



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)



Interim Report
2018

Interim Results

The board (the “Board”) of directors (the “Directors”) of Sino Prosper (Group) Holdings Limited (the “Company”) presents the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 September 2018 (the “Reporting Period”) together with comparative figures for the previous period, which have been reviewed by the audit committee (the “Audit Committee”) of the Board.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Six months ended 30 September	
		2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Revenue	3	15,001	14,600
Cost of sales		–	(402)
Gross profit		15,001	14,198
Other income and gains	5	32	5,107
General and administrative expenses		(24,466)	(16,168)
Impairment loss on loans receivables		(34,518)	–
Impairment loss on goodwill		(15,566)	–
Impairment loss on other intangible assets		(417)	–
Loss on early redemption of convertible bonds		(7,364)	–
Finance costs	6	(767)	(7,514)
Loss before tax		(68,065)	(4,377)
Income tax credit/(expense)	7	7,006	(1,314)
Loss for the period	8	(61,059)	(5,691)
Other comprehensive (expense)/income <i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translating foreign operations		(35,813)	15,163
Other comprehensive (expense)/income for the period		(35,813)	15,163
Total comprehensive (expense)/income for the period		(96,872)	9,472
Loss attributable to:			
Owners of the Company		(59,865)	(4,553)
Non-controlling interests		(1,194)	(1,138)
		(61,059)	(5,691)
Total comprehensive (expense)/income attributable to:			
Owners of the Company		(94,381)	9,974
Non-controlling interests		(2,491)	(502)
		(96,872)	9,472
Loss per share			
Basic and diluted (HK cents per share)	10	(3.87)	(0.33)

Condensed Consolidated Statement of Financial Position

	Notes	At 30 September 2018 (Unaudited) HK\$'000	At 31 March 2018 (Audited) HK\$'000
Non-current assets			
Property, plant and equipment	11	73,559	81,566
Other intangible assets	12	124,361	136,764
Exploration and evaluation assets	11	21,676	23,764
Goodwill	13	86,828	112,257
Deferred tax assets		10,755	–
Other assets		205	205
		317,384	354,556
Current assets			
Inventories		7,639	8,059
Loans receivables	14	161,322	244,522
Trade and other receivables	15	23,715	4,050
Financial assets at fair value through profit or loss		–	49
Bank balances and cash			
– General accounts and cash		32,091	32,303
– Trust accounts		573	825
		225,340	289,808
Current liabilities			
Trade and other payables	16	18,480	19,436
Convertible bonds	17	–	89,034
Amounts due to non-controlling interests of subsidiaries		8,152	8,893
Amounts due to related parties		11,830	12,712
Tax payable		7,510	7,679
		45,972	137,754
Net current assets		179,368	152,054
Total assets less current liabilities		496,752	506,610
Non-current liabilities			
Provision for restoration costs		362	397
Deferred tax liabilities		32,692	37,031
		33,054	37,428
Net assets		463,698	469,182
Capital and reserves			
Share capital	18	16,138	15,438
Convertible preference shares	19	90,165	–
Reserves		346,730	440,588
Equity attributable to owners of the Company		453,033	456,026
Non-controlling interests		10,665	13,156
Total equity		463,698	469,182

Condensed Consolidated Statement of Cash Flows

	Six months ended 30 September	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Cash flows from operating activities		
Cash generated/(used) in operations	10,189	(9,119)
PRC Enterprise Income Tax paid	(1,563)	(1,301)
Net cash generated by/(used in) operating activities	8,626	(10,420)
Cash flows from investing activities		
Interest received on bank deposits	30	16
Redemption of financial assets at fair value through profit or loss	51	–
Payments for property, plant and equipment	(8)	(642)
Net cash generated by/(used in) investing activities	73	(626)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	8,699	(11,046)
Cash and cash equivalents at the beginning of period	32,303	34,549
Effect of foreign exchange rate changes, net	(8,911)	3,005
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	32,091	26,508
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	32,091	26,508

Condensed Consolidated Statement of Changes in Equity

Attributable to owners of the Company

	Share capital (Unaudited) HK\$'000	Share premium (Unaudited) HK\$'000	Convertible bonds equity reserve (Unaudited) HK\$'000	Share options reserve (Unaudited) HK\$'000	Shareholder's contribution (Unaudited) HK\$'000	Foreign currency translation reserve (Unaudited) HK\$'000	Capital redemption reserve (Unaudited) HK\$'000	Other reserve (Unaudited) HK\$'000	Accumulated losses (Unaudited) HK\$'000	Subtotal (Unaudited) HK\$'000	Attributable to non-controlling interests (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Balance at 1 April 2017	13,977	1,762,787	21,728	4,674	12,640	2,984	1,020	249,089	(1,643,119)	425,780	13,975	439,755
Loss for the period	-	-	-	-	-	-	-	-	(4,553)	(4,553)	(1,138)	(5,691)
Other comprehensive income for the period	-	-	-	-	-	14,527	-	-	-	14,527	636	15,163
Total comprehensive income/(expense) for the period	-	-	-	-	-	14,527	-	-	(4,553)	9,974	(502)	9,472
Release of reserve upon share options lapsed	-	-	-	(140)	-	-	-	-	140	-	-	-
Balance at 30 September 2017	13,977	1,762,787	21,728	4,534	12,640	17,511	1,020	249,089	(1,647,532)	435,754	13,473	449,227

Attributable to owners of the Company

	Share capital (Unaudited) HK\$'000	Convertible preference shares (Unaudited) HK\$'000	Share premium (Unaudited) HK\$'000	Convertible preference share premium (Unaudited) HK\$'000	Convertible bonds equity reserve (Unaudited) HK\$'000	Share options reserve (Unaudited) HK\$'000	Shareholder's contribution (Unaudited) HK\$'000	Foreign currency translation reserve (Unaudited) HK\$'000	Capital redemption reserve (Unaudited) HK\$'000	Other reserve (Unaudited) HK\$'000	Accumulated losses (Unaudited) HK\$'000	Subtotal (Unaudited) HK\$'000	Attributable to non-controlling interests (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
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
Impact on initial application of HKFRS 9 (Note 2.1.2)	-	-	-	-	-	-	-	-	-	-	(6,992)	(6,992)	-	(6,992)
Balance at 1 April 2018	15,438	-	1,778,016	-	19,542	5,261	12,640	41,764	1,020	249,089	(1,673,736)	449,034	13,156	462,190
Loss for the period	-	-	-	-	-	-	-	-	-	-	(59,865)	(59,865)	(1,194)	(61,059)
Other comprehensive expense for the period	-	-	-	-	-	-	-	(34,516)	-	-	-	(34,516)	(1,297)	(35,813)
Total comprehensive expense for the period	-	-	-	-	-	-	-	(34,516)	-	-	(59,865)	(94,381)	(2,491)	(96,872)
Early redemption of convertible bonds by issuance of convertible preference shares	-	97,165	-	18,461	(20,757)	-	-	-	-	-	2,296	97,165	-	97,165
Deferred tax relating to convertible bonds	-	-	-	-	1,215	-	-	-	-	-	-	1,215	-	1,215
Release of reserve upon share options lapsed	-	-	-	-	-	(120)	-	-	-	-	120	-	-	-
Conversion of convertible preference shares to ordinary shares	700	(7,000)	7,630	(1,330)	-	-	-	-	-	-	-	-	-	-
Balance at 30 September 2018	16,138	90,165	1,785,646	17,131	-	5,141	12,640	7,248	1,020	249,089	(1,731,185)	453,033	10,665	463,698

Notes to the Condensed Consolidated Interim Financial Statements

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements have been prepared in accordance with the Hong Kong Accounting Standards (“HKAS”) 34 “*Interim Financial Reporting*” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). These unaudited condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 March 2018, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

The accounting policies used in the condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2018 except for the adoption of the new and amendments to HKFRSs as described in note 2 below.

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 April 2018 for the preparation of the Group’s unaudited condensed financial statements:

HKFRS 9	<i>Financial Instruments</i>
HKFRS 15	<i>Revenue from Contracts with Customers and the related Amendments</i>
HK(IFRIC)-Int 22	<i>Foreign Currency Transactions and Advance Consideration</i>
Amendments to HKFRS 2	<i>Classification and Measurement of Share-based Payment Transactions</i>
Amendments to HKFRS 4	<i>Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts</i>
Amendments to HKAS 28	<i>As part of the Annual Improvements to HKFRSs 2014-2016 Cycle</i>
Amendments to HKAS 40	<i>Transfers of Investment Property</i>

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures set out in these interim financial statements.

Notes to the Condensed Consolidated Interim Financial Statements

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs (continued)

2.1 Impacts and changes in accounting policies of application on HKFRS 9

In the current period, the Group has applied HKFRS 9 *Financial Instruments* and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for (1) the classification and measurement of financial assets and financial liabilities, (2) expected credit losses (“ECL”) for financial assets and contract assets and (3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognized as at 1 April 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognized as at 1 April 2018. The difference between carrying amounts as at 31 March 2018 and the carrying amounts as at 1 April 2018 are recognized in the opening accumulated losses and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 *Financial Instruments: Recognition and Measurement*.

2.1.1 Key changes in accounting policies resulting from application of HKFRS 9

Classification and measurement of financial assets

All recognized financial assets that are within the scope of HKFRS 9 are subsequently measured at amortized cost or fair value, including unquoted equity investments measured at cost less impairment under HKAS 39.

Debt instruments that meet the following conditions are subsequently measured at amortized cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Notes to the Condensed Consolidated Interim Financial Statements

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs (continued)

2.1 Impacts and changes in accounting policies of application on HKFRS 9 (continued)

2.1.1 Key changes in accounting policies resulting from application of HKFRS 9 (continued)

Classification and measurement of financial assets (continued)

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income (“FVTOCI”):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss (“FVTPL”), except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income (“OCI”) if that equity investment is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which HKFRS 3 *Business Combinations* applies.

In addition, the Group may irrevocably designate a debt investment that meets the amortized cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

The Group’s financial assets measured at amortized cost and FVTPL continue with their respective classification and measurements upon initial application of HKFRS 9.

Impairment under ECL model

HKFRS 9 requires that the measurement of impairment of a financial asset be changed from “incurred loss model” to “expected credit loss model” (“ECL model”) and this way of measurement applies to financial assets measured at amortized cost.

The Group recognizes a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade and other receivables, loans receivables and bank balances). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Notes to the Condensed Consolidated Interim Financial Statements

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs (continued)

2.1 Impacts and changes in accounting policies of application on HKFRS 9 (continued)

2.1.1 *Key changes in accounting policies resulting from application of HKFRS 9 (continued)*

Impairment under ECL model (continued)

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL (“12m ECL”) represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group recognizes lifetime ECL for trade receivables. For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognizes lifetime ECL. The assessment of whether lifetime ECL should be recognized is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

Measurement and recognition of ECL

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

As at 1 April 2018, the directors of the Company reviewed and assessed the Group’s existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. The results of the assessment and the impact thereof are detailed below.

Notes to the Condensed Consolidated Interim Financial Statements

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs (continued)

2.1 Impacts and changes in accounting policies of application on HKFRS 9 (continued)

2.1.2 Summary of effects arising from initial application of HKFRS 9

The following table summarizes the impact of transition to HKFRS 9 on accumulated losses and the related tax impact at 1 April 2018.

	HK\$'000
Accumulated losses	
Recognition of additional expected credit losses on:	
– Loans receivables	9,323
Related tax	(2,331)
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Net increase in accumulated losses	6,992
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Currently, most of the Group's financial assets, including trade and other receivables, loans receivables and cash and cash equivalents which generally had maturity profiles of up to one year, are classified and measured at amortized cost, and the adoption of HKFRS 9 has no material impact on the classification and measurement of these financial assets.

2.2 Impacts and changes in accounting policies of application on HKFRS 15

The Group has applied HKFRS 15 for the first time in the current interim period. HKFRS 15 superseded HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognized at the date of initial application, 1 April 2018. Any difference at the date of initial application is recognized in the opening accumulated losses and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 April 2018.

Notes to the Condensed Consolidated Interim Financial Statements

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs (continued)

2.2 Impacts and changes in accounting policies of application on HKFRS 15 (continued)

2.2.1 Key changes in accounting policies resulting from application of HKFRS 15

HKFRS 15 introduces a 5-step approach when recognizing revenue:

- 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 Group satisfies a performance obligation.

Under HKFRS 15, the Group 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.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognized over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group’s performance as the Group performs;
- the Group’s performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group’s performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Notes to the Condensed Consolidated Interim Financial Statements

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs (continued)

2.2 Impacts and changes in accounting policies of application on HKFRS 15 (continued)

2.2.1 *Key changes in accounting policies resulting from application of HKFRS 15 (continued)*

Otherwise, revenue is recognized at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

2.2.2 *Summary of effects arising from initial application of HKFRS 15*

There was no material impact on accumulated losses or condensed consolidated interim financial statements of the Group on 1 April 2018 from initial application of HKFRS 15.

Notes to the Condensed Consolidated Interim Financial Statements

3. REVENUE

An analysis of the Group's revenue for the Reporting Period and the six months ended 30 September 2017 is as follows:

	Six months ended 30 September	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Interest income from loan financing activities	6,809	8,719
Consultancy services income	8,186	5,589
Commission from securities dealing and brokerage services	6	21
Financial advisory fee income	–	271
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	15,001	14,600

4. SEGMENT INFORMATION

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

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

- (a) investment in energy and natural resources (including precious metals) related projects;
- (b) the money lending segment represents provision of loan financing and investment and management consultation services in the People's Republic of China (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").

Notes to the Condensed Consolidated Interim Financial Statements

4. SEGMENT INFORMATION (continued)

The following tables present revenue and results for the Reporting Period and the six months ended 30 September 2017 and total assets and total liabilities as at 30 September 2018 and 31 March 2018 for the Group's operating segments.

	Financial services HK\$'000	Investment in energy and natural resources (including precious metals) related projects HK\$'000	Money lending HK\$'000	Total HK\$'000
Six months ended 30 September 2018 (Unaudited)				
Segment revenue	6	-	14,995	15,001
Segment loss	(1,564)	(1,783)	(39,414)	(42,761)
Interests on bank deposits, other income and gains				32
Loss on early redemption of convertible bonds				(7,364)
Finance costs				(767)
Central administration costs				(17,205)
Loss before tax				(68,065)
Six months ended 30 September 2017 (Unaudited)				
Segment revenue	292	-	14,308	14,600
Segment (loss)/profit	(2,874)	(1,559)	11,340	6,907
Interests on bank deposits, other income and gains				5,107
Finance costs				(7,514)
Central administration costs				(8,877)
Loss before tax				(4,377)

Notes to the Condensed Consolidated Interim Financial Statements

4. SEGMENT INFORMATION (continued)

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the Reporting Period (six months ended 30 September 2017: Nil).

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 costs and central administration costs. This is the measure reported to the CODM for the purposes of resource allocation and assessment of segment performance.

Impairment loss on loans receivables of approximately HK\$34,518,000 (six months ended 30 September 2017: Nil) and impairment loss on goodwill of approximately HK\$15,566,000 (six months ended 30 September 2017: Nil) recognized in the condensed consolidated statement of profit or loss and other comprehensive income for the Reporting Period are allocated to the Money lending segment.

	Financial services HK\$'000	Investment in energy and natural resources (including precious metals) related projects HK\$'000	Money lending HK\$'000	Total HK\$'000
As at 30 September 2018 (Unaudited)				
Segment assets	8,502	314,639	207,405	530,546
Corporate and unallocated assets				12,178
Consolidated assets				542,724
Segment liabilities	741	49,598	5,141	55,480
Corporate and unallocated liabilities				23,546
Consolidated liabilities				79,026
As at 31 March 2018 (Audited)				
Segment assets	9,538	345,200	273,721	628,459
Corporate and unallocated assets				15,905
Consolidated assets				644,364
Segment liabilities	1,224	54,181	5,939	61,344
Corporate and unallocated liabilities				113,838
Consolidated liabilities				175,182

Notes to the Condensed Consolidated Interim Financial Statements

4. SEGMENT INFORMATION (continued)

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

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

5. OTHER INCOME AND GAINS

	Six months ended 30 September	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Interest income on bank deposits	30	16
Unrealized gain on financial assets at fair value through profit or loss	–	6
Realized gain on financial assets at fair value through profit or loss	2	–
Net foreign exchange gain	–	5,019
Sundry income	–	66
	<u>32</u>	<u>5,107</u>

6. FINANCE COSTS

	Six months ended 30 September	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Effective interest on convertible bonds	767	7,514

Notes to the Condensed Consolidated Interim Financial Statements

7. INCOME TAX (CREDIT)/EXPENSE

Income tax recognized in profit or loss

	Six months ended 30 September	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Current tax		
PRC Enterprise Income Tax	(7,047)	2,190
Deferred tax	41	(876)
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Total income tax (credit)/expense recognized in profit or loss	(7,006)	1,314

Hong Kong Profits Tax is calculated at 16.5% (six months ended 30 September 2017: 16.5%) on the estimated assessable profit for the Reporting Period.

Under the prevailing tax law in the PRC, PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% for both the Reporting Period and the six months ended 30 September 2017. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

Notwithstanding the above, certain PRC subsidiaries were subject to PRC Enterprise Income Tax at the effective rate ranging from 2.5% to 3.75% (six months ended 30 September 2017: ranging from 2.5% to 3.75%) on revenue for the Reporting Period.

Notes to the Condensed Consolidated Interim Financial Statements

8. LOSS FOR THE PERIOD

	Six months ended 30 September	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Loss for the period has been arrived at after charging:		
Directors' emoluments	30	3,711
Employee benefits expense (excluding directors' emoluments): <i>(Note (i))</i>		
– Salaries and other benefits in kind	3,810	4,675
– Contributions to retirement benefits schemes	208	202
Total staff costs	4,048	8,588
Auditors' remuneration	835	835
Amortization of other intangible assets included in general and administrative expenses	16	275
Depreciation of property, plant and equipment <i>(Note (ii))</i>	934	1,046
Loss on disposal of property, plant and equipment	–	11
Minimum lease payments paid under operating leases in respect of land and buildings	1,054	926
Net foreign exchange loss	12,498	–

Notes:

- (i) Employee benefits expense of Nil were capitalized in inventories for the Reporting Period (six months ended 30 September 2017: approximately HK\$170,000).
- (ii) Depreciation of property, plant and equipment of Nil was capitalized in inventories for the Reporting Period (six months ended 30 September 2017: approximately HK\$182,000).

9. INTERIM DIVIDEND

The Directors resolved not to declare the payment of any interim dividend for the Reporting Period (six months ended 30 September 2017: Nil).

Notes to the Condensed Consolidated Interim Financial Statements

10. LOSS PER SHARE

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

	Six months ended 30 September	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Loss		
Loss for the period attributable to owners of the Company for the purposes of basic and diluted loss per share	(59,865)	(4,553)

Number of shares

	Six months ended 30 September	
	2018 (Unaudited) '000	2017 (Unaudited) '000
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	1,548,410	1,397,720

The computation of diluted loss per share for the Reporting Period and the six months ended 30 September 2017 did not assume the exercise or conversion of the Company's potential ordinary shares issuable under the Company's share option schemes, convertible preference shares and convertible bonds since their assumed exercise or conversion would have an anti-dilutive effect.

Notes to the Condensed Consolidated Interim Financial Statements

11. CAPITAL EXPENDITURE

	Property, plant and equipment (Unaudited) HK\$'000	Exploration and evaluation assets (Unaudited) HK\$'000
Six months ended 30 September 2018		
Net book amount at 1 April 2018	81,566	23,764
Additions	8	–
Depreciation expense	(934)	–
Effect of foreign currency exchange differences	(7,081)	(2,088)
<u>Net book amount at 30 September 2018</u>	<u>73,559</u>	<u>21,676</u>
Six months ended 30 September 2017		
Net book amount at 1 April 2017	75,622	21,449
Additions	642	–
Disposals	(11)	–
Depreciation expense	(1,046)	–
Effect of foreign currency exchange differences	3,023	866
<u>Net book amount at 30 September 2017</u>	<u>78,230</u>	<u>22,315</u>

Note:

Amongst the depreciation expense of approximately HK\$934,000 for the Reporting Period (six months ended 30 September 2017: approximately HK\$1,046,000), Nil (six months ended 30 September 2017: approximately HK\$182,000) were capitalized in inventories, and approximately HK\$934,000 (six months ended 30 September 2017: HK\$864,000) was included in general and administrative expenses.

Notes to the Condensed Consolidated Interim Financial Statements

12. OTHER INTANGIBLE ASSETS

	Mining rights (Unaudited) HK\$'000	License (Unaudited) HK\$'000	Trading rights (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Six months ended 30 September 2018				
Net book amount at 1 April 2018	135,791	473	500	136,764
Amortization	–	(16)	–	(16)
Impairment	–	(417)	–	(417)
Effect of foreign currency exchange differences	(11,930)	(40)	–	(11,970)
Net book amount at 30 September 2018	123,861	–	500	124,361
Six months ended 30 September 2017				
Net book amount at 1 April 2017	122,821	456	500	123,777
Amortization	(260)	(15)	–	(275)
Effect of foreign currency exchange differences	4,956	18	–	4,974
Net book amount at 30 September 2017	127,517	459	500	128,476

13. GOODWILL

	(Unaudited) HK\$'000
Six months ended 30 September 2018	
Net book amount at 1 April 2018	112,257
Impairment loss recognized	(15,566)
Effect of foreign currency exchange differences	(9,863)
Net book amount at 30 September 2018	86,828
Six months ended 30 September 2017	
Net book amount at 1 April 2017	121,123
Effect of foreign currency exchange differences	4,291
Net book amount at 30 September 2017	125,414

Notes to the Condensed Consolidated Interim Financial Statements

14. LOANS RECEIVABLES

	At 30 September 2018 (Unaudited) HK\$'000	At 31 March 2018 (Audited) HK\$'000
Loans receivables from Money lending operations	172,660	244,522
Less: allowance for impairment losses	(11,338)	–
	<u>161,322</u>	<u>244,522</u>

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 18% (31 March 2018: 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:

	At 30 September 2018 (Unaudited) HK\$'000	At 31 March 2018 (Audited) HK\$'000
To be matured:		
Within 1 month	–	18,113
3 months or less but over 1 month	15,724	–
6 months or less but over 3 months	47,741	–
9 months or less but over 6 months	–	156,646
1 year or less but over 9 months	108,815	–
Neither past due nor impaired	172,280	174,759
Matured:		
Less than 1 month	125	910
Less than 3 months but over 1 month	59	1,920
Less than 6 months but over 3 months	173	2,894
Less than 1 year but over 6 months	23	5,374
Over 1 year	–	58,665
	<u>172,660</u>	<u>244,522</u>
Less: allowance for impairment losses	(11,338)	–
	<u>161,322</u>	<u>244,522</u>

Notes to the Condensed Consolidated Interim Financial Statements

14. LOANS RECEIVABLES (continued)

Loans receivables that were neither past due nor impaired relate to diversified customers for whom there was no recent history of default.

As at 30 September 2018, loans receivables with an aggregate carrying amount of approximately HK\$99,723,000 (31 March 2018: HK\$214,667,000) 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.

Movement in the allowance for expected credit losses ("ECLs"):

	12-months ECLs HK\$'000	Credit-impaired HK\$'000	Total HK\$'000
At 1 April 2018 (Initial application of HKFRS 9)	9,323	–	9,323
Charge during the period	2,773	31,745	34,518
Derecognized upon transfer to other receivables	–	(31,683)	(31,683)
Effect of foreign currency exchange difference	(758)	(62)	(820)
At 30 September 2018	11,338	–	11,338

Notes to the Condensed Consolidated Interim Financial Statements

15. TRADE AND OTHER RECEIVABLES

	At 30 September 2018 (Unaudited) HK\$'000	At 31 March 2018 (Audited) HK\$'000
Trade receivables	1,160	2,231
Less: allowance for doubtful debts	(999)	(1,096)
	161	1,135
Prepayments	783	609
Deposits	1,746	2,058
Other receivables	21,025	248
	23,715	4,050

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

As at 30 September 2018, trade receivables in respect of the Financial services operations of approximately HK\$161,000 are from cash clients arising from dealing in securities business (31 March 2018: HK\$377,000) and trade receivables in respect of the Money lending operations of Nil are arising from consultancy services income (31 March 2018: HK\$758,000).

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, 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.

Notes to the Condensed Consolidated Interim Financial Statements

15. TRADE AND OTHER RECEIVABLES (continued)

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

	At 30 September 2018 (Unaudited) HK\$'000	At 31 March 2018 (Audited) HK\$'000
0 – 30 days	161	377
31 – 60 days	–	375
150 – 180 days	–	383
	161	1,135

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

	At 30 September 2018 (Unaudited) HK\$'000	At 31 March 2018 (Audited) HK\$'000
Neither past due nor impaired	161	377
Past due but not impaired		
– overdue by 31 – 60 days	–	375
– overdue by over 150 days	–	383
	161	1,135

Notes to the Condensed Consolidated Interim Financial Statements

15. TRADE AND OTHER RECEIVABLES (continued)

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.

Movements in the allowance for doubtful debts are as follows:

	At 30 September 2018 (Unaudited) HK\$'000	At 31 March 2018 (Audited) HK\$'000
At beginning of the period/year	1,096	989
Effect of foreign currency exchange differences	(97)	107
At end of the period/year	999	1,096

Included in other receivables is a balance due from a court in the PRC of approximately HK\$20,794,000. The balance is related to litigations of the Group since year 2014 and was classified as "Loans receivables" as at 31 March 2018 with an aggregate carrying amount of approximately HK\$69,385,000. Further details please refer to the paragraph "Legal Proceedings" in Operational Review in this report.

16. TRADE AND OTHER PAYABLES

	At 30 September 2018 (Unaudited) HK\$'000	At 31 March 2018 (Audited) HK\$'000
Trade payables arising from Financial services (<i>Note (i)</i>)		
– Cash clients	573	836
– Clearing house	160	365
Trade payables (<i>Note (ii)</i>)	201	220
Accrued expenses and other payables	6,556	7,123
Deposit received	41	45
Payables for acquisition of property, plant and equipment and exploration of mines	645	707
PRC business tax and other levies payable	10,304	10,140
Total	18,480	19,436

Notes to the Condensed Consolidated Interim Financial Statements

16. TRADE AND OTHER PAYABLES (continued)

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:

	At 30 September 2018 (Unaudited) HK\$'000	At 31 March 2018 (Audited) HK\$'000
Over 180 days	201	220

17. CONVERTIBLE BONDS

In February 2018, the Company served the redemption notice to Mr. Leung Ngai Man (“Mr. Leung”), being the chairman, an executive director and substantial shareholder of the Company as the holder of the convertible bonds due 11 October 2018 issued by the Company 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. Further details of the Convertible Preference Shares are included in Note 19.

Notes to the Condensed Consolidated Interim Financial Statements

18. SHARE CAPITAL

	Number of shares	Share capital HK\$'000
Issued and fully paid:		
At 1 April 2017, ordinary shares of HK\$0.01 each	1,397,720,199	13,977
Issue of new ordinary shares	118,500,000	1,185
Exercise of share options	27,600,000	276
<hr/>		
At 31 March 2018, ordinary shares of HK\$0.01 each	1,543,820,199	15,438
Conversion of convertible preference shares to ordinary shares (<i>Note 19</i>)	70,000,000	700
<hr/>		
At 30 September 2018, ordinary shares of HK\$0.01 each	1,613,820,199	16,138

19. CONVERTIBLE PREFERENCE SHARES

On 2 May 2018, the Company issued Convertible Preference Shares at issue price of HK\$0.10 per Convertible Preference Share in exchange for convertible bonds of the Company of outstanding principal amount of HK\$97,165,000 (*Note 17*).

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 aggregate number of 971,650,000 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. The fair value of the Convertible Preference Shares on initial recognition was amounted to approximately HK\$115,626,000 and was recognized in equity.

In September 2018, pursuant to a conversion notice and board resolutions of the Company, 70,000,000 ordinary shares of HK\$0.01 each in the capital of the Company were issued to Mr. Leung upon conversion of 70,000,000 Convertible Preference Shares issued by the Company to Mr. Leung on 2 May 2018.

The holders of 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 at any time after the date of issuance. The Convertible Preference Shares are non-interest bearing and non-redeemable. The Convertible Preference Shares shall confer on the holder thereof the right to receive dividend available for distribution before the ordinary shareholders.

Notes to the Condensed Consolidated Interim Financial Statements

20. 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:

	At 30 September 2018 (Unaudited) HK\$'000	At 31 March 2018 (Audited) HK\$'000
Within one year	1,287	1,751
In the second to fifth years inclusive	106	575
	<hr/> 1,393	<hr/> 2,326

Operating leases relate to office premises with lease terms of between 1 to 3 years (31 March 2018: between 1 to 3 years).

21. RELATED PARTY TRANSACTIONS

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

Compensation of key management personnel

	Six months ended 30 September	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Short-term employee benefits	30	3,695
Post-employment benefits	–	16
	<hr/> 30	<hr/> 3,711

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

Management Discussion & Analysis

OPERATIONAL REVIEW

Current Operations

Aohan Qi Mine, Inner Mongolia

Aohan Qi Mine is undergoing a period of small-scale operation and routine maintenance, due to the sluggish domestic economy, rising production cost, capital shortage and the stringent regulation on safety production of mining enterprises by the local administrative department.

Micro-financing business in Jilin City, PRC

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

SP Securities Limited (“SP Securities”)

SP Securities was formerly a licensed corporation under the regulation of Securities and Futures Commission (“SFC”) for carrying on “Dealing in Securities”, “Advising on Securities” and “Asset Management” regulated activities (i.e. holder of Type 1, 4 and 9 licences). SP Securities decided on 15 October 2018 to cease its business in securities dealings, advising on securities, and brokerage services with effect from 1 November 2018, and commenced on notifying its clients on the cessation of business, and also notified the SFC and revocation of its licences. The financial performance of SP Securities was not satisfactory due to the loss of staff in advisory team and lost of revenue which led to significant drop in its business and revenue.

Legal Proceedings

References 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 Jilin Ruixin Microfinance Co., Ltd (“**Ruixin Microfinance**”), a wholly-owned subsidiary of the Company, 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 the Customers.

Management Discussion & Analysis

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 the Customers due to their defaults in payment.

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

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 Customer 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. The Group then received a sum of approximately RMB2.4 million through the Court.

In July 2018, the Court issued five Closing Notice* 《結案通知書》, which was received by the Group in October 2018, stating that the respective Debts from five enterprises among the Customers were settled fully, and Ruixin Microfinance was entitled to receive approximately RMB47.3 million from five enterprises among the Customers. As at the date of this report, Ruixin Microfinance has collected approximately RMB28.7 million from the Court (net of administration charges by the Court) and the remaining balance is expected to be transferred to Ruixin Microfinance from the Court. As at 30 September 2018, the Group recorded other receivables of approximately HK\$20.8 million in respect of the amount to be transferred from the Court.

Management Discussion & Analysis

Furthermore, the Court issued three Execution Ruling* 《執行裁定書》 in the same month, which was received by the Group in October 2018, ruled that the remaining three enterprises among the Customers has entered into bankruptcy procedures as specified in the PRC Bankruptcy Law* 《中華人民共和國破產法》. Under the Execution Ruling and the PRC Bankruptcy Law, (i) all the assets, seals and books of accounts of the three enterprises among the Customers are transferred to appointed liquidators; (ii) all the bank accounts of the remaining three enterprises among the Customers are unfrozen and transferred to the appointed liquidators; (iii) all the overdue interest of the remaining three enterprises among the Customers was accrued up to the date of the Execution Ruling; and (iv) all the debtors of the remaining three enterprises among the Customers, including Ruixin Microfinance, can only apply for the outstanding loans, interest due and overdue interest to the appointed liquidators. Therefore, the amounts which could be recovered from the remaining three enterprises among the Customers are uncertain.

In view of the Closing Notice and Execution Ruling received, the Directors are of the view that certain Customers (including but not limited to the Customers mentioned above) of micro-financing business in Jilin City, PRC may not be able to repay the amount due to the Group in full. Furthermore, the Directors are of the view that an impairment loss on goodwill of micro-financing business should be recognised, after considering the factors including, but not limited to, the loan term, the lending interest rate, the consultancy fee rate, the amount of funds available for lending out to customers (which was reduced as a result of the impairment losses on loans receivables recognised), other administrative expenses and income tax of the micro-financing business. Therefore, the Group recorded an impairment loss on loans receivables of approximately HK\$34.5 million, an impairment loss on goodwill of approximately HK\$15.6 million, and an impairment loss on other intangible assets of approximately HK\$0.4 million relating to micro-financing business for the six months ended 30 September 2018.

Outlook

The Directors consider the micro-financing business in Jilin City, the PRC continue to be the main revenue stream of the Group. The Group would continue to maintain its competitive advantage of its micro-financing business in Jilin City, the PRC and would optimize its customer profile to minimise the risk of the micro-financing business and to have a sustainable business, so as to bring greater return for shareholders.

The cessation of the financial services business will enable the Group to better utilise its resources to the Group's current business, potential new business and other usage as the Board may consider as appropriate.

* For identification purpose only

Management Discussion & Analysis

FINANCIAL REVIEW

During the Reporting Period, the Group recorded a total turnover of approximately HK\$15,001,000 (six months ended 30 September 2017: approximately HK\$14,600,000) which mainly comprised a turnover of (i) approximately HK\$6,809,000 from interest income from loan financing activities (six months ended 30 September 2017: approximately HK\$8,719,000), (ii) approximately HK\$8,186,000 from consultancy services income (six months ended 30 September 2017: approximately HK\$5,589,000); (iii) there was no revenue recorded for financial advisory fee (six months ended 30 September 2017: approximately HK\$271,000), and (iv) approximately HK\$6,000 representing commission from securities dealing and brokerage services (six months ended 30 September 2017: HK\$21,000). The total turnover of the Group increased by approximately 2.75% as compared to the last corresponding period. Such increase was mainly attributable to the substantial increase of consultancy services income of approximately 46.47% which was offset by the decrease in income from other business segments and financial advisory fee.

As at 30 September 2018, the Group recorded total assets of approximately HK\$542,724,000 (as at 31 March 2018: approximately HK\$644,364,000) and recorded total liabilities of approximately HK\$79,026,000 (as at 31 March 2018: approximately HK\$175,182,000). The Group's net asset value as at 30 September 2018 slightly decreased to approximately HK\$463,698,000 as compared to approximately HK\$469,182,000 as at 31 March 2018.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCE

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

As at 30 September 2018, the Group had bank balances and cash (excluding trust accounts) of approximately HK\$32,091,000 (as at 31 March 2018: approximately HK\$32,303,000). Its gearing ratio calculated as a ratio of net debt (borrowings represented by convertible bonds less cash and cash equivalents) to total equity was Nil (as at 31 March 2018: 12.09%). As at 30 September 2018, net current assets of the Group amounted to approximately HK\$179,368,000 (as at 31 March 2018: approximately HK\$152,054,000) and the current ratio was maintained at a level of approximately 4.9 (as at 31 March 2018: approximately 2.1).

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 ordinary shares of HK\$0.01 each in the capital of the Company ("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.

On 19 September 2018, 70,000,000 Convertible Preference Shares were converted into 70,000,000 Shares.

TREASURY POLICIES

As at 30 September 2018, the Group had bank balances and cash (excluding trust accounts) of approximately HK\$32,091,000 (as at 31 March 2018: approximately HK\$32,303,000). The Group has sufficient capital, and generally exercises caution when using cash and making capital commitments. As at 30 September 2018, the Group had carrying amount of loans receivables of approximately HK\$161,322,000 (as at 31 March 2018: approximately HK\$244,522,000).

CONTINGENT LIABILITIES

As at 31 March 2018 and 30 September 2018, the Group had no significant contingent liabilities.

FOREIGN EXCHANGE EXPOSURE

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

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

The Group currently does not have a foreign currency hedging policy. However, the Group's management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

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 Dongduimianguou gold mine (the “**Mine**”).

The Target Company is a company incorporated in the PRC and is principally engaged in exploration and mining of gold. The current business scope includes gold mine exploitation, selection of gold and sale of mineral products, which are permitted by the State Affairs of the PRC. The principal asset of the Target Company is the mining right permit of the Mine with validity up to 19 April 2021.

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

Management Discussion & Analysis

On 31 August 2018, the Group and the Potential Investor have agreed in writing to extend the time limit for entering into formal legal binding agreement in relation to the Possible Disposal to 31 August 2020.

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

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2018, the Group employed 50 full-time employees in the PRC and Hong Kong. The Group remunerated its employees based on their performance, qualifications, work experience and the prevailing market salaries. Performance related bonuses are granted on a discretionary basis. Other employee benefits include mandatory provident fund, insurance and medical coverage, training programs and share option scheme.

CORPORATE GOVERNANCE & PRACTICES

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

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

Code Provision A.2.1

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

Management Discussion & Analysis

Code Provision A.5.1

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

Code Provision D.1.4

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

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the “Model Code”) as the Company’s code of conduct for dealing in securities of the Company by the Directors. In response to the Company’s specific enquiry made, all Directors of the Reporting Period have confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended 30 September 2018.

Management Discussion & Analysis

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 September 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 pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors were deemed or taken to have under such provisions of the SFO) or as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:-

Interests in the Shares and Underlying Shares

Name	Capacity	Long position/ short position	Number of ordinary shares	Number of underlying shares	Total	Approximate percentage of issued share capital (Note 1)
Leung Ngai Man (Executive Director)	Beneficial owner	Long position	468,536,002	901,650,000 (Note 2)	1,370,186,002	84.90%
Wong Li Fong (Executive Director)	Beneficial owner	Long position	15,000	-	15,000	Negligible

Notes

1. The percentage is calculated on the basis of 1,613,820,199 shares of the Company (the "Share") in issue as at 30 September 2018 but does not take into account of any Shares which may fall to be allotted and issued upon the exercise of any options and convertible preference shares which remained outstanding as at 30 September 2018.
2. These underlying shares are 901,650,000 Shares to be issued upon exercise of conversion rights attaching to 901,650,000 convertible preference shares issued by the Company to Mr. Leung on 2 May 2018.

Management Discussion & Analysis

Save as disclosed above, as at 30 September 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 Underlying Shares" and "Share Option Schemes" of this interim report, at no time during the Reporting Period were rights to acquire benefits by means of the acquisition of shares in and debentures of the Company granted to any Director or their respective spouses or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES AS AT 30 SEPTEMBER 2018

Save as disclosed above, as at 30 September 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.

Management Discussion & Analysis

SHARE OPTION SCHEMES

The 2002 Scheme was adopted pursuant to a resolution passed on 25 April 2002 for the primary purpose of providing incentives to eligible participants. As the 2002 Scheme has been expired on 15 May 2012, the 2002 Scheme was terminated and the 2012 Scheme was adopted by the Company on 20 April 2012. Similar to the 2002 Scheme, the primary purpose of the 2012 Scheme is to provide incentives to eligible participants.

The following table discloses movements of the Company's share options granted under the 2002 Scheme and the 2012 Scheme during the six months ended 30 September 2018:

2012 Scheme

Date of grant	Exercisable period	Exercise price HK\$	Number of share options					Outstanding at 30/9/2018
			Outstanding at 1/4/2018	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period	
24 May 2013	24 May 2013 to 23 May 2023	0.192	7,000,000	-	-	-	-	7,000,000
8 July 2013	8 July 2013 to 7 July 2023	0.200	7,700,000	-	-	-	-	7,700,000
29 December 2017	29 December 2017 to 20 April 2022	0.109	13,800,000	-	-	-	-	13,800,000
			<u>28,500,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>28,500,000</u>
Exercisable as at 30 September 2018								<u>28,500,000</u>
Weighted average exercise price			<u>HK\$0.154</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>HK\$0.154</u>

Under the 2012 Scheme, the options outstanding at 30 September 2018 had weighted average exercise price of HK\$0.154 (31 March 2018: HK\$0.154) and a weighted average remaining contractual life of 4.2 years (31 March 2018: 4.7 years)

No option has been granted under the 2012 Scheme during the six months ended 30 September 2018 (31 March 2018: Nil).

Management Discussion & Analysis

2002 Scheme

Date of grant	Exercisable period	Exercise price HK\$	Number of share options				Outstanding at 30/9/2018
			Outstanding at 1/4/2018	Exercised during the period	Cancelled during the period	Lapsed during the period	
14 May 2008	14 May 2008 to 13 May 2018	1.360	1,200,000	-	-	(1,200,000)	-
4 May 2010	4 February 2011 to 3 May 2020	3.000	3,000,000	-	-	-	3,000,000
			<u>4,200,000</u>	<u>-</u>	<u>-</u>	<u>(1,200,000)</u>	<u>3,000,000</u>
Exercisable as at 30 September 2018							<u>3,000,000</u>
Weighted average exercise price			<u>HK\$2.531</u>	<u>-</u>	<u>-</u>	<u>HK\$1.36</u>	<u>HK\$3.000</u>

Under the 2002 Scheme, the options outstanding at 30 September 2018 had weighted average exercise price of HK\$3.000 (31 March 2018: HK\$2.531) and a weighted average remaining contractual life of 1.6 years (31 March 2018: 1.5 years).

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

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

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

CONTRACT OF SIGNIFICANCE

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

Management Discussion & Analysis

AUDIT COMMITTEE

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

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

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

Hong Kong, 28 November 2018

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