



# **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**  
**2016**

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

## COMPANY SECRETARY

Ms. Chan Yuen Ying Stella

## AUTHORIZED REPRESENTATIVES

Mr. Leung Ngai Man  
Ms. Chan Yuen Ying Stella

## AUDIT COMMITTEE

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

## REMUNERATION COMMITTEE

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

## LEGAL ADVISORS

Chiu & Partners

## AUDITORS

HLB Hodgson Impey Cheng Limited

## PRINCIPAL BANKER

Bank of Communications, Hong Kong Branch

## REGISTERED OFFICE

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

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

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

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

Royal Bank of Canada Trust Company (Cayman) Limited  
4th Floor, Royal Bank House  
24 Shedden Road  
George Town  
Grand Cayman KY1-1110  
Cayman Islands

## BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

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

## STOCK CODE

766

## WEBSITE

[www.sinoprospers.com](http://www.sinoprospers.com)

# Management Discussion & Analysis

On behalf of the board (the “Board”) of directors (the “Director(s)”) of Sino Prosper (Group) Holdings Limited (the “Company”), the annual results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 March 2016 (the “Reporting Period”) are presented below:

## OPERATIONAL REVIEW

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

### Current Operations

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

Aohan Qi Mine is undergoing a period of small-scale operation and routine maintenance, due to the sluggish domestic economy, rising production cost and capital shortage. On 6 May 2015, the Company completed the renewal of its Mining Right Permit, with validity extended to 6 May 2018. On 5 November 2015, the Company completed the renewal of its Safe Production Permit, with validity extended to 4 November 2018.

#### *Zhongyi Weiye Heilongjiang Mines (“Zhongyi Weiye”), Heilongjiang Province, PRC*

The exploration rights of the two mines, namely Paoshouying Mine and Dumuhe Mine, expired on 16 April 2015 and are undergoing renewal process, pending final approval. During the Reporting Period, the Company mainly conducted research on and collate the achievements of preliminary exploration of mines.

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

In light of the uncertainties surrounding the macroeconomic environments in both the PRC and around the world, small and medium size enterprises, which form the majority of our customer base, have been facing pressure from slower economic growth. The Company will monitor the market changes closely and may finetune its strategy for lending business as and when appropriate.

### Legal Proceedings

As disclosed in the announcement of the Company dated 19 December 2014, the Group has initiated legal proceedings at Jilin City Intermediate People’s Court (吉林市中級人民法院) (the “Court”) in the PRC against certain state-owned enterprises due to the defaults in payment by such enterprises. In 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.

## Management Discussion & Analysis

The Group received notices from the Court dated 17 December 2014 and 18 December 2014 respectively which accepted the Group's legal actions for further processing in respect of the Customers and their respective guarantors. On 21 April 2015, Jilin City Intermediate People's Court (the "Court") made the first instant verdict in relation to the legal proceedings proposed by the Group against certain state-owned enterprises due to their defaults in payment. It was judged that the abovementioned state-owned enterprises shall pay the outstanding principal and interest due to Jilin Ruixin Microfinance Co., Ltd. ( 吉林省瑞信小額貸款有限公司) ("Ruixin Microfinance"), 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 Ruixin Microfinance. 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 18 June 2015, on 19 June 2015, Ruixin Microfinance 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 Ruixin Microfinance until the full settlement of the abovementioned debts. On 10 November 2015, the Court legally withdrew RMB2.28 million of one of the Customers and transferred such money to Ruixin Microfinance. Meanwhile, the Court has initiated evaluation and auction procedures. On 25 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. On 29 January 2016, the Customers had repaid RMB12 million to Ruixin Microfinance, and the Group expects to recover the remaining principal and interest in the third quarter of 2016.

### Outlook

The Company will continue to proactively seek investment opportunities with a view to bringing higher returns to shareholders of the Company. While pursuing continued growth in its future business, the Group will from time to time review the business of its project companies and make appropriate adjustments, including further increasing or decreasing the relevant investments, to ensure that the Group can cope with the external challenges arising from unstable economic prospects.

## FINANCIAL REVIEW

During the Reporting Period, the Group recorded total turnover of approximately HK\$37,892,000 (year ended 31 March 2015 ("FY2015"): HK\$55,957,000) which mainly comprises a turnover of (i) approximately HK\$2,872,000 from the sales of gold (FY2015: HK\$2,740,000); (ii) approximately HK\$198,000 from the sales of silver concentrates (FY2015: HK\$84,000); (iii) approximately HK\$101,000 from the sales of bronze concentrates (FY2015: HK\$36,000); (iv) approximately HK\$18,132,000 representing interest income from loan financing activities (FY2015: HK\$18,149,000); and (v) approximately HK\$16,589,000 representing consultancy services income (FY2015: HK\$34,948,000). The Group's total turnover decreased by approximately 32.3% as compared to last financial year. Such decrease was mainly attributable to the decrease in the consultancy service income as a result of the decline in the micro-financing business of the Group during the Reporting Period.

## Management Discussion & Analysis

During the Reporting Period, the Group's net loss attributable to owners of the Company was approximately HK\$194,039,000 (FY2015: approximately HK\$514,793,000). The decrease in the Group's net loss attributable to owners of the Company was mainly due to no impairment loss of exploration and evaluation assets.

As at 31 March 2016, the Group's total assets was approximately HK\$1,401,693,000 (as at 31 March 2015: approximately HK\$1,667,501,000), and the total liabilities was approximately HK\$167,698,000 (as at 31 March 2015: approximately HK\$194,275,000). The Group's net asset value as at 31 March 2016 decreased by 16.2% to approximately HK\$1,233,995,000 as compared to approximately HK\$1,473,226,000 as at 31 March 2015.

During the Reporting Period, an impairment loss in the Group's goodwill of approximately HK\$172 million was recognized. The impairment loss is less than that of last year as there was no impairment loss of exploration and evaluation assets during the Reporting Period (FY2015: HK\$547,839,000). The Board wishes to emphasize that the impairment loss is a non-cash item which will not have any impact on the cash flow of the Group.

### Reason for impairment losses

Before 2014, the micro financing industry was booming in the PRC. Nevertheless, growth of the micro financing industry slowed down in the year ended 31 March 2016 in Jilin Province, the PRC. Demand for borrowing in the year ended 31 March 2016 declined when compared to the two years ended 31 March 2015, which in turn lead to decline in interest rate and consultancy fee rate.

The decline in value in use of the cash generating unit ("CGU") of micro financing business was mainly contributed by the decline in interest rate and consultancy fee rate, from 12% to 10% and 20% to 17% respectively during the year. The interest rate and consultancy fee rate adopted in the value in use assessment each year has referred to the actual rate charged to customers by the micro financing business. Such decline in rates were due to the declining demand for financing, as well as keen competition in the micro financing business in Jilin Province, the PRC.

### Valuation method

The valuer has adopted discounted cash flows to assess the value in use of the CGU of the micro financing business. Except for the projected interest rate and consultancy fee rate, there was no change in key assumptions and valuation method when comparing the valuation between 31 March 2015 and 2016.

## Management Discussion & Analysis

### LIQUIDITY AND FINANCIAL RESOURCES

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

As at 31 March 2016, the Group had bank balances and cash of approximately HK\$123,182,000 (as at 31 March 2015: approximately HK\$74,722,000). As at 31 March 2016, the Group had carrying amounts of convertible bonds and promissory notes amounted to HK\$89,129,000 and Nil respectively. Its gearing ratio calculated as a ratio of net debt (representing borrowings less bank balances and cash) to total equity was zero (as at 31 March 2015: 2.21%). As at 31 March 2016, net current assets of the Group totaled approximately HK\$233,137,000 (as at 31 March 2015: approximately HK\$250,330,000) and the current ratio was maintained at a level of approximately 7.6 (as at 31 March 2015: approximately 8).

On 24 July 2015, 126,500,000 ordinary shares were issued upon the conversion of the tranche 1 of the HK\$450 million zero coupon convertible bonds due on the 5th anniversary of 11 October 2013 issued by the Company to the extent of HK\$46,805,000 at a conversion price of HK\$0.37 per share.

### TREASURY POLICIES

As at 31 March 2016, the Group had bank balances and cash of approximately HK\$123,182,000 (as at 31 March 2015: HK\$74,722,000), most of which were denominated in Renminbi and placed as short-term deposits. The Group has sufficient capital, and generally exercises caution when using cash and making capital commitments. As at 31 March 2016, the Group had loans receivables of approximately HK\$134,815,000 (as at 31 March 2015: HK\$199,416,000). It also planned to invest more capital in the micro-financing business and financial management consultation services business of its PRC subsidiaries.

### CONTINGENT LIABILITIES

As at 31 March 2016 and 2015, the Group had no significant contingent liabilities.

### CAPITAL COMMITMENTS

As at 31 March 2016 and 2015, the Group had no significant capital commitments.

### FOREIGN EXCHANGE EXPOSURE

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

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

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

### EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2016, the Group employed 58 full-time employees in the PRC and Hong Kong. The Group remunerated its employees based on their performance, qualifications, work experience and the prevailing market salaries. Performance related bonuses are paid on a discretionary basis. Other employee benefits include mandatory provident fund, insurance and medical coverage, training programs and grant of share options under the Company's share options scheme.

### CLOSURE OF REGISTER OF MEMBERS

The forthcoming annual general meeting of the Company (the "AGM") is scheduled to be held on Thursday, 29 September 2016. 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 Monday, 26 September 2016 to Thursday, 29 September 2016, both days inclusive, during which period no transfer of shares will be registered. All transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, 23 September 2016.

# Profile of Directors and Senior Management

## Executive Director

Mr. LEUNG Ngai Man, aged 55, is the Chairman of the Group. He was appointed as an executive Director in 2001. He is also a member of the remuneration committee of the Company. Mr. Leung has an extensive network and relationship with numerous PRC companies and authorities. He is currently the Chairman and executive director of China Netcom Technology Holdings Limited (“China Netcom”, stock code: 8071), the shares of which are listed on the Growth Enterprise Market (“GEM”) of the Stock Exchange.

Ms. WONG Li Fong, aged 49, was appointed as an executive Director in March 2015, she is also a member of the remuneration committee of the Company. Ms. Wong obtained Bachelor Degree of Commerce from Curtin University of Technology Australia with major in Accounting and Commerce. She has over 20 years of working experience in corporate and financial management. She also held financial and administrative executive positions with a variety of leading companies. She is familiar with finance, banking, corporation and human resources related work.

## Independent Non-Executive Director

Mr. CAI Wei Lun, aged 60, joined the Group and was appointed as an independent non-executive Director in June 2004. He is also a member of each of the audit committee and remuneration committee of the Company. Mr. Cai has over two decades of experience in China property. Mr. Cai is also an independent non-executive director of China Netcom.

Mr. ZHANG Qingkui, aged 48, joined the Group and was appointed as an independent non-executive Director in 2011. He is also a member of each of the audit committee and remuneration committee of the Company. Mr. Zhang graduated from the Faculty of Geology of China University of Mining and Technology in 1991 with a Bachelor’s degree in water engineering and graduated from China University of Geosciences in 2004 with a Postgraduate’s degree in geology. He has successively obtained the titles of and worked as assistant geology engineer, engineer and senior engineer. Since 1995, Mr. Zhang has been working with Liaoning Provincial Institute of Geological Exploration, being mainly responsible for the geological exploration of mines.

Ms. XUAN Hong, aged 51, joined the Group on 3 December 2013 as an independent non-executive Director. Ms. Xuan is also the chairlady of each of the audit committee and remuneration committee of the Company. She has the qualifications of Certified Public Accountant in the PRC and is a senior accountant, and has worked in several accounting firms. She has extensive working experience in accounting, auditing and taxation, and has substantial experience in accounting policy, tax law and judicial accounting sectors. Currently, Ms. Xuan is an independent non-executive director and the chairlady of each of the audit committee and the remuneration committee as well as a member of nomination committee of China Netcom.

## SENIOR MANAGEMENT

Ms. WU Wei Hua, aged 45, joined the Group in 1996. Ms. Wu is the Finance Director of the Group in the PRC. Ms. Wu holds a Bachelor’s degree in Textile Engineering from Donghua University in the PRC. She has over 18 years of accounting experience. Ms. Wu is an executive director of China Netcom.

# Directors' Report

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

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Group are investment holding, investment in energy and natural resources (including precious metals) related projects in the PRC and provision of loan financing and investment and management consultation services. Details of its principal subsidiaries are set out in note 40 to the consolidated financial statements.

## BUSINESS REVIEW

The business review of the Group for the Reporting Period is 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.

In addition, the Group may also be adversely affected by the volatility of Renminbi exchange rates because the Group now mainly focus on PRC business. Other market risks, for example the foreign currency risk, credit risk, and liquidity risks, and the volatility of interest rates in the normal course of the Group's business may pose certain risks and uncertainties to the Group.

### 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.

### Compliance with the Relevant Laws and Regulations

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

### Key Relationships with Employees, Customers and Suppliers

The Group recognises that employees are one of the significant assets of the Group. The Group aims to continue establishing a caring environment to employees and emphasis the personal development of its employees.

The Group maintains a good relationship with our customers and suppliers. The Group aims to continue providing quality services to our customers and establishing cooperation strategy with our suppliers.

## **Directors' Report**

### **RESULTS AND APPROPRIATIONS**

The Group's loss for the Reporting Period and the financial position of the Group as at 31 March 2016 are set out on pages 28 to 121 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 2016, the Group did not make charitable donations (2015: 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 122 of this annual report.

### **PROPERTY, PLANT AND EQUIPMENT**

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

### **SHARE CAPITAL, SHARE OPTIONS, AND CONVERTIBLE BONDS**

Details of the movements in the Company's share capital, share options, and convertible bonds during the year, together with the reasons thereof, are set out in notes, 31, 32 and 27 to the consolidated financial statements respectively.

### **RESERVES**

Details of the movements in the reserves of the Company and the Group during the Reporting Period are set out in note 41 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 2016, the reserves of the Company available for distribution to the Shareholders amounted to approximately HK\$1,086,890,000 (As at 31 March 2015: approximately HK\$1,049,906,000).

### MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, revenue from the Group's five largest customers accounted for 63% of the total revenue for the year and revenue from the largest customer amounted to 29%. Purchases from the Group's five largest suppliers accounted for 97% of the total purchases for the year and purchases from the largest supplier amounted to 33%.

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

### DIRECTORS

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

#### Executive Directors

Mr. Leung Ngai Man (*Chairman*)

Ms. Wong Li Fong

#### Independent Non-executive Directors

Mr. Cai Wei Lun

Mr. Zhang Qingkui

Ms. Xuan Hong

## Directors' Report

In accordance with article 108(A) of the Articles, Ms. Xuan Hong and Mr. Zhang Qingkui 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 an initial term of one year commencing from 3 September 2013 which was automatically renewable for the successive terms of one year but not more than an aggregate of three years from the date of initial commencement, unless terminated by either party giving not less than three months' notice in writing to the other party.

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

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

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

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

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

Details of the related party transactions are set out in note 38 to the consolidated financial statements.

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

### DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES

As at 31 March 2016, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which had been notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors were deemed or taken to have under such provisions of the SFO) or as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code (the "Model Code") for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules were as follows:-

#### Interests in the Shares and Underlying Shares

Name	Capacity	Long position/ short position	Number of ordinary shares	Number of underlying shares	Total	Approximate percentage of issued share capital <i>(Note 1)</i>
Leung Ngai Man <i>(Executive Director)</i>	Beneficial owner	Long position	328,333,300	369,527,026 <i>(Notes 2 and 3)</i>	697,860,326	61.70%
Wong Li Fong <i>(Executive Director)</i>	Beneficial owner	Long position	15,000	-	15,000	Negligible

#### Notes

- The percentage is calculated on the basis of 1,131,087,497 Shares in issue as at 31 March 2016 but does not take into account of any Shares which may fall to be allotted and issued upon the exercise of any options which remained outstanding as at 31 March 2016.
- These underlying shares comprise (i) 45,202,702 Shares to be issued upon exercise of conversion rights attaching to the outstanding balance of T1 CB (as defined in Note 3 below) issued by the Company on 11 October 2013; and (ii) 324,324,324 Shares to be issued upon exercise of conversion rights attaching to the T2 CB (as defined in Note 3 below) issued by the Company on 22 November 2013.
- On 11 October 2013, tranche 1 convertible bonds (the "T1 CB") in the principal amount of HK\$75,000,000 at the conversion price of HK\$0.37 per Share were issued to Mr. Leung pursuant to completion of the acquisition agreement in relation to the micro-finance business in the PRC. On 22 November 2013, tranche 2 convertible bonds (the "T2 CB") in the principal amount of HK\$120,000,000 at the conversion price of HK\$0.37 per Share were issued to Mr. Leung pursuant to satisfaction of the T2 Payment Condition. As at 31 March 2016, the T1 CB together with the T2 CB in the aggregate amount of HK\$136,725,000 remains outstanding. Such interests constituted a long position of the Director in a physically settled equity derivatives for the purpose of the SFO.

## Directors' Report

Save as disclosed above, as at 31 March 2016, none of the Directors or the chief executive of the Company had any interest or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and the chief executive of the Company were deemed or taken to have under such provisions of the SFO) or as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

### DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

### DIRECTORS' INTEREST IN COMPETING BUSINESS

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

### ANNUAL CONFIRMATIONS FROM INDEPENDENT NON-EXECUTIVE DIRECTORS

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

### SUBSTANTIAL SHAREHOLDERS OR OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES AS AT 31 MARCH 2016

Save as disclosed above, as at 31 March 2016, no person, (other than Mr. Leung, a Director whose interests are set out in the section headed "Directors' interests and short positions in Shares and Underlying Shares" above), had interest or short position in the Shares or underlying Shares of the Company that was required to be recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO or which would fall to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO.

### EMOLUMENT POLICY

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

### SHARE OPTION SCHEMES

The old share option scheme was adopted by the Company on 25 April 2002 (the "2002 Scheme") for granting share options to eligible participants for the purpose of providing incentives and rewards to those who contribute to the success of the Group's operations. The 2002 Scheme was terminated and a new share option scheme was adopted by the Company on 20 April 2012 (the "2012 Scheme"). The terms of the 2012 Scheme largely follow 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 32 to the consolidated financial statements.

As at 31 March 2016, the Company had 26,800,000 share options outstanding under the two share option schemes, which represented approximately 2.37% of the Shares in issue as at 31 March 2016. No option has been exercised under the 2012 Scheme and 2002 Scheme during the Reporting Period.

As at the date of this annual report, there are 25,078,749 options available for grant under the 2012 Scheme, representing approximately 2.22% of the issued share capital of the Company.

## **Directors' Report**

### **EQUITY-LINKED AGREEMENTS**

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

### **CONTRACT OF SIGNIFICANCE**

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

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

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

### **PERMITTED INDEMNITY PROVISION**

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

### **MATERIAL ACQUISITIONS OR DISPOSALS**

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

### **TAXATION RELIEF**

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

### PRE-EMPTIVE RIGHTS

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

### SUFFICIENCY OF PUBLIC FLOAT

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

### AUDIT COMMITTEE'S REVIEW

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

### AUDITORS

The accounts for the year ended 31 March 2016 were audited by HLB Hodgson Impey Cheng Limited whose term of office will expire upon the conclusion of the AGM. A resolution for the re-appointment of HLB Hodgson Impey Cheng Limited as the auditors of the Company for the subsequent year is to be proposed at the AGM. There has been no other change in the auditors of the Company in any of the preceding three years.

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

Hong Kong, 28 June 2016

# Corporate Governance Report

## CORPORATE GOVERNANCE & PRACTICES

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

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

### Code Provision A.2.1

Pursuant to the Code Provision A.2.1, the role of chairman and chief executive officer should be separate and should not be performed by the same individual. Following the resignation of Mr. Sung Kin Man, the former chief executive officer of the Company on 2 March 2015, the Company has not appointed a chief executive and the role and functions of chief executive have been performed by all the executive Directors, including the Chairman, collectively.

### Code Provision A.5.1

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

### Code Provision D.1.4

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

## Corporate Governance Functions

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

## DIRECTORS' SECURITIES TRANSACTIONS

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

## BOARD OF DIRECTORS

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

### Executive Directors

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

### Independent Non-executive Directors

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

The biographical details of the current Directors are set out on page 8 of this annual report. The Board possesses a balance of skills and experience which is appropriate for the requirements of the business of the Group. The opinions raised by the independent non-executive Directors in the Board meetings facilitate the maintenance of good corporate governance practices. A balanced composition of executive Directors and independent non-executive Directors also provides a strong independent element on the Board, which allows for independent and objective decision making in the best interests of the Company. The Company will review the composition of the Board regularly to ensure the Board possesses the appropriate and necessary expertise, skills and experience to meet the needs of the Group's business.

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

## Corporate Governance Report

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

### BOARD MEETINGS

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

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

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

### DIRECTORS' CONTINUOUS PROFESSIONAL DEVELOPMENT

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

## Corporate Governance Report

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

Name of Director	Reading materials relevant to director's duties
Mr. Leung Ngai Man ( <i>Chairman</i> )	✓
Mr. Wong Li Fong	✓
Mr. Cai Wei Lun	✓
Mr. Zhang Qingkui	✓
Ms. Xuan Hong	✓

### CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Following the resignation of Mr. Sung Kin Man, the former chief executive officer of the Company on 2 March 2015, the Company has not appointed a chief executive officer and the role and functions of chief executive officer have been performed by all the executive Directors, including the Chairman, of the Company collectively. The Board considered this has the advantages of allowing contributions from all executive Directors with different expertise.

### NON-EXECUTIVE DIRECTORS

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

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

### GENERAL MEETING

During the Reporting Period, 1 general meeting of the Company, being the 2015 annual general meeting, was held on 1 September 2015 ("2015 AGM").

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

## Corporate Governance Report

The Board is responsible for maintaining an on-going dialogue with shareholders and in particular, uses annual general meetings or other general meetings to communicate with them and encourage their participation. Mr. Leung Ngai Man, being the Chairman of the Board attended the 2015 AGM to answer questions and collect views of shareholders.

### NOMINATION OF DIRECTORS

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

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

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

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

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

### REMUNERATION COMMITTEE

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

## Corporate Governance Report

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

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

### AUDIT COMMITTEE

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

During the Audit Committee meetings, members of the Audit Committee reviewed the Group’s annual results for the last financial year and interim results for the six months period ended 30 September 2015. Both aforesaid meetings were held with representatives of the Company’s auditors being in attendance.

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

Audit Committee Member	Attendance
Ms. Xuan Hong ( <i>Chairlady</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	1,460
Non-audit services relating to review on financial disclosures of interim financial report	274

## Corporate Governance Report

### ACCOUNTABILITY

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

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

### INTERNAL CONTROL

The Board acknowledges its responsibility for the effectiveness of the Group's internal control and risk management system, which is designed to provide reasonable but not absolute assurance against material misstatement of management and financial information and records or against financial losses or fraud.

The Group has in place an effective internal control system which encompasses sound control environment, appropriate segregation of duties, well-defined policies and procedures, close monitoring and is reviewed and enhanced by the management at regular intervals.

The Group is committed to maintaining and upholding good corporate governance practices and internal control system. In respect of the Reporting Period, the Board considered the internal control system effective and adequate. No significant areas of concern which might affect shareholders were identified.

### COMPANY SECRETARY

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

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

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

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

### SHAREHOLDERS' RIGHTS

#### Procedures for Shareholders to Convene an Extraordinary General Meeting

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

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

#### Procedures for Directing Shareholders' Enquiries to the Board

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

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

#### Procedures for Putting forward Proposals at a General Meeting

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

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

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

- (a) At least 14 days’ notice in writing if the Proposal is subject to approval by way of an ordinary resolution of the Company; or
- (b) At least 21 days’ notice in writing if the Proposal is subject to approval by way of a special resolution of the Company in an extraordinary general meeting of the Company or an ordinary resolution of the Company in an annual general meeting of the Company.

# 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)*

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 28 to 121, which comprise the consolidated statement of financial position as at 31 March 2016, 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 a summary of significant accounting policies and other explanatory information.

## Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants 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.

## Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion 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. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Independent Auditors' Report

### Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 March 2016, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### Emphasis of matter

Without qualifying our opinion, we draw attention to note 17 to the consolidated financial statements which describes the uncertainty relating to the outcomes of the applications for renewals of the exploration permits in Heilongjiang Province, the People's Republic of China.

HLB Hodgson Impey Cheng Limited  
*Certified Public Accountants*

Kwok Kin Leung  
Practising Certificate Number: P05769

Hong Kong, 28 June 2016

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2016

	Notes	2016 HK\$'000	2015 HK\$'000
Revenue	5	37,892	55,957
Cost of sales		(4,787)	(3,903)
<b>Gross profit</b>		<b>33,105</b>	<b>52,054</b>
Other income and gains	7	4,126	1,692
General and administrative expenses		(41,212)	(39,037)
Impairment loss of exploration and evaluation assets	17	–	(547,839)
Impairment loss of goodwill	18	(171,806)	–
Loss on early redemption of promissory notes	28	(3,025)	(7,273)
Finance costs	8	(15,760)	(19,747)
<b>Loss before tax</b>		<b>(194,572)</b>	<b>(560,150)</b>
Income tax expense	9	(3,246)	(3,288)
<b>Loss for the year</b>	<b>10</b>	<b>(197,818)</b>	<b>(563,438)</b>
<b>Other comprehensive (expense)/income</b> <i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translating foreign operations		(71,632)	9,607
<b>Other comprehensive (expense)/income for the year, net of income tax</b>		<b>(71,632)</b>	<b>9,607</b>
<b>Total comprehensive expense for the year</b>		<b>(269,450)</b>	<b>(553,831)</b>
<b>Loss attributable to:</b>			
Owners of the Company		(194,039)	(514,793)
Non-controlling interests		(3,779)	(48,645)
		(197,818)	(563,438)
<b>Total comprehensive expense attributable to:</b>			
Owners of the Company		(262,694)	(505,705)
Non-controlling interests		(6,756)	(48,126)
		(269,450)	(553,831)
<b>Loss per share</b>	<b>14</b>		
Basic and diluted (HK cents per share)		(17.77)	(57.66)

# Consolidated Statement of Financial Position

At 31 March 2016

	Notes	2016 HK\$'000	2015 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	15	83,572	95,496
Other intangible assets	16	131,912	139,653
Exploration and evaluation assets	17	443,892	466,949
Goodwill	18	473,738	679,075
		<b>1,133,114</b>	<b>1,381,173</b>
<b>Current assets</b>			
Inventories	20	5,806	7,453
Loans receivables	21	134,815	199,416
Trade and other receivables	22	4,776	4,737
Bank balances and cash	23	123,182	74,722
		<b>268,579</b>	<b>286,328</b>
<b>Current liabilities</b>			
Trade and other payables	24	16,563	18,195
Amount due to a non-controlling interest of a subsidiary	25	8,953	9,418
Amounts due to related parties	26	5,219	4,995
Tax payable		4,707	3,390
		<b>35,442</b>	<b>35,998</b>
<b>Net current assets</b>		<b>233,137</b>	<b>250,330</b>
<b>Total assets less current liabilities</b>		<b>1,366,251</b>	<b>1,631,503</b>
<b>Non-current liabilities</b>			
Convertible bonds	27	89,129	100,809
Promissory notes	28	–	6,529
Provision for restoration costs	29	382	401
Deferred tax liabilities	30	42,745	50,538
		<b>132,256</b>	<b>158,277</b>
<b>Net assets</b>		<b>1,233,995</b>	<b>1,473,226</b>
<b>Capital and reserves</b>			
Share capital	31	11,311	10,046
Reserves		1,170,063	1,403,803
Equity attributable to owners of the Company		<b>1,181,374</b>	<b>1,413,849</b>
Non-controlling interests		52,621	59,377
<b>Total equity</b>		<b>1,233,995</b>	<b>1,473,226</b>

The consolidated financial statements were approved and authorized for issue by the board of directors on 28 June 2016 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 2016

	Attributable to owners of the Company										Attributable to non-controlling interests	Total	
	Share capital	Share premium	Warrants reserve	Convertible bonds equity reserve	Share options reserve	Shareholder's contribution	Foreign currency translation reserve	Capital redemption reserve	Other reserve	Accumulated losses			Subtotal
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
								(Note (ii))	(Note (i))				
Balance at 1 April 2014	8,446	1,634,929	1,420	42,050	77,014	12,640	132,796	1,020	249,089	(273,163)	1,886,241	107,503	1,993,744
Loss for the year	-	-	-	-	-	-	-	-	-	(514,793)	(514,793)	(48,645)	(563,438)
Other comprehensive income for the year	-	-	-	-	-	-	9,088	-	-	-	9,088	519	9,607
Total comprehensive income/(expense) for the year	-	-	-	-	-	-	9,088	-	-	(514,793)	(505,705)	(48,126)	(553,831)
Release of reserve upon share options lapsed	-	-	-	-	(11,192)	-	-	-	-	11,192	-	-	-
Issue of new ordinary shares	1,600	32,960	-	-	-	-	-	-	-	-	34,560	-	34,560
Transaction costs attributable to issue of new ordinary shares	-	(1,247)	-	-	-	-	-	-	-	-	(1,247)	-	(1,247)
Release of reserve upon lapse of warrant	-	-	(1,420)	-	-	-	-	-	-	1,420	-	-	-
Balance at 31 March 2015	10,046	1,666,642	-	42,050	65,822	12,640	141,884	1,020	249,089	(775,344)	1,413,849	59,377	1,473,226

## Consolidated Statement of Changes in Equity

For the year ended 31 March 2016

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

*Notes:*

- (i) Other reserve represents the difference between the consideration paid for the additional interests in a subsidiary and the non-controlling interests' share of the assets and liabilities reflected in the consolidated statement of financial position at the date of the acquisition of the non-controlling interests.
- (ii) Capital redemption reserve represents the nominal value of the share capital of the Company repurchased and canceled.

# Consolidated Statement of Cash Flows

For the year ended 31 March 2016

	2016 HK\$'000	2015 HK\$'000
<b>Cash flows from operating activities</b>		
Loss for the year	(197,818)	(563,438)
Adjustments for:		
Income tax expense recognized in profit or loss	3,246	3,288
Finance costs recognized in profit or loss	15,760	19,747
Interest income on bank deposits	(837)	(653)
Loss on early redemption of promissory notes	3,025	7,273
Loss on disposal of property, plant and equipment	–	24
Depreciation of property, plant and equipment	7,389	7,895
Amortization of other intangible assets	858	1,393
Impairment loss of exploration and evaluation assets	–	547,839
Impairment loss of goodwill	171,806	–
Impairment loss of inventories	–	367
Impairment loss of trade receivables	1,072	–
	4,501	23,735
Movements in working capital		
Decrease/(increase) in inventories	1,647	(3,218)
Decrease/(increase) in loan receivables	64,601	(65,069)
(Increase)/decrease in trade and other receivables	(1,111)	12,986
Decrease in trade and other payables	(1,632)	(1,463)
Decrease in amount due to a non-controlling interest of a subsidiary	(465)	–
Increase in amounts due to related parties	224	4,995
Cash generated from/(used in) operations	67,765	(28,034)
Hong Kong Profits Tax paid	–	(192)
Hong Kong Profits Tax refunded	2	–
PRC Enterprise Income Tax paid	(4,655)	(4,355)
PRC Enterprise Income Tax refunded	18	–
<b>Net cash generated by/(used in) operating activities</b>	<b>63,130</b>	<b>(32,581)</b>

## Consolidated Statement of Cash Flows

For the year ended 31 March 2016

	Notes	2016 HK\$'000	2015 HK\$'000
<b>Cash flows from investing activities</b>			
Interest received on bank deposits		837	629
Payments for property, plant and equipment		(47)	(321)
Proceeds from disposal of property, plant and equipment		–	152
Purchases of unlisted financial instruments		(67,541)	–
Release of unlisted financial instruments		67,717	–
Payments for exploration and evaluation assets		–	(84)
<b>Net cash generated by investing activities</b>		<b>966</b>	<b>376</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of ordinary shares under share placing		–	34,560
Payment for transaction costs attributable to issue of new ordinary shares		–	(1,247)
Repayment of promissory note	28	(10,000)	(20,000)
<b>Net cash (used in)/generated by financing activities</b>		<b>(10,000)</b>	<b>13,313</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>54,096</b>	<b>(18,892)</b>
Cash and cash equivalents at the beginning of year		74,722	93,193
Effect of foreign exchange rate changes, net		(5,636)	421
<b>Cash and cash equivalents at the end of year</b>		<b>123,182</b>	<b>74,722</b>
<b>Analysis of the balances of cash and cash equivalents</b>			
Bank balances and cash		123,182	74,722

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

## 1. GENERAL

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

During the year ended 31 March 2016, 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 in China
- provision of loan financing and investment and management consultation services.

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

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

In the current year, the Group has applied the following new and revised Hong Kong Accounting Standards (“HKAS(s)”), HKFRS(s), amendments and interpretations (“HK(IFRIC) – Int”) (hereinafter collectively referred to as the “new and revised HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”):

Amendments to HKFRSs                      *Annual Improvements to HKFRSs 2010 – 2012 Cycle*

Amendments to HKFRSs                      *Annual Improvements to HKFRSs 2011 – 2013 Cycle*

Amendments to HKAS 19                      *Defined Benefit Plans: Employee Contributions*  
(2011)

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

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

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

#### New and revised HKFRSs in issue but not yet effective

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

Amendments to HKFRSs	<i>Annual Improvements to HKFRSs 2012 – 2014 Cycle</i> <sup>1</sup>
HKFRS 9 (2014)	<i>Financial Instruments</i> <sup>3</sup>
HKFRS 14	<i>Regulatory Deferral Accounts</i> <sup>2</sup>
HKFRS 15	<i>Revenue from Contracts with Customers</i> <sup>3</sup>
HKFRS 16	<i>Leases</i> <sup>4</sup>
Amendments to HKFRS 10 and HKAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> <sup>5</sup>
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	<i>Investment Entities: Applying the Consolidation Exception</i> <sup>1</sup>
Amendments to HKFRS 11	<i>Accounting for Acquisitions of Interests in Joint Operations</i> <sup>1</sup>
Amendments to HKAS 1	<i>Disclosure initiative</i> <sup>1</sup>
Amendments to HKAS 16 and HKAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i> <sup>1</sup>
Amendments to HKAS 16 and HKAS 41	<i>Agriculture: Bearer Plants</i> <sup>1</sup>
Amendments to HKAS 27	<i>Equity Method in Separate Financial Statements</i> <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

<sup>2</sup> Effective for first annual HKFRS financial statements beginning on or after 1 January 2016, with earlier application permitted.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.

<sup>5</sup> Effective for annual periods beginning on or after a date to be determined.

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

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

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

#### *HKFRS 9 Financial Instruments*

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include (a) impairment requirements for financial assets and (b) limited amendments to the classification and measurement requirements by introducing a ‘fair value through other comprehensive income’ (“FVTOCI”) measurement category for certain simple debt instruments.

Key requirements of HKFRS 9 are described as below:

- All recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability’s credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability’s credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

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

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

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

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.
- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in HKAS 39. Under HKFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the retrospective quantitative effectiveness test has been removed. Enhanced disclosure requirements about an entity’s risk management activities have also been introduced.

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

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

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

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

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

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

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

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

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

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

The directors of the Company anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group’s consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

#### *HKFRS 16 Leases*

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. It distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Subject to limited exceptions for short-term leases and low value assets, distinctions of operating 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 recognised for all leases by lessees.

Application of HKFRS 16 will result in the Group’s recognition of right-of-use assets and corresponding liabilities in respect of many of the Group’s lease arrangements. These assets and liabilities are currently not required to be recognised but certain relevant information is disclosed as commitments to these financial statements. The directors of the Company anticipate that the application of HKFRS 16 in the future will have a material impact on the Group’s consolidated financial statements; however, it is not practicable to provide a reasonable estimate of the effect until the Group performs a detailed review.

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

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

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

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

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

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

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

*Annual Improvements to HKFRSs 2012-2014 Cycle*

The Annual Improvements to HKFRSs 2012-2014 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 5 introduce specific guidance in HKFRS 5 for when an entity reclassifies an asset (or a disposal group) from held for sale to held for distribution to owners (or vice versa). The amendments clarify that such a change should be considered as a continuation of the original plan of disposal and hence requirements set out in HKFRS 5 regarding the change of sale plan do not apply. The amendments also clarify the guidance for when held-for-distribution accounting is discontinued.

The amendments to HKFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets.

The amendments to HKAS 19 clarify that the rate used to discount post-employment benefit obligations should be determined by reference to market yields at the end of the reporting period on high quality corporate bonds. The assessment of the depth of a market for high quality corporate bonds should be at the currency level (i.e. the same currency as the benefits are to be paid). For currencies for which there is no deep market in such high quality corporate bonds, the market yields at the end of the reporting period on government bonds denominated in that currency should be used instead.

Except as described above, the directors of the Company do not anticipate that the application of the other new and revised HKFRSs will have a material effect on the amounts recognised in the Group’s consolidated financial statements.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

## 3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards 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 (the “Listing Rules”) and by the Hong Kong Companies Ordinance (“CO”).

The provisions of the new Hong Kong Companies Ordinance (Cap 622) regarding preparation of accounts and directors’ reports and audits became effective for the Company for the financial year ended 31 March 2016. Further, the disclosure requirements set out in the Listing Rules regarding annual accounts have been amended with reference to the new CO and to streamline with HKFRSs. Accordingly the presentation and disclosure of information in the consolidated financial statements for the financial year ended 31 March 2016 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended 31 March 2015 are presented or disclosed in the consolidated financial statements based on the new requirements. Information previously required to be disclosed under the predecessor CO or Listing Rules but not under the new CO or amended Listing Rules are not disclosed in these consolidated financial statements.

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 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, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in HKAS 2 or value in use in HKAS 36.

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

The principal accounting policies are set out below.

#### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured 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.

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Basis of consolidation (continued)

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.

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.

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

#### Business combinations

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

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

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below); and
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Business combinations (continued)

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

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

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

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39, with the corresponding gain or loss being recognized in profit or loss.

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Business combinations (continued)

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

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

#### Goodwill

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

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) ("CGU(s)") that is expected to benefit from the synergies of the combination.

A cash-generating unit 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 to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

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

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Subsidiaries

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

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

### Revenue recognition

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

Revenue from the sale of goods is recognized when the goods are delivered and titles have passed, at which time all 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.

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

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Leasing

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

#### *The Group as lessee*

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

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

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

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

#### *Leasehold land for own use*

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at 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 at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognized in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into in order to hedge certain foreign currency risks (see the accounting policies below); and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognized initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purposes of presenting the 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).

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

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Foreign currencies (continued)

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

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

#### Borrowing costs

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

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

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

#### Employee benefits

##### *Retirement benefit costs*

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Share-based payment arrangements

##### *Share-based payment transactions of the Company*

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. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 32.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity.

At the end of the reporting period, the Group revises its estimates of the number of share options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

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

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 the goods or services received are recognized as expenses, with a corresponding increase in equity, when the Group obtains the goods or when the counterparties render services, unless the goods or services qualify for recognition as assets.

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Taxation

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

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

Deferred tax 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 other 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.

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Taxation (continued)

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

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

#### Property, plant and equipment

Property, plant and equipment including buildings and leasehold land (classified as finance leases) 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	:	3 – 5 years
Plant and machinery	:	2 – 7 years
Motor vehicles	:	3 – 8 years
Furniture, fixtures and equipment	:	2 – 5 years

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Property, plant and equipment (continued)

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

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

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

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

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

#### Intangible assets

##### *Intangible assets acquired separately*

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

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Intangible assets (continued)

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

Intangible assets acquired in a business combination and recognized separately from goodwill 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 costs less accumulated amortization and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Alternatively, intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

##### *Derecognition of intangible assets*

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 losses. The mining rights with finite useful lives are amortized on a unit of production basis over the estimated economic reserve of the mine.

#### 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.

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 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.

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

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

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

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. 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.

#### Inventories

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

#### Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts (if any).

#### 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).

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Provisions (continued)

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. 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 People's Republic of China (the "PRC") at the end of the reporting period, and is discounted to their present value where the effect is material.

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

#### Financial instruments

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

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

#### *Financial assets*

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

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Financial instruments (continued)

##### *Financial assets (continued)*

##### **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 other than those financial assets classified as at FVTPL of which interest income is included in net gains or losses.

##### **Financial assets at FVTPL**

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

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it 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 paid by an acquirer as part of a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- 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 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

*Financial assets (continued)*

#### **Financial assets at FVTPL (continued)**

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.

#### **Held-to-maturity investments**

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

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

#### **AFS financial assets**

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

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

Dividends on AFS equity investments are recognized in profit or loss when the Group's right to receive the dividends is established.

The fair value of AFS monetary financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate prevailing at the end of the reporting period. The foreign exchange gains and losses that are recognized in profit or loss are determined based on the amortized cost of the monetary asset. Other foreign exchange gains and losses are recognized in other comprehensive income.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

*Financial assets (continued)*

### **AFS financial assets (continued)**

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

### **Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including loans receivables, 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 when the recognition of interest would be immaterial (see the accounting policy in respect of impairment loss on financial assets below).

### **Impairment of financial assets**

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

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

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

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

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

*Financial assets (continued)*

#### **Impairment of financial assets (continued)**

For certain categories of financial asset, such as loans and trade receivables, assets that 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 estimated future cash flows, discounted at the financial asset's original effective interest rate.

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

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of loans and trade receivables, where the carrying amount is reduced through the use of an allowance account. 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 against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

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

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

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

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

*Financial liabilities and equity instruments*

#### **Classification as debt or equity**

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

#### **Equity instruments**

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

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

#### **Convertible bonds**

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

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

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

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

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

*Financial liabilities and equity instruments (continued)*

#### **Financial liabilities at FVTPL**

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

A financial liability is classified as held for trading if:

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

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

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

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

#### **Other financial liabilities**

Other financial liabilities (including trade and other payables, amount due to a non-controlling interest of a subsidiary, amounts due to related parties, convertible bonds and promissory notes) are subsequently measured at amortized cost using the effective interest method.

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

*Financial liabilities and equity instruments (continued)*

#### **Effective interest method**

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

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

#### *Derecognition*

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognize the asset to the extent of its continuing involvement and recognizes an associated liability. 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 in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognize, and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part no longer recognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income is recognized in profit or loss. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of those parts.

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

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Related parties

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

- (a) the party is a person or a close member of that person's family and that person:
  - (i) has controls or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

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

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

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

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

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

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

#### Critical judgments in applying accounting policies

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

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

The Group through its non-wholly owned subsidiary, 黑龍江中誼偉業經貿有限公司 (transliterated as Heilongjiang Zhongyi Weiye Economic & Trade Co., Ltd.) ("HZW"), holds certain exploration permits of the mines (Paoshouying Mine and Dumuhe Mine) located at Hulin City, Heilongjiang Province, the PRC. The exploration permits relating to Paoshouying Mine and Dumuhe Mine, with license period of 2 years at date of issue, expired in April 2015. During the year ended 31 March 2016, HZW has submitted applications to Ministry of Land and Resources of the People's Republic of China (中華人民共和國國土資源部) ("MLR") for the renewals of the exploration permits relating to the above mines. At the date of this report, the applications for the renewals of such permits have not yet been approved by the MLR and the outcomes of the applications for renewals of these exploration permits are uncertain. In the opinion of the directors, after obtaining opinion from its legal counsel, the Group will be entitled to renew its exploration permits at minimal cost.

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

If the Group is not able to obtain approval for renewal upon the expiration of its exploration and mining right permits, the carrying amounts of the exploration and evaluation assets and mining rights of approximately HK\$443,892,000 (2015: HK\$466,949,000) and HK\$131,394,000 (2015: HK\$139,075,000) respectively as at 31 March 2016 might be significantly reduced and the Group will increase amortization charges of mining rights and depreciation charges where useful lives are less than previously estimated lives, or it will write-off or write-down the carrying amounts of the exploration and evaluation assets and the mining rights, which significant impairment loss might be recognized.

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

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

#### Key sources of estimation uncertainty

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

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

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

#### *Impairment loss of loans receivables*

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

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

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

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

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

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

Key sources of estimation uncertainty (continued)

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

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

#### *Ore reserve and resources estimates*

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

#### *Impairment review of goodwill*

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating units and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 March 2016, the carrying amount of goodwill is approximately HK\$473,738,000 (2015: HK\$679,075,000). Details of the recoverable amounts calculation are disclosed in note 19.

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

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

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

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

Key sources of estimation uncertainty (continued)

#### *Provision for restoration costs*

Provision for restoration costs has been estimated by the directors of the Company by reference to the current regulatory requirements and the area affected estimated by the management. Significant changes in the regulatory requirements in relation to such costs will result in changes to the provision amount from period to period. In addition, the expected timing of cash outflows of such restoration costs are estimated based on the expected completion date of the mines and is subject to any significant changes to the production plan. As at 31 March 2016, the balance of provision for restoration costs was approximately HK\$382,000 (2015: HK\$401,000).

#### *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:

	2016 HK\$'000	2015 HK\$'000
Revenue from sales of silver concentrates	198	84
Revenue from sales of bronze concentrates	101	36
Revenue from sales of gold	2,872	2,740
Interest income from loan financing activities	18,132	18,149
Consultancy services income	16,589	34,948
	<hr/>	<hr/>
	37,892	55,957

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

### 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; and
- (b) the money lending segment represents provision of loan financing and investment and management consultation services (“Money lending”).

#### Segment revenue and results

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

	Investment in energy and natural resources (including precious metals) related projects		Money lending		Total	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
Segment revenue:						
Revenue from external customers	3,171	2,860	34,721	53,097	37,892	55,957
Segment (loss)/profit	(8,348)	(559,832)	(145,903)	44,862	(154,251)	(514,970)
Interest on bank deposits, other income and gains					4,126	1,692
Loss on early redemption of promissory notes					(3,025)	(7,273)
Finance costs					(15,760)	(19,747)
Central administration costs					(25,662)	(19,852)
Loss before tax					(194,572)	(560,150)

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current year (2015: Nil).

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

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

### 6. SEGMENT INFORMATION (continued)

#### Segment assets and liabilities

	Investment in energy and natural resources (including precious metals) related projects		Money lending		Total	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
Segment assets	758,230	807,320	618,858	832,504	1,377,088	1,639,824
Corporate and unallocated assets					24,605	27,677
Consolidated assets					1,401,693	1,667,501
Segment liabilities	48,825	53,396	3,327	2,578	52,152	55,974
Corporate and unallocated liabilities					115,546	138,301
Consolidated liabilities					167,698	194,275

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 and goodwill are allocated to operating segments; and
- all liabilities are allocated to operating segments other than convertible bonds, promissory notes and other unallocated head office and corporate liabilities.

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

### 6. SEGMENT INFORMATION (continued)

#### Other segment information

	Investment in energy and natural resources (including precious metals) related projects		Money lending		Total	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
<i>Amounts included in the measure of segment profit or loss:</i>						
Depreciation	6,861	7,185	334	419	7,195	7,604
Unallocated depreciation					194	291
					<b>7,389</b>	<b>7,895</b>
Amortization of other intangible assets	826	1,360	32	33	858	1,393
Impairment loss of inventories	-	367	-	-	-	367
Impairment loss of trade receivables	-	-	1,072	-	1,072	-
Impairment loss of exploration and evaluation assets	-	547,839	-	-	-	547,839
Impairment loss of goodwill	-	-	171,806	-	171,806	-
Additions to non-current assets	16	553	31	110	47	663
Unallocated					-	29
Total additions to non-current assets					<b>47</b>	<b>692</b>

#### 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	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
Hong Kong	-	661	82	274
PRC	37,892	55,296	1,133,032	1,380,899
	<b>37,892</b>	<b>55,957</b>	<b>1,133,114</b>	<b>1,381,173</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

### 6. SEGMENT INFORMATION (continued)

#### Information about major customers

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

	2016 HK\$'000	2015 HK\$'000
Customer A	N/A <sup>1</sup>	14,005
Customer B	10,933	8,874
Customer C	4,583	N/A <sup>1</sup>
	<hr/>	<hr/>
	15,516	22,879

<sup>1</sup> The corresponding revenue did not contribute over 10% of the total revenue of the Group.

For the year ended 31 March 2016, there were two (2015: two) customers with revenue which accounted for more than 10% of the total revenue related to Money lending segment.

### 7. OTHER INCOME AND GAINS

	2016 HK\$'000	2015 HK\$'000
Interest income on bank deposits	837	653
Net foreign exchange gains	–	653
Sundry income	3,289	386
	<hr/>	<hr/>
	4,126	1,692

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

### 8. FINANCE COSTS

	2016 HK\$'000	2015 HK\$'000
Effective interest on convertible bonds	15,314	17,920
Effective interest on promissory notes	446	1,827
	<u>15,760</u>	<u>19,747</u>

No interest was capitalized during the year ended 31 March 2016 (2015: Nil).

### 9. INCOME TAX EXPENSE

Income tax recognized in profit or loss

	2016 HK\$'000	2015 HK\$'000
Current tax		
Hong Kong Profits Tax	–	–
PRC Enterprise Income Tax	4,928	4,892
Overprovision in prior years		
Hong Kong Profits Tax	–	(11)
Deferred tax ( <i>Note 30</i> )	<u>(1,682)</u>	<u>(1,593)</u>
Total income tax expense recognized in profit or loss	<u>3,246</u>	<u>3,288</u>

Hong Kong Profits Tax is calculated at 16.5% (2015: 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.

Notwithstanding the above, certain PRC subsidiaries were subject to PRC Enterprise Income Tax at the effective rate, ranging from 2.5% to 3.75% (2015: ranging from 2.5% to 3%) on revenue for the year ended 31 March 2016.

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

### 9. INCOME TAX EXPENSE (continued)

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

The tax charge 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:

	2016 HK\$'000	2015 HK\$'000
Loss before tax	(194,572)	(560,150)
Tax at the Hong Kong Profits Tax rate of 16.5% (2015: 16.5%)	(32,104)	(92,425)
Tax effect of expenses not deductible for tax purpose	33,493	94,462
Tax effect of income not taxable for tax purpose	(697)	(277)
Tax effect of deductible temporary differences not recognized	21	13
Overprovision in prior years	–	(11)
Tax effect of estimated tax losses not recognized	983	3,083
Utilization of tax losses previously not recognized	–	(876)
Effect of different tax rates of group entities operating in other jurisdictions	(4,438)	(7,285)
Withholding tax on profits retained by the PRC subsidiaries	1,060	1,712
PRC Enterprise Income Tax	4,928	4,892
<b>Income tax expense for the year</b>	<b>3,246</b>	<b>3,288</b>

#### Income tax recognized directly in equity

	2016 HK\$'000	2015 HK\$'000
Deferred tax:		
Conversion of convertible bonds	3,225	–
<b>Total income tax recognized directly in equity</b>	<b>3,225</b>	<b>–</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

### 10. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging:

	2016 HK\$'000	2015 HK\$'000
Directors' and chief executive's emoluments	7,792	9,249
Employee benefits expense (excluding directors' and chief executive's emoluments) ( <i>Note (i)</i> )		
– Salaries and other benefits in kind	7,081	11,138
– Contributions to retirement benefits schemes	452	500
<b>Total staff costs</b>	<b>15,325</b>	<b>20,887</b>
Auditors' remuneration	1,460	1,410
Amortization of other intangible assets included in general and administrative expenses	858	1,393
Cost of inventories recognized as expense	4,612	3,903
Depreciation of property, plant and equipment ( <i>Note (ii)</i> )	7,389	7,895
Impairment loss of inventories included in general and administrative expenses	–	367
Impairment loss of trade receivables included in general and administrative expenses	1,072	–
Loss on disposal of property, plant and equipment – net	–	24
Minimum lease payments paid under operating leases in respect of land and buildings	1,407	1,338
Net foreign exchange losses	7,388	–

*Notes:*

- (i) Employee benefits expense of approximately HK\$687,000 were capitalized in inventories for the year ended 31 March 2016 (2015: HK\$2,200,000).
- (ii) Depreciation of property, plant and equipment of approximately HK\$2,000,000 was capitalized in inventories for the year ended 31 March 2016 (2015: HK\$2,106,000).

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

### 11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the five (2015: seven) directors and the chief executive were as follows:

For the year ended 31 March 2016

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

For the year ended 31 March 2015

	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	-	6,960	-	18	-	6,978
Mr. Sung Kin Man (Note (ii))	-	2,200	-	16	-	2,216
Mr. Ng Kwok Chu, Winfield (Note (i))	-	40	-	2	-	42
Ms. Wong Li Fong (Note (iii))	-	12	-	1	-	13
<i>Independent non-executive directors</i>						
Ms. Xuan Hong	-	-	-	-	-	-
Mr. Cai Wei Lun	-	-	-	-	-	-
Mr. Zhang Qingkui	-	-	-	-	-	-
<b>Total emoluments</b>	<b>-</b>	<b>9,212</b>	<b>-</b>	<b>37</b>	<b>-</b>	<b>9,249</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

### 11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (continued)

Notes:

- (i) Resigned on 26 May 2014.
- (ii) Resigned on 2 March 2015.
- (iii) Appointed on 2 March 2015.

The chief executive of the Company, Mr. Sung Kin Man, was also a director of the Company for the period from 1 April 2013 to 2 March 2015. Following the resignation of Mr. Sung Kin Man on 2 March 2015, the Company has not appointed a chief executive and no emoluments were paid to the chief executive of the Company for the period from 3 March 2015 to 31 March 2016.

Save as disclosed above, neither the chief executive nor any of the directors waived any emoluments in the year ended 31 March 2016 (2015: Nil).

### 12. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, one (2015: two) was director of the Company whose emoluments are included in the disclosures in note 11 above. The emoluments of the remaining four (2015: three) individuals were as follows:

	2016 HK\$'000	2015 HK\$'000
Salaries and other benefits in kind	2,428	2,418
Contributions to retirement benefits schemes	77	67
	<hr/>	<hr/>
	2,505	2,485

Their emoluments fell within the following band:

	Number of employees	
	2016	2015
Nil – HK\$1,000,000	3	2
HK\$1,000,001 – HK\$1,500,000	1	1

During the year ended 31 March 2016, no emoluments were paid by the Group to any of the five highest paid individuals including directors and the chief executive, as an inducement to join or upon joining the Group or as compensation for loss of office (2015: Nil).

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

### 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 2016, 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\$480,000 (2015: HK\$537,000). At 31 March 2016, there were no forfeited contributions available for the Group to offset contributions payable in future years (2015: 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:

	2016 HK\$'000	2015 HK\$'000
<u>Loss</u>		
Loss for the year attributable to owners of the Company for the purposes of basic and diluted loss per share	(194,039)	(514,793)
<u>Number of shares</u>		
	2016 '000	2015 '000
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	1,091,686	892,807

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

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

### 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
<b>Cost</b>								
Balance at 1 April 2014	24,162	272	66,026	17,761	5,471	1,100	9,095	123,887
Additions	-	-	-	103	-	250	23	376
Disposals	-	(99)	-	-	(342)	(58)	-	(499)
Transferred from construction in progress	-	-	6,689	-	-	-	(6,689)	-
Effect of foreign currency exchange differences	119	1	349	94	21	4	19	607
<b>Balance at 31 March 2015</b>	<b>24,281</b>	<b>174</b>	<b>73,064</b>	<b>17,958</b>	<b>5,150</b>	<b>1,296</b>	<b>2,448</b>	<b>124,371</b>
Additions	-	-	-	16	-	31	-	47
Effect of foreign currency exchange differences	(1,207)	(8)	(3,608)	(958)	(206)	(47)	(121)	(6,155)
<b>Balance at 31 March 2016</b>	<b>23,074</b>	<b>166</b>	<b>69,456</b>	<b>17,016</b>	<b>4,944</b>	<b>1,280</b>	<b>2,327</b>	<b>118,263</b>
<b>Accumulated depreciation and impairment</b>								
Balance at 1 April 2014	9,783	90	205	7,737	2,717	636	-	21,168
Eliminated on disposals of assets	-	(52)	-	-	(238)	(33)	-	(323)
Depreciation expense	3,873	73	6	2,951	787	205	-	7,895
Effect of foreign currency exchange differences	64	-	1	56	11	3	-	135
<b>Balance at 31 March 2015</b>	<b>13,720</b>	<b>111</b>	<b>212</b>	<b>10,744</b>	<b>3,277</b>	<b>811</b>	<b>-</b>	<b>28,875</b>
Depreciation expense	3,759	20	89	2,717	619	185	-	7,389
Effect of foreign currency exchange differences	(749)	(8)	(12)	(647)	(128)	(29)	-	(1,573)
<b>Balance at 31 March 2016</b>	<b>16,730</b>	<b>123</b>	<b>289</b>	<b>12,814</b>	<b>3,768</b>	<b>967</b>	<b>-</b>	<b>34,691</b>
<b>Carrying amounts</b>								
<b>Balance at 31 March 2016</b>	<b>6,344</b>	<b>43</b>	<b>69,167</b>	<b>4,202</b>	<b>1,176</b>	<b>313</b>	<b>2,327</b>	<b>83,572</b>
<b>Balance at 31 March 2015</b>	<b>10,561</b>	<b>63</b>	<b>72,852</b>	<b>7,214</b>	<b>1,873</b>	<b>485</b>	<b>2,448</b>	<b>95,496</b>

*Notes:*

- (i) Amongst the depreciation expense of approximately HK\$7,389,000 (2015: HK\$7,895,000), approximately HK\$2,000,000 (2015: HK\$2,106,000) was capitalized in inventories, and approximately HK\$5,389,000 (2015: HK\$5,789,000) 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 2016

### 16. OTHER INTANGIBLE ASSETS

	Mining rights HK\$'000 <i>(Note (a))</i>	License HK\$'000 <i>(Note (b))</i>	Total HK\$'000
<b>Cost</b>			
Balance at 1 April 2014	153,948	623	154,571
Effect of foreign currency exchange differences	754	3	757
<b>Balance at 31 March 2015</b>	<b>154,702</b>	<b>626</b>	<b>155,328</b>
Effect of foreign currency exchange differences	(7,639)	(31)	(7,670)
<b>Balance at 31 March 2016</b>	<b>147,063</b>	<b>595</b>	<b>147,658</b>
<b>Accumulated amortization</b>			
Balance at 1 April 2014	14,192	15	14,207
Charged for the year	1,360	33	1,393
Effect of foreign currency exchange differences	75	–	75
<b>Balance at 31 March 2015</b>	<b>15,627</b>	<b>48</b>	<b>15,675</b>
Charged for the year	826	32	858
Effect of foreign currency exchange differences	(784)	(3)	(787)
<b>Balance at 31 March 2016</b>	<b>15,669</b>	<b>77</b>	<b>15,746</b>
<b>Carrying amounts</b>			
<b>Balance at 31 March 2016</b>	<b>131,394</b>	<b>518</b>	<b>131,912</b>
<b>Balance at 31 March 2015</b>	<b>139,075</b>	<b>578</b>	<b>139,653</b>

*Notes:*

- (a) The mining rights represent the rights to conduct mining activities pertains to gold mine ores in the PRC. The mining rights are amortized on a unit of production basis over the estimated economic reserve of the mine. Effective amortization rate for the year approximate to 0.6% (2015: 0.9%).

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

During the year ended 31 March 2016, the directors of the Company performed an impairment assessment of the mining rights. The mining rights has been allocated to the gold mining activities' CGU for impairment assessment (note 19). Based on the assessment, in the opinion of the directors of the Company, the estimated recoverable amount of the mining rights was higher than its carrying amount and therefore, no impairment loss was recognized on the mining rights for the year ended 31 March 2016 (2015: 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 2016, the license has a remaining licensing period of approximately 16.5 years (2015: 17.5 years).

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

### 17. EXPLORATION AND EVALUATION ASSETS

	HK\$'000
<b>Cost</b>	
Balance at 1 April 2014	1,173,540
Additions	316
Effect of foreign currency exchange differences	5,745
	<hr/>
Balance at 31 March 2015	1,179,601
Effect of foreign currency exchange differences	(58,246)
	<hr/>
Balance at 31 March 2016	1,121,355
	<hr/>
<b>Accumulated impairment losses</b>	
Balance at 1 April 2014	164,010
Impairment loss recognized	547,839
Effect of foreign currency exchange differences	803
	<hr/>
Balance at 31 March 2015	712,652
Effect of foreign currency exchange differences	(35,189)
	<hr/>
Balance at 31 March 2016	677,463
	<hr/>
<b>Carrying amounts</b>	
Balance at 31 March 2016	443,892
	<hr/>
Balance at 31 March 2015	466,949
	<hr/>

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.

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

### 17. EXPLORATION AND EVALUATION ASSETS (continued)

The Group through its non-wholly owned subsidiary, HZW, holds certain exploration permits of the mines (Paoshouying Mine and Dumuhe Mine) located at Hulin City, Heilongjiang Province, the PRC. The exploration permits relating to Paoshouying Mine and Dumuhe Mine, with license period of 2 years at date of issue, expired in April 2015. During the year ended 31 March 2016, HZW has submitted applications to MLR for the renewals of the exploration permits relating to the above mines. At the date of this report, the applications for the renewals of such permits have not yet been approved by the MLR and the outcomes of the applications for renewals of these exploration permits are uncertain. If the applications for the renewals of the permits are not successful, the Group may suffer a significant amount of impairment loss on its exploration and evaluation assets, which may have a significant adverse effect on the consolidated financial statements of the Group.

At the end of the reporting period, the Group has reassessed the projected cash flow relating to the value in use with reference to valuation performed by an independent professional valuer and conducted an impairment review on the exploration and evaluation assets.

For the purpose of impairment testing, the exploration and evaluation assets (including Paoshouying Mine and Dumuhe Mine) have been allocated to the CGU of Heilongjiang mines exploration.

The recoverable amount of the Heilongjiang mines exploration's CGU has been determined based on value in use calculation. That calculation uses cash flow projections based on most recent financial budgets after taking into account the operation environment and market conditions at that point of time approved by the management covering a five-year period with pre-tax discount rate of 34.57% (2015: 33.40%). The cash flows beyond the five year period are extrapolated using zero growth rate. The directors of the Company consider that this assumption is applicable as after obtaining opinion from its legal counsel, the Group will be entitled to renew its exploration permits at minimal cost. In performing impairment testing, the directors of the Company have made reference to 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 Heilongjiang mines exploration's CGU, taking into consideration of the expected future capital expenditure and capacity expansion.

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

### 17. EXPLORATION AND EVALUATION ASSETS (continued)

#### *Mining costs*

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

#### *Commodity price*

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

#### *Discount rates*

The discount rates used are based on a weighted average cost of capital, before tax reflecting specific risks relating to the Heilongjiang mines exploration's CGU.

The directors of the Company are of the opinion that based on the value in use assessment, there was no impairment on the exploration and evaluation assets and no impairment loss is recognized for the year ended 31 March 2016 (2015: impairment loss of approximately HK\$547,839,000 has been recognized to the consolidated statement of profit or loss and other comprehensive income).

### 18. GOODWILL

	HK\$'000
<b>Cost</b>	
Balance at 1 April 2014	675,767
Effect of foreign currency exchange differences	3,308
	<hr/>
Balance at 31 March 2015	679,075
Effect of foreign currency exchange differences	(33,531)
	<hr/>
Balance at 31 March 2016	645,544
	<hr/>
<b>Accumulated impairment losses</b>	
Balance at 1 April 2014 and 31 March 2015	–
Impairment loss recognized	171,806
	<hr/>
Balance at 31 March 2016	171,806
	<hr/>
<b>Carrying amounts</b>	
Balance at 31 March 2016	473,738
	<hr/>
Balance at 31 March 2015	679,075
	<hr/>

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

### 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.

	2016 HK\$'000	2015 HK\$'000
Gold mining activities	91,604	96,362
Loan financing activities	382,134	582,713
	<hr/>	<hr/>
	473,738	679,075

#### Gold mining activities

The recoverable amount of the gold mining activities' CGU has been determined based on value in use calculation. That calculation uses cash flow projections based on most recent financial budgets after taking into account the operation environment and market conditions at that point of time approved by the management covering a five-year period using pre-tax discount rate of 34.83% (2015: 33.49%). 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.

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

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

Gold mining activities (continued)

#### *Commodity price*

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

#### *Discount rates*

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

The directors of the Company are of the view that, based on the value in use assessment, the recoverable amount of the gold mining activities' CGU was higher than its carrying amount and hence no impairment of goodwill and the mining rights allocated to the gold mining activities' CGU was recognized for the years ended 31 March 2016 and 2015.

In the opinion of the directors of the Company, any reasonably possible change in any of these assumptions would not cause the carrying amount of the gold mining activities' CGU to exceed the recoverable amount of the gold mining activities' CGU.

#### Loan financing activities

The recoverable amount of the loan financing activities' CGU has been determined based on value in use calculation. That calculation uses cash flow projections based on most recent financial budgets after taking into account the operation environment and market conditions at that point of time approved by the management covering a five-year period with pre-tax discount rate of 13.69% (2015: 13.51%). The cash flows beyond the five year period are extrapolated using 3% (2015: 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 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.

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

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

Loan financing activities (continued)

#### *Selling and administrative expenses*

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

#### *Capital resources*

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

#### *Cost of borrowings*

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

#### *Discount rate*

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

The directors of the Company are of the view that, based on the value in use assessment, the recoverable amount of the loan financing activities' CGU was lower than its carrying amount, an impairment loss of goodwill of approximately HK\$171,806,000 has been recognized to the consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2016 (2015: Nil). The decline in value in use of the loan financing activities' CGU was mainly contributed by the decline in interest rate and consultancy fee charge during the year. The interest rate and consultancy fee charge adopted in the value in use assessment each year has referred to the actual rate charged to customers by the Money lending business.

### 20. INVENTORIES

	2016 HK\$'000	2015 HK\$'000
Raw materials	2,530	3,212
Finished goods	3,276	4,241
	<hr/>	<hr/>
	5,806	7,453

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

### 21. LOANS RECEIVABLES

	2016 HK\$'000	2015 HK\$'000
Loans receivables from Money lending operations	134,815	199,416

The Group seeks to maintain strict control over its outstanding loans receivables so as to minimize credit risk. The granting of loans is subject to approval by the management, whilst overdue balances are reviewed regularly for recoverability. Loans receivables are charging on effective interest rate mutually agreed with the contracting parties, ranging from 6% to 20% (2015: ranging from 6% to 12%) per annum.

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

	2016 HK\$'000	2015 HK\$'000
To be matured:		
Within 1 month	12,021	45,397
3 months or less but over 1 month	–	38,821
6 months or less but over 3 months	67,317	58,168
9 months or less but over 6 months	6,011	–
Neither past due nor impaired	85,349	142,386
Matured:		
Less than 1 month	1,000	1,075
Less than 3 months but over 1 month	1,599	2,150
Less than 6 months but over 3 months	1,585	3,224
Less than 1 year but over 6 months	2,642	50,581
Over 1 year	42,640	–
	134,815	199,416

Loans receivables that were neither past due nor impaired relate to diversified customers for whom there was no recent history of default. The directors of the Company are of the opinion that no provision for impairment is necessary in respect of these loans receivables as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The directors of the Company are of the opinion that no provision for impairment is necessary in respect of the loans receivables which are past due as the loans receivables are still considered recoverable. The litigation in relation to the loans receivables that have been matured over 1 year are further detailed in note 39 to the consolidated financial statements.

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

### 21. LOANS RECEIVABLES (continued)

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

### 22. TRADE AND OTHER RECEIVABLES

	2016 HK\$'000	2015 HK\$'000
Trade receivables	1,553	1,193
Less: allowance for doubtful debts	(1,072)	–
	481	1,193
Prepayments	457	675
Deposits	2,012	2,454
Other receivables	1,826	415
	4,776	4,737

Trade receivables represent consultancy services income receivables in respect of the Money lending operations in the PRC.

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

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

	2016 HK\$'000	2015 HK\$'000
0 – 30 days	240	47
31 – 60 days	241	–
91 – 180 days	–	1,146
	481	1,193

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

### 22. TRADE AND OTHER RECEIVABLES (continued)

	2016 HK\$'000	2015 HK\$'000
Neither past due nor impaired	–	47
Past due but not impaired		
– overdue by 1 – 30 days	249	–
– overdue by 31 – 60 days	232	–
– overdue more than 120 days	–	1,146
	<hr/>	<hr/>
	481	1,193

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

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

#### Movement in the allowance for doubtful debts

	2016 HK\$'000	2015 HK\$'000
At beginning of reporting period	–	–
Impairment loss recognized on trade receivables	1,072	–
	<hr/>	<hr/>
At end of reporting period	1,072	–

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

### 23. BANK BALANCES AND CASH

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

At the end of the reporting period, the bank balances and cash of the Group denominated in Renminbi (“RMB”) and placed with banks in the PRC amounted to approximately HK\$98,148,000 (2015: HK\$45,205,000). 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.

### 24. TRADE AND OTHER PAYABLES

	2016 HK\$'000	2015 HK\$'000
Trade payables	108	179
Accrued expenses and other payables	6,257	8,017
Deposit received for construction in mining sites	1	1
Payables for acquisition of property, plant and equipment and exploration of mines	699	790
PRC business tax and other levies payable	9,498	9,208
	16,563	18,195

The following is an analysis of trade payables by age, presented based on the invoice date:

	2016 HK\$'000	2015 HK\$'000
91 – 180 days	6	179
Over 180 days	102	–
	108	179

### 25. AMOUNT DUE TO A NON-CONTROLLING INTEREST OF A SUBSIDIARY

The amount due is unsecured, interest-free and repayable on demand.

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

### 26. AMOUNTS DUE TO RELATED PARTIES

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

### 27. CONVERTIBLE BONDS

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

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

During the year ended 31 March 2016, convertible bonds with principal amount of HK\$46,805,000 (2015: Nil) were converted into ordinary shares of HK\$0.01 each of the Company (after adjustment for the share subdivision effected on 25 March 2014) at the conversion price of HK\$0.37 per share. Accordingly, a total 126,500,000 ordinary shares at HK\$0.01 each (after adjustment for the share subdivision effected on 25 March 2014) were issued.

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

	HK\$'000
Balance at 1 April 2014	82,889
Effective interest expense charged ( <i>Note 8</i> )	17,920
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Balance at 31 March 2015	100,809
Effective interest expense charged ( <i>Note 8</i> )	15,314
Arising from conversion of convertible bonds	(26,994)
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Balance at 31 March 2016	89,129

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

### 28. PROMISSORY NOTES

The Group issued promissory notes with principal amount of HK\$150,000,000 (“T1 P-Note”) and HK\$50,000,000 (“T2 P-Note”) respectively as part of the consideration to the acquisition of Treasure Join Limited. Under the terms of the promissory notes, the promissory notes with aggregate principal amount of HK\$200,000,000 are unsecured, interest bearing at 1.5% per annum and has a maturity period of 5 years from the date of issue but can be repaid in whole or in part before maturity at the discretion of the Company at its principal amount and accrued interest up to the redemption date. The promissory notes were fair valued at initial recognition with an effective interest rate of 12.38% per annum for T1 P-Note and 12.40% per annum for T2 P-Note respectively.

On 29 January 2014, Mr. Leung has executed a deed of waiver (“Deed of Waiver”) in favor of the Group, pursuant to which Mr. Leung irrevocably and unconditionally waived, released and discharged the Group from the obligation to pay the (i) T3 Price (comprising convertible bonds with principal amount of HK\$170,000,000 subject to and upon the satisfaction of the payment conditions pursuant to the acquisition agreement dated 27 September 2012 and supplemented by three supplemental agreements dated 19 November 2012, 19 December 2012 and 23 September 2013 respectively (the “Acquisition Agreements”) with Mr. Leung in relation to the acquisition of the entire issued share capital in Treasure Join Limited and the related sale debts) and T4 Price (comprising convertible bonds with principal amount of HK\$85,000,000 subject to and upon the satisfaction of the payment conditions pursuant to the Acquisition Agreements with Mr. Leung in relation to the acquisition of the entire issued share capital in Treasure Join Limited and the related sale debts); and (ii) the obligation to pay the entirety of interest accrued and accruing on the T1 P-Note and the T2 P-Note, conditional upon a sum of HK\$170,000,000 (being a portion of the aggregate principal amounts owing by the Group to Mr. Leung under the T1 P-Note and the T2 P-Note in connection with the acquisition of Treasure Join Limited) being paid to Mr. Leung on or before 28 February 2014 and the sum was subsequently paid to Mr. Leung within the prescribed time-limit. As the Deed of Waiver involves the waiving of the payment obligations of the Group in respect of the T3 Price, the T4 Price and the obligation to pay the entirety of interest accrued and accruing on the T1 P-Note and the T2 P-Note, it constitutes financial assistance provided by Mr. Leung and it therefore constitutes a connected transaction on the part of the Company under Chapter 14A of the Listing Rules. As the financial assistance provided by Mr. Leung was on terms better to the Company and no security over any assets of the Group was granted in respect of such financial assistance, the execution of the Deed of Waiver was exempted from the reporting, announcement and independent shareholders’ approval requirements pursuant to Rule 14A.65(4) of the Listing Rules.

During the year ended 31 March 2016, the Company early redeemed the remaining outstanding promissory notes with principal amount of HK\$10,000,000 (2015: HK\$20,000,000) and incurred loss on early redemption of promissory notes of approximately HK\$3,025,000 (2015: HK\$7,273,000) and has been recognized in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2016.

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

### 29. PROVISION FOR RESTORATION COSTS

	HK\$'000
Balance at 31 March 2014	400
Effect of foreign currency exchange differences	1
<hr/>	
Balance at 31 March 2015	401
Effect of foreign currency exchange differences	(19)
<hr/>	
Balance at 31 March 2016	382

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.

### 30. DEFERRED TAXATION

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

	Other intangible assets – Mining rights HK\$'000	Other intangible assets – License HK\$'000	Convertible bonds HK\$'000	Withholding tax HK\$'000	Total HK\$'000
Balance at 1 April 2014	34,776	151	16,563	1,388	52,878
(Credit)/charge to profit or loss	(340)	(8)	(2,957)	1,712	(1,593)
Release upon payment of withholding tax	–	–	–	(918)	(918)
Effect of foreign currency exchange differences	168	1	–	2	171
<hr/>					
Balance at 31 March 2015	34,604	144	13,606	2,184	50,538
(Credit)/charge to profit or loss	(207)	(8)	(2,527)	1,060	(1,682)
Credit directly to equity	–	–	(3,225)	–	(3,225)
Release upon payment of withholding tax	–	–	–	(1,174)	(1,174)
Effect of foreign currency exchange differences	(1,705)	(7)	–	–	(1,712)
<hr/>					
Balance at 31 March 2016	32,692	129	7,854	2,070	42,745

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

### 30. 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 2016 and 2015, 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\$54,266,000 (2015: HK\$53,721,000) 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\$19,574,000 (2015: HK\$19,574,000) available for offset against future profits that may be carried forward indefinitely. No deferred tax asset has been recognized in respect of the tax losses due to the unpredictability of future profit streams.

### 31. SHARE CAPITAL

	Number of shares	Share capital HK\$'000
<b>Authorized:</b>		
At 1 April 2014, 31 March 2015 and 2016, ordinary shares of HK\$0.01 each	40,000,000,000	400,000
<b>Issued and fully paid:</b>		
At 1 April 2014, ordinary shares of HK\$0.01 each	844,587,497	8,446
Issue of new ordinary shares ( <i>Note (i)</i> )	160,000,000	1,600
At 31 March 2015, ordinary shares of HK\$0.01 each	1,004,587,497	10,046
Conversion of convertible bonds ( <i>Note (ii)</i> )	126,500,000	1,265
At 31 March 2016, ordinary shares of HK\$0.01 each	1,131,087,497	11,311

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

### 31. SHARE CAPITAL (continued)

*Notes:*

- (i) On 8 December 2014, Mr. Leung, the Company and the placing agent entered into the placing and subscription agreement pursuant to which (i) the placing agent has agreed to act as agents for Mr. Leung to place, on a best effort basis, and Mr. Leung has agreed to sell, a total of up to 160,000,000 placing shares to not less than six placees who and whose ultimate beneficial owners will be third parties independent of and not acting in concert with Mr. Leung, the Company and their respective associates and connected persons, at the placing price of HK\$0.216 per placing share; and (ii) Mr. Leung has conditionally agreed to subscribe for up to 160,000,000 new subscription shares at the subscription price of HK\$0.216 per subscription share.

Completion of the placing took place on 9 December 2014 in accordance with the placing and subscription agreement and an aggregate of 160,000,000 placing shares were placed to not less than six placees who are independent third parties, at the placing price of HK\$0.216 per placing share.

On 12 December 2014, an aggregate of 160,000,000 ordinary shares of HK\$0.01 each in the capital of the Company were allotted and issued to Mr. Leung at HK\$0.216 per subscription share. The exercise gave rise to a net proceed of approximately HK\$33,313,000.

- (ii) During the year ended 31 March 2016, 126,500,000 ordinary shares of HK\$0.01 each were issued pursuant to the exercise of the conversion rights attaching to the Company's convertible bonds (note 27) issued in connection with the acquisition of Treasure Join Limited at a conversion price of HK\$0.37 per share.

### 32. 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.

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

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

#### 2002 Scheme

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

- (i) any employee or proposed employee (whether full time or part time including any executive director but excluding any non-executive director) of the Company, any of its subsidiaries or any entity (“Invested Entity”) in which the Group holds an equity interest, any of such subsidiaries or any Invested Entity;
- (ii) any non-executive directors or proposed non-executive director (including independent non-executive directors) of the Company, any of its subsidiaries or any Invested Entity;
- (iii) any supplier or potential supplier of goods or services to any member of the Group or any Invested Entity;
- (iv) any customer or potential customer of the Group or any Invested Entity;
- (v) any person or entity that provides or will provide research, development or other technological support to the Group or any Invested Entity;
- (vi) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued or proposed to be issued by any member of the Group or any Invested Entity;
- (vii) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of the Group or any Invested Entity; and
- (viii) any joint venture partner or business alliance that co-operates with any member of the Group or any Invested Entity in any area of business operation or development.

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

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

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

#### 2002 Scheme (continued)

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

#### 2012 Scheme

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

- (i) any employee or proposed employee (whether full time or part time including any executive director but excluding any non-executive director) of the Company, any of its subsidiaries or any Invested Entity;
- (ii) any non-executive directors (including independent non-executive directors) of the Company, any of its subsidiaries or any Invested Entity;
- (iii) any supplier of goods or services to any member of the Group or any Invested Entity;
- (iv) any customer of any member of the Group or any Invested Entity;
- (v) any person or entity that provides research, development or other technological support to any member of the Group or any Invested Entity;
- (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;

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

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

#### 2012 Scheme (continued)

- (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.

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.

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

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

The following tables disclose movements of the Company's share options granted under the 2002 Scheme during the years ended 31 March 2015 and 2016:

Year ended 31 March 2016

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

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

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

Year ended 31 March 2015

Date of grant	Exercisable period	Exercise price HK\$	Outstanding at 1/4/2014	Number of share options			Outstanding at 31/3/2015
				Granted during the year	Exercised during the year	Lapsed during the year	
1 November 2004	1 November 2004 to 31 October 2014	4.750	220,000	-	-	(220,000)	-
29 November 2004	29 November 2004 to 28 November 2014	4.600	300,000	-	-	(300,000)	-
3 January 2005	3 January 2005 to 2 January 2015	4.100	800,000	-	-	(800,000)	-
12 January 2005	12 January 2005 to 11 January 2015	4.100	500,000	-	-	(500,000)	-
23 March 2005	23 March 2005 to 22 March 2015	3.400	400,000	-	-	(400,000)	-
8 May 2006	8 May 2006 to 7 May 2016	14.600	2,300,000	-	-	-	2,300,000
1 September 2006	1 September 2006 to 31 August 2016	7.100	3,600,000	-	-	-	3,600,000
4 September 2006	4 September 2006 to 3 September 2016	7.100	600,000	-	-	-	600,000
1 June 2007	1 June 2007 to 31 May 2017	4.550	1,400,000	-	-	-	1,400,000
14 May 2008	14 May 2008 to 13 May 2018	1.360	1,200,000	-	-	-	1,200,000
4 May 2010	4 May 2010 to 3 May 2020	3.000	4,000,000	-	-	(1,000,000)	3,000,000
27 January 2012	27 January 2012 to 26 January 2015	0.812	12,000,000	-	-	(12,000,000)	-
			27,320,000	-	-	(15,220,000)	12,100,000
Exercisable at the end of the year							12,100,000
Weighted average exercise price			HK\$3.743	-	-	HK\$1.436	HK\$6.645

No share option was granted under the 2002 Scheme during the years ended 31 March 2015 and 2016.

No share option granted under the 2002 Scheme was exercised during the years ended 31 March 2015 and 2016.

Under the 2002 Scheme, the options outstanding at 31 March 2016 had weighted average exercise price of HK\$6.645 (2015: HK\$6.645) and a weighted average remaining contractual life of 1.5 years (2015: 2.5 years).

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

### 32. 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 2015 and 2016:

#### Year ended 31 March 2016

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

#### Year ended 31 March 2015

Date of grant	Exercisable period	Exercise price HK\$	Outstanding at 1/4/2014	Number of share options			Outstanding at 31/3/2015
				Granted during the year	Exercised during the year	Canceled during the year	
26 April 2012	26 April 2012 to 25 April 2015	0.450	7,700,000	-	-	-	7,700,000
24 September 2012	24 September 2012 to 23 September 2015	0.335	47,900,000	-	-	-	47,900,000
24 May 2013	24 May 2013 to 23 May 2023	0.192	7,000,000	-	-	-	7,000,000
8 July 2013	8 July 2013 to 7 July 2023	0.200	7,700,000	-	-	-	7,700,000
			70,300,000	-	-	-	70,300,000
Exercisable at the end of the year							70,300,000
Weighted average exercise price			HK\$0.319	-	-	-	HK\$0.319

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

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

No share options was granted under the 2012 Scheme during the years ended 31 March 2016 and 2015.

No share option granted under the 2012 Scheme was exercised during the years ended 31 March 2016 and 2015.

Under the 2012 Scheme, the options outstanding at 31 March 2016 had weighted average exercise price of HK\$0.196 (2015: HK\$0.319) and weighted average remaining contractual life of 7.2 years (2015: 2.1 years).

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

### 33. WARRANTS

On 11 April 2012, an aggregate of 152,000,000 unlisted warrants were successfully placed by the Company to not less than six placees who are third parties independent of and not connected to the Company and its connected persons, at the placing price of HK\$0.01 per warrant and the subscription price of HK\$0.72 per warrant share. The subscription period for the warrants is from the date of issue of the warrants to 31 December 2014 (both dates inclusive).

Upon the exercise in full of the subscription rights attached to the warrants, a maximum of 152,000,000 shares will be allotted and issued. The net proceeds from the placing (without taking into account of the exercise of the subscription rights attaching to the warrants) after taking into account the expenses in relation to the placing and issue of unlisted warrants amounted to approximately HK\$1.4 million.

During the year ended 31 March 2015, the outstanding 152,000,000 warrants were lapsed and the warrants reserve of approximately HK\$1,420,000 was released and transferred to accumulated losses within equity.

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

### 34. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. The Group's overall strategy remains unchanged from prior year.

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

#### 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:

	2016 HK\$'000	2015 HK\$'000
Debts ( <i>Note i</i> )	89,129	107,338
Cash and cash equivalents	(123,182)	(74,722)
Net debt	(34,053)	32,616
Equity ( <i>Note (ii)</i> )	1,233,995	1,473,226
Gearing ratio	N/A	2.21%

*Notes:*

- (i) Debts include convertible bonds and promissory notes as detailed in notes 27 and 28 respectively.
- (ii) Equity includes all capital, reserves and non-controlling interests.

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

### 35. FINANCIAL INSTRUMENTS

#### 35.1 Categories of financial instruments

	2016 HK\$'000	2015 HK\$'000
<b>Financial assets</b>		
Loans and receivables:		
– Loans receivables	134,815	199,416
– Financial assets included in trade and other receivables	4,319	4,062
– Bank balances and cash	123,182	74,722
<b>Financial liabilities</b>		
Financial liabilities at amortized cost:		
– Financial liabilities included in trade and other payables	7,065	8,987
– Amount due to a non-controlling interest of a subsidiary	8,953	9,418
– Amounts due to related parties	5,219	4,995
– Convertible bonds	89,129	100,809
– Promissory notes	–	6,529

#### 35.2 Financial risk management objectives and policies

The Group's major financial instruments include loans receivables, trade and other receivables, bank balances and cash, trade and other payables, amount due to a non-controlling interest of a subsidiary, amounts due to related parties, convertible bonds and promissory notes. 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 2016

## 35. FINANCIAL INSTRUMENTS (continued)

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

#### 35.2.1 Market risk

##### Foreign currency risk management

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

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

	2016 HK\$'000	2015 HK\$'000
<b>Assets</b>		
United States Dollar ("US\$")	3,973	1,827
RMB	134	18,363
HK\$	10	10

##### Foreign currency sensitivity analysis

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

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

### 35. FINANCIAL INSTRUMENTS (continued)

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

##### 35.2.1 Market risk (continued)

##### Foreign currency risk management (continued)

	2016 HK\$'000	2015 HK\$'000
RMB	7	918
HK\$	1	1

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

##### Interest rate risk management

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

All of the Group's loans receivables are based on fixed interest rates and short in duration with original maturities in range of 1 to 10 months. The Group prices these loans receivables 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 2016

## 35. FINANCIAL INSTRUMENTS (continued)

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

#### 35.2.1 Market risk (continued)

##### **Other price risk**

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

#### 35.2.2 Credit risk management

At 31 March 2016, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties are arising from the carrying amounts of the respective recognized financial assets as stated in the consolidated statement of financial position.

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

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

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

#### 35.2.3 Liquidity risk management

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

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

### 35. FINANCIAL INSTRUMENTS (continued)

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

##### 35.2.3 Liquidity risk management (continued)

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

	On demand or less than 1 year HK\$'000	1-5 years HK\$'000	Total contractual undiscounted cash flows HK\$'000	Total carrying amounts HK\$'000
At 31 March 2016				
Non-derivative financial liabilities				
Trade and other payables	7,065	–	7,065	7,065
Amount due to a non-controlling interest of a subsidiary	8,953	–	8,953	8,953
Amounts due to related parties	5,219	–	5,219	5,219
Convertible bonds	–	136,725	136,725	89,129
	<u>21,237</u>	<u>136,725</u>	<u>157,962</u>	<u>110,366</u>
At 31 March 2015				
Non-derivative financial liabilities				
Trade and other payables	8,987	–	8,987	8,987
Amount due to a non-controlling interest of a subsidiary	9,418	–	9,418	9,418
Amounts due to related parties	4,995	–	4,995	4,995
Convertible bonds	–	183,530	183,530	100,809
Promissory notes	–	10,000	10,000	6,529
	<u>23,400</u>	<u>193,530</u>	<u>216,930</u>	<u>130,738</u>

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

### 35. FINANCIAL INSTRUMENTS (continued)

#### 35.3 Fair value measurements

##### *35.3.1 Fair value of financial assets and 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.

	2016		2015	
	Carrying amount HK\$'000	Fair value HK\$'000	Carrying amount HK\$'000	Fair value HK\$'000
Convertible bonds – liability component (Note (i))	89,129	90,745	100,809	109,497
Promissory notes (Note (ii))	–	–	6,529	7,124
	<u>89,129</u>	<u>90,745</u>	<u>107,338</u>	<u>116,621</u>

Notes:

- (i) The fair value of the liability component of convertible bonds has been calculated by using effective interest rate of 13.24% (2015: 11.83%) per annum with reference to the Hong Kong sovereign curve and credit risk margin.
- (ii) At 31 March 2015, the fair value of promissory notes has been using a 11.85% discount rate based on Hong Kong sovereign curve and credit risk margin.

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

### 35. FINANCIAL INSTRUMENTS (continued)

#### 35.3 Fair value measurements (continued)

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

###### Fair value hierarchy as at 31 March 2016

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	–	–	90,745	90,745

###### Fair value hierarchy as at 31 March 2015

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	–	–	109,497	109,497
Promissory notes	–	–	7,124	7,124
	–	–	116,621	116,621

As at 31 March 2015 and 2016, 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 2016

### 36. 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:

	2016 HK\$'000	2015 HK\$'000
Within one year	1,071	937
In the second to fifth years inclusive	425	669
	<b>1,496</b>	<b>1,606</b>

Operating leases relate to office premises and equipment with lease terms of between 2 to 4 years (2015: between 1 to 2 years).

### 37. CAPITAL COMMITMENTS

The Group had no significant capital commitments as at 31 March 2015 and 2016.

### 38. 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:

#### (a) Significant transactions with related party

	2016 HK\$'000	2015 HK\$'000
Purchases of raw materials from 敖漢旗瑞恩金石工貿有限公司	–	1,137

The non-controlling interest of a non-wholly owned subsidiary of the Company, 敖漢旗鑫瑞恩礦業有限責任公司 (transliterated as Aohanqi Xinrui En Industry Co., Ltd.) (“Aohanqi”), has beneficial interests in 敖漢旗瑞恩金石工貿有限公司.

The directors of the Company consider that the purchases were undertaken on commercial terms similar to those offered by unrelated suppliers in the ordinary course of business.

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

### 38. RELATED PARTY TRANSACTIONS (continued)

#### (b) Compensation of key management personnel

	2016 HK\$'000	2015 HK\$'000
Short-term employee benefits	7,764	9,212
Post-employment benefits	28	37
	<hr/>	<hr/>
	7,792	9,249

The above related party transactions do not constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

### 39. LITIGATION

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

The Group received notices from the Court dated 17 December 2014 and 18 December 2014 respectively which accepted the Group's legal actions for further processing in respect of the Customers and their respective guarantors.

On 21 April 2015, the Court made the first instant verdict in relation to the legal proceedings proposed by the Group against certain state-owned enterprises due to their defaults in payment. It was judged that the abovementioned state-owned enterprises shall pay the outstanding principal and interest due to an indirect wholly-owned subsidiary of the Company, Jilin Ruixin Microfinance Co., Ltd. (吉林市瑞信小額貸款有限公司) ("Jilin Ruixin"), together with overdue interest accrued up to the date of payment, within 10 days of the effective date of the judgment. The judgment ruled that respective guarantors of the Customers bear joint liability for the Customers' debts owed to Jilin Ruixin. The Court confirmed that the abovementioned civil judgment has become effective on 8 June 2015. As the Customers and their respective guarantors failed to perform the obligations specified under the Civil Judgment by the deadline on 18 June 2015, on 19 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 2016

### 39. LITIGATION (continued)

On 10 November 2015, the Court legally withdrew approximately RMB2.28 million from one of the Customers and transferred such money to Jilin Ruixin. Meanwhile, the Court has initiated evaluation and auction procedures. On 25 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. On 29 January 2016, the Customers had repaid approximately RMB12 million to Jilin Ruixin. The directors of the Company are of the opinion that no provision for impairment is necessary as the above loans receivables are still considered recoverable.

### 40. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Particulars of the Company's principal subsidiaries at 31 March 2016 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	100%	–	Investment holding
Favour South Limited	BVI	1 ordinary share of US\$1	–	100%	Investment holding
Treasure Join Limited	BVI	1 ordinary share of US\$1	–	100%	Investment holding
Sino Prosper (States Gold) Investment Limited	Hong Kong	Ordinary shares HK\$10	–	100%	Investment holding
Sino Prosper Management Limited	Hong Kong	Ordinary share HK\$1	–	100%	Provision of administrative services
Sino Prosper Mineral Products Limited	Hong Kong	Ordinary share HK\$1	–	100%	Investment holding and sale of gold
Victor Bright Investment Limited	Hong Kong	Ordinary share HK\$1	–	100%	Investment holding
Sino Prosper State Gold HK Limited	Hong Kong	Ordinary share HK\$1	–	100%	Investment holding

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

### 40. 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	
Great Surplus Investment Limited	Hong Kong	Ordinary share HK\$1	–	100%	Investment holding
Sino Prosper Credit Limited	Hong Kong	Ordinary share HK\$1	–	100%	Investment holding
HZW (Note (i))	PRC	RMB23,310,854	–	98.04%	Exploration and mining of gold
大連廣泓礦業技術諮詢 有限公司 (Note (ii))	PRC	RMB9,000,000	–	100%	Provision of investment and management consultation services
Aohanqi (Note (iii))	PRC	RMB50,000,000	–	70%	Exploration and mining of gold
Jilin Ruxin (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
吉林市興源企業管理諮詢 有限公司 (Note (v))	PRC	RMB100,000	–	100%	Provision of investment and management consultation services

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

### 40. 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	
吉林市凱輝投資管理諮詢 有限公司 (Note (v))	PRC	RMB100,000	-	100%	Provision of investment and management consultation services
吉林市欣瑞企業管理諮詢 有限公司 (Note (v))	PRC	RMB200,000	-	100%	Provision of investment and management consultation services
吉林市華耀投資管理諮詢 有限公司 (Note (v))	PRC	RMB100,000	-	100%	Provision of investment and management consultation services
吉林市凱利機械設備 有限公司 (Note (vii))	PRC	RMB30,000	-	100%	Provision of investment and management consultation services

*Notes:*

- (i) HZW was a Sino-foreign equity joint venture company established in the PRC and was amended to become a Sino-foreign cooperative joint venture enterprise. The current business scope includes wholesale of steel, building materials, sunflower seeds, green beans, red beans and kidney beans and carrying out exploration work at the places in respect of which exploration permits have been obtained.
- (ii) 大連廣泓礦業技術諮詢有限公司 is a limited liability company established in the PRC. The current business scope includes mining exploration, technical advise, economic and information consultancy services.
- (iii) Aohanqi is a Sino-foreign cooperative joint venture established under the PRC law. The current business scope includes gold mine exploitation, selection of gold and sale of mineral products (which are permitted by law, rules and regulations, requirements by State Affairs Office of the PRC and cannot engage in those not allowed as said).
- (iv) Jilin Ruixin is a wholly-foreign-owned enterprise established in the PRC. The current business scope includes provision of micro-financing services in Jilin City, the PRC.

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

### 40. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

Notes: (continued)

- (v) 吉林豐瑞投資管理諮詢有限公司, 吉林普達投資管理諮詢有限公司, 白城市利達投資諮詢有限公司, 大連中泓管理諮詢有限公司, 吉林市興源企業管理諮詢有限公司, 吉林市凱輝投資管理諮詢有限公司, 吉林市欣瑞企業管理諮詢有限公司 and 吉林市華耀投資管理諮詢有限公司 are wholly-foreign-owned enterprises established in the PRC. The current business scope of these companies include the provision of investment and management consultation services in the PRC.
- (vi) 白城市豐瑞投資管理諮詢有限公司 is a limited liability company established in the PRC. The current business scope includes the provision of investment and management consultation services in the PRC.
- (vii) 吉林市凱利機械設備有限公司 is 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	
		2016	2015	2016	2015	2016	2015
				HK\$'000	HK\$'000	HK\$'000	HK\$'000
Aohanqi	PRC	30%	30%	(3,709)	(4,774)	21,315	26,266
HZW	PRC	1.96%	1.96%	(70)	(43,871)	31,306	33,111
						52,621	59,377

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

### 40. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

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

#### Aohanqi

	2016 HK\$'000	2015 HK\$'000
Current assets	4,565	6,404
Non-current assets	328,234	353,083
Current liabilities	(136,577)	(140,073)
Non-current liabilities	(33,075)	(35,006)
	Year ended 31 March 2016 HK\$'000	Year ended 31 March 2015 HK\$'000
Revenue	3,171	2,860
Other income and gains	2,393	12
Expenses	(18,133)	(19,126)
Income tax credit	207	340
Loss for the year	(12,362)	(15,914)
Loss attributable to owners of the Company	(8,653)	(11,140)
Loss attributable to the non-controlling interest	(3,709)	(4,774)
Loss for the year	(12,362)	(15,914)
Other comprehensive (expense)/income for the year	(8,899)	914
Total comprehensive expense attributable to owners of the Company	(16,310)	(10,359)
Total comprehensive expense attributable to the non-controlling interest	(4,951)	(4,641)
Total comprehensive expense for the year	(21,261)	(15,000)
Dividends paid to non-controlling interest	–	–
Net cash (outflow)/inflow from operating activities	(958)	211
Net cash outflow from investing activities	(16)	(182)
Net (decrease)/increase in cash and cash equivalents	(974)	29

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

### 40. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

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

HZW

	2016 HK\$'000	2015 HK\$'000
Current assets	191	276
Non-current assets	421,054	442,967
Current liabilities	(4,237)	(3,671)
Non-current liabilities	–	–
	Year ended 31 March 2016 HK\$'000	Year ended 31 March 2015 HK\$'000
Revenue	–	–
Other income and gains	–	60
Expenses	(874)	(548,440)
Loss for the year	(874)	(548,380)
Loss attributable to owners of the Company	(804)	(504,509)
Loss attributable to the non-controlling interest	(70)	(43,871)
Loss for the year	(874)	(548,380)
Other comprehensive (expense)/income for the year	(21,691)	4,810
Total comprehensive expense attributable to owners of the Company	(20,760)	(500,085)
Total comprehensive expense attributable to the non-controlling interest	(1,805)	(43,485)
Total comprehensive expense for the year	(22,565)	(543,570)
Dividends paid to non-controlling interest	–	–
Net cash outflow from operating activities	(272)	(33)
Net cash inflow from investing activities	–	67
Net (decrease)/increase in cash and cash equivalents	(272)	34

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

### 41. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2016 HK\$'000	2015 HK\$'000
<b>Non-current assets</b>		
Investments in subsidiaries	590,244	590,244
<b>Current assets</b>		
Amounts due from subsidiaries	1,047,628	1,044,457
Prepayments and other receivables	1,680	193
Bank balances	1,321	8,022
	1,050,629	1,052,672
<b>Current liabilities</b>		
Other payables and accruals	709	331
Amounts due to subsidiaries	346,942	346,686
	347,651	347,017
<b>Net current assets</b>	702,978	705,655
<b>Total assets less current liabilities</b>	1,293,222	1,295,899
<b>Non-current liabilities</b>		
Convertible bonds	89,129	100,809
Deferred tax liabilities	7,854	13,606
	96,983	114,415
<b>Net assets</b>	1,196,239	1,181,484
<b>Capital and reserves</b>		
Share capital	11,311	10,046
Reserves	1,184,928	1,171,438
<b>Total equity</b>	1,196,239	1,181,484

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

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

#### Movement in the Company's reserves

	Share premium HK\$'000	Warrants reserve 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 2014	1,634,929	1,420	42,050	77,014	12,640	1,020	(398,700)	1,370,373
Loss for the year	-	-	-	-	-	-	(230,648)	(230,648)
Total comprehensive expense for the year	-	-	-	-	-	-	(230,648)	(230,648)
Release of reserve upon share options lapsed	-	-	-	(11,192)	-	-	11,192	-
Issue of new ordinary shares	32,960	-	-	-	-	-	-	32,960
Transaction costs attributable to issue of new ordinary shares	(1,247)	-	-	-	-	-	-	(1,247)
Release of reserve upon lapse of warrants	-	(1,420)	-	-	-	-	1,420	-
Balance at 31 March 2015	1,666,642	-	42,050	65,822	12,640	1,020	(616,736)	1,171,438
Loss for the year	-	-	-	-	-	-	(15,464)	(15,464)
Total comprehensive expense for the year	-	-	-	-	-	-	(15,464)	(15,464)
Release of reserve upon share options lapsed	-	-	-	(10,169)	-	-	10,169	-
Conversion of convertible bonds	42,279	-	(16,550)	-	-	-	-	25,729
Deferred tax relating to convertible bonds	-	-	3,225	-	-	-	-	3,225
Balance at 31 March 2016	1,708,921	-	28,725	55,653	12,640	1,020	(622,031)	1,184,928

# Financial Summary

	For the year ended 31 March				
	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000	2015 HK\$'000	2016 HK\$'000
<b>Results</b>					
Revenue	50,287	54,483	53,830	55,957	37,892
Loss before tax	(51,155)	(78,628)	(83,225)	(560,150)	(194,572)
Income tax (expense)/credit	(566)	1,038	(816)	(3,288)	(3,246)
Loss for the year	(51,721)	(77,590)	(84,041)	(563,438)	(197,818)
Attributable to:					
Owners of the Company	(46,799)	(70,687)	(66,314)	(514,793)	(194,039)
Non-controlling interests	(4,922)	(6,903)	(17,727)	(48,645)	(3,779)
	(51,721)	(77,590)	(84,041)	(563,438)	(197,818)
			<b>At 31 March</b>		
	2012	2013	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Total assets	2,114,187	2,060,810	2,178,453	1,667,501	1,401,693
Total liabilities	(70,901)	(72,608)	(184,709)	(194,275)	(167,698)
	2,043,286	1,988,202	1,993,744	1,473,226	1,233,995
Equity attributable to owners of the Company	1,914,282	1,865,258	1,886,241	1,413,849	1,181,374
Non-controlling interests	129,004	122,944	107,503	59,377	52,621
Total equity	2,043,286	1,988,202	1,993,744	1,473,226	1,233,995