



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
INTERIM
REPORT

Interim Results

The board (the “Board”) of directors (the “Directors”) of Sino Prosper (Group) Holdings Limited (the “Company”) presents the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 September 2017 (the “Reporting Period”) together with comparative figures for the previous corresponding period, which have been reviewed by the audit committee (the “Audit Committee”) of the Board.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Six months ended 30 September	
		2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Revenue	3	14,600	11,937
Cost of sales		(402)	(384)
Gross profit		14,198	11,553
Other income and gains	5	5,107	150
General and administrative expenses		(16,168)	(23,140)
Loss on early redemption of convertible bonds		–	(530)
Finance costs	6	(7,514)	(7,943)
Loss before tax		(4,377)	(19,910)
Income tax expense	7	(1,314)	(396)
Loss for the period	8	(5,691)	(20,306)
Other comprehensive income/(expense) <i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translating foreign operations		15,163	(38,886)
Other comprehensive income/(expense) for the period, net of income tax		15,163	(38,886)
Total comprehensive income/(expense) for the period		9,472	(59,192)
Loss attributable to:			
Owners of the Company		(4,553)	(18,925)
Non-controlling interests		(1,138)	(1,381)
		(5,691)	(20,306)
Total comprehensive income/(expense) attributable to:			
Owners of the Company		9,974	(56,024)
Non-controlling interests		(502)	(3,168)
		9,472	(59,192)
Loss per share	10		
Basic and diluted (HK cents per share)		(0.33)	(1.59)

Condensed Consolidated Statement of Financial Position

	Notes	At 30 September 2017 (Unaudited) HK\$'000	At 31 March 2017 (Audited) HK\$'000
Non-current assets			
Property, plant and equipment	11	78,230	75,622
Other intangible assets	12	128,476	123,777
Exploration and evaluation assets	11	22,315	21,449
Goodwill		125,414	121,123
Other assets		205	205
		354,640	342,176
Current assets			
Inventories		7,875	7,193
Loans receivables	13	225,418	210,675
Trade and other receivables	14	3,336	3,729
Financial assets at fair value through profit or loss		48	42
Bank balances and cash			
– General accounts and cash		26,508	34,549
– Trust accounts		643	573
		263,828	256,761
Current liabilities			
Trade and other payables	15	18,287	18,644
Amounts due to non-controlling interests of subsidiaries		8,329	8,006
Amounts due to related parties		11,265	9,695
Tax payable		6,564	5,559
		44,445	41,904
Net current assets		219,383	214,857
Total assets less current liabilities		574,023	557,033
Non-current liabilities			
Convertible bonds	16	88,510	80,996
Provision for restoration costs		372	358
Deferred tax liabilities		35,914	35,924
		124,796	117,278
Net assets		449,227	439,755
Capital and reserves			
Share capital	17	13,977	13,977
Reserves		421,777	411,803
Equity attributable to owners of the Company		435,754	425,780
Non-controlling interests		13,473	13,975
Total equity		449,227	439,755

Condensed Consolidated Statement of Cash Flows

	Six months ended 30 September	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Net cash used in operating activities	(10,420)	(81,841)
Cash flows from investing activities		
Interest received on bank deposits	16	97
Payments for property, plant and equipment	(642)	(1,831)
Net cash used in investing activities	(626)	(1,734)
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	–	(6,000)
Net cash generated by financing activities	–	25,644
Net decrease in cash and cash equivalents	(11,046)	(57,931)
Cash and cash equivalents at the beginning of period	34,549	123,182
Effect of foreign exchange rate changes, net	3,005	(2,905)
Cash and cash equivalents at the end of period	26,508	62,346

Condensed Consolidated Statement of Changes in Equity

	Attributable to owners of the Company										Attributable to non-controlling interests (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
	Share capital (Unaudited) HK\$'000	Share premium (Unaudited) HK\$'000	Convertible bonds equity reserve (Unaudited) HK\$'000	Share options reserve (Unaudited) HK\$'000	Shareholder's contribution (Unaudited) HK\$'000	Foreign currency translation reserve (Unaudited) HK\$'000	Capital redemption reserve (Unaudited) HK\$'000	Other reserve (Unaudited) HK\$'000	Accumulated losses (Unaudited) HK\$'000	Subtotal (Unaudited) 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)		
Loss for the period	-	-	-	-	-	-	-	-	(18,925)	(18,925)	(1,381)	(20,306)
Other comprehensive expense for the period	-	-	-	-	-	(37,099)	-	-	-	(37,099)	(1,787)	(38,886)
Total comprehensive expense for the period	-	-	-	-	-	(37,099)	-	-	(18,925)	(56,024)	(3,168)	(59,192)
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	(6,737)	-	-	-	-	-	-	18,151	-	18,151
Early redemption of convertible bonds	-	-	(1,842)	-	-	-	-	-	604	(1,238)	-	(1,238)
Deferred tax relating to convertible bonds	-	-	1,582	-	-	-	-	-	-	1,582	-	1,582
Release of reserve upon share options lapsed	-	-	-	(50,979)	-	-	-	-	50,979	-	-	-
Balance at 30 September 2016	13,977	1,762,787	21,728	4,674	12,640	36,130	1,020	249,089	(926,556)	1,175,489	49,453	1,224,942

	Attributable to owners of the Company										Attributable to non-controlling interests (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
	Share capital (Unaudited) HK\$'000	Share premium (Unaudited) HK\$'000	Convertible bonds equity reserve (Unaudited) HK\$'000	Share options reserve (Unaudited) HK\$'000	Shareholder's contribution (Unaudited) HK\$'000	Foreign currency translation reserve (Unaudited) HK\$'000	Capital redemption reserve (Unaudited) HK\$'000	Other reserve (Unaudited) HK\$'000	Accumulated losses (Unaudited) HK\$'000	Subtotal (Unaudited) HK\$'000		
	Balance at 1 April 2017	13,977	1,762,787	21,728	4,674	12,640	2,984	1,020	249,089	(1,643,119)		
Loss for the period	-	-	-	-	-	-	-	-	(4,553)	(4,553)	(1,138)	(5,691)
Other comprehensive income for the period	-	-	-	-	-	14,527	-	-	-	14,527	636	15,163
Total comprehensive income/(expense) for the period	-	-	-	-	-	14,527	-	-	(4,553)	9,974	(502)	9,472
Release of reserve upon share options lapsed	-	-	-	(140)	-	-	-	-	140	-	-	-
Balance at 30 September 2017	13,977	1,762,787	21,728	4,534	12,640	17,511	1,020	249,089	(1,647,532)	435,754	13,473	449,227

Notes to the Condensed Consolidated Interim Financial Statements

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements have been prepared in accordance with the Hong Kong Accounting Standards (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). These unaudited condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 March 2017, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

The accounting policies used in the condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2017 except for the adoption of the new and revised HKFRSs (which include individual HKFRSs and HKASs) as described in note 2 below.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

During the Reporting Period, the Group has applied the following amendments issued by the HKICPA, which are effective for the Group’s financial year beginning 1 April 2017:

Amendments to HKAS 7	<i>Disclosure Initiative</i>
Amendments to HKAS 12	<i>Recognition of Deferred Tax Assets for Unrealized Losses</i>

The Directors anticipate that the application of the amendments has had no material impact on the Group’s financial performance and positions for the current and prior periods.

The Group has not early adopted any new and revised HKFRSs that have been issued but are not yet effective.

Notes to the Condensed Consolidated Interim Financial Statements

3. REVENUE

An analysis of the Group's revenue for the Reporting Period and the six months ended 30 September 2016 is as follows:

	Six months ended 30 September	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Interest income from loan financing activities	8,719	7,502
Consultancy services income	5,589	4,435
Commission from securities dealing and brokerage services	21	–
Financial advisory fee income	271	–
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	14,600	11,937

4. SEGMENT INFORMATION

Information reported to the Board, 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 People's Republic of China ("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").

Notes to the Condensed Consolidated Interim Financial Statements

4. SEGMENT INFORMATION (continued)

The following tables present revenue and results for the Reporting Period and the six months ended 30 September 2016 and total assets and total liabilities as at 30 September 2017 and 31 March 2017 for the Group's operating segments.

	Financial services HK\$'000	Investment in energy and natural resources (including precious metals) related projects HK\$'000	Money lending HK\$'000	Total HK\$'000
Six months ended 30 September 2017 (Unaudited)				
Segment revenue	292	-	14,308	14,600
Segment (loss)/profit	(2,874)	(1,559)	11,340	6,907
Interest on bank deposits, other income and gains				5,107
Finance costs				(7,514)
Central administration costs				(8,877)
Loss before tax				(4,377)
Six months ended 30 September 2016 (Unaudited)				
Segment revenue	-	-	11,937	11,937
Segment (loss)/profit	-	(2,577)	8,113	5,536
Interest on bank deposits and other income				150
Loss on early redemption of convertible bonds				(530)
Finance costs				(7,943)
Central administration costs				(17,123)
Loss before tax				(19,910)

Notes to the Condensed Consolidated Interim Financial Statements

4. SEGMENT INFORMATION (continued)

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.

5. OTHER INCOME AND GAINS

	Six months ended 30 September	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Interest income on bank deposits	16	97
Unrealized gain on financial assets at fair value through profit or loss	6	–
Net foreign exchange gain	5,019	–
Sundry income	66	53
	<u>5,107</u>	<u>150</u>

6. FINANCE COSTS

	Six months ended 30 September	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Effective interest on convertible bonds	7,514	7,943

Notes to the Condensed Consolidated Interim Financial Statements

7. INCOME TAX EXPENSE

Income tax recognized in profit or loss

	Six months ended 30 September	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Current tax		
PRC Enterprise Income Tax	2,190	1,704
Deferred tax	(876)	(1,308)
Total income tax expense recognized in profit or loss	1,314	396

Hong Kong Profits Tax is calculated at 16.5% (six months ended 30 September 2016: 16.5%) on the estimated assessable profit for the Reporting Period.

Under the prevailing tax law in the PRC, PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% for both the Reporting Period and the six months ended 30 September 2016. 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% (six months ended 30 September 2016: ranging from 2.5% to 3.75%) on revenue for the Reporting Period.

Notes to the Condensed Consolidated Interim Financial Statements

8. LOSS FOR THE PERIOD

	Six months ended 30 September	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Loss for the period has been arrived at after charging:		
Directors' emoluments	3,711	8,698
Employee benefits expense (excluding directors' emoluments) (<i>Note (i)</i>)		
– Salaries and other benefits in kind	4,675	3,847
– Contributions to retirement benefits schemes	202	131
Total staff costs	8,588	12,676
Auditors' remuneration	835	730
Amortization of other intangible assets included in general and administrative expenses	275	656
Depreciation of property, plant and equipment (<i>Note (ii)</i>)	1,046	1,075
Loss on disposal of property, plant and equipment	11	–
Minimum lease payments paid under operating leases in respect of land and buildings	926	679
Net foreign exchange loss	–	4,515

Notes:

- (i) Amount excluded expenses capitalized in construction in progress of approximately HK\$791,000 for the six months ended 30 September 2016. Employee benefits expense of approximately HK\$170,000 were capitalized in inventories for the Reporting Period (six months ended 30 September 2016: HK\$190,000).
- (ii) Depreciation of property, plant and equipment of approximately HK\$182,000 was capitalized in inventories for the Reporting Period (six months ended 30 September 2016: HK\$706,000).

9. INTERIM DIVIDEND

The Directors resolved not to declare the payment of any interim dividend for the Reporting Period (six months ended 30 September 2016: Nil).

Notes to the Condensed Consolidated Interim Financial Statements

10. LOSS PER SHARE

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

	Six months ended 30 September	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Loss		
Loss for the period attributable to owners of the Company for the purposes of basic and diluted loss per share	(4,553)	(18,925)

Number of shares

	Six months ended 30 September	
	2017 (Unaudited) '000	2016 (Unaudited) '000
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	1,397,720	1,192,739

The computation of diluted loss per share for the Reporting Period and the six months ended 30 September 2016 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.

Notes to the Condensed Consolidated Interim Financial Statements

11. CAPITAL EXPENDITURE

	Property, plant and equipment (Unaudited) HK\$'000	Exploration and evaluation assets (Unaudited) HK\$'000
Six months ended 30 September 2017		
Net book amount at 1 April 2017	75,622	21,449
Additions	642	–
Disposals	(11)	–
Depreciation expense	(1,046)	–
Effect of foreign currency exchange differences	3,023	866
Net book amount at 30 September 2017	78,230	22,315
Six months ended 30 September 2016		
Net book amount at 1 April 2016	83,572	443,892
Additions	1,831	–
Depreciation expense	(1,075)	–
Effect of foreign currency exchange differences	(2,730)	(14,564)
Net book amount at 30 September 2016	81,598	429,328

Note:

Amongst the depreciation expense of approximately HK\$1,046,000 for the Reporting Period (six months ended 30 September 2016: HK\$1,075,000), approximately HK\$182,000 (six months ended 30 September 2016: HK\$706,000) were capitalized in inventories, and approximately HK\$864,000 (six months ended 30 September 2016: HK\$369,000) was included in general and administrative expenses.

Notes to the Condensed Consolidated Interim Financial Statements

12. OTHER INTANGIBLE ASSETS

	Mining rights (Unaudited) HK\$'000	License (Unaudited) HK\$'000	Trading rights (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Six months ended 30 September 2017				
Net book amount at 1 April 2017	122,821	456	500	123,777
Amortization	(260)	(15)	–	(275)
Effect of foreign currency exchange differences	4,956	18	–	4,974
Net book amount at 30 September 2017	127,517	459	500	128,476
Six months ended 30 September 2016				
Net book amount at 1 April 2016	131,394	518	–	131,912
Amortization	(641)	(15)	–	(656)
Effect of foreign currency exchange differences	(4,305)	(17)	–	(4,322)
Net book amount at 30 September 2016	126,448	486	–	126,934

13. LOANS RECEIVABLES

	At 30 September 2017 (Unaudited) HK\$'000	At 31 March 2017 (Audited) HK\$'000
Loans receivables from Money lending operations	225,418	210,675

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% per annum (31 March 2017: 6% to 12% per annum).

Notes to the Condensed Consolidated Interim Financial Statements

13. 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:

	At 30 September 2017 (Unaudited) HK\$'000	At 31 March 2017 (Audited) HK\$'000
To be matured:		
Within 1 month	14,663	–
3 months or less but over 1 month	139,005	–
6 months or less but over 3 months	8,211	50,174
9 months or less but over 6 months	–	104,857
Over 9 months	3,402	–
Neither past due nor impaired	165,281	155,031
Matured:		
Less than 1 month	522	822
Less than 3 months but over 1 month	1,080	1,564
Less than 6 months but over 3 months	1,585	2,439
Less than 1 year but over 6 months	3,170	4,851
Over 1 year	53,780	45,968
	225,418	210,675

Loans receivables that were neither past due nor impaired relate to diversified customers for whom there was no recent history of default. The Directors 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 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. Please refer to the paragraph “Legal Proceedings” in Operational Review in this interim report for details of litigation on loans receivables.

As at 30 September 2017, loans receivables with an aggregate carrying amount of HK\$201,957,000 (31 March 2017: HK\$188,689,000) 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.

Notes to the Condensed Consolidated Interim Financial Statements

14. TRADE AND OTHER RECEIVABLES

	At 30 September 2017 (Unaudited) HK\$'000	At 31 March 2017 (Audited) HK\$'000
Trade receivables arising from Financial services (<i>Note (i)</i>)		
– Cash clients	377	–
Trade receivables (<i>Note (ii)</i>)	1,029	2,552
Less: allowance for doubtful debts	(1,029)	(989)
	377	1,563
Prepayments	735	523
Deposits	2,143	1,479
Other receivables	81	164
	3,336	3,729

Notes:

- (i) The settlement terms of trade receivables arising from the provision of securities dealing and brokerage business are two days after trade date. The trade receivables from cash clients with a carrying amount of approximately HK\$377,000 (31 March 2017: Nil) are neither past due nor impaired at the end of the Reporting Period.
- (ii) 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.

Notes to the Condensed Consolidated Interim Financial Statements

14. TRADE AND OTHER RECEIVABLES (continued)

Notes: (continued)

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

	At 30 September 2017 (Unaudited) HK\$'000	At 31 March 2017 (Audited) HK\$'000
0 – 30 days	–	1,563

	At 30 September 2017 (Unaudited) HK\$'000	At 31 March 2017 (Audited) HK\$'000
Neither past due nor impaired	–	1,563

Movements in the allowance for doubtful debts:

	At 30 September 2017 (Unaudited) HK\$'000	At 31 March 2017 (Audited) HK\$'000
At beginning of the period/year	989	1,072
Impairment loss recognized on trade receivables	–	–
Effect of foreign currency exchange differences	40	(83)
At end of the period/year	1,029	989

Notes to the Condensed Consolidated Interim Financial Statements

15. TRADE AND OTHER PAYABLES

	At 30 September 2017 (Unaudited) HK\$'000	At 31 March 2017 (Audited) HK\$'000
Trade payables arising from Financial services (<i>Note (i)</i>)		
– Cash clients	661	536
– Clearing house	358	34
Trade payables (<i>Note (ii)</i>)	289	217
Accrued expenses and other payables	6,203	7,181
Deposits received	136	156
Payables for acquisition of property, plant and equipment and exploration of mines	664	638
PRC business tax and other levies payable	9,976	9,882
	18,287	18,644

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, 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:

	At 30 September 2017 (Unaudited) HK\$'000	At 31 March 2017 (Audited) HK\$'000
91 – 180 days	63	12
Over 180 days	226	205
	289	217

16. CONVERTIBLE BONDS

Imputed interest expenses of approximately HK\$7,514,000 (six months ended 30 September 2016: HK\$7,943,000) have been recognized in the unaudited condensed consolidated statement of profit or loss and other comprehensive income in respect of the convertible bonds for the Reporting Period.

At 30 September 2017, the carrying amount of the liability component of the convertible bonds at amortized cost was approximately HK\$88,510,000 (31 March 2017: HK\$80,996,000).

Notes to the Condensed Consolidated Interim Financial Statements

17. SHARE CAPITAL

	Number of shares	Share capital HK\$'000
Authorized:		
At 31 March 2017 and 30 September 2017, ordinary shares of \$0.01 each	40,000,000,000	400,000
Issued and fully paid:		
At 31 March 2017 and 30 September 2017, ordinary shares of HK\$0.01 each	1,397,720,199	13,977

18. FAIR VALUE MEASUREMENT

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

Fair value hierarchy as at 30 September 2017 (Unaudited)

Assets measured at fair value:

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Financial assets at FVTPL – listed equity securities (Hong Kong)	48	–	–	48

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 Reporting Period.

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 consider that the carrying amounts of financial assets and financial liabilities recognized in the condensed consolidated financial statements approximate to their fair values.

	At 30 September 2017	
	Carrying amount (Unaudited) HK\$'000	Fair value (Unaudited) HK\$'000
Financial liabilities		
Convertible bonds – liability component	88,510	92,856

The fair value of the financial liabilities included in Level 3 category above in the fair value hierarchy have been determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

Notes to the Condensed Consolidated Interim Financial Statements

19. OPERATING LEASE COMMITMENTS

At the end of the Reporting Period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	At 30 September 2017 (Unaudited) HK\$'000	At 31 March 2017 (Audited) HK\$'000
Within one year	1,551	731
In the second to fifth years inclusive	1,134	294
	<hr/>	<hr/>
	2,685	1,025

20. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in this interim report, the Group had the following significant transactions with related parties during the six months ended 30 September 2017:

Compensation of key management personnel

	Six months ended 30 September	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Short-term employee benefits	3,695	8,684
Post-employment benefits	16	14
	<hr/>	<hr/>
	3,711	8,698

The above related party transactions do not constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules").

Management Discussion & Analysis

OPERATIONAL REVIEW

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, capital shortage and the stringent regulation on safety production of mining enterprises by the local administrative department.

Micro-Financing Business in Jilin City, PRC

In light of the increasing downward pressure of Jilin's macro economy, complicated with an acute structural imbalance, decelerated development of the real economy and no recovery signs for the production and operation across the city, the Company will adopt a more prudent lending principle to strengthen the control on loan risks.

SP 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 (i.e. holder of Type 1 & 4 licences) . SP Securities also obtained the Asset Management licence in the first quarter of 2017 (i.e. holder of Type 9 licence). 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 above-mentioned 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.

Management Discussion & Analysis

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 Customer 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 above-mentioned 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.

On 22 June 2017, the Court issued a Notice for Assistance in Freezing Deposit to freeze an aggregate amount of RMB55 million in the bank account of such Customer for a one-year period until 21 June 2018.

Outlook

While pursuing continued growth in its business, the Group will from time to time review the business of its project companies and make appropriate adjustments to ensure that the Group can cope with the external challenges arising from unstable economic prospects.

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.

FINANCIAL REVIEW

During the Reporting Period, the Group recorded a total turnover of approximately HK\$14,600,000 (six months ended 30 September 2016: approximately HK\$11,937,000) which mainly comprised a turnover of (i) approximately HK\$8,719,000 from interest income from loan financing activities (six months ended 30 September 2016: approximately HK\$7,502,000), (ii) approximately HK\$5,589,000 from consultancy services income (six months ended 30 September 2016: approximately HK\$4,435,000); (iii) approximately HK\$271,000 representing financial advisory fee income (six months ended 30 September 2016: Nil); and (iv) approximately HK\$21,000 representing commission from securities dealing and brokerage services (six months ended 30 September 2016: Nil). The total turnover of the Group increased by approximately 22.30% as compared to the last corresponding period. Such increase was mainly attributable to the increase of interest income from loan financing activities, consultancy services income and financial advisory fee income.

As at 30 September 2017, the Group recorded total assets of approximately HK\$618,468,000 (as at 31 March 2017: approximately HK\$598,937,000), and recorded total liabilities of approximately HK\$169,241,000 (as at 31 March 2017: approximately HK\$159,182,000). The Group's net asset value as at 30 September 2017 increased by 2.2% to approximately HK\$449,227,000 as compared to approximately HK\$439,755,000 as at 31 March 2017.

LIQUIDITY AND FINANCIAL RESOURCE

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

As at 30 September 2017, the Group had bank balances and cash of approximately HK\$26,508,000 (as at 31 March 2017: approximately HK\$34,549,000). As at 30 September 2017, the Group had carrying amount of HK\$88,510,000 for convertible bonds (as at 31 March 2017: approximately HK\$80,996,000). Its gearing ratio calculated as a ratio of net debt to total equity was 13.8% (as at 31 March 2017: 10.56%). As at 30 September 2017, net current assets of the Group totaled approximately HK\$219,383,000 (as at 31 March 2017: approximately HK\$214,857,000) and the current ratio was maintained at a level of approximately 5.9 (as at 31 March 2017: approximately 6.1).

TREASURY POLICIES

As at 30 September 2017, the Group had cash and bank balances of approximately HK\$26,508,000 (as at 31 March 2017: approximately HK\$34,549,000). The Group has sufficient capital, and generally exercises caution when using cash and making capital commitments. As at 30 September 2017, the Group had loans receivables of approximately HK\$225,418,000 (as at 31 March 2017: approximately HK\$210,675,000).

CONTINGENT LIABILITIES

As at 31 March 2017 and 30 September 2017, the Group had no significant contingent liabilities.

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 costs 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 Group's management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Management Discussion & Analysis

MATERIAL ACQUISITIONS OR DISPOSALS

Possible Disposal of Aohanqi Xinrui En Industry Co., Ltd.

On 1 September 2017, the Group entered into a letter of intent (the “Letter of Intent”) with a potential investor (the “Potential Investor”) in relation to the proposed disposal of part/all of the interest in Aohanqi Xinrui En Industry Co., Ltd. (the “Target Company”) held by the Company to the Potential Investor (the “Possible Disposal”). Pursuant to the Letter of Intent, the total consideration and the payment method of the Possible Disposal are subject to further negotiation between the parties after the completion of the updated reserve report of the Dongduimianguo gold mine (the “Mine”).

The Target Company is a company incorporated in the PRC and is principally engaged in exploration and mining of gold. The current business scope includes gold mine exploitation, selection of gold and sale of mineral products, which are permitted by the State Affairs of the PRC. The principal asset of the Target Company is the mining right permit of the Mine with validity up to 6 May 2018.

The Company indirectly holds 70% of the entire equity interest of the Target Company.

The Group and the Potential Investor will procure to enter into the formal legal binding agreement in relation to the Possible Disposal on or before 1 September 2018.

Save as disclosed above, there were no other material acquisition or disposal of subsidiaries or associates during the Reporting Period.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2017, the Group employed 46 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 granted on a discretionary basis. Other employee benefits include mandatory provident fund, insurance and medical coverage, training programs and share option scheme.

CORPORATE GOVERNANCE & PRACTICES

The Company acknowledges the importance of good corporate governance practices and procedures and regards a pre-eminent Board, sound internal controls and accountability to all shareholders of the Company as the core elements of its corporate governance principles. The Company endeavours to ensure that its businesses are conducted in accordance with rules and regulations, and applicable codes and standards. The Company has adopted the Corporate Governance Code (the “Code”) as set out in Appendix 14 to the Listing Rules.

The Board periodically reviews the corporate governance practices of the Company to ensure its continuous compliance with the Code. Save as disclosed in this interim report, the Company was in compliance with the Code during the Reporting Period.

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 statute and common law, the Listing Rules, legal and other regulatory requirements and the Company’s business and governance policies.

Management Discussion & Analysis

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (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 six months ended 30 September 2017.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 September 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 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 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 (Note 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 (the "Share") in issue as at 30 September 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 30 September 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 30 September 2017, the T2 CB in the aggregate amount of HK\$104,750,000 remain outstanding.

Management Discussion & Analysis

Save as disclosed above, as at 30 September 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 Underlying Shares" and "Share Option Schemes" of this interim 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.

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES AS AT 30 SEPTEMBER 2017

Save as disclosed above, as at 30 September 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.

Management Discussion & Analysis

SHARE OPTION SCHEMES

The 2002 Scheme was adopted pursuant to a resolution passed on 25 April 2002 for the primary purpose of providing incentives to eligible participants. As the 2002 Scheme would have been expired on 15 May 2012, the 2002 Scheme was terminated and 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.

The following table discloses movements of the Company's share options granted under the 2002 Scheme and the 2012 Scheme during the six months ended 30 September 2017:

2012 Scheme

Date of grant	Exercisable period	Exercise price HK\$	Number of share options					Outstanding at 30/9/2017
			Outstanding at 1/4/2017	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period	
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
			<u>14,700,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,700,000</u>
Exercisable as at 30 September 2017								<u>14,700,000</u>
Weighted average exercise price			<u>HK\$0.196</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>HK\$0.196</u>

Under the 2012 Scheme, the options outstanding at 30 September 2017 had weighted average exercise price of HK\$0.196 (31 March 2017: HK\$0.196) and a weighted average remaining contractual life of 5.7 years (31 March 2017: 6.2 years).

No option has been granted under the 2012 Scheme during the six months ended 30 September 2017 (31 March 2017: Nil).

Management Discussion & Analysis

2002 Scheme

Date of grant	Exercisable period	Exercise price HK\$	Number of share options				Outstanding at 30/9/2017
			Outstanding at 1/4/2017	Exercised during the period	Cancelled during the period	Lapsed during the period	
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
			<u>5,600,000</u>	<u>-</u>	<u>-</u>	<u>(1,400,000)</u>	<u>4,200,000</u>
Exercisable as at 30 September 2017							<u>4,200,000</u>
Weighted average exercise price			<u>HK\$3.036</u>	<u>-</u>	<u>-</u>	<u>HK\$4.550</u>	<u>HK\$2.531</u>

Under the 2002 Scheme, the options outstanding at 30 September 2017 had weighted average exercise price of HK\$2.531 (31 March 2017: HK\$3.036) and a weighted average remaining contractual life of 2 years (31 March 2017: 1.9 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.

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.

CONTRACT OF SIGNIFICANCE

Save as disclosed in this interim 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.

Management Discussion & Analysis

AUDIT COMMITTEE'S REVIEW

The written terms of reference include the authority and duties of the Audit Committee and amongst its principal duties are the review and supervision of the Company's financial reporting system and supervising of the risk management and internal control systems. Regarding the financial reporting system, the Audit Committee would consider any significant items reflected in the reports and accounts.

The interim results of the Group for the Reporting Period have been reviewed by the Audit Committee.

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

Hong Kong, 21 November 2017

As at the date of this interim report, Mr. Leung Ngai Man and Ms. Wong Li Fong are the executive Directors, and Ms. Xuan Hong, Mr. Cai Wei Lun and Mr. Zhang Qingkui are the independent non-executive Directors.