

**VIAGOLD CAPITAL LIMITED**  
**(Incorporated in Bermuda with limited liability)**  
**(ARBN: 070 352 500)**

**Interim Financial Report**  
**For the Half -Year Ended 30 September 2018**  
**ASX Appendix 4D**

VIAGOLD CAPITAL LIMITED

INTERIM FINANCIAL REPORT  
FOR THE HALF -YEAR ENDED 30 SEPTEMBER 2018

<u>CONTENTS</u>	<u>PAGE(S)</u>
Results for Announcement to the Market	1 - 2
Directors' Report	3 - 5
Directors' Declaration	6
Condensed Consolidated Income Statement	7
Condensed Consolidated Statement of Comprehensive Income	8
Condensed Consolidated Statement of Financial Position	9 - 10
Condensed Consolidated Statement of Changes in Equity	11
Condensed Consolidated Statement of Cash Flows	12
Notes to the Interim Financial Report	13 - 31
Report on review of interim financial information	32

# VIAGOLD CAPITAL LIMITED

## Appendix 4D

### Interim Financial Report For The Half-Year Ended 30 September 2018

1. Name of entity: VIAGOLD CAPITAL LIMITED ("VCL")  
 ARBN 070 352 500  
 Half-year ended (reporting period) 30 September 2018  
 Half-year ended (previous corresponding period) 30 September 2017

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

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

	Six months to 30 September		Change A\$'000	Change %
	2018	2017		
	A\$'000	A\$'000		
2.1 Revenue from ordinary activities	8,896	19,813	(10,917)	-55%
2.2 Loss from ordinary activities after tax attributable to members	(316)	(162)	(154)	95%
2.3 Loss for the reporting period attributable to members	(316)	(162)	(154)	95%
2.4 Dividend				
	Amount per security		Franked amount 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	Nil		N/A	

#### 3. Net tangible assets per security

	Current period	Previous corresponding period
Net tangible assets backing per ordinary security	A\$0.96	A\$1.02

#### 4. Dividend

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

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

N/A

## VIAGOLD CAPITAL LIMITED

### Appendix 4D

#### Interim Financial Report For The Half-Year Ended 30 September 2018

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

There were no joint venture entity holdings in the current period.

Detail of the associate is as follow:

Name of the associate:	Maoming Jinsheng Minerals Company Limited
Effective percentage holding:	25.5%
Aggregate share of losses:	A\$144,000 (Previous corresponding period: A\$49,000)
Contributions to net losses:	11% (Previous corresponding period: 3%)

#### **7. Basis of preparations**

The interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, it is recommended that this report be read in conjunction with the annual financial report for the year ended 31 March 2018 and any public announcements made by ViaGOLD Capital Limited during the half-year in accordance with the continuous disclosure requirements under the Listing Rules of the Australian Securities Exchange Limited ("ASX").

#### **Compliance Statement**

8. The information provided in this report has been prepared in accordance with the International Financial Reporting Standards which is acceptable to the ASX for foreign reporting entities.
9. The Interim Financial Report of ViaGold Capital Limited for the half-year ended 30 September 2018 has been subject to review. A copy of the independent review report to the members of ViaGold Capital Limited is attached.

## VIAGOLD CAPITAL LIMITED

### DIRECTORS' REPORT

The Directors present their interim financial report together with the condensed consolidated financial statements of ViaGOLD Capital Limited (the "Company") and its controlled entities (collectively the "Group") for the half-year ended 30 September 2018.

### DIRECTORS

The Directors of the Company during the period and up to the date of this report were:

#### Executive directors:

Ms. Mulei SHI (Chief Executive Officer)  
Mr. King Choi LEUNG  
Mr. Changyuan LIAO

#### Non-executive directors:

Dr. Longguang SHI (Chairman)

#### Independent non-executive directors:

Mr. Yan WANG  
Mr. Fuchuan GUO  
Mr. Xunchang HU

### PRINCIPAL ACTIVITIES OF THE GROUP

The Company acts as an investment holding company. The subsidiaries of the Company are principally engaged in rare earth refining and separation, leasing and capital financing, mineral trading business as well as consultancy and management services to educational institutions.

### DIVIDEND

The Directors do not recommend the payment of a dividend. No dividend has been declared or paid since the end of the previous financial year.

## VIAGOLD CAPITAL LIMITED

### CONSOLIDATED RESULTS AND REVIEW OF OPERATIONS

During the 6 months period of review, the education team continued to strike hard to maintain a stable growth in revenue and worked hard to enhance the segment profit. The segment in management and consulting services in education achieved a revenue of A\$200,000 (2017: A\$174,000) and generated a moderate gross profit of A\$132,000 (2017: A\$43,000) and a recorded profit of A\$69,000 (2017: Loss of A\$87,000) for the same period.

The Leasing and Capital Financing enjoyed a full year of the long term lease for renting all its 21 vehicles. During the period under review, the leasing and capital financing segment had achieved moderate growth in revenue of A\$197,000 (2017: A\$80,000) and contributed a gross profit of A\$97,000 (2017: A\$35,000) and a reduced loss of A\$39,000 (2017: Loss of A\$43,000).

During the review period, our factory of rare earth processing needed to upgrade the machinery to meet the requirement of new production and improve the environmental-friendly measures to meet government's higher environmental compliance requirements. And at this period, the supply of imported rare-earth ores hadn't been sufficient to our production. All of the above had contributed to the drop in revenue of A\$8,499,000 (2017: A\$19,559,000) and recorded a gross profit of A\$198,000 (2017: A\$254,000) and an increase in loss of A\$875,000 (2017: Loss of A\$688,000).

As a combined effect of the above, during the period of 6 months under review, the Group had a combined revenue of A\$8,896,000 (2017: A\$19,813,000), and contributed a gross profit of A\$427,000 (2017: 332,000) and a loss for A\$1,269,000 (2017: loss of A\$713,000) for the same period.

### OUTLOOK

For rare earth processing business: The conflict in trade between US and China that posed uncertainties which impact is not fully realized, but we believe that the demand of rare earth will continuously grow for all manufactures, especially high-tech products and electric vehicles. Our processing products: neodymium, praseodymium NdPr, dysprosium are exactly what are required for the manufacture of magnetic motors. We expect growth in demand in high strength rare earth magnet for electric vehicles, and we believe that we will see a tighter supply and demand in these rare earth elements, which will translate into a profit increase in 2019. Moreover, we are forging strategic partnerships with leading players and determined to build a successful business in this sector. We are also exploring business opportunities of ore import.

For education management business: Increase in enrollment rate and education expenditure will go up in line with increase per capita GDP.

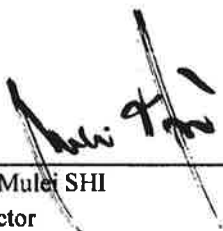
For leasing business: Driven by economic development in China, demand for leasing vehicle will continue to boost. It is a matter of the scale of investment into the business which will generate stable growth in revenue and profit for the sector.

VIAGOLD CAPITAL LIMITED

OUTLOOK

The Group will continue to focus on strengthening the operations management for the rare earth business sector, will continue to enhance the profit of all its business sectors and will continue to maintain and adopt a conservative but proactive investment strategy with a view to optimizing returns for our shareholders.

On behalf of the Board, I would like to sincerely thank all our shareholders, investors, bankers, business associates and clients for their continuing support to the VCL Group, and to my fellow directors and all the dedicated staff members of the Group for their hard work and contribution during the period under review.

  
\_\_\_\_\_  
Ms. Mulei SHI  
Director

28 December 2018

VIAGOLD CAPITAL LIMITED

DIRECTORS' DECLARATION

The Directors of the Company declare that, for the half-year ended 30 September 2018:

1. The attached financial statements and notes thereto as set out on pages 7 to 31:
  - (a) comply with the International Accounting Standard ("IAS") 34 "Interim Financial Reporting"; and
  - (b) give a true and fair view of the Group's financial position as at 30 September 2018 and of its performance for the half-year then ended;
2. In the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed on behalf of and in accordance with a resolution of the Board of Directors.



Ms. Mulei SHI  
Director

28 December 2018



VIAGOLD CAPITAL LIMITED

CONDENSED CONSOLIDATED INCOME STATEMENT  
FOR THE HALF-YEAR ENDED 30 SEPTEMBER 2018

		Six months ended 30 September	
	Note	2018 A\$'000	2017 A\$'000
Turnover	5	8,896	19,813
Cost of services and sales		(8,469)	(19,481)
Gross profit		427	332
Other income		28	188
Other loss		(88)	-
Administrative expenses		(1,447)	(1,471)
Share of loss of an associate		(143)	(19)
Finance cost		(46)	(31)
Loss before income tax		(1,269)	(1,001)
Income tax credit	5	-	288
Loss for the period		(1,269)	(713)
Attributable to:			
Equity holders of the Company		(316)	(162)
Non-controlling interests		(953)	(551)
		(1,269)	(713)
Loss per share attributable to the equity holders of the Company			
- basic		A\$(0.008)	A\$(0.004)
- diluted		A\$(0.008)	A\$(0.004)

The notes on pages 13 to 31 form an integral part of this condensed consolidated interim financial report.

VIAGOLD CAPITAL LIMITED

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE HALF-YEAR ENDED 30 SEPTEMBER 2018

	Six months ended 30 September	
	2018	2017
	A\$'000	A\$'000
Loss for the period	(1,269)	(713)
Other comprehensive loss, net of tax:		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of overseas subsidiaries	(1,469)	(161)
Fair value loss on financial assets at fair value through other comprehensive income	(381)	-
Total comprehensive loss for the period	<u>(3,119)</u>	<u>(874)</u>
Attributable to:		
Equity holders of the Company	(1,200)	(758)
Non-controlling interests	<u>(1,919)</u>	<u>(116)</u>
	<u>(3,119)</u>	<u>(874)</u>

The notes on pages 13 to 31 form an integral part of this condensed consolidated interim financial report.

**VIAGOLD CAPITAL LIMITED**

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 30 SEPTEMBER 2018**

	<b>Note</b>	<b>As at 30 September 2018 A\$'000</b>	<b>As at 31 March 2018 A\$'000</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Fixed assets			
- Investment property	6	503	537
- Property, plant and equipment	6	7,759	8,752
Land use rights	8	4,269	4,421
Interests in an associate		186	337
Goodwill	9	2,778	2,856
Available-for-sale financial assets	10	-	2,278
Financial assets at fair value through other comprehensive income	11	1,837	-
		<u>17,332</u>	<u>19,181</u>
<b>Current assets</b>			
Inventories	12	66,023	69,087
Trade and other receivables	13	20,586	21,270
Tax recoverable		47	-
Pledged bank deposits	14	376	1,036
Cash and cash equivalents		497	923
		<u>87,529</u>	<u>92,316</u>
<b>Total assets</b>		<u><u>104,861</u></u>	<u><u>111,497</u></u>
<b>EQUITY</b>			
<b>Capital and reserves</b>			
Share capital	15	8,331	8,331
Reserves		7,415	8,615
Capital and reserves attributable to the equity holders of the Company		15,746	16,946
Non-controlling interests		31,155	33,074
<b>Total equity</b>		<u>46,901</u>	<u>50,020</u>

The notes on pages 13 to 31 form an integral part of this condensed consolidated interim financial report.

VIAGOLD CAPITAL LIMITED

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 30 SEPTEMBER 2018

	Note	As at 30 September 2018 A\$'000	As at 31 March 2018 A\$'000
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred tax liabilities	16	12,466	12,820
<b>Current liabilities</b>			
Trade and other payables	18	45,494	46,548
Tax payable		-	36
Borrowings	17	-	2,073
		45,494	48,657
<b>Total equity and liabilities</b>		104,861	111,497

The notes on pages 13 to 31 form an integral part of this condensed consolidated interim financial report.

VIAGOLD CAPITAL LIMITED

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE HALF-YEAR ENDED 30 SEPTEMBER 2018

	Attributable to equity holders of the Company										
	Reserves										
	Share capital A\$'000	Share premium A\$'000	Translation reserve A\$'000	Contributed surplus A\$'000	Warrant reserve A\$'000	Share-based compensation reserve A\$'000	Investment revaluation reserve A\$'000	Accumulated losses A\$'000	Total A\$'000	Non-controlling interests A\$'000	Total equity A\$'000
As at 1 April 2017	8,031	43,445	(27,786)	47,645	1,440	2,949	-	(59,277)	16,447	32,343	48,790
Total comprehensive loss	-	-	(596)	-	-	-	-	(162)	(758)	(116)	(874)
Lapse of share options	8,031	43,445	(28,382)	47,645	1,440	2,949 (486)	-	(59,439) 486	15,689	32,227	47,916
	-	-	-	-	-	-	-	-	-	-	-
As at 30 September 2017	8,031	43,445	(28,382)	47,645	1,440	2,463	-	(58,953)	15,689	32,227	47,916
	Attributable to equity holders of the Company										
	Reserves										
	Share capital A\$'000	Share premium A\$'000	Translation reserve A\$'000	Contributed surplus A\$'000	Warrant reserve A\$'000	Share-based compensation reserve A\$'000	Investment revaluation reserve A\$'000	Accumulated losses A\$'000	Total A\$'000	Non-controlling interests A\$'000	Total equity A\$'000
As at 1 April, 2018	8,331	44,330	(27,226)	47,645	1,080	1,707	-	(58,921)	16,946	33,074	50,020
Loss for the period	-	-	-	-	-	-	-	(316)	(316)	(1,919)	(2,235)
Exchange differences arising on translation of foreign operations	-	-	(503)	-	-	-	-	-	(503)	-	(503)
Fair value loss on financial assets at fair value through other comprehensive income	-	-	-	-	-	-	(381)	-	(381)	-	(381)
Total comprehensive loss	-	-	(503)	-	-	-	(381)	(316)	(1,200)	(1,919)	(3,119)
As at 30 September 2018	8,331	44,330	(27,729)	47,645	1,080	1,707	(381)	(59,237)	15,746	31,155	46,901

The notes on pages 13 to 31 form an integral part of this condensed consolidated interim financial report.

VIAGOLD CAPITAL LIMITED

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE HALF-YEAR ENDED 30 SEPTEMBER 2018

	Six months ended 30 September	
	2018	2017
	A\$'000	A\$'000
Net cash generated from/(used in) operating activities	2,210	(542)
Net cash cash generated from/(used in) investing activities	82	(665)
Net cash (used in)/generated from financing activities	(1,413)	1,919
Net increase in cash and cash equivalents	879	712
Cash and cash equivalents at the beginning of the period	923	1,374
Exchange losses on cash and cash equivalents	(1,305)	(955)
Cash and cash equivalents at the end of the period	497	1,131

The notes on pages 13 to 31 form an integral part of this condensed consolidated interim financial report.

NOTES TO THE INTERIM FINANCIAL REPORT  
FOR THE HALF-YEAR ENDED 30 SEPTEMBER 2018

**1. GENERAL INFORMATION**

ViaGOLD Capital Limited (the "Company") was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on the Australian Securities Exchange Limited (the "ASX"). The address of its registered office is Unit 2/36 Winfield Road, Balwyn North, Victoria 3104, Australia.

The Company acts as an investment holding company. The subsidiaries of the Company are principally engaged in rare earth refining and separation, leasing and capital financing, mineral trading business and consultancy and management services to educational institutions.

This interim financial report is presented in units of Australian dollars (A\$), unless otherwise stated.

**2. BASIS OF PREPARATION**

This condensed consolidated interim financial report for the half-year ended 30 September 2018 has been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting". The condensed consolidated interim financial report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the annual financial report of the Group for the year ended 31 March 2018 and any public announcements made by the Group during the half-year.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the annual financial report for the year ended 31 March 2018, except for the accounting policy changes that are expected to be reflected in the annual financial report for the year ending 31 March 2019.

The interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since annual financial report for the year ended 31 March 2018. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs").

The interim financial report is unaudited, but has been reviewed by KTC Partners CPA Limited ("KTC") in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". KTC's independent review report to the members of the Company is included on page 32.

NOTES TO THE INTERIM FINANCIAL REPORT  
FOR THE HALF-YEAR ENDED 30 SEPTEMBER 2018

**3. ACCOUNTING POLICIES**

International Accounting Standard Board ("IASB") has issued new and revised IFRSs and a number of amendments to IFRSs that are first effective for the current accounting period of the Group.

In the current interim period, the Group has applied, for the first time, the new or revised IFRSs and amendments issued by the IASB, which are effective for the Group's current financial year beginning on 1 April 2018. The adoption of the new and revised IFRSs and amendments does not have any significant impact on the Group interim financial report.

Up to the date of issue of this unaudited condensed consolidated interim financial report, the IASB has issued a number of amendments, new standards and interpretation which are not yet effective for the financial year beginning 1 April 2019 and which have not been early adopted in this interim financial report.

The Group is in the process of making an assessment of what the impact of these amendments, revised standards and new interpretation is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

**4. CHANGE IN ACCOUNTING POLICIES**

This note explains the impact of the adoption of IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers on the Group's financial statements and also discloses the new accounting policies that have been applied since 1 April 2018, where they are different to those applied in prior periods.

**(a) Impact on the financial statements**

As a result of the changes in the Group's accounting policies, prior year financial statements had to be restated. As explained in Note 4 (b) below, IFRS 9 is generally adopted without restating the comparative information with the exception of certain aspects of hedge accounting. The reclassifications and the adjustments arising from the new impairment rules are therefore recognised in the opening of the statement of condensed consolidated statement of financial position on 1 April 2018.

The following table shows the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the subtotal and totals disclosed cannot be recalculated from the number provided. The adjustments are explained in more detail below.



NOTES TO THE INTERIM FINANCIAL REPORT  
FOR THE HALF-YEAR ENDED 30 SEPTEMBER 2018

**4. CHANGE IN ACCOUNTING POLICIES (Continued)**

(a) Impact on the financial statements (Continued)

	As previously stated A\$'000	As at 1 April 2018 Impact of IFRS 9 A\$'000	Restated A\$'000
Consolidated statement of financial position (extract)			
Available-for-sale financial assets	2,278	(2,278)	-
Investment revaluation reserve	-	381	381
Financial assets at fair value through other comprehensive Income ("FVOCI")	-	1,897	1,897

(b) IFRS 9 Financial Instruments – Impact of adoption

IFRS 9 replaces the provision of IAS 39 that relates to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of IFRS 9 from 1 April 2018 resulted in changes in accounting policies and adjustments to the amount recognised in the financial statements. The new accounting policies are set out in the note below. In accordance with the transitional provisions in IFRS 9 (7.2.15) and (7.2.26), comparative figures have not been restated with the exception of certain aspects of hedge accounting.

(i) Impact of adoption

*Classification and measurement*

On 1 April 2018 (the date of the initial application of IFRS 9), the Management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate IFRS 9 categories. The main effects resulting from this reclassification are as follows:

	Available for sale investment A\$'000	Investment revaluation reserve A\$'000	FVOCI A\$'000
Financial asset – 1 April 2018			
Closing balance 31 March 2018 – IAS39	2,278	-	-
Reclassify non-trading equities from AFS to FVOCI	(2,278)	381	1,897
Opening balance 1 April 2018 – IFRS 9	-	381	1,897

NOTES TO THE INTERIM FINANCIAL REPORT  
FOR THE HALF-YEAR ENDED 30 SEPTEMBER 2018

**4. CHANGE IN ACCOUNTING POLICIES (Continued)**

**(b) IFRS 9 Financial Instruments – Impact of adoption (Continued)**

**(i) Impact of adoption (Continued)**

The Group elected to present in other comprehensive income for the fair value changes of all its equity investments previously classified as available-for-sale. These investments are not held for trading and not expected to be sold in the foreseeable future. At the date of initial application of IFRS 9, A\$2,278,000 were reclassified from available-for-sale investments to equity instruments at FVOCI which is related to unquoted equity investments previously measured at cost less impairment under IAS 39. The fair value losses of A\$381,000 relating to those unquoted equity investments previously carried at cost less impairment were adjusted to equity instruments at FVOCI and investment revaluation reserve as at 1 April 2018.

Except for financial assets which are subject to impairment assessment under expected credit loss model under IFRS 9, all other financial assets and financial liabilities will continue to be measured on the same bases as are currently measured under IAS 39.

The financial assets at amortised cost are after reclassifications and adjustments arising from the adoption of IFRS 15 and include trade receivables and other financial assets at amortised cost, but exclude cash and cash equivalents.

*Impairment of financial assets*

The Group has the following types of financial assets that are subject to IFRS 9's new expected credit loss model:

- trade receivables; and
- other financial assets at amortised cost

The Group was required to revise its impairment methodology under IFRS 9 for each of these classes of assets. The change in impairment methodology in the current interim period had no material impact on the impairment loss.

While cash and cash equivalents are also subject to the impairment requirement of IFRS 9, the identified impairment loss was immaterial.

NOTES TO THE INTERIM FINANCIAL REPORT  
FOR THE HALF-YEAR ENDED 30 SEPTEMBER 2018

**4. CHANGE IN ACCOUNTING POLICIES (Continued)**

(b) IFRS 9 Financial Instruments – Impact of adoption (Continued)

(i) Impact of adoption (Continued)

*Trade receivables*

The Group applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

In calculating the expected credit loss rates, the Group considers historical loss rate for each categories of its debtors, and adjusts the forward-looking macroeconomic data.

In view of the long-lasting relationship with its customers and their respective good repayment records, the Directors consider that the expected credit risk is minimal.

Trade receivables are written-off when there is no reasonable expectation of recovery. Indicators of which include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 90 days past due.

*Other financial assets at amortised cost*

All of the Group's other financial assets at amortised cost are considered to have low credit risk, and the loss allowance recognised during the period was therefore limited to 12 months expected losses.

*Significant estimates and judgements*

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the past history, existing market conditions as well as forward looking estimates of the Group at the end of each reporting period.

(ii) IFRS 9 Financial Instruments – Accounting policies applied from 1 April 2018

*Classification*

Since 1 April 2018, the Group has classified its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income ("OCI"), or through profit or loss); and
- those to be measured at amortised cost.

NOTES TO THE INTERIM FINANCIAL REPORT  
FOR THE HALF-YEAR ENDED 30 SEPTEMBER 2018

**4. CHANGE IN ACCOUNTING POLICIES (Continued)**

**(b) IFRS 9 Financial Instruments – Impact of adoption (Continued)**

**(ii) IFRS 9 Financial Instruments – Accounting policies applied from 1 April 2018 (Continued)**

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For financial assets that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("FVOCI").

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

*Measurement*

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

*Equity instruments*

The Group subsequently measures all equity investments at fair value. Where the management of the Group has elected to present fair value gains and losses on equity investment in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continued to be recognised in profit or loss as other income when the right of the Group to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of comprehensive income as applicable. Impairment losses (and reversal of impairment losses) on equity investment measured at FVOCI are not prepared separately from other changes in fair value.

*Impairment*

From 1 April 2018, the Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

NOTES TO THE INTERIM FINANCIAL REPORT  
FOR THE HALF-YEAR ENDED 30 SEPTEMBER 2018

**4. CHANGE IN ACCOUNTING POLICIES (Continued)**

**(c) IFRS 15 Revenue from Contracts with Customers – Impact of adoption**

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

The Group has applied IFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 April 2018. Any difference at the date of initial application is recognised in the opening retained profits (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in IFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 April 2018 and has used the practical expedient for all contract modifications that occurred before the date of initial application, the aggregate effect of all of the modifications was reflected at the date of initial application. Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 18 and IAS 11 and the related interpretations.

**(i) Key changes in accounting policies resulting from application of IFRS 15**

IFRS 15 introduces a 5-step approach when recognising revenue:

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

Under IFRS 15, the Group 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.

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

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

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

NOTES TO THE INTERIM FINANCIAL REPORT  
FOR THE HALF-YEAR ENDED 30 SEPTEMBER 2018

**4. CHANGE IN ACCOUNTING POLICIES (Continued)**

(c) IFRS 15 Revenue from Contracts with Customers – Impact of adoption (Continued)

(i) Key changes in accounting policies resulting from application of IFRS 15 (Continued)

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

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

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

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

(ii) Summary of effects arising from initial application of IFRS 15

The Directors assessed that the application of IFRS 15 in the current interim period had no material impact on the timing and amounts of revenue recognised.

NOTES TO THE INTERIM FINANCIAL REPORT  
FOR THE HALF-YEAR ENDED 30 SEPTEMBER 2018

**5. SEGMENT REPORTING**

The Group manages its business by divisions, which are organized 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.

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

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

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.

VIAGOLD CAPITAL LIMITED

NOTES TO THE INTERIM FINANCIAL REPORT  
FOR THE HALF-YEAR ENDED 30 SEPTEMBER 2018

**5. SEGMENT REPORTING (Continued)**

The segment information for the reporting segments for the half-year ended 30 September 2018 is as follows:

	Trading of minerals A\$'000	Leasing and capital financing A\$'000	Provision of consultancy and management services to educational institutions A\$'000	Rare earth refining and separation A\$'000	Consolidated A\$'000
Segment revenue	-	197	200	8,499	8,896
Inter-segment revenue	-	-	-	-	-
Revenue from external customers	-	197	200	8,499	8,896
Reportable segment gross profit	-	97	132	198	427
Reportable segment (loss)/ profit before income tax	-	(39)	69	(875)	(845)
Unallocated corporate expenses					(424)
Loss before income tax					(1,269)
Income tax credit					-
Loss for the period					(1,269)



VIAGOLD CAPITAL LIMITED

NOTES TO THE INTERIM FINANCIAL REPORT  
FOR THE HALF-YEAR ENDED 30 SEPTEMBER 2018

**5. SEGMENT REPORTING (Continued)**

The segment information for the reporting segments for the half-year ended 30 September 2018 is as follows:

	Trading of minerals A\$'000	Leasing and capital financing A\$'000	Provision of consultancy and management services to educational institutions A\$'000	Rare earth refining and separation A\$'000	Consolidated A\$'000
As at 30 September 2018					
Reportable segment assets	-	1,883	846	100,927	103,656
Interest in associate					186
Unallocated corporate assets					1,019
Consolidated total assets					104,861
Addition to non-current assets (other than financial institution)	-	-	-	13	13
Reportable segment liabilities	-	(92)	(1,197)	(55,731)	(57,020)
Unallocated corporate liabilities					(940)
Consolidated total liabilities					(57,960)

VIAGOLD CAPITAL LIMITED

NOTES TO THE INTERIM FINANCIAL REPORT  
FOR THE HALF-YEAR ENDED 30 SEPTEMBER 2018

**5. SEGMENT REPORTING (Continued)**

The segment information for the reporting segments for the half-year ended 30 September 2017 is as follows:

	Trading of minerals A\$'000	Leasing and capital financing A\$'000	Provision of consultancy and management services to educational institutions A\$'000	Rare earth refining and separation A\$'000	Consolidated A\$'000
Revenue from external customers	-	80	174	19,559	19,813
Inter-segment revenue	-	-	-	-	-
Reportable segment revenue	-	80	174	19,559	19,813
Reportable segment gross profit	-	35	43	254	332
Reportable segment (loss)/profit before income tax	(7)	(43)	(87)	(688)	(825)
Unallocated corporate expenses					(176)
Loss before income tax					(1,001)
Income tax expenses					288
Loss for the period					(713)

As at 30 September 2017

VIAGOLD CAPITAL LIMITED

NOTES TO THE INTERIM FINANCIAL REPORT  
FOR THE HALF-YEAR ENDED 30 SEPTEMBER 2018

**5. SEGMENT REPORTING (Continued)**

The segment information for the reporting segments for the half-year ended 30 September 2017 is as follows:

	Trading of minerals A\$'000	Leasing and capital financing A\$'000	Provision of consultancy and management services to educational institutions A\$'000	Rare earth refining and separation A\$'000	Consolidated A\$'000
As at 30 September 2017					
Reportable segment assets	4	1,906	121	102,303	104,334
Interest in associate					452
Unallocated corporate assets					1,281
Consolidated total assets					106,067
Addition to non-current assets (other than financial institution)	-	-	-	81	81
Reportable segment liabilities	(13)	(41)	(843)	(55,942)	(56,839)
Unallocated corporate liabilities					(1,312)
Consolidated total liabilities					(58,151)

VIAGOLD CAPITAL LIMITED

NOTES TO THE INTERIM FINANCIAL REPORT  
FOR THE HALF-YEAR ENDED 30 SEPTEMBER 2018

**6. FIXED ASSETS**

	Furniture and equipment A\$'000	Motor vehicles A\$'000	Plant and machinery A\$'000	Leasehold improvement A\$'000	Buildings A\$'000	Sub-total A\$'000	Investment property A\$'000	Total A\$'000
<u>Cost</u>								
As at 31 March 2018	104	2,000	3,107	2,140	3,890	11,241	820	12,061
Additions	-	13	-	-	-	13	-	13
Disposals	-	(203)	(301)	-	-	(504)	-	(504)
Exchange realignment	(6)	(74)	(142)	(71)	(21)	(314)	(23)	(337)
As at 30 September 2018	98	1,736	2,664	2,069	3,869	10,436	797	11,233
<u>Accumulated depreciation</u>								
As at 31 March 2018	60	711	1,022	269	427	2,489	283	2,772
Charge for the period	7	209	228	51	104	599	19	618
Elimination on disposals	-	(128)	(205)	-	-	(333)	-	(333)
Exchange realignment	(5)	(13)	(30)	(21)	(9)	(78)	(8)	(86)
As at 30 September 2018	62	779	1,015	299	522	2,677	294	2,971
<u>Carrying amount</u>								
As at 30 September 2018	36	957	1,649	1,770	3,347	7,759	503	8,262
As at 31 March 2018	44	1,289	2,085	1,871	3,463	8,752	537	9,289

NOTES TO THE INTERIM FINANCIAL REPORT  
FOR THE HALF-YEAR ENDED 30 SEPTEMBER 2018

**7. SEASONALITY OF OPERATIONS**

Since the rare earth refining and separation, leasing and capital financing, and consultancy and management service business segments do not have any seasonal trend, no analysis of operation is presented.

**8. LAND USE RIGHTS**

	A\$'000
<u>Cost</u>	
At 1 April 2018	4,550
Exchange realignment	(133)
	<u>4,417</u>
At 30 September 2018	<u>4,417</u>
<u>Accumulated amortization and impairment losses</u>	
At 1 April 2018	129
Charged for the period	31
Exchange realignment	(12)
	<u>148</u>
As at 30 September 2018	<u>148</u>
<u>Net book value</u>	
At 30 September 2018	<u>4,269</u>
At 31 March 2018	<u>4,421</u>

Lands related to the land use rights are located in the PRC.

**9. GOODWILL**

	A\$'000
At 1 April 2018	2,856
Exchange realignment	(78)
	<u>2,778</u>
At 30 September 2018	<u>2,778</u>

Goodwill is allocated to the cash-generating units that are expected to benefit from the business combination. The carrying amount of goodwill had been allocated to the segment, rare earth refining and separation.

## VIAGOLD CAPITAL LIMITED

### NOTES TO THE INTERIM FINANCIAL REPORT FOR THE HALF-YEAR ENDED 30 SEPTEMBER 2018

#### 10. AVAILABLE-FOR-SALES FINANCIAL ASSETS

	As at 30 September 2018 A\$'000	As at 31 March 2018 A\$'000
Available-for-sales financial assets		
- unlisted equity shares	-	2,278

Available-for-sales financial assets at 31 March 2018 represents 4,100,969 ordinary shares in Jiangsu Jiangnan Rural Commercial Bank Co., Ltd. As mentioned in note 4(b), under IFRS 9, the available-for-sale investments are classified as FVOCI. The fair value of the unlisted equity securities is based on subscription price during the period.

#### 11. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at 30 September 2018 A\$'000	As at 31 March 2018 A\$'000
Financial assets at fair value through other comprehensive income		
- unlisted equity shares	1,837	-

Financial assets at fair value through other comprehensive income represents 4,100,969 ordinary shares in Jiangsu Jiangnan Rural Commercial Bank Co., Ltd.

#### 12. INVENTORIES

	As at 30 September 2018 A\$'000	As at 31 March 2018 A\$'000
Raw materials	18,064	18,373
Work-in-progress	41,645	42,184
Finished goods	6,314	8,530
	66,023	69,087

#### 13. TRADE AND OTHER RECEIVABLES

	As at 30 September 2018 A\$'000	As at 31 March 2018 A\$'000
Trade receivables	4,501	4,778
Bill receivables	36	29
Other receivables, deposits and prepayments	13,199	14,645
Amounts due from related companies	2,850	1,818
	20,586	21,270

NOTES TO THE INTERIM FINANCIAL REPORT  
FOR THE HALF-YEAR ENDED 30 SEPTEMBER 2018

**14. PLEDGED BANK DEPOSITS**

As at 30 September 2018, the Group pledged approximately A\$376,000 bank deposits (31 March 2018: A\$1,036,000), which is denominated in RMB, to bankers of the Group to secure the bill payables due within six months. The pledged bank deposits will be released upon the settlement of relevant bill payables.

**15. SHARE CAPITAL**

	Number of shares '000	Ordinary shares A\$'000
<u>Issued and fully paid</u>		
As at 31 March 2018 and 30 September 2018	41,656	8,331

**16. DEFERRED TAX LIABILITIES**

The following are the major deferred income tax liabilities recognized and movements thereon during the current periods:

	A\$'000
As at 31 March 2018	12,820
Exchange realignment	(354)
As at 30 September 2018	12,466

**17. BORROWINGS**

	As at 30 September 2018 A\$'000	As at 31 March 2018 A\$'000
Bank borrowings		
- Unsecured	-	2,073

The bank borrowings are repayable within 1 year.

NOTES TO THE INTERIM FINANCIAL REPORT  
FOR THE HALF-YEAR ENDED 30 SEPTEMBER 2018

**17. BORROWINGS (Continued)**

Movements in borrowings are analyzed as follows:

	As at 30 September 2018 A\$'000
As at 31 March 2018	2,073
Repayments of borrowings	<u>(2,073)</u>
	<u>-</u>

The interest rates of the borrowings are ranging from 5.8725% per annum during the period (As at 31 March 2018: 5.8725%).

**18. TRADE AND OTHER PAYABLES**

	As at 30 September 2018 A\$'000	As at 31 March 2018 A\$'000
Trade payables and bill payables	12,847	14,242
Other payables and accrued charges	2,390	6,774
Contract liabilities	688	-
Receipt in advance	-	99
Amounts due to key management personnel	2,312	1,675
Amounts due to related companies	<u>27,257</u>	<u>23,758</u>
	<u>45,494</u>	<u>46,548</u>



# VIAGOLD CAPITAL LIMITED

## NOTES TO THE INTERIM FINANCIAL REPORT FOR THE HALF-YEAR ENDED 30 SEPTEMBER 2018

### 19. MATERIAL RELATED PARTY TRANSACTIONS

<u>Transactions</u> <u>Related party</u>	<u>Nature of transactions</u>	Six months ended 30 September	
		2018 A\$'000	2017 A\$'000
Related companies	Consultancy and management services income	200	174
Directors of the Company	Key management compensation	102	294

<u>Balances due from/ (to)</u> <u>Related party</u>	<u>Nature of balances</u>	As at 30 September 2018 A\$'000	As at 31 March 2018 A\$'000
Related companies	Amounts due from related companies	2,850	1,818
	Amounts due to related companies	(27,257)	(23,758)
Related parties	Amounts due to key management personnel	(2,312)	(1,675)

### 20. DIVIDEND

No dividend was paid for both periods. The directors do not recommend the payment of an interim dividend.

# KTC Partners CPA Limited

*Certified Public Accountants (Practising)*

和信會計師事務所有限公司

Tel 電話: (852) 2314 7999

Fax 傳真: (852) 2110 9498

E-mail 電子郵件: info@ktccpa.com.hk

Room 617, 6/F., Seapower Tower, Concordia Plaza, 1 Science Museum Road, Tsimshatsui East, Kowloon, Hong Kong

香港九龍尖沙咀東科學館道1號康宏廣場北座6樓617室

## REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF VIAGOLD CAPITAL LIMITED

### Introduction

We have reviewed the interim condensed consolidated financial information set out on pages 7 to 31 which comprises the condensed consolidated statement of financial position of ViaGold Capital Limited (the "Company") and its subsidiaries (together, the "Group") as of 30 September 2018 and the related condensed consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for half-year period then ended and explanatory notes. The directors of the Company are responsible for the preparation and presentation of condensed consolidated financial statements in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34").

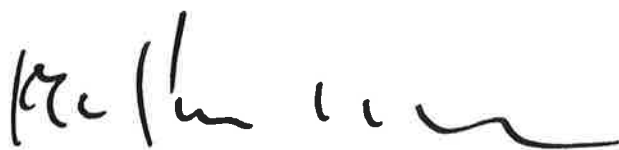
Our responsibility is to express a conclusion, based on our review, on the interim condensed consolidated financial statements and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.



**KTC Partners CPA Limited**

*Certified Public Accountants (Practising)*

Chow Yiu Wah, Joseph

Practising Certificate Number: P04686

Hong Kong, 28 December 2018