior management, nor is there any business, family or other material or relevant relationships among the members of the Board (other than that some are common directors of China Netcom).

## BOARD MEETINGS

The Board conducts regularly scheduled meetings on a quarterly basis to discuss and formulate the overall strategies of the Group, to approve annual and interim results, as well as to review the business operation and the internal control system of the Group. Ad-hoc meetings are convened when circumstances require, such as material contracts and transactions as well as other significant policy and financial matters. The Board has delegated the power to oversee the daily operational matters of the Group to senior management under the supervision of the Board.

During the Reporting Period, 4 Board meetings were held and the individual attendance of Directors is set out below:–

| | Attendance |
|---|---|
| **Executive Directors** | |
| Mr. Leung Ngai Man *(Chairman)* | 4/4 |
| Ms. Wong Li Fong | 4/4 |
| **Independent Non-Executive Directors** | |
| Mr. Cai Wei Lun | 4/4 |
| Mr. Zhang Qingkui | 2/4 |
| Ms. Xuan Hong | 4/4 |

## DIRECTORS' CONTINUOUS PROFESSIONAL DEVELOPMENT

During the Reporting Period, the Directors were provided with updates on the Company's performance, position and prospects as well as the latest development and changes of the Listing Rules, applicable laws, rules and regulations relating to Directors' duties and responsibilities, so as to enable the Board as a whole and each Director to discharge their duties. In addition, the Directors are committed to participate in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution into the Board remains informed and relevant.

Pursuant to the records maintained by the Company, the Directors received the following training with an emphasis on the roles, functions and duties of a director of a listed company in compliance with the requirement of the Code on continuous professional development during the Reporting Period:–

| Name of Director | Reading materials relevant to director's duties |
|---|---|
| Mr. Leung Ngai Man *(Chairman)* | ✔ |
| Ms. Wong Li Fong | ✔ |
| Mr. Cai Wei Lun | ✔ |
| Mr. Zhang Qingkui | ✔ |
| Ms. Xuan Hong | ✔ |

## CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Company has not appointed a chief executive officer and the role and functions of chief executive officer have been performed by all the executive Directors, including the Chairman, of the Company collectively. The Board considered this has the advantages of allowing contributions from all executive Directors with different expertise.

## NON-EXECUTIVE DIRECTORS

All independent non-executive Directors are appointed by the Company for a specific term which would then be renewed thereafter on terms to be mutually agreed, unless terminated by either party giving not less than one month's notice in writing to the other party.

The Articles of the Company provide that at each annual general meeting, one-third of the directors for the time being, or if their number is not a multiple of three then the nearest number to but not less than one-third of the directors, shall retire from office. A retiring director shall be eligible for re-election.

## GENERAL MEETINGS

During the Reporting Period, 2 general meetings of the Company were held, being the 2016 annual general meeting ("**2016 AGM**") and the extraordinary general meeting of the Company both held on 29 September 2016.

| | Attendance |
|---|---|
| **Executive Directors** | |
| Mr. Leung Ngai Man *(Chairman)* | 2/2 |
| Ms. Wong Li Fong | 2/2 |
| **Independent Non-Executive Directors** | |
| Mr. Cai Wei Lun | 2/2 |
| Mr. Zhang Qingkui | 2/2 |
| Ms. Xuan Hong | 2/2 |

The Board is responsible for maintaining an on-going dialogue with shareholders and in particular, uses annual general meetings or other general meetings to communicate with them and encourage their participation. Mr. Leung Ngai Man, being the Chairman of the Board attended the 2016 AGM to answer questions and collect views of shareholders.

## NOMINATION OF DIRECTORS

The Board has not set up a nomination committee. The Board is empowered under the Articles to appoint any person as a Director either to fill a casual vacancy or as an additional member of the Board. New Director appointed by the Board must retire and be re-elected at the first general meeting after his/her appointment under the requirements of the Articles.

The selection criteria of new Directors are mainly based on the professional qualification and experience of the candidate for directorship. Nomination procedure has been in place, pursuant to which (i) an interview/meeting will be conducted with the candidates for Directors; and (ii) Board meeting may be held to consider and if thought fit, to approve the appointment of the new Directors. The Chairman of the Board is responsible for nominating any suitable person to join the Board if considered necessary, such nomination will have to be approved by the Board.

On 26 March 2012, the Policy Statement was adopted by the Board. Under the Policy Statement, the functions reserved by the Board on nomination matters included, among others, (a) to review and assess the performance of the Directors and the independence of independent non-executive Directors in relation to their appointment or reappointment as Directors; and (b) to review at least annually the structure, size and composition (including the skills, knowledge and experience) of the Board and to consider and (if necessary) make changes to complement the Company's corporate strategy.

In September 2013, the Company has adopted a board diversity policy in accordance with the requirement set out in the code provisions of the Code. The board diversity policy is available on the Company's website.

The Company recognizes and embraces the benefits of having a diverse Board to enhance the quality of its performance. The Company aims to build and maintain a Board with a diversity of Directors, in terms of skills, experience, knowledge, expertise, culture, independence, age and gender. All future appointment of any Board member will be based on merit while taking into account diversity.

## REMUNERATION COMMITTEE

The remuneration committee of the Company (the "**Remuneration Committee**") was established with its terms of reference in accordance with the provisions set out in the Code. The roles and functions of the Remuneration Committee is to make recommendation to the Board on the remuneration policy and structure for Directors and senior management and to ensure that they are fairly rewarded for their individual contribution to the Group's overall performance, having regard to the interests of shareholders of the Company. The principal duties of the Remuneration Committee include approving the terms of service contracts of the executive directors, determining the specific remuneration packages of all executive Directors and senior management as well as reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time. No Director or any of his associates should be involved in any decision as to his own remuneration.

During the Reporting Period, the Remuneration Committee convened 1 meeting for reviewing the remuneration packages of the Board members and senior management of the Company. The individual attendance of its members is set out below:–

| Remuneration Committee Member | Attendance |
|---|---|
| Ms. Xuan Hong *(Chairlady)* | 1/1 |
| Mr. Leung Ngai Man | 1/1 |
| Ms. Wong Li Fong | 1/1 |
| Mr. Cai Wei Lun | 1/1 |
| Mr. Zhang Qingkui | 1/1 |

## AUDIT COMMITTEE

The written terms of reference include the authority and duties of the audit committee of the Company ("**Audit Committee**") and amongst its principal duties are the review of the Company's financial reporting system and supervision of the risk management and internal control systems. In regard to the financial reporting system, the Audit Committee would consider any significant items reflected in the reports and accounts, and any matters that have been raised by the Financial Controller of the Group.

During the Audit Committee meetings, members of the Audit Committee reviewed the Group's annual results for the last financial year and interim results for the six months period ended 30 September 2016. Both aforesaid meetings were held with representatives of the Company's auditors being in attendance.

The Audit Committee noted the existing risk management and internal control systems of the Group and also noted that review of the same will be carried out annually.

During the Reporting Period, 2 Audit Committee meetings were held and the individual attendance of its members is set out below:–

| Audit Committee Member | Attendance |
|---|---|
| Ms. Xuan Hong *(Chairlady)* | 2/2 |
| Mr. Cai Wei Lun | 2/2 |
| Mr. Zhang Qingkui | 2/2 |

## AUDITORS' REMUNERATION

During the Reporting Period, fees paid/payable to the Company's external auditors for audit services and non-audit services are set out as follows:

| Services rendered | Fees paid/ payable (HK$'000) |
|---|---|
| Audit services | 1,670 |
| Non-audit services relating to review on financial disclosures of interim financial report | 276 |

## ACCOUNTABILITY

The Directors acknowledge their responsibility for preparing the accounts for the Reporting Period which are prepared in accordance with statutory requirements and applicable accounting standards. The Company's auditors acknowledge their reporting responsibilities in the independent auditors' report on the consolidated financial statements for the Reporting Period.

There were no material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern for the Reporting Period.

## RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges that it is responsible for monitoring the risk management and internal control systems of the Group on an ongoing basis and review their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

The Board has delegated its responsibilities (with relevant authorities) of risk management and internal control to the Audit Committee, who oversees management in the design, implementation and monitoring of the risk management and internal control systems, and management has provided a confirmation to the Audit Committee (and the Board) on the effectiveness of these systems for the year ended 31 March 2017.

The Group adopts a risk management system which manages the risk associated with its business and operations. The system includes the following elements:

- identify significant risks in the Group's operation environment and evaluate the impacts of those risks on the Group's business;
- develop necessary measures to manage those risks; and
- monitor and review the effectiveness of such measures.

The Group's system of internal control includes a defined management structure with limits of authority, and is designed to help the Group achieve its business objectives, protects its assets against unauthorised use or disposition, ensures the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensures compliance with relevant laws and regulations.

### Handling and Dissemination of Inside Information

The Group regulates the handling and dissemination of inside information according to the "Guidelines on Disclosure of Inside Information" published by the Securities and Future Commission in June 2012 to ensure inside information remains confidential until the disclosure of such information is appropriately approved, and the dissemination of such information is efficiently and consistently made. The Company regularly reminds the Directors and employees about due compliance with all policies regarding the inside information. Also, the Company keeps Directors, senior management and employees appraised of the latest regulatory updates. The Company shall prepare or update appropriate guidelines or policies to ensure the compliance with regulatory requirements.

The Board has conducted a review of the systems of risk management and internal control for the year ended 31 March 2017 to ensure the effectiveness and adequacy of the systems. Such review shall be conducted annually. The Board considered that the risk management and internal systems of Company for the year ended 31 March 2017 were effective and adequate.

## COMPANY SECRETARY

The Company engaged an external professional company secretarial services provider, Uni-1 Corporate Services Limited ("**Uni-1**"), to provide compliance and full range of company secretarial services to the Group in order to assist the Group to cope with the changing regulatory environment and to suit different commercial needs.

Ms. Chan Yuen Ying, Stella ("**Ms. Chan**"), the representative of Uni-1, was appointed as the named Company Secretary of the Company.

Ms. Wong Li Fong, an executive Director of the Company, is the primary point of contact at the Company for the Company Secretary.

According to the requirements of Rule 3.29 of the Listing Rules, Ms. Chan had taken no less than 15 hours of relevant professional training during the Reporting Period.

# SHAREHOLDERS' RIGHTS

## Procedures for Shareholders to Convene an Extraordinary General Meeting

Pursuant to the Articles of the Company, one or more Shareholders ("**Requisitionist(s)**") holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings shall have the right, by written notice, to require an extraordinary general meeting to be called by the Directors for the transaction of any business specified in such requisition.

If the Directors fail to proceed to convene such meeting within 21 days of such deposit, the Requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the Requisitionist(s) as a result of the failure of the Directors shall be reimbursed to the Requisitionist(s) by the Company.

## Procedures for Directing Shareholders' Enquiries to the Board

Shareholders may at any time send their enquires and concerns to the Board in writing through the Company Secretary whose main address is Unit A03, 11/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong.

Shareholders may also make enquiries with the Board at the general meetings of the Company.

## Procedures for Putting forward Proposals at a General Meeting

Pursuant to the Articles of the Company, to put forward proposals at a general meeting of the Company, a Shareholder should lodge a written notice of his/her proposal ("**Proposal**") with his/her detailed contact information at the Company's principal place of business in Hong Kong at Unit A03, 11/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong.

The Proposal must state the resolution, accompanied by a statement of not more than 1,000 words with respect to the matter referred to in the proposed resolution, signed by all the Shareholders concerned. The Proposal may consist of several documents in like form (which between them contain the signatures of all the Shareholders concerned).

The notice period to be given to all the Shareholders for consideration of the proposal raised by the Shareholder concerned at the general meeting varies according to the nature of the Proposal as follows:

(a) At least 14 days' notice in writing if the Proposal is subject to approval by way of an ordinary resolution of the Company; or

(b) At least 21 days' notice in writing if the Proposal is subject to approval by way of a special resolution of the Company in an extraordinary general meeting of the Company or an ordinary resolution of the Company in an annual general meeting of the Company.

# Environmental, Social and Governance Report

## REPORT OVERVIEW

## PURPOSE

This report introduces the Group's vision, policies and measures and reports its performance regarding environmental, social and governance issues for communicating to the internal and external stakeholders.

## SCOPE OF COVERAGE

This report covers the Group's headquarter office in Hong Kong and its subsidiary offices in Guangzhou, Jilin, Heilongjiang, Inner Mongolia and Dalian.

## BASIS OF PREPARATION

This report is prepared in accordance with the Environmental, Social and Governance ("ESG") Reporting Guide (the "**Guide**") under Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**HKEX**"). The content of this report includes two main subject areas, being Area A – ENVIRONMENTAL and Area B – SOCIAL as required by the Guide.

The content of the Report reviewed and reported the core business and offices of the Group and followed the principles of materiality, quantification, balance and consistency to disclose relevant statistics and information.

## REPORTING PERIOD

This report covers the period from 1 April 2016 to 31 March 2017.

## PREPARATION PROCESS

The preparation of this ESG Report involved the management and staffs from the Group's various offices. External consultants had been engaged to assist on clarifying local rules and regulations and standards.

## CORPORATE VISIONS AND GOALS AND ESG MANAGEMENT

### (i) Corporate Vision and Goal

The Group envisions and targets to maximize returns to its stakeholders and at the same time achieves continuing and sustainable development to the society and environment.

### (ii) ESG Management Policy and Approach

The Group's main business has been the owning and operating of gold mining license in Inner Mongolia, the PRC. The Group appointed professional design institutions and contractors to design the mine development and to build the operating mine with priority considerations on environment and safety.

The Group has also diversified into financial activities: (i) micro-financing and investment consulting services to borrowers and investors in Jilin, and (ii) securities trading in Hong Kong upon the completion of acquisition of SP Securities Limited in last December. Owing to short time span and carrying out an internal reorganization plan, the securities trading business had minimal impact on the overall performance of the Group in the last quarter of the financial period.

On business development and management, the Group has been targeted to maximize returns to stakeholders simultaneously with a commitment to support the society and environment with positive re-contributions.

The Group's visions and goals and ESG Management Policy and Approach can be summarized with the following statement:

**"The Group is committed to be a successful operator in its operating fields, complying and abiding of all laws, regulations and industry codes of practices with integrity in the places we are operating, bringing returns to our investors and business partners, giving a healthy and safe working environment to our employees, and helping to provide sustainable developments of the local communities and the environment."**

It is the duty of the Board to examine and address all the environmental and social issues listed in the Aspects and Areas in the Guide. In response, the Board has approved its updated strategies and policies accordingly. The Board has assigned various department heads to implement its policies and to report directly to the PRC Finance Director to ensure that the Board's approved strategies and polices are implemented. The PRC Finance Director after discussion with the related department heads is responsible for development and preparation of Key Performance Indicators ("**KPIs**") where appropriate and necessary for future reference and continuing action in line with the Group's visions, policies and goals.

## ESG MATERIAL AREAS AND ASPECTS, AND KEY PERFORMANCE INDICATOR ("KPIs")

### (A) Environment Responsibility

The Group treasures and protects the environment, and is aware of the importance of its sustainable development in relation to its on-ongoing operations. We comply with the requirements of local regulatory authorities and specific guides in the industry, and are committed to the social responsibility of protecting the environment as a responsible corporation. We support "Green Actions", and have implemented policies and taken measures trying to save and promote the efficient use of energy, water and resources in our businesses and operations.

As at 31 March 2017, the Group was not subject to any confirmed violation case relating to emissions and wastes discharges or other environmental issues or having an adverse impact on the Group or to the local environments where we were operating.

### *A1. Emission and Wastes*

One of the Group's main businesses is gold mining in Inner Mongolia, the PRC. The mining activities of Inner Mongolia gold mine for sure will have significant impacts on the environment. The Group has insisted to strictly follow the national and local governmental environmental laws rules and regulations, and have constantly alerted our mining site managers and employees to give extra-attention on environmental, safety and health issues during operation. We were conscious with our environmental and safety protection and compliance planning from the start of exploration and development of the mine.

On our mining operation in Inner Mongolia, from the start, we had engaged a reputable state-owned Changchun Gold Design Institute, to prepare the feasibility study, in which we have followed to build our mining and processing operation in total compliance with the governmental rules and regulations. Based on its recommendation, we have carefully dealt with the following environmental issues:

- Waste rocks and debris (tailings) – part of these had been used for road building and the bulk have been stored in a site where plants and trees have been grown to minimize the effect on the environment.

- Noise emissions – have installed noise reduction facilities especially in the processing plant to reduce noise pollution. Since the surrounding of the mine has no inhabitants, it therefore has minimal effect onto the local community;

- Air emission – the mine does not generate hazardous gas emission;

- Wasted water – there will be 2 main sources. The living and laboratory tested waste water will be drained through the living water pipeline network and send to the septic tank for treatment and neutralization up to the discharge standard before discharging. The most significant waste water is from the gold processing plant which will be filtered and recollected totally for reuse. All tailings will be pressurized to ensure most of its water has been squeezed out before moving to the tailing storage site, and the squeezed-out water will be filtered and recollected again for reuse. We have built an enclosed water recycling and reuse designed system, which ensures minimal waste water discharging from the processing plant. In the tailings storage, we have also built pipelines to channel and to collect the precipitated waste water for reuse after filtering;

- Landscape – we have tried to maintain the local landscape with natural scenery and greenery without incompatible structures.

To improve the working environment in the mine site, we have grown trees and green plants on one hand to purify the environment as green plants can absolve dusts, purify air, and moderate humidity and temperature, and on the other hand to give miners a decent and pleasant working site.

On 26 December 2016, the mine was inspected by the Land and Resources Bureau of Inner Mongolia regarding Mine Safety, Health and Environment, and a clean pass on the environment was granted. Our mine has complied with and passed all the environmental laws, rules and regulations. We properly stored and levelled over 3,000 $m^2$ tailings, built over 6,700 fences and have planted purple Alfalfa on top and also 600 Salin plants inside the mine site.

Other important features of our operating gold mine are that (i) we have chosen a more environmental friendly "gravity + floating" process instead of the "cyanide leaching" process to extract gold. The latter process is hazardous and dangerous to the environment; (ii) the mine building and mining operation have been totally contracted out, under which all the mining equipment including drillers and trucks have been provided by the contractors, and their related environmental and social areas under the Guide will not be included in our report herein.

Regarding our offices operation and business, namely the micro-financing and investment consulting activities, given the in-office operation nature of the activities and the non-existence of a large transport fleet, we produced no hazardous air, water and wastes. Only indirect green-house gases, $CO_2$ through the use of electricity was generated.

### *A2. Use of Resources*

The Group supports "Green Actions" to promote sustainable development of the environment, and has implemented policies and taken measures trying to save and promote efficient use of energy, water and resources in our businesses and operations.

In our mining operation, we have built, equipped and installed the mine with the following facilities to save electricity, water and resources consumption:

- Electricity – installed the power system near the usage centre to reduce transmission loss, energy-saving transformer and combined lighting system with LED lights and adjusted the pulse frequency to save electricity consumption.

- Water – collected, filtered and reused most of the water for mining processing in order to use less water and to minimize polluted water discharging, and installed water meters to strengthen our water saving measures.

- Chemical agents – for floating process, used some chemical agents, but our designed system is an enclosed one, and all the processed water had been collected, filtered and treated for reuse, and this ensured that the chemical agents would not be released to cause any pollution hazard.

In our offices, we mainly used electricity, water, printing ink in our daily operation. To support "Green Actions", we have introduced various measures to encourage the reduction in electricity, water, paper and ink consumptions, which can briefly be summarized below:

**Electricity and Water**

– Use natural ventilation more to replace air-conditioning; and air conditioning temperature should not be set too low;

– All electrical appliances are required to be turned off during lunch time and after work hours.

– Computer monitors are automated to turn off after inactivity of more than 20 minutes. Both monitors and CPU are turned off after work or if the inactivity is longer than 2 hours.

– Use energy saving LED lights, and turn-off lights in a timely manner.

– Promote fresh water conservation by posting up "Save Water" signs and increase the employees' environmental awareness;

**Paper:**

- Promote automation and paperless office such as storage of documents in electronic version, communications via emails and messages;

- Print on both sides of papers, reuse stationery such as used envelop and document folder; and

- Use recycled papers, especially for printing our annual and semi-annual reports.

To allow the management to monitor the progress of the promoted policies and measures, the "**Electricity, Paper and Chemical Agents Consumption**" record has been established as a KPI.

## *A3. Environment and Natural Resources*

The Group's businesses and operations have used many types of resource, including electricity, water, paper, chemical agents and land, yet we have been trying to be environmentally responsible.

Electricity for normal daily operation in our mine and offices use is an important element which is considered to have an impact on the natural resource. The Group has introduced policies and measures and taken actions to reduce its consumption on one hand to reduce costs, and one the other hand to save this resource. Fresh water and paper have not been used in significant quantities, but we still adopt the principles of "reducing, reusing, recycling, replacing and recovery" to reduce water and paper consumption.

For our mining business in Inner Mongolia, a sizeable area of land has been granted for our mining operation. The Group has designed, built and ensured the land-uses, both underground and on-ground, to comply with all the governmental rules and regulations, and under environmental friendly conditions. We have planted trees and green plants to improve the topographic scenery the land in order to give a better working environment to our miners. Our Safe Production Permits are valid till 23 February 2020.

Apart from the aforementioned continuous environmental works done, the Group has constantly reminded the staff and employees to be a "Green Citizen" to act in an eco-friendly manner, to save water, energy and resources, and not to pollute the environment.

## (B) Social Responsibility

### *B1. Employment and Labour Practices*

The Group employed staffs both in Hong Kong and the PRC. But, in our mining operation in Inner Mongolia, apart from the Mine Manager and few administrative staffs, all the miners and servicing workers are the employees of contractors who are legally responsible for all their salaries and wages and other employment benefits. The Group's total number of employees as at 31 March 2017 was only 55. The Group treasures and regards our employees as valuable assets in its development and growth. The Group strictly complies with the relevant laws and regulations of the "Labor Law of the PRC" and "Employment Ordinances of Hong Kong Special Administrative Region", and has totally forbidden recruitment of child labor and forced labor. We commit to providing employees with equal opportunity on recruitment, promotion, compensation and benefits, and a harmonious and pleasant working environment. The Group bonds its corporate management with equitable, positive and humanistic policies, on one side to encourage motivation, positiveness and innovation of employees, and on the other side to effectively protect the interests of the Group and the legal rights of employees. By achieving a convergence of interests of the Group and its employees, both development and growth of the Group and employees' individual value can be achieved simultaneously.

Under the corporate organization structure, the department heads who reports directly to the Group's Executive Director, and is assisted by personnel officers in different offices in the PRC, is delegated with the responsibility to implement the Group's human resources policies, rules and regulations, which have been detailed in the Group's **Employees Handbook**, **Labor Contract** for Chinese employees and **Employment Contract** for Hong Kong employees. All the terms and conditions contained therein related to wages and salaries, social insurance, holidays, severance and compensation pay, performance assessment, accidents and injuries, safety and health, communication, etc. are in strict compliance with national and local government labor laws and Employment Ordinances.

On recruitment, the local offices in-charge have been given the authority to set the requirements and conduct the selection processes for the related vacancies and opened positions. Except for senior positions, the final recruitment decision is in the hand of the department heads. On new recruitments, the Group adopts a hybrid of external recruitment, internal nomination and job rotation to recruit outstanding personnel and provide more opportunities for employees. All job positions are open to all with equal opportunities, decided with no discrimination on sex, race, religion, gender, age and disability basis, and selected on skill and competency basis.

Once the recruitment is confirmed, the respective employee and the Group will enter into a proper and standard contract. The department heads and/or the subordinate officers are charged with this prime responsibility and duty to ensure that statutory obligations of the Group are fulfilled and complied with in a timely manner.

In accordance with the statutory requirements of the PRC and Hong Kong, where appropriate, the Group provides and maintains statutory benefits to all qualified employees, including but not limited to mandatory provident fund, social security insurance, medical insurance, work injury insurance and compensation and statutory holidays.

Employees' remunerations are determined with reference to the prevailing market level in line with their competency, qualifications and experience. Performance bonuses will be rewarded subject to the discretion of the top management and in line with their performance. The Group has honored all obligations including the payment of salaries and wages, holidays and leaves, compensations, insurance and health benefits without disputes with our employees as at end March, 2017.

An "**Employment Record**" with breakdown of total number of employees in different sectors, gender and aged groups has been prepared as a KPI, will be regularly updated and reviewed by the Group's senior management to monitor its employee situation in relation to its human resources policies and measures.

### *B2. Health and Safety*

The Group commits to provide a "safe and healthy" working environment to employees. The Employees Handbook, Employment and Labor Contracts set out detailed health and safety guidance and measures, which comply with employment ordinance of Hong Kong and labor laws and regulations of China, and both the Group and the employees are required to strictly observe.

The Group has taken out National Social Securities and Insurance for all qualified employees in the PRC and Retirement Provident Funds for employees in Hong Kong in accordance with the statutory requirements of the 2 places.

The Group has equipped our operating mine and all offices with all the required safety equipment and facilities, and has passed all the governmental safety inspections. Our operating mine in Inner Mongolia, both its underground operation and on surface facilities and operations have been subject to and passed regular health and safety inspections and checks, and has received its Safe Production Permit with validity till 23 February 2020. A safety and health equipment and facilities register has been kept in the mining office on location to ensure immediate access for emergency use. In case of accidents, regardless of minor or serious, employees are required by the in-house rules to inform their superiors immediately without delays, who will then take appropriate measures to ensure safety is not being compromised. In-house rules require all injuries or accidents to be promptly and properly dealt with and reported in accordance with the local or national laws as appropriate. Measures are in place to require corresponding remedial or compensatory actions arising from safety and health issues or work injuries are taken where necessary in accordance with the in-house and national rules. For the financial period ended at 31 March 2017, the Group had not recorded any disputes on compensation or work related injury investigation by the government officials in Hong Kong and the PRC.

### B3. Development and Training

The Group at all times encourages all employees to continue learning to improve their own skills and knowledge and career path. Internally, the Group only offers "position-taking training" to newly recruited employees and "on-the job training" to employees for regular employees. The orientation trainings, include topics on the Group's historical development, structure, regulations, positions and responsibilities, working skills, safety in operation, and career development plan, etc., which will assist the newly recruited employees to understand the Group and adapt to their positions earlier. The on-the-job and specific trainings for regular employees aim at improving their career development and skills to perform their required job duties in a more competent and capable manner and without risking their health and safety. Meanwhile, the Group supports employees to actively participate in position-related trainings organized by external institutions in order to enhance individual professional quality and efficiency, the costs of which would be paid by the Group on application and by discretion of the senior management.

For our operating mine in Inner Mongolia, though some of the miners and servicing workers are not our employees, we still require them to join our mine managers to receive trainings on "Emergency Safety Management", "Emergency Help and Support" – organized by the National Safety Supervision Bureau", and "Safety Practices" organized by Aohan HanAn Safety Consulting Limited.

The Group has maintained a record on the training programs attended by the employees and miners as a KPI to monitor and to ensure that "safety training" has been strictly adhered to.

### B4. Labor Standards

The Group strictly complies with the PRC and Hong Kong labor laws and employment regulations in the relevant jurisdictions in which it operates, and adopts the respective national standard as its minimum labor standard on labor protection and welfare. The Group also maintains strict compliance with the laws in relation to equal employment opportunities, prevention of child or forced labor in different regions. Though the miners and servicing workers are employed by the contractors, we still will conduct regular checks to reconfirm that there will not be forced and child labors working in our mine.

The Group has a comprehensive human resources policy in place regarding recruitment, dismissal, promotion, leave, holidays and benefits to support our works on manpower resources. At the same time, all job applicants are required to submit their credentials like academic qualifications, professional skill certificates, references and identity card for verification and record purpose during recruitment.

## Operation Practices

### *B5. Supply Chain Management*

Supply chain management refers to management of suppliers, materials, technology and/or services sourcing and procurement. The Group has a clear Procurement Policy and Rules detailing the processes, procedures and documents to be completed for any purchases. The Group delegates the local offices in-charge and the mine manager with the authority to approve purchases to maintain their daily operations within a certain approved limit, exceeding which will require approval from the headquarter. All the PRC capital expenditure purchases have to be authorized and approved by the the PRC finance Director. The local offices and the operating mine will be assessed and controlled on their purchases against their budgeted amounts with reference to their operating conditions.

To strengthen the management of sourcing and procurement and to reduce the procurement costs, strict assessment of the suppliers is conducted to ensure that the suppliers are not only committed to the cost and quality of the products produced, but also committed to the compliance of laws, rules and regulations. All suppliers prior to being engaged are requested to submit all basic certifications (e.g. Company Registration Certificate, Tax Registration Certificate, Creditability Report) and supporting documents for production (e.g. Production Safety Certificate, Product Quality and Test Report etc.,) to ensure that the suppliers/manufacturers are compliant with the government and meet minimum regulation standards as well as our environmental, social and corporate standard.

The Group performs its sourcing and procurements on a fair and equitable manner. All purchase transactions are open and transparent. There is a minimum requirement of at least three suppliers to provide quotation during the sourcing stage in our required format for comparison and assessment. Procurement and using departments are required to jointly check and approve all the outcomes of products and materials procured with reference to the procurement requirements before acceptance. They are subject to the scrutiny of the internal hierarchy supervisions depending on its value and significance. Many of our sourcing and procurements for general purposes and uses are sourced with suppliers in the nearby areas, which aim at promoting local economy in an unspoken manner.

### *B6. Product Responsibility*

On our gold mining operation, we produced and sold gold in the PRC, and the price depends on the purity and the market price at the time of the sales. The higher the grade, the higher the price.

On our micro-financing and investment consulting business, the Financial Institutions Supervision Commission of the People's Bank of China has issued rules and regulations governing the products, procedures, processes, conditions and terms, which the Group is required to comply with, without deviations or exemptions.

During the financial year ended 31 March 2017, the Group confirmed that all of its products and services sold and provide had compiled with all the local and national laws, and there was no record of complaints or litigation due to malpractices or below quality production.

The businesses and operations of the Group do not involve any intellectual property right issue.

The Group's businesses and operations have generated private, confidential and sensitive information of suppliers, co-operation and technical partners, borrowers, etc. Especially our micro-financing business has accessed to the personal background, financial, legal and operation position and status of the borrowers, which are extremely sensitive and important. Under Privacy Law, this type of information has to be cautiously safeguard and protected, and cannot be used or disclosed to any third party without the approval of the original owner. The Group fully understands its obligation, and has taken measures to ensure strictest protection of the information against unauthorized access, use and disclosure through a variety of security technologies and procedures. The Group's **Employees Handbook**, and/or **Labor Contract** for Chinese employees and Employment Contract for Hong Kong employees specifically contains **Privacy and Confidential** provisions and employees are prohibited to access without approvals and/or to leak the private and confidential information of the Group and its customers and business contacts. Legal actions will be taken on any violation. No privacy and confidential information leakage was reported as at end March 2017.

### *B7. Anti-Corruption*

The Group has implemented an "Internal Control System", under which the audit committee is authorized by the Board to create an environment of anti-corruption and anti-fraud, and conduct regular reviews on internal control system so as to regulate the conduct and behaviour of employees, create an atmosphere of integrity and honesty, and prevent employees' malpractices, misconduct and illegal behaviours which will jeopardise the Group's interest and malpractices. The PRC Finance Director is responsible to follow up and take appropriate actions after receiving notice from the Audit Committee on any malpractices, misconducts and illegal behaviours. An employee who has a malpractice concern can inform the relevant superiors or take the matter to the Audit Committee directly, or send the relevant information to an electronic reporting mailbox. All reporting will be treated as confidential and in a sensitive manner. With the implementation of clear policies and well-structured processes on purchases, sales, operation and finance, and the adoption of a high Code of Ethic Standard especially on the senior management, the Group reported no bribery nor corruption case as at financial year ended 31 March 2017.

## Community

### *B8. Community Investment*

As a responsible corporation, the Group has fully considered the impact of its business and operation on the local environment and communities. The Group, especially on its mining operation in Inner Mongolia has continuously committed to grow trees and green plants and to properly remediate the tailings to improve the local environmental conditions. The Group has also given the priority of employment to the locals, and encourages employees to participate and to serve in a wide range of services to the local community.

HLB 國衛會計師事務所有限公司
Hodgson Impey Cheng Limited

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

TO THE SHAREHOLDERS OF
SINO PROSPER (GROUP) HOLDINGS LIMITED
*(Incorporated in the Cayman Islands with limited liability)*

## OPINION

We have audited the consolidated financial statements of Sino Prosper (Group) Holdings Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 46 to 147, which comprise the consolidated statement of financial position as at 31 March 2017, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## BASIS FOR OPINION

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

## KEY AUDIT MATTERS

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

## KEY AUDIT MATTERS (continued)

| Key audit matter | How our audit addressed the key audit matter |
|---|---|

***Impairment assessment on mining related assets***

Refer to notes 15, 16 and 17 to the consolidated financial statements and the accounting policies in note 3 to the consolidated financial statements.

The Group's mining related assets mainly comprise mining structures, construction in progress, mining rights and exploration and evaluation assets.

The carrying amounts of these assets are subject to review for impairment when events or changes in circumstances indicate that the carrying amounts may not be recoverable. The recoverable amount of these assets, or, where appropriate, the cash-generated unit(s) ("CGU(s)") to which they belong, is calculated as the higher of its fair value less costs of disposal and value in use. Calculating the value in use requires the Group to estimate the expected future cash flows from the CGU(s) and to choose a suitable discount rate in order to calculate the present value of those cash flows. Significant estimation is required in determining the future cash flows expected to arise from the mining and exploration business. Where the actual future cash flows are less than expected, a material impairment loss may arise.

Based on the impairment assessment, the Group recognized an impairment loss of approximately HK$394,899,000 in relation to exploration and evaluation assets.

Our procedures included:

- Discussing indicators of possible impairment with management and challenging the validity and completeness of indicators identified, and assessing the impairment testing performed by management;
- Assessing management's identification of CGU(s) based on the Group's accounting policies and our understanding of the Group's business;
- Obtaining legal opinion and obtaining an understanding of the relevant rules and regulations surrounding the renewal of permits;
- Assessing the competence, expertise and objectivity of management's expert who assisted in calculating the recoverable amount of the CGU(s);
- Engaging a valuation expert in assisting us to assess the methodology used and the appropriateness of the key assumptions;
- Assessing whether the projected future cash flows used are within the confines of HKFRSs and are consistent with historical trends in financial performance, market developments and specific business plans; and
- Assessing the adequacy of the related disclosures made in the consolidated financial statements and determining whether that they are consistent with the requirements of accounting standards.

## KEY AUDIT MATTERS (continued)

| Key audit matter | How our audit addressed the key audit matter |
|---|---|

***Impairment assessment on goodwill***

Refer to notes 18 and 19 to the consolidated financial statements and the accounting policies in note 3 to the consolidated financial statements.

There is a risk that the carrying value of goodwill may not be recoverable in full through the future cash flows to be generated from the relevant CGU(s) to which goodwill has been allocated. In order to assess the recoverable amount of goodwill, the Group, with reference to valuations performed by an independent professional valuer calculated the value in use of the relevant CGU(s). The calculations require the Group to estimate the expected future cash flows from the CGU(s) and to choose a suitable discount rate for each CGU(s) in order to calculate the present values of those cash flows. The impairment assessment of goodwill is dependent on certain significant inputs and estimations that involve management's judgments.

Based on the impairment assessment, the Group recognized an impairment loss of approximately HK$338,100,000 in relation to goodwill allocated to the loan financing activities' CGU.

Our procedures included:

- Examining the determination of recoverable amount which is the value in use of the CGU(s) to which goodwill has been allocated and obtaining an understanding of financial position and future prospect of the CGU(s);
- Evaluating the reasonableness of key inputs and assumptions used by management in estimations of value in use, including projections of cash flow, growth rate and discount rates applied;
- Assessing the competence, expertise and objectivity of the management's expert who assisted in calculating the recoverable amount of the CGU(s);
- Engaging a valuation expert in assisting us to assess the methodology used and the appropriateness of the key assumptions;
- Assessing the value in use calculations methodologies adopted by the management; and
- Reconciling input data to supporting evidence, such as approved budgets and considering the reasonableness of these budgets.

## KEY AUDIT MATTERS (continued)

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| *Impairment assessment on loans receivables* | |
| Refer to note 22 to the consolidated financial statements and the accounting policies in note 3 to the consolidated financial statements. | |
| The Group adopts an individual impairment assessment approach in respect of individually significant loans or impaired loans as to whether there are objective evidence of impairment becomes apparent in a loan; and a collective impairment assessment approach in respect of loans not individually significant or not individually impaired. Under the collective approach, the assessment of future cash flows for loan portfolios would be based on the historical loss experience of loans with similar credit risk characteristics, with adjustments based on economic factors and judgmental overlays. Parameters associate with the historical loss experience include probability of default, loss given default and loss identification period. | Our procedures included:<br>• Obtaining an understanding and evaluating the methodologies and assumptions used by the Group in assessing impairment allowances;<br>• Comparing individual loan and guarantee information, on a sample basis, with the underlying loan and guarantee agreements and other related documentation to assess the presentation of the information in the loans receivables schedule and the guarantee list; and<br>• Comparing the total balances of the loan receivables schedule and the guarantee list, which contain information used by management to assess impairment losses. |

## OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditors' report thereon ("**Other Information**").

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

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

## RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

## AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

## AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

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

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

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

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

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

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

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

## AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

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

The engagement director on the audit resulting in this independent auditors' report is Kwok Kin Leung.

**HLB Hodgson Impey Cheng Limited**
*Certified Public Accountants*

**Kwok Kin Leung**
Practising Certificate Number: P05769

Hong Kong, 29 June 2017

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2017

| | Notes | 2017<br>HK$'000 | 2016<br>HK$'000 |
|---|---|---|---|
| Revenue | 5 | 27,563 | 37,892 |
| Cost of sales | | (615) | (4,787) |
| Gross profit | | 26,948 | 33,105 |
| Other income and gain | 7 | 339 | 4,126 |
| General and administrative expenses | | (48,891) | (41,212) |
| Impairment loss of exploration and evaluation assets | 17 | (394,899) | – |
| Impairment loss of goodwill | 18 | (338,100) | (171,806) |
| Loss on early redemption of convertible bonds | 29 | (530) | – |
| Loss on early redemption of promissory notes | 30 | – | (3,025) |
| Finance costs | 8 | (14,249) | (15,760) |
| Loss before tax | | (769,382) | (194,572) |
| Income tax expense | 9 | (1,425) | (3,246) |
| **Loss for the year** | 10 | (770,807) | (197,818) |
| **Other comprehensive expense** | | | |
| *Items that may be reclassified subsequently to profit or loss:* | | | |
| Exchange differences on translating foreign operations | | (73,572) | (71,632) |
| Other comprehensive expense for the year, net of income tax | | (73,572) | (71,632) |
| **Total comprehensive expense for the year** | | (844,379) | (269,450) |
| **Loss attributable to:** | | | |
| Owners of the Company | | (735,488) | (194,039) |
| Non-controlling interests | | (35,319) | (3,779) |
| | | (770,807) | (197,818) |
| **Total comprehensive expense attributable to:** | | | |
| Owners of the Company | | (805,733) | (262,694) |
| Non-controlling interests | | (38,646) | (6,756) |
| | | (844,379) | (269,450) |
| **Loss per share** | 14 | | |
| Basic and diluted (HK cents per share) | | (56.80) | (17.77) |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2017

| | Notes | 2017<br>HK$'000 | 2016<br>HK$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 15 | 75,622 | 83,572 |
| Other intangible assets | 16 | 123,777 | 131,912 |
| Exploration and evaluation assets | 17 | 21,449 | 443,892 |
| Goodwill | 18 | 121,123 | 473,738 |
| Other assets | 20 | 205 | – |
| | | 342,176 | 1,133,114 |
| **Current assets** | | | |
| Inventories | 21 | 7,193 | 5,806 |
| Loans receivables | 22 | 210,675 | 134,815 |
| Trade and other receivables | 23 | 3,729 | 4,776 |
| Financial assets at fair value through profit or loss | 24 | 42 | – |
| Bank balances and cash | | | |
| – General accounts and cash | 25 | 34,549 | 123,182 |
| – Trust accounts | 25 | 573 | – |
| | | 256,761 | 268,579 |
| **Current liabilities** | | | |
| Trade and other payables | 26 | 18,644 | 16,563 |
| Amounts due to non-controlling interests of subsidiaries | 27 | 8,006 | 8,953 |
| Amounts due to related parties | 28 | 9,695 | 5,219 |
| Tax payable | | 5,559 | 4,707 |
| | | 41,904 | 35,442 |
| **Net current assets** | | 214,857 | 233,137 |
| **Total assets less current liabilities** | | 557,033 | 1,366,251 |
| **Non-current liabilities** | | | |
| Convertible bonds | 29 | 80,996 | 89,129 |
| Provision for restoration costs | 31 | 358 | 382 |
| Deferred tax liabilities | 32 | 35,924 | 42,745 |
| | | 117,278 | 132,256 |
| **Net assets** | | 439,755 | 1,233,995 |
| **Capital and reserves** | | | |
| Share capital | 33 | 13,977 | 11,311 |
| Reserves | | 411,803 | 1,170,063 |
| Equity attributable to owners of the Company | | 425,780 | 1,181,374 |
| Non-controlling interests | | 13,975 | 52,621 |
| **Total equity** | | 439,755 | 1,233,995 |

The consolidated financial statements were approved and authorized for issue by the board of directors on 29 June 2017 and are signed on its behalf by:

Leung Ngai Man
*Director*

Wong Li Fong
*Director*

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2017

| | Attributable to owners of the Company | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital HK$'000 | Share premium HK$'000 | Convertible bonds equity reserve HK$'000 | Share options reserve HK$'000 | Shareholder's contribution HK$'000 | Foreign currency translation reserve HK$'000 | Capital redemption reserve HK$'000 *(Note (ii))* | Other reserve HK$'000 *(Note (i))* | Accumulated losses HK$'000 | Subtotal HK$'000 | Attributable to non-controlling interests HK$'000 | Total HK$'000 |
| Balance at 1 April 2015 | 10,046 | 1,666,642 | 42,050 | 65,822 | 12,640 | 141,884 | 1,020 | 249,089 | (775,344) | 1,413,849 | 59,377 | 1,473,226 |
| Loss for the year | – | – | – | – | – | – | – | – | (194,039) | (194,039) | (3,779) | (197,818) |
| Other comprehensive expense for the year | – | – | – | – | – | (68,655) | – | – | – | (68,655) | (2,977) | (71,632) |
| Total comprehensive expense for the year | – | – | – | – | – | (68,655) | – | – | (194,039) | (262,694) | (6,756) | (269,450) |
| Release of reserve upon share options lapsed | – | – | – | (10,169) | – | – | – | – | 10,169 | – | – | – |
| Conversion of convertible bonds | 1,265 | 42,279 | (16,550) | – | – | – | – | – | – | 26,994 | – | 26,994 |
| Deferred tax relating to convertible bonds | – | – | 3,225 | – | – | – | – | – | – | 3,225 | – | 3,225 |
| Balance at 31 March 2016 | 11,311 | 1,708,921 | 28,725 | 55,653 | 12,640 | 73,229 | 1,020 | 249,089 | (959,214) | 1,181,374 | 52,621 | 1,233,995 |

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2017

| | Attributable to owners of the Company | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital HK$'000 | Share premium HK$'000 | Convertible bonds equity reserve HK$'000 | Share options reserve HK$'000 | Shareholder's contribution HK$'000 | Foreign currency translation reserve HK$'000 | Capital redemption reserve HK$'000 *(Note (ii))* | Other reserve HK$'000 *(Note (i))* | Accumulated losses HK$'000 | Subtotal HK$'000 | Attributable to non-controlling interests HK$'000 | Total HK$'000 |
| Balance at 1 April 2016 | 11,311 | 1,708,921 | 28,725 | 55,653 | 12,640 | 73,229 | 1,020 | 249,089 | (959,214) | 1,181,374 | 52,621 | 1,233,995 |
| Loss for the year | – | – | – | – | – | – | – | – | (735,488) | (735,488) | (35,319) | (770,807) |
| Other comprehensive expense for the year | – | – | – | – | – | (70,245) | – | – | – | (70,245) | (3,327) | (73,572) |
| Total comprehensive expense for the year | – | – | – | – | – | (70,245) | – | – | (735,488) | (805,733) | (38,646) | (844,379) |
| Release of reserve upon share options lapsed | – | – | – | (50,979) | – | – | – | – | 50,979 | – | – | – |
| Issue of new ordinary shares | 1,964 | 31,036 | – | – | – | – | – | – | – | 33,000 | – | 33,000 |
| Transaction costs attributable to issue of new ordinary shares | – | (1,356) | – | – | – | – | – | – | – | (1,356) | – | (1,356) |
| Conversion of convertible bonds | 702 | 24,186 | (6,738) | – | – | – | – | – | – | 18,150 | – | 18,150 |
| Redemption of convertible bonds | – | – | (1,842) | – | – | – | – | – | 604 | (1,238) | – | (1,238) |
| Deferred tax relating to convertible bonds | – | – | 1,583 | – | – | – | – | – | – | 1,583 | – | 1,583 |
| Balance at 31 March 2017 | 13,977 | 1,762,787 | 21,728 | 4,674 | 12,640 | 2,984 | 1,020 | 249,089 | (1,643,119) | 425,780 | 13,975 | 439,755 |

*Notes:*

(i) Other reserve represents the difference between the consideration paid for the additional interests in a subsidiary and the non-controlling interests' share of the assets and liabilities reflected in the consolidated statement of financial position at the date of the acquisition of the non-controlling interests.

(ii) Capital redemption reserve represents the nominal value of the share capital of the Company repurchased and canceled.

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2017

| | 2017<br>HK$'000 | 2016<br>HK$'000 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Loss for the year | (770,807) | (197,818) |
| Adjustments for: | | |
| Income tax expense recognized in profit or loss | 1,425 | 3,246 |
| Finance costs recognized in profit or loss | 14,249 | 15,760 |
| Interest income on bank deposits | (176) | (837) |
| Loss on early redemption of convertible bonds | 530 | – |
| Loss on early redemption of promissory notes | – | 3,025 |
| Loss on disposal of property, plant and equipment | 315 | – |
| Unrealized gain on financial assets at fair value through profit or loss | (2) | – |
| Depreciation of property, plant and equipment | 6,153 | 7,389 |
| Amortization of other intangible assets | 460 | 858 |
| Impairment loss of exploration and evaluation assets | 394,899 | – |
| Impairment loss of goodwill | 338,100 | 171,806 |
| Impairment loss of trade receivables | – | 1,072 |
| | (14,854) | 4,501 |
| Movements in working capital | | |
| (Increase)/decrease in inventories | (1,387) | 1,647 |
| (Increase)/decrease in loans receivables | (75,860) | 64,601 |
| Decrease/(increase) in trade and other receivables | 1,752 | (1,111) |
| Decrease in trust bank accounts | 922 | – |
| Decrease in trade and other payables | (175) | (1,632) |
| Decrease in amounts due to non-controlling interests of subsidiaries | (947) | (465) |
| Increase in amounts due to related parties | 4,476 | 224 |
| Cash (used in)/generated from operations | (86,073) | 67,765 |
| Hong Kong Profits Tax refunded | – | 2 |
| PRC Enterprise Income Tax paid | (3,568) | (4,655) |
| PRC Enterprise Income Tax refunded | – | 18 |
| **Net cash (used in)/generated by operating activities** | (89,641) | 63,130 |

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2017

| | Notes | 2017 HK$'000 | 2016 HK$'000 |
|---|---|---|---|
| **Cash flows from investing activities** | | | |
| Interest received on bank deposits | | 176 | 837 |
| Payments for property, plant and equipment | | (2,756) | (47) |
| Proceeds from disposal of property, plant and equipment | | 9 | – |
| Purchases of unlisted financial instruments | | – | (67,541) |
| Release of unlisted financial instruments | | – | 67,717 |
| Net cash outflow on acquisition of a subsidiary | 37 | (16,452) | – |
| **Net cash (used in)/generated by investing activities** | | (19,023) | 966 |
| **Cash flows from financing activities** | | | |
| Proceeds from issue of ordinary shares under share placing | | 33,000 | – |
| Payment for transaction costs attributable to issue of new ordinary shares | | (1,356) | – |
| Repayment of convertible bonds | 29 | (6,000) | – |
| Repayment of promissory note | 30 | – | (10,000) |
| **Net cash generated by/(used in) financing activities** | | 25,644 | (10,000) |
| **Net (decrease)/increase in cash and cash equivalents** | | (83,020) | 54,096 |
| Cash and cash equivalents at the beginning of year | | 123,182 | 74,722 |
| Effect of foreign exchange rate changes, net | | (5,613) | (5,636) |
| **Cash and cash equivalents at the end of year** | 25 | 34,549 | 123,182 |

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

## 1. GENERAL

Sino Prosper (Group) Holdings Limited (the "**Company**") was incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The addresses of the registered office and principal place of business in Hong Kong of the Company are disclosed in the corporate information section of the annual report.

During the year ended 31 March 2017, the Company and its subsidiaries (together referred to as the "**Group**") were involved in the following principal activities:

– investment holding, investment in energy and natural resources (including precious metals) related projects

– provision of loan financing and investment and management consultation services in the People's Republic of China ("**PRC**")

– provision of advising on securities and securities dealing and brokerage services in Hong Kong

The consolidated financial statements are presented in Hong Kong dollars ("**HK$**"), which is the same as the functional currency of the Company and all values are rounded to the nearest thousand except when otherwise indicated.

## 2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") for the first time in the current year:

| | |
|---|---|
| HKFRS 14 | *Regulatory Deferral Accounts* |
| Amendments to HKFRSs | *Annual Improvements to HKFRSs 2012–2014 Cycle* |
| Amendments to HKFRS 10, HKFRS 12 and HKAS 28 | *Investment Entities: Applying the Consolidation Exception* |
| Amendments to HKFRS 11 | *Accounting for Acquisitions of Interests in Joint Operations* |
| Amendments to HKAS 1 | *Disclosure Initiative* |
| Amendments to HKAS 16 and HKAS 38 | *Clarification of Acceptable Methods of Depreciation and Amortization* |
| Amendments to HKAS 16 and HKAS 41 | *Agriculture: Bearer Plants* |
| Amendments to HKAS 27 | *Equity Method in Separate Financial Statements* |

## 2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

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

### New and amendments to HKFRSs in issue but not yet effective

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

| | |
|---|---|
| HKFRS 9 | *Financial Instruments*[2] |
| HKFRS 15 | *Revenue from Contracts with Customers*[2] |
| HKFRS 16 | *Leases*[3] |
| Amendments to HKFRSs | *Annual Improvements to HKFRSs 2014-2016 Cycle*[5] |
| Amendments to HKFRS 2 | *Classification and Measurement of Share-based Payment Transactions*[2] |
| Amendments to HKFRS 4 | *Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[2] |
| Amendments to HKFRS 10 and HKAS 28 | *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4] |
| Amendments to HKFRS 15 | *Clarifications to HKFRS 15 Revenue from Contracts with Customers*[2] |
| Amendments to HKAS 7 | *Disclosure Initiative*[1] |
| Amendments to HKAS 12 | *Recognition of Deferred Tax Assets for Unrealized Losses*[1] |
| Amendments to HKAS 40 | *Transfers of Investment Property*[2] |
| HK(IFRIC) – Int 22 | *Foreign Currency Transactions and Advance Consideration*[2] |

1 Effective for annual periods beginning on or after 1 January 2017.
2 Effective for annual periods beginning on or after 1 January 2018.
3 Effective for annual periods beginning on or after 1 January 2019.
4 Effective for annual periods beginning on or after a date to be determined.
5 Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate.

## 2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

### New and amendments to HKFRSs in issue but not yet effective (continued)

*HKFRS 9 Financial Instruments*

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 are described as below:

- All recognized financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

## 2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

### New and amendments to HKFRSs in issue but not yet effective (continued)

#### *HKFRS 9 Financial Instruments (continued)*

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in HKAS 39. Under HKFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the retrospective quantitative effectiveness test has been removed. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors of the Company anticipate that the application of HKFRS 9 in the future may have an impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until the Group performs a detailed review.

#### *HKFRS 15 Revenue from Contracts with Customers*

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

## 2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

### New and amendments to HKFRSs in issue but not yet effective (continued)

#### *HKFRS 15 Revenue from Contracts with Customers (continued)*

Under HKFRS 15, an entity recognizes revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company anticipate that the application of HKFRS 15 in the future may have an impact on the amounts reported as the timing of revenue recognition may be affected and the amounts of revenue recognized are subject to variable consideration constraints, and more disclosures relating to revenue is required. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

#### *HKFRS 16 Leases*

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 *Leases* and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognized for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Furthermore, the classification of cash flows will also be affected as operating lease payments under HKAS 17 are presented as operating cash flows; whereas under the HKFRS 16 model, the lease payments will be split into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease. Furthermore, extensive disclosures are required by HKFRS 16.

## 2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

### New and amendments to HKFRSs in issue but not yet effective (continued)

*HKFRS 16 Leases (continued)*

As at 31 March 2017, the Group as lessee has non-cancelable operating lease commitments of approximately HK$1,025,000 as disclosed in note 38. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognize a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. The directors of the Company anticipate that the application of HKFRS 16 in the future will have a material impact on the Group's consolidated financial statements; however, it is not practicable to provide a reasonable estimate of the effect until the Group performs a detailed review.

*Amendments to HKFRS 10 and HKAS 28 (2011) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments to HKFRS 10 *Consolidated Financial Statements* and *HKAS 28 Investments in Associates and Joint Ventures* deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognized in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognized in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The directors of the Company anticipate that the application of these amendments to HKFRS 10 and HKAS 28 may have an impact on the Group's consolidated financial statements in future periods should such transactions arise.

Except as described above, the directors of the Company do not anticipate that the application of other new and amendments to HKFRSs will have a material impact on the Group's consolidated financial statements.

## 3. SIGNIFICANT ACCOUNTING POLICIES

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

The preparation of the consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4 below.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

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

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

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

The principal accounting policies are set out below.

### Basis of consolidation

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

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

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

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

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

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

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

# 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

## Basis of consolidation (continued)

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

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

## Changes in the Group's ownership interests in existing subsidiaries

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

When the Group loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

## Business combinations

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

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

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;

# 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

## Business combinations (continued)

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

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

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments made against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at subsequent reporting dates, with the corresponding gain or loss being recognized in profit or loss.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Business combinations (continued)

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

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), and additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

### Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) ("CGU(s)") that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of the reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

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

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Subsidiaries

Subsidiaries are entities over which the Group has the power to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are excluded from consolidation from the date that control ceases.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less any impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

### Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue from the sale of goods is recognized when the goods are delivered and titles have passed, at which time the following conditions are satisfied:

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

Service income is recognized when services are rendered.

Commission from securities dealing and brokerage services are recognized on the transaction date when the relevant transactions are executed.

Financial advisory fee income is recognized when the services are rendered.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Revenue recognition (continued)

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

### Leasing

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

*The Group as lessee*

Assets held under finance leases are initially recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Group's general policy on borrowing costs (see the accounting policy below). Contingent rentals are recognized as expenses in the periods in which they are incurred.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Leasing (continued)

#### *Leasehold land and building*

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortized over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease.

### Foreign currencies

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

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognized in profit or loss in the period in which they arise, except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the Group's interests.

# 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

## Foreign currencies (continued)

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity under the heading of foreign currency translation reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognized in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets acquired and liabilities assumed through acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognized in other comprehensive income.

## Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

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

# 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

## Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme are recognized as an expense when employees have rendered service entitling them to the contributions.

Pursuant to the relevant regulations of the government of the PRC, subsidiaries of the Company operating in the PRC participate in a local municipal government retirement benefits scheme (the "**PRC Scheme**"), whereby the subsidiaries are required to make contributions, as calculated under the rules specified by the relevant PRC local government authorities, to the PRC Scheme to fund their retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of the subsidiaries. The only obligation of the Group with respect to the PRC Scheme is to pay the ongoing required contributions under the PRC Scheme mentioned above. Contributions under the PRC Scheme are charged to the consolidated statement of profit or loss and other comprehensive income as incurred. There are no provisions under the PRC Scheme whereby forfeited contributions may be used to reduce future contributions.

## Share-based payment arrangements

### *Equity-settled share-based payment transactions*

#### Share options granted to employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share options reserve). At the end of each reporting period, the Group revises its estimates of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve. For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognized in share options reserve will be transferred to share premium. When share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognized in share options reserve will be transferred to accumulated losses.

# 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

## Share-based payment arrangements (continued)

*Equity-settled share-based payment transactions (continued)*

**Share options granted to suppliers/consultants**

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service. The fair values of goods or services received are recognized as expenses, with a corresponding increase in equity (share options reserve), when the Group obtains the goods or when the counterparties render services, unless the goods or services qualify for recognition as assets.

## Taxation

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

*Current tax*

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

*Deferred tax*

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

# 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

## Taxation (continued)

### *Deferred tax (continued)*

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

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

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

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

### *Current and deferred tax for the year*

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

## Property, plant and equipment

Property, plant and equipment including buildings and leasehold land held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress as described below) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Property, plant and equipment (continued)

Depreciation is recognized so as to write off the cost of assets (other than construction in progress and mining structures) less their residual values over their estimated useful lives, using the straight-line method, as follows:

| | | |
|---|---|---|
| Leasehold land | : | Over the term of the lease |
| Buildings | : | Over the shorter of the term of lease or 50 years |
| Buildings at the mining site | : | 5 – 7 years |
| Leasehold improvements | : | 2 – 5 years |
| Plant and machinery | : | 2 – 7 years |
| Motor vehicles | : | 3 – 8 years |
| Furniture, fixtures and equipment | : | 2 – 5 years |

Mining structures are included in property, plant and equipment and are depreciated on the unit of production method utilizing only recoverable reserves as the depletion base and a proportion of resources available to be mined by the production equipment to the extent that such resources are considered to be economically recoverable.

Construction in progress represents buildings, mining structures, and plant and equipment in the course of construction for its own use purposes. Construction in progress is stated at cost less any identified impairment loss. Cost comprises construction expenditure and other direct costs attributable to such projects. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

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

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Intangible assets

#### *Intangible assets acquired separately*

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and any accumulated impairment losses. Amortization for intangible assets with finite useful lives is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

#### *Intangible assets acquired in a business combination*

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

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

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

### Mining rights

Mining rights are initially measured at cost. The carrying amount of exploration and evaluation assets is reclassified to mining rights when the technical feasibility and commercial viability of extracting mineral resources are demonstrable. Mining rights with finite useful lives are carried at costs less accumulated amortization and any identified impairment loss. The mining rights with finite useful lives are amortized on a unit of production basis over the estimated economic reserve of the mine.

# 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

## Exploration and evaluation assets

Exploration and evaluation assets are recognized at cost on initial recognition. Subsequent to initial recognition, exploration and evaluation assets are stated at cost less any accumulated impairment losses. Exploration and evaluation assets include the cost of exploration rights and the expenditures incurred in the search for mineral resources as well as the determination of the technical feasibility and commercial viability of extracting those resources. When the technical feasibility and commercial viability of extracting mineral resources become demonstrable, previously recognized exploration and evaluation assets are reclassified as either intangible assets or property, plant and equipment. These assets are assessed for impairment before reclassification, and any impairment loss is recognized in profit or loss.

## Impairment of exploration and evaluation assets

The carrying amount of the exploration and evaluation assets is reviewed annually and adjusted for impairment in accordance with HKAS 36 *Impairment of Assets* whenever one of the following events or changes in circumstances indicate that the carrying amount may not be recoverable (the list is not exhaustive):

- the period for which the Group has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;

- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;

- exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the Group has decided to discontinue such activities in the specific area; or

- sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

An impairment loss is recognized in profit or loss whenever the carrying amount of an asset exceeds its recoverable amount.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Impairment of tangible and intangible assets other than goodwill and exploration and evaluation assets

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

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

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

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognized immediately in profit or loss.

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

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Inventories

Inventories are stated at the lower of cost and net realizable value. Costs, which comprises all costs of purchase and, where applicable, cost of conversion and other direct costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the weighted average method. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

### Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

### Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

# 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

## Provision for restoration cost

The Group is required to incur costs for restoration of the land after the underground sites have been mined. Provision for restoration cost is recognized when the Group has a present obligation as a result of past event, and it is probable that the Group will be required to settle that obligation. Provision is measured by reference to relevant rules and regulations applicable in the PRC at the end of the reporting period, and is discounted to their present value where the effect is material.

Restoration cost is provided in the period in which the obligation is identified and is capitalized to the cost of mining structures. The cost is charged to profit or loss through depreciation of the assets, which are depreciated using the unit of production method based on actual production volume over the estimate economic reserve of the mine.

## Financial instruments

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

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

### *Financial assets*

Financial assets are classified into the following specified categories: financial assets "at fair value through profit or loss" ("**FVTPL**"), "held-to-maturity" investments, "available-for-sale" ("**AFS**") financial assets and "loans and receivables". The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

#### Effective interest method

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

# 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

## Financial instruments (continued)

### *Financial assets (continued)*

**Effective interest method (continued)**

Interest income is recognized on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL, of which interest income is included in net gains or losses.

**Financial assets at FVTPL**

Financial assets are classified as at FVTPL when the financial asset is (i) held for trading, or (ii) it is designated as at FTVPL, or (iii) contingent consideration that may be received by an acquirer as part of a business combination to which HKFRS 3 applies.

A financial asset is classified as held for trading if:

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

A financial asset other than a financial asset held for trading or contingent consideration that may be received by an acquirer as part of a business combination may be designated as at FVTPL upon initial recognition if:

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

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss includes any dividend or interest earned on the financial asset and is included in the other income and gain line item. Fair value is determined in the manner described in note 24.

# 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

## Financial instruments (continued)

### *Financial assets (continued)*

**Held-to-maturity investments**

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group has the positive intention and ability to hold to maturity.

Subsequent to initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest method, less any impairment (see the accounting policy on impairment losses on financial assets below).

**AFS financial assets**

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at FVTPL.

Equity and debt securities held by the Group that are classified as AFS financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of AFS monetary financial assets relating to interest income calculated using the effective interest method are recognized in profit or loss. Dividends on AFS equity investments are recognized in profit or loss when the Group's right to receive the dividends is established. Other changes in the carrying amount of AFS financial assets are recognized in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period (see the accounting policy in respect of impairment loss on financial assets below).

# 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

## Financial instruments (continued)

### *Financial assets (continued)*

**Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including other assets, loans receivables, financial assets included in trade and other receivables and bank balances and cash) are measured at amortized cost using the effective interest method, less any impairment (see the accounting policy on impairment loss on financial assets below).

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

**Impairment of financial assets**

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

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

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

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

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

# 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

## Financial instruments (continued)

### *Financial assets (continued)*

**Impairment of financial assets (continued)**

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

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods (see the accounting policy below).

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

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

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

In respect of AFS equity investments, impairment losses previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

# 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

## Financial instruments (continued)

### *Financial liabilities and equity instruments*

#### Classification as debt or equity

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

#### Equity instruments

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

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

#### Convertible bonds

The component parts of compound instruments (convertible bonds) issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortized cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognized and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognized in equity will be transferred to share premium. Where the conversion option remains unexercised at the maturity date of the convertible bonds, the balance recognized in equity will be transferred to accumulated losses. No gain or loss is recognized in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognized directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortized over the lives of the convertible bonds using the effective interest method.

# 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

## Financial instruments (continued)

### *Financial liabilities and equity instruments (continued)*

**Effective interest method**

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

Interest expense is recognized on an effective interest basis other than financial liabilities classified as at FVTPL, of which the interest expense is included in net gains or losses of the financial liabilities.

**Financial liabilities at FVTPL**

Financial liabilities are classified as at FVTPL when the financial liability is (i) held for trading, or (ii) it is designated as at FVTPL, or (iii) contingent consideration that may be paid by an acquirer as part of a business combination to which HKFRS 3 applies.

A financial liability is classified as held for trading if:

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

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

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

# 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

## Financial instruments (continued)

### *Financial liabilities and equity instruments (continued)*

**Financial liabilities at FVTPL (continued)**

- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss includes any interest paid on the financial liabilities.

**Financial liabilities at amortized cost**

Financial liabilities (including financial liabilities included in trade and other payables, amounts due to non-controlling interests of subsidiaries and amounts due to related parties) are subsequently measured at amortized cost using the effective interest method.

### *Derecognition*

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

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

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, canceled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person,

(i) has controls or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

# 4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

## Critical judgments in applying accounting policies

The following are the critical judgments, apart from those involving estimations (see below), that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements.

### *Renewal of exploration and mining right permits*

The Group through its non-wholly owned subsidiary, 黑龍江中誼偉業經貿有限公司 (transliterated as Heilongjiang Zhongyi Weiye Economic & Trade Co., Ltd.) ("**HZW**"), holds certain exploration permits of the mines (Paoshouying Mine and Dumuhe Mine) located at Hulin City, Heilongjiang Province, the PRC. The exploration permits relating to Paoshouying Mine and Dumuhe Mine, with license period of 2 years at date of issue, expired in April 2015. During the year ended 31 March 2016, HZW has submitted applications to Ministry of Land and Resources of the People's Republic of China (中華人民共和國國土資源部) ("**MLR**") for the renewals of the exploration permits relating to the above mines. According to applicable rules and regulations of the PRC, if the renewals of permits are approved and granted by relevant authorities, the exploration permits of Paoshouying Mine and Dumuhe Mine could be extended for a term of two years. However, up to the date of this report, the relevant authorities have not yet given consent to HZW for the renewals of the exploration permits. Taken into account of the legal opinion obtained from the PRC legal counsel regarding the probability and likelihood of the Group's entitlement to renew its exploration permits of Paoshouying Mine and Dumuhe Mine, the directors of the Company are of the opinion that the exploration and evaluation assets relating to Paoshouying Mine and Dumuhe Mine are fully impaired. The Group has recognized impairment loss of approximately HK$394,899,000 in relation to exploration and evaluation assets for the year ended 31 March 2017 (2016: Nil).

The Group owns a mining right permit with licence period of 3 years at date of issue and the renewal is subject to the approval by the relevant PRC authorities. In the opinion of the directors, after obtaining opinion from its legal counsel, the Group will be entitled to renew its mining right permit upon the expiration at minimal costs.

# 4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

## Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

### *Impairment loss of trade and other receivables*

The Group's policy for doubtful receivables is based on the on-going evaluation of the collectability and aging analysis of the trade and other receivables and on management's judgments. Considerable judgment is required in assessing the ultimate realization of these receivables, including the current creditworthiness and the past collection history of each debtor, and the present values of the estimated future cash flows discounted at the effective interest rates. If the financial conditions of the Group's debtors were to deteriorate, resulting in an impairment of their ability to make payments, additional impairment loss of trade and other receivables may be required.

### *Impairment loss of loans receivables*

The Group reviews its portfolios of loans receivables to assess impairment on a regular basis. In determining whether an impairment loss should be recorded in the consolidated statement of profit or loss and other comprehensive income, the Group makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans receivables before the decrease can be identified with an individual loan receivable in those portfolios. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the Group.

For loans receivables for which no individual impairment are observed, management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the loan portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

### *Estimated impairment of property, plant and equipment*

The Group evaluates whether items of property, plant and equipment have suffered any impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable, in accordance with the stated accounting policy. The recoverable amounts of cash-generating units have been determined based on value in use calculations. These calculations require the use of estimates.

## 4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

### Key sources of estimation uncertainty (continued)

#### *Estimated useful lives of property, plant and equipment*

Management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. These estimates are based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charges where useful lives are less than previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

#### *Ore reserve and resources estimates*

The estimated quantities of economically recoverable reserves and resources are based upon interpretations of geological and geophysical models and require assumptions to be made regarding factors such as estimates of future operating performance, future capital requirements, short and long term commodity prices, and short and long term exchange rates. Changes in reserves and resources estimates impact the carrying value of property, plant and equipment, provision for restoration costs, as well as the amount of depreciation and amortization recognized.

#### *Impairment review of goodwill*

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating units and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 March 2017, the carrying amount of goodwill is approximately HK$121,123,000 (2016: HK$473,738,000). Details of the recoverable amounts calculation are disclosed in note 19.

#### *Impairment of mining rights and exploration and evaluation assets*

The carrying amounts of mining rights and exploration and evaluation assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amounts may not be recoverable in accordance with the accounting policy as disclosed in note 3. The recoverable amounts of these assets, or, where appropriate, the cash-generating units to which they belong, are calculated as the higher of its fair value less costs of disposal and value in use. Estimating the value in use requires the Group to estimate the expected future cash flows from the cash-generating units and to choose a suitable discount rate in order to calculate the present value of those cash flows.

## 4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

### Key sources of estimation uncertainty (continued)

*Provision for restoration costs*

Provision for restoration costs has been estimated by the directors of the Company by reference to the current regulatory requirements and the area affected estimated by the management. Significant changes in the regulatory requirements in relation to such costs will result in changes to the provision amount from period to period. In addition, the expected timing of cash outflows of such restoration costs are estimated based on the expected completion date of the mines and is subject to any significant changes to the production plan. As at 31 March 2017, the balance of provision for restoration costs was approximately HK$358,000 (2016: HK$382,000).

*Net realizable value of inventories*

Net realizable value of inventories is the estimated selling price for inventories less all estimated costs of completion and the costs necessary to make the sale. These estimates are based on the current market condition as at the end of the reporting period and the historical experience of manufacturing and selling of products of similar nature.

## 5. REVENUE

An analysis of the Group's revenue for the year is as follows:

| | 2017<br>HK$'000 | 2016<br>HK$'000 |
|---|---|---|
| Revenue from sales of silver concentrates | – | 198 |
| Revenue from sales of bronze concentrates | – | 101 |
| Revenue from sales of gold | 203 | 2,872 |
| Interest income from loan financing activities | 15,515 | 18,132 |
| Consultancy services income | 9,523 | 16,589 |
| Commission from securities dealing and brokerage services | 17 | – |
| Financial advisory fee income | 2,305 | – |
| | 27,563 | 37,892 |

## 6. SEGMENT INFORMATION

Information reported to the board of directors of the Company, being the chief operating decision maker (the "**CODM**"), for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided.

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

(a) investment in energy and natural resources (including precious metals) related projects;

(b) the money lending segment represents provision of loan financing and investment and management consultation services in the PRC ("**Money lending**"); and

(c) financial services segment comprises provision of advising on securities and securities dealing and brokerage services in Hong Kong ("**Financial services**").

During the year ended 31 March 2017, the Group has introduced a new reportable segment, financial services as a result of the acquisition of SP Securities Limited, details of which are disclosed in note 37 to the consolidated financial statements.

### Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segment:

| | Financial services | | Investment in energy and natural resources (including precious metals) related projects | | Money lending | | Total | |
|---|---|---|---|---|---|---|---|---|
| | **2017** | 2016 | **2017** | 2016 | **2017** | 2016 | **2017** | 2016 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Segment revenue: | | | | | | | | |
| Revenue from external customers | **2,322** | – | **203** | 3,171 | **25,038** | 34,721 | **27,563** | 37,892 |
| Segment loss | **(1,891)** | – | **(403,136)** | (8,348) | **(320,260)** | (145,903) | **(725,287)** | (154,251) |
| Interest on bank deposits, other income and gain | | | | | | | **339** | 4,126 |
| Loss on early redemption of convertible bonds | | | | | | | **(530)** | – |
| Loss on early redemption of promissory notes | | | | | | | **–** | (3,025) |
| Finance costs | | | | | | | **(14,249)** | (15,760) |
| Central administration costs | | | | | | | **(29,655)** | (25,662) |
| Loss before tax | | | | | | | **(769,382)** | (194,572) |

# 6. SEGMENT INFORMATION (continued)

## Segment revenue and results (continued)

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current year (2016: Nil).

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment loss represents the loss incurred by each segment without allocation of interest on bank deposits, other income and gain, loss on early redemption of convertible bonds, loss on early redemption of promissory notes, finance costs and central administration costs. This is the measure reported to the CODM for the purposes of resource allocation and assessment of segment performance.

## Segment assets and liabilities

| | Financial services | | Investment in energy and natural resources (including precious metals) related projects | | Money lending | | Total | |
|---|---|---|---|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| Segment assets | 26,419 | – | 313,902 | 758,230 | 240,298 | 618,858 | 580,619 | 1,377,088 |
| Corporate and unallocated assets | | | | | | | 18,318 | 24,605 |
| Consolidated assets | | | | | | | 598,937 | 1,401,693 |
| Segment liabilities | 1,306 | – | 50,274 | 48,825 | 3,833 | 3,327 | 55,413 | 52,152 |
| Corporate and unallocated liabilities | | | | | | | 103,769 | 115,546 |
| Consolidated liabilities | | | | | | | 159,182 | 167,698 |

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

- all assets are allocated to operating segments other than other unallocated head office and corporate assets. Other intangible assets, exploration and evaluation assets, goodwill and other assets are allocated to operating segments; and

- all liabilities are allocated to operating segments other than convertible bonds and other unallocated head office and corporate liabilities.

# 6. SEGMENT INFORMATION (continued)

## Other segment information

| | Financial services | | Investment in energy and natural resources (including precious metals) related projects | | Money lending | | Total | |
|---|---|---|---|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| *Amounts included in the measure of segment profit or loss:* | | | | | | | | |
| Depreciation | 158 | – | 5,603 | 6,861 | 344 | 334 | 6,105 | 7,195 |
| Unallocated depreciation | | | | | | | 48 | 194 |
| | | | | | | | 6,153 | 7,389 |
| Amortization of other intangible assets | – | – | 430 | 826 | 30 | 32 | 460 | 858 |
| Impairment loss of trade receivables | – | – | – | – | – | 1,072 | – | 1,072 |
| Impairment loss of exploration and evaluation assets | – | – | 394,899 | – | – | – | 394,899 | – |
| Impairment loss of goodwill | – | – | – | – | 338,100 | 171,806 | 338,100 | 171,806 |
| Additions to non-current assets* | 1,637 | – | 2,532 | 16 | 162 | 31 | 4,331 | 47 |
| Unallocated | | | | | | | 13 | – |
| Total additions to non-current assets | | | | | | | 4,344 | 47 |

* *Additions to non-current assets (excluding goodwill) consist of additions to property, plant and equipment and other intangible assets, including assets from the acquisition of subsidiary.*

# 6. SEGMENT INFORMATION (continued)

## Geographical information

The Company is domiciled in the Cayman Islands with the Group's major operations in Hong Kong and the PRC.

The Group's revenue from external customers and information about its non-current assets by geographical location are detailed below:

| | Revenue from external customers | | Non-current assets | |
|---|---|---|---|---|
| | 2017 HK$'000 | 2016 HK$'000 | 2017 HK$'000 | 2016 HK$'000 |
| Hong Kong | 2,322 | – | 16,088 | 82 |
| PRC | 25,241 | 37,892 | 326,088 | 1,133,032 |
| | 27,563 | 37,892 | 342,176 | 1,133,114 |

## Information about major customers

Revenue from customers of corresponding years contributing over 10% of total revenue of the Group is as follows:

| | 2017 HK$'000 | 2016 HK$'000 |
|---|---|---|
| Customer A | 9,261 | 10,933 |
| Customer B | N/A[1] | 4,583 |
| | 9,261 | 15,516 |

[1] The corresponding revenue did not contribute over 10% of the total revenue of the Group.

For the year ended 31 March 2017, there was one (2016: two) customer with revenue which accounted for more than 10% of the total revenue related to Money lending segment.

# 7. OTHER INCOME AND GAIN

| | 2017<br>HK$'000 | 2016<br>HK$'000 |
|---|---|---|
| Interest income on bank deposits | 176 | 837 |
| Unrealized gain on financial assets at fair value through profit or loss | 2 | – |
| Sundry income | 161 | 3,289 |
| | 339 | 4,126 |

# 8. FINANCE COSTS

| | 2017<br>HK$'000 | 2016<br>HK$'000 |
|---|---|---|
| Effective interest on convertible bonds | 14,249 | 15,314 |
| Effective interest on promissory notes | – | 446 |
| | 14,249 | 15,760 |

No interest was capitalized during the year ended 31 March 2017 (2016: Nil).

# 9. INCOME TAX EXPENSE

## Income tax recognized in profit or loss

| | 2017<br>HK$'000 | 2016<br>HK$'000 |
|---|---|---|
| Current tax | | |
| Hong Kong Profits Tax | – | – |
| PRC Enterprise Income Tax | 3,730 | 4,928 |
| Deferred tax *(Note 32)* | (2,305) | (1,682) |
| Total income tax expense recognized in profit or loss | 1,425 | 3,246 |

Hong Kong Profits Tax is calculated at 16.5% (2016: 16.5%) of the estimated assessable profit for both years.

# 9. INCOME TAX EXPENSE (continued)

## Income tax recognized in profit or loss (continued)

Under the prevailing tax law in the PRC, PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% for both years. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

Notwithstanding the above, certain PRC subsidiaries were subject to PRC Enterprise Income Tax at the effective rate, ranging from 2.5% to 3.75% (2016: ranging from 2.5% to 3.75%) on revenue for the year ended 31 March 2017.

The tax expense for the year can be reconciled to the loss before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

| | 2017<br>HK$'000 | 2016<br>HK$'000 |
|---|---|---|
| Loss before tax | (769,382) | (194,572) |
| Tax at the Hong Kong Profits Tax rate of 16.5% (2016: 16.5%) | (126,948) | (32,104) |
| Tax effect of expenses not deductible for tax purpose | 129,135 | 33,493 |
| Tax effect of income not taxable for tax purpose | (56) | (697) |
| Tax effect of deductible temporary differences not recognized | (233) | 21 |
| Tax effect of estimated tax losses not recognized | 1,253 | 983 |
| Utilization of tax losses previously not recognized | (665) | – |
| Effect of different tax rates of group entities operating in other jurisdictions | (4,952) | (4,438) |
| Withholding tax on profits retained by the PRC subsidiaries | 161 | 1,060 |
| PRC Enterprise Income Tax | 3,730 | 4,928 |
| Income tax expense for the year | 1,425 | 3,246 |

## Income tax recognized directly in equity

| | 2017<br>HK$'000 | 2016<br>HK$'000 |
|---|---|---|
| Deferred tax: | | |
| Conversion of convertible bonds | 1,291 | 3,225 |
| Early redemption of convertible bonds | 292 | – |
| Total income tax recognized directly in equity | 1,583 | 3,225 |

# 10. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging:

| | 2017<br>HK$'000 | 2016<br>HK$'000 |
|---|---|---|
| Directors' emoluments | 12,892 | 7,792 |
| Employee benefits expense (excluding directors' emoluments) *(Note (i))* | | |
| – Salaries and other benefits in kind | 9,391 | 7,081 |
| – Contributions to retirement benefits schemes | 500 | 452 |
| Total staff costs | 22,783 | 15,325 |
| Auditors' remuneration | 1,670 | 1,460 |
| Amortization of other intangible assets included in general and administrative expenses | 460 | 858 |
| Cost of inventories recognized as expense | 615 | 4,612 |
| Depreciation of property, plant and equipment *(Note (ii))* | 6,153 | 7,389 |
| Impairment loss of trade receivables included in general and administrative expenses | – | 1,072 |
| Loss on disposal of property, plant and equipment | 315 | – |
| Minimum lease payments paid under operating leases in respect of land and buildings | 1,357 | 1,407 |
| Net foreign exchange losses | 8,520 | 7,388 |

*Notes:*

(i) Amounts excluded expenses capitalized in construction in progress of approximately HK$303,000 for the year ended 31 March 2017 (2016: Nil). Employee benefits expense of approximately HK$203,000 was capitalized in inventories for the year ended 31 March 2017 (2016: HK$687,000).

(ii) Depreciation of property, plant and equipment of approximately HK$1,682,000 was capitalized in inventories for the year ended 31 March 2017 (2016: HK$2,000,000).

## 11. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the five (2016: five) directors were as follows:

**For the year ended 31 March 2017**

| | Fees HK$'000 | Salaries and other benefits in kind HK$'000 | Equity-settled share–based payments HK$'000 | Contributions to retirement benefits schemes HK$'000 | Discretionary bonus HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|
| *Executive directors* | | | | | | |
| Mr. Leung Ngai Man | – | 7,540 | – | 18 | 5,000 | 12,558 |
| Ms. Wong Li Fong | – | 223 | – | 11 | 100 | 334 |
| *Independent non-executive directors* | | | | | | |
| Ms. Xuan Hong | – | – | – | – | – | – |
| Mr. Cai Wei Lun | – | – | – | – | – | – |
| Mr. Zhang Qingkui | – | – | – | – | – | – |
| Total emoluments | – | 7,763 | – | 29 | 5,100 | 12,892 |

For the year ended 31 March 2016

| | Fees HK$'000 | Salaries and other benefits in kind HK$'000 | Equity-settled share–based payments HK$'000 | Contributions to retirement benefits schemes HK$'000 | Discretionary bonus HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|
| *Executive directors* | | | | | | |
| Mr. Leung Ngai Man | – | 6,960 | – | 18 | 580 | 7,558 |
| Ms. Wong Li Fong | – | 224 | – | 10 | – | 234 |
| *Independent non-executive directors* | | | | | | |
| Ms. Xuan Hong | – | – | – | – | – | – |
| Mr. Cai Wei Lun | – | – | – | – | – | – |
| Mr. Zhang Qingkui | – | – | – | – | – | – |
| Total emoluments | – | 7,184 | – | 28 | 580 | 7,792 |

During the years ended 31 March 2017 and 2016, since the appointment of chief executive officer of the Company remains outstanding, no emoluments were paid to the chief executive officer of the Company.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2016: Nil).

## 12. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, one (2016: one) was director of the Company whose emoluments are included in the disclosures in note 11 above. The emoluments of the remaining four (2016: four) individuals were as follows:

| | 2017<br>HK$'000 | 2016<br>HK$'000 |
|---|---|---|
| Salaries and other benefits in kind | 2,829 | 2,428 |
| Discretionary bonuses | 200 | – |
| Contributions to retirement benefits schemes | 57 | 77 |
| | 3,086 | 2,505 |

Their emoluments fell within the following bands:

| | Number of employees | |
|---|---|---|
| | 2017 | 2016 |
| Nil – HK$1,000,000 | 3 | 3 |
| HK$1,000,001 – HK$1,500,000 | 1 | 1 |

During the year ended 31 March 2017, no emoluments were paid by the Group to any of the five highest paid individuals including directors, as an inducement to join or upon joining the Group or as compensation for loss of office (2016: Nil).

## 13. RETIREMENT BENEFITS SCHEMES

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "**MPF Scheme**") under the Hong Kong Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the consolidated statement of profit or loss and other comprehensive income as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees employed in the PRC subsidiaries are members of the state-managed retirement benefits schemes operated by the PRC government. The PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefits schemes is to make the required contributions under the schemes.

During the year ended 31 March 2017, the total amount contributed by the Group to the schemes and charged to the consolidated statement of profit or loss and other comprehensive income amounted to approximately HK$529,000 (2016: HK$480,000). At 31 March 2017, there were no forfeited contributions available for the Group to offset contributions payable in future years (2016: Nil).

## 14. LOSS PER SHARE

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

| | 2017<br>HK$'000 | 2016<br>HK$'000 |
|---|---|---|
| Loss | | |
| Loss for the year attributable to owners of the Company for the purposes of basic and diluted loss per share | (735,488) | (194,039) |

Number of shares

| | 2017<br>'000 | 2016<br>'000 |
|---|---|---|
| Weighted average number of ordinary shares for the purposes of basic and diluted loss per share | 1,294,949 | 1,091,686 |

The computation of diluted loss per share did not assume the exercise of the Company's potential ordinary shares granted under the Company's share option schemes and convertible bonds since their exercise would have an anti-dilutive effect.

# 15. PROPERTY, PLANT AND EQUIPMENT

| | Buildings at the mining site HK$'000 | Leasehold improvements HK$'000 | Mining structures HK$'000 | Plant and machinery HK$'000 | Motor vehicles HK$'000 | Furniture, fixtures and equipment HK$'000 | Construction in progress HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | |
| Balance at 1 April 2015 | 24,281 | 174 | 73,064 | 17,958 | 5,150 | 1,296 | 2,448 | 124,371 |
| Additions | – | – | – | 16 | – | 31 | – | 47 |
| Effect of foreign currency exchange differences | (1,207) | (8) | (3,608) | (958) | (206) | (47) | (121) | (6,155) |
| Balance at 31 March 2016 | 23,074 | 166 | 69,456 | 17,016 | 4,944 | 1,280 | 2,327 | 118,263 |
| Additions | – | 172 | – | 278 | – | 52 | 2,254 | 2,756 |
| Disposals | – | (397) | – | – | – | (42) | – | (439) |
| Transferred from construction in progress | – | – | – | 123 | – | – | (123) | – |
| Acquisition through business combination *(Note 37)* | – | 396 | – | – | – | 487 | – | 883 |
| Effect of foreign currency exchange differences | (1,441) | (7) | (4,310) | (1,153) | (246) | (57) | (187) | (7,401) |
| **Balance at 31 March 2017** | 21,633 | 330 | 65,146 | 16,264 | 4,698 | 1,720 | 4,271 | 114,062 |
| **Accumulated depreciation and impairment** | | | | | | | | |
| Balance at 1 April 2015 | 13,720 | 111 | 212 | 10,744 | 3,277 | 811 | – | 28,875 |
| Depreciation expense | 3,759 | 20 | 89 | 2,717 | 619 | 185 | – | 7,389 |
| Effect of foreign currency exchange differences | (749) | (8) | (12) | (647) | (128) | (29) | – | (1,573) |
| Balance at 31 March 2016 | 16,730 | 123 | 289 | 12,814 | 3,768 | 967 | – | 34,691 |
| Eliminated on disposals of assets | – | (113) | – | – | – | (2) | – | (115) |
| Depreciation expense | 3,125 | 161 | 21 | 2,258 | 404 | 184 | – | 6,153 |
| Effect of foreign currency exchange differences | (1,111) | (6) | (18) | (930) | (181) | (43) | – | (2,289) |
| Balance at 31 March 2017 | 18,744 | 165 | 292 | 14,142 | 3,991 | 1,106 | – | 38,440 |
| **Carrying amounts** | | | | | | | | |
| **Balance at 31 March 2017** | 2,889 | 165 | 64,854 | 2,122 | 707 | 614 | 4,271 | 75,622 |
| Balance at 31 March 2016 | 6,344 | 43 | 69,167 | 4,202 | 1,176 | 313 | 2,327 | 83,572 |

*Notes:*

(i) Amongst the depreciation expense of approximately HK$6,153,000 (2016: HK$7,389,000), approximately HK$1,682,000 (2016: HK$2,000,000) was capitalized in inventories, and approximately HK$4,471,000 (2016: HK$5,389,000) was included in general and administrative expenses.

(ii) Buildings at the mining site are located in the PRC.

## 16. OTHER INTANGIBLE ASSETS

| | Mining rights HK$'000 *(Note (a))* | License HK$'000 *(Note (b))* | Trading rights HK$'000 *(Note (c))* | Total HK$'000 |
|---|---|---|---|---|
| **Cost** | | | | |
| Balance at 1 April 2015 | 154,702 | 626 | – | 155,328 |
| Effect of foreign currency exchange differences | (7,639) | (31) | – | (7,670) |
| Balance at 31 March 2016 | 147,063 | 595 | – | 147,658 |
| Acquisition through business combination *(Note 37)* | – | – | 500 | 500 |
| Effect of foreign currency exchange differences | (9,125) | (37) | – | (9,162) |
| **Balance at 31 March 2017** | **137,938** | **558** | **500** | **138,996** |
| **Accumulated amortization** | | | | |
| Balance at 1 April 2015 | 15,627 | 48 | – | 15,675 |
| Charged for the year | 826 | 32 | – | 858 |
| Effect of foreign currency exchange differences | (784) | (3) | – | (787) |
| Balance at 31 March 2016 | 15,669 | 77 | – | 15,746 |
| Charged for the year | 430 | 30 | – | 460 |
| Effect of foreign currency exchange differences | (982) | (5) | – | (987) |
| **Balance at 31 March 2017** | **15,117** | **102** | **–** | **15,219** |
| **Carrying amounts** | | | | |
| **Balance at 31 March 2017** | **122,821** | **456** | **500** | **123,777** |
| Balance at 31 March 2016 | 131,394 | 518 | – | 131,912 |

## 16. OTHER INTANGIBLE ASSETS (continued)

*Notes:*

(a) The mining rights represent the rights to conduct mining activities pertains to gold mine ores in the PRC. The mining rights are amortized on a unit of production basis over the estimated economic reserve of the mine. Effective amortization rate for the year approximate to 0.3% (2016: 0.6%).

The mining rights with license period of 3 years at date of issue would be expired in May 2018. In the opinion of the directors of the Company, after obtaining opinion from its legal counsel, there are no legal impediments for the Group to renew its permit and the Group will be entitled to renew the mining rights upon the expiration at minimal costs.

During the year ended 31 March 2017, the directors of the Company performed an impairment assessment of the mining rights. The mining rights has been allocated to the gold mining activities' CGU for impairment assessment (note 19). Based on the assessment, in the opinion of the directors of the Company, the estimated recoverable amount of the mining rights was higher than its carrying amount and therefore, no impairment loss was recognized on the mining rights for the year ended 31 March 2017 (2016: Nil).

(b) The license represents the right for providing micro-financing services in Jilin City, the PRC. The license has finite useful life and are amortized on a straight line basis over the licensing period of 20 years. As at 31 March 2017, the license has a remaining licensing period of approximately 15.5 years (2016: 16.5 years).

(c) The trading rights are the eligibility rights to trade on or through the Stock Exchange. The trading rights have no foreseeable limit to the period over which the Group can use to generate net cash flows. As a result, the trading rights are considered by the management of the Group as having indefinite useful lives because they are expected to contribute to net cash inflows indefinitely. Accordingly, the trading rights are not amortized. Instead, they will be tested for impairment annually and whenever there is an indication that they may be impaired.

During the year ended 31 March 2017, the directors of the Company performed an impairment assessment of the trading rights. The trading rights have been allocated to the financial services activities' CGU for impairment assessment (note 19). Based on the assessment, in the opinion of the directors of the Company, the estimated recoverable amount of the trading rights was higher than its carrying amount and therefore, no impairment loss was recognized on the trading rights for the year ended 31 March 2017.

## 17. EXPLORATION AND EVALUATION ASSETS

| | HK$'000 |
|---|---|
| **Cost** | |
| Balance at 1 April 2015 | 1,179,601 |
| Effect of foreign currency exchange differences | (58,246) |
| Balance at 31 March 2016 | 1,121,355 |
| Effect of foreign currency exchange differences | (69,581) |
| **Balance at 31 March 2017** | **1,051,774** |
| **Accumulated impairment losses** | |
| Balance at 1 April 2015 | 712,652 |
| Effect of foreign currency exchange differences | (35,189) |
| Balance at 31 March 2016 | 677,463 |
| Impairment loss recognized | 394,899 |
| Effect of foreign currency exchange differences | (42,037) |
| **Balance at 31 March 2017** | **1,030,325** |
| **Carrying amounts** | |
| **Balance at 31 March 2017** | **21,449** |
| Balance at 31 March 2016 | 443,892 |

## 17. EXPLORATION AND EVALUATION ASSETS (continued)

The exploration and evaluation assets include costs of exploration rights, geological, geochemical and geophysical costs, drilling and exploration and evaluation expenses directly attributable to exploration activities.

The Group through its non-wholly owned subsidiary, HZW, holds certain exploration permits of the mines (Paoshouying Mine and Dumuhe Mine) located at Hulin City, Heilongjiang Province, the PRC. The exploration permits relating to Paoshouying Mine and Dumuhe Mine, with license period of 2 years at date of issue, expired in April 2015. During the year ended 31 March 2016, HZW has submitted applications to MLR for the renewals of the exploration permits relating to the above mines. According to applicable rules and regulations of the PRC, if the renewals of permits are approved and granted by relevant authorities, the exploration permits of Paoshouying Mine and Dumuhe Mine could be extended for a term of two years. However, up to the date of this report, the relevant authorities have not yet given consent to HZW for the renewals of the exploration permits. Taken into account of the legal opinion obtained from the PRC legal counsel regarding the probability and likelihood of the Group's entitlement to renew its exploration permits of Paoshouying Mine and Dumuhe Mine, the directors of the Company are of the opinion that the exploration and evaluation assets relating to Paoshouying Mine and Dumuhe Mine are fully impaired. The Group has recognized impairment loss of approximately HK$394,899,000 in relation to exploration and evaluation assets for the year ended 31 March 2017 (2016: Nil).

The remaining carrying amount of exploration and evaluation assets as at 31 March 2017 represents exploration and evaluation costs in Aohanqi, Inner Mongolia, the PRC in which the Group has been carrying out mining activities.

# 18. GOODWILL

| | HK$'000 |
|---|---|
| **Cost** | |
| Balance at 1 April 2015 | 679,075 |
| Effect of foreign currency exchange differences | (33,531) |
| Balance at 31 March 2016 | 645,544 |
| Amount recognized on acquisition of subsidiary occurred during the year *(Note 37)* | 14,880 |
| Effect of foreign currency exchange differences | (40,056) |
| **Balance at 31 March 2017** | **620,368** |
| **Accumulated impairment losses** | |
| Balance at 1 April 2015 | – |
| Impairment loss recognized | 171,806 |
| Balance at 31 March 2016 | 171,806 |
| Impairment loss recognized | 338,100 |
| Effect of foreign currency exchange differences | (10,661) |
| **Balance at 31 March 2017** | **499,245** |
| **Carrying amounts** | |
| **Balance at 31 March 2017** | **121,123** |
| Balance at 31 March 2016 | 473,738 |

# 19. IMPAIRMENT TESTING FOR CGUs CONTAINING GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill acquired through business combinations have been allocated to the following CGUs for impairment testing.

| | 2017<br>HK$'000 | 2016<br>HK$'000 |
|---|---|---|
| Gold mining activities | 85,920 | 91,604 |
| Loan financing activities | 20,323 | 382,134 |
| Financial services activities | 14,880 | – |
| | 121,123 | 473,738 |

## Gold mining activities

The recoverable amount of the gold mining activities' CGU has been determined based on value in use calculation. That calculation uses cash flow projections based on most recent financial budgets after taking into account the operation environment and market conditions at that point of time approved by the management covering a five-year period using pre-tax discount rate of 31.43% (2016: 34.83%). The cash flows beyond the five year period are extrapolated using zero percent growth rate. The directors of the Company consider that this assumption is applicable as after obtaining opinion from its legal counsel, there are no legal impediments for the Group to renew its permit and the Group will be entitled to renew its mining rights upon the expiration at minimal cost. The management estimates discount rate that reflects current market assessments of the time value of money and the risk specific to the gold mining activities' CGU. In performing the impairment testing, the directors of the Company have made reference to a valuation performed by an independent professional valuer.

Key assumptions used in the value in use calculation are as follows:

### *Gold output*

The basis used to determine the values assigned to the future revenues is based on the estimated annual ore output and gold production, which is in line with the processing capacity of the CGU, taking into consideration of the expected future capital expenditure and capacity expansion.

### *Mining costs*

The basis used to determine the values assigned to the mining costs is the input requirements in accordance with the mining plan.

## 19. IMPAIRMENT TESTING FOR CGUs CONTAINING GOODWILL AND OTHER INTANGIBLE ASSETS (continued)

### Gold mining activities (continued)

*Commodity price*

Future commodity prices in the valuation model are estimated by management based on their industry experience, historic price and market trends.

*Discount rates*

The discount rates used are based on a weighted average cost of capital, before tax reflecting specific risks relating to the gold mining activities' CGU.

The directors of the Company are of the view that, based on the value in use assessment, the recoverable amount of the gold mining activities' CGU was higher than its carrying amount and hence no impairment loss in respect of the gold mining activities' CGU was recognized for the years ended 31 March 2017 and 2016.

### Loan financing activities

The recoverable amount of the loan financing activities' CGU has been determined based on value in use calculation. That calculation uses cash flow projections based on most recent financial budgets after taking into account the operation environment and market conditions at that point of time approved by the management covering a five-year period with pre-tax discount rate of 15.96% (2016: 13.69%). The cash flows beyond the five year period are extrapolated using zero percent growth rate (2016: 3%). The management estimates discount rate that reflects current market assessments of the time value of money and the risk specific to the loan financing activities' CGU. In performing the impairment testing, the directors of the Company have made reference to a valuation performed by an independent professional valuer.

Key assumptions used in the value in use calculation are as follows:

*Loan interest rate*

The basis used to determine the value assigned to the interest rate is based on past performance of the business and on management's expectations for market development.

## 19. IMPAIRMENT TESTING FOR CGUs CONTAINING GOODWILL AND OTHER INTANGIBLE ASSETS (continued)

### Loan financing activities (continued)

*Selling and administrative expenses*

The basis used to determine the values assigned to the selling and administrative expenses is based on relevant experience of the management and the track record of the business.

*Capital resources*

Revenue is calculated on the basis of the amount of capital for lending out to customers. Capital resources are estimated by management based on funds internally, based on track records of financial results and other relevant economic factors.

*Cost of borrowings*

The borrowing cost was based on the base interest rate published by external information sources by reference to bank in the PRC.

*Discount rate*

The discount rate used is pre-tax and reflect specific risks relating to the loan financing activities' CGU.

The directors of the Company are of the view that, based on the value in use assessment, the recoverable amount of the loan financing activities' CGU was lower than its carrying amount, an impairment loss of goodwill of approximately HK$338,100,000 has been recognized to the consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2017 (2016: HK$171,806,000). The decline in value in use of the loan financing activities' CGU was mainly contributed by the decline in interest rate and consultancy fee charge during the year. The interest rate and consultancy fee charge adopted in the value in use calculation has referred to the actual rate charged to customers by the Money lending business.

## 19. IMPAIRMENT TESTING FOR CGUs CONTAINING GOODWILL AND OTHER INTANGIBLE ASSETS (continued)

### Financial services activities

The recoverable amount of the financial services activities' CGU has been determined based on value in use calculation. That calculation uses cash flow projections based on most recent financial budgets after taking into account the operation environment and market conditions at that point of time approved by the management covering a five-year period with pre-tax discount rate of 16.21%. The cash flows beyond the five year period are extrapolated using 3% growth rate. The management estimates discount rate that reflects current market assessments of the time value of money and the risk specific to the financial services activities' CGU. In performing the impairment testing, the directors of the Company have made reference to a valuation performed by an independent professional valuer.

Key assumptions used in the value in use calculation are as follows:

*Revenue*

The revenue is based on relevant experience of the management and on management's expectations for market development.

*Operating expenses*

The basis used to determine the values assigned to the operating expenses is based on relevant experience of the management and the input requirements of the budget forecast.

*Discount rate*

The discount rate used is pre-tax and reflect specific risks relating to the financial services activities' CGU.

The directors of the Company are of the view that, based on the value in use assessment, the recoverable amount of the financial services activities' CGU was higher than its carrying amount and hence no impairment loss in respect of the financial services activities' CGU was recognized for the year ended 31 March 2017.

## 20. OTHER ASSETS

| | 2017 HK$'000 | 2016 HK$'000 |
|---|---|---|
| Deposits with the Stock Exchange | | |
| – Compensation fund | 50 | – |
| – Fidelity fund | 50 | – |
| – Stamp duty deposit | 5 | – |
| Contribution of guarantee fund paid to Hong Kong Securities Clearing Company Limited ("HKSCC") | 50 | – |
| Admission fee paid to HKSCC | 50 | – |
| | 205 | – |

## 21. INVENTORIES

| | 2017 HK$'000 | 2016 HK$'000 |
|---|---|---|
| Raw materials | 935 | 2,530 |
| Finished goods | 6,258 | 3,276 |
| | 7,193 | 5,806 |

## 22. LOANS RECEIVABLES

| | 2017 HK$'000 | 2016 HK$'000 |
|---|---|---|
| Loans receivables from Money lending operations | 210,675 | 134,815 |

The Group seeks to maintain strict control over its outstanding loans receivables so as to minimize credit risk. The granting of loans is subject to approval by the management, whilst overdue balances are reviewed regularly for recoverability. Loans receivables are charging on effective interest rate mutually agreed with the contracting parties, ranging from 6% to 12% (2016: ranging from 6% to 20%) per annum.

## 22. LOANS RECEIVABLES (continued)

A maturity profile of the loans receivables as at the end of the reporting period, based on the maturity date is as follows:

| | 2017<br>HK$'000 | 2016<br>HK$'000 |
|---|---|---|
| To be matured: | | |
| Within 1 month | – | 12,021 |
| 3 months or less but over 1 month | – | – |
| 6 months or less but over 3 months | 50,174 | 67,317 |
| 9 months or less but over 6 months | 104,857 | 6,011 |
| Neither past due nor impaired | 155,031 | 85,349 |
| Matured: | | |
| Less than 1 month | 822 | 1,000 |
| Less than 3 months but over 1 month | 1,564 | 1,599 |
| Less than 6 months but over 3 months | 2,439 | 1,585 |
| Less than 1 year but over 6 months | 4,851 | 2,642 |
| Over 1 year | 45,968 | 42,640 |
| | 210,675 | 134,815 |

Loans receivables that were neither past due nor impaired relate to diversified customers for whom there was no recent history of default. The directors of the Company are of the opinion that no provision for impairment is necessary in respect of these loans receivables as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The directors of the Company are of the opinion that no provision for impairment is necessary in respect of the loans receivables which are past due as the loans receivables are still considered recoverable. The litigation in relation to the loans receivables that have been matured over 1 year are further detailed in note 41 to the consolidated financial statements.

As at 31 March 2017, loans receivables with an aggregate carrying amount of approximately HK$188,689,000 (2016: HK$134,815,000) were guaranteed by corporate guarantees provided by guarantors. The loans receivables bear interest and are repayable with fixed terms agreed with the Group's customers.

## 23. TRADE AND OTHER RECEIVABLES

| | 2017<br>HK$'000 | 2016<br>HK$'000 |
|---|---|---|
| Trade receivables | 2,552 | 1,553 |
| Less: allowance for doubtful debts | (989) | (1,072) |
| | 1,563 | 481 |
| Prepayments | 523 | 457 |
| Deposits | 1,479 | 2,012 |
| Other receivables | 164 | 1,826 |
| | 3,729 | 4,776 |

Trade receivables comprise of consultancy service income receivables in respect of the Money lending operations and financial advisory fee income receivable in respect of the Financial services operations.

The credit terms granted to customers are varied and are generally the result of negotiations between individual customers and the Group. No interest is charged on overdue trade receivables. The management closely monitors the credit quality of trade and other receivables and considers the trade and other receivables that are neither past due nor impaired to be of a good credit quality.

The following is an analysis of trade receivables by age, presented based on the respective revenue recognition dates:

| | 2017<br>HK$'000 | 2016<br>HK$'000 |
|---|---|---|
| 0 – 30 days | 1,563 | 240 |
| 31 – 60 days | – | 241 |
| | 1,563 | 481 |

## 23. TRADE AND OTHER RECEIVABLES (continued)

| | 2017<br>HK$'000 | 2016<br>HK$'000 |
|---|---|---|
| Neither past due nor impaired | 1,563 | – |
| Past due but not impaired | | |
| – overdue by 1 – 30 days | – | 249 |
| – overdue by 31 – 60 days | – | 232 |
| | 1,563 | 481 |

Trade receivables that are neither past due nor impaired relate to customers for whom there is no recent history of default.

Trade receivables disclosed above include amounts (see above for aged analysis) which are past due at the end of the reporting period for which the Group has not recognized an allowance for doubtful debts because there has not been a significant change in credit quality and the balances are still considered recoverable. The Group does not hold any collateral or other credit enhancements over these balances nor does it have a legal right to offset against any amounts owed by the Group to the counterparties.

### Movement in the allowance for doubtful debts

| | 2017<br>HK$'000 | 2016<br>HK$'000 |
|---|---|---|
| At beginning of reporting period | 1,072 | – |
| Impairment loss recognized on trade receivables | – | 1,072 |
| Effect of foreign currency exchange differences | (83) | – |
| At end of reporting period | 989 | 1,072 |

## 24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | 2017<br>HK$'000 | 2016<br>HK$'000 |
|---|---|---|
| Listed investments, at fair value: | | |
| – Equity securities listed in Hong Kong | 42 | – |

The fair values of the listed equity securities were determined based on the quoted market closing prices in an active market.

## 25. BANK BALANCES AND CASH

| | 2017 HK$'000 | 2016 HK$'000 |
|---|---|---|
| Bank balances and cash: | | |
| (i) General accounts and cash in hand | 34,549 | 123,182 |
| (ii) Trust accounts | 573 | – |
| | 35,122 | 123,182 |
| **Analysis of balances of cash and cash equivalents:** | | |
| General accounts and cash in hand | 34,549 | 123,182 |
| Cash and cash equivalents in the consolidated statement of cash flows | 34,549 | 123,182 |

General accounts and cash comprise cash held by the Group, bank balances that earn interest at floating rate based on daily bank deposit rates and short term time deposits that earn interest at the respective short term deposit rates. The bank balances and short term time deposits are deposited with creditworthy banks with no recent history of default.

The Group maintains trust bank accounts with authorized financial institutions to receive and hold money deposited by clients in the course of the conduct of the regulated activities. These clients' monies are maintained in one or more trust bank accounts and bear interest at commercial rate. The Group has recognized the corresponding trade payables to respective clients. However, the Group currently does not have an enforceable right to offset those payables with the deposits placed.

At the end of the reporting period, the bank balances and cash of the Group denominated in Renminbi ("**RMB**") and placed with banks in the PRC amounted to approximately HK$6,855,000 (2016: HK$98,148,000). RMB is not freely convertible into other currencies, however, under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorized to conduct foreign exchange business.

## 26. TRADE AND OTHER PAYABLES

| | 2017<br>HK$'000 | 2016<br>HK$'000 |
|---|---|---|
| Trade payables arising from Financial services *(Note (i))* | | |
| – Cash clients | 536 | – |
| – Clearing house | 34 | – |
| Trade payables *(Note (ii))* | 217 | 108 |
| Accrued expenses and other payables | 7,181 | 6,257 |
| Deposits received | 156 | 1 |
| Payables for acquisition of property, plant and equipment and exploration of mines | 638 | 699 |
| PRC business tax and other levies payable | 9,882 | 9,498 |
| | 18,644 | 16,563 |

*Notes:*

(i) The settlement terms of trade payables arising from the provision of securities dealing and brokerage business are two days after trade date.

Trade payables to cash clients are repayable on demand. In the opinion of the directors of the Company, no aged analysis is disclosed as the aged analysis does not give additional value.

(ii) The following is an analysis of trade payables by age, presented based on the invoice dates:

| | 2017<br>HK$'000 | 2016<br>HK$'000 |
|---|---|---|
| 91 – 180 days | 12 | 6 |
| Over 180 days | 205 | 102 |
| | 217 | 108 |

## 27. AMOUNTS DUE TO NON-CONTROLLING INTERESTS OF SUBSIDIARIES

The amounts due are unsecured, interest-free and repayable on demand.

## 28. AMOUNTS DUE TO RELATED PARTIES

The amounts due are unsecured, interest-free and repayable on demand.

## 29. CONVERTIBLE BONDS

The Company issued approximately 202,702,703 zero-coupon HK dollar denominated convertible bonds ("**T1 CB**") and 324,324,324 zero-coupon HK dollar denominated convertible bonds ("**T2 CB**") at principal amounts of HK$75,000,000 and HK$120,000,000 respectively to Mr. Leung Ngai Man ("**Mr. Leung**"), being the chairman, an executive director and substantial shareholder of the Company as part of the consideration in connection with the acquisition of Treasure Join Limited. The T1 CB have a maturity period of 5 years from the issue date and the T2 CB will be matured on the 5th anniversary of the date of issue of the T1 CB. The T1 CB and T2 CB can be convertible into ordinary share of the Company at HK$0.01 each (after adjustment for the share subdivision as effected on 25 March 2014) at the conversion price of HK$0.37 per conversion share at the holder's option. For T1 CB, conversion may occur at any time between 11 October 2013 and 11 October 2018. For T2 CB, conversion may occur at any time between 22 November 2013 and 11 October 2018.

The T1 and T2 CB contain two components: liability and equity elements. The equity element on initial recognition amounted to a total of HK$63,350,000 was presented in equity as part of the "convertible bonds equity reserve". The effective interest rate of the liability component for the convertible bonds were 18.92% and 18.50% per annum for T1 CB and T2 CB respectively.

During the year ended 31 March 2017, convertible bonds with aggregate principal amount of HK$25,975,000 (2016: HK$46,805,000) were converted into ordinary shares of HK$0.01 each of the Company (after adjustment for the share subdivision effected on 25 March 2014) at the conversion price of HK$0.37 per share. Accordingly, a total 70,202,702 (2016: 126,500,000) ordinary shares at HK$0.01 each (after adjustment for the share subdivision effected on 25 March 2014) were issued.

## 29. CONVERTIBLE BONDS (continued)

During the year ended 31 March 2017, the Company early redeemed 16,216,216 convertible bonds (after adjustment for the share subdivision effected on 25 March 2014) at a total consideration of HK$6,000,000 from Mr. Leung, pursuant to the terms and conditions of the convertible bonds. The difference between the redemption amount and the total carrying amounts of liability component and equity component amounting to approximately HK$530,000 has been charged to the consolidated statement of profit or loss and other comprehensive income and amounting to approximately HK$604,000 has been credited to the accumulated losses, respectively.

The movement of the liability component of the convertible bonds for the year is set out below:

| | HK$'000 |
|---|---|
| Balance at 1 April 2015 | 100,809 |
| Effective interest expense charged *(Note 8)* | 15,314 |
| Arising from conversion of convertible bonds | (26,994) |
| Balance at 31 March 2016 | 89,129 |
| Effective interest expense charged *(Note 8)* | 14,249 |
| Arising from conversion of convertible bonds | (18,150) |
| Arising from early redemption of convertible bonds | (4,232) |
| **Balance at 31 March 2017** | **80,996** |

## 30. PROMISSORY NOTES

During the year ended 31 March 2016, the Company early redeemed the remaining outstanding promissory notes with principal amount of HK$10,000,000 and incurred loss on early redemption of promissory notes of approximately HK$3,025,000 and has been recognized in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2016.

# 31. PROVISION FOR RESTORATION COSTS

| | HK$'000 |
|---|---|
| Balance at 1 April 2015 | 401 |
| Effect of foreign currency exchange differences | (19) |
| Balance at 31 March 2016 | 382 |
| Effect of foreign currency exchange differences | (24) |
| **Balance at 31 March 2017** | **358** |

In accordance with relevant PRC rules and regulations, the Group is obliged to accrue the cost for land reclamation and mine closures for the Group's existing mines. The provision for restoration cost has been determined by the directors of the Company based on their best estimates by reference to relevant PRC rules and regulations.

# 32. DEFERRED TAXATION

The following are the major deferred tax liabilities recognized and movements thereon during the year:

| | Other intangible assets – Mining rights HK$'000 | Other intangible assets – License HK$'000 | Convertible bonds HK$'000 | Withholding tax HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|
| Balance at 1 April 2015 | 34,604 | 144 | 13,606 | 2,184 | 50,538 |
| (Credit)/charge to profit or loss | (207) | (8) | (2,527) | 1,060 | (1,682) |
| Credit directly to equity | – | – | (3,225) | – | (3,225) |
| Release upon payment of withholding tax | – | – | – | (1,174) | (1,174) |
| Effect of foreign currency exchange differences | (1,705) | (7) | – | – | (1,712) |
| Balance at 31 March 2016 | 32,692 | 129 | 7,854 | 2,070 | 42,745 |
| (Credit)/charge to profit or loss | (108) | (7) | (2,351) | 161 | (2,305) |
| Credit directly to equity | – | – | (1,583) | – | (1,583) |
| Release upon payment of withholding tax | – | – | – | (899) | (899) |
| Effect of foreign currency exchange differences | (2,026) | (8) | – | – | (2,034) |
| Balance at 31 March 2017 | 30,558 | 114 | 3,920 | 1,332 | 35,924 |

## 32. DEFERRED TAXATION (continued)

Under the Enterprise Income Tax Law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between the PRC and the jurisdiction of the foreign investors. The applicable rate is 5% or 10% for the Group. The Group is liable for withholding taxes on dividends distributed by those subsidiaries established in the PRC in respect of their earnings generated from 1 January 2008. At 31 March 2017 and 2016, deferred tax has been recognized for the withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's PRC subsidiaries with earnings.

At the end of the reporting period, the Group has estimated unused tax losses of approximately HK$35,800,000 (2016: HK$54,266,000) arising from subsidiaries operating outside Hong Kong which is available for setting off against future taxable profit of that subsidiary and is due to expire within one to five years and estimated unused tax losses of approximately HK$33,653,000 (2016: HK$19,574,000) available for offset against future profits that may be carried forward indefinitely. No deferred tax asset has been recognized in respect of the tax losses due to the unpredictability of future profit streams.

## 33. SHARE CAPITAL

| | Number of shares | Share capital HK$'000 |
|---|---|---|
| **Authorized:** | | |
| **At 1 April 2015, 31 March 2016 and 2017, ordinary shares of HK$0.01 each** | **40,000,000,000** | **400,000** |
| **Issued and fully paid:** | | |
| At 1 April 2015, ordinary shares of HK$0.01 each | 1,004,587,497 | 10,046 |
| Conversion of convertible bonds *(Note (i))* | 126,500,000 | 1,265 |
| At 31 March 2016, ordinary shares of HK$0.01 each | 1,131,087,497 | 11,311 |
| Issue of new ordinary shares *(Note (ii))* | 196,430,000 | 1,964 |
| Conversion of convertible bonds *(Note (iii))* | 70,202,702 | 702 |
| **At 31 March 2017, ordinary shares of HK$0.01 each** | **1,397,720,199** | **13,977** |

## 33. SHARE CAPITAL (continued)

*Notes:*

(i) During the year ended 31 March 2016, 126,500,000 ordinary shares of HK$0.01 each were issued pursuant to the exercise of the conversion rights attaching to the Company's convertible bonds (note 29) issued in connection with the acquisition of Treasure Join Limited at a conversion price of HK$0.37 per share.

(ii) On 3 August 2016, (i) Mr. Leung and the placing agent entered into the placing agreement pursuant to which the placing agent has agreed to act as agent for Mr. Leung to place, on a best effort basis, and Mr. Leung has agreed to sell, a total of up to 226,200,000 placing shares to not less than six placees who and whose ultimate beneficial owners will be third parties independent of and not acting in concert with the Company and its associates and connected persons, at the placing price of HK$0.168 per placing share; and (ii) Mr. Leung and the Company entered into the subscription agreement pursuant to which Mr. Leung has agreed to subscribe for up to 226,200,000 subscription shares at the subscription price of HK$0.168 per subscription share.

Completion of the placing took place on 9 August 2016 in accordance with the placing agreement and an aggregate of 196,430,000 placing shares were placed to not less than six placees who are independent third parties, at the placing price of HK$0.168 per placing share.

On 16 August 2016, an aggregate of 196,430,000 ordinary shares of HK$0.01 each in the capital of the Company were allotted and issued to Mr. Leung at the subscription price of HK$0.168 per subscription share. The exercise gave rise to a net proceed of approximately HK$31,644,000.

(iii) During the year ended 31 March 2017, 70,202,702 ordinary shares of HK$0.01 each were issued pursuant to the exercise of the conversion rights attaching to the Company's convertible bonds (note 29) issued in connection with the acquisition of Treasure Join Limited at a conversion price of HK$0.37 per share.

## 34. SHARE-BASED PAYMENT TRANSACTIONS

The Company's share option scheme (the "**2002 Scheme**") was adopted pursuant to a resolution passed on 25 April 2002 for the primary purpose of providing incentives to eligible participants. During the year ended 31 March 2013, the 2002 Scheme was terminated and a new share option scheme (the "**2012 Scheme**") was adopted by the Company on 20 April 2012. Similar to the 2002 Scheme, the primary purpose of the 2012 Scheme is to provide incentives to eligible participants.

# 34. SHARE-BASED PAYMENT TRANSACTIONS (continued)

## 2002 Scheme

Under the 2002 Scheme, the directors of the Company may at their absolute discretion, invite any person belonging to any of the following classes of participants, to take up options to subscribe for shares:

(i) any employee or proposed employee (whether full time or part time including any executive director but excluding any non-executive director) of the Company, any of its subsidiaries or any entity ("**Invested Entity**") in which the Group holds an equity interest, any of such subsidiaries or any Invested Entity;

(ii) any non-executive directors or proposed non-executive director (including independent non-executive directors) of the Company, any of its subsidiaries or any Invested Entity;

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

(iv) any customer or potential customer of the Group or any Invested Entity;

(v) any person or entity that provides or will provide research, development or other technological support to the Group or any Invested Entity;

(vi) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued or proposed to be issued by any member of the Group or any Invested Entity;

(vii) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of the Group or any Invested Entity; and

(viii) any joint venture partner or business alliance that co-operates with any member of the Group or any Invested Entity in any area of business operation or development.

The basis of eligibility of any of the above classes of participants to the grant of any options shall be determined by the directors from time to time on the basis of their contribution to the development and growth of the Group.

## 34. SHARE-BASED PAYMENT TRANSACTIONS (continued)

### 2002 Scheme (continued)

The total number of shares in respect of which options may be granted under the 2002 Scheme and any other share option scheme of the Company is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital and with an aggregate value in excess of HK$5 million must be approved in advance by the Company's shareholders. Options granted must be taken up within 21 days from the date of the offer of grant of the share option. Options may be exercised at any time not later than 10 years from the date of grant of the share option. The exercise price is determined by the directors of the Company, and shall not be less than the higher of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a business day; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of the shares. A nominal consideration of HK$1 is payable on acceptance of the grant of an option.

### 2012 Scheme

Under the 2012 Scheme, the directors of the Company may at their discretion in accordance with the provisions of the 2012 Scheme and the Listing Rules, to make an offer for the grant of share options to any of the following classes of participants:

(i) any employee or proposed employee (whether full time or part time including any executive director but excluding any non-executive director) of the Company, any of its subsidiaries or any Invested Entity;

(ii) any non-executive directors (including independent non-executive directors) of the Company, any of its subsidiaries or any Invested Entity;

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

(iv) any customer of any member of the Group or any Invested Entity;

(v) any person or entity that provides research, development or other technological support to any member of the Group or any Invested Entity;

## 34. SHARE-BASED PAYMENT TRANSACTIONS (continued)

### 2012 Scheme (continued)

(vi) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity;

(vii) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of the Group or any Invested Entity; and

(viii) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group.

The eligibility of any of the above classes of participants to the grant of any options shall be determined by the directors from time to time on the basis of the directors' opinion as to their contribution to the development and growth of the Group.

The total number of shares which may be allotted and issued upon exercise of all options to be granted under the 2012 Scheme and any other share option scheme of the Group must not in aggregate exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The total number of shares issued and which may fall to be issued upon exercise of the options and the options granted to each grantee in any 12-month period shall not exceed 1% of the issued share capital of the Company at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders, independent non-executive directors or any of their respective associates in excess of 0.1% of the Company's shares in issue and with an aggregate value in excess of HK$5 million must be approved by the Company's shareholders. Options granted must be taken up within 21 days from the date of the offer of grant of the share option. Options may be exercised at any time not later than 10 years from the offer date of that share option. The subscription price is at the discretion by the directors of the Company, provided that it shall not be less than the higher of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet for trade on one or more board lots of the shares on the offer date; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet for the five business days immediately preceding the offer date; and (iii) the nominal value of a share. A nominal consideration of HK$1 is payable on acceptance of the grant of an option with a remittance in favor of the Company within such time as may be specified in the offer (which shall not be later than 21 days from the offer date).

## 34. SHARE-BASED PAYMENT TRANSACTIONS (continued)

### 2012 Scheme (continued)

The 2012 Scheme does not provide for any minimum period for holding of options or any performance target before exercise of options granted. The 2012 Scheme shall be valid and effective for ten years after its adoption date.

All equity-settled share-based payments will be settled in equity. The Group has no legal and constructive obligation to repurchase or settle the options.

The following tables disclose movements of the Company's share options granted under the 2002 Scheme during the years ended 31 March 2017 and 2016:

**Year ended 31 March 2017**

| | | | Number of share options | | | | |
|---|---|---|---|---|---|---|---|
| Date of grant | Exercisable period | Exercise price HK$ | Outstanding at 1/4/2016 | Granted during the year | Exercised during the year | Lapsed during the year | Outstanding at 31/3/2017 |
| 8 May 2006 | 8 May 2006 to 7 May 2016 | 14.600 | 2,300,000 | – | – | 2,300,000 | – |
| 1 September 2006 | 1 September 2006 to 31 August 2016 | 7.100 | 3,600,000 | – | – | 3,600,000 | – |
| 4 September 2006 | 4 September 2006 to 3 September 2016 | 7.100 | 600,000 | – | – | 600,000 | – |
| 1 June 2007 | 1 June 2007 to 31 May 2017 | 4.550 | 1,400,000 | – | – | – | 1,400,000 |
| 14 May 2008 | 14 May 2008 to 13 May 2018 | 1.360 | 1,200,000 | – | – | – | 1,200,000 |
| 4 May 2010 | 4 February 2011 to 3 May 2020 | 3.000 | 3,000,000 | – | – | – | 3,000,000 |
| | | | 12,100,000 | – | – | 6,500,000 | 5,600,000 |
| Exercisable at the end of the year | | | | | | | 5,600,000 |
| Weighted average exercise price | | | HK$6.645 | – | – | HK$9.754 | HK$3.036 |

# 34. SHARE-BASED PAYMENT TRANSACTIONS (continued)

Year ended 31 March 2016

| Date of grant | Exercisable period | Exercise price HK$ | Number of share options: Outstanding at 1/4/2015 | Granted during the year | Exercised during the year | Lapsed during the year | Outstanding at 31/3/2016 |
|---|---|---|---|---|---|---|---|
| 8 May 2006 | 8 May 2006 to 7 May 2016 | 14.600 | 2,300,000 | – | – | – | 2,300,000 |
| 1 September 2006 | 1 September 2006 to 31 August 2016 | 7.100 | 3,600,000 | – | – | – | 3,600,000 |
| 4 September 2006 | 4 September 2006 to 3 September 2016 | 7.100 | 600,000 | – | – | – | 600,000 |
| 1 June 2007 | 1 June 2007 to 31 May 2017 | 4.550 | 1,400,000 | – | – | – | 1,400,000 |
| 14 May 2008 | 14 May 2008 to 13 May 2018 | 1.360 | 1,200,000 | – | – | – | 1,200,000 |
| 4 May 2010 | 4 February 2011 to 3 May 2020 | 3.000 | 3,000,000 | – | – | – | 3,000,000 |
| | | | 12,100,000 | – | – | – | 12,100,000 |
| Exercisable at the end of the year | | | | | | | 12,100,000 |
| Weighted average exercise price | | | HK$6.645 | – | – | – | HK$6.645 |

No share option was granted under the 2002 Scheme during the years ended 31 March 2017 and 2016.

No share option granted under the 2002 Scheme was exercised during the years ended 31 March 2017 and 2016.

Under the 2002 Scheme, the options outstanding at 31 March 2017 had weighted average exercise price of HK$3.036 (2016: HK$6.645) and a weighted average remaining contractual life of 1.9 years (2016: 1.5 years).

## 34. SHARE-BASED PAYMENT TRANSACTIONS (continued)

The following tables disclose movements of the Company's share options granted under the 2012 Scheme during the years ended 31 March 2017 and 2016:

**Year ended 31 March 2017**

| Date of grant | Exercisable period | Exercise price HK$ | Number of share options: Outstanding at 1/4/2016 | Granted during the year | Exercised during the year | Lapsed during the year | Outstanding at 31/3/2017 |
|---|---|---|---|---|---|---|---|
| 24 May 2013 | 24 May 2013 to 23 May 2023 | 0.192 | 7,000,000 | – | – | – | 7,000,000 |
| 8 July 2013 | 8 July 2013 to 7 July 2023 | 0.200 | 7,700,000 | – | – | – | 7,700,000 |
| | | | 14,700,000 | – | – | – | 14,700,000 |
| Exercisable at the end of the year | | | | | | | 14,700,000 |
| Weighted average exercise price | | | HK$0.196 | – | – | – | HK$0.196 |

Year ended 31 March 2016

| Date of grant | Exercisable period | Exercise price HK$ | Number of share options: Outstanding at 1/4/2015 | Granted during the year | Exercised during the year | Lapsed during the year | Outstanding at 31/3/2016 |
|---|---|---|---|---|---|---|---|
| 26 April 2012 | 26 April 2012 to 25 April 2015 | 0.450 | 7,700,000 | – | – | (7,700,000) | – |
| 24 September 2012 | 24 September 2012 to 23 September 2015 | 0.335 | 47,900,000 | – | – | (47,900,000) | – |
| 24 May 2013 | 24 May 2013 to 23 May 2023 | 0.192 | 7,000,000 | – | – | – | 7,000,000 |
| 8 July 2013 | 8 July 2013 to 7 July 2023 | 0.200 | 7,700,000 | – | – | – | 7,700,000 |
| | | | 70,300,000 | – | – | (55,600,000) | 14,700,000 |
| Exercisable at the end of the year | | | | | | | 14,700,000 |
| Weighted average exercise price | | | HK$0.319 | – | – | HK$0.351 | HK$0.196 |

## 34. SHARE-BASED PAYMENT TRANSACTIONS (continued)

No share options was granted under the 2012 Scheme during the years ended 31 March 2017 and 2016.

No share option granted under the 2012 Scheme was exercised during the years ended 31 March 2017 and 2016.

Under the 2012 Scheme, the options outstanding at 31 March 2017 had weighted average exercise price of HK$0.196 (2016: HK$0.196) and a weighted average remaining contractual life of 6.2 years (2016: 7.2 years).

All share options have been accounted for under HKFRS 2. The fair values of share options granted to directors, employees and suppliers of service determined at the dates of grant are expensed over the vesting periods, with a corresponding adjustment to the Group's share options reserve. Option granted are fully vested at the date of grant.

## 35. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The capital structure of the Group consists of cash and cash equivalents and equity (comprising issued share capital, reserves and non-controlling interests).

A subsidiary of the Group is licensed with the Securities and Futures Commission ("**SFC**") for the business it operates in. The Group's licensed subsidiary is subject to liquid capital requirements under Securities and Futures (Financial Resources) Rules ("**SF(FR)R**") adopted by the SFC. Under SF(FR)R, the licensed subsidiary must maintain a liquid capital (assets and liabilities adjusted as determined by SF(FR)R in excess of HK$3 million or 5% of its total adjusted liabilities, whichever is higher). Management closely monitors, on a daily basis, the liquid capital level of the licensed subsidiary to ensure compliance with the requirements under the SF(FR)R.

## 35. CAPITAL RISK MANAGEMENT (continued)

### Gearing ratio

The Group's management committee reviews the capital structure on a semi-annual basis. As part of this review, the committee considers the cost of capital and the risks associated with each class of capital.

The gearing ratio at the end of the reporting period was as follow:

| | 2017<br>HK$'000 | 2016<br>HK$'000 |
|---|---|---|
| Debts *(Note i)* | 80,996 | 89,129 |
| Cash and cash equivalents | (34,549) | (123,182) |
| Net debt | 46,447 | (34,053) |
| Equity *(Note (ii))* | 439,755 | 1,233,995 |
| Gearing ratio | 11% | N/A |

*Notes:*

(i) Debts include convertible bonds as detailed in note 29.

(ii) Equity includes all capital, reserves and non-controlling interests.

# 36. FINANCIAL INSTRUMENTS

## 36.1 Categories of financial instruments

| | 2017<br>HK$'000 | 2016<br>HK$'000 |
|---|---|---|
| **Financial assets** | | |
| Fair value through profit or loss: | | |
| – Financial assets at fair value through profit or loss | 42 | – |
| Loans and receivables: | | |
| – Other assets | 205 | – |
| – Loans receivables | 210,675 | 134,815 |
| – Financial assets included in trade and other receivables | 3,206 | 4,319 |
| – Bank balances and cash | 35,122 | 123,182 |
| **Financial liabilities** | | |
| Financial liabilities at amortized cost: | | |
| – Financial liabilities included in trade and other payables | 8,762 | 7,065 |
| – Amounts due to non-controlling interests of subsidiaries | 8,006 | 8,953 |
| – Amounts due to related parties | 9,695 | 5,219 |
| – Convertible bonds | 80,996 | 89,129 |

## 36.2 Financial risk management objectives and policies

The Group's major financial instruments include financial assets at fair value through profit or loss, other assets, loans receivables, financial assets included in trade and other receivables, bank balances and cash, financial liabilities included in trade and other payables, amounts due to non-controlling interests of subsidiaries, amounts due to related parties and convertible bonds. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risk (foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

There has been no change to the types of the Group's exposure in respect of financial instruments or the manner in which it manages and measures the risks.

# 36. FINANCIAL INSTRUMENTS (continued)

## 36.2 Financial risk management objectives and policies (continued)

### *36.2.1 Market risk*

**Foreign currency risk management**

Transactional currency exposures arise from revenue or cost of sales by operating units in currencies other than the unit's functional currency. Substantially all the Group's revenue and cost of sales are denominated in the functional currency of the operating units making the revenue, and substantially all the cost of sales are denominated in the operating unit's functional currency. Accordingly, the directors of the Company consider that the Group is not exposed to significant 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.

At the end of the reporting period, the carrying amounts of the Group's major monetary assets denominated in currencies other than the functional currencies of the relevant group entities are as follows:

| | 2017<br>HK$'000 | 2016<br>HK$'000 |
|---|---|---|
| Assets | | |
| United States Dollar ("US$") | 11,433 | 3,973 |
| RMB | 124 | 134 |
| HK$ | 10 | 10 |

Foreign currency sensitivity analysis

Since HK$ is pegged to US$, relevant foreign currency risk is minimal. Accordingly, their fluctuation is excluded from the sensitivity analysis. The following table details the Group's sensitivity to a 5% increase and decrease in the RMB against HK$ and HK$ against RMB. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rate. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rate. A positive number below indicates a decrease in loss where RMB strengthens against HK$ and HK$ weakening against RMB. For a 5% weakening of RMB against HK$ and HK$ strengthens against RMB, there would be an equal and opposite impact on the loss.

# 36. FINANCIAL INSTRUMENTS (continued)

## 36.2 Financial risk management objectives and policies (continued)

### *36.2.1 Market risk (continued)*

**Foreign currency risk management (continued)**

Foreign currency sensitivity analysis (continued)

| | 2017<br>HK$'000 | 2016<br>HK$'000 |
|---|---|---|
| RMB | 6 | 7 |
| HK$ | 1 | 1 |

In management's opinion, the sensitivity analysis is unrepresentative of the inherent exchange risk as the year end exposure does not reflect the exposure during the year.

**Interest rate risk management**

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's interest-bearing financial assets. Interest-bearing financial assets are mainly deposits with banks and loans receivables. Interests on deposits with banks and loans receivables are principally based on deposits rates offered by banks in Hong Kong and the PRC and fixed rates, respectively.

All of the Group's loans receivables are based on fixed interest rates and the Group prices these loans receivable strategically to reflect market fluctuations and achieve a reasonable interest-rate spread. The fixed rate instruments of the Group are insensitive to any change in market interest rates.

As the Group has no significant variable-rate interest-bearing financial assets, except for short-term bank deposits, the Group's income and operating cash flows are substantially independent of changes in market interest rates. Management does not anticipate significant impact on interest-bearing financial assets resulted from the changes in interest rates because the interest rates of bank deposits are relatively low and not expected to change significantly.

The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

# 36. FINANCIAL INSTRUMENTS (continued)

## 36.2 Financial risk management objectives and policies (continued)

### *36.2.1 Market risk (continued)*

**Other price risk**

As the Group has no significant investments in financial assets at FVTPL or AFS financial assets, the Group is not exposed to significant other price risk.

### *36.2.2 Credit risk management*

At 31 March 2017, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties are arising from the carrying amounts of the respective recognized financial assets as stated in the consolidated statement of financial position.

In order to minimize the credit risk, the management of the Group has delegated a team responsible for determination of credit limited, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, the Group does not have any other significant concentration of credit risk.

# 36. FINANCIAL INSTRUMENTS (continued)

## 36.2 Financial risk management objectives and policies (continued)

### *36.2.3 Liquidity risk management*

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework to meet the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The maturity profile of the Group's financial liabilities at the end of the reporting period, based on the contractual undiscounted payments, were as follows:

| | On demand or less than 1 year<br>HK$'000 | 1-5 years<br>HK$'000 | Total contractual undiscounted cash flows<br>HK$'000 | Total carrying amounts<br>HK$'000 |
|---|---|---|---|---|
| **At 31 March 2017** | | | | |
| **Non-derivative financial liabilities** | | | | |
| Trade and other payables | 8,762 | – | 8,762 | 8,762 |
| Amounts due to non-controlling interests of subsidiaries | 8,006 | – | 8,006 | 8,006 |
| Amounts due to related parties | 9,695 | – | 9,695 | 9,695 |
| Convertible bonds | – | 104,750 | 104,750 | 80,996 |
| | 26,463 | 104,750 | 131,213 | 107,459 |

# 36. FINANCIAL INSTRUMENTS (continued)

## 36.2 Financial risk management objectives and policies (continued)

### *36.2.3 Liquidity risk management (continued)*

| | On demand or less than 1 year HK$'000 | 1-5 years HK$'000 | Total contractual undiscounted cash flows HK$'000 | Total carrying amounts HK$'000 |
|---|---|---|---|---|
| At 31 March 2016 | | | | |
| Non-derivative financial liabilities | | | | |
| Trade and other payables | 7,065 | – | 7,065 | 7,065 |
| Amount due to a non-controlling interest of a subsidiary | 8,953 | – | 8,953 | 8,953 |
| Amounts due to related parties | 5,219 | – | 5,219 | 5,219 |
| Convertible bonds | – | 136,725 | 136,725 | 89,129 |
| | 21,237 | 136,725 | 157,962 | 110,366 |

# 36. FINANCIAL INSTRUMENTS (continued)

## 36.3 Fair value measurements

### *36.3.1 Fair value of the Group's financial assets that are measured at fair value*

**Fair value hierarchy as at 31 March 2017**

Assets measured at fair value:

| | Level 1<br>HK$'000 | Level 2<br>HK$'000 | Level 3<br>HK$'000 | Total<br>HK$'000 |
|---|---|---|---|---|
| Financial assets at FVTPL – listed equity securities (Hong Kong) | 42 | – | – | 42 |

There were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 during the years ended 31 March 2017 and 2016.

### *36.3.2 Fair value of financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)*

Except as detailed in the following table, the directors of the Company consider that the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements approximate to their fair values.

| | 2017 | | 2016 | |
|---|---|---|---|---|
| | Carrying amount<br>HK$'000 | Fair value<br>HK$'000 | Carrying amount<br>HK$'000 | Fair value<br>HK$'000 |
| Convertible bonds – liability component *(Note (i))* | 80,996 | 87,642 | 89,129 | 90,745 |

*Note:*

(i) The fair value of the liability component of convertible bonds has been calculated by using effective interest rate of 11.47% (2016: 13.24%) per annum with reference to the Hong Kong sovereign curve and credit risk margin.

# 36. FINANCIAL INSTRUMENTS (continued)

## 36.3 Fair value measurements (continued)

### *36.3.2 Fair value of financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required) (continued)*

**Fair value hierarchy as at 31 March 2017**

Liabilities for which fair values are disclosed:

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| Convertible bonds – liability component | – | – | 87,642 | 87,642 |

Fair value hierarchy as at 31 March 2016

Liabilities for which fair values are disclosed:

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| Convertible bonds – liability component | – | – | 90,745 | 90,745 |

As at 31 March 2016 and 2017, the fair value of the financial liabilities included in the Level 3 category above have been determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

# 36. FINANCIAL INSTRUMENTS (continued)

## 36.4 Financial assets and financial liabilities offsetting

The disclosures set out in the tables below include financial assets and financial liabilities that are subject to an enforceable master netting arrangement or similar agreement.

Under the agreement of continuous net settlement made between the Group and HKSCC, the Group has a legally enforceable right to set off the money obligations receivable and payable with HKSCC on the same settlement date and the Group intends to settle on a net basis.

In addition, the Group has a legally enforceable right to set off the trade receivable and payable with its clients in the Group's brokerage business that are due to be settled on the same date with reference to the settlement method set by HKSCC and the Company intends to settle these balances on a net basis.

| | Gross amounts of recognized financial assets/ (liabilities) | Gross amounts of recognized financial assets/ (liabilities) set off in the consolidated statement of financial position | Net amounts of financial assets/ (liabilities) presented in the consolidated statement of financial position | Related amounts not set off in the consolidated statement of financial position | | |
|---|---|---|---|---|---|---|
| | | | | Financial instruments | Collateral received | Net amount |
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| **At 31 March 2017** | | | | | | |
| **Financial assets** | | | | | | |
| Trade receivables | | | | | | |
| – Brokerage clients | 1,172 | (1,172) | – | – | – | – |
| – Clearing house | 1,137 | (1,137) | – | – | – | – |
| **Financial liabilities** | | | | | | |
| Trade payables | | | | | | |
| – Brokerage clients | (1,708) | 1,172 | (536) | – | – | (536) |
| – Clearing house | (1,171) | 1,137 | (34) | – | – | (34) |

# 37. ACQUISITION OF SUBSIDIARY AND BUSINESS COMBINATION

## SP Securities Limited (formerly known as China Silver Securities Limited)

On 26 August 2016, SP Financial Group Holdings Limited (the "**Purchaser**"), an indirect wholly-owned subsidiary of the Company, entered into a conditional sale and purchase agreement with China Silver Financial Group Limited (the "**Vendor**") pursuant to which the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the entire issued capital of SP Securities Limited, a company incorporated in Hong Kong with limited liability and licensed by Securities and Futures Commission to carry out Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities under the Securities and Futures Ordinance, in an aggregated consideration of HK$23,000,000. The acquisition was completed on 22 December 2016.

Acquisition-related costs amounting to approximately HK$344,000 had been excluded from the cost of acquisition and had been recognized directly as expenses in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2017.

**Assets acquired and liabilities recognized at the date of acquisition are as follows:**

| | HK$'000 |
|---|---|
| Property, plant and equipment *(Note 15)* | 883 |
| Other intangible assets *(Note 16)* | 500 |
| Other assets | 205 |
| Prepayments and deposits | 705 |
| Financial assets at fair value through profit or loss | 40 |
| Bank balances and cash | |
| – General accounts and cash | 6,548 |
| – Trust accounts | 1,495 |
| Trade and other payables | (2,256) |
| Total identifiable net assets | 8,120 |
| Goodwill *(Note 18)* | 14,880 |
| Consideration transferred | 23,000 |

The fair value of receivables acquired approximated the gross contractual amounts. There were no contractual cash flows not expected to be collected.

None of the goodwill on this acquisition was expected to be deductible for tax purposes.

Goodwill arising from the acquisition was attributable to the anticipated profitability and future development of the Financial services business.

## 37. ACQUISITION OF SUBSIDIARY AND BUSINESS COMBINATION (continued)

**Net cash outflow arising on acquisition:**

| | HK$'000 |
|---|---|
| Cash consideration paid | 23,000 |
| Less: Cash and cash equivalents acquired | (6,548) |
| | 16,452 |

**Impact of acquisition of the results of the Group**

SP Securities Limited contributed revenue of approximately HK$2,322,000 and net loss of approximately HK$1,887,000 to the Group for the period from the date of acquisition to 31 March 2017. If the acquisition had occurred on 1 April 2016, Group revenue would have been approximately HK$28,576,000 and loss for the year would have been approximately HK$780,265,000. This pro forma information was for illustrative purposes only and was not necessarily an indication of the revenue and results of the Group that actually would have been achieved had the acquisition occurred on 1 April 2016, nor was it intended to be a projection of future results.

## 38. OPERATING LEASE COMMITMENTS

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancelable operating leases which fall due as follows:

| | 2017<br>HK$'000 | 2016<br>HK$'000 |
|---|---|---|
| Within one year | 731 | 1,071 |
| In the second to fifth years inclusive | 294 | 425 |
| | 1,025 | 1,496 |

Operating leases relate to office premises and equipment with lease terms of between 2 to 4 years (2016: between 2 to 4 years).

## 39. CAPITAL COMMITMENTS

The Group had no significant capital commitments as at 31 March 2016 and 2017.

## 40. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in these consolidated financial statements, the Group had the following significant transactions with related parties during the year:

### Compensation of key management personnel

| | 2017<br>HK$'000 | 2016<br>HK$'000 |
|---|---|---|
| Short-term employee benefits | 12,863 | 7,764 |
| Post-employment benefits | 29 | 28 |
| | 12,892 | 7,792 |

The above related party transactions do not constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

## 41. LITIGATION

The Group has initiated legal proceedings at Jilin City Intermediate People's Court (吉林市中級人民法院) (the "**Court**") in the PRC against certain state-owned enterprises due to the defaults in payment by such enterprises in relation to certain loans receivables of the Group. In June 2014, the Group, through its micro-financing operation in Jilin, the PRC, granted eight micro-finance loans (the "**Loans**") of RMB5 million each to eight state-owned enterprises (the "**Customers**"). The Loans matured in September 2014 but the Customers failed to make repayments to the Group on time.

The Group received notices from the Court in December 2014 which accepted the Group's legal actions for further processing in respect of the Customers and their respective guarantors.

## 41. LITIGATION (continued)

In April 2015, the Court made the first instant verdict in relation to the legal proceedings proposed by the Group against certain state-owned enterprises due to their defaults in payment. It was judged that the abovementioned state-owned enterprises shall pay the outstanding principal and interest due to an indirect wholly-owned subsidiary of the Company, Jilin Ruixin Microfinance Co., Ltd.（吉林市瑞信小額貸款有限公司）("**Jilin Ruixin**"), together with overdue interest accrued up to the date of payment, within 10 days of the effective date of the judgment. The judgment ruled that respective guarantors of the Customers bear joint liability for the Customers' debts owed to Jilin Ruixin. The Court confirmed that the abovementioned civil judgment has become effective on 8 June 2015. As the Customers and their respective guarantors failed to perform the obligations specified under the civil judgment by the deadline, in June 2015, Jilin Ruixin made a petition to the Court that the Court enforce the property of the Customers and their guarantors, including further seize the enforced property, evaluate and auction the lands and real estates of the persons subject to enforcement, and withdraw funds from the frozen accounts, and request the debtors to pay the due debts to Jilin Ruixin until the full settlement of the abovementioned debts.

In November 2015, the Court legally withdrew approximately RMB2.3 million of one of the Customers and transferred such money to Jilin Ruixin and the Court has initiated evaluation and auction procedures. In January 2016, among the eight state-owned enterprises, i.e. the Customers, those with the best quality of assets voluntarily extended the scope of the guarantee from four state-owned enterprises to all of the eight state-owned enterprises, thereby increasing the debt servicing ability of the state-owned enterprises with smaller asset value among the Customers. In January 2016, the Customers had repaid approximately RMB12 million to Jilin Ruixin.

As the Customers continued to fail to perform its obligations specified under the civil judgment, Jilin Ruixin had applied and the Court had issued another civil judgment in June 2016 ruling that an amount of RMB40 million in the Customers' bank account to be frozen for a one-year period. The Customers initiated the objection of jurisdiction against the Court to request the cancelation of the freezing of the respective amount in its bank account, which was then dismissed by the Court in August 2016. The Customers then appealed to Jilin Province Higher People's Court（吉林省高級人民法院）(the "**Higher Court**"), which the appeal was dismissed by the Higher Court in December 2016.

In January 2017, the Court withdrew approximately RMB2.4 million from the Customers' frozen account and the amount was retained by the Court. The Customers initiated an objection of the withdrawal against the Court and to request the repayment of the withdrawn amount which was then dismissed by the Court in February 2017. The Customers then appealed to the Higher Court regarding on the withdrawal, which the appeal was dismissed by the Higher Court in May 2017. In June 2017, the Court has given a notice to the respective bank for the Customers' bank account to be frozen for another one-year period with an amount of RMB55 million.

In the opinion of the directors, after obtaining opinion from its legal counsel, no provision for impairment is necessary as the above loans receivables are still considered recoverable.

## 42. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Particulars of the Company's principal subsidiaries at 31 March 2017 are as follows:

| Name of subsidiary | Place of incorporation/ registration/ operations | Issued and fully paid share capital/ registered capital | Proportion ownership interest held by the Company | | Principal activities |
|---|---|---|---|---|---|
| | | | Direct | Indirect | |
| Sino Prosper Group Limited | British Virgin Islands ("BVI") | 10,000 ordinary shares of US$1 each | 100% | – | Investment holding |
| Favour South Limited | BVI | 1 ordinary share of US$1 | – | 100% | Investment holding |
| Treasure Join Limited | BVI | 1 ordinary share of US$1 | – | 100% | Investment holding |
| Sino Prosper (States Gold) Investment Limited | Hong Kong | Ordinary shares HK$10 | – | 100% | Investment holding |
| Sino Prosper Management Limited | Hong Kong | Ordinary share HK$1 | – | 100% | Provision of administrative services |
| Sino Prosper Mineral Products Limited | Hong Kong | Ordinary share HK$1 | – | 100% | Investment holding and sale of gold |
| Victor Bright Investment Limited | Hong Kong | Ordinary share HK$1 | – | 100% | Investment holding |
| Sino Prosper State Gold HK Limited | Hong Kong | Ordinary share HK$1 | – | 100% | Investment holding |
| Great Surplus Investment Limited | Hong Kong | Ordinary share HK$1 | – | 100% | Investment holding |
| Sino Prosper Credit Limited | Hong Kong | Ordinary share HK$1 | – | 100% | Investment holding |
| SP Securities Limited | Hong Kong | Ordinary shares HK$10,000,000 | – | 100% | Provision of advising on securities and securities dealing and brokerage services |

## 42. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

| Name of subsidiary | Place of incorporation/ registration/ operations | Issued and fully paid share capital/ registered capital | Proportion ownership interest held by the Company Direct | Indirect | Principal activities |
|---|---|---|---|---|---|
| HZW *(Note (i))* | PRC | RMB23,310,854 | – | 98.04% | Exploration and mining of gold |
| 大連廣泓礦業技術咨詢有限公司*(Note (ii))* | PRC | RMB9,000,000 | – | 100% | Provision of investment and management consultation services |
| 敖漢旗鑫瑞恩礦業有限責任公司 (transliterated as Aohanqi Xinrui En Industry Co., Ltd.) ("Aohanqi") *(Note (iii))* | PRC | RMB50,000,000 | – | 70% | Exploration and mining of gold |
| Jilin Ruixin *(Note (iv))* | PRC | RMB150,000,000 | – | 100% | Provision of micro-financing |
| 吉林豐瑞投資管理咨詢有限公司 *(Note (v))* | PRC | US$100,000 | – | 100% | Provision of investment and management consultation services |
| 吉林普達投資管理咨詢有限公司 *(Note (v))* | PRC | US$100,000 | – | 100% | Provision of investment and management consultation services |
| 白城市利達投資咨詢有限公司 *(Note (v))* | PRC | US$100,000 | – | 100% | Provision of investment and management consultation services |
| 白城市豐瑞投資管理咨詢有限公司 *(Note (vi))* | PRC | RMB100,000 | – | 100% | Provision of investment and management consultation services |
| 大連中泓管理諮詢有限公司 *(Note (v))* | PRC | RMB1,000,000 | – | 100% | Provision of investment and management consultation services |
| 吉林市興源企業管理諮詢有限公司 *(Note (v))* | PRC | RMB100,000 | – | 100% | Provision of investment and management consultation services |

## 42. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

| Name of subsidiary | Place of incorporation/ registration/ operations | Issued and fully paid share capital/ registered capital | Proportion ownership interest held by the Company Direct | Indirect | Principal activities |
|---|---|---|---|---|---|
| 吉林市凱輝投資管理諮詢有限公司 *(Note (v))* | PRC | RMB100,000 | – | 100% | Provision of investment and management consultation services |
| 吉林市欣瑞企業管理諮詢有限公司 *(Note (v))* | PRC | RMB200,000 | – | 100% | Provision of investment and management consultation services |
| 吉林市華耀投資管理諮詢有限公司 *(Note (v))* | PRC | RMB100,000 | – | 100% | Provision of investment and management consultation services |
| 吉林市凱利機械設備有限公司 *(Note (vii))* | PRC | RMB30,000 | – | 100% | Sales of equipment and provision of investment and management consultation services |

*Notes:*

(i) HZW was a Sino-foreign equity joint venture company established in the PRC and was amended to become a Sino-foreign cooperative joint venture enterprise. The current business scope includes wholesale of steel, building materials, sunflower seeds, green beans, red beans and kidney beans and carrying out exploration work at the places in respect of which exploration permits have been obtained.

(ii) 大連廣泓礦業技術咨詢有限公司 is a limited liability company established in the PRC. The current business scope includes mining exploration, technical advise, economic and information consultancy services.

(iii) Aohanqi is a Sino-foreign equity joint venture established under the PRC law. The current business scope includes gold mine exploitation, selection of gold and sale of mineral products (which are permitted by law, rules and regulations, requirements by State Affairs Office of the PRC and cannot engage in those not allowed as said).

(iv) Jilin Ruixin is a wholly-foreign-owned enterprise established in the PRC. The current business scope includes provision of micro-financing services in Jilin City, the PRC.

## 42. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

*Notes:* (continued)

(v) 吉林豐瑞投資管理咨詢有限公司, 吉林普達投資管理咨詢有限公司, 白城市利達投資咨詢有限公司, 大連中泓管理諮詢有限公司, 吉林市興源企業管理諮詢有限公司, 吉林市凱輝投資管理諮詢有限公司, 吉林市欣瑞企業管理諮詢有限公司 and 吉林市華耀投資管理諮詢有限公司 are wholly-foreign-owned enterprises established in the PRC. The current business scope of these companies include the provision of investment and management consultation services in the PRC.

(vi) 白城市豐瑞投資管理咨詢有限公司 is a limited liability company established in the PRC. The current business scope includes the provision of investment and management consultation services in the PRC.

(vii) 吉林市凱利機械設備有限公司 is wholly-foreign-owned enterprise established in the PRC. The current business scope includes sales of equipment and provision of investment and management consultation services in the PRC.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, results in particulars of excessive length.

### Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests:

| Name of subsidiary | Place of establishment and principal place of business | Proportion of ownership interests held by the non-controlling interests | | Loss allocated to non-controlling interests | | Accumulated non-controlling interests | |
|---|---|---|---|---|---|---|---|
| | | 2017 | 2016 | 2017<br>HK$'000 | 2016<br>HK$'000 | 2017<br>HK$'000 | 2016<br>HK$'000 |
| Aohanqi | PRC | 30% | 30% | (3,689) | (3,709) | 16,369 | 21,315 |
| HZW | PRC | 1.96% | 1.96% | (31,630) | (70) | (2,394) | 31,306 |
| | | | | | | 13,975 | 52,621 |

Summarized financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarized financial information below represents amounts before intragroup eliminations.

## 42. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

### Details of non-wholly-owned subsidiaries that have material non-controlling interests (continued)

#### Aohanqi

| | 2017 HK$'000 | 2016 HK$'000 |
|---|---|---|
| Current assets | 5,210 | 4,565 |
| Non-current assets | 304,521 | 328,234 |
| Current liabilities | (137,837) | (136,577) |
| Non-current liabilities | (30,918) | (33,075) |

| | Year ended 31 March 2017 HK$'000 | Year ended 31 March 2016 HK$'000 |
|---|---|---|
| Revenue | 203 | 3,171 |
| Other income and gain | 132 | 2,393 |
| Expenses | (12,738) | (18,133) |
| Income tax credit | 107 | 207 |
| Loss for the year | (12,296) | (12,362) |
| Loss attributable to owners of the Company | (8,607) | (8,653) |
| Loss attributable to the non-controlling interest | (3,689) | (3,709) |
| Loss for the year | (12,296) | (12,362) |
| Other comprehensive expense for the year | (9,875) | (8,899) |
| Total comprehensive expense attributable to owners of the Company | (17,225) | (16,310) |
| Total comprehensive expense attributable to the non-controlling interest | (4,946) | (4,951) |
| Total comprehensive expense for the year | (22,171) | (21,261) |
| Dividends paid to non-controlling interest | – | – |
| Net cash inflow/(outflow) from operating activities | 1,344 | (958) |
| Net cash outflow from investing activities | (2,532) | (16) |
| Net decrease in cash and cash equivalents | (1,188) | (974) |

# 42. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

## Details of non-wholly-owned subsidiaries that have material non-controlling interests (continued)

### HZW

| | 2017 HK$'000 | 2016 HK$'000 |
|---|---|---|
| Current assets | 59 | 191 |
| Non-current assets | 27 | 421,054 |
| Current liabilities | (4,325) | (4,237) |
| Non-current liabilities | – | – |

| | Year ended 31 March 2017 HK$'000 | Year ended 31 March 2016 HK$'000 |
|---|---|---|
| Revenue | – | – |
| Other income and gain | – | – |
| Expenses | (395,380) | (874) |
| Loss for the year | (395,380) | (874) |
| Loss attributable to owners of the Company | (363,750) | (804) |
| Loss attributable to the non-controlling interest | (31,630) | (70) |
| Loss for the year | (395,380) | (874) |
| Other comprehensive expense for the year | (25,867) | (21,691) |
| Total comprehensive expense attributable to owners of the Company | (387,547) | (20,760) |
| Total comprehensive expense attributable to the non-controlling interest | (33,700) | (1,805) |
| Total comprehensive expense for the year | (421,247) | (22,565) |
| Dividends paid to non-controlling interest | – | – |
| Net cash outflow from operating activities | (300) | (272) |
| Net cash inflow from investing activities | – | – |
| Net decrease in cash and cash equivalents | (300) | (272) |

# 43. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

| | 2017<br>HK$'000 | 2016<br>HK$'000 |
|---|---|---|
| **Non-current assets** | | |
| Investments in subsidiaries | 4,078 | 590,244 |
| **Current assets** | | |
| Amounts due from subsidiaries | 869,194 | 1,047,628 |
| Prepayments and other receivables | 208 | 1,680 |
| Bank balances | 2,244 | 1,321 |
| | 871,646 | 1,050,629 |
| **Current liabilities** | | |
| Other payables and accruals | 685 | 709 |
| Amounts due to subsidiaries | 351,338 | 346,942 |
| | 352,023 | 347,651 |
| **Net current assets** | 519,623 | 702,978 |
| **Total assets less current liabilities** | 523,701 | 1,293,222 |
| **Non-current liabilities** | | |
| Convertible bonds | 80,996 | 89,129 |
| Deferred tax liabilities | 3,920 | 7,854 |
| | 84,916 | 96,983 |
| **Net assets** | 438,785 | 1,196,239 |
| **Capital and reserves** | | |
| Share capital | 13,977 | 11,311 |
| Reserves | 424,808 | 1,184,928 |
| **Total equity** | 438,785 | 1,196,239 |

# 43. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (continued)

## Movement in the Company's reserves

| | Share premium HK$'000 | Convertible bonds equity reserve HK$'000 | Share options reserve HK$'000 | Shareholder's contribution HK$'000 | Capital redemption reserve HK$'000 | Accumulated losses HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|---|
| Balance at 1 April 2015 | 1,666,642 | 42,050 | 65,822 | 12,640 | 1,020 | (616,736) | 1,171,438 |
| Loss for the year | – | – | – | – | – | (15,464) | (15,464) |
| Total comprehensive expense for the year | – | – | – | – | – | (15,464) | (15,464) |
| Release of reserve upon share options lapsed | – | – | (10,169) | – | – | 10,169 | – |
| Conversion of convertible bonds | 42,279 | (16,550) | – | – | – | – | 25,729 |
| Deferred tax relating to convertible bonds | – | 3,225 | – | – | – | – | 3,225 |
| Balance at 31 March 2016 | 1,708,921 | 28,725 | 55,653 | 12,640 | 1,020 | (622,031) | 1,184,928 |
| Loss for the year | – | – | – | – | – | (807,593) | (807,593) |
| Total comprehensive expense for the year | – | – | – | – | – | (807,593) | (807,593) |
| Release of reserve upon share options lapsed | – | – | (50,979) | – | – | 50,979 | – |
| Issue of new ordinary shares | 31,036 | – | – | – | – | – | 31,036 |
| Transaction costs attributable to issue of new ordinary shares | (1,356) | – | – | – | – | – | (1,356) |
| Conversion of convertible bonds | 24,186 | (6,738) | – | – | – | – | 17,448 |
| Redemption of convertible bonds | – | (1,842) | – | – | – | 604 | (1,238) |
| Deferred tax relating to convertible bonds | – | 1,583 | – | – | – | – | 1,583 |
| Balance at 31 March 2017 | 1,762,787 | 21,728 | 4,674 | 12,640 | 1,020 | (1,378,041) | 424,808 |

# Financial Summary

| | For the year ended 31 March | | | | |
|---|---|---|---|---|---|
| | 2013<br>HK$'000 | 2014<br>HK$'000 | 2015<br>HK$'000 | 2016<br>HK$'000 | 2017<br>HK$'000 |
| **Results** | | | | | |
| Revenue | 54,483 | 53,830 | 55,957 | 37,892 | 27,563 |
| Loss before tax | (78,628) | (83,225) | (560,150) | (194,572) | (769,382) |
| Income tax credit/(expense) | 1,038 | (816) | (3,288) | (3,246) | (1,425) |
| Loss for the year | (77,590) | (84,041) | (563,438) | (197,818) | (770,807) |
| Attributable to: | | | | | |
| Owners of the Company | (70,687) | (66,314) | (514,793) | (194,039) | (735,488) |
| Non-controlling interests | (6,903) | (17,727) | (48,645) | (3,779) | (35,319) |
| | (77,590) | (84,041) | (563,438) | (197,818) | (770,807) |

| | At 31 March | | | | |
|---|---|---|---|---|---|
| | 2013<br>HK$'000 | 2014<br>HK$'000 | 2015<br>HK$'000 | 2016<br>HK$'000 | 2017<br>HK$'000 |
| Total assets | 2,060,810 | 2,178,453 | 1,667,501 | 1,401,693 | 598,937 |
| Total liabilities | (72,608) | (184,709) | (194,275) | (167,698) | (159,182) |
| | 1,988,202 | 1,993,744 | 1,473,226 | 1,233,995 | 439,755 |
| Equity attributable to owners of the Company | 1,865,258 | 1,886,241 | 1,413,849 | 1,181,374 | 425,780 |
| Non-controlling interests | 122,944 | 107,503 | 59,377 | 52,621 | 13,975 |
| Total equity | 1,988,202 | 1,993,744 | 1,473,226 | 1,233,995 | 439,755 |