

# **VIAGOLD CAPITAL LIMITED**

(Incorporated in Bermuda with limited liability)

(ARBN: 070 352 500)

## **Preliminary Final Report**

**For the year ended 31 March 2018**

ASX Appendix 4E

# **VIAGOLD CAPITAL LIMITED**

## **PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 31 MARCH 2018**

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# **VIAGOLD CAPITAL LIMITED**

## **PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 31 MARCH 2018**

### **RESULTS FOR ANNOUNCEMENT TO THE MARKET**

**1. Name of Entity**

ARBN:

Financial year ended (reporting period)

Financial year ended (previous corresponding period)

VIAGOLD CAPITAL LIMITED

070 352 500

31 March 2018

31 March 2017

**2. Results for announcement to the market**

*(Amount and percentage change up or down from the previous corresponding period)*

	<b>2018</b>	<b>2017</b>	<b>Change</b>	<b>Change</b>
	<b>A\$'000</b>	<b>A\$'000</b>	<b>A\$'000</b>	<b>%</b>
2.1 Revenue from ordinary activities	35,597	41,213	(5,616)	-14%
2.2 Loss from ordinary activities after tax attributable to the equity holders of the Company	(1,126)	(1,112)	(14)	1%
2.3 Net loss for the reporting period attributable to the equity holders of the Company	(1,126)	(1,112)	(14)	1%
2.4 Dividends			Franked amount	
	Amount per security		per security	
Final dividend	Nil		N/A	
Interim dividend	Nil		N/A	
Previous corresponding period	Nil		N/A	
2.5 Record date for determining entitlements to the dividend	N/A			

# **VIAGOLD CAPITAL LIMITED**

## **PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 31 MARCH 2018**

### **EXPLANATION OF RESULTS**

I am pleased to present the 2017/2018 annual results of ViaGold Capital Limited ("VIA") and its subsidiaries collectively referred to as the "Group" and the outlook for 2018.

### **REVIEW**

During the year under review, the Group recorded a consolidated revenue of approximately AUD35,597,000 (period ended 31 March 2017: AUD41,213,000) representing a decrease of approximately 13.5%.

During the review period, the Education Management recorded an increase in revenue of AUD368,000 (period ended 31 March 2017: AUD321,000), representing a moderate increase of 14.6% which is offset by the decrease in revenue in both the Leasing and Capital Financing of AUD215,000 (period ended 31 March 2017: AUD383,000) and that of the Rare Earth Refining and Separation for AUD35,014,000 (period ended 31 March 2017: AUD40,509,000). The loss attributable to the equity holder of the Group for the year ended 31 March 2018 was AUD1,126,000 (period ended 31 March 2017: AUD1,112,000).

### **GAIN AND LOSS**

- (i) The segment loss in rare earth refining and separation was AUD170,000 (2017: profit of AUD654,000) which was mainly attributed to the complicated and ever-changing market environment challenging the rare earth sector. The revenue during the review period was dropped to AUD35,014,000 (2017: AUD40,509,000) whereas the fixed costing for operation remained.
- (ii) The segment profit in education management was AUD8,000 (2017: loss of AUD350,000). During the period that there was a consolidation of three school premises (two schools and one factory training premises) all in Tangjia, Zhuhai, China into one large school premises in Nanping, Zhuhai, China. This contributed to substantial reduction in cost during the period by:
  - a/ Salaries for principals, vice principals and administrative staffs have been reduced by 41%; and
  - b/ the reduction of office rent for the usage of office space in line with the reduction of staffs.
- (iii) The segment loss in leasing and capital financing was AUD168,000 (2017: loss of AUD54,000). During the period, the revenue decreased to AUD215,000 (2017: AUD383,000) attributing to expiration of previous lease and sell of the old vehicles and purchase of the new vehicles that accounted for the decrease in revenue and the increase in loss for the segment. New lease was successfully entered into in November 2017.

As a result, although there was a substantial reduction in segment loss of education management changing it into profit position, the loss in both leasing and capital financing and the rare earth refining and separation segments have overwhelmed it. Nevertheless, the management has manage to achieve only a mild increase of 1.25% of consolidated loss as attributable to the equity holders of the Group.

# **VIAGOLD CAPITAL LIMITED**

## **PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 31 MARCH 2018**

### **EXPLANATION OF RESULTS (continued)**

#### **PROSPECT**

Looking ahead, the group will focus on exploring the strategic mergers/acquisitions/joint venture and other opportunities to expand in rare-earth industry and complement our organic growth. We have established productive dialogues with the main players in this industry in China and look forward to entering into MOUs or agreements of cooperation which will optimize our portfolio while generating gains. We also believe that further improvements in our cost position can strengthen our competitive position and that further diversification in our focus rare-earth industry sector will enhance the value of the shareholders of the Group.

The education management sector is expected to continue to perform on a professional level though it will also encounter with challenges of rising costs. The Group will continue to endeavor to maximize the return by scrutinize the direct labor and rental expenses. Further, we believe that the continuing strong in Chinese Yuan will be a positive impact for the sector. As for car leasing sector, growth is expected since the newly signed leasing contract will cover the full year. Our Beijing team is actively seeking for more long term leasing contracts to sustain a growth pattern for the sector.

#### **APRPECIATION**

On behalf of the Board, I would like to express my deepest gratitude to the Group's shareholders, customers, bankers and business associates for their continuing support, and my fellow directors and all the dedicated staffs for their hard work and valuable contribution during the year.

# **VIAGOLD CAPITAL LIMITED**

## **PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 31 MARCH 2018**

### **OTHER INFORMATION**

#### **1. Net assets per security**

	<b>Current Reporting Period</b>	<b>Previous Corresponding Period</b>
Net assets backing per ordinary security	A\$1.20	A\$1.22

#### **2. Dividends**

There was no dividend paid or declared during the current year.

#### **3. Details of any dividend or distribution reinvestment plans in operation and the last date for the receipt of an election notice for participation in any dividend or distribution reinvestment plan.**

N/A

#### **4. Details of associates and joint venture entities**

For the year ended 31 March 2018, the Group only have interests in an associate and no joint venture entities.

# **VIAGOLD CAPITAL LIMITED**

## **PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 31 MARCH 2018**

### **CONSOLIDATED STATEMENT OF PROFIT OR LOSS**

	<b><u>2018</u></b>	<b><u>2017</u></b>
	<b>A\$'000</b>	<b>A\$'000</b>
Turnover	35,597	41,213
Cost of services and sales	<u>(33,390)</u>	<u>(37,953)</u>
<b>Gross profit</b>	2,207	3,260
Other income	266	402
Administrative expenses	(3,349)	(3,497)
Impairment loss on interest in an associate	(191)	-
Share of result of an associate	29	(30)
Finance costs	<u>(112)</u>	<u>(819)</u>
<b>Loss before income tax</b>	(1,150)	(684)
Income tax expenses	<u>(203)</u>	<u>(102)</u>
<b>Loss for the year</b>	<u><u>(1,353)</u></u>	<u><u>(786)</u></u>
<b>Attributable to:</b>		
Equity holders of the Company	(1,126)	(1,112)
Non-controlling interests	<u>(227)</u>	<u>326</u>
	<u><u>(1,353)</u></u>	<u><u>(786)</u></u>
<b>Loss per share attributable to the equity holders of the Company</b>		
- Basic	<u><u>(A\$0.03)</u></u>	<u><u>(A\$0.03)</u></u>
- Diluted	<u><u>(A\$0.03)</u></u>	<u><u>(A\$0.03)</u></u>

The above preliminary consolidated financial statements should be read in conjunction with the accompanying notes set out on pages 11 to 14.

# **VIAGOLD CAPITAL LIMITED**

## **PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 31 MARCH 2018**

### **CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME**

	<u>2018</u> <u>A\$'000</u>	<u>2017</u> <u>A\$'000</u>
<b>Loss for the year</b>	(1,353)	(786)
Other comprehensive income/(loss) for the year		
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of:		
- Financial statements of overseas subsidiaries	<u>1,518</u>	<u>(3,539)</u>
<b>Total comprehensive income/(loss) for the year</b>	<u><u>165</u></u>	<u><u>(4,325)</u></u>
<b>Total comprehensive income/(loss) attributable to:</b>		
Equity holders of the Company	(566)	(550)
Non-controlling interests	<u>731</u>	<u>(3,775)</u>
	<u><u>165</u></u>	<u><u>(4,325)</u></u>

The above preliminary consolidated financial statements should be read in conjunction with the accompanying notes set out on pages 11 to 14.



# **VIAGOLD CAPITAL LIMITED**

## **PRELIMINARY FINAL REPORT AS AT 31 MARCH 2018**

### **CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	<b><u>2018</u></b>	<b><u>2017</u></b>
	<b>A\$'000</b>	<b>A\$'000</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Fixed assets		
- Investment property	537	525
- Plant and equipment	8,752	8,265
Land use rights	4,421	4,206
Interests in an associate	337	465
Goodwill	2,856	2,778
Available-for-sale financial assets	2,278	1,614
	<b><u>19,181</u></b>	<b><u>17,853</u></b>
<b>Current assets</b>		
Trade and other receivables	21,270	19,988
Inventories	69,087	65,005
Pledged bank deposits	1,036	562
Cash and cash equivalents	923	1,374
	<b><u>92,316</u></b>	<b><u>86,929</u></b>
<b>Total assets</b>	<b><u>111,497</u></b>	<b><u>104,782</u></b>

The above preliminary consolidated financial statements should be read in conjunction with the accompanying notes set out on pages 11 to 14.

# **VIAGOLD CAPITAL LIMITED**

## **PRELIMINARY FINAL REPORT AS AT 31 MARCH 2018**

### **CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)**

	<b><u>2018</u></b>	<b><u>2017</u></b>
	<b>A\$'000</b>	<b>A\$'000</b>
<b>CAPITAL AND RESERVES</b>		
<b>Equity</b>		
Share capital	8,331	8,031
Reserves	<u>8,615</u>	<u>8,416</u>
Capital and reserves attributable to the equity holders of the Company	16,946	16,447
<b>Non-controlling interests</b>	<u>33,074</u>	<u>32,343</u>
<b>Total equity</b>	<u>50,020</u>	<u>48,790</u>
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Deferred tax liabilities	<u>12,820</u>	<u>11,578</u>
<b>Current liabilities</b>		
Trade and other payables	46,548	44,383
Tax payable	36	31
Short-term bank borrowing	<u>2,073</u>	<u>-</u>
	<u>48,657</u>	<u>44,414</u>
<b>Net current assets</b>	<u>43,659</u>	<u>42,515</u>
<b>Total equity and liabilities</b>	<u><u>111,497</u></u>	<u><u>104,782</u></u>

The above preliminary consolidated financial statements should be read in conjunction with the accompanying notes set out on pages 11 to 14.

# **VIAGOLD CAPITAL LIMITED**

## **PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 31 MARCH 2018**

### **CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

	Attributable to equity holders of the Company							Non- controlling interests	Total equity
	Share capital	Share premium	Translation reserve	Contributed surplus	Warrant reserve	Share-based compensation reserve	Accumulated losses		
	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000
As at 1 April 2016	6,231	29,315	(28,348)	47,645	1,440	2,949	(58,165)	1,067	1,577
- Total comprehensive income/(loss) for the year	-	-	562	-	-	-	(1,112)	(3,775)	(4,325)
	6,231	29,315	(27,786)	47,645	1,440	2,949	(59,277)	510	1,577
Transactions with equity holders in their capacity								(3,265)	(2,748)
- Issuance of new shares	1,800	14,130	-	-	-	-	-	-	15,930
- Increase in non-controlling interest as a result of acquisition	-	-	-	-	-	-	-	35,608	35,608
As at 31 March 2017	8,031	43,445	(27,786)	47,645	1,440	2,949	(59,277)	32,343	48,790
As at 1 April 2017	8,031	43,445	(27,786)	47,645	1,440	2,949	(59,277)	32,343	48,790
- Total comprehensive income/(loss) for the year	-	-	560	-	-	-	(1,126)	731	165
	8,031	43,445	(27,226)	47,645	1,440	2,949	(60,403)	33,074	48,955
Transactions with equity holders in their capacity									
- Issuance of shares by exercise of warrants	300	885	-	-	(120)	-	-	-	1,065
- Transfer of warrant reserve upon lapse of warrants	-	-	-	-	(240)	-	240	-	-
- Transfer of share-based compensation reserve upon lapse of share options	-	-	-	-	-	(1,242)	1,242	-	-
As at 31 March 2018	8,331	44,330	(27,226)	47,645	1,080	1,707	(58,921)	33,074	50,020

The above preliminary consolidated financial statements should be read in conjunction with the accompanying notes set out on pages 11 to 14.

# **VIAGOLD CAPITAL LIMITED**

## **PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 31 MARCH 2018**

### **CONSOLIDATED STATEMENT OF CASH FLOWS**

	<b><u>2018</u></b> <b>A\$'000</b>	<b><u>2017</u></b> <b>A\$'000</b>
<b>Operating activities</b>		
Net cash (used in)/generated from operating activities	<u>(2,971)</u>	<u>21,634</u>
<b>Investing activities</b>		
Net cash inflow from acquisition of subsidiaries	-	1,025
Purchase of fixed assets	(1,081)	(1,025)
Purchase of available-for-sale financial assets	(481)	(1,614)
Proceeds from disposal of plant and equipment	203	759
Interest received	<u>54</u>	<u>20</u>
Net cash used in investing activities	<u>(1,305)</u>	<u>(835)</u>
<b>Financing activities</b>		
Interest paid	(112)	(819)
(Increase)/decrease of pledged fixed deposits	(474)	1,369
Repayment of bank loans	-	(18,234)
Proceeds from bank loans	2,073	-
Proceeds from issuance of new shares by exercise of warrants	<u>1,065</u>	<u>-</u>
Net cash generated from/(used in) financing activities	<u>2,552</u>	<u>(17,684)</u>
<b>Net (decrease)/ increase in cash and cash equivalents</b>	<b>(1,724)</b>	<b>3,115</b>
Cash and cash equivalents at the beginning of the year	1,374	1,109
Effect of foreign exchange rate changes, net	<u>1,273</u>	<u>(2,850)</u>
<b>Cash and cash equivalents at the end of the year</b>	<b><u>923</u></b>	<b><u>1,374</u></b>

The above preliminary consolidated financial statements should be read in conjunction with the accompanying notes set out on pages 11 to 14.

# **VIAGOLD CAPITAL LIMITED**

## **PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 31 MARCH 2018**

### **NOTES TO THE PRELIMINARY FINAL REPORT**

#### **Note 1. Statement of Significant Accounting Policies**

The preliminary final report of ViaGOLD Capital Limited and its subsidiaries (collectively the "Group") has been prepared in accordance with listing rule 4.3A of the Australian Securities Exchange Limited ("ASX") and has been derived from the unaudited consolidated financial statements. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and International Accounting Standards.

The preliminary final report is presented in Australian dollars, unless otherwise stated.

The preliminary final report has been prepared under the historical cost convention, as modified by the revaluations of financial assets and financial liabilities at fair value through profit or loss (if any). The accounting policies adopted in this report is the same as those disclosed in the consolidated financial statements for the year ended 31 March 2018.

The accounting policies adopted in this report have been consistently applied by each entity in the consolidated entity and are consistent with those of the previous year.

The preliminary final report is based on the financial statements which are in the process of being audited.

The current reporting in the preliminary final report is the year ended 31 March 2018 while the prior year is the year ended 31 March 2017.

#### **Note 2. Segment Reporting**

The Group manages its business by divisions, which are organised by business lines. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified the following reportable segments:

- Rare earth refining and separation
- Leasing and capital financing
- Provision of consultancy and management services to educational institutions

Geographically, the Group's businesses are divided into Hong Kong and the People's Republic of China (the "PRC"). The main business in Hong Kong is investment holdings. The businesses in the PRC are segregated into rare earth refining and separation, leasing and capital financing services, and consultancy and management services to educational institutions.

100% of the Group's customers are located in Mainland China and revenue of the Group is derived from operations in Mainland China.

100% of the Group's non-current assets are located in Mainland China. The geographical location of the non-current assets is based on the physical location of assets in the case of property, plant and equipment, and the location of the operation to which they are allocated in the case of goodwill.

## **VIAGOLD CAPITAL LIMITED**

### **PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 31 MARCH 2018**

#### **NOTES TO THE PRELIMINARY FINAL REPORT (continued)**

##### **Note 2. Segment Reporting (continued)**

The management assesses the performance of the operating segments based on the profit/loss for the period. This measurement basis excludes intra-group transactions and gain/loss of disposal of subsidiaries.

All assets are allocated to reportable segments other than interests in an associate and unallocated corporate assets. All liabilities are allocated to reportable segments other than unallocated corporate liabilities.

The segment information provided to the management for the reporting segments for the year ended 31 March 2018 is as follows:

	<b>Leasing and capital financing</b>	<b>Provision of consultancy and management services to educational institutions</b>	<b>Rare earth refining and separation</b>	<b>Consolidated</b>
	<b>A\$'000</b>	<b>A\$'000</b>	<b>A\$'000</b>	<b>A\$'000</b>
<b>Segment revenue</b>	215	368	35,014	35,597
<b>Inter-segment revenue</b>	-	-	-	-
<b>Revenue from external customers</b>	<u>215</u>	<u>368</u>	<u>35,014</u>	<u>35,597</u>
<b>Reportable segment (loss)/profit before income tax</b>	(168)	8	(170)	(330)
<b>Unallocated corporate expenses</b>				(820)
<b>Loss before income tax</b>				<u>(1,150)</u>
<b>Depreciation</b>	(133)	(11)	(1,053)	(1,197)
<b>Amotisation of land use right</b>	-	-	(59)	(59)
<b>Interest income</b>	2	-	52	54
<b>Finance costs</b>	-	-	(112)	(112)
<b>Gain/(loss) on disposal of plant and equipment</b>	<u>25</u>	<u>-</u>	<u>(2)</u>	<u>23</u>
<b>As at 31 March 2018</b>				
<b>Reportable segment assets</b>	1,981	366	105,322	107,669
<b>Interests in an associate</b>				337
<b>Unallocated corporate assets</b>				3,491
<b>Consolidated total assets</b>				<u>111,497</u>
<b>Non-current assets</b>				
<b>(Other than financial instruments)</b>	1,293	350	12,067	13,710
<b>Unallocated corporate assets</b>				3,193
				<u>16,903</u>
<b>Additions to non-current assets</b>				
<b>(Other than financial instruments)</b>	<u>813</u>	<u>251</u>	<u>85</u>	<u>1,149</u>
<b>Reportable segment liabilities</b>	(100)	(797)	(59,256)	(60,153)
<b>Unallocated corporate liabilities</b>				(1,324)
<b>Consolidated total liabilities</b>				<u>(61,477)</u>

The Group's customer base includes two (2017: two) customers with whom transactions have exceeded 10% of the Group's total revenue. Revenue from sales to these customers amounted to A\$10,981,000 and A\$5,037,000 each which related to rare earth refining and separation segment (2017: A\$16,542,000 and A\$10,118,000 each which related to rare earth refining and separation segment).

# **VIAGOLD CAPITAL LIMITED**

## **PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 31 MARCH 2018**

### **NOTES TO THE PRELIMINARY FINAL REPORT (continued)**

#### **Note 2. Segment Reporting (continued)**

The segment information provided to the management for the reporting segments for the year ended 31 March 2017 is as follows:

	<b>Leasing and capital financing</b>	<b>Provision of consultancy and management services to educational institutions</b>	<b>Rare earth refining and separation</b>	<b>Consolidated</b>
	<b>AS'000</b>	<b>AS'000</b>	<b>AS'000</b>	<b>AS'000</b>
Segment revenue	383	321	40,509	41,213
Inter-segment revenue	-	-	-	-
Revenue from external customers	<u>383</u>	<u>321</u>	<u>40,509</u>	<u>41,213</u>
Reportable segment (loss)/profit before income tax	(54)	(350)	654	250
Unallocated corporate expenses				(934)
Loss before income tax				<u>(684)</u>
Depreciation	(48)	(7)	(1,239)	(1,294)
Amortisation of land use rights	-	-	(60)	(60)
Interest income	2	-	18	20
Finance costs	-	-	(819)	(819)
Gain on disposal of plant and equipment	<u>31</u>	<u>-</u>	<u>278</u>	<u>309</u>
As at 31 March 2017				
Reportable segment assets	1,950	139	98,906	100,995
Interests in an associate				465
Unallocated corporate assets				3,322
Consolidated total assets				<u>104,782</u>
Non-current assets				
(Other than financial instruments)	730	101	12,165	12,996
Unallocated corporate assets				3,243
				<u>16,239</u>
Additions to non-current assets				
(Other than financial instruments)	<u>25</u>	<u>2</u>	<u>998</u>	<u>1,025</u>
Reportable segment liabilities	(68)	(765)	(53,726)	(54,559)
Unallocated corporate liabilities				(1,433)
Consolidated total liabilities				<u>(55,992)</u>

# **VIAGOLD CAPITAL LIMITED**

## **PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 31 MARCH 2018**

### **NOTES TO THE PRELIMINARY FINAL REPORT (continued)**

#### **Note 3. Additions to Plant and Equipment**

During the year, the Group acquired plant and equipment at a cost of approximately A\$1,081,000 (Year ended 31 March 2017: approximately A\$1,025,000).