



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
2019



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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 54, Hopewell Centre

183 Queen's Road East

Hong Kong

STOCK CODE

766

WEBSITE

www.sinoprospers.com

Management Discussion and Analysis

On behalf of the board (the “Board”) of directors (the “Directors”) 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 2019 (the “Reporting Period”) are presented below:

OPERATIONAL REVIEW

The Group’s main operating segments are investment in energy and natural resources (including precious metals) related projects, money lending business (“Money lending business”) and financial services business (“Financial services business”) as set out in note 6 to the consolidated financial statements.

Investment in energy and natural resources (including precious metals) related projects

a. The Aohan Qi Mine

The Group maintains the Aohan Qi Mine in Inner Mongolia which is undergoing a small-scale operation and the Group renewed the mining permit of Aohan Qi gold mine on 19 April 2018, which will remain valid until 19 April 2021. The Group has also obtained the Safety Mining Permit* (安全生產許可証) for the mining in the Aohan Qi Mine until 23 February 2020.

b. Consultancy business in mining industry

The current business scope of the consultancy business in mining industry included mining exploration advice, technical advice, economic and information consultancy services. With the relevant experience in acquisition, exploitation and exploration in mining business and the relevant professional experts retained by the Group, the Group has commenced its mining consultancy business by utilising its internal professional experts since July 2018.

The mining consultancy services provided to customers include operation management, licence application, licence extension, exploration management, geological and technical field services, assisting in exploration auditing, business development, and other related technical services. For the year ended 31 March 2019, the Group recorded approximately HK\$6,665,000 revenue from the mining consultancy services.

To the best knowledge of the Directors, the People’s Republic of China (“PRC”) government is implementing an indirect supervision and establishing a self-disciplinary norm on the mining consulting industry. Besides, most of the small and medium-sized enterprises engaged in mining business in the PRC have weak professional skills and insufficient understanding of the relevant regulatory requirements. There is an increasing demand from these enterprises seeking professional advice and technical support.

Meanwhile, the PRC government has strengthened its governance in environmental protection and implemented more strict standards and policies in relation to environmental protection. The small and medium-sized enterprises engaged in the mining business need guidance from professional experts in order to comply with the tight requirement from the PRC government. Therefore, the Directors consider that there will be an increasing demand in the professional mining consultancy services in coming future.

Management Discussion and Analysis

Money lending business

The Directors are of the view that the demand for the Group's loan financing business is increasing as small and medium-sized enterprises in Jilin, the PRC may need more funding to finance their daily working capitals. Therefore, the Company will adopt a more prudent lending policy to strengthen the control on credit risks. The Directors regard that, the increasing demand for the loan financing business in Jilin together with the more prudent lending policy and other precautions measure for the loan financing business, the financial results of the loan financing business will improve.

Based on the present economic situation in Jilin, the Directors consider that the loan financing business is optimistic given that the demand of micro-loan financing would increase and the Group could then focus solely on the recoverability of the loans. After the litigation with the state-owned enterprises in 2014, the Group changed its strategy to avoid releasing large amount of loans to a single ultimate owner and to ensure the diversity of the loan portfolio. The Group would also request each borrower to be guaranteed by a professional guarantee company in order to protect the Group's interest in general. Owing to the tighten control on credit risk, the matured loans receivables which were overdue decreased from approximately HK\$69.8 million as at 31 March 2018 to nil as at 31 March 2019 after provision of loss allowances.

Financial services business

SP Securities Limited ("SP Securities") was a company licensed under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities. SP Securities was also participant and direct clearing participant of the Hong Kong Exchanges and Clearing Limited.

Owing to (i) the loss of staff in the advisory team and consequential loss of clientele; (ii) a significant drop in its business and revenue; and (iii) the continuing increase in the segmental loss of the Financial services business, the Board had ceased the business of SP Securities since November 2018. SP Securities returned all the funds and assets held or managed on clients' behalf to clients and terminated all relevant contracts between SP Securities and its clients in accordance with the relevant provisions of such contracts. All the licences of SP Securities were revoked in March 2019.

Management Discussion and Analysis

Legal Proceedings

References are made to the announcements of the Company dated 19 December 2014 and 27 January 2017, and the paragraph headed “Legal Proceedings” in the management discussion and analysis in the interim report of the Company for the six months ended 30 September 2018, in relation to the legal proceedings initiated by the Group against certain state-owned enterprises due to the defaults in payment by such enterprises. Terms used therein shall have the same meanings as defined in above mentioned documents.

During the financial year ended 31 March 2019, the Court issued civil judgments ruling that the Customers have entered into bankruptcy and/or liquidation procedures. In view of the civil judgments, the Directors are of the view that certain Customers may not be able to repay the amount due to the Group in full. Furthermore, the Directors consider that the legal proceedings with those Customers materially impacted the recoverability of the goodwill allocated to the Money Lending Business. For further details of the calculation of the impairment loss assessment on goodwill of the Group, please refer to note 19 to the consolidated financial statements. Therefore, the Group recorded an impairment loss on loans receivables of approximately HK\$31,899,000 in relation to the debts owing from the Customers, an impairment loss on goodwill of approximately HK\$15,566,000, and an impairment loss on other intangible assets of approximately HK\$417,000 relating to loan financing activities for the year ended 31 March 2019.

The amount due from the Court in relation to the loans receivables that the Court collected on behalf of the Group amounted to approximately HK\$21,340,000. In March 2019, the Group has disposed such loans receivables at a consideration of HK\$19,879,000 in cash, resulting in a loss of approximately HK\$1,461,000. Such loss was charged to the consolidated statement of profit or loss and other comprehensive income of the Group for the year ended 31 March 2019. In view of the impairment loss made on the loans receivables, the civil judgments and the disposal of the loans receivables mentioned above, the Directors are of the view that the legal proceedings will not materially affect the operation of the Group for the financial year ending 31 March 2020.

Outlook

While keeping its existing business intact, the Group will from time to time review the business development outlook of its project companies and make appropriate adjustments to ensure that the Group can cope with the economic prospects.

Meanwhile, the Company will keep pace with the trends by proactively seeking opportunities to invest in business with greater returns for shareholders of the Company (the “Shareholders”).

Management Discussion and Analysis

FINANCIAL REVIEW

During the Reporting Period, the Group recorded a total turnover of approximately HK\$34,971,000 (year ended 31 March 2018 (“FY2018”): HK\$30,781,000) which mainly comprised a turnover of (i) approximately HK\$10,900,000 from interest income from loan financing activities (FY2018: HK\$17,771,000); (ii) approximately HK\$17,400,000 from investment and management consultation services income (FY2018: HK\$12,586,000); (iii) approximately HK\$6,665,000 from mining consultancy services income (FY2018: nil); and (iv) approximately HK\$6,000 representing commission from securities dealing and brokerage services (FY2018: HK\$33,000). The total turnover of the Group increased by approximately 13.61% as compared to last financial year. Such increase was mainly attributable to the increase in mining consultancy services income of approximately HK\$6,665,000.

As at 31 March 2019, the Group recorded total assets of approximately HK\$550,939,000 (as at 31 March 2018: approximately HK\$644,364,000) and recorded total liabilities of approximately HK\$82,566,000 (as at 31 March 2018: approximately HK\$175,182,000). The Group’s net asset value as at 31 March 2019 decreased by 0.17% to approximately HK\$468,373,000 as compared to approximately HK\$469,182,000 as at 31 March 2018.

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 2019, the Group had bank balances and cash (excluding trust accounts) of approximately HK\$67,414,000 (as at 31 March 2018: approximately HK\$32,303,000). As at 31 March 2019, net current assets of the Group amounted to approximately HK\$186,721,000 (as at 31 March 2018: approximately HK\$152,054,000) and the current ratio was maintained at a level of approximately 4.88 (as at 31 March 2018: approximately 2.1).

On 2 May 2018, 971,650,000 non-redeemable and convertible preference shares (the “Convertible Preference Share(s)”) 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 at the conversion price of HK\$0.10 per Share.

Management Discussion and Analysis

TREASURY POLICIES

As at 31 March 2019, the Group had bank balances and cash (excluding trust accounts) of approximately HK\$67,414,000 (as at 31 March 2018: HK\$32,303,000). The Group has sufficient capital, and generally exercises caution when using cash and making capital commitments. As at 31 March 2019, the Group had loans receivables of approximately HK\$160,422,000 (as at 31 March 2018: HK\$244,522,000).

CONTINGENT LIABILITIES

As at 31 March 2019 and 2018, the Group had no significant contingent liabilities.

CAPITAL COMMITMENTS

As at 31 March 2019 and 2018, the Group had no significant capital commitments.

FOREIGN EXCHANGE EXPOSURE

The Group's exposure to currency exchange risks is minimal as the operating units of 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.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2019, the Group employed 48 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 share options.

CLOSURE OF REGISTER OF MEMBERS

The forthcoming annual general meeting of the Company (the "AGM") is scheduled to be held on Thursday, 26 September 2019. For the purpose of determining the identity of the Shareholders entitled to attend and vote at the AGM, the register of members of the Company will be closed from Friday, 20 September 2019 to Thursday, 26 September 2019, 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 (and such address will be changed to Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong with effect from 11 July 2019) not later than 4:30 p.m. on Thursday, 19 September 2019.

Profile of Directors and Senior Management

Executive Directors

Mr. LEUNG Ngai Man, aged 58, 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 (the “Remuneration Committee”). Mr. Leung has an extensive network and relationship with numerous PRC companies and authorities.

Ms. WONG Li Fong, 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. 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 56, was appointed as an independent non-executive Director in March 2018. Mr. Miao is also the chairman of each of the audit committee of the Company (the “Audit Committee”) and the Remuneration Committee. 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 PRC. 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 63, was appointed as an independent non-executive Director in June 2004. He is also a member of each of the Audit Committee and the Remuneration Committee. Mr. Cai has over two decades of experience in China property.

Mr. ZHANG Qingkui, aged 51, was appointed as an independent non-executive Director in 2011. He is also a member of each of the Audit Committee and the Remuneration Committee. 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 48, 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 20 years’ accounting experience.

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 2019 is set out in the section headed "Environmental, Social and Governance Report" on pages 28 to 42 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 business and operation of the Group.

Key Relationships with Employees and Customers

The key relationships with the Group's employees and customers is discussed under section headed "Environmental, Social and Governance Report" on pages 28 to 42 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 2019 are set out on pages 50 to 51 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 2019, the Group did not make any charitable donation (2018: 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 156 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, CONVERTIBLE BONDS AND CONVERTIBLE PREFERENCE SHARES

Details of the movements in the Company's share capital, share options, convertible bonds and convertible preference shares during the year, together with the reasons thereof, are set out in notes 32, 34, 29 and 33 to the consolidated financial statements respectively.

SHARES ISSUED

During the year, the Company has issued an aggregate of 971,650,000 Convertible Preference Shares on 2 May 2018 upon the redemption by the Company of the CB due on 11 October 2018 issued by the Company in the outstanding principal amount of HK\$97,165,000 at the issue price of HK\$0.10 per Convertible Preference Share. The Convertible Preference Shares are convertible into Shares of HK\$0.01 each. On 19 September 2018, 70,000,000 Convertible Preference Shares were converted into 70,000,000 Shares.

RESERVES

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

In accordance with the Companies Law of the Cayman Islands, the share premium as received in the share premium account is distributable to the Shareholders provided that immediately following the distribution or payment of the dividend, the Company is able to pay its debts as they fall due in the ordinary course of business. As at 31 March 2019, the reserves of the Company available for distribution to the Shareholders amounted to approximately HK\$321,814,000 (As at 31 March 2018: approximately HK\$383,775,000).

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, revenue from the Group's five largest customers accounted for 44% of the total revenue for the year and revenue from the largest customer amounted to 17%. Purchases from the Group's five largest suppliers accounted for 100% of the total purchases for the year and purchases from the largest supplier amounted to 76%.

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

DIRECTORS

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

Executive Directors

Mr. Leung Ngai Man (*Chairman*)

Ms. Wong Li Fong

Independent Non-executive Directors

Mr. Miao Yanan

Mr. Cai Wei Lun

Mr. Zhang Qingkui

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

DIRECTORS' BIOGRAPHIES

Biographical details of the Directors are set out on page 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 2018 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

On 12 February 2018, the Company had served and Mr. Leung Ngai Man, the chairman and an executive Director of the Company (the "Bondholder") had accepted, the redemption notice in relation to the redemption of the CB in the principal amount of HK\$97,165,000 by way of issuance of 971,650,000 Convertible Preference Shares (the "Redemption").

On 2 May 2018, 971,650,000 non-redeemable and Convertible Preference Shares were issued and allotted upon the Redemption by the Company at the issue price of HK\$0.10 per Convertible Preference Share. The Convertible Preference Shares are convertible into Shares at the conversion price of HK\$0.01 each.

On 19 September 2018, 70,000,000 Convertible Preference Shares were converted into 70,000,000 Shares at the conversion price of HK\$0.10 per Share (the "Conversion").

As the Bondholder is an executive Director and a substantial Shareholder holding approximately 26.28% of the then total issued share capital of the Company and is therefore regarded as a connected person of the Company. The Redemption and the Conversion constitute connected transactions and are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Rules Governing the Listing of Securities (the "Listing Rules") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") which have been approved by the then independent Shareholders in the extraordinary general meeting of the Company held on 17 April 2018.

Save as disclosed above and in notes 29, 33 and 40 to the consolidated financial statements, there has been no other related party transactions constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

No Director had a material interest, either directly or indirectly, in any significant transactions, arrangements and contracts 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 AND UNDERLYING SHARES

As at 31 March 2019, the interests and short positions of the Directors and chief executives 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 (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	468,536,002	901,650,000 (Notes 2)	1,370,186,002	84.90%
Wong Li Fong (Executive Director)	Beneficial owner	Long position	15,000	-	15,000	Negligible

Notes:

- The percentage is calculated on the basis of 1,613,820,199 Shares in issue as at 31 March 2019 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 31 March 2019.
- These underlying Shares are 901,650,000 Shares to be issued upon exercise in full of the conversion rights attaching to 901,650,000 Convertible Preference Shares issued by the Company to Mr. Leung on 2 May 2018.

Directors' Report

Save as disclosed above, as at 31 March 2019, none of the Directors or the chief executives 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 executives 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 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.

ANNUAL CONFIRMATIONS FROM INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his 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 SHARES AND UNDERLYING SHARES

Save as disclosed above, as at 31 March 2019, 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. 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 pursuant to a resolution passed on 25 April 2002 (the "2002 Scheme") for the primary purpose of providing incentives to eligible participants. The 2002 Scheme was terminated and a new share option scheme was adopted by the Company on 20 April 2012 (the "2012 Scheme"). The terms of the 2012 Scheme are similar to those of the 2002 Scheme, and the 2012 Scheme will expire on 20 April 2022. Details of the two share option schemes are set out in note 34 to the consolidated financial statements.

As at 31 March 2019, the Company had 30,100,000 share options outstanding under the two share option schemes, which represented approximately 1.87 % of the Shares in issue as at 31 March 2019. No options has been granted nor exercised under 2012 Scheme. No option has been exercised under 2002 Scheme during the Reporting Period. 2,600,000 share options have 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 6.10% of the issued share capital of the Company.

EQUITY-LINKED AGREEMENTS

Save as those disclosed in the sections headed "Share Option Schemes" and "Share Capital, Share Options, Convertible Bonds and Convertible Preference Shares" 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.

Directors' Report

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 Directors' Report 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 interests 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"). 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. Subsequently, on 31 December 2018, the Potential Investor and the Group have negotiated and entered into a termination agreement to terminate the Letter of Intent (the "Termination Agreement"). Pursuant to the Termination Agreement, the Letter of Intent has been terminated and ceased to have effect and the Group and the Potential Investor released and discharged the other from all past, present and future obligations and liabilities under the Letter of Intent absolutely.

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 Shares 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.

AUDITORS

The accounts for the year ended 31 March 2019 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, 26 June 2019

Corporate Governance Report

CORPORATE GOVERNANCE & PRACTICES

The Board acknowledges the importance of good corporate governance practices and procedures and regards a pre-eminent Board, sound internal controls and accountability to all Shareholders 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 below, 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 separated 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 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. 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 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 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
Mr. Cai Wei Lun
Mr. Zhang Qingkui

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.

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 policies and financial matters. The Board has delegated the power to oversee the daily operational matters of the Group to senior management under the supervision of the Board.

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

	Attendance
Executive Directors	
Mr. Leung Ngai Man (<i>Chairman</i>)	4/4
Ms. Wong Li Fong	4/4
Independent Non-Executive Directors	
Mr. Miao Yanan	4/4
Mr. Cai Wei Lun	4/4
Mr. Zhang Qingkui	4/4

DIRECTORS' CONTINUOUS PROFESSIONAL DEVELOPMENT

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

During the Reporting Period, 2 general meetings of the Company were held, being the extraordinary general meeting of the Company held on 17 April 2018 (“EGM”) and the 2018 annual general meeting of the Company (“2018 AGM”) held on 18 September 2018.

	Attendance
Executive Directors	
Mr. Leung Ngai Man (<i>Chairman</i>)	1/2
Ms. Wong Li Fong	2/2
Independent Non-Executive Directors	
Mr. Miao Yanan	0/2
Mr. Cai Wei Lun	1/2
Mr. Zhang Qingkui	1/2

The Board is responsible for maintaining an on-going dialogue with shareholders and in particular, using annual general meeting or other general meetings to communicate with them and encourage their participation. Mr. Leung Ngai Man, being the Chairman of the Board attended the 2018 AGM to answer questions and collect views of Shareholders. However, he did not attend the EGM due to his other business engagement.

NOMINATION OF DIRECTORS

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

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

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

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

The Company recognizes and embraces the benefits of having a diversified 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 of board diversity.

REMUNERATION COMMITTEE

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. 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 policy and structure of the remuneration of the Directors and senior management and to review and approve the management's remuneration proposals, if any, with reference to the Board's corporate goals and objectives. The individual attendance of its members is set out below:–

Remuneration Committee Member	Attendance
Mr. Miao Yanan (<i>Chairman</i>)	1/1
Mr. Leung Ngai Man	1/1
Ms. Wong Li Fong	1/1
Mr. Cai Wei Lun	1/1
Mr. Zhang Qingkui	1/1

AUDIT COMMITTEE

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

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

Corporate Governance Report

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
Mr. Miao Yanan (<i>Chairman</i>)	2/2
Mr. Cai Wei Lun	2/2
Mr. Zhang Qingkui	2/2

AUDITORS' REMUNERATION

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

Services rendered	Fees paid/payable (HK\$'000)
Audit services - annual audit	1,670
Other audit services	275
Non-audit services relating to review on financial disclosures of interim financial report	460

ACCOUNTABILITY

The Directors acknowledge their responsibility for preparing the accounts for the Reporting Period which is 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 reviews 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 2019.

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

Handling and Dissemination of Inside Information

The Group regulates the handling and dissemination of inside information according to the "Guidelines on Disclosure of Inside Information" published by the Securities and Future Commission in June 2012 to ensure inside information remains confidential until the disclosure of such information is appropriately approved, and the dissemination of such information is efficiently and consistently made. The Company regularly reminds the Directors and employees about due compliance with all policies regarding the inside information. Also, the Company keeps Directors, senior management and employees 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 complete review on the risk management and internal control systems for the year ended 31 March 2019 to ensure the effectiveness and adequacy of the systems. Such review shall be conducted annually. The Board considered that the risk management and internal control systems of the Company for the year ended 31 March 2019 were adequate and effective.

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, 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, 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 contains 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.

DIVIDEND POLICY

In considering the payment of dividends, there shall be a balance between retaining adequate reserves for the Group's future growth and rewarding the Shareholders. The Board shall also take into account, among other things, the following when considering the declaration and payment of dividends:

- the Group's overall results of operation, financial position, working capital requirements, capital expenditure requirements, liquidity position and future expansions plans;
- the amount of retained earnings and distributable reserves of the Company;
- general economic conditions, business cycle of the Group's business and other internal or external factors that may have an impact on the business or financial performance and position of the Group; and
- any other factors that the Board deems relevant.

The declaration and payment of dividends by the Company is subject to any restrictions under the Articles, the law of the Cayman Islands, the Listing Rules and any other applicable laws and regulations. The Company does not have any pre-determined dividend distribution ratio. The Company's dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by the Company in the future.

The dividend policy shall in no way constitute a legally binding commitment by the Group in respect of its future dividend and/or in no way obligate the Group to declare a dividend at any time or from time to time. The Board will continually review the dividend policy and reserves the right in its sole and absolute discretion to update, amend, modify and/or cancel the dividend policy at any time.

Environmental, Social and Governance Report

OVERVIEW

This is the third Environmental, Social and Governance Report (“ESG Report”) highlighting its environmental, social and governance (“ESG”) performance and is compiled in accordance with the guidelines outlined in Appendix 27 Environmental, Social and Governance Reporting Guide (the “Reporting Guide”) of the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange of Hong Kong Limited (“HKEx”) for the year ended 31 March 2019 (the “Reporting Period” or “2019”).

The Group’s principal activities include the provision of loan financing and investment and management consultation services (the “Money lending business”), energy and natural resources business and provision of advising on securities and securities dealing and brokerage services business. During the Reporting Period, turnover from the Money lending business including related consulting services provided to borrowers and investors in Jilin Province, the People’s Republic of China (the “PRC”) accounted for approximately 81% of the Group’s total turnover during the Reporting Period. During the Reporting Period, the Group ceased its Hong Kong-based financial services related to securities trading and advisory, and asset management businesses. In undertaking these activities we aim to follow a policy of providing quality services and practicing fair trade.

The Group also owns, operates and has continued the exploration of the gold mine, i.e. Aohan Qi Mine in Inner Mongolia, China. The Group is currently in the process of re-evaluating this asset and the gold mine underwent several general maintenance works with small-scale operation during the Reporting Period. Nonetheless, the Group continues to place safety and environmental protection as our priority in this activity.

In addition to the operations of the Aohan Qi Mine, the Group also offers mining related consultancy services, including mining exploration advice, technical advice, economic and information consultancy services since July 2018.

We strive to be an environmental and socially responsible corporation. We acknowledge the importance of sustainability as one of the key driving forces to the growth of the Group and creation of value to our stakeholders. We believe that the listed ESG aspects and areas in the Reporting Guide are significant considerations for our business planning and operation. 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 and improving the well-being of our employees, and helping to provide sustainable developments to the local communities and the environment.

Environmental, Social and Governance Report

STAKEHOLDER COMMUNICATION AND MATERIALITY

The Group values inputs and feedbacks of its stakeholders include shareholders/investors, employees, clients, suppliers, service provider, professional advisors, NGO partners and industry associations, and strives to address their concerns. We have established various communication channels in the below table to maintain liaison with them:

Stakeholders	Communication Channels
Shareholders/Investors	<ul style="list-style-type: none">• General meetings• Information published on websites of the Company/HKEx such as annual and interim reports, announcements, circulars etc.,• Direct emails or phone enquiries to the Company
Employees	<ul style="list-style-type: none">• Direct meeting with the management executives• Intranet• Annual and regular appraisal• Organized functions and activities for the employees
Clients	<ul style="list-style-type: none">• Day-to-day communication through front line Staff• Client hotline• Official websites
Suppliers/service providers/ Professional Advisors	<ul style="list-style-type: none">• Day-to-day communication through front line staff• Regular review of the signed arrangements by the management
NGO partners	<ul style="list-style-type: none">• Volunteer activities• Sponsors and donations
Industry Associations	<ul style="list-style-type: none">• Participation in annual and regular meetings and events

Through various means of communication, the Group and its stakeholders have identified the following ESG material aspects and areas:

- Environmental practices and their performance;
- Employment especially on development and training;
- Quality of services and customers satisfaction;
- Customers data and information protection;
- Anti-corruption;
- Community support and contribution.

Environmental, Social and Governance Report

The above ESG material aspects and areas have been strictly managed through the Group's established management structure, process, policies and guidelines as described in last year's ESG report and summarized below:

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. The Board has approved from time to time updated strategies and policies and has delegated department heads to implement its policies and to report directly to the finance director ("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 Finance Director, 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.

Same as our last ESG reporting, the Group fully understands that ESG policies and practices may change over time to reflect the changes in business operations, structures, technology, laws and regulations, and environments. The Group has continued to provide adequate resources to monitor the ESG issues, policies and practices and performance on an ongoing basis, and has exercised due responsibility to maintain high ethical standards on conducting business and complying strictly with all relevant laws, rules and regulations to achieve sustainable development of the environment and society and bring benefits to our employees and other stakeholders.

Key policies relating to material aspects and areas in the Reporting Guide, and our environmental and social obligations' performance for the Group's operations in Hong Kong and the PRC are covered herein below:

ENVIRONMENTAL AND SOCIAL ASPECTS AND AREAS AND THE GROUP'S ENVIRONMENTAL AND SOCIAL OBLIGATIONS PERFORMANCE

A. Environmental

1.1 *Environmental Areas*

The Group supports a "Green Environment" and has implemented policies and taken measures to ensure our operation to be energy, water, and resources saving, and without environmental detriment, and has strictly abided by the local environmental laws, rules and regulations. We have also continued to work on raising the environmental awareness among our employees and business associates to protect the environment by implementing green practices.

Since the Group's principal activities are the provision of financial services, namely Money lending and related consultancy services, and the mining related consultancy services, our activities are mainly operate in "office" environment and do not have any significant impact or materiality on environmental issues. We only consume electricity and fresh water, printing paper and office utensils. We do not produce, emit or discharge any hazardous pollutants or polluted water and only indirect emission of greenhouse gases, i.e. carbon-dioxide ("CO₂") through the use of electricity is generated.

Environmental, Social and Governance Report

For our exploration and mining operations, the Group adopts a proactive approach in tackling environmental and production hazard issues allowing the Group to minimize and effectively resolve the majority of the environmental issues typical of the industry. Our approach consists of two main forms. Firstly, at all times our mining site managers and employees are on constant alert to pay extra attention on environmental, safety and health issues during daily operations. The Group is conscious of our environmental and safety protection responsibilities and adopts policies that comply with relevant rules and regulations. Secondly, and perhaps what is most instrumental in demonstrating our commitment to environmental protection, the Group has adopted two major environmentally conscious mining concepts in its project planning and operations:

- (1) Mining Operations: the “Gravity and Floatation System” is adopted, instead of “Cyanide Leaching” in our small-scale gold mining operations. This is a more environmentally friendly process. Furthermore, with the design of recycling and reusing of water, polluted water emissions have been greatly minimized.
- (2) Landscaping: Built and maintained the site landscape to be compatible and in harmony with its natural scenery and surroundings with an ongoing process of planting trees to maintain the natural ecosystem. During exploration works, site cleaning and retrenching was undertaken on a continual basis so as not to produce any pollution or detrimental effects on the site’s environment.

1.2 Environmental Aspects

A1. Emissions and Wastes

As the Group mainly operates in an office environment and does not operate any transportation fleet, and our mining operations are under maintenance only, we therefore do not directly generate any hazardous gases such as Nitrogen Oxide (NO_x), Sulphur Oxide (SO_x) or greenhouse gases namely carbon dioxide (CO₂) emissions and wastes. We, however, do indirectly generate CO₂ emissions, an important contributor to global warming, through the use of electricity.

As means to save costs and to reduce indirect CO₂ emissions and to combat global warming, we target to control our electricity consumption, and invested in energy saving tools and equipment such as using energy-saving equipment and appliances including copier and computers, LED lights. We have also encouraged the employees to use teleconferencing to reduce their flight travels, and to use public transport during works in the city. The Group has introduced measures to ensure that power is turned off when work is not being carried out, encourage the use of natural ventilation to replace air-conditioning in allowable conditions, and all air-conditioners’ temperature should not be lower than 24 °C under normal conditions.

Environmental, Social and Governance Report

As mentioned previously, the mine is under maintenance during the Reporting Period and thus the mine did not produce any significant waste rocks or tailings, waste water or noise emission.

During the Reporting Period, the Group had no non-compliance or warning notices or fines or disputes in relation to hazardous and non-hazardous air emissions and wastes disposal, and waste water discharges.

(i) Greenhouse Gas Emissions

During the Reporting Period, a total of 131.24 tonnes of greenhouse gases, mainly CO₂, were indirectly generated from our Hong Kong offices' uses of electricity, which was 203.86 tonnes or 60.8% less than 2018. The decrease was mainly due to continual improvements in the reduction of electricity usage in our offices, and a substantial part was due to the maintenance status of our mining operation and the use of electricity by the mining operation was minimal during the Reporting Period.

(ii) Polluted Water Discharges

The Group does not generate any hazardous waste water since our mining operation has been minimal. We only consume an insignificant amount of water for employees' daily hygiene needs in our offices, which has been sourced and discharged through the offices centralized water supply and discharge network.

(iii) Hazardous and Non-hazardous Wastes

The Group's principal activities only produces general office wastes, including used paper and office utensils. Most of these wastes are non-hazardous. However, a small amount of hazardous wastes such as printer toner cartridges, ink boxes and batteries, which are regularly collected and disposed of by specialist waste managers.

Mining operation activities inevitably produce hazardous and non-hazardous in nature. The Group's decision of adopting the "Gravity and Floatation" system instead of "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 mine was insignificant during the Reporting Period, and no adverse comments or irregularities were reported from the internal and external control sources or regulators.

Environmental, Social and Governance Report

A2. Use of Resources

Given our business activities during the Reporting Period are mainly office nature, we only consume electricity, fresh water and printing paper and ink. Nonetheless, we are conscious of our responsibility of conserving natural resources. We have approved and implemented clear environmental policies and measures with the target of green practices without pollution and saving of scarce resources. Our uses of electricity, printing papers and water during the Reporting Period were recorded as below:

(i) Efficient Use of Energy

As our gold mining operations are under maintenance, our electricity consumption was significantly reduced by 63.22% when compared to previous years when mining operations resulted in significant electricity usage. Our Hong Kong operations also saw a slight reduction of 4.88% due to continued improvements in our energy saving policies and measures as well as the discontinuation of the securities related financial services during the Reporting Period.

Energy Consumption Sources	Energy Consumption (in Kwh)		
	2018	2019	(+/-%)
Hong Kong	17,332	16,487	-4.88%
China	322,382	118,568	-63.22%
Total	339,714	135,055	-60.24%

Electricity is sourced from the city grid line and the only source of energy used for our offices' daily operations. The continued decrease in our Hong Kong office electricity consumption further demonstrated the success of our energy-saving policies and measures, which included:

- Turn off electrical appliances, lights in a timely manner and when they are not in use;
- Install and use energy-saving electrical appliances; and
- Control heating and cooling devices with time controls.

Environmental, Social and Governance Report

(ii) Efficient Use of Paper

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. We have adopted the following measures with regards to paper usage:

- Avoid unnecessary printing and print on both sides;
- Use recycled papers and reuse paper-made products such as envelopes and folders;
- Replace papers communication and files electronically.

(iii) Consumption of Fresh Water

Fresh water for our offices is supplied from the city water system and used mainly for our employees' daily general hygiene needs. The amount used is insignificant and the record is not available as it is managed by the management offices of the office buildings. Water used by our gold mine operations was insignificant as the mine was under maintenance during the Reporting Period.

A3. The Environment and Natural Resources

Although the Group's business and operations have an insignificant impact on the environment and natural resource usage, the Group continues to act responsibly to the environment by reducing and saving natural resource consumption, and constantly reviewing ways and means to accomplish further resource savings and environmental protection. 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.

The Group has always monitored the usage of electricity, water and printing paper, invested in modern technology and equipment with energy saving and resources conservation, educated and alerted our employees awareness on natural resources consumption, stopping pollution, and practicing green. It is not just for costs saving, it is also for conserving natural resources and the environment for tomorrow.

During the Reporting Period, no irregularities on natural resource consumption was reported and alerted to the management.

B Social

2.1 *Employment and Labour Practices Areas*

The Group's business development and growth rely heavily on the commitment, passion and skills of its employees. We value our employees as our most valuable asset. We are committed to strictly complying with all the relevant laws, rules and regulations on employment arrangements in the "Labor Law of PRC" and "Employment Ordinances of Hong Kong Special Administrative Region", and providing a safe, healthy and equitable working environment, offering equal opportunities to all employees on recruitment, promotion, compensation and benefits. We strive to strengthen our human resources management with employees oriented policies to encourage motivation and innovation, and to protect the interests and legal rights of the employees, and ultimately to achieve a positive, constructive and harmonious relationship with our employees.

2.2 *Employment and Labor Practices Aspects*

B1. Employment

The Group recognizes our employees as one of the most important key contributor to our business and growth, we are committed to ensure a comprehensive, efficient and humanistic approach to manage its human capital such that both the Group and our employees can continue to grow and to prosper together.

The Group being a fair and honest employer with full integrity has adopted and implemented employment policies, rules and regulations and contractual arrangements which are subject to and in full compliance with respective local relevant laws, rules and regulations relating to employment, including but not limited to the Labor Law of the PRC, the Employment Ordinance ("EO") (Cap 57 of the Laws of Hong Kong) and the Mandatory Provident Fund Schemes Ordinance ("MPFSO") (Chapter 485 of the Laws of Hong Kong) of Hong Kong. These set out the basic terms and conditions at work for employees in Hong Kong and PRC such as payment of salary, paid public holidays, sick leave and maternity leave, rest days, hours of work and other conditions of service such as compensation and dismissal, social insurance, recruitment and promotion, performance assessment, other benefits and welfare, equal opportunities, diversity, anti-discrimination, etc.

The personnel office of each of our operating locations is responsible for 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.

Environmental, Social and Governance Report

On recruitment, the Group has adopted a mixed policy of external recruitment and internal promotion for vacancies. All vacancies are open to all with equal opportunities, to be decided with no discrimination on sex, religion, gender, age and disability, and to be selected on qualifications skill and competency basis. All successful employees must enter into proper and standardized written contracts between the respective employees and the Group. Employees' remuneration is determined with reference to the prevailing market level as well as their competence, qualifications and experience.

Policies 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 Hong Kong, where appropriate, the Group provides and maintains statutory benefits to all qualified employees, including but not limited to mandatory provident fund, social security insurance, medical insurance, work injury insurance and compensation and statutory holidays. Employees' remunerations are determined with reference to the prevailing market level in line with their competency, qualifications and experience. Performance bonuses will be rewarded subject to the discretion of the top management and in line with their performances. 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.

In short, the Group continues with the employment policies, practices and procedures in relation to recruitment, promotion, dismissal, and anti-discrimination with the purpose to build a fair and equitable work environment for all, regardless of age, gender, family and marital status, sexual orientation, ethnicity, and religion or other characteristics, and to promote team spirit and mutual respect in all our offices, to encourage employees to communicate open-heartedly, which will drive innovation and create win-win relationships.

As at 31 March 2019 the Group employed a total of 48 employees, 10 in Hong Kong head office and 38 in our offices in the PRC. This was an increase of 1 employee when compared to our headcount as at 31 March 2018.

The Hong Kong head office mainly houses the managerial staff who direct and manage the Group business. Of the 10 employees, 9 are managerial staff and 1 is operational staff, and 7 are male and 3 are female. All are over the age of 40.

Environmental, Social and Governance Report

In China, most of our staff are involved in our mining and related consultancy businesses and we utilize our management and key engineering officers to manage and to supervise the business and activities, and our miners and other workers. Among the 38 employees, 4 or 10.5% were in the managerial level, and all other employees were operational staff as at the Reporting Period; male to female employees' ratio were 55.3% to 44.7% which was reasonable owing to the nature of mining work; 97.4% of employees in China were in the age of 31 to 60.

During the Reporting Period, the Group honored all obligations to our employees including the payment of salaries and wages, holidays and leave, compensation, insurance and health benefits without disputes, violations or litigation related to employment and labor.

B2. Health and Safety

The Group at all times is a responsible employer and provides a safe working environment in its offices and especially its mining operations to prevent employees from injuries and accidents, and adopts an “employee-oriented” human resources policies which aim to provide a happy, harmonious, safe and healthy working environment to minimize the risk of any occupational hazards.

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 included in the operation manuals and safety guidelines. All the work related safety rules and policies implemented are in compliance with all the relevant laws, rules and regulations relating to safety and health requirements of Hong Kong and the PRC including the Occupational Safety And Health Ordinance (“OSHO”) (Chapter 509 of the Laws of Hong Kong) and Employees Compensation Ordinance (“ECO”) (Chapter 282 of the Laws of Hong Kong) of Hong Kong, and the Labor Law of the PRC. The Group has assigned safety officers to regularly inspect and to alert employees to take precautionary measures to ensure that the workplace is safe. The Group has also provided regular training to employees to perform their jobs safely.

In Hong Kong and the PRC, the Group maintains employee compensation insurance that includes work injury for our employees under regulatory requirements. These policies and insurance compensation cover all qualified employees to protect their safety and health against occupational hazards, accidents and sickness. The Group has also equipped the offices with all the required safety equipment and facilities, and has passed all the governmental safety inspections.

Environmental, Social and Governance Report

The Group has provided and installed in all offices with relevant safety equipment and installations which are required for the safe operation and protection of employee safety. Its mines sites have also been equipped with all 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 promptly report and properly deal with the event in accordance with national local laws including immediately notify their superiors, who will take appropriate measures to ensure safety is not being compromised.

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.

During the Reporting Period, the Group had recorded no injuries or accidents with our employees in Hong Kong and the PRC, and the Group did not have any disputes and litigations with employees on compensation or work-related injuries and fatalities, or non-compliance cases in relation to safety laws and regulations.

B3. Development and Training

In line with our recognition of the value of our employees, 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.

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.

As there has been no significant increase in new employees in the Group nor changes in positions during the Reporting Period, and our mining operations are minimal, no further training was required to be provided to our existing employees.

Environmental, Social and Governance Report

B4. Labor Standards

The Group adopts the statutory requirements and standards applicable to our operating locations as the minimum labour standard on labour protection and welfare. We maintain strict compliance with the Hong Kong and PRC laws in relation to equal employment opportunities and prevention of child or forced labor including recruitment, dismissal, promotion, leave, holidays, benefits as well as ensuring equal employment opportunities to all genders, ages, races and religions. The Group is also against any form of child or forced labor. As a legal formality, the Group maintains the private files of the employees on confidential basis. The Group also pays wages and salaries, benefits, compensation payments and insurance on time within the prescribed period and honored all of its obligations towards staff and no disputes or litigations on labour matters were reported for the Reporting Period.

During the Reporting Period, the Group honoured all its obligations towards the employees and has built a safe, healthy, harmonious and pleasant working environment in all our offices, and no labor disputes or litigations was reported.

2.3 Operation Practices Aspects

B5. Supply Chain 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.

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 the purpose and meets with our specification before price becomes a consideration.

B6. Product Responsibility

Product responsibility refers to the quality of the products and services provided. The Group is fully aware that this aspect has the greatest materiality and impact significance for the Group's money lending and consulting businesses (as well as the gold mining operation). Well defined policy and operating procedures are in place for this.

Environmental, Social and Governance Report

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 advice to our money lending and financial services customers.

The business operation of Money lending business, is under the control and scrutiny of the Financial Institutions Supervision Commission of the People's 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.

For the mining and related operations, 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.

Intellectual Property Rights

Given the nature of our business operation, intellectual property rights ("IPR") is not an issue to the Group. We, however, acknowledge and comply with all the relevant laws and rules. During the Reporting Period, there was no infringement by third parties on our IPR or by ourselves to any IPR of third parties reported.

Safeguarding Customer Assets

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. Nonetheless, during the Reporting Period, the Group ceased its Hong Kong-based financial services related to securities trading and advisory, and asset management businesses, and all the funds and assets held or managed on customers' behalf were returned.

Environmental, Social and Governance Report

Privacy

The Group is fully aware of the fact that in the course of our business transactions of Money lending and financial services 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 implemented stringent supervisory and control policies 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 those required for official use. To safeguard the security and confidentiality of the data and information in its database, the Group has restricted their access only to authorized and approved personnel and stored them in physically secured environment.

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 Money lending 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 on a timely basis. During the Reporting Period, the Group did not record any complaints.

During the Reporting Period, there was no privacy information leakage or breach of the PPDO or other relevant laws was reported.

B7. Anti-Corruption

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.

Environmental, Social and Governance Report

Employees are prohibited from receiving any advantages offered by customers, suppliers, colleagues or other parties while they are performing employees duties, and prohibit any activities involving conflicts of interest, bribery, extortion, fraud and money laundering. The employment contracts and Employee Handbook have laid out the Group's expectation and the Code of Conduct. 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.

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.

Check and balance systems have been installed in the Group for money transaction activities and are considered effective and adequate. Transactions in large monetary sums are processed through bank transactions which require authorized signatories of the appropriate levels depending on the amount involved. There were no enquiries or concerns from the government or banking officials regarding money laundering.

With the implementation of clear policies and well-structured processes on sales, transactions, operation, database control and finance, and the adoption of a high Code of Conduct, and a zero-tolerance on bribery and corruption in any form or at any level in association with any aspect of the Group's activities, the Group reported no bribery nor corruption case during the Reporting Period.

B8. Community Investment

The Group 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, we will continue to explore and examine what and how the Group can contribute more to the local community and society. We have 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 actively support and encourage employees and their family members to be involved in charitable, volunteer, cultural, educational and community support services activities. The employees may apply to the management for paid leave to perform those activities.

The Group encourages and educates all employees to practice Green and to participate in environmental activities.

Independent Auditors' Report



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

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

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

OPINION

We have audited the consolidated financial statements of Sino Prosper (Group) Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 50 to 155, which comprise the consolidated statement of financial position as at 31 March 2019, 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 2019, 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-generating 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.

KEY AUDIT MATTERS (continued)

Key audit matter

How our audit addressed the key audit matter

Impairment assessment on goodwill

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.

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.

Based on the impairment assessments, the Group recognized impairment loss of approximately HK\$15,566,000 in relation to goodwill allocated to the loan financing activities' CGU.

Our procedures included:

- 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

Impairment assessment on loans receivables

Refer to the details in notes 22 and 36 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.

In determining the impairment allowances for loans receivables, the Group takes into consideration the credit quality of loans receivables considering the payment trends including past due status and repayment history, financial positions of the customer and forward-looking information which may require management's judgments.

Our procedures included:

- Obtaining an understanding of and evaluating the methodologies and key assumptions used by the Group in assessing impairment allowances;
- Testing on a sample basis the accuracy of maturity analysis of loans receivables;
- Testing the accuracy of the calculation of the loss allowances as at 1 April 2018 and 31 March 2019;
- 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.

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 HKSAAs 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.

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, 26 June 2019

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2019

	Notes	2019 HK\$'000	2018 HK\$'000
Revenue	5	34,971	30,781
Cost of sales		(1,036)	(807)
Gross profit		33,935	29,974
Other income and gains	7	298	13,715
General and administrative expenses		(31,722)	(33,418)
Net impairment loss on loans receivables		(39,042)	–
Impairment loss on goodwill	18	(15,566)	(20,330)
Impairment loss on other intangible assets	16	(917)	–
Loss on sale of receivables		(1,461)	–
Loss on early redemption of convertible bonds		(7,364)	(261)
Finance cost	8	(767)	(14,760)
Loss before tax		(62,606)	(25,080)
Income tax expense	9	(3,082)	(2,843)
Loss for the year	10	(65,688)	(27,923)
Other comprehensive (expense)/income			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translating foreign operations		(26,514)	40,393
Other comprehensive (expense)/income for the year, net of income tax		(26,514)	40,393
Total comprehensive (expense)/income for the year		(92,202)	12,470
Loss attributable to:			
Owners of the Company		(63,338)	(25,491)
Non-controlling interests		(2,350)	(2,432)
		(65,688)	(27,923)
Total comprehensive (expense)/income attributable to:			
Owners of the Company		(88,871)	13,289
Non-controlling interests		(3,331)	(819)
		(92,202)	12,470
Loss per share	14		
Basic and diluted (HK cents per share)		(4.01)	(1.78)

Consolidated Statement of Financial Position

At 31 March 2019

	Notes	2019 HK\$'000	2018 HK\$'000
Non-current assets			
Property, plant and equipment	15	73,815	81,566
Other intangible assets	16	127,118	136,764
Exploration and evaluation assets	17	22,246	23,764
Goodwill	18	89,111	112,257
Other assets	20	–	205
Deferred tax assets	31	3,805	–
		316,095	354,556
Current assets			
Inventories	21	4,787	8,059
Loans receivables	22	160,422	244,522
Other assets	20	155	–
Trade and other receivables	23	2,066	4,050
Financial assets at fair value through profit or loss	24	–	49
Bank balances and cash			
– General accounts and cash	25	67,414	32,303
– Trust accounts	25	–	825
		234,844	289,808
Current liabilities			
Trade and other payables	26	18,802	19,436
Convertible bonds	29	–	89,034
Amounts due to non-controlling interests of subsidiaries	27	8,014	8,893
Amounts due to related parties	28	12,222	12,712
Tax payable		9,085	7,679
		48,123	137,754
Net current assets		186,721	152,054
Total assets less current liabilities		502,816	506,610
Non-current liabilities			
Provision for restoration costs	30	371	397
Deferred tax liabilities	31	34,072	37,031
		34,443	37,428
Net assets		468,373	469,182
Capital and reserves			
Share capital – ordinary shares	32	16,138	15,438
Convertible preference shares	33	90,165	–
Reserves		352,240	440,588
Equity attributable to owners of the Company		458,543	456,026
Non-controlling interests		9,830	13,156
Total equity		468,373	469,182

The consolidated financial statements were approved and authorized for issue by the board of directors on 26 June 2019 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 2019

	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

Consolidated Statement of Changes in Equity

For the year ended 31 March 2019

	Attributable to owners of the Company											Attributable to non-controlling interests	Total	
	Share capital HK\$'000	Convertible preference shares HK\$'000	Share premium HK\$'000	Convertible preference 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 <i>(Note (ii))</i>	Other reserve HK\$'000 <i>(Note (i))</i>	Accumulated losses HK\$'000			Subtotal 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 <i>(note 2.1.2)</i>	-	-	-	-	-	-	-	-	-	-	(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 year	-	-	-	-	-	-	-	-	-	-	(63,338)	(63,338)	(2,350)	(65,688)
Other comprehensive expense for the year	-	-	-	-	-	-	(25,533)	-	-	-	-	(25,533)	(981)	(26,514)
Total comprehensive expense for the year	-	-	-	-	-	-	(25,533)	-	-	-	(63,338)	(88,871)	(3,331)	(92,202)
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	-	-	-	-	-	(260)	-	-	-	-	260	-	-	-
Conversion of convertible preference shares to ordinary shares	700	(7,000)	7,630	(1,330)	-	-	-	-	-	-	-	-	-	-
Capital contribution by a non-controlling interest of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	5	5
Balance at 31 March 2019	16,138	90,165	1,785,646	17,131	-	5,001	12,640	16,231	1,020	249,089	(1,734,518)	458,543	9,830	468,373

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.
- (iii) No dividend was paid or proposed by the board of directors for the year ended 31 March 2019 (2018: Nil).

Consolidated Statement of Cash Flows

For the year ended 31 March 2019

	2019 HK\$'000	2018 HK\$'000
Cash flows from operating activities		
Loss for the year	(65,688)	(27,923)
Adjustments for:		
Income tax expense recognized in profit or loss	3,082	2,843
Finance cost recognized in profit or loss	767	14,760
Interest income on bank deposits	(52)	(31)
Loss on early redemption of convertible bonds	7,364	261
Loss on disposal of property, plant and equipment	–	14
Gain on financial assets at fair value through profit or loss	(2)	(7)
Depreciation of property, plant and equipment	2,610	2,803
Amortization of other intangible assets	15	299
Expenses recognized in respect of equity-settled share-based payments	–	2,183
Net impairment loss on loans receivables	39,042	–
Impairment loss on other intangible assets	917	–
Loss on sale of receivables	1,461	–
Impairment loss on goodwill	15,566	20,330
	5,082	15,532
Movements in working capital		
Decrease/(increase) in inventories	3,272	(866)
Decrease/(increase) in loans receivables	14,990	(33,847)
Decrease in other assets	50	–
Decrease/(increase) in trade and other receivables	21,868	(428)
Decrease/(increase) in trust bank accounts	825	(252)
(Decrease)/increase in trade and other payables	(634)	792
(Decrease)/increase in amounts due to non-controlling interests of subsidiaries	(879)	887
(Decrease)/increase in amounts due to related parties	(490)	3,017
Cash generated from/(used in) operations	44,084	(15,165)
PRC Enterprise Income Tax paid	(2,606)	(3,131)
Net cash from/(used in) operating activities	41,478	(18,296)

Consolidated Statement of Cash Flows

For the year ended 31 March 2019

	Notes	2019 HK\$'000	2018 HK\$'000
Cash flows from investing activities			
Interest received on bank deposits		52	31
Payments for property, plant and equipment		(8)	(772)
Proceed from disposal of financial assets at fair value through profit or loss		51	–
Net cash from/(used in) investing activities		95	(741)
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
Payment for transactions costs attributable to issue of new ordinary shares		–	(216)
Repayment of convertible bonds	29	–	(7,585)
Net cash from financing activities		–	7,649
Net increase/(decrease) in cash and cash equivalents		41,573	(11,388)
Cash and cash equivalents at the beginning of year		32,303	34,549
Effect of foreign exchange rate changes, net		(6,462)	9,142
Cash and cash equivalents at the end of year	25	67,414	32,303

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

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 this annual report.

During the year ended 31 March 2019, 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 AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

New and Amendments to HKFRSs that are mandatorily effective for the current year

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

HKFRS 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>

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

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

New and Amendments to HKFRSs that are mandatorily effective for the current year
(continued)

2.1 HKFRS 9 *Financial Instruments*

In the current year, the Group has applied HKFRS 9 *Financial Instruments* and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for (i) the classification and measurement of financial assets and financial liabilities; (ii) expected credit losses (“ECL”) for financial assets; and (iii) 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 under ECL model) 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.

Financial assets 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 Consolidated Financial Statements

For the year ended 31 March 2019

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

New and Amendments to HKFRSs that are mandatorily effective for the current year
(continued)

2.1 HKFRS 9 *Financial Instruments* (continued)

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

Classification and measurement of financial assets (continued)

Financial assets 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.

The Group’s financial assets are measured at amortized cost and FVTPL continue with their respective classification and measurement 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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

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

New and Amendments to HKFRSs that are mandatorily effective for the current year
(continued)

2.1 HKFRS 9 *Financial Instruments* (continued)

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

Impairment under ECL model (continued)

The Group recognizes lifetime ECL for trade receivables. For all other financial assets, 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 Consolidated Financial Statements

For the year ended 31 March 2019

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

New and Amendments to HKFRSs that are mandatorily effective for the current year
(continued)

2.1 HKFRS 9 *Financial Instruments* (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 at 1 April 2018.

	HK\$'000
Accumulated losses	
Recognition of additional expected credit losses on:	
– Loans receivables	9,323
Related deferred tax	(2,331)
<hr/>	<hr/>
Net increase in accumulated losses	6,992

As a result of the changes in the Group’s accounting policies above, the table below illustrates the overall application on HKFRS 9 at the date of initial application, 1 April 2018. Line items that were not affected by the changes have not been included.

	At 31 March 2018 HK\$'000	HKFRS 9 impact HK\$'000	At 1 April 2018 (Restated) HK\$'000
Non-current assets			
Deferred tax assets	–	2,331	2,331
Current assets			
Loans receivables	244,522	(9,323)	235,199
Capital and reserves			
Accumulated losses	1,666,744	6,992	1,673,736

Note: For the purpose of reporting cash flows for the year ended 31 March 2019, movements in working capital have been computed based on opening statement of financial position as at 1 April 2018 as disclosed above.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

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

New and Amendments to HKFRSs that are mandatorily effective for the current year
(continued)

2.2 HKFRS 15 Revenue from Contracts with Customers

The Group has applied HKFRS 15 for the first time in the current year. 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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

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

New and Amendments to HKFRSs that are mandatorily effective for the current year
(continued)

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

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

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.

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 consolidated financial statements of the Group on 1 April 2018 from initial application of HKFRS 15, nor on the consolidated financial statements of the Group for the year ended 31 March 2019.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

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

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 16	<i>Leases</i> ¹
HKFRS 17	<i>Insurance Contracts</i> ²
HK(IFRIC)-Int 23	<i>Uncertainty over Income Tax Treatments</i> ¹
Amendments to HKFRS 9	<i>Prepayment Features with Negative Compensation</i> ¹
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> ¹
Amendments to HKAS 28	<i>Long-term Interests in Associates and Joint Ventures</i> ¹
Amendments to HKFRSs	<i>Annual Improvements to HKFRSs 2015-2017 Cycle</i> ¹

¹ Effective for annual periods beginning on or after 1 January 2019.

² Effective for annual periods beginning on or after 1 January 2021.

³ Effective for annual periods beginning on or after a date to be determined.

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

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. In addition, HKFRS 16 requires sales and leaseback transactions to be determined based on the requirements of HKFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. HKFRS 16 also includes requirements relating to subleases and lease modifications.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

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

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

HKFRS 16 *Leases* (continued)

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, operating lease payments are presented 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.

Other than certain requirements which are also applicable to lessor, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 March 2019, the Group has non-cancellable operating lease commitments of approximately HK\$672,000 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 all these leases unless they qualify for low value or short-term leases.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. Furthermore, the Group intends to elect the modified retrospective approach for the application of HKFRS 16 as lessee and will recognize the cumulative effect of initial application to opening accumulated losses without restating comparative information.

The directors of the Company anticipate that the application of the other new and amendments to HKFRSs will have no material impact on the consolidated financial statements of the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

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 2019

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 2019

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.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business 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 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in note 2)

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 or 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.

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.

A contract asset and a contract liability relating to a contract are accounted for and presented on a net basis.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (prior to 1 April 2018)

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 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 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

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.

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 2019

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 2019

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 2019

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.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

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 2019

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 2019

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 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 2019

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 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

When it is not possible to estimate the recoverable amount of an 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 2019

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.

Provision for restoration cost

The Group is required to incur costs for restoration of the land after the underground sites have been mined for its mining activities. 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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Provision for restoration cost (continued)

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. 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 market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 since 1 April 2018. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or 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.

The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and 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 asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in note 2)

Financial assets that meet the following conditions are subsequently measured at amortized cost:

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

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and
- the contractual terms 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 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 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.

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.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortized cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in note 2) (continued)

Amortized cost and interest income

Interest income is recognized using the effective interest method for financial assets measured subsequently at amortized cost. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognized by applying the effective interest rate to the amortized cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

Impairment of financial assets (upon application of HKFRS 9 in accordance with transitions in note 2)

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, other assets and bank balances and cash. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 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. Assessment 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. The ECL on these assets are assessed individually for debtor with significant balance and/or collectively using a provision matrix with appropriate groupings.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (upon application of HKFRS 9 in accordance with transitions in note 2) (continued)

(i) Significant increase in credit risk

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.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (upon application of HKFRS 9 in accordance with transitions in note 2) (continued)

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no reasonable expectations of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognized in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (upon application of HKFRS 9 in accordance with transitions in note 2) (continued)

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

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

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments;
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available and/or internal credit ratings.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortized cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of loans receivables where the corresponding adjustment is recognized through a loss allowance account.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Classification and subsequent measurement of financial assets (before application of HKFRS 9 on 1 April 2018)

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: FVTPL 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 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Classification and subsequent measurement of financial assets (before application of HKFRS 9 on 1 April 2018) (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 FVTPL, 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 gain in the consolidated statement of profit or loss and other comprehensive income.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Classification and subsequent measurement of financial assets (before application of HKFRS 9 on 1 April 2018) (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 (before application of HKFRS 9 on 1 April 2018)

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 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Impairment of financial assets (before application of HKFRS 9 on 1 April 2018)
(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.

Derecognition of financial assets

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 asset 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 measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

Financial liabilities and equity instruments

Debt and equity instruments 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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments (continued)

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.

Financial liabilities at amortized cost

Financial liabilities (including financial liabilities included in trade and other payables, amounts due to non-controlling interest 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 2019

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 of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled 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.

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;

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties (continued)

- (b) the party is an entity where any of the following conditions applies: (continued)
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

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

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Critical judgments in applying accounting policies

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

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

Critical judgments in applying accounting policies (continued)

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. Taking 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, for which impairment loss of approximately HK\$394,899,000 has been recognized by the Group as impairment loss for the year ended 31 March 2017, remains fully impaired as at 31 March 2019.

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.

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.

Loss allowances of loans receivables and trade and other receivables

Management determines the loss allowances of loans receivables and trade and other receivables based on judgments and estimations. Management reassesses the provision at the end of each reporting period. Significant judgment is exercised on the assessment of the expected credit loss of receivables from each customer/debtor. In making the assessment, management considers a wide range of factors such as internal/external credit ratings, results of follow-up procedures, payment trends including past due status, repayment history and subsequent payments, financial positions of customers/debtors and forward-looking information. If the financial conditions of the customers/debtors of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. The calculation of loss allowances for loans receivables and trade and other receivables are based on assumptions about risk of default and expected loss rates after considering the above factors at the end of each reporting period.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

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

Key sources of estimation uncertainty (continued)

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.

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 2019, the carrying amount of goodwill is approximately HK\$89,111,000 (2018: HK\$112,257,000). Details of the recoverable amounts calculations are disclosed in note 19.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

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

Key sources of estimation uncertainty (continued)

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.

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 2019, the balance of provision for restoration costs was approximately HK\$371,000 (2018: HK\$397,000).

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:

	2019 HK\$'000	2018 HK\$'000
Revenue from sales of gold	–	120
Interest income from loan financing activities	10,900	17,771
Investment and management consultation services income	17,400	12,586
Mining consultancy services income	6,665	–
Commission from securities dealing and brokerage services	6	33
Financial advisory fee income	–	271
	<hr/>	<hr/>
	34,971	30,781

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

5. REVENUE (continued)

For the year ended 31 March 2019

(i) Disaggregation of revenue from contracts with customers

Segments	Financial	Investment in	Money	Total
	services	energy and natural resources (including precious metals) related projects	lending	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Type of goods and services				
Commission from securities dealing and brokerage services	6	–	–	6
Interest income from loan financing activities	–	–	10,900	10,900
Investment and management consultation services income	–	–	17,400	17,400
Mining consultancy services income	–	6,665	–	6,665
Total	6	6,665	28,300	34,971
Geographic markets				
PRC	–	6,665	28,300	34,965
Hong Kong	6	–	–	6
Total	6	6,665	28,300	34,971
Timing of revenue recognition				
A point in time	–	3,158	–	3,158
Over time	6	3,507	28,300	31,813
Total	6	6,665	28,300	34,971

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

5. REVENUE (continued)

For the year ended 31 March 2019 (continued)

- (ii) Performance obligations for contract with customers

Interest income

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 estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Investment and management consultation services income

Revenue from investment and management consultation services income is recognized over time on a time apportionment basis over the contract period when customer simultaneously receives the consultancy services from the Group of which the Group has an enforceable right to payment from the customer.

Mining consultancy services income

The Group provides mining consultancy services. Services income that recognized over time when the Group creates or enhances an assets that the customers controls as the assets is created or enhanced. Other than above, consultancy services income is recognized at a point in time when the consultancy service is completed and/or when the consultancy result is issued and delivered to the customer.

- (iii) All of the transaction prices allocated to the remaining performance obligation are expected to be recognized within one year.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

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”).

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	
	2019 HK\$’000	2018 HK\$’000	2019 HK\$’000	2018 HK\$’000	2019 HK\$’000	2018 HK\$’000	2019 HK\$’000	2018 HK\$’000
Segment revenue:								
Revenue from external customers	6	304	6,665	120	28,300	30,357	34,971	30,781
Segment (loss)/profit	(3,551)	(19,728)	(2,598)	(3,787)	(32,144)	18,589	(38,293)	(4,926)
Interest on bank deposits, other income and gains							298	13,715
Loss on early redemption of convertible bonds							(7,364)	(261)
Finance cost							(767)	(14,760)
Central administration costs							(16,480)	(18,848)
Loss before tax							(62,606)	(25,080)

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current year (2018: Nil).

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

6. SEGMENT INFORMATION (continued)

Segment revenue and results (continued)

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 segments:

	Financial services		Investment in energy and natural resources (including precious metals) related projects		Money lending		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	6,076	9,538	317,066	345,200	207,248	273,721	530,390	628,459
Corporate and unallocated assets							20,549	15,905
Consolidated assets							550,939	644,364
Segment liabilities	285	1,224	50,369	54,181	7,204	5,939	57,858	61,344
Corporate and unallocated liabilities							24,708	113,838
Consolidated liabilities							82,566	175,182

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 2019

6. SEGMENT INFORMATION (continued)

Other segment information

	Financial services		Investment in energy and natural resources (including precious metals) related projects		Money lending		Total	
	2019 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 HK\$'000
Amounts included in the measure of segment profit or loss:								
Depreciation	118	153	2,099	2,139	161	282	2,378	2,574
Unallocated depreciation							232	229
							<u>2,610</u>	<u>2,803</u>
Amortization of other intangible assets	-	-	-	268	15	31	15	299
Impairment loss of goodwill	-	14,880	-	-	15,566	5,450	15,566	20,330
Net impairment of loans receivables	-	-	-	-	39,042	-	39,042	-
Impairment loss on other intangible assets	500	-	-	-	417	-	917	-
Loss on sale of receivables	-	-	-	-	1,461	-	1,461	-
Additions to non-current assets*	-	24	-	282	8	9	8	315
Unallocated							-	457
Total additions to non-current assets							<u>8</u>	<u>772</u>

* Additions to non-current assets (excluding goodwill) consist of additions to property, plant and equipment.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

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 [#]	
	2019 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 HK\$'000
Hong Kong	6	304	326	1,309
PRC	34,965	30,477	311,964	353,247
	34,971	30,781	312,290	354,556

[#] Geographical information of non-current assets excludes deferred tax assets.

Information about major customers

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

	2019 HK\$'000	2018 HK\$'000
Customer A	N/A ¹	9,588
Customer B	6,665	–

For the year ended 31 March 2019, there was one customer (2018: one customer related to Money lending segment) with revenue which accounted for more than 10% of the total revenue of the Group related to investment in energy and natural resources (including precious metals) related projects.

¹ *The corresponding revenue did not contribute over 10% of the Group's total revenue.*

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

7. OTHER INCOME AND GAINS

	2019 HK\$'000	2018 HK\$'000
Interest income on bank deposits	52	31
Gain on financial assets at fair value through profit or loss	2	7
Sundry income	244	258
Net foreign exchange gains	–	13,419
	298	13,715

8. FINANCE COST

	2019 HK\$'000	2018 HK\$'000
Effective interest on convertible bonds	767	14,760

9. INCOME TAX EXPENSE

Income tax recognized in profit or loss

	2019 HK\$'000	2018 HK\$'000
Current tax		
Hong Kong Profits Tax	–	–
PRC Enterprise Income Tax	3,788	4,444
Deferred tax (<i>note 31</i>)	(706)	(1,601)
	3,082	2,843

Hong Kong Profits Tax is calculated at 16.5% (2018: 16.5%) of the estimated assessable profit for both years.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

9. INCOME TAX EXPENSE (continued)

Income tax recognized in profit or loss (continued)

Notwithstanding the above, certain PRC subsidiaries were subject to PRC Enterprise Income Tax at the effective rate, ranging from 0.6% to 5% (2018: ranging from 2.5% to 3.75%) on revenue for the year ended 31 March 2019.

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:

	2019 HK\$'000	2018 HK\$'000
Loss before tax	(62,606)	(25,080)
Tax at the Hong Kong Profits Tax rate of 16.5% (2018: 16.5%)	(10,330)	(4,138)
Tax effect of expenses not deductible for tax purpose	9,351	7,100
Tax effect of income not taxable for tax purpose	(90)	(2,087)
Tax effect of deductible temporary differences not recognized	214	51
Tax effect of estimated tax losses not recognized	1,371	1,424
Utilization of tax losses previously not recognized	(151)	(383)
Effect of different tax rates of group entities operating in other jurisdictions	(2,226)	(4,477)
Withholding tax on profits retained by the PRC subsidiaries	1,155	909
PRC Enterprise Income Tax	3,788	4,444
Income tax expense for the year	3,082	2,843

Income tax recognized directly in equity

	2019 HK\$'000	2018 HK\$'000
Deferred tax:		
Early redemption of convertible bonds	1,215	142
Total income tax credited directly in equity	1,215	142

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

10. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging:

	2019 HK\$'000	2018 HK\$'000
Directors' emoluments (<i>note 11</i>)	599	6,377
Employee benefits expense (excluding directors' emoluments) (<i>Note (i)</i>)		
– Salaries and other benefits in kind	7,161	9,055
– Contributions to retirement benefits schemes	435	551
– Equity-settled share-based payments	–	1,456
Total staff costs	8,195	17,439
Auditors' remuneration	1,670	1,670
Amortization of other intangible assets included in general and administrative expenses	15	299
Cost of inventories recognized as expenses	3,276	807
Depreciation of property, plant and equipment (<i>Note (ii)</i>)	2,610	2,803
Expense in relation to share options granted to consultant	–	727
Loss on disposal of property, plant and equipment	–	14
Loss on sale of receivables (<i>Note (iii)</i>)	1,461	–
Minimum lease payments paid under operating leases in respect of land and buildings	1,986	1,825
Net foreign exchange losses	8,335	–

Notes:

- (i) Employee benefits expenses of approximately HK\$678,000 was included in cost of sales for the year ended 31 March 2019 (2018: HK\$174,000).
- (ii) Depreciation of property, plant and equipment of approximately HK\$887,000 was capitalized in inventories for the year ended 31 March 2018.
- (iii) During the year ended 31 March 2019, the Group sold certain receivables with carrying amount of approximately Renminbi ("RMB") 18,249,000 (equivalent to approximately HK\$21,340,000) for a cash consideration of approximately RMB17,000,000 (equivalent to approximately HK\$19,879,000) resulting in a loss of approximately HK\$1,461,000 which was charged to the consolidated statement of profit or loss and other comprehensive income.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

11. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the five (2018: six) directors were as follows:

For the year ended 31 March 2019

	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 (<i>Note (iii)</i>)	-	-	-	-	-	-
Ms. Wong Li Fong	-	548	-	18	-	566
<i>Independent non-executive directors</i>						
Mr. Cai Wei Lun	-	33	-	-	-	33
Mr. Zhang Qingkui	-	-	-	-	-	-
Mr. Miao Yanan	-	-	-	-	-	-
Total emoluments	-	581	-	18	-	599

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 (<i>Note (i)</i>)	-	-	-	-	-	-
Mr. Cai Wei Lun	-	-	-	-	-	-
Mr. Zhang Qingkui	-	-	-	-	-	-
Mr. Miao Yanan (<i>Note (ii)</i>)	-	-	-	-	-	-
Total emoluments	-	6,346	-	31	-	6,377

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

11. DIRECTORS' EMOLUMENTS (continued)

Notes:

- (i) Resigned on 19 March 2018.
- (ii) Appointed on 19 March 2018.
- (iii) Under the employment agreement entered into between Mr. Leung Ngai Man, an executive director of the Company and the Group, Mr. Leung Ngai Man was entitled to receive emoluments of a total of HK\$6,960,000 for the year ended 31 March 2019. On 1 April 2018, there was an arrangement under which Mr. Leung Ngai Man agreed to waive his emoluments during the year ended 31 March 2019.

During the years ended 31 March 2019 and 2018, since the appointment of chief executive officer of the Company remains outstanding, no emoluments were paid to the chief executive officer of the Company.

12. FIVE HIGHEST PAID EMPLOYEES

Of the five individuals with the highest emoluments in the Group, one (2018: one) was director of the Company whose emoluments are included in the disclosures in note 11 above. The emoluments of the remaining four (2018: four) individuals were as follows:

	2019 HK\$'000	2018 HK\$'000
Salaries and other benefits in kind	2,216	3,023
Contributions to retirement benefits schemes	85	137
Equity-settled share-based payments	–	1,456
	<hr/>	<hr/>
	2,301	4,616

Their emoluments fell within the following bands:

	Number of employees	
	2019	2018
Nil – HK\$1,000,000	4	2
HK\$1,000,001 – HK\$1,500,000	–	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 2019 (2018: Nil).

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

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 2019, 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\$453,000 (2018: HK\$582,000). At 31 March 2019, there were no forfeited contributions available for the Group to offset contributions payable in future years (2018: 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:

	2019 HK\$'000	2018 HK\$'000
Loss		
Loss for the year attributable to owners of the Company for the purposes of basic and diluted loss per share	(63,338)	(25,491)
Number of shares		
	2019 '000	2018 '000
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	1,581,026	1,431,591

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, convertible preference shares and convertible bonds since their assumed exercise or conversion would have an anti-dilutive effect.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

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 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
Additions	-	-	-	-	-	8	-	8
Effect of foreign currency exchange differences	(1,542)	(14)	(4,610)	(1,261)	(258)	(11)	(313)	(8,009)
Balance at 31 March 2019	22,443	639	67,566	17,038	4,766	1,604	4,592	118,648
Accumulated depreciation and impairment								
Balance at 1 April 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
Depreciation expense	906	260	-	1,021	246	177	-	2,610
Effect of foreign currency exchange differences	(1,400)	(10)	(22)	(1,172)	(233)	(23)	-	(2,860)
Balance at 31 March 2019	21,257	589	315	16,763	4,616	1,293	-	44,833
Carrying amounts								
Balance at 31 March 2019	1,186	50	67,251	275	150	311	4,592	73,815
Balance at 31 March 2018	2,234	314	71,839	1,385	421	468	4,905	81,566

Notes:

- (i) Amongst the depreciation expense of approximately HK\$2,610,000 (2018: HK\$2,803,000), nil (2018: approximately HK\$887,000) was capitalized in inventories, and approximately HK\$2,610,000 (2018: HK\$1,916,000) 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 2019

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 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
Effect of foreign currency exchange differences	(9,762)	(50)	–	(9,812)
Balance at 31 March 2019	143,061	568	500	144,129
Accumulated amortization and impairment losses				
Balance at 1 April 2017	15,117	102	–	15,219
Amortization charged	268	31	–	299
Effect of foreign currency exchange differences	1,647	12	–	1,659
Balance at 31 March 2018	17,032	145	–	17,177
Amortization charged	–	15	–	15
Impairment loss recognized	–	417	500	917
Effect of foreign currency exchange differences	(1,089)	(9)	–	(1,098)
Balance at 31 March 2019	15,943	568	500	17,011
Carrying amounts				
Balance at 31 March 2019	127,118	–	–	127,118
Balance at 31 March 2018	135,791	473	500	136,764

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

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 was nil (2018: 0.2%).

The mining rights had original license period of 3 years at the date of issue and had expired in May 2018. The Group renewed the mining rights for a further period of 3 years and the mining rights 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 mining rights and the Group will be entitled to renew the mining rights upon the expiration at minimal costs.

During the year ended 31 March 2019, 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 impairment assessment of the CGU, 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 2019 (2018: 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 2019, the license has a remaining licensing period of approximately 13.5 years (2018: 14.5 years).

Details of impairment assessment regarding the loan financing activities are set out in note 19.

- (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 2019, the directors of the Company performed an impairment assessment of the trading rights. Details of the impairment assessment are set out in note 19.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

17. EXPLORATION AND EVALUATION ASSETS

	HK\$'000
Cost	
Balance at 1 April 2017	1,051,774
Effect of foreign currency exchange differences	113,498
Balance at 31 March 2018	1,165,272
Effect of foreign currency exchange differences	(74,426)
Balance at 31 March 2019	1,090,846
Accumulated impairment losses	
Balance at 1 April 2017	1,030,325
Effect of foreign currency exchange differences	111,183
Balance at 31 March 2018	1,141,508
Effect of foreign currency exchange differences	(72,908)
Balance at 31 March 2019	1,068,600
Carrying amounts	
Balance at 31 March 2019	22,246
Balance at 31 March 2018	23,764

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 carrying amounts of exploration and evaluation assets as at 31 March 2019 and 2018 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 2019

18. GOODWILL

	HK\$'000
Cost	
Balance at 1 April 2017	620,368
Effect of foreign currency exchange differences	65,339
Balance at 31 March 2018	685,707
Effect of foreign currency exchange differences	(42,847)
Balance at 31 March 2019	642,860
Accumulated impairment losses	
Balance at 1 April 2017	499,245
Impairment loss recognized	20,330
Effect of foreign currency exchange differences	53,875
Balance at 31 March 2018	573,450
Impairment loss recognized	15,566
Effect of foreign currency exchange differences	(35,267)
Balance at 31 March 2019	553,749
Carrying amounts	
Balance at 31 March 2019	89,111
Balance at 31 March 2018	112,257

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

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:

	2019 HK\$'000	2018 HK\$'000
Gold mining activities	89,111	95,191
Loan financing activities	–	17,066
	<hr/>	<hr/>
	89,111	112,257

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 30.14% (2018: 30.90%). 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 2019

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 2019 and 2018.

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 13.69% (2018: 15.10%). 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 2019

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.

The directors of the Company are of the view that the non-recovery of the full outstanding amounts from certain customers as detailed in the litigation in note 41 impacted the recoverability of the goodwill allocated to the loan financing activities as the value in use of the CGU represented by this business unit is determined 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 loss on loans receivables recognized), other administrative expenses and income tax of the loan financing activities. Therefore, the Group recorded an impairment loss on goodwill of approximately HK\$15,566,000 (2018: HK\$5,450,000) and an impairment loss on other intangible assets of approximately HK\$417,000 (2018: Nil) relating to loan financing activities for the year ended 31 March 2019.

Financial services activities

In October 2018, SP Securities Limited, a wholly-owned subsidiary of the Group notified the Securities and Futures Commission of its plan to cease carrying on the business of Type 1, 4 and 9 regulated activities with effect from 1 November 2018 and applied to revoke its licenses. The management does not expect that the Group would generate any net positive cash flow related to the trading rights in the foreseeable future. Therefore, the management has determined to make full impairment on the trading rights relating to the Financial services activities during the year ended 31 March 2019 (note 16(c)).

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 for the year ended 31 March 2018. 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%. The cash flows beyond the five year period are extrapolated using 3% growth rate. The management estimates discount rate that reflects current market assessments of the time value of money and the risk specific to the financial services activities' CGU. In performing the impairment testing, the directors of the Company have made reference to a valuation performed by an independent professional valuer.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

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

Financial services activities (continued)

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

Revenue

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

Operating expenses

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

Discount rate

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

The directors of the Company were 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 had been recognized in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2018. Revenue generated in the financial services business had been significantly declined, mainly due to the loss of staff in advisory team and the loss of customer in the financial services business during the year ended 31 March 2018. As a result, the recoverable amount of the financial services activities' CGU was determined to be less than its carrying amount.

20. OTHER ASSETS

	2019 HK\$'000	2018 HK\$'000
Deposits with the Stock Exchange		
– Compensation fund	50	50
– Fidelity fund	–	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
	<hr/>	<hr/>
	155	205

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

21. INVENTORIES

	2019 HK\$'000	2018 HK\$'000
Raw materials	314	697
Finished goods	4,473	7,362
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	4,787	8,059

22. LOANS RECEIVABLES

	2019 HK\$'000	2018 HK\$'000
Loans receivables from Money lending operations	175,641	244,522
Less: loss allowance for loans receivables	(15,219)	–
	<hr/>	<hr/>
	160,422	244,522

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, ranging from effective interest rate of 6% to 18% (2018: ranging from 6% to 12%) per annum.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

22. LOANS RECEIVABLES (continued)

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

	2019 HK\$'000	2018 HK\$'000
To be matured:		
Within 1 month	–	18,113
6 months or less but over 3 months	113,430	–
9 months or less but over 6 months	62,211	156,646
Neither past due nor impaired	175,641	174,759
Matured:		
Less than 1 month	–	910
Less than 3 months but over 1 month	–	1,920
Less than 6 months but over 3 months	–	2,894
Less than 1 year but over 6 months	–	5,374
Over 1 year	–	58,665
	175,641	244,522
Less: loss allowance for loans receivables	(15,219)	–
	160,422	244,522

As at 31 March 2018, 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 as at 31 March 2018 are further detailed in note 41 to the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

22. LOANS RECEIVABLES (continued)

As at 31 March 2019, loans receivables with an aggregate carrying amount of approximately HK\$144,419,000 (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.

The closing allowance for loans receivables as at 31 March 2019 reconcile to the opening loss allowance are as follows:

	12m ECL HK\$'000	Lifetime ECL – credit-impaired HK\$'000	Total HK\$'000
At 31 March 2018 (calculated under HKAS 39)	–	–	–
Amount restated through opening accumulated losses	9,323	–	9,323
At 1 April 2018 (initial application of HKFRS 9)	9,323	–	9,323
Provision during the year	10,912	31,899	42,811
Reversal during the year	(3,769)	–	(3,769)
Transfer to credit-impaired	(697)	697	–
Adjustment upon transfer to other receivables (notes 23 and 41)	–	(32,551)	(32,551)
Effect of foreign currency exchange differences	(550)	(45)	(595)
At 31 March 2019	15,219	–	15,219

Details of impairment assessments of loans receivables and litigation on certain loans receivables for the year ended 31 March 2019 are set out in notes 36.2.2 and 41 respectively.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

23. TRADE AND OTHER RECEIVABLES

	2019 HK\$'000	2018 HK\$'000
Trade receivables	–	2,231
Less: loss allowance for trade receivables	–	(1,096)
	–	1,135
Prepayments	866	609
Deposits	1,025	2,058
Other receivables	32,726	248
Less: loss allowance for other receivables	(32,551)	–
	2,066	4,050

Trade receivables comprise of receivables in respect of the Money lending operations and Financial services operations as at 31 March 2018.

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 and trade receivables in respect of the Money lending operations of approximately HK\$758,000 are arising from consultancy services 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 and net of provision:

	2019 HK\$'000	2018 HK\$'000
0 – 30 days	–	377
31 – 60 days	–	375
150 – 180 days	–	383
	–	1,135

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

23. TRADE AND OTHER RECEIVABLES (continued)

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

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

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 as at 31 March 2018 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.

The movement in the loss allowance for trade receivables during the year are as follow:

	2019 HK\$'000	2018 HK\$'000
At beginning of reporting period	1,096	989
Effect of adoption of HKFRS 9	–	–
At beginning of reporting period (restated)	1,096	989
Written-off as uncollectable	(1,096)	–
Effect of foreign currency exchange differences	–	107
At end of reporting period	–	1,096

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

23. TRADE AND OTHER RECEIVABLES (continued)

The movement in the loss allowance for other receivables during the year are as follows:

	Lifetime ECL – credit-impaired HK\$'000
At 31 March 2018 (calculated under HKAS 39)	–
Effect of adoption of HKFRS 9	–
At 1 April 2018 (initial application of HKFRS 9)	–
Transfer from loans receivables (notes 22 and 41)	32,551
At 31 March 2019	32,551

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019 HK\$'000	2018 HK\$'000
Listed investments, at fair value:		
– Equity securities listed in Hong Kong	–	49

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

25. BANK BALANCES AND CASH

	2019 HK\$'000	2018 HK\$'000
Bank balances and cash:		
(i) General accounts and cash in hand	67,414	32,303
(ii) Trust accounts	–	825
	67,414	33,128
Analysis of balances of cash and cash equivalents:		
General accounts and cash in hand	67,414	32,303
Cash and cash equivalents in the consolidated statement of cash flows	67,414	32,303

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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

25. BANK BALANCES AND CASH (continued)

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 RMB and placed with banks in the PRC amounted to approximately HK\$44,958,000 (2018: HK\$8,988,000). RMB is not freely convertible into other currencies, however, under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorized to conduct foreign exchange business.

26. TRADE AND OTHER PAYABLES

	2019 HK\$'000	2018 HK\$'000
Trade payables arising from Financial services (<i>Note (i)</i>)		
– Cash clients	–	836
– Clearing house	–	365
Trade payables (<i>Note (ii)</i>)	173	220
Accrued expenses and other payables	7,429	7,123
Deposit received	–	45
Payables for acquisition of property, plant and equipment and exploration of mines	662	707
PRC business tax and other levies payable	10,538	10,140
	18,802	19,436

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:

	2019 HK\$'000	2018 HK\$'000
Over 180 days	173	220

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

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 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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

29. CONVERTIBLE BONDS (continued)

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

	HK\$'000
Balance at 1 April 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
Effective interest expense charged (<i>note 8</i>)	767
Arising from early redemption of convertible bonds	(89,801)
<hr/>	
Balance at 31 March 2019	–

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

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 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 redemption constitutes a connected transaction for the Company and is subject to the reporting, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules. Further details of the Convertible Preference Shares are included in note 33.

30. PROVISION FOR RESTORATION COSTS

	HK\$'000
Balance at 1 April 2017	358
Effect of foreign currency exchange differences	39
<hr/>	
Balance at 31 March 2018	397
Effect of foreign currency exchange differences	(26)
<hr/>	
Balance at 31 March 2019	371

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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

31. DEFERRED TAXATION

The following is the analysis of the deferred tax balances for financial reporting purposes:

	2019 HK\$'000	2018 HK\$'000
Deferred tax assets	3,805	–
Deferred tax liabilities	(34,072)	(37,031)
	(30,267)	(37,031)

The following are the major deferred tax liabilities/(assets) recognized and movements thereon during the year:

	Other intangible assets – Mining rights HK\$'000	Other intangible assets – License HK\$'000	ECL provision HK\$'000	Convertible bonds HK\$'000	Withholding tax HK\$'000	Total HK\$'000
Balance at 1 April 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
Effect on initial application HKFRS 9	–	–	(2,331)	–	–	(2,331)
Balance at 1 April 2019	33,785	118	(2,331)	1,343	1,785	34,700
(Credit)/charge to profit or loss	–	(110)	(1,623)	(128)	1,155	(706)
Credit directly to equity	–	–	–	(1,215)	–	(1,215)
Release upon payment of withholding tax	–	–	–	–	(497)	(497)
Effect of foreign currency exchange differences	(2,156)	(8)	149	–	–	(2,015)
Balance at 31 March 2019	31,629	–	(3,805)	–	2,443	30,267

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

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 2019 and 2018, 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\$21,958,000 (2018: HK\$26,869,000) 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\$40,504,000 (2018: HK\$38,502,000) available for offset against future profits that may be carried forward indefinitely, subject to the agreement by the Inland Revenue Department. No deferred tax asset has been recognized in respect of the tax losses due to the unpredictability of future profit streams.

32. SHARE CAPITAL – ORDINARY SHARES

	Number of shares	Share capital HK\$'000
Authorized:		
At 1 April 2017 and 31 March 2018, ordinary shares of HK\$0.01 each	40,000,000,000	400,000
Reclassified to convertible preference shares (<i>Note (iii)</i>)	(9,716,500,000)	(97,165)
At 31 March 2019	30,283,500,000	302,835
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 (<i>Note (i)</i>)	118,500,000	1,185
Exercise of share options (<i>Note (ii)</i>)	27,600,000	276
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 (iii)</i>)	70,000,000	700
At 31 March 2019, ordinary shares of HK\$0.01 each	1,613,820,199	16,138

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

32. SHARE CAPITAL – ORDINARY SHARES (continued)

Notes:

- (i) 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.

- (ii) 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 34), 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.
- (iii) On 2 May 2018, the authorized 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. 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. Further details of the Convertible Preference Shares are included in note 33.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

33. CONVERTIBLE PREFERENCE SHARES

	Number of shares	Share capital HK\$'000
Authorized:		
Convertible preference shares of HK\$0.10 each		
Increased during the year	971,650,000	97,165
At 31 March 2019	971,650,000	97,165
Issued and fully paid:		
Convertible preference shares of HK\$0.10 each		
Issue of new preference shares during the year	971,650,000	97,165
Conversion of convertible preference shares to ordinary shares	(70,000,000)	(7,000)
At 31 March 2019, convertible preference shares of HK\$0.10 each	901,650,000	90,165

On 2 May 2018, the Company issued Convertible Preference Shares at issue price of HK\$0.10 per Convertible Preference Share for outstanding principal amount of HK\$97,165,000 (note 29).

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. 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 holder 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. 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 out of the funds of the Company available for distribution before the ordinary shareholders.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

34. SHARE-BASED PAYMENT TRANSACTIONS

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

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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

34. SHARE-BASED PAYMENT TRANSACTIONS (continued)

2002 Scheme (continued)

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.

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;

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For the year ended 31 March 2019

34. SHARE-BASED PAYMENT TRANSACTIONS (continued)

2012 Scheme (continued)

- (v) any person or entity that provides research, development or other technological support to any member of 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 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).

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.

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34. SHARE-BASED PAYMENT TRANSACTIONS (continued)

2012 Scheme (continued)

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 2019 and 2018:

Year ended 31 March 2019

Date of grant	Exercisable period	Exercise price HK\$	Number of share options				
			Outstanding at 1/4/2018	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31/3/2019
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	-	-	(1,400,000)	1,600,000
			4,200,000	-	-	(2,600,000)	1,600,000
Exercisable at the end of the year							1,600,000
Weighted average exercise price			HK\$2.531	-	-	HK\$2.243	HK\$3.000

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

34. SHARE-BASED PAYMENT TRANSACTIONS (continued)

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
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

No share option was granted under the 2002 Scheme during the years ended 31 March 2019 and 2018.

No share option granted under the 2002 Scheme was exercised during the years ended 31 March 2019 and 2018.

Under the 2002 Scheme, the options outstanding at 31 March 2019 had weighted average exercise price of HK\$3.00 (2018: HK\$2.531) and a weighted average remaining contractual life of 1.1 years (2018: 1.5 years).

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

34. SHARE-BASED PAYMENT TRANSACTIONS (continued)

The following tables disclose movements of the Company's share options granted under the 2012 Scheme during the years ended 31 March 2019 and 2018:

Year ended 31 March 2019

Date of grant	Exercisable period	Exercise price HK\$	Number of share options				
			Outstanding at 1/4/2018	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31/3/2019
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
			28,500,000	-	-	-	28,500,000
Exercisable at the end of the year							28,500,000
Weighted average exercise price							HK\$0.154

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\$0.154

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

34. SHARE-BASED PAYMENT TRANSACTIONS (continued)

No share options were granted under the 2012 Scheme during the year ended 31 March 2019 (2018: 41,400,000 share options). The weighted average fair value of options granted under the 2012 Scheme during the year ended 31 March 2018 was HK\$0.053 per share option.

No share options under the 2012 Scheme were exercised during the year ended 31 March 2019 (2018: 27,600,000 share options) 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.

Under the 2012 Scheme, the options outstanding at 31 March 2019 had weighted average exercise price of HK\$0.154 (2018: HK\$0.154) and a weighted average remaining contractual life of 3.7 years (2018: 4.7 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. 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 2019

35. CAPITAL RISK MANAGEMENT

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

A subsidiary of the Group was licensed with the Securities and Futures Commission ("SFC") for the business it operates and the licenses were revoked in March 2019. The Group's licensed subsidiary was 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 was higher. Management closely monitored, 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:

	2019 HK\$'000	2018 HK\$'000
Debts (<i>Note (i)</i>)	–	89,034
Cash and cash equivalents	(67,414)	(32,303)
Net debt	(67,414)	56,731
Equity (<i>Note (ii)</i>)	468,373	469,182
Gearing ratio	N/A	12%

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

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36. FINANCIAL INSTRUMENTS

36.1 Categories of financial instruments

	2019 HK\$'000	2018 HK\$'000
Financial assets		
Fair value through profit or loss:		
– Financial assets at fair value through profit or loss	–	49
Financial assets at amortized cost	229,191	N/A
Loans and receivables	N/A	281,296
	<hr/>	<hr/>
Financial liabilities		
Financial liabilities at amortized cost	28,500	119,935

36.2 Financial risk management objectives and policies

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

36. FINANCIAL INSTRUMENTS (continued)

36.2 Financial risk management objectives and policies (continued)

36.2.1 Market risk

Foreign currency risk management

Transactional currency exposures arise from revenue or cost of sales by operating units in currencies other than the unit's functional currency. Substantially all the Group's revenue and cost of sales are denominated in the functional currency of the operating units making the revenue, and substantially all the cost of sales are denominated in the operating unit's functional currency. Accordingly, the directors of the Company consider that the Group is not exposed to significant foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

In virtue of the exposure on foreign currency risk being minimal, the respective quantitative disclosures have not been prepared.

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 2019

36. FINANCIAL INSTRUMENTS (continued)

36.2 Financial risk management objectives and policies (continued)

36.2.1 Market risk (continued)

Other price risk

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

36.2.2 Credit risk management

Credit risk arises mainly from loans receivables, trade and other receivables and cash and cash equivalents. At 31 March 2019, 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 performs impairment assessment under the ECL model upon application of HKFRS 9 (2018: incurred loss model) on its financial assets. In this regard, management considers that the Group's credit risk is significantly reduced.

In respect of trade receivables, the Group applies simplified approach using lifetime ECL. These evaluations focus on the counterparty's financial position, past history of making payments and take into account information specific to the counterparty as well as pertaining to the economic environment in which the counterparty operates and are adjusted for forward-looking information.

For financial assets other than trade receivables, the Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information. The Group uses four categories (as detailed in below table) for financial assets other than trade receivables which reflect their credit risk and how the loss provision is determined for each of those categories.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

36. FINANCIAL INSTRUMENTS (continued)

36.2 Financial risk management objectives and policies (continued)

36.2.2 Credit risk management (continued)

The Group's current credit risk grading framework comprises the following categories:

Category	Description	Basis for recognizing ECL
Performing	The counterparty has a low risk of default and does not have any past-due amounts	12m ECL
Doubtful	There has been a significant increase in credit risk since initial recognition	Lifetime ECL — not credit-impaired
In default	There is evidence indicating the asset is credit impaired	Lifetime ECL — credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no reasonable expectations of recovery	Amount is written off

The loss allowance for loans receivables and other receivables were determined as follows:

At 31 March 2019	Weighted average expected credit loss rate	Gross carrying amount HK\$'000	Expected credit loss HK\$'000	Net carrying amount HK\$'000
Loans receivables	8.7%	175,641	(15,219)	160,422
Other receivables	99.5%	32,726	(32,551)	175

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

36. FINANCIAL INSTRUMENTS (continued)

36.2 Financial risk management objectives and policies (continued)

36.2.2 Credit risk management (continued)

The Group performs impairment assessment under the ECL model upon application of HKFRS 9 (2018: incurred loss model) on deposits and other receivables and cash and cash equivalents. Except for those which had been determined as credit impaired, the ECL on these assets are based on 12m ECL.

The credit risk of bank balances is limited because the counterparties are banks with sound credit ratings assigned by international credit-rating agencies.

Other than concentration of credit risk on liquid funds which are deposited with banks with sound credit ratings or good reputation as disclose above, the Group does not have any other significant concentration of credit risk.

36.2.3 Liquidity risk management

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

All the Group's financial liabilities are repayable on demand or repayable within twelve months as at 31 March 2019. In the opinion of the directors of the Company, the preparation of maturity profile is not necessary.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

36. FINANCIAL INSTRUMENTS (continued)

36.2 Financial risk management objectives and policies (continued)

36.2.3 Liquidity risk management (continued)

The maturity profile of the Group's financial liabilities as at 31 March 2018, 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

36.3 Fair value measurements

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

Fair value hierarchy as at 31 March 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

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 2019 and 2018.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

36. FINANCIAL INSTRUMENTS (continued)

36.3 Fair value measurements (continued)

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

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	
	Carrying amount HK\$'000	Fair value HK\$'000
Convertible bonds		
– liability component (<i>Note</i>)	89,034	91,484

Note:

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% per annum with reference to the Hong Kong sovereign curve and credit risk margin.

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

As at 31 March 2018, 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 2019

36. FINANCIAL INSTRUMENTS (continued)

36.4 Financial assets and financial liabilities offsetting

The disclosures set out in the tables below include financial assets and financial liabilities that are subject to an enforceable master netting arrangement or similar agreement as at 31 March 2018.

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	Financial instruments	Collateral received	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		HK\$'000	HK\$'000	HK\$'000
At 31 March 2018							
Financial assets							
Trade receivables							
– Brokerage clients	749	(372)	377	–	–	–	377
– Clearing house	383	(383)	–	–	–	–	–
Financial liabilities							
Trade payables							
– Brokerage clients	(1,208)	372	(836)	–	–	–	(836)
– Clearing house	(748)	383	(365)	–	–	–	(365)

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

37. 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 and at 1 April 2018	89,034
Redemption of convertible bonds (non-cash changes)	(89,801)
Effective interest on convertible bonds (non-cash changes)	767
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At 31 March 2019	–

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:

	2019 HK\$'000	2018 HK\$'000
Within one year	504	1,751
In the second to fifth years inclusive	168	575
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	672	2,326

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

39. CAPITAL COMMITMENTS

The Group had no significant capital commitments as at 31 March 2019 and 2018.

Notes to the Consolidated Financial Statements

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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

	2019 HK\$'000	2018 HK\$'000
Short-term employee benefits	581	6,346
Post-employment benefits	18	31
	<hr/>	<hr/>
	599	6,377

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 (吉林省中級人民法院) (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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

41. LITIGATION (continued)

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.

During the year ended 31 March 2019, the Group has received RMB12 million from the Court regarding on the legal proceedings. In May and July 2018, the Court had issued civil judgments ruling that the Customers have entered into bankruptcy and/or liquidation procedures. As a result, the directors of the Company were of the view that the Loans are no longer fully recoverable. As such, the Group performed impairment assessment on the Loans and determined that an aggregate amount of approximately RMB18,249,000 (equivalent to approximately HK\$21,340,000) (the "Remaining Receivables") was expected to be recovered from the Court in respect of the Loans. Accordingly, an impairment loss on loans receivables of approximately HK\$31,899,000 was charged to the consolidated profit or loss and other comprehensive income for the year ended 31 March 2019 resulting from the impairment assessment.

In March 2019, the Group sold the Remaining Receivables with carrying amount of approximately RMB18,249,000 (equivalent to approximately HK\$21,340,000) for a cash consideration of approximately RMB17,000,000 (equivalent to approximately HK\$19,879,000) resulting in a loss of approximately HK\$1,461,000 which was charged to the consolidated statement of profit or loss and other comprehensive income.

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42. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Particulars of the Company's principal subsidiaries at 31 March 2019 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 (Note (i))	PRC	RMB23,310,854	–	98.04%	Exploration and mining of gold
大連廣泓礦業有限公司 (Note (ii))	PRC	RMB9,000,000	–	100%	Provision of investment, management and mining consultation services

Notes to the Consolidated Financial Statements

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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	
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
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

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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%	Provision of investment and management consultation services
吉林市豐澤通企業管理諮詢有限公司 (Note (vi))	PRC	RMB100,000	-	100%	Provision of investment and management consultation services
吉林市豐澤嘉業企業管理諮詢有限公司 (Note (v))	PRC	RMB200,000	-	100%	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) 大連廣泓礦業有限公司 is a limited liability company established in the PRC. The current business scope includes sales of mineral products and motor vehicles, import and export trading and 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.
- (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, 吉林市凱輝投資管理諮詢有限公司, 吉林市欣瑞企業管理諮詢有限公司 and 吉林市豐澤嘉業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.

Notes to the Consolidated Financial Statements

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

Notes: (continued)

- (vi) 白城市豐瑞投資管理諮詢有限公司 and 吉林市豐澤通企業管理諮詢有限公司 are limited liability companies 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 a 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	
		2019	2018	2019	2018	2019	2018
				HK\$'000	HK\$'000	HK\$'000	HK\$'000
Aohanqi	PRC	30%	30%	(2,302)	(2,429)	12,283	15,589
HZW	PRC	1.96%	1.96%	(44)	(3)	(2,454)	(2,433)
Individually immaterial subsidiary with non-controlling interest						1	-
						<u>9,830</u>	<u>13,156</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 2019

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

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

Aohanqi

	2019 HK\$'000	2018 HK\$'000
Current assets	5,226	6,107
Non-current assets	311,807	335,233
Current liabilities	(154,487)	(159,508)
Non-current liabilities	(32,000)	(34,184)
	Year ended 31 March 2019 HK\$'000	Year ended 31 March 2018 HK\$'000
Revenue	–	120
Other income and gain	325	437
Expenses	(7,999)	(8,721)
Income tax credit	–	67
Loss for the year	(7,674)	(8,097)
Loss attributable to owners of the Company	(5,372)	(5,668)
Loss attributable to the non-controlling interest	(2,302)	(2,429)
Loss for the year	(7,674)	(8,097)
Other comprehensive (expense)/income for the year	(9,428)	14,769
Total comprehensive (expense)/income attributable to owners of the Company	(13,795)	7,452
Total comprehensive expense attributable to the non-controlling interest	(3,307)	(780)
Total comprehensive (expense)/income for the year	(17,102)	6,672
Dividend paid to non-controlling interest	–	–
Net cash (outflow)/inflow from operating activities	(4,214)	2,655
Net cash outflow from investing activities	–	(282)
Net (decrease)/increase in cash and cash equivalents	(4,214)	2,373

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

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

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

HZW

	2019 HK\$'000	2018 HK\$'000
Current assets	24	156
Non-current assets	19	20
Current liabilities	(5,026)	(4,908)
	Year ended 31 March 2019 HK\$'000	Year ended 31 March 2018 HK\$'000
Revenue	–	–
Other income and gain	–	254
Expenses	(553)	(287)
Loss for the year	(553)	(33)
Loss attributable to owners of the Company	(509)	(30)
Loss attributable to the non-controlling interest	(44)	(3)
Loss for the year	(553)	(33)
Other comprehensive income/(expense) for the year	302	(459)
Total comprehensive expense attributable to owners of the Company	(231)	(453)
Total comprehensive expense attributable to the non-controlling interest	(20)	(39)
Total comprehensive expense for the year	(251)	(492)
Dividend paid to non-controlling interest	–	–
Net cash (outflow)/inflow from operating activities	(306)	437
Net (decrease)/increase in cash and cash equivalents	(306)	437

Notes to the Consolidated Financial Statements

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43. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2019 HK\$'000	2018 HK\$'000
Non-current assets		
Investments in subsidiaries	5,835	7,078
Current assets		
Amounts due from subsidiaries	781,636	865,730
Prepayments	258	240
Bank balances	13,912	7,635
	795,806	873,605
Current liabilities		
Other payables and accruals	846	935
Amounts due to subsidiaries	354,017	351,695
	354,863	352,630
Net current assets	440,943	520,975
Total assets less current liabilities	446,778	528,053
Non-current liabilities		
Convertible bonds	–	89,034
Deferred tax liabilities	–	1,343
	–	90,377
Net assets	446,778	437,676
Capital and reserves		
Share capital – ordinary shares	16,138	15,438
Convertible preference shares	90,165	–
Reserves	340,475	422,238
Total equity	446,778	437,676

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

43. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (continued)

Movement in the Company's reserves

	Share premium HK\$'000	Convertible preference 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 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
Loss for the year	-	-	-	-	-	-	(89,278)	(89,278)
Total comprehensive expense for the year	-	-	-	-	-	-	(89,278)	(89,278)
Early redemption of convertible bonds by issuance of convertible preference shares	-	18,461	(20,757)	-	-	-	2,296	-
Deferred tax relating to convertible bonds	-	-	1,215	-	-	-	-	1,215
Release of reserve upon share options lapsed	-	-	-	(260)	-	-	260	-
Conversion of convertible preference shares to ordinary shares	7,630	(1,330)	-	-	-	-	-	6,300
Balance at 31 March 2019	1,785,646	17,131	-	5,001	12,640	1,020	(1,480,963)	340,475

