



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)



Annual Report
2018

Contents

Corporate Information	2
Management Discussion and Analysis	3
Profile of Directors and Senior Management	8
Directors' Report	9
Corporate Governance Report	18
Environmental, Social and Governance Report	28
Independent Auditors' Report	46
Consolidated Statement of Profit or Loss and Other Comprehensive Income	53
Consolidated Statement of Financial Position	54
Consolidated Statement of Changes In Equity	55
Consolidated Statement of Cash Flows	57
Notes to the Consolidated Financial Statements	59
Financial Summary	152

Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Independent Non-executive Directors

Mr. Miao Yanan
Mr. Cai Wei Lun
Mr. Zhang Qingkui

COMPANY SECRETARY

Ms. Chan Yuen Ying Stella

AUTHORIZED REPRESENTATIVES

Mr. Leung Ngai Man
Ms. Chan Yuen Ying Stella

AUDIT COMMITTEE

Mr. Miao Yanan (*Chairman*)
Mr. Cai Wei Lun
Mr. Zhang Qingkui

REMUNERATION COMMITTEE

Mr. Miao Yanan (*Chairman*)
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

Room 802, 8/F
Tower Two, Lippo Centre
No. 89 Queensway
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.sinoprospers.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 2018 (the “Reporting Period”) are presented below:

OPERATIONAL REVIEW

Aohan Qi Mine, Inner Mongolia

Aohan Qi Mine is undergoing a period of small-scale operation and the mine’s tunnels and dressing plant are under routine maintenance, due to the rising production cost. The Company renewed the mining permit of Aohan Qi gold mine on 19 April 2018, which will remain valid until 19 April 2021.

Micro-Financing Business in Jilin City, PRC

In light of Jilin city’s stagnant macro-economic conditions, weak real economy and sluggish production activities, the Company will continue to adopt a prudent lending principle to stringently control loan risks.

The micro financing industry was booming in the PRC prior to year 2014 but slowed down in recent years in Jilin Province, the PRC. During the Reporting Period, demand for micro-financing remained stable, resulting in similar interest rate and consultancy fee rate to that of last year. However, due to the slight increase in operating expenses for consultancy business adopted in the valuation of the Money lending business, the impairment on goodwill in relation to the money lending business was approximately HK\$5.5 million for the year ended 31 March 2018 (2017: HK\$338.1 million).

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.

During the Reporting Period, the management has made an impairment loss of approximately HK\$14,880,000 (2017: Nil) on the goodwill associated with the Financial services business of SP Securities. During the Reporting Period, mainly due to the loss of staff in advisory team and the loss of customer, revenue of SP Securities declined by approximately 86.91% to approximately HK\$304,000. As a result, the recoverable amount of the cash-generating unit related to the Financial services business is determined to be less than its carrying amount.

Management Discussion & Analysis

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.

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. In January 2016, the Customer repaid RMB12 million to the Group. 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.

In 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 Customers until 21 June 2018. In June 2018, the Court issued another Notice for Assistance in Freezing Deposit to freeze an aggregate amount of RMB58 million in the bank account of such customer until 19 June 2019.

In June 2017, the Group received a sum of approximately RMB2.4 million through the Court.

Management Discussion & Analysis

Outlook

While keeping its existing business intact, the Group will from time to time review the business outlook 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 technology as part of its efforts to bring greater return for shareholders.

FINANCIAL REVIEW

During the Reporting Period, the Group recorded total turnover of approximately HK\$30,781,000 (year ended 31 March 2017 (“FY2017”): HK\$27,563,000) which mainly comprises a turnover of (i) approximately HK\$17,771,000 from interest income from loan financing activities (FY2017: HK\$15,515,000); (ii) approximately HK\$12,586,000 from consultancy services income (FY2017: HK\$9,523,000); and (iii) approximately HK\$271,000 representing financial advisory fee income (FY2017: HK\$2,305,000). The Group’s total turnover increased by approximately 11.68% as compared to last financial year. Such increase was mainly attributable to the increase of interest income from loan financing activities and consultancy services income.

As at 31 March 2018, the Group’s total assets was approximately HK\$644,364,000 (as at 31 March 2017: HK\$598,937,000), and the total liabilities was approximately HK\$175,182,000 (as at 31 March 2017: HK\$159,182,000). The Group’s net assets value as at 31 March 2018 increased by approximately 6.69% to approximately HK\$469,182,000 as compared to approximately HK\$439,755,000 as at 31 March 2017.

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 2018, the Group had bank balances and cash (excluding trust accounts) of approximately HK\$32,303,000 (as at 31 March 2017: HK\$34,549,000). As at 31 March 2018, the Group had carrying amounts of HK\$89,034,000 for convertible bonds (as at 31 March 2017: HK\$80,996,000). Its gearing ratio calculated as a ratio of net debt (representing borrowings less bank balances and cash) to total equity was 12.09% (as at 31 March 2017: 10.56%). As at 31 March 2018, net current assets of the Group amounted to approximately HK\$152,054,000 (as at 31 March 2017: HK\$214,857,000) and the current ratio was maintained at a level of approximately 2.1 (as at 31 March 2017: 6.1).

Management Discussion & Analysis

On 13 December 2017, the Company successfully placed 118,500,000 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\$0.105 per Share, and subsequently on 20 December 2017, the Company allotted and issued 118,500,000 Shares to Mr. Leung Ngai Man at the subscription price of HK\$0.105 per Share. The closing market price of the Share on 11 December 2017 was HK\$0.130. The net proceeds from the top-up placing were approximately HK\$12.23 million. The net price raised per share was approximately HK\$0.103. The placing represents an opportunity for the Company to raise capital while broadening its shareholder base as well as its capital base. The net proceeds from such funding raising activity were fully utilised as general working capital (including salaries and office expenses) of approximately HK\$12.23 million.

On 29 December 2017, 41,400,000 share options were granted to a consultant and two employees of the Company at the exercise price of HK\$0.109 per Share under the share option scheme adopted by the Company on 20 April 2012 (the “Share Option Scheme”). The closing market price of the Share on 29 December 2017 was HK\$0.107 per Share.

On 21 March 2018, 27,600,000 share options were exercised at the exercise price of HK\$0.109 per Share under the Share Option Scheme. The closing market price of the Share on 20 March 2018 was HK\$0.129.

On 2 May 2018, 971,650,000 non-redeemable and convertible preference shares (the “Convertible Preference Shares”) were issued and allotted upon the redemption by the Company of the convertible bonds due 11 October 2018 issued by the Company in the outstanding principal amount of HK\$97,165,000 (the “CB”) at the issue price of HK\$0.10 per convertible preference share. The convertible preference shares are convertible into Shares.

On 2 May 2018, the authorised share capital of the Company of HK\$400,000,000 divided into 40,000,000,000 Shares of HK\$0.01 each were reclassified into 30,283,500,000 Shares of HK\$0.01 each and 971,650,000 preference shares of HK\$0.10 each.

TREASURY POLICIES

As at 31 March 2018, the Group had bank balances and cash (excluding trust accounts) of approximately HK\$32,303,000 (as at 31 March 2017: HK\$34,549,000). The Group has sufficient capital, and generally exercises caution when using cash and making capital commitments. As at 31 March 2018, the Group had loans receivables of approximately HK\$244,522,000 (as at 31 March 2017: HK\$210,675,000).

CONTINGENT LIABILITIES

As at 31 March 2018 and 2017, the Group had no significant contingent liabilities.

CAPITAL COMMITMENTS

As at 31 March 2018 and 2017, 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 2018, the Group employed 47 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 Tuesday, 18 September 2018. 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 Wednesday, 12 September 2018 to Tuesday, 18 September 2018, 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 Tuesday, 11 September 2018.

Profile of Directors and Senior Management

Executive Directors

Mr. LEUNG Ngai Man, aged 57, is the Chairman of the Group. He was appointed as an executive Director in 2001. He is also a director of certain subsidiaries of the Group and a member of the remuneration committee of the Company. Mr. Leung has an extensive network and relationship with numerous PRC companies and authorities.

Ms. WONG Li Fong, aged 51, was appointed as an executive Director in March 2015, she is also a director of certain subsidiaries of the Group and 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

Mr. MIAO Yanan, aged 55, was appointed as an independent non-executive Director in March 2018. Mr. Miao is also the chairman of each of the audit committee and remuneration committee of the Company. He graduated from Dalian Maritime University with a Master's degree of Business Administration in July 1996. He is a certified public accountant of The Chinese Institute of Certified Public Accountants. He is a certified tax agent certified by the Ministry of Personnel and State Administration of Taxation of The People's Republic of China. He is also a member of Dalian Certified Tax Agents Association* (大連註冊稅務師協會). Mr. Miao worked in government agencies and several certified public accountants firms. Mr. Miao has over 20 years of experience in accounting, auditing and taxation.

Mr. CAI Wei Lun, aged 62, 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. ZHANG Qingkui, aged 50, 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 47, 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 19 years' accounting experience.

* for identification purpose only

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 7 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 2018 is set out in the section headed "Environmental, Social and Governance Report" on pages 28 to 45 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, Customers

The key relationships with the Group's employees and customers is discussed under section headed "Environmental, Social and Governance Report" on pages 28 to 45 of this annual report.

Directors' 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 2018 are set out on pages 53 to 54 of this annual report.

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

CHARITABLE DONATIONS

During the year ended 31 March 2018, the Group did not make any charitable donation (2017: 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 152 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 32, 33 and 29 to the consolidated financial statements respectively.

SHARES ISSUED

During the year, the Company has issued an aggregate of 146,100,000 ordinary shares with details as follows:

1. On 20 December 2017, an aggregate of 118,500,000 ordinary shares were allotted and issued at HK\$0.105 per share pursuant to the placing and subscription agreement dated 12 December 2017. The gross proceeds of the subscription was HK\$12,442,500; and
2. On 21 March 2018, an aggregate of 27,600,000 ordinary shares were allotted and issued upon the exercise of share options at the exercise price of HK\$0.109. Total funds raised from the exercise of share options was HK\$3,008,400.

RESERVES

Details of the movements in the reserves of the Company and the Group during the Reporting Period are set out in note 44 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 2018, the reserves of the Company available for distribution to the Shareholders amounted to approximately HK\$383,775,000 (As at 31 March 2017: HK\$384,746,000).

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, revenue from the Group's five largest customers accounted for 54.5% of the total revenue for the year and revenue from the largest customer amounted to 31.2%. Purchases from the Group's five largest suppliers accounted for 98.5% of the total purchases for the year and purchases from the largest supplier amounted to 73.5%.

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' Report

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. Miao Yanan (appointed on 19 March 2018)

Mr. Cai Wei Lun

Mr. Zhang Qingkui

Ms. Xuan Hong (resigned on 19 March 2018)

In accordance with article 108(A) of the article of association of the Company (the "Articles"), Ms. Wong Li Fong and Mr. Zhang Qingkui will retire as Directors by rotation and, being eligible, offer themselves for reelection as Directors at the AGM.

DIRECTORS' BIOGRAPHIES

Biographical details of the Directors are set out on page 8 of this annual report.

DIRECTORS' SERVICE CONTRACTS

Mr. Leung Ngai Man entered into a 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 and expired on 1 April 2018. On 1 April 2018, Mr. Cai signed a new appointment letter with the Group for a term of two years commencing from 1 April 2018, 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 2017 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.

Mr. Miao Yanan signed an appointment letter with the Group on 19 March 2018 for a term of two years commencing from 19 March 2018, 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 2018, 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	1,234,258,108 (Notes 2)	1,632,794,110	107.69%
Wong Li Fong (Executive Director)	Beneficial owner	Long position	15,000	-	15,000	Negligible

Directors' Report

Notes

1. The percentage is calculated on the basis of 1,543,820,199 Shares of the Company in issue as at 31 March 2018 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 2018.
2. These underlying shares are 1,234,258,108 Shares including (i) 262,608,108 Shares to be issued upon exercise of conversion rights attaching to the tranche 2 convertible bonds (the "T2 CB") in the outstanding principal amount of HK\$97,165,000 at the conversion price of HK\$0.37 per Share issued by the Company to Mr. Leung on 22 November 2013 and (ii) 971,650,000 non-redeemable and convertible preference shares to be issued upon the redemption by the Company the convertible bonds due 11 October 2018 issued by the Company on 11 October 2013 in the outstanding principal amount of HK\$97,165,000.

Save as disclosed above, as at 31 March 2018, 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 2018, 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 33 to the consolidated financial statements.

As at 31 March 2018, the Company had 32,700,000 share options outstanding under the two share option schemes, which represented approximately 2.12% of the Shares in issue as at 31 March 2018. 41,400,000 share options has been granted under 2012 Scheme, 27,600,000 share options has been exercised under the 2012 Scheme and no option has been exercised under 2002 Scheme during the Reporting Period. 1,400,000 share options has been lapsed under 2002 Scheme during the Reporting Period.

As at the date of this annual report, there are 98,372,019 options available for grant under the 2012 Scheme, representing approximately 6.37% of the issued share capital of the Company.

Directors' Report

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

Save 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

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 Dongduimiangou 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 was the mining right permit of the Mine with validity up to 6 May 2018. The new gold mine permit of the Mine has been obtained from the relevant PRC authority and such mining permit will be with validity up to 19 April 2021.

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.

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 2018 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 change in the auditors of the Company in the preceding three years.

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

Hong Kong, 28 June 2018

Corporate Governance Report

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 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.

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. Miao Yanan (appointed on 19 March 2018)
Mr. Cai Wei Lun
Mr. Zhang Qingkui
Ms. Xuan Hong (resigned on 19 March 2018)

The biographical details of the current Directors are set out on page 8 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.

Corporate Governance 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	
<i>Mr. Leung Ngai Man (Chairman)</i>	4/4
Mr. Wong Li Fong	4/4
Independent Non-Executive Directors	
Mr. Miao Yanan (<i>Note</i>)	N/A
Mr. Cai Wei Lun	4/4
Mr. Zhang Qingkui	4/4
Ms. Xuan Hong	2/4

Note: Mr. Miao Yanan was appointed as an independent non-executive Director on 19 March 2018, no Board meeting was held during his tenure of office for the year ended 31 March 2018.

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.

Corporate Governance Report

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 (<i>Chairman</i>)	✓
Mr. Wong Li Fong	✓
Mr. Miao Yanan	✓
Mr. Cai Wei Lun	✓
Mr. Zhang Qingkui	✓

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.

Corporate Governance Report

GENERAL MEETING

During the Reporting Period, 1 general meeting of the Company were held, being the 2017 annual general meeting of the Company (“2017 AGM”) held on 28 September 2017.

	Attendance
Executive Directors	
Mr. Leung Ngai Man (<i>Chairman</i>)	0/1
Mr. Wong Li Fong	1/1
Independent Non-Executive Directors	
Mr. Miao Yanan (<i>Note</i>)	N/A
Mr. Cai Wei Lun	0/1
Mr. Zhang Qingkui	0/1
Ms. Xuan Hong	0/1

Note: Mr. Miao Yanan was appointed as an independent non-executive Director on 19 March 2018, no general meeting was held during his tenure of office for the year ended 31 March 2018.

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 2017 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.

Corporate Governance Report

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 (<i>Former Chairlady</i>)	1/1
Mr. Miao Yanan (<i>Chairman</i>) (<i>Note</i>)	N/A
Mr. Leung Ngai Man	1/1
Mr. Wong Li Fong	1/1
Mr. Cai Wei Lun	1/1
Mr. Zhang Qingkui	1/1

Note: Mr. Miao Yanan was appointed as a member on 19 March 2018, no meeting was held during his tenure of office for the year ended 31 March 2018.

Corporate Governance Report

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 Finance Director 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 2017. 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 (<i>Former Chairlady</i>)	2/2
Mr. Miao Yanan (<i>Chairman</i>) (<i>Note</i>)	N/A
Mr. Cai Wei Lun	2/2
Mr. Zhang Qingkui	2/2

Note: Mr. Miao Yanan was appointed as a member on 19 March 2018, no meeting was held during his tenure of office for the year ended 31 March 2018.

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	296

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 2018.

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.

Corporate Governance Report

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 apprised 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 2018 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 2018 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 Room 802, 8/F., Tower Two, Lippo Centre, No. 89 Queensway, 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 Room 802, 8/F., Tower Two, Lippo Centre, No. 89 Queensway, 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

This Environmental, Social and Governance Report (“ESG Report”) is compiled in accordance with the guidelines outlined in Appendix 27 Environmental, Social and Governance Reporting Guide (the “Reporting Guide”) to the Rules Governing the Listing of Securities on the The Stock Exchange of Hong Kong Limited (“HKEx”) for the year ended 31 March 2018 (“the Reporting Period”).

CORPORATE VISIONS AND GOALS AND ESG MANAGEMENT

Corporate Vision and Goal

The Group continues with its vision and aims to maximize returns to its stakeholders and at the same time maintaining a healthy and safe working environment for its employees whilst also achieving continuing and sustainable development for both society and the environment.

ESG Management Policy and Approach

The Group’s activities, which accounted for nearly all our turnover during the Reporting Period, are financial related services, including (i) micro-financing and investment consulting services to borrowers and investors in Jilin, and (ii) securities trading in Hong Kong through a wholly-owned subsidiary, SP Securities Limited. In undertaking these activities we aim to follow a policy of providing quality services and practicing fair trade.

Apart, the Group also owns a gold mining license in respect of a gold mine located in Inner Mongolia, China. During the Reporting Period, the Group focused mainly on exploration to verify its gold resources and mining operations were limited. Putting safety and environmental protection as our priority in this activity, the Group appoints qualified design institutes and contractors to design and to carry out exploration work and subsequent mining engineering operations.

In short, the Group’s visions and goals and ESG Management Policy and Approach can be summarized by the following statement:

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

ESG Responsibilities and its Operation

It is the duty of the Board to examine and address all environmental and social issues listed in the Aspects and Areas in the Reporting Guide. In this connection, the Board has approved from time to time updated strategies and policies. The Board has assigned the various department heads to implement its policies and to report directly to the PRC Finance Director, who has the overall responsibility to ensure their implementation. It is incumbent on the department heads to examine and address all the environmental and social issues spelt out in the Aspects and Areas in the Reporting Guide. Together with the PRC Finance Director, the department heads are duty bound to participate to explore, develop and review Key Performance Indicators (“KPIs”) where appropriate and necessary for future reference and action in line with the operation policy and business goals of the Group.

Environmental, Social and Governance Report

On the whole, the Group takes on an active role to ensure a sustainable and environmentally-friendly mining and operating process are in place by taking all practicable and possible measures to comply with all the relevant national laws, operating practices and standards. The Group actively assumes social responsibilities to reduce pollution by setting reasonably practicable objectives. The gold exploration and extraction operation in Inner Mongolia translates this policy into achievable goals during the mine developing, planning, design and production stages. The Group takes all measures to ensure that there is no breach of national or provincial legal and regulatory requirements which are our minimum standard. For the financial related services activities, the Group ensures that all legal and social obligations have been satisfied.

Key policies relating to material areas and aspects in the Reporting Guide, and our environmental and social obligations' performance are covered herein below:

(A) ENVIRONMENTAL ASPECTS

A1: Emissions

(a) Policy

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

(b) Compliance with relevant laws that have Significant Impacts

As at end March, 2018, the Group was not subject to any confirmed violation cases relating to emission and waste discharges or other environmental issues that could have adverse impacts on the Group and to the local environment where we are operating.

The Group adopts a proactive approach in tackling environmental and production hazard issues in our exploration and mining sites. This approach allows the Group to minimize and effectively resolve the majority of the environmental issues typical of the industry.

Our approach consists of two instrumental arms. First, a reputable and renowned state owned professional mining design institute is engaged to design and plan the exploration project activities and subsequent mining engineering operations. Second is most instrumental, demonstrating our commitment in environmental protection. The Group adopts the “Gravity and Floatation System” in place of the “Cyanide Leaching”, as it is a more environmentally friendly process. Moreover, with a design of recycling and reusing of the water, polluted water emission has been greatly minimized.

Environmental, Social and Governance Report

The Group also put our mining site managers and employees on constant alert to give extra attention on environmental, safety and health issues during daily operations. The Group is conscious of our environmental and safety protection responsibilities and adopts a policy of statutory compliance which is a must.

Mines Exploration

For our exploration works carried on under the mining license in Inner Mongolia, China, the Group carried out geological works including survey and mapping, sampling and trenching, and thereafter focused on result collations. In all stages, we instructed our exploration contractors to comply with all local rules and national regulations including explored sites cleaning and refilling after trenching, and no pollutions of whatever types were produced.

Mining Operation

For our mining operation in Inner Mongolia, right from the start, the Group has engaged a reputable state-owned Changchun Gold Design Institute, (“the Institute”) to prepare the Feasibility Study, which we have followed to build our mining and processing operations. The operation is in compliance with the governmental rules and regulations. As mentioned previously, only small –scale mining works and mine maintenance works had been carried out during the Reporting Period. Hence the mine did not produce much waste rocks or tailings, waste water or noise emission.

Landscape

As a respect and tribute to the natural environment, the Group has committed to build and maintain the site landscape to be compatible and in harmony with its natural scenery.

As a measure to improve the site environment, greening the surrounding areas of the site with trees and plantations has been an ongoing concern and program of the Group. It helps to improve the air quality, ambient temperature and humidity of the site surroundings and provides a decent and pleasant working site.

The Group’s financial related services activities are mainly operating inside offices and do not have any significant impact or materiality on environmental issues. Only indirect emission of greenhouse gases, carbon-dioxide (CO₂) through the use of electricity is generated. Our mining and exploration sites complied with and passed all the environmental laws, rules and regulations.

(KPI A1.1)

Types of Emissions and Emission Data

Both the small-scale mining operation and maintenance work, and exploration work, and the in-office financial related services, do not give rise to emissions in form of air, water and solid wastes of significant impact or hazardous nature to our environment.

Environmental, Social and Governance Report

(KPI A1.2)

Greenhouse gas (GHG) emissions

Given the limited mining status, the out-sourcing of the exploration work to contractors, and the in-office operation nature of most other activities, the Group did not generate any significant amount of direct GHG. There is however the indirect non-hazardous gas emission of CO₂ as a result of electricity consumption. During the Reporting Period, the mine and the offices produced 335.10 tonnes (China operation 321.41 tonnes and Hong Kong offices 13.69tonnes) of CO₂, which was 461.90 tonnes or 58% less than the previous reporting period owing to a nearly stoppage of mining activities in China. CO₂ emission from the offices in Hong Kong, though insignificant were 8.71 tonnes more than the previous reporting period as a result of an additional office was rented.

(KPI A1.3)

Total hazardous waste produced

Mining operation activities inevitably produce waste whether hazardous or non-hazardous in nature. The Group's decision of adopting the "Gravity and Flootation" system versus "Cyanide Leaching" is remarkably rewarding and successful as far as reducing the potential for hazards at source is concerned.

During the Reporting Period, the tailing waste from the limited mining operation was insignificant and much less than the 3,696 tons produced in the previous reporting period, and no adverse comments or irregularities were reported from the internal and external control sources.

(KPI A1.4)

Total non-hazardous waste

In the absence of active mining activities, non-hazardous waste typical of general office nature is produced in all other Group operations. The amount produced is insignificant and is immaterial compared with the mining operation. All non-hazardous wastes are taken care of by the local waste collector.

(KPI A1.5)

Mitigation measures on emission and results

Given the prevalent limited mining status, no emission of significant impact and materiality was noted during the reporting period. There were no complaints or breaches recorded by the law enforcing agencies.

Environmental, Social and Governance Report

(KPI A1.6)

Handling and reduction of hazardous and non-hazardous waste

The operations and activities of the Group other than the mining operation produce non-hazardous wastes but their volume and amount are insignificant compared to mining operation. Non-hazardous and low hazardous wastes are taken care and disposed of by external waste collectors. All levels of the Group are reminded of and educated on the importance of the “3-R” guiding principles of reduce, reuse and recycle. The Group is satisfied with its accomplishment in general and recognizes the effort and achievement of the staff though no annual target has been set.

A2: Use of Resources

Policy on Efficient Use of Energy

The Group is proud of its commitment in the conservation and efficient use of energy and all resources by adopting such a concept in the design and installation of our production plants and systems. On the day-to-day operations and activities, the Group adopts and implements the “3-R” principle – to reduce, reuse and recycle as far as possible in promoting and achieving efficient use of energy, water and other raw materials..

During the Reporting Period, the Group consumed 322,382 Kwh and 17,332 Kwh electricity by the China operation and Hong Kong administrative offices respectively. The former was 472,527 Kwh or 59.44% less, while the latter was 11,536 Kwh or 199% more than the previous reporting period. The reason for the former were a decrease mainly in mining activities, while for the latter was the renting of an additional office. The management however checked that the electricity usage in the Hong Kong offices was at normal and efficient mode.

(KPI A2.2)

Water Consumption in Total and Intensity

The Group’s mine enjoys benefits from its design and planning on efficient use and conservation of water. The gold extraction system and installations allow all water after use, as far as possible and practicable, to be collected, filtered and reused to achieve water conservation and efficient use as well as minimizing polluted water discharge. Water meters are installed to gauge water use at different stages of operation.

The Group’s mine enjoys constant and reliable supply and incoming quality from the city supply network, which meets with our production requirements. Alternative sources of well water have also been used. Our offices are using reliable water from the city supply network only.

Intensity comparison for this KPI of different sites on water consumption is not meaningful as there is only one mine operating under a small scale.

Environmental, Social and Governance Report

(KPI A2.3)

Energy Use Efficiency Initiatives and Results Achieved

For this KPI, the Group again benefits from our early vision on energy efficiency and conservation. All plants are designed to be as close as possible to the power supply source to keep energy loss to a minimum. The Group will try any new technological innovations on energy efficiency and conservation. Energy efficient transformers are installed and all premises are installed with LED lights. Large power consumption equipment and installations such servers and transformers are switched off in an automatic manner. In parallel, education and promotional programs are in place to remind staff of efficient use of energy, and energy efficiency is one of our considerations in our purchases.

(KPI A2.4)

Issues in Sourcing Water

The Group is well aware of our social responsibility in the efficient use of water in the gold extraction process, and was a paramount consideration when deciding and selecting our production method. The Gravity and Flotation plant has equipped a water recycling system that ensures that our production process is efficient in water use and conservation. Where necessary and practicable, well water is also used as an alternative to city supply.

(KPI A2.5)

Packaging Material for Finished Products and Use of Other Resources

For obvious reasons, there are minimal packaging materials involved in our product of raw gold. This aspect in our view does not post any significant materiality or impact to the environment or our gold extraction activity. In other activities of the Group, packaging materials for finished products also do not pose a significant impact on our operation. As a general principle, in sourcing our packaging materials for our activities, the Group adopts the view that it must be fit for purpose in the first place and meet with our specification. Non-toxicity and environmental friendliness are in fact our keen concern.

The Group has committed to being paperless in our offices as far as possible and where conditions permit. All employees are constantly reminded to adopt the 3-R principle – Reduce, Reuse and Recycle in their handling and using all resources, not just paper usage.

If a full mining operation is commenced, the Group will need to consume a large amount of steel, wood, cement, water and power in building and managing its underground mining works. The Group will monitor its consumption in an efficient and effective manner for costs as well as conserving resources.

Environmental, Social and Governance Report

A3: Environment and Natural Resources

(KPI A3.1)

Policy on Minimizing Significant Impact on the Environment and Resources

Consistent with, and in line with our vision and policy on the protection and conservation of the environment, the Group is totally adamant on this Aspect. As far as the Group operations are concerned, water, chemicals and tailings in the gold extraction activities are our major concern as they could which have a significant impact on the environment and resources. The Group's commitment is well evidenced in our approach in inviting and constantly consulting with a professional institute in all our mine design and operation. Most important of all, the Group adopts the least hazardous Gravity and Flotation method in gold processing. The closed and recycling system allows water conservation to achieve the maximum attainable in the gold extraction. Various consequential measures adopted by the plants and production processes as outlined in other parts of this Report ensure that our policies and vision are accomplished. It is obvious that such approach is not profit driven. Environment is our prime concern, in fact, which is our driving force. No change is foreseeable to this vision when the mine is back to normal production in the future. Reduction and reuse especially in the form of efficient and smart uses, reuse and recycle measures where appropriate and practicable, are the main approaches which our Group would consider in pursuit of minimizing impact to the environment.

On the day-to day operation level, drain channels are designed and built to contain any possible spills of the discharge, accidental or otherwise, from the plants to septic tanks for neutralizing and treatment to the acceptable national discharge standard before discharge.

All tailings from the extraction process are considered to have a material impact on the environment as far as the Group operations are concerned. It is the policy and site production requirements to ensure that all tailings are removed from water content as far as possible and are placed in designated storage yards for further use. Making good use of the tailings and landscaping the storage yards are the Group's concern too for environmental reasons. The yard is landscaped to blend in with its ambient environment for aesthetic purposes.

The stringent statutory control standard and heavy penalties are yet another driving force for due diligence by all levels of the Group for full compliance. The financing activities business of the Group does not produce wastewater or have any other significant impact to the environment in their operations.

All levels of the Group have a clear recognition of this policy and vision. In conjunction with the measures to reduce, reuse and recycle, the Group and all managers are constantly on the alert to look for ways and means to accomplish the "3-R" achievable goals.

(B) SOCIAL ASPECT

B1: Employment

(a) Policy

The Group treasures and regards our employees as valuable assets for our sustained development and growth. It is the policy of the Group to strictly comply with all the relevant statutory requirements in the “Labor Law of PRC” and “Employment Ordinances of Hong Kong Special Administrative Region”.

On recruitment, the local offices in-charge have been given the authority to conduct the requirements and subsequent selection processes for the related vacancies and opened positions. Except for senior positions, the final recruitment decision is in the hands of the department heads.

On recruitment, the Group adopts a hybrid of external recruitment, internal nomination and job rotation to recruit suitable personnel from outside and provide advancement opportunities to existing 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. Employment of child labor and forced labor is totally forbidden and is under the regular scrutiny of the management.

The Group is committed to providing employees with equal opportunity on recruitment, promotion, compensation and benefits as specified in the relevant statutory provisions. Providing a harmonious, pleasant, healthy and safe working environment for the employees is of our prime concern.

Under the corporate organization structure, the department heads who reports directly to the Group’s Executive Directors, assisted by personnel officers in different offices in China, 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.

Environmental, Social and Governance Report

The Group has well established policies, codes and guidelines on labour welfare and protection emphasizing legal compliance of national or provincial laws and legislative standards of the places of our operation. They cover, but are not limited to, appointment and its termination, working hours, rest days, statutory holidays, remunerations, various compensations, dismissal, health, general safety and other benefits and welfare. Details are clearly spelt out in the Employee Handbook. Some salient topics are summarized in paragraphs which follow.

Below are summaries of some of the salient topics covered in the Employee Handbook.

- (i) The Employee Handbook contains the whole range of various national labour laws, guidelines, code of practice and safety standards applicable to the Group's operations and business which are considered to have significant impact to the Group.
- (ii) Compliance of the statutory requirements is the minimum standard of the Group and to be observed at all levels.
- (iii) The Group ensures that policies and regulations covering a comprehensive range of employment protection and benefits are in place and being observed at all levels.
- (iv) The Group recognizes that staff are an important asset to its growth and sustained development and commits to providing fairness to all staff on recruitment, promotion, compensation and benefits; promoting a harmonious and respectful workplace.
- (v) All employments are entered into with proper, standardized contracts in writing between the respective staff and the Group. The Personnel Office of the respective operating location is charged with this prime responsibility and duty to ensure that statutory obligations of the Group are fulfilled and complied with in a timely manner. These Personnel Offices report to the Director of Personnel.
- (vi) To ensure a fair and rational human resources structure, the Group has established job qualifications and requirements specific to each job position in the local offices. They are taken as criteria for recruitment, promotion and transfer. The recruitment and decision making process involve both the relevant operational levels and the human resources department.

Environmental, Social and Governance Report

- (vii) In accordance with the requirements of the national laws of PRC and local laws of Hong Kong, the Group provides and maintains statutory benefits to all qualified staff, including but not limited to, Central Provident Fund, Levies, medical and work injury insurance, compensation and statutory holidays.
- (viii) Employee remunerations are determined with reference to the prevailing market level and in line with their competency, qualification, skills and experience. Salary is paid to the employee bank account within the prescribed agreed period at the end of the wage period. Only in exceptional cases will salary be paid in cash to employees in person. No wage disputes or complaints were recorded in the reporting period.
- (ix) The Group opens up opportunities for employees to move on in their vertical and horizontal career path.

(b) Compliance with Relevant Laws that have Significant Impacts

The Group being a fair and honest employer with full integrity, maintains a policy of strict compliance with all employment laws and statutory requirements. The Personnel Office of each operating location is responsible for this compliance through its recruitment process at the source and ensures that all established benefits, welfare and employment terms are carried out correctly and fairly. Executive Directors oversee the operation of the Personnel Offices on personnel matters. No breach of labour laws or labour disputes were recorded both internally and externally during the reporting period.

Given the same as the previous reporting period policy of equal opportunity and non-discriminatory to sex, origin, religion and races, our employees from different cultures and religions work together amicably and pleasantly without any record of complaints or disputes during the Reporting period.

In accordance with the statutory requirements of the PRC and HKSAR, 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. During the Reporting Period, the Group honored all obligations including the payment of salaries and wages, holidays and leaves, compensations, insurance and health benefits without disputes with our employees, same as the previous reporting period.

Environmental, Social and Governance Report

(KPI B1.1 and B1.2)

The Group recruits its employees from its operating locations in Hong Kong, Jilin, and Inner Mongolia for its office operations. As at the end of the reporting period, the Group had a total of 47 employees (10 in Hong Kong head office, 6 in China head office and regional office, 7 in Jilin and 24 at the mine site), which as a result of a fall in activities especially in mining works, were 8 (5 from China operation and 3 from Hong Kong head office) less than the previous reporting period. In terms of mining activities, due to limited mining operations, our number of employees is considered small, and are management and key engineering officers to manage and to supervise the business and activities, and miners and other workers. The Hong Kong head office mainly houses the managerial staff who direct and manage the Group business and liaise with the HKEx. Among the 47 employees, 14 or 29.8% were in the managerial level, and all other employees were at the operation level; male to female employees ratio were 57.4% to 42.6% which was reasonable owing to the nature of mining works; 91.9% of employees in China were in the age of 31 to 60 which was normal and showed that nowadays youngsters are not willing to work for mining related activities.

B2: Health and Safety

(a) Policy

Given the nature of operations, especially in the mining sector of the Group, and being a responsible employer, the Group considers health and safety of its employees our prime concern and attaches great importance in protecting them from risks and ill health.

The Employee Handbook and Labour and Employment contracts set out general safety policies and procedures. Specific safety rules, instructions and procedures for the safe operation of plants and process operations, and general employee safety, are contained in the operation manuals and safety guidelines.

The Group has provided and installed in all offices, and especially the mine, safety equipment and installations which are required for the safe operation and protection of employee safety.

All employees are required to strictly observe the health and safety policies, instructions and guidance and to follow the same at work and to place safety as their priority over production. Managers and supervisors are charged with the responsibility of enforcing the safety policies, rules and practices.

(b) Compliance of Relevant Laws that have Significant Impacts

Compliance of the relevant statutory provision of the law on safety is the primary concern of the Group and our supervisory and management team. Safety has the top-most priority in our business goals and production operations. The Group has taken out the required insurance for all qualified employees in Hong Kong and China in accordance with the statutory requirements of their employment locations.

Environmental, Social and Governance Report

(KPI B2.1 and B2.2)

Continuing the record of the previous reporting period, there had been no serious injuries, incidents or disastrous events during the current reporting period, despite there being only limited operation in our gold mine in Inner Mongolia.

(KPI B2.3)

The Group equips the mine sites with all the required safety equipment and facilities, and has passed all the government safety inspections. In case of accidents, regardless of its nature, being minor or serious, employees are required by the in-house rules to notify their superiors immediately, who will take appropriate measures to ensure safety is not being compromised.

In-house rules require all injuries or accidents to be promptly reported and properly dealt with in accordance with the national or local laws. In parallel remedial or compensatory actions arising from safety and health issues or work, injuries are required to be taken immediately where necessary as stipulated by the in-house rules.

Same as in the previous reporting period, the Group did not have any record on any claim disputes on compensation or work related injury investigation by government officials in the Reporting Period.

The mine in Inner Mongolia has been inspected by the relevant government authorities and awarded all approvals and permits including safety. The Group assures that safety will be the first priority when the mine is back to full operation.

B3: Development and Training

(a) & (b) Policy and Compliance on Improving Employee Knowledge and Skills

In line with our recognition of the value of our employees and employees are an asset to our operation, the Group instigates training programs for all levels of employees. It is the policy of the Group to provide the required level of training in terms of skills and job knowledge, plant operation and production know-how to employees at various levels, so that they are able to perform their required job duties in a competent and capable manner without risk to their health and safety or damage to plants and operations.

Broadly speaking there are 3 categories of training that the Group provides. Induction training is provided to new recruits to enhance their understanding of the Group history, organization structure, work environment, regulations, responsibilities and duties required of the job, working skills, safety in operation, and career development plan etc. On-the-job and specific training 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.

Environmental, Social and Governance Report

Policies are in place for on the job training to ensure that knowledge and skills are rightly provided in a timely manner to meet production and staff needs. Employees are encouraged to engage in self-development by taking external training programs and seminars of which the Group may sponsor the cost, in part or whole, of such training programs.

Specific safety and emergency training such as “Emergency Safety Management” and “Emergency Help and Support” organized by the National Safety Supervision Bureau of China are provided to the miners and service workers in the mining operation in Inner Mongolia even though they are the employees of the contractors. The Group assures that such training will be continued when the mine is back in full operation.

(KPI B3.1 and B3.2)

During the Reporting Period, in our China operation, 7 safety supervising staff were sent to attend 3 full days external training program on Safety Management, and 9 general staff were sent to attend 3 full days external training program on Emergency Handling and Support. The total number of 16 staff being sponsored to attend training programs during the Reporting Period was less than the previous year of 38 because the Group now focuses on safety management instead of general safety routine, which is important for commencement full operations in future. In the Hong Kong head office, the management team continued to receive training regularly, amounted to 20 hours in total during the Reporting Period.

B4: Labour Standards

(a) *Policy*

The Group adopts the statutory requirements and standards applicable to our operating locations as appropriate to be our minimum labour standard on labour protection and welfare. The Group is committed to ensuring its full compliance and all management and supervisory levels are made aware of this. In addition, the Group adopts a serious view and attaches great importance to the compliance of statutory duties and obligations as an employer.

(KPI B4.1 and KPI B4.2)

Banning the employment of child labour, illegal workers and forced labour is achieved through the recruitment and employment process at source by the respective Personnel Offices of the operating locations. The department heads are charged with the duty of overseeing its compliance. All job applicants are required to submit their credentials such as academic qualifications, professional skill certificates, references and identity card for verification and record purpose during recruitment.

Environmental, Social and Governance Report

(b) Compliance with Relevant Laws that have Significant Impacts

The Group strictly adheres to the national laws on employment and labour protection to ensure employee health, safety and welfare during their employment. The Group also pays wages and salaries, benefits, compensation payments and insurance on time within the prescribed period. The Group honored all of its obligations towards staff and no disputes or litigations on labour matters were reported for the Reporting Period.

B5: Supply Chain Management

(a) & (b) Policy and Management

The Group has well established purchase policies which open its purchase acquisitions to all suppliers on a fair and equitable manner. Purchases within a specified amount are handled by the respective local offices for operational convenience reasons and approval of the Headquarter office in Hong Kong is required when the transaction value exceeds the specified limit. All capital expenditure purchases have to be authorized and approved by the Hong Kong headquarter. All purchase transactions are open and transparent and normally 3 quotations will be required for comparison purposes. All purchase transactions are subject to the scrutiny of internal hierarchy supervisions at different levels depending on its contract value and significance and to the overall scrutiny of external independent audit checks.

(KPI B5.1)

All of our purchases for general purpose and use are concluded with reputable and reliable local suppliers as far as possible so as to reduce carbon footprint and to support the local economy development. When purchase of items or service for special use, it is the policy of the Group to ensure that the supply of service or goods is fit for purpose and meets with our specification before price becomes a consideration.

(KPI B5.2)

All purchases of the Group in principle follow the established prevalent trade practice and industry norms by inviting a suitable number of tenderers but no less than 3 depending on various factors like contract value, amount involved and any other technicality or time constraints. They are executed and documented in accordance with the in-house rules which predominantly impose concern on, and attach importance to, its fit for purpose, safety and reliability. Other secondary considerations are price competitiveness, availability and reputation of the suppliers. Suppliers are chosen based on their continuous ability to guarantee satisfactory product quantity and quality, reasonable pricing and timely delivery etc. New suppliers are required to provide relevant certifications/documents and track records if necessary.

Environmental, Social and Governance Report

The Group is well aware that the quality and standard of the incoming materials especially the chemicals in the extraction process are crucial and instrumental to our end product quality and productivity. The Group ensures that our specification stipulation policy and verification procedures are carried out and adhered to. This policy and approach have been strictly applied where applicable in the purchase or tender process.

It should be noted that owing to the limited mining status, purchases have been significantly reduced. The Group assures that there will be no significant changes to the established purchase policy and procedures.

The Group does not foresee its source of supplies to be a potential threat to our extraction operations.

PRODUCT RESPONSIBILITY

B6: Product Responsibilities

(i) *Product Quality and Customer Service*

(a) **Policy**

The Group is fully aware that this Aspect has the greatest materiality and impact significance for the Group's micro-financing and investment consulting business and the gold extraction operation. Well defined policy and operating procedures are in place for this.

The Group provides customized services to meet the unique needs of our customers, delivering sustainable value and achieving customer loyalty in the long term. Our employees are committed to act with integrity and provide professional advices to our micro-financing customers and our financial services customers. For the mining operation, the quality and purity of gold from the extraction process affects its ultimate selling price. The Group has to comply with very stringent specification requirements to complete the transaction which the Group is fully conversant with. The Group does not see this to be an issue as far as our current practice and policies go. Such risks are reasonably minimized by strictly adhering to the established policy and procedures.

Environmental, Social and Governance Report

(b) Compliance with relevant laws that have Significant Impact

(KPI B6.1, B6.2 and B6.4)

For the mining operation, the Group realizes that the quality and consistency of our end product is critical to our ability to retain our reputation and credibility and market share. Thus, great importance and concern are attached to the purity standard of our end product. The Group has employed skillful and experienced processing engineers and installed and applied the latest equipment and technology to guarantee the purity of our gold produced. SP Securities Limited is licensed and regulated under the Securities and Futures Commission (the “SFC”), which its operations including dealing in securities, advising on securities, and asset management activities are regulated and are required to comply with the Securities and Futures Ordinance administered by the SFC. During the Reporting Period, SP Securities Limited complies with the rules and regulations governing the regulated activities participated by SP Securities Limited. The business operation of micro-financing and investment consulting business, is under the control and scrutiny of the Financial Institutions Supervision Commission of the Peoples Bank of China (“Supervision Commission”). The Group undertakes all measures to ensure that rules and regulations governing the products, procedures, processes, conditions and terms issued by the Supervision Commission are fully observed without deviations and exceptions.

(ii) Intellectual Property Right

(a) and (b) Policy and Compliance with relevant laws that have Significant Impacts

(KPI B6.3)

Given the nature of our business operation, intellectual property right is not an issue to the Group. However, the Group still observes and respects all intellectual property rights such as the purchase of original computer software for usage in offices and working sites.

(iii) Safeguarding customer assets

(a) and (b) Policy and Compliance with relevant laws that have Significant Impacts

As a custodian of customers’ assets, we strictly comply with all relevant rules and regulations and all precautions. We implement necessary measures to ensure customers’ assets are properly and adequately safeguarded. Furthermore, segregated accounts are maintained to separate customers’ assets and assets of the Group. Customers’ transactions should only be executed when instruction or consent is received. Any irregularity should be immediately reported to the Executive Directors.

Environmental, Social and Governance Report

(iv) Privacy

(a) Policy

The Group is fully aware of the fact that in the course of our business transactions of financial services and micro-financing with our clients, staff are accessible to some very sensitive and private personal data like credit limit, financial status etc of the clients. The Group and the management have installed stringent supervisory and control policy and measures. The Group fully abides by the Personal and Private Data Ordinance (the “PPDO”). In our Employee Handbook and other documents like Labour Contract and Employment Contract, well defined policies and procedures are in place which totally prohibit the illegal disclosure or use of such information or data other than for the required official use. A system of authorized access to such data is installed and followed at all times. No breach of the PPDO has been recorded during the recording period.

(b) Compliance with relevant laws that have Significant Impacts

(KPI B6.5)

The Group is fully aware of our obligation, and has taken measures to ensure the safe keeping of all private information and without violation of the PPDO. Measures are in place to tackle the possible leaking of information by employees and hacking of information systems. For the former, documentary requirements are in place to caution for safe keeping of such information. For the latter, the Group IT Department has been charged to continuously monitor, maintain and update both the hardware and software with effective security systems to prevent hacking attacks at all times. No privacy information leakage was detected or reported during the Reporting Period.

(v) Customers

(a) and (b) Policy and Compliance with relevant laws that have Significant Impacts

To improve service quality, the Group regularly gathers complaints, opinions and feedbacks from customers. The Group also implements procedures, ensuring customers complaints, opinions are efficiently collected and handled. All department heads will regularly review these complaints, opinion and feedbacks, and will learn from experience and recommend improvements, thereby improving the quality of services of the Group.

One of the most critical risks of the Group’s operations is the credit risk associated with the micro-financing operations. Such credit risk may cause financial loss to the Group in the case if any borrowers default. To mitigate such risk, the Group implements stringent approval procedures including background investigation and review process. The loan applications will be approved by the department head. Also, the Group focuses on high credit rating customers. The Group also closely monitors all repayments and policies in place to ensure follow-up actions are taken up to recover overdue debts. During the Reporting Period, the Group did not record any complaints and returns.

B7: Anti-corruption

(a) Policy

The Group is well aware of the importance of honesty, integrity and fairness in our business operations and has in place an anti-corruption policy which involves comprehensive Internal Control System comprising corruption reporting and investigation procedures. The Executive Directors are charged with the responsibility to initiate investigation upon receiving any corruption reports. Moreover, employees at all levels are constantly reminded in meetings and documents, such as the staff handbooks, on anti-corruption, conflict of interest and giving and taking of interests.

(b) Compliance with relevant laws that have Significant Impacts

(KPI B7.1 and B7.2)

Staff are required to declare any conflicts of interest in the execution of their roles. Through establishing these rules and guidance, the Group encourages all employees to discharge their duties with integrity and comply with the relevant national anti-bribery laws and regulations.

Transactions in large monetary sums are processed through bank transactions which require authorized signatories of the appropriate levels depending on the amount involved.

Check and balance systems have been installed in the Group for money transaction activities and are considered effective and adequate. The report of the independent external auditors has no adverse comment on this aspect. There were no enquiries or concerns from the government or banking officials regarding money laundering.

During the Reporting Period, the Group did not record any bribery, corruption charges or laundering enquiries.

B8: Community Investment

(a) and (b) Policy and Compliance with relevant laws that have Significant Impacts

(KPI B8.1 and B8.2)

The Company fully understands our social obligations and the need for re-contributing back to society. Through day-to-day contact with various government officials and industry leaders, the Company will continue to explore and examine what and how the Company can contribute more to the local community and society. The Group has fully considered the impact of our business operations especially the extraction process on the local environment and communities. In its mining operation in Inner Mongolia, the Group has continuously committed to growing trees and landscaping the tailings storage yards to improve the local environmental conditions. The Group has also given priority to the employment of locals, and encourages employees to participate and to serve in a wide range of services to the local community. During the Reporting Period, the Directors of the Company donated HKD80,000 to charity organizations.

INDEPENDENT AUDITORS' REPORT



國衛會計師事務所有限公司
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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 53 to 151, which comprise the consolidated statement of financial position as at 31 March 2018, 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 2018, 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.

INDEPENDENT AUDITORS' REPORT

KEY AUDIT MATTERS (continued)

Key audit matter

How our audit addressed the key audit matter

Impairment assessment on mining related assets

Refer to the details in 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 cost 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.

Our procedures included:

- Discussing with management about existence of indicators of impairment as at the end of the reporting date and challenging the validity and completeness of indicators identified, and assessing the impairment testing performed by management;
- Assessing management's identification of CGU(s) to which the mining related assets belonged 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 valuation expert who assisted management in estimating the recoverable amount of the CGU(s);
- Engaging a valuation expert to assist us to assess the methodology used and the appropriateness and reasonableness 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 they are consistent with the requirements of accounting standards.

INDEPENDENT AUDITORS' REPORT

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
<p><i>Impairment assessment on goodwill</i></p> <p>Refer to the details in notes 18 and 19 to the consolidated financial statements and the accounting policies in note 3 to the consolidated financial statements.</p> <p>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, estimated the recoverable amounts of the relevant CGU(s). The calculations of recoverable amounts based on value in use 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.</p> <p>Based on the impairment assessments, the Group recognized impairment losses of approximately HK\$5,450,000 and HK\$14,880,000 in relation to goodwill allocated to the loan financing activities' CGU and the financial services activities' CGU respectively.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none">• Examining the determination of recoverable amounts based on the values in use of the CGU(s) to which goodwill has been allocated and obtaining an understanding of financial position and future prospects 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 valuation expert who assisted management in estimating the recoverable amount of the CGU(s);• Engaging a valuation expert in assisting us to assess the methodology used and the appropriateness and reasonableness of the key assumptions;• Assessing the value in use calculations, including methodologies adopted by the management; and• Reconciling input data to supporting evidence, such as approved budgets and considering the reasonableness of these budgets.

INDEPENDENT AUDITORS' REPORT

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
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Impairment assessment on loans receivables

Refer to the details in note 22 to the consolidated financial statements and the accounting policies in note 3 to the consolidated financial statements.

The impairment of loans receivables is estimated by the management through the application of judgment and use of subjective assumptions. Due to the significance of loans receivables and the corresponding subjective assumptions inherent in such estimates, we considered this as a key audit matter.

The Group adopts an individual impairment assessment approach in respect of individually significant loans or impaired loans to determine as to whether there are objective evidence of impairment; 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:

- Obtaining an understanding of and evaluating the methodologies and key assumptions used by the Group in assessing impairment allowances;
- 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
- Comparing the total balances of the loans receivables schedule and the guarantee list, which contain information used by management to assess impairment losses.

INDEPENDENT AUDITORS' REPORT

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.

INDEPENDENT AUDITORS' REPORT

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

As part of an audit in accordance with HKSAAs, 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.

INDEPENDENT AUDITORS' REPORT

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, 28 June 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2018

	Notes	2018 HK\$'000	2017 HK\$'000
Revenue	5	30,781	27,563
Cost of sales		(807)	(615)
Gross profit		29,974	26,948
Other income and gains	7	13,715	339
General and administrative expenses		(33,418)	(48,891)
Impairment loss of exploration and evaluation assets	17	–	(394,899)
Impairment loss of goodwill	18	(20,330)	(338,100)
Loss on early redemption of convertible bonds	29	(261)	(530)
Finance cost	8	(14,760)	(14,249)
Loss before tax		(25,080)	(769,382)
Income tax expense	9	(2,843)	(1,425)
Loss for the year	10	(27,923)	(770,807)
Other comprehensive income/(expense) <i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translating foreign operations		40,393	(73,572)
Other comprehensive income/(expense) for the year, net of income tax		40,393	(73,572)
Total comprehensive income/(expense) for the year		12,470	(844,379)
Loss attributable to:			
Owners of the Company		(25,491)	(735,488)
Non-controlling interests		(2,432)	(35,319)
		(27,923)	(770,807)
Total comprehensive income/(expense) attributable to:			
Owners of the Company		13,289	(805,733)
Non-controlling interests		(819)	(38,646)
		12,470	(844,379)
Loss per share	14		
Basic and diluted (HK cents per share)		(1.78)	(56.80)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2018

	Notes	2018 HK\$'000	2017 HK\$'000
Non-current assets			
Property, plant and equipment	15	81,566	75,622
Other intangible assets	16	136,764	123,777
Exploration and evaluation assets	17	23,764	21,449
Goodwill	18	112,257	121,123
Other assets	20	205	205
		354,556	342,176
Current assets			
Inventories	21	8,059	7,193
Loans receivables	22	244,522	210,675
Trade and other receivables	23	4,050	3,729
Financial assets at fair value through profit or loss	24	49	42
Bank balances and cash			
– General accounts and cash	25	32,303	34,549
– Trust accounts	25	825	573
		289,808	256,761
Current liabilities			
Trade and other payables	26	19,436	18,644
Convertible bonds	29	89,034	–
Amounts due to non-controlling interests of subsidiaries	27	8,893	8,006
Amounts due to related parties	28	12,712	9,695
Tax payable		7,679	5,559
		137,754	41,904
Net current assets		152,054	214,857
Total assets less current liabilities		506,610	557,033
Non-current liabilities			
Convertible bonds	29	–	80,996
Provision for restoration costs	30	397	358
Deferred tax liabilities	31	37,031	35,924
		37,428	117,278
Net assets		469,182	439,755
Capital and reserves			
Share capital	32	15,438	13,977
Reserves		440,588	411,803
Equity attributable to owners of the Company		456,026	425,780
Non-controlling interests		13,156	13,975
Total equity		469,182	439,755

The consolidated financial statements were approved and authorized for issue by the board of directors on 28 June 2018 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 2018

	Attributable to owners of the Company										Attributable to non-controlling interests HK\$'000	Total HK\$'000
	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		
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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2018

	Attributable to owners of the Company										Attributable to non-controlling interests HK\$'000	Total HK\$'000
	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		
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)	425,780	13,975	439,755
Loss for the year	-	-	-	-	-	-	-	-	(25,491)	(25,491)	(2,432)	(27,923)
Other comprehensive income for the year	-	-	-	-	-	38,780	-	-	-	38,780	1,613	40,393
Total comprehensive income/ (expense) for the year	-	-	-	-	-	38,780	-	-	(25,491)	13,289	(819)	12,470
Release of reserve upon share options lapsed	-	-	-	(140)	-	-	-	-	140	-	-	-
Recognition of equity-settled share-based payments	-	-	-	2,183	-	-	-	-	-	2,183	-	2,183
Issue of ordinary shares under share option scheme	276	4,188	-	(1,456)	-	-	-	-	-	3,008	-	3,008
Issue of new ordinary shares	1,185	11,257	-	-	-	-	-	-	-	12,442	-	12,442
Transaction costs attributable to issue of new ordinary shares	-	(216)	-	-	-	-	-	-	-	(216)	-	(216)
Redemption of convertible bonds	-	-	(2,328)	-	-	-	-	-	1,726	(602)	-	(602)
Deferred tax relating to convertible bonds	-	-	142	-	-	-	-	-	-	142	-	142
Balance at 31 March 2018	15,438	1,778,016	19,542	5,261	12,640	41,764	1,020	249,089	(1,666,744)	456,026	13,156	469,182

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 2018

	2018 HK\$'000	2017 HK\$'000
Cash flows from operating activities		
Loss for the year	(27,923)	(770,807)
Adjustments for:		
Income tax expense recognized in profit or loss	2,843	1,425
Finance cost recognized in profit or loss	14,760	14,249
Interest income on bank deposits	(31)	(176)
Loss on early redemption of convertible bonds	261	530
Loss on disposal of property, plant and equipment	14	315
Unrealized gain on financial assets at fair value through profit or loss	(7)	(2)
Depreciation of property, plant and equipment	2,803	6,153
Amortization of other intangible assets	299	460
Expenses recognized in respect of equity-settled share-based payments	2,183	–
Impairment loss of exploration and evaluation assets	–	394,899
Impairment loss of goodwill	20,330	338,100
	15,532	(14,854)
Movements in working capital		
Increase in inventories	(866)	(1,387)
Increase in loans receivables	(33,847)	(75,860)
(Increase)/decrease in trade and other receivables	(428)	1,752
(Increase)/decrease in trust bank accounts	(252)	922
Increase/(decrease) in trade and other payables	792	(175)
Increase/(decrease) in amounts due to non-controlling interests of subsidiaries	887	(947)
Increase in amounts due to related parties	3,017	4,476
Cash used in operations	(15,165)	(86,073)
PRC Enterprise Income Tax paid	(3,131)	(3,568)
Net cash used in operating activities	(18,296)	(89,641)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2018

	Notes	2018 HK\$'000	2017 HK\$'000
Cash flows from investing activities			
Interest received on bank deposits		31	176
Payments for property, plant and equipment		(772)	(2,756)
Proceeds from disposal of property, plant and equipment		-	9
Net cash outflow on acquisition of a subsidiary	37	-	(16,452)
Net cash used in investing activities		(741)	(19,023)
Cash flows from financing activities			
Proceeds from issue of ordinary shares under share option scheme		3,008	-
Proceeds from issue of ordinary shares under share placing		12,442	33,000
Payment for transaction costs attributable to issue of new ordinary shares		(216)	(1,356)
Repayment of convertible bonds	29	(7,585)	(6,000)
Net cash generated by financing activities		7,649	25,644
Net decrease in cash and cash equivalents		(11,388)	(83,020)
Cash and cash equivalents at the beginning of year		34,549	123,182
Effect of foreign exchange rate changes, net		9,142	(5,613)
Cash and cash equivalents at the end of year	25	32,303	34,549

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

1. GENERAL INFORMATION

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 2018, 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 (the “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 REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

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

Amendments to HKAS 7	<i>Disclosure Initiative</i>
Amendments to HKAS 12	<i>Recognition of Deferred Tax Assets for Unrealized Losses</i>
Amendments to HKFRS 12	<i>As part of the Annual Improvements to HKFRSs 2014-2016 Cycle</i>

Except as described below, the application of the 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.

Amendments to HKAS 7 *Disclosure Initiative*

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, of future cash flows will be, included in cash flows from financing activities.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (continued)

Amendments to HKAS 7 *Disclosure Initiative* (continued)

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

A reconciliation between the opening and closing balances of these items is provided in note 36. Consistent with the transition provision of the amendments, the Group has not disclosed comparative information for the prior year. Apart from additional disclosure in note 36, the application of these amendments has had no impact on the Group’s consolidated financial statements.

New and revised HKFRSs in issue but not yet effective

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

HKFRS 9	<i>Financial Instruments</i> ¹
HKFRS 15	<i>Revenue from Contracts with Customers and the related Amendments</i> ¹
HKFRS 16	<i>Leases</i> ²
HKFRS 17	<i>Insurance Contracts</i> ⁴
HK(IFRIC)-Int 22	<i>Foreign Currency Transactions and Advance Consideration</i> ¹
HK(IFRIC)-Int 23	<i>Uncertainty over Income Tax Treatments</i> ²
Amendments to HKFRS 2	<i>Classification and Measurement of Share-based Payment Transactions</i> ¹
Amendments to HKFRS 4	<i>Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts</i> ¹
Amendments to HKFRS 9	<i>Prepayment Features with Negative Compensation</i> ²
Amendments to HKFRS 10 and HKAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ³
Amendments to HKAS 19	<i>Plan Amendment, Curtailment or Settlement</i> ²
Amendments to HKAS 28	<i>Long-term Interests in Associates and Joint Ventures</i> ²
Amendments to HKAS 28	<i>As part of the Annual Improvements to HKFRSs 2014-2016 Cycle</i> ¹
Amendments to HKAS 40	<i>Transfers of Investment Property</i> ¹
Amendments to HKFRSs	<i>Annual Improvements to HKFRSs 2015-2017 Cycle</i> ²

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (continued)

New and revised HKFRSs in issue but not yet effective (continued)

- ¹ Effective for annual periods beginning on or after 1 January 2018.
- ² Effective for annual periods beginning on or after 1 January 2019.
- ³ Effective for annual periods beginning on or after a date to be determined.
- ⁴ Effective for annual periods beginning on or after 1 January 2021.

Except as mentioned below, the directors of the Company anticipate that the application of the other new and revised HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

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 which are relevant to the Group 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 (“FVTOCI”). All other financial assets are measured at their fair value at 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.

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 loss are recognized.

Based on the Group’s financial instruments and risk management policies, application of HKFRS 9 in the future may have an impact on the Group’s financial assets. The expected credit loss model may result in early provision of the credit losses which have not yet incurred in relation to the Group’s financial assets measured at amortized cost.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (continued)

New and revised HKFRSs in issue but not yet effective (continued)

HKFRS 9 Financial Instruments (continued)

Based on the assessment by the directors of the Company, if the expected credit loss model were to be applied by the Group, the accumulated amount of impairment loss to be recognized by the Group as at 1 April 2018 would be increased as compared to the accumulated amount recognized under HKAS 39 mainly attributable to expected credit losses provision on loans receivables and trade and other receivables. Such further impairment recognized under expected credit loss model would increase the accumulated losses at 1 April 2018.

The directors of the Company anticipate that the adoption of HKFRS 9 in the future may not have other significant impact on amounts reported in respect of the Group’s financial assets and financial liabilities based on the analysis of the Group’s financial instruments as at 31 March 2018.

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

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, the 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 result in more disclosures, however, the directors of the Company do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognized in the respective reporting periods.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (continued)

New and revised HKFRSs in issue but not yet effective (continued)

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. For the classification of cash flows, the Group currently presents operating lease payments as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing and operating cash flows respectively by the Group.

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.

As at 31 March 2018, the Group has non-cancelable operating lease commitments of approximately HK\$2,326,000 as disclosed in note 38. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognize a right-of-use asset and a corresponding liability in respect of such leases unless they qualify for low value or short-term leases.

Furthermore, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

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 (“CO”).

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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

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.

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;
- 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 amounts 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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations (continued)

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 are initially measured at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets or at fair value. The choice of measurement basis is made on a transaction-by-transaction basis.

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 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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 that 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 (or any of the cash-generating unit within group of cash-generating units in which the Group monitors goodwill).

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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Operating lease payments are recognized as an expense on a straight-line basis over the lease term. 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.

Leasehold land and building

When the Group makes payments for a property interest which includes both leasehold land and building elements, the Group assesses the classification of each element 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 property is accounted as an operating lease. Specifically, the entire consideration (including any lump-sum upfront payments) are allocated between the leasehold land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element at initial recognition.

To the extent the allocation of the relevant 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 leasehold land and building elements, the entire property is generally classified as if the leasehold land is under 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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

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.

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 the 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).

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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions 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 based on assessment of all relevant non-market vesting conditions. 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 the 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.

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 (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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

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.

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, on the same basis as intangible assets that are acquired separately. Intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment on 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 relevant 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 asset individually, 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 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 (or a cash-generating unit) 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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

Inventories are stated at the lower of cost and net realizable value. Costs of inventories are determined on a 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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

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.

Interest income is recognized on an effective interest basis for debt instruments.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

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.

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 other income and gains in the consolidated statement of profit or loss and other comprehensive income.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

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.

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 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.

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 the estimated future cash flows discounted at the financial asset's original effective interest rate.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

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.

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.

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.

Financial liabilities and equity instruments

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 cancellation of the Company's own equity instruments.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

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.

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.

Convertible bonds

The component parts of the convertible bonds are classified separately as financial liability and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. A 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 (including any embedded non-equity derivatives features) is estimated by measuring the fair value of similar liability that does not have an associated equity component.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments (continued)

Convertible bonds (continued)

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 charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortized over the period of the convertible bonds 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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

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"), held 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. Up to the date of approval of these consolidated financial statements, 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.

The Group owns a mining right permit in Aohanqi, Inner Mongolia, the PRC 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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

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 2018, the carrying amount of goodwill is approximately HK\$112,257,000 (2017: HK\$121,123,000). 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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

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 2018, the balance of provision for restoration costs was approximately HK\$397,000 (2017: HK\$358,000).

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:

	2018 HK\$'000	2017 HK\$'000
Revenue from sales of gold	120	203
Interest income from loan financing activities	17,771	15,515
Consultancy services income	12,586	9,523
Commission from securities dealing and brokerage services	33	17
Financial advisory fee income	271	2,305
	<hr/>	<hr/>
	30,781	27,563

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

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 and operating segment, Financial services segment 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 and operating segment:

	Financial services		Investment in energy and natural resources (including precious metals) related projects		Money lending		Total	
	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
Segment revenue:								
Revenue from external customers	304	2,322	120	203	30,357	25,038	30,781	27,563
Segment (loss)/profit	(19,728)	(1,891)	(3,787)	(403,136)	18,589	(320,260)	(4,926)	(725,287)
Interest on bank deposits, other income and gains							13,715	339
Loss on early redemption of convertible bonds							(261)	(530)
Finance cost							(14,760)	(14,249)
Central administration costs							(18,848)	(29,655)
Loss before tax							(25,080)	(769,382)

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

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 (2017: Nil).

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment (loss)/profit represents the (loss)/profit incurred by each segment without allocation of interest on bank deposits, other income and gains, loss on early redemption of convertible bonds, finance cost 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

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

	Financial services		Investment in energy and natural resources (including precious metals) related projects		Money lending		Total	
	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
Segment assets	9,538	26,419	345,200	313,902	273,721	240,298	628,459	580,619
Corporate and unallocated assets							15,905	18,318
Consolidated assets							644,364	598,937
Segment liabilities	1,224	1,306	54,181	50,274	5,939	3,833	61,344	55,413
Corporate and unallocated liabilities							113,838	103,769
Consolidated liabilities							175,182	159,182

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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

6. SEGMENT INFORMATION (continued)

Other segment information

	Financial services		Investment in energy and natural resources (including precious metals) related projects		Money lending		Total	
	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
Amounts included in the measure of segment profit or loss:								
Depreciation	153	158	2,139	5,603	282	344	2,574	6,105
Unallocated depreciation							229	48
							2,803	6,153
Amortization of other intangible assets	-	-	268	430	31	30	299	460
Impairment loss of exploration and evaluation assets	-	-	-	394,899	-	-	-	394,899
Impairment loss of goodwill	14,880	-	-	-	5,450	338,100	20,330	338,100
Additions to non-current assets* Unallocated	24	1,637	282	2,532	9	162	315	4,331
							457	13
Total additions to non-current assets							772	4,344

* 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 a subsidiary.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

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	
	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
Hong Kong	304	2,322	1,309	16,088
PRC	30,477	25,241	353,247	326,088
	<u>30,781</u>	<u>27,563</u>	<u>354,556</u>	<u>342,176</u>

Information about major customer

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

	2018 HK\$'000	2017 HK\$'000
Customer A	9,588	9,261

For the year ended 31 March 2018, there was one (2017: one) customer with revenue which accounted for more than 10% of the total revenue related to Money lending segment.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

7. OTHER INCOME AND GAINS

	2018 HK\$'000	2017 HK\$'000
Interest income on bank deposits	31	176
Unrealized gain on financial assets at fair value through profit or loss	7	2
Sundry income	258	161
Net foreign exchange gains	13,419	–
	<hr/>	<hr/>
	13,715	339

8. FINANCE COST

	2018 HK\$'000	2017 HK\$'000
Effective interest on convertible bonds	14,760	14,249

No interest was capitalized during the year ended 31 March 2018 (2017: Nil).

9. INCOME TAX EXPENSE

Income tax recognized in profit or loss

	2018 HK\$'000	2017 HK\$'000
Current tax		
Hong Kong Profits Tax	–	–
PRC Enterprise Income Tax	4,444	3,730
Deferred tax	(1,601)	(2,305)
	<hr/>	<hr/>
Total income tax expense recognized in profit or loss	2,843	1,425

Hong Kong Profits Tax is calculated at 16.5% (2017: 16.5%) of the estimated assessable profit for both years.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

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% (2017: ranging from 2.5% to 3.75%) on revenue for the year ended 31 March 2018.

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:

	2018 HK\$'000	2017 HK\$'000
Loss before tax	(25,080)	(769,382)
Tax at the Hong Kong Profits Tax rate of 16.5% (2017: 16.5%)	(4,138)	(126,948)
Tax effect of expenses not deductible for tax purpose	7,100	129,135
Tax effect of income not taxable for tax purpose	(2,087)	(56)
Tax effect of temporary differences not recognized	51	(233)
Tax effect of estimated tax losses not recognized	1,424	1,253
Utilization of tax losses previously not recognized	(383)	(665)
Effect of different tax rates of group entities operating in other jurisdictions	(4,477)	(4,952)
Withholding tax on profits retained by the PRC subsidiaries	909	161
PRC Enterprise Income Tax	4,444	3,730
Income tax expense for the year	2,843	1,425

Income tax recognized directly in equity

	2018 HK\$'000	2017 HK\$'000
Deferred tax:		
Conversion of convertible bonds	–	1,291
Early redemption of convertible bonds	142	292
Total income tax credited directly in equity	142	1,583

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

10. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging:

	2018 HK\$'000	2017 HK\$'000
Directors' emoluments (<i>Note 11</i>)	6,377	12,892
Employee benefits expense (excluding directors' emoluments) (<i>Note (i)</i>)		
– Salaries and other benefits in kind	9,055	9,391
– Contributions to retirement benefits schemes	551	500
– Equity-settled share-based payments	1,456	–
Total staff costs	17,439	22,783
Auditors' remuneration	1,670	1,670
Amortization of other intangible assets included in general and administrative expenses	299	460
Cost of inventories recognized as expense	807	615
Depreciation of property, plant and equipment (<i>Note (ii)</i>)	2,803	6,153
Expense in relation to share options granted to consultant	727	–
Loss on disposal of property, plant and equipment	14	315
Minimum lease payments paid under operating leases in respect of land and buildings	1,825	1,357
Net foreign exchange losses	–	8,520

Notes:

- (i) Amounts excluded expenses capitalized in construction in progress of Nil for the year ended 31 March 2018 (2017: HK\$303,000). Employee benefits expense of approximately HK\$174,000 was capitalized in inventories for the year ended 31 March 2018 (2017: HK\$203,000).
- (ii) Depreciation of property, plant and equipment of approximately HK\$887,000 was capitalized in inventories for the year ended 31 March 2018 (2017: HK\$1,682,000).

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

11. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the six (2017: five) directors were as follows:

For the year ended 31 March 2018

	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
<i>Executive directors</i>						
Mr. Leung Ngai Man	-	5,800	-	14	-	5,814
Ms. Wong Li Fong	-	546	-	17	-	563
<i>Independent non-executive directors</i>						
Ms. Xuan Hong (Note (i))	-	-	-	-	-	-
Mr. Cai Wei Lun	-	-	-	-	-	-
Mr. Zhang Qingkui	-	-	-	-	-	-
Mr. Miao Yanan (Note (ii))	-	-	-	-	-	-
Total emoluments	-	6,346	-	31	-	6,377

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
<i>Executive directors</i>						
Mr. Leung Ngai Man	-	7,540	-	18	5,000	12,558
Ms. Wong Li Fong	-	223	-	11	100	334
<i>Independent non-executive directors</i>						
Ms. Xuan Hong (Note (i))	-	-	-	-	-	-
Mr. Cai Wei Lun	-	-	-	-	-	-
Mr. Zhang Qingkui	-	-	-	-	-	-
Total emoluments	-	7,763	-	29	5,100	12,892

Notes:

(i) Resigned on 19 March 2018.

(ii) Appointed on 19 March 2018.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

11. DIRECTORS' EMOLUMENTS (continued)

During the years ended 31 March 2018 and 2017, 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 (2017: Nil).

12. FIVE HIGHEST PAID EMPLOYEES

Of the five individuals with the highest emoluments in the Group, one (2017: one) was director of the Company whose emoluments are included in the disclosures in note 11 above. The emoluments of the remaining four (2017: four) individuals were as follows:

	2018 HK\$'000	2017 HK\$'000
Salaries and other benefits in kind	3,023	2,829
Contributions to retirement benefits schemes	137	57
Equity-settled share-based payments	1,456	–
Discretionary bonuses	–	200
	<hr/>	<hr/>
	4,616	3,086

Their emoluments fell within the following bands:

	Number of employees	
	2018	2017
Nil – HK\$1,000,000	2	3
HK\$1,000,001 – HK\$1,500,000	1	1
HK\$1,500,001 – HK\$2,000,000	1	–

During the year ended 31 March 2018, the Group has paid to one of the five highest paid employees as compensation for loss of office of approximately HK\$110,000.

Save as disclosed above, 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 during the year ended 31 March 2018 (2017: Nil).

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

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 2018, 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\$582,000 (2017: HK\$529,000). At 31 March 2018, there were no forfeited contributions available for the Group to offset contributions payable in future years (2017: 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:

	2018 HK\$'000	2017 HK\$'000
<u>Loss</u>		
Loss for the year attributable to owners of the Company for the purposes of basic and diluted loss per share	(25,491)	(735,488)
<u>Number of shares</u>		
	2018 '000	2017 '000
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	1,431,591	1,294,949

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

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 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 (<i>Note 37</i>)	-	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
Additions	-	434	-	118	-	56	164	772
Disposals	-	(132)	-	-	(71)	(253)	-	(456)
Effect of foreign currency exchange differences	2,352	21	7,030	1,917	397	84	470	12,271
Balance at 31 March 2018	23,985	653	72,176	18,299	5,024	1,607	4,905	126,649
Accumulated depreciation and impairment								
Balance at 1 April 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
Eliminated on disposals of assets	-	(132)	-	-	(68)	(242)	-	(442)
Depreciation expense	917	293	13	1,034	340	206	-	2,803
Effect of foreign currency exchange differences	2,090	13	32	1,738	340	69	-	4,282
Balance at 31 March 2018	21,751	339	337	16,914	4,603	1,139	-	45,083
Carrying amounts								
Balance at 31 March 2018	2,234	314	71,839	1,385	421	468	4,905	81,566
Balance at 31 March 2017	2,889	165	64,854	2,122	707	614	4,271	75,622

Notes:

- (i) Amongst the depreciation expense of approximately HK\$2,803,000 (2017: HK\$6,153,000), approximately HK\$887,000 (2017: HK\$1,682,000) was capitalized in inventories, and approximately HK\$1,916,000 (2017: HK\$4,471,000) was included in general and administrative expenses.
- (ii) Buildings at the mining site are located in the PRC.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

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 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
Effect of foreign currency exchange differences	14,885	60	–	14,945
Balance at 31 March 2018	152,823	618	500	153,941
Accumulated amortization				
Balance at 1 April 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
Charged for the year	268	31	–	299
Effect of foreign currency exchange differences	1,647	12	–	1,659
Balance at 31 March 2018	17,032	145	–	17,177
Carrying amounts				
Balance at 31 March 2018	135,791	473	500	136,764
Balance at 31 March 2017	122,821	456	500	123,777

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

16. OTHER INTANGIBLE ASSETS (continued)

Notes:

- (a) The mining rights represent the rights to conduct mining activities in Aohanqi, Inner Mongolia, the PRC pertaining 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 0.2% (2017: 0.3%).

The mining rights with license period of 3 years at date of issue expired in May 2018. Subsequent to the end of the reporting period, the Group renewed its mining permit for a further 3 years and the mining permit would be expired in April 2021. 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 2018, the directors of the Company performed an impairment assessment of the mining rights. The mining rights have 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 2018 (2017: 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 2018, the license has a remaining licensing period of approximately 14.5 years (2017: 15.5 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 inflow 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 2018, 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 respective carrying amount and therefore, no impairment loss was recognized on the trading rights for the year ended 31 March 2018 (2017: Nil).

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

17. EXPLORATION AND EVALUATION ASSETS

	HK\$'000
Cost	
Balance at 1 April 2016	1,121,355
Effect of foreign currency exchange differences	(69,581)
Balance at 31 March 2017	1,051,774
Effect of foreign currency exchange differences	113,498
Balance at 31 March 2018	1,165,272
Accumulated impairment losses	
Balance at 1 April 2016	677,463
Impairment loss recognized	394,899
Effect of foreign currency exchange differences	(42,037)
Balance at 31 March 2017	1,030,325
Effect of foreign currency exchange differences	111,183
Balance at 31 March 2018	1,141,508
Carrying amounts	
Balance at 31 March 2018	23,764
Balance at 31 March 2017	21,449

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

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, held 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 approval of these consolidated financial statements, 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. There was no update from MLR up to the date of approval of these consolidated financial statements.

The carrying amounts of exploration and evaluation assets as at 31 March 2018 and 2017 represents exploration and evaluation costs in Aohanqi, Inner Mongolia, the PRC in which the Group has been carrying out mining activities.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

18. GOODWILL

	HK\$'000
Cost	
Balance at 1 April 2016	645,544
Amount recognized on acquisition of subsidiary (<i>Note 37</i>)	14,880
Effect of foreign currency exchange differences	(40,056)
<hr/>	
Balance at 31 March 2017	620,368
Effect of foreign currency exchange differences	65,339
<hr/>	
Balance at 31 March 2018	685,707
 Accumulated impairment losses	
Balance at 1 April 2016	171,806
Impairment loss recognized	338,100
Effect of foreign currency exchange differences	(10,661)
<hr/>	
Balance at 31 March 2017	499,245
Impairment loss recognized	20,330
Effect of foreign currency exchange differences	53,875
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Balance at 31 March 2018	573,450
 Carrying amounts	
Balance at 31 March 2018	112,257
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Balance at 31 March 2017	121,123
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Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

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 purposes:

	2018 HK\$'000	2017 HK\$'000
Gold mining activities	95,191	85,920
Loan financing activities	17,066	20,323
Financial services activities	–	14,880
	<hr/>	<hr/>
	112,257	121,123

Gold mining activities

The recoverable amount of the gold mining activities' CGU, which represents a separate business operation within the investment in energy and natural resources (including precious metals) related projects operating segment, 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 30.90% (2017: 31.43%). 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 based on the estimation of management and industry experience.

Commodity price

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

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

Gold mining activities (continued)

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 2018 and 2017.

Loan financing activities

The recoverable amount of the loan financing activities' CGU, which represents the Money lending operating segment, 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 15.10% (2017: 15.96%). The cash flows beyond the five year period are extrapolated using zero percent growth rate. 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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

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

Loan financing activities (continued)

Discount rate

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

There was a slight increase in operating expenses for consultancy business adopted in the valuation of the Money lending business. 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, hence an impairment loss of goodwill of approximately HK\$5,450,000 has been recognized in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2018 (2017: HK\$338,100,000).

Financial services activities

The recoverable amount of the financial services activities' CGU, which represents the Financial services operating segment, 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 15.24% (2017: 16.21%). The cash flows beyond the five year period are extrapolated using 3% growth rate (2017: 3%). 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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

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

Financial services activities (continued)

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 lower than its carrying amount, hence an impairment loss of goodwill of approximately HK\$14,880,000 has been recognized in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2018 (2017: Nil). Revenue generated in the financial services business has been significantly declined, mainly due to the loss of staff in advisory team and the loss of customer in the financial services business. As a result, the recoverable amount of the financial services activities' CGU is determined to be less than its carrying amount.

20. OTHER ASSETS

	2018 HK\$'000	2017 HK\$'000
Deposits with the Stock Exchange		
– Compensation fund	50	50
– Fidelity fund	50	50
– Stamp duty deposit	5	5
Contribution of guarantee fund paid to Hong Kong Securities Clearing Company Limited ("HKSCC")	50	50
Admission fee paid to HKSCC	50	50
	205	205

21. INVENTORIES

	2018 HK\$'000	2017 HK\$'000
Raw materials	697	935
Finished goods	7,362	6,258
	8,059	7,193

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

22. LOANS RECEIVABLES

	2018 HK\$'000	2017 HK\$'000
Loans receivables from Money lending operations	244,522	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 bearing interests at interest rate mutually agreed with the contracting parties, and the effective interest rates range from 6% to 12% (2017: range from 6% to 12%) per annum.

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

	2018 HK\$'000	2017 HK\$'000
To be matured:		
Within 1 month	18,113	–
3 months or less but over 1 month	–	–
6 months or less but over 3 months	–	50,174
9 months or less but over 6 months	156,646	104,857
Neither past due nor impaired	174,759	155,031
Matured:		
Less than 1 month	910	822
Less than 3 months but over 1 month	1,920	1,564
Less than 6 months but over 3 months	2,894	2,439
Less than 1 year but over 6 months	5,374	4,851
Over 1 year	58,665	45,968
	244,522	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 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 2018, loans receivables with an aggregate carrying amount of approximately HK\$214,667,000 (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 Consolidated Financial Statements

For the year ended 31 March 2018

23. TRADE AND OTHER RECEIVABLES

	2018 HK\$'000	2017 HK\$'000
Trade receivables	2,231	2,552
Less: allowance for doubtful debts	(1,096)	(989)
	1,135	1,563
Prepayments	609	523
Deposits	2,058	1,479
Other receivables	248	164
	4,050	3,729

Trade receivables comprise of receivables in respect of the Money lending operations and Financial services operations.

As at 31 March 2018, trade receivables in respect of the Financial services operations of approximately HK\$377,000 are from cash clients arising from dealing in securities business (2017: Nil) and trade receivables in respect of the Money lending operations of approximately HK\$758,000 are arising from consultancy services income (2017: Nil). As at 31 March 2017, trade receivables in respect of the Financial services operations of approximately HK\$1,563,000 are arising from financial advisory income.

The settlement terms of trade receivables from cash clients arising from the business of dealing in securities are two days after trade date.

For consultancy services income in respect of the Money lending operations and financial advisory income 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 and other 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:

	2018 HK\$'000	2017 HK\$'000
0 – 30 days	377	1,563
31 – 60 days	375	–
150 – 180 days	383	–
	1,135	1,563

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

23. TRADE AND OTHER RECEIVABLES (continued)

Aging of trade receivables which are past due but not impaired:

	2018 HK\$'000	2017 HK\$'000
Neither past due nor impaired	377	1,563
Past due but not impaired		
– overdue by 31 – 60 days	375	–
– overdue by over 150 days	383	–
	<u>1,135</u>	<u>1,563</u>

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

	2018 HK\$'000	2017 HK\$'000
At beginning of reporting period	989	1,072
Effect of foreign currency exchange differences	107	(83)
	<u>1,096</u>	<u>989</u>

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2018 HK\$'000	2017 HK\$'000
Listed investments, at fair value:		
– Equity securities listed in Hong Kong	49	42

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

25. BANK BALANCES AND CASH

	2018 HK\$'000	2017 HK\$'000
Bank balances and cash:		
(i) General accounts and cash in hand	32,303	34,549
(ii) Trust accounts	825	573
	<u>33,128</u>	<u>35,122</u>
Analysis of balances of cash and cash equivalents:		
General accounts and cash in hand	32,303	34,549
Cash and cash equivalents in the consolidated statement of cash flows	<u>32,303</u>	<u>34,549</u>

General accounts and cash comprise cash held by the Group, and 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\$8,988,000 (2017: HK\$6,855,000). 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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

26. TRADE AND OTHER PAYABLES

	2018 HK\$'000	2017 HK\$'000
Trade payables arising from Financial services (<i>Note (i)</i>)		
– Cash clients	836	536
– Clearing house	365	34
Trade payables (<i>Note (ii)</i>)	220	217
Accrued expenses and other payables	7,123	7,181
Deposit received	45	156
Payables for acquisition of property, plant and equipment and exploration of mines	707	638
PRC business tax and other levies payable	10,140	9,882
	<hr/> 19,436	<hr/> 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 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:

	2018 HK\$'000	2017 HK\$'000
91 – 180 days	–	12
Over 180 days	220	205
	<hr/> 220	<hr/> 217

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

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

During the year ended 31 March 2014, 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 of 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 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 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 ordinary shares at HK\$0.01 each (after adjustment for the share subdivision effected on 25 March 2014) were issued.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

29. CONVERTIBLE BONDS (continued)

During the year ended 31 March 2018, the Company early redeemed an aggregate of 20,500,000 convertible bonds (after adjustment for the share subdivision effected on 25 March 2014) at a total consideration of HK\$7,585,000 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\$261,000 has been charged to the consolidated statement of profit or loss and other comprehensive income and amounting to approximately HK\$1,726,000 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 2016	89,129
Effective interest expense charged (<i>Note 8</i>)	14,249
Arising from conversion of convertible bonds	(18,150)
Arising from early redemption of convertible bonds	(4,232)
	<hr/>
Balance at 31 March 2017	80,996
Effective interest expense charged (<i>Note 8</i>)	14,760
Arising from early redemption of convertible bonds	(6,722)
	<hr/>
Balance at 31 March 2018	89,034

At 31 March 2018, the liability component of the convertible bonds is classified as current liabilities in the consolidated statement of financial position with maturity date on 11 October 2018.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

30. PROVISION FOR RESTORATION COSTS

	HK\$'000
Balance at 1 April 2016	382
Effect of foreign currency exchange differences	(24)
Balance at 31 March 2017	358
Effect of foreign currency exchange differences	39
Balance at 31 March 2018	397

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.

31. 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 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
(Credit)/charge to profit or loss	(67)	(8)	(2,435)	909	(1,601)
Credit directly to equity	–	–	(142)	–	(142)
Release upon payment of withholding tax	–	–	–	(456)	(456)
Effect of foreign currency exchange differences	3,294	12	–	–	3,306
Balance at 31 March 2018	33,785	118	1,343	1,785	37,031

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

31. 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 2018 and 2017, 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\$26,869,000 (2017: HK\$35,800,000) 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\$38,502,000 (2017: HK\$33,653,000) 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.

32. SHARE CAPITAL

	Number of shares	Share capital HK\$'000
Authorized:		
At 1 April 2016, 31 March 2017 and 2018, ordinary shares of HK\$0.01 each	40,000,000,000	400,000
Issued and fully paid:		
At 1 April 2016, ordinary shares of HK\$0.01 each	1,131,087,497	11,311
Issue of new ordinary shares (<i>Note (i)</i>)	196,430,000	1,964
Conversion of convertible bonds (<i>Note (ii)</i>)	70,202,702	702
At 31 March 2017, ordinary shares of HK\$0.01 each	1,397,720,199	13,977
Issue of new ordinary shares (<i>Note (iii)</i>)	118,500,000	1,185
Exercise of share options (<i>Note (iv)</i>)	27,600,000	276
At 31 March 2018, ordinary shares of HK\$0.01 each	1,543,820,199	15,438

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

32. SHARE CAPITAL (continued)

Notes:

- (i) 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 HK\$0.168 per subscription share. The exercise gave rise to a net proceed of approximately HK\$31,644,000.

- (ii) 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.

- (iii) On 12 December 2017, Mr. Leung and the placing agent entered into the placing and subscription agreement pursuant to which (i) 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 279,544,039 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\$0.105 per placing share; and (ii) Mr. Leung has agreed to subscribe for up to 279,544,039 subscription shares at the subscription price of HK\$0.105 per subscription share.

Completion of the placing took place on 13 December 2017 in accordance with the placing and subscription agreement and an aggregate of 118,500,000 placing shares were placed to not less than six placees who are independent third parties, at the placing price of HK\$0.105 per placing share.

On 20 December 2017, an aggregate of 118,500,000 ordinary shares of HK\$0.01 each in the capital of the Company were allotted and issued to Mr. Leung at HK\$0.105 per subscription share. The exercise gave rise to a net proceed of approximately HK\$12,226,000.

- (iv) During the year ended 31 March 2018, subscription rights attaching to options to subscribe for 27,600,000 shares of the Company were exercised at the subscription price of HK\$0.109 per share (note 33), resulting in the issuance of 27,600,000 ordinary shares of HK\$0.10 each for a total cash consideration of approximately HK\$3,008,000.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

33. 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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

33. 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;

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

33. 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).

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

33. 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 2018 and 2017:

Year ended 31 March 2018

Date of grant	Exercisable period	Exercise price HK\$	Number of share options				Outstanding at 31/3/2018
			Outstanding at 1/4/2017	Granted during the year	Exercised during the year	Lapsed during the year	
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
			5,600,000	-	-	(1,400,000)	4,200,000
Exercisable at the end of the year							4,200,000
Weighted average exercise price			HK\$3.036	-	-	HK\$4.550	HK\$2.531

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

33. SHARE-BASED PAYMENT TRANSACTIONS (continued)

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
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

No share option was granted under the 2002 Scheme during the years ended 31 March 2018 and 2017.

No share option granted under the 2002 Scheme was exercised during the years ended 31 March 2018 and 2017.

Under the 2002 Scheme, the options outstanding at 31 March 2018 had weighted average exercise price of HK\$2.531 (2017: HK\$3.036) and a weighted average remaining contractual life of 1.5 years (2017: 1.9 years).

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

33. 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 2018 and 2017:

Year ended 31 March 2018

Date of grant	Exercisable period	Exercise price HK\$	Number of share options				
			Outstanding at 1/4/2017	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31/3/2018
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
29 December 2017	29 December 2017 to 20 April 2022	0.109	-	41,400,000	(27,600,000)	-	13,800,000
			14,700,000	41,400,000	(27,600,000)	-	28,500,000
Exercisable at the end of the year							28,500,000
Weighted average exercise price			HK\$0.196	HK\$0.109	HK\$0.109	-	HK\$0.154

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

33. SHARE-BASED PAYMENT TRANSACTIONS (continued)

41,400,000 share options were granted under the 2012 Scheme during the year ended 31 March 2018 (2017: Nil). The weighted average fair value of options granted under the 2012 Scheme during the year was HK\$0.053 per share option (2017: Nil).

27,600,000 share options under the 2012 Scheme were exercised during the year ended 31 March 2018 (2017: Nil) and the weighted average share price at the date of exercise for share options exercised during the year ended 31 March 2018 was HK\$0.129 (2017: Nil).

Under the 2012 Scheme, the options outstanding at 31 March 2018 had weighted average exercise price of HK\$0.154 (2017: HK\$0.196) and a weighted average remaining contractual life of 4.7 years (2017: 6.2 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 on the grant date as they are fully vested at the dates of grant, with a corresponding adjustment to the Group's share options reserve.

The fair value of equity-settled share options granted to employees and directors was estimated as at the date of grant, using the Binomial Model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used for the year ended 31 March 2018:

	2018
Option scheme type	2012 Scheme
Grant date share price	0.107
Exercise price	0.109
Expected volatility	70.871%
Expected exercise date	12 May 2021
Risk-free interest rate	1.631%
Expected dividend yield	Nil

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome.

The Company measures the fair values of share options granted to suppliers of service by reference to the fair values of services received. 13,800,000 share options were granted to suppliers of service for the year ended 31 March 2018 (2017: Nil). During the year ended 31 March 2018, the fair values of the share options granted to supplier of service amounted to approximately HK\$727,000 has been included in the consolidated statement of profit or loss and other comprehensive income, the corresponding amount of which has been credited to share options reserve.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

34. 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 Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debts net 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.

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:

	2018 HK\$'000	2017 HK\$'000
Debts (<i>Note (i)</i>)	89,034	80,996
Cash and cash equivalents	(32,303)	(34,549)
Net debt	56,731	46,447
Equity (<i>Note (ii)</i>)	469,182	439,755
Gearing ratio	12%	11%

Notes:

- (i) Debts include convertible bonds as detailed in note 29.
- (ii) Equity includes all capital, reserves and non-controlling interests.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

35. FINANCIAL INSTRUMENTS

35.1 Categories of financial instruments

	2018 HK\$'000	2017 HK\$'000
Financial assets		
Fair value through profit or loss:		
– Financial assets at fair value through profit or loss	49	42
Loans and receivables:		
– Other assets	205	205
– Loans receivables	244,522	210,675
– Financial assets included in trade and other receivables	3,441	3,206
– Bank balances and cash	33,128	35,122
Financial liabilities		
Financial liabilities at amortized cost:		
– Financial liabilities included in trade and other payables	9,296	8,762
– Amounts due to non-controlling interests of subsidiaries	8,893	8,006
– Amounts due to related parties	12,712	9,695
– Convertible bonds	89,034	80,996

35.2 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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

35. FINANCIAL INSTRUMENTS (continued)

35.2 Financial risk management objectives and policies (continued)

35.2.1 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:

	2018 HK\$'000	2017 HK\$'000
Assets		
United States Dollar ("US\$")	4,482	11,433
RMB	136	124
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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

35. FINANCIAL INSTRUMENTS (continued)

35.2 Financial risk management objectives and policies (continued)

35.2.1 Market risk (continued)

Foreign currency risk management (continued)

Foreign currency sensitivity analysis (continued)

	2018 HK\$'000	2017 HK\$'000
RMB	7	6
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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

35. FINANCIAL INSTRUMENTS (continued)

35.2 Financial risk management objectives and policies (continued)

35.2.1 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.

35.2.2 Credit risk management

At 31 March 2018, 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 limit, 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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

35. FINANCIAL INSTRUMENTS (continued)

35.2 Financial risk management objectives and policies (continued)

35.2.3 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 HK\$'000	1-5 years HK\$'000	Total contractual undiscounted cash flows HK\$'000	Total carrying amounts HK\$'000
At 31 March 2018				
Non-derivative financial liabilities				
Trade and other payables	9,296	–	9,296	9,296
Amounts due to non-controlling interests of subsidiaries	8,893	–	8,893	8,893
Amounts due to related parties	12,712	–	12,712	12,712
Convertible bonds	97,165	–	97,165	89,034
	128,066	–	128,066	119,935

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

35. FINANCIAL INSTRUMENTS (continued)

35.2 Financial risk management objectives and policies (continued)

35.2.3 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 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
	<u>26,463</u>	<u>104,750</u>	<u>131,213</u>	<u>107,459</u>

35.3 Fair value measurements

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

Fair value hierarchy as at 31 March 2018

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)	49	–	–	49

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

35. FINANCIAL INSTRUMENTS (continued)

35.3 Fair value measurements (continued)

35.3.1 Fair value of the Group's financial assets that are measured at fair value (continued)

Fair value hierarchy as at 31 March 2017

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)	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 2018 and 2017.

35.3.2 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.

	2018		2017	
	Carrying amount HK\$'000	Fair value HK\$'000	Carrying amount HK\$'000	Fair value HK\$'000
Convertible bonds – liability component (Note (i))	89,034	91,484	80,996	87,642

Note:

- (i) The fair value of the liability component of convertible bonds has been calculated by using effective interest rate as at 31 March 2018 of 11.97% (2017: 11.47%) per annum with reference to the Hong Kong sovereign curve and credit risk margin.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

35. FINANCIAL INSTRUMENTS (continued)

35.3 Fair value measurements (continued)

35.3.2 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 2018

Liabilities for which fair values are disclosed:

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Convertible bonds – liability component	–	–	91,484	91,484

Fair value hierarchy as at 31 March 2017

Liabilities for which fair values are disclosed:

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

As at 31 March 2018 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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

35. FINANCIAL INSTRUMENTS (continued)

35.4 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)	Net amounts of financial assets/ (liabilities)	Related amounts not set off in the consolidated statement of financial position		Net amount
	Gross amounts of recognized financial assets/ (liabilities) HK\$'000	set off in the consolidated statement of financial position HK\$'000	presented in the consolidated statement of financial position HK\$'000	Financial instruments HK\$'000	Collateral received HK\$'000	HK\$'000
At 31 March 2018						
Financial assets						
Trade receivable						
– Brokerage clients	749	(372)	377	–	–	377
– Clearing house	383	(383)	–	–	–	–
<hr/>						
Financial liabilities						
Trade payables						
– Brokerage clients	(1,208)	372	(836)	–	–	(836)
– Clearing house	(748)	383	(365)	–	–	(365)
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Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

35. FINANCIAL INSTRUMENTS (continued)

35.4 Financial assets and financial liabilities offsetting (continued)

	Gross amounts of recognized financial assets/ (liabilities)	Gross 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		Net amount
	HK\$'000	HK\$'000	HK\$'000	Financial instruments HK\$'000	Collateral received HK\$'000	HK\$'000
At 31 March 2017						
Financial assets						
Trade receivable						
- 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)

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

36. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Convertible bonds HK\$'000
At 1 April 2017	80,996
Redemption of convertible bonds	(6,722)
Effective interest on convertible bonds (non-cash changes)	14,760
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At 31 March 2018	89,034

37. ACQUISITION OF SUBSIDIARY AND BUSINESS COMBINATION

SP 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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

37. ACQUISITION OF SUBSIDIARY AND BUSINESS COMBINATION

(continued)

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

	HK\$'000
Property, plant and equipment (<i>Note 15</i>)	883
Other intangible assets (<i>Note 16</i>)	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)
	<hr/>
Total identifiable net assets	8,120
Goodwill (<i>Note 18</i>)	14,880
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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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

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)
	<hr/>
	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's 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:

	2018 HK\$'000	2017 HK\$'000
Within one year	1,751	731
In the second to fifth years inclusive	575	294
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	2,326	1,025

Operating leases relate to office premises and equipment with lease terms of between 1 to 3 years (2017: between 2 to 4 years).

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

39. CAPITAL COMMITMENTS

The Group had no significant capital commitments as at 31 March 2018 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

	2018 HK\$'000	2017 HK\$'000
Short-term employee benefits	6,346	12,863
Post-employment benefits	31	29
	<hr/>	<hr/>
	6,377	12,892

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

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 the Customers due to the defaults in payment by such enterprises in relation to the Loans.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

41. LITIGATION (continued)

In April 2015, the Court made the first instant verdict in relation to the legal proceedings proposed by the Group against the Customers due to their defaults in payment. It was judged that the Customers shall pay the outstanding principal and interest due to an indirect wholly-owned subsidiary of the Company, Jilin Ruixin Microfinance Co., Ltd. (吉林省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 from one of the Customers’ bank accounts 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 an objection of jurisdiction against the Court to request the cancelation of the freezing of the respective amount in their bank accounts, 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”), and the appeal was also 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 the withdrawal, which was also dismissed by the Higher Court in May 2017. The Group has received the aforesaid sum of RMB2.4 million from the Court in June 2017.

In June 2017, the Court has given a notice for assistance in freezing deposit to the respective bank for the Customers’ bank accounts to be frozen for another one-year period in an amount of RMB55 million until 21 June 2018. In June 2018, the Court issued another notice for assistance in freezing deposit to freeze an aggregate amount of RMB58 million in the bank accounts of the Customer until 19 June 2019.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Particulars of the Company's principal subsidiaries at 31 March 2018 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
Great Surplus Investment 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
HZW (<i>Note (i)</i>)	PRC	RMB23,310,854	–	98.04%	Exploration and mining of gold

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

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		Principal activities
			Direct	Indirect	
大連廣泓礦業技術諮詢有限公司 (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
吉林豐瑞投資管理諮詢有限公司 (Note (v))	PRC	US\$100,000	–	100%	Provision of investment and management consultation services
吉林普達投資管理諮詢有限公司 (Note (v))	PRC	US\$100,000	–	100%	Provision of investment and management consultation services
白城市利達投資諮詢有限公司 (Note (v))	PRC	US\$100,000	–	100%	Provision of investment and management consultation services
白城市豐瑞投資管理諮詢有限公司 (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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

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		Principal activities
			Direct	Indirect	
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
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
吉林市凱利機械設備有限公司 (Note (vii))	PRC	RMB30,000	-	100%	Sale 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) 大連廣泓礦業技術諮詢有限公司 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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

Notes: (continued)

- (v) 吉林豐瑞投資管理諮詢有限公司, 吉林普達投資管理諮詢有限公司, 白城市利達投資諮詢有限公司, 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 and 吉林市欣瑞企業管理諮詢有限公司 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諮詢有限公司 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, result 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	
		2018	2017	2018	2017	2018	2017
				HK\$'000	HK\$'000	HK\$'000	HK\$'000
Aohanqi	PRC	30%	30%	(2,429)	(3,689)	15,589	16,369
HZW	PRC	1.96%	1.96%	(3)	(31,630)	(2,433)	(2,394)
						<u>13,156</u>	<u>13,975</u>

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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

Details of non-wholly-owned subsidiaries that have material non-controlling interests (continued)

Aohanqi

	2018 HK\$'000	2017 HK\$'000
Current assets	6,107	5,210
Non-current assets	335,233	304,521
Current liabilities	(159,508)	(137,837)
Non-current liabilities	(34,184)	(30,918)
	Year ended 31 March 2018 HK\$'000	Year ended 31 March 2017 HK\$'000
Revenue	120	203
Other income and gain	437	132
Expenses	(8,721)	(12,738)
Income tax credit	67	107
Loss for the year	(8,097)	(12,296)
Loss attributable to owners of the Company	(5,668)	(8,607)
Loss attributable to the non-controlling interest	(2,429)	(3,689)
Loss for the year	(8,097)	(12,296)
Other comprehensive income/(expense) for the year	14,769	(9,875)
Total comprehensive income/(expense) attributable to owners of the Company	7,452	(17,225)
Total comprehensive expense attributable to the non-controlling interest	(780)	(4,946)
Total comprehensive income/(expense) for the year	6,672	(22,171)
Dividend paid to non-controlling interest	–	–
Net cash inflow from operating activities	2,655	1,344
Net cash outflow from investing activities	(282)	(2,532)
Net increase/(decrease) in cash and cash equivalents	2,373	(1,188)

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

Details of non-wholly-owned subsidiaries that have material non-controlling interests (continued)

HZW

	2018 HK\$'000	2017 HK\$'000
Current assets	156	59
Non-current assets	20	27
Current liabilities	(4,908)	(4,325)
Non-current liabilities	–	–
	Year ended 31 March 2018 HK\$'000	Year ended 31 March 2017 HK\$'000
Revenue	–	–
Other income and gain	254	–
Expenses	(287)	(395,380)
Loss for the year	(33)	(395,380)
Loss attributable to owners of the Company	(30)	(363,750)
Loss attributable to the non-controlling interest	(3)	(31,630)
Loss for the year	(33)	(395,380)
Other comprehensive expense for the year	(459)	(25,867)
Total comprehensive expense attributable to owners of the Company	(453)	(387,547)
Total comprehensive expense attributable to the non-controlling interest	(39)	(33,700)
Total comprehensive expense for the year	(492)	(421,247)
Dividend paid to non-controlling interest	–	–
Net cash inflow/(outflow) from operating activities	437	(300)
Net increase/(decrease) in cash and cash equivalents	437	(300)

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

43. EVENT AFTER THE REPORT PERIOD

In February 2018, the Company served the redemption notice to Mr. Leung, as the holder of the convertible bonds due 11 October 2018 issued by the Company (note 29) in the outstanding principal amount of HK\$97,165,000 in relation to the early redemption of the whole of the outstanding principal amount of the convertible bonds in consideration of the issuance of 971,650,000 non-redeemable and convertible preference shares (the “Convertible Preference Share(s)”) to Mr. Leung at the issue price of HK\$0.10 per Convertible Preference Share.

The Convertible Preference Shares shall not be entitled to vote at any general meeting of the Company, unless a resolution is to be proposed for winding up the Company or a resolution is to be proposed which if passed would vary the rights of privileges of the holder of the Convertible Preference Shares. One convertible preference share shall be entitled to be converted into one ordinary share of the Company. Subject to the passing of the relevant resolution at the extraordinary general meeting (the “EGM”), all the Convertible Preference Shares shall be issued on the issue date, credited as fully paid for the consideration.

The redemption of convertible bonds by way of issuance of Convertible Preference Shares was approved by the independent shareholders of the Company at the EGM of the Company held on 17 April 2018 and the Convertible Preference Shares have been issued and allotted on 2 May 2018 upon the redemption by the Company of the convertible bonds with outstanding principal amount of HK\$97,165,000 at the issue price of HK\$0.10 per Convertible Preference Share.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

44. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2018 HK\$'000	2017 HK\$'000
Non-current assets		
Investments in subsidiaries	7,078	4,078
Current assets		
Amounts due from subsidiaries	865,730	869,194
Prepayments	240	208
Bank balances	7,635	2,244
	873,605	871,646
Current liabilities		
Other payables and accruals	935	685
Amounts due to subsidiaries	351,695	351,338
	352,630	352,023
Net current assets	520,975	519,623
Total assets less current liabilities	528,053	523,701
Non-current liabilities		
Convertible bonds	89,034	80,996
Deferred tax liabilities	1,343	3,920
	90,377	84,916
Net assets	437,676	438,785
Capital and reserves		
Share capital	15,438	13,977
Reserves	422,238	424,808
Total equity	437,676	438,785

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

44. 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 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
Loss for the year	-	-	-	-	-	(18,066)	(18,066)
Total comprehensive expense for the year	-	-	-	-	-	(18,066)	(18,066)
Release of reserve upon share options lapsed	-	-	(140)	-	-	140	-
Recognition of equity-settled share-based payments	-	-	2,183	-	-	-	2,183
Issue of ordinary shares under share option scheme	4,188	-	(1,456)	-	-	-	2,732
Issue of new ordinary shares	11,257	-	-	-	-	-	11,257
Transaction costs attributable to issue of new ordinary shares	(216)	-	-	-	-	-	(216)
Redemption of convertible bonds	-	(2,328)	-	-	-	1,726	(602)
Deferred tax relating to convertible bonds	-	142	-	-	-	-	142
Balance at 31 March 2018	1,778,016	19,542	5,261	12,640	1,020	(1,394,241)	422,238

Financial Summary

	For the year ended 31 March				
	2014 HK\$'000	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000
Results					
Revenue	53,830	55,957	37,892	27,563	30,781
Loss before tax	(83,225)	(560,150)	(194,572)	(769,382)	(25,080)
Income tax expense	(816)	(3,288)	(3,246)	(1,425)	(2,843)
Loss for the year	(84,041)	(563,438)	(197,818)	(770,807)	(27,923)
Attributable to:					
Owners of the Company	(66,314)	(514,793)	(194,039)	(735,488)	(25,491)
Non-controlling interests	(17,727)	(48,645)	(3,779)	(35,319)	(2,432)
	(84,041)	(563,438)	(197,818)	(770,807)	(27,923)
			At 31 March		
	2014	2015	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Total assets	2,178,453	1,667,501	1,401,693	598,937	644,364
Total liabilities	(184,709)	(194,275)	(167,698)	(159,182)	(175,182)
	1,993,744	1,473,226	1,233,995	439,755	469,182
Equity attributable to owners of the Company	1,886,241	1,413,849	1,181,374	425,780	456,026
Non-controlling interests	107,503	59,377	52,621	13,975	13,156
Total equity	1,993,744	1,473,226	1,233,995	439,755	469,182