

# **VIAGOLD CAPITAL LIMITED**

(Incorporated in Bermuda with limited liability)

(ARBN: 070 352 500)

## **Reports and Consolidated Financial Statements**

For the year ended 31 March 2019

# **VIAGOLD CAPITAL LIMITED**

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# **VIAGOLD CAPITAL LIMITED**

## **CHAIRMAN'S ADDRESS TO SHAREHOLDERS**

I am pleased to present the 2018/2019 annual results of ViaGold Capital Limited ("VIA") and its subsidiaries collectively referred to as the "Group" and the outlook for 2019.

### **REVIEW**

As all shareholders will be aware, the operating conditions were extremely challenging in the year under review. It was indeed the most challenging marketing environment the Group has experienced, in particular in the rare-earth refinery and processing sector. For the year ended 31 March 2019, the Group recorded a consolidated revenue of approximately AUD27,397,000 (period ended 31 March 2018: AUD35,597,000).

During the year under review, the education management sector recorded an increase in revenue of AUD408,000 (period ended 31 March 2018: AUD368,000), representing an increase of 10.9%, the Leasing and Capital sector recorded an increase in revenue of AUD360,000 as well (period ended 31 March 2018: AUD215,000), representing a sharp growth of 67.4%. However, they are offset by the decrease in revenue in the rare earth refining and separation sector for AUD26,629,000 (period ended 31 March 2018: AUD35,014,000), representing a decrease of 23.9%. The loss was attributable to the equity holder of the Group for the year ended 31 March 2019 was AUD3,003,000 (period ended 31 March 2018: AUD1,126,000).

### **GAIN AND LOSS**

- (i) The segment loss in rare earth refining and separation was AUD24,900,000 (2018: loss of AUD170,000) which was mainly attributed to (1) the complicated and ever-changing market environment challenging the rare earth sector and (2) an incident led by theft and illegal move by third party of the inventory at an external warehouse that itself led to a loss of AUD21,440,000. The rare-earth processing associate entity has already filed the incident with the local police in Changzhou and is going put the external warehouse owner into full responsibility to recover the loss of value of the inventory.
- (ii) The segment profit in education management was AUD126,000 (2018: profit of AUD8,000) which was mainly contributed to the followings:
  - a/ The increase of students enrolled in the new school premises which has harvested from the move consolidating the three school premises into one a year ago; and
  - b/ The continued enjoying of the cost effectiveness during the period by reduction in:
    - i/ Salaries for principals, vice principals and administrative staffs that have been reduced by 23.7%; and
    - ii/ Office rent in line with the reduction in staffs.
- (iii) The segment loss in leasing and capital financing was AUD158,000 (2018: loss of AUD168,000). During the period ended 31 March 2019, the revenue increased to AUD360,000 (period ended 31 March 2018: AUD215,000).

## **VIAGOLD CAPITAL LIMITED**

### **CHAIRMAN'S ADDRESS TO SHAREHOLDERS (Continued)**

#### **GAIN AND LOSS (Continued)**

As a result, although there was an increase in the segment profit of education management sector and the drop in the segment loss of the leasing and capital financing sector, the segment loss in the rare earth refining and separation sector has overwhelmed it. The management has incurred a sharp increase of 166.7% of consolidated loss as attributed to the equity holders of the Group.

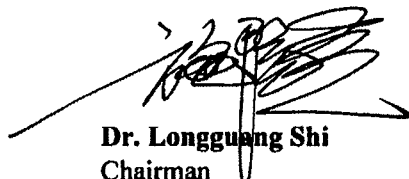
#### **PROSPECT**

Looking ahead, the Group will focus on exploring the strategic mergers/acquisitions/joint venture opportunities to expand in rare-earth industry and complement our organic growth while planning to make endeavor to engage in rare-earth related high technologies development to strengthen the Group's competitive position. We have aligned with the main players in the industry in China and look forward to deepening our cooperation relationships which will better our portfolio while generating gains for the shareholders of the Group. Moreover, Rare earth has aroused attentions around the world recently which we believe will contribute to a better market demand and higher return in the near future.

The education management sector has been very stable and expected to continue to perform on a professional level while developing more programs. The group expects to maintain growth in the car leasing sector and our team in Beijing has been actively seeking for more long term leasing contracts to sustain a growth pattern.

#### **APRPECIATION**

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



**Dr. Longguang Shi**  
Chairman  
21 June 2019

# **VIAGOLD CAPITAL LIMITED**

## **CORPORATE GOVERNANCE STATEMENT**

The directors of the Company are primarily responsible for the corporate governance practices of the Company. This statement sets out the main corporate governance practices in operation throughout the Company for the financial year ended 31 March 2019 (except where otherwise indicated). The Statement also details compliance by the Company with the best practice recommendations set by the Australian Securities Exchange ( " ASX " ) Corporate Governance Council in its Corporate Governance Principles & Recommendations (third edition) dated 1 July 2014 ("the Guide").

On the date of this report, the Board consists of three executive directors and four non-executive directors. Details of the directors are set out on page 21 in this Report.

The primary responsibilities of the Board include:

- the establishment of the long term goals of the Company and strategic plans to achieve those goals;
- the approval of the annual and half year financial statements of the Company;
- the review and adoption of annual budgets for the financial performance of the Company and monitoring the results on a quarterly basis; and
- ensuring that the Company has implemented adequate systems of internal controls together with appropriate monitoring of compliance activities.

Set out below is a summary of the Corporate Governance policies of the Company and the approach of the Company and the Board to issues of corporate governance. The summary is provided in the context of the Revised Principles set out in the Guide, which principles are regarded by ASX as reflective of the best international practice in the area of corporate governance. As required by the Listing Rules of Australian Securities Exchange Limited (the "ASX Listing Rules") and where applicable, the Company has detailed where it fails to meet those principles and the reasons for that failure.

No.	ASX Key Governance Principles	Compliance	Non-compliance
<b>1</b>	<b>Lay solid foundations for management and oversight</b>		
1.1	Companies should establish the functions reserved to the Board and management.	<p>The Company has adopted a Board Charter and Code of Conduct to guide executives, management and employees in carrying out their duties and responsibilities.</p> <p>The Board Charter sets out the responsibilities of the Board and the matters delegated to the Chief Executive Officer.</p>	Not applicable.

# **VIAGOLD CAPITAL LIMITED**

## **CORPORATE GOVERNANCE STATEMENT (Continued)**

<b>No.</b>	<b>ASX Key Governance Principles</b>	<b>Compliance</b>	<b>Non-compliance</b>
<b>1</b>	<b>Lay solid foundations for management and oversight (Continued)</b>		
1.2	Companies should disclose the process for evaluating the performance of senior executives.	One of the key functions of the Board under its Charter is its responsibility for monitoring the performance of the Chief Executive Officer and senior executives.  This required to be done by means of an annual review and evaluation.	Not applicable.
1.3	Companies should have written agreement with each director and senior executive setting out the terms of their appointment.	All directors must submit their consent to act and resume to the board and the board of the company for consideration. Decision of appointment be made by the board and board minutes and agreement be retained in minutes book with company secretary office and personnel department respectively recording their formal appointment, terms and remuneration. Proper announcement be lodged to ASIC and ASX.	Not applicable.
1.4	The company secretary of the Company should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.	A company secretary is appointed by the board. His key function is to account directory to the board, through the chair, on all matters to do with the proper functioning of the board.	Not applicable.
1.5	Companies should provide the information indicated in the Guide to reporting on Principle 1.	The Company will provide an explanation of departures (if any) from the Key Principles recommendations 1.1-1.4 (inclusive) in its future annual reports.	Not applicable.

# **VIAGOLD CAPITAL LIMITED**

## **CORPORATE GOVERNANCE STATEMENT (Continued)**

No.	ASX Key Governance Principles	Compliance	Non-compliance
<b>2</b>	<b>Structure the Board to add value</b>		
2.1	A majority of the Board should be independent directors.	<p>Currently, the Board comprises 7 Directors, of which 4 are non-executive Directors. Mr. Yan Wang, Mr. Fuchuan Guo (appointed on 29 September 2017) and Mr. Xunchang Hu (appointed on 10 November 2017) can be characterized as independent for the purposes of the ASX Guidelines. The other 3 members of the Board are executive directors comprises of Ms. Mulei Shi and Mr. King Choi Leung (both appointed in October 2010), and Mr. Changyuan Liao (appointed on 29 September 2017).</p> <p>All directors are subject to retirement by rotation. The Company's Nomination Committee reviews the composition of the Board on an annual basis and makes recommendations to the Board, to ensure that the Board comprises a number of non-executive directors with an appropriate mix of skills, experience and independence.</p>	Not applicable.

# **VIAGOLD CAPITAL LIMITED**

## **CORPORATE GOVERNANCE STATEMENT (Continued)**

<b>No.</b>	<b>ASX Key Governance Principles</b>	<b>Compliance</b>	<b>Non-compliance</b>
<b>2</b>	<b>Structure the Board to add value (Continued)</b>		
2.2	The chair should be an independent director.	<p>The chair, Dr. Longguang Shi, is a non-executive director of the Company. Dr. Shi is not considered to be an independent director by reason of him being a non-executive director of the Company.</p> <p>The Board regards Dr. Shi as the best person to chair the Company in the interests of all shareholders.</p>	The Board recognises the importance of the chair being held by an independent director, however, it believes Dr. Shi to be the most appropriate person for this role, given his diverse background, his long involvement in the Company and his knowledge of its activities.
2.3	The roles of chair and Chief Executive Officer should not be exercised by the same individual.	The roles of chair and Chief Executive Officer are not exercised by the same individual.	Not applicable.
2.4	The Board should establish a nomination committee.	<p>The Board has established a Nomination Committee and a Remuneration Committee. The Committees have a charter adopted by the Board which sets out the responsibilities of the Committees.</p> <p>The Nomination Committee reviews the composition of the Board on an annual basis and makes recommendations to the Board, where considered necessary, to ensure that the Board comprises a number of non-executive directors with an appropriate mix of skills and experience. Where necessary, the Committee seeks the advice of external advisers in connection with the suitability of applicants for Board membership. Details of the Nomination Committee members are set out on page 19 in this Report.</p>	Not applicable.



# **VIAGOLD CAPITAL LIMITED**

## **CORPORATE GOVERNANCE STATEMENT (Continued)**

<b>No.</b>	<b>ASX Key Governance Principles</b>	<b>Compliance</b>	<b>Non-compliance</b>
<b>2</b>	<b>Structure the Board to add value (Continued)</b>		
2.4		<p>The terms and conditions of appointment of non-executive directors are set out in a formal letter of appointment which deals with the following matters:</p> <ul style="list-style-type: none"> <li>• duration of appointment (subject to the approval of the</li> <li>• remuneration;</li> <li>• expectations concerning preparation and attendance at Board meetings;</li> <li>• conflict resolution; and</li> <li>• the right to seek independent legal and professional advice (subject to prior approval of the Chairman).</li> </ul> <p>The Committee also assesses and reviews the independence of all non-executive directors.</p>	
2.5	Companies should disclose the process for evaluating the performance of the Board, its committees and individual directors.	<p>The Charter of the Nomination Committee requires that it:</p> <ul style="list-style-type: none"> <li>• annually reviews the composition of the Board;</li> <li>• assesses the independence of non-executive directors;</li> <li>• assesses the processes of the Board and Board committees;</li> <li>• assesses the Board's performance;</li> <li>• assesses each director's performance before the director stands for re-election; and</li> <li>• seeks advice of external advisors in connection with the suitability of applicants for Board membership.</li> </ul>	Not applicable.

# **VIAGOLD CAPITAL LIMITED**

## **CORPORATE GOVERNANCE STATEMENT (Continued)**

<b>No.</b>	<b>ASX Key Governance Principles</b>	<b>Compliance</b>	<b>Non-compliance</b>
<b>2</b>	<b>Structure the board to add value (Continued)</b>		
2.6	Companies should provide the information indicated in the Guide to reporting Principle 2.	The Company will continue to provide information concerning the directors, the independence of directors, the performance of the Board and the remuneration of its directors and an explanation of departures (if any) from the Key Principles recommendations 2.1 - 2.5 (inclusive) in its future annual reports.	Not applicable.
<b>3</b>	<b>Promote ethical and responsible decision making</b>		
3.1	<p>Establish a code of conduct and disclose the code or a summary of the code as to:</p> <p>(a) the practices necessary to maintain the confidence in the Company's integrity;</p> <p>(b) the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; and</p> <p>(c) the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.</p>	<p>As part of the Board's commitment to the highest standard of conduct, the Company has adopted a Code of Conduct to guide executives, management and employees in carrying out their duties and responsibilities.</p> <p>The code of conduct covers such matters as:</p> <ul style="list-style-type: none"> <li>• responsibilities to shareholders;</li> <li>• compliance with laws and regulations;</li> <li>• ethical responsibilities;</li> <li>• relations with customers and suppliers;</li> <li>• employment practices; and</li> <li>• responsibilities to the environment and the community.</li> </ul>	Not applicable.

# **VIAGOLD CAPITAL LIMITED**

## **CORPORATE GOVERNANCE STATEMENT (Continued)**

<b>No.</b>	<b>ASX Key Governance Principles</b>	<b>Compliance</b>	<b>Non-compliance</b>
<b>3</b>	<b>Promote ethical and responsible decision making (Continued)</b>		
3.2	Companies should establish a policy concerning trading in Company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy.	<p>The Company's Share Trading Policy contains guidelines and restrictions concerning trading in the Company's securities.</p> <p>This Policy is published on the Company's website.</p>	Not applicable.
3.3	Companies should provide the information indicated in the Guide to reporting on Principle 3.	The Company will provide an explanation of departures (if any) from the Key Principles recommendations 3.1 - 3.2 (inclusive) in its future annual reports.	Not applicable.

# **VIAGOLD CAPITAL LIMITED**

## **CORPORATE GOVERNANCE STATEMENT (Continued)**

<b>No.</b>	<b>ASX Key Governance Principles</b>	<b>Compliance</b>	<b>Non-compliance</b>
<b>4</b>	<b>Safeguard integrity in financial reporting</b>		
4.1	The Board should establish an audit committee.	The Board has established an Audit Committee. The Audit Committee Charter adopted by the Board sets out its responsibilities. Details of the Audit Committee members are set out on page 19 in this Report.	Not applicable.
4.2	<p>The audit committee should be structured so that it:</p> <p>(a) consists only of non-executive directors;</p> <p>(b) consists of a majority of independent directors;</p> <p>(c) is chaired by an independent chair, who is not the chair of the Board; and</p> <p>(d) has at least 3 members.</p>	<p>The Audit Committee presently consists of two independent non-executive director, being Mr. Yan Wang and Mr. Fuchuan Guo (appointed on 29 September 2017). The Audit Committee provides a forum for the effective communication between the Board and external auditors. The audit committee reviews:</p> <ul style="list-style-type: none"> <li>• the annual and half-year financial statements prior to their approval by the Board.</li> <li>• the effectiveness of management information systems and systems of internal control;</li> <li>• the appointment of external auditors; and</li> <li>• the efficiency and effectiveness of the external audit functions, including reviewing the relevant audit plans.</li> </ul>	<p>While not in accordance with the best practice recommendations, the Board is of the view that the experience and professionalism of the persons on the Committee is sufficient to ensure that all significant matters are addressed and actioned.</p> <p>The Company is also satisfied that the composition of the Audit Committee suits the present geographic diversity of the Company.</p>

# **VIAGOLD CAPITAL LIMITED**

## **CORPORATE GOVERNANCE STATEMENT (Continued)**

<b>No.</b>	<b>ASX Key Governance Principles</b>	<b>Compliance</b>	<b>Non-compliance</b>
<b>4</b>	<b>Safeguard integrity in financial reporting (Continued)</b>		
4.3	The audit committee should have a formal charter.	The Audit Committee has a formal charter.	Not applicable.
4.4	Companies should provide the information indicated in the Guide to reporting on Principle 4.	The Company will provide an explanation of departures (if any) from the Key Principles recommendations 4.1 - 4.3 (inclusive) in its future annual reports.	Not applicable.
<b>5</b>	<b>Make timely and balanced disclosure</b>		
5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	<p>The Company's Board Charter and disclosure protocol set out the procedure for:</p> <ul style="list-style-type: none"> <li>• protecting confidential information from unauthorised disclosure;</li> <li>• identifying price sensitive information;</li> <li>• reporting material price sensitive information to the company secretary for review;</li> </ul>	Not applicable.

# **VIAGOLD CAPITAL LIMITED**

## **CORPORATE GOVERNANCE STATEMENT (Continued)**

No.	ASX Key Governance Principles	Compliance	Non-compliance
<b>5</b>	<b>Make timely and balanced disclosure (Continued)</b>		
5.1		<ul style="list-style-type: none"> <li>• ensuring the Company achieves best practice in complying with its continuous disclosure obligations under the Corporations Act and the ASX Listing Rules (including dealings and discussions with analysts, professional bodies, the media or customers); and</li> <li>• ensuring the Company and individual officers do not contravene the Corporations Act or the ASX Listing Rules (including restrictions on media interviews or presentations).</li> </ul> <p>The Board considers issues of continuous disclosure at each of its meetings.</p> <p>The Company also regularly reviews such matters as:</p> <ul style="list-style-type: none"> <li>• continuing education/provision of relevant parts of Listing Rules of Australian Stock Exchange Limited (the “ASX Listing Rules”);</li> <li>• the right of its officers to seek independent legal advice;</li> <li>• directors and officers insurance;</li> <li>• setting and promulgation of ethical standards;</li> <li>• auditing arrangements;</li> </ul>	

# **VIAGOLD CAPITAL LIMITED**

## **CORPORATE GOVERNANCE STATEMENT (Continued)**

<b>No.</b>	<b>ASX Key Governance Principles</b>	<b>Compliance</b>	<b>Non-compliance</b>
<b>5</b>	<b>Make timely and balanced disclosure (Continued)</b>		
5.1		<ul style="list-style-type: none"> <li>• identification and management of business risks;</li> <li>• related party transactions; and</li> <li>• compliance with the ASX Listing Rules.</li> </ul> <p>Mr. King Choi Leung, Peter and the local Australian agent, Mr. Chi Keung Chow, Herman have primary responsibility for all communications with the ASX in relation to the ASX Listing Rules matters.</p>	
5.2	Companies should provide the information indicated in the Guide to reporting on Principle 5.	The Company will provide an explanation of departures (if any) from Key Principles recommendations 5.1 in its future annual reports.	Not applicable.
<b>6</b>	<b>Respect the rights of shareholders</b>		
6.1	Companies should design a communication policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	<p>The Company places a high priority on communications with shareholders and is aware of the obligations as a listed company, under the Corporations Act and the ASX Listing Rules, to keep the market fully informed of information which is not generally available and which may have a material effect on the price or value of the Company's securities.</p> <p>Information is communicated to shareholders as follows:</p> <ul style="list-style-type: none"> <li>• through the ASX company announcements platform;</li> </ul>	Not applicable.

# **VIAGOLD CAPITAL LIMITED**

## **CORPORATE GOVERNANCE STATEMENT (Continued)**

<b>No.</b>	<b>ASX Key Governance Principles</b>	<b>Compliance</b>	<b>Non-compliance</b>
<b>6</b>	<b>Respect the rights of shareholders (Continued)</b>		
6.1		<ul style="list-style-type: none"> <li>• through notices of meetings of shareholders; and</li> <li>• by provision of documents that are released to the public on the Company's website.</li> </ul>	
6.2	Companies should provide the information indicated in the Guide to reporting on Principle 6.	The Company will provide an explanation of departures (if any) from the Key Principles recommendations 6.1 in its future annual reports.	Not applicable.
<b>7</b>	<b>Recognise and manage risk</b>		
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	The Board is responsible for the Company's system of internal controls. The Board constantly monitors the operational and financial aspects of the Company's activities. Through the Audit Committee, the Board considers the recommendations and advice of external auditors and other advisers on the operational and financial risks that are facing the Company.	Not applicable.
7.2	The Board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.	Where necessary, the Board ensures that its recommendations are investigated and appropriate action is taken to ensure that the Company has an appropriate internal control environment in place to manage the key risks identified. In addition, the Board investigates ways of enhancing existing risk management strategies, including appropriate segregation of duties, the employment and training of suitably qualified and experienced personnel.	Not applicable.



# **VIAGOLD CAPITAL LIMITED**

## **CORPORATE GOVERNANCE STATEMENT (Continued)**

<b>No.</b>	<b>ASX Key Governance Principles</b>	<b>Compliance</b>	<b>Non-compliance</b>
<b>7</b>	<b>Recognise and manage risk (Continued)</b>		
7.3	The Board should disclose whether it has received assurance from the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	Prior to finalising the full year and half year financial statements and reports of the Company, the Audit Committee undertakes such investigations and reviews each year as it determines to be necessary to confirm the integrity of the financial reporting of the Company. Included in those steps, the Board requires the Chief Executive Officer and the Chief Financial Officer to make a statement (and sign off to the Board) on the management and internal controls of the Company and the financial reporting.	Not applicable.
7.4	The Board disclose whether it has any material exposure to economic, environmental and social sustainability risk and, if it does, how it manages or intends to manage those risks.	The Board recognizes the importance of ensuring the economic, environmental and social sustainability of the Company. The board monitors sustainability issues and works closely with management to establish best practice around environmental efficiency and waste; and collaborate closely with all stakeholders in setting sustainability objectives for product and services development.	Not applicable.
7.5	Companies should provide the information indicated in the Guide to reporting on Principle 7.	The Company will provide an explanation of departures (if any) from the Key Principles recommendations 7.1 - 7.4 (inclusive) in its future annual reports.	Not applicable.

# **VIAGOLD CAPITAL LIMITED**

## **CORPORATE GOVERNANCE STATEMENT (Continued)**

<b>No.</b>	<b>ASX Key Governance Principles</b>	<b>Compliance</b>	<b>Non-compliance</b>
<b>8</b>	<b>Remunerate reasonably and fairly</b>		
8.1	The Board should establish a remuneration committee.	The Board has a Remuneration Committee.	Not applicable.
8.2	<p>The remuneration committee should be structured so that it:</p> <p>(a) consists of a majority of independent directors;</p> <p>(b) is chaired by an independent chair,</p> <p>(c) has at least 3 members.</p>	<p>The Remuneration Committee presently consists of two independent non-executive director, being Mr. Yan Wang and Mr. Fuchuan Guo, and one executive director Mr. Changyuan Liao.</p> <p>Mr. Yan Wang is the chair of the committee.</p>	Not applicable.
8.3	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	<p>The remuneration of executive directors and senior executives are clearly distinguished in the annual report. Details of the Committee members are set out on page 19 in this report.</p> <p><i>Executive's remuneration</i></p> <p>Remuneration packages may contain any or all of the following:</p> <ul style="list-style-type: none"> <li>• annual salary based on the relevant market;</li> <li>• ad hoc rewards, special payments and other measures available to reward individuals and teams following a particular outstanding business contribution;</li> <li>• a lump sum payment related to achievement of identified business drivers and personal key performance indicators measured over a year; and</li> </ul>	Not applicable.

# **VIAGOLD CAPITAL LIMITED**

## **CORPORATE GOVERNANCE STATEMENT (Continued)**

No.	ASX Key Governance Principles	Compliance	Non-compliance
<b>8</b>	<b>Remunerate reasonably and fairly (Continued)</b>		
8.3		<p>• other benefits such as holidays, sickness benefits, superannuation payments.</p> <p>The Remuneration Committee reviews the remuneration of executives every year and consider individual performance, comparative remuneration in the market and where appropriate, external advice. The Committee provides this information together with a recommendation to the Board for consideration.</p> <p>Director's remuneration</p> <p>Remuneration of the director is determined with regard to the Company's need to maintain appropriately experienced and qualified Board members and in accordance with competitive pressures in the marketplace. The Remuneration Committee may from time to time seek independent advice in relation to the remuneration of Board members and may make recommendations to members in relation to any total fee increase. The Board reviews directors' remuneration on annual basis.</p> <p>From time to time, the Board may ask individual director to devote extra time or to undertake extra duties. Directors who undertake these tasks at the Board's direction may receive extra amounts. Directors are also reimbursed for expenses associated with undertaking their duties.</p>	

# **VIAGOLD CAPITAL LIMITED**

## **CORPORATE GOVERNANCE STATEMENT (Continued)**

<b>No.</b>	<b>ASX Key Governance Principles</b>	<b>Compliance</b>	<b>Non-compliance</b>
<b>8</b>	<b>Remunerate reasonably and fairly (Continued)</b>		
8.4	<p>Companies which have equity based remuneration scheme should:</p> <p>(a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and</p> <p>(b) disclose that policy or a summary of it</p>	The Company has an employee share option scheme detail of the scheme, including movement in the share options granted should be stated in annual report of each fiscal year.	Not applicable.
8.5	Companies should provide the information indicated in the Guide to reporting on Principle 8.	The Company will provide and explanation of departures (if any) from the Key Principles recommendations 8.1 - 8.4 in its future annual reports.	Not applicable.

# **VIAGOLD CAPITAL LIMITED**

## **CORPORATE GOVERNANCE STATEMENT (Continued)**

### **Nomination Committee**

The Board has established a Nomination Committee consisting of the following directors and officers:

Mr. Yan Wang  
Mr. Changyuan Liao

### **Audit Committee**

The Board has established an Audit Committee consisting of the following independent non-executive directors and officers:

Mr. Yan Wang  
Mr. Fuchuan Guo

### **Corporate Governance Committee**

The Board has established a Corporate Governance Committee consisting of the following directors and officers:

Mr. Yan Wang  
Mr. Changyuan Liao

### **Remuneration Committee**

The Board has established a Remuneration Committee consisting of the following directors and officers:

Mr. Yan Wang  
Mr. Changyuan Liao  
Mr. Fuchuan Guo

# **VIAGOLD CAPITAL LIMITED**

## **CORPORATE GOVERNANCE STATEMENT (Continued)**

### **Directors' emoluments**

For the year ended 31 March 2019, the annual directors' remuneration are as follows:

<b>Name of directors</b>	<b>Amount A\$'000</b>
Dr. Longguang Shi	126
Ms. Mulei Shi	76
Mr. King Choi Leung	70
Mr. Changyuan Liao	-
Mr. Yan Wang	-
Mr. Fuchuan Guo	-
Mr. Xunchang Hu	-

# **VIAGOLD CAPITAL LIMITED**

## **DIRECTORS' REPORT**

The directors are pleased to present their annual report and the audited consolidated financial statements for the year ended 31 March 2019.

## **PRINCIPAL ACTIVITIES AND BUSINESS ANALYSIS OF OPERATIONS**

The Company acts as an investment holding company. The subsidiaries of the Company are principally engaged in investment holdings, leasing and capital financing, rare earths industry as well as consultancy and management services to educational institutions. Details of the Company's subsidiaries are set out in note 32 to the consolidated financial statements.

An analysis of the Group's performance for the year by operating segment is set out in note 5 to the consolidated financial statements.

## **DIRECTORS**

The directors of the Company during the year and up to the date of this report are:

### ***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

In accordance with Article 19.1 of the Company's Bye-Laws, Dr. Longguang Shi and Mr. King Choi Leung retire from office by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

All of the remaining directors, including the non-executive directors, are subject to retirement by rotation in accordance with the Company's Bye-Laws.

# **VIAGOLD CAPITAL LIMITED**

## **DIRECTORS' REPORT (Continued)**

### **BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT**

#### **VIAGOLD - MANAGEMENT TEAM**

##### **Chairman and Non-Executive Director - Dr. Longguang Shi**

Dr. Longguang Shi was appointed as Chairman and non-executive director of the Company in September 2010. Dr. Shi is the founder and chairman of LongDa Education Management Group. He is life-long engaged in education carrier for over 30 years. Dr. Shi is engaging in both vocational and competence training education, providing professional consulting and management services to vocational education schools and developing education related businesses. Dr. Shi has a doctorate degree in Business Administration and Philosophy, a master degree in Economics and an MBA degree. Dr. Shi is also the vice-chairman of numerous Provincial and Municipal higher education associations.

##### **CEO and Executive Director- Ms. Mulei Shi**

Ms. Mulei Shi was appointed as CEO and executive director of the Company in October 2010. Ms. Shi holds a bachelor degree in Economic and Law and an MBA concentrated in Finance from the United States. She served in a top investment bank in New York and worked in a large global enterprise - Konka Group, the giant manufacturer of electronic products that is listed in the Shenzhen Stock Exchange (Code: 000016 Shenzhen B Shares). She is the vice-principal of a Zhuhai vocational school and achieved rich management experience. Additionally, she is also the executive director of the Association of Young Entrepreneurs, Guangdong Province.

##### **CFO, Executive Director and Company Secretary- Mr. King Choi Leung**

Mr. Leung was appointed as CFO and executive director of the Company in October 2010 and as Company secretary in August 2015. Mr. Leung has 15 years banking experience and was formerly a corporate banking manager of BNP-Paribas. He has over 20 years experience in management. He had been the executive director of Maytex Group; the deputy president of the Deans brand apparel company in New York (a large US fashion importer) and the Finance Director of Digital City Hong Kong Limited. Mr. Leung holds an Honors Business Administration (HBA) degree from the Richard Ivey Business School of the University of Western Ontario, Canada.

##### **Executive Director - Mr. Changyuan Liao**

Mr. Changyuan Liao, age 53, an MBA from Royal Roads University, British Columbia, Canada, is one of the co-founders and chairman of the Administrative Committee of Ling Ge Art Foundation established in Macao, China. He is vice-chairman of Maoming Jinshen Mining Company Limited, a subsidiary of Rising Nonferrous Metals Share Co., Ltd which is a listed company listed on the Shanghai Stock Exchange (Code: 600259). He had serviced in the People's Bank of China, Zhuhai branch and had been the legal representative and general manager of Urban Credit Cooperatives of Doumen District, Zhuhai, Guangdong Province, China and chairman of Shenzhen Xingbang Investment Co., Limited. Mr. Liao has over 30 years business management experience in finance and the rare earth mining sectors.



# **VIAGOLD CAPITAL LIMITED**

## **DIRECTORS' REPORT (Continued)**

### **BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (Continued)**

#### **VIAGOLD - MANAGEMENT TEAM (Continued)**

##### **Independent Non-Executive Director - Mr. Yan Wang**

Mr. Yan Wang serves as an Independent Non-Executive Director of the Group since 17 September 2012. Mr. Wang is an economist by training and has consulted to a number of international companies with operations in China. He has held executive management positions as Managing Director of Nanda High Tech VC Company. Prior to that he was Deputy Managing Director of Jiangsu Far East International Assessment Company both of these are located in Jiangsu Province of China. Mr. Wang holds a bachelors degree from Hohai University, Nanjing.

##### **Independent Non-Executive Director - Mr. Fuchuan Guo**

Mr. Fuchuan Guo, age 52, graduated from the Guangdong University of Finance in China and major in Urban Finance, Mr. Guo holds Registered Qualification Certificate of Enterprise Legal Advisor of the People's Republic of China and Certificate of Accounting Profession. Mr. Guo has over 30 years experience in credit management, risk control, financial management, legal affairs and asset assessment. He is deputy General Manager of Guolianghang Assets Appraisal Company Limited. He had served as Section Chief of credit department at Jialing Branch of the Industrial and Commercial Bank of China and Chief Financial Officer of Shenzhen Baixinbai Investment Company Limited.

##### **Independent Non-Executive Director - Mr. Xunchang Hu**

Mr. Xunchang Hu, age 58, senior engineer and Assistant to General Manager of Guangdong Rare Earth Industry Group Limited which is one of the largest scale state-owned rare earth groups in China. Mr. HU holds a Bachelor Degree in Engineering from Jiangxi University of Science and Technology and major in non-ferrous metallurgy, and had served as Director of Marketing and Production Operations in the Guangdong rising Nonferrous Metal Co., Ltd which is listed on Shanghai Stock Exchange (Code: 600259) from November 2007 to September 2014. Before that, he had also served in Jiujiang Tanbre's Smeltery, Jiangxi Province, and the Bureau of Land and resources of Jiujiang County. Mr. Hu's has over 30 years business management experience in non-ferrous metals and rare earth sectors, especially in the aspect of trade and processing of rare earth and applications of the technologies of the new materials.

#### **COMPANY SECRETARY**

Mr. King Choi Leung (see Biographical Details of Directors on page 22 of this report)

# **VIAGOLD CAPITAL LIMITED**

## **DIRECTORS' REPORT (Continued)**

### **INDEMNIFICATION OF DIRECTORS AND OFFICERS**

Pursuant to the Company's Bye-Law 39 and a special resolution passed at the Annual General Meeting of Shareholders held on 24 May 2002, the Company shall pay or agree to pay a premium in respect of a policy insuring any person who is, or has been, an officer of the Company or a subsidiary of the Company against any liability in respect of which the Company would be required to indemnify such person pursuant to Bye-Law 39; and despite anything to the contrary expressed or implied in these Bye-Laws, each director will, so long as and to the extent that his interest under any such contract of insurance which is under consideration by the directors is that of an insured party, be deemed to have declared his interest pursuant to Bye-Law 18.10(g) in respect thereof, and shall be entitled to vote and be counted in the quorum on any resolution of the Board in respect thereof even though such director may be materially interested therein.

### **MEETINGS OF DIRECTORS**

The attendance of the directors at Board meetings for the financial year is as follows:

<b>Directors</b>	<b>Held</b>	<b>Attended</b>
Dr. Longguang Shi	7	7
Ms. Mulei Shi	7	7
Mr. King Choi Leung	7	6
Mr. Changyuan Liao	7	7
Mr. Yan Wang	7	7
Mr. Fuchuan Guo	7	7
Mr. Xunchang Hu	7	6

### **RESULTS**

The results of the Group for the year ended 31 March 2019 are set out in the consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income on pages 39 and 40. The directors do not recommend the payment of a dividend.

### **FIXED ASSETS**

Details of the movements in the fixed assets of the Group during the year are set out in note 14 to the consolidated financial statements.

### **SHARE CAPITAL**

Details of the movements in the share capital of the Company during the year are set out in note 23 to the consolidated financial statements.

# **VIAGOLD CAPITAL LIMITED**

## **DIRECTORS' REPORT (Continued)**

### **SIGNIFICANT EVENTS AFTER THE END OF THE REPORTING PERIOD**

No matter or circumstance has arisen since 31 March 2019 that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in the coming financial year.

### **DIRECTORS' INTERESTS IN SHARES AND SHARE OPTIONS**

#### **(i) Shares**

At 31 March 2019, the interests of the Company's directors and their associates in the issued share capital are as follows:

<b>Name</b>	<b>Number of shares held</b>	
	<b>Personal interests</b>	<b>Corporate interests</b>
Dr. Longguang Shi	-	6,000,000
Ms. Mulei Shi	-	4,000,000
Mr. King Choi Leung	150,000	-

Note:

Dr. Longguan Shi and Ms. Mulei Shi are the beneficial owners of Capital Luck Group Limited.

#### **(ii) Share options**

##### **Employee share option scheme**

On 19 December 2007, ordinary resolutions were passed by the shareholders at the annual general meeting to approve the adoption of a new share option scheme (the "New Scheme") and the termination of the old share scheme (the "Old Scheme") which were adopted on 28 November 1995.

The Company changed the share option scheme because of the limited participation by senior management, employees and director provided by the Old Scheme. Under the New Scheme, it offers a wider participation by directors, employees, management, contractors and consultant.

The participants of New Scheme are the employee of the Company. No option may be issued to a person under the plan unless the person remains as an employee as at the date of grant, or the Plan Committee determines otherwise.

# **VIAGOLD CAPITAL LIMITED**

## **DIRECTORS' REPORT (Continued)**

### **DIRECTORS' INTERESTS IN SHARES AND SHARE OPTIONS (Continued)**

#### **(ii) Share options (Continued)**

##### **Employee share option scheme (Continued)**

The employee means:

- (a) an individual whom the Plan Committee determines to be in the full-time or part-time employment of a body corporate in the Group (including any employee on parental leave, long service leave or other special leave as approved by the Plan Committee);
- (b) a director of a body corporate in the Group;
- (c) a director of the Company;
- (d) an individual who provides services to a body corporate in the Group whom the Plan Committee determines to be an employee for the purposes of the Plan;
- (e) an individual whose associate (as that expression is defined in section 139GE of the Income Tax Assessment Act 1936) provides services to a body corporate in the Group, which individual the Plan Committee determines to be an employee for the purposes of the Plan; or
- (f) an individual otherwise in the employment of a body corporate in the Group whom the Plan Committee determines to be an employee for the purposes of the Plan.

The total number of shares in respect of which option may be granted under the New Scheme is not permitted to exceed 10% of the total number of issued shares in the Company as at the date of the offer.

The option granted under the New Scheme will be non-transferable, it means that they cannot be sold, transferred, mortgaged, charged or otherwise disposed of or dealt with by the participant prior to exercise except as permitted under Rule 10.3 which are stated as follows.

# **VIAGOLD CAPITAL LIMITED**

## **DIRECTORS' REPORT (Continued)**

### **DIRECTORS' INTERESTS IN SHARES AND SHARE OPTIONS (Continued)**

#### **(ii) Share options (Continued)**

##### **Employee share option scheme (Continued)**

Rule 10.3 stated that Options may be transferred, by an instrument of transfer, in the following circumstances only:

- (a) a transfer constituting the necessary transfer documents following an acceptance of an offer made under an off-market bid relating to options;
- (b) a transfer to a bidder on the sale of the Options under any provision of an applicable law that entitles the bidder to compulsorily acquire the options;
- (c) a transfer to a 100% holder of shares on the sales of the options under any provision of an applicable law that requires the holder to compulsorily acquire the options;
- (d) a transfer under any provision of an applicable law to any person required to acquire the options, if offered for sales, under such provision of the applicable law;
- (e) a transfer in accordance with a scheme of arrangement relating to the options which has become binding in accordance with the provisions of any applicable law;
- (f) if approved by the Board, which approval must not be unreasonably withheld or delayed, a transfer to a related entity of the Participant; or
- (g) any other transfer approved by the Board, which approval may be withheld or delayed or be made subject to conditions at the absolute discretion of the board.

Options will be issued for consideration comprising the services that are expected to be provided by an eligible employee to or for the benefit of the Group but no further monetary or other consideration will be payable in respect of the issue of an option.

The exercise price in respect of an option is as determined by the Plan Committee and must be denominated and payable in Australian dollars.

The New Share Scheme was approved by the shareholders of the Company on 19 December 2007.

# VIAGOLD CAPITAL LIMITED

## DIRECTORS' REPORT

### DIRECTORS' INTERESTS IN SHARES AND SHARE OPTIONS (Continued)

#### (ii) Share options (Continued)

##### Employee share option scheme (Continued)

Movements in the share options granted are set out below:

Eligible person	Balance as at 1 April 2018	Number of underlying shares				Exercise price per share SA	Date of grant (dd/mm/yyyy)	Exercisable period (dd/mm/yyyy)
		Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year			
<b>Employees</b>	130,000	-	-	-	(130,000)	2	19/12/2007	08/04/2008- 08/04/2018
<b>Consultants</b>	1,218,792	-	-	-	(1,218,792)	2	19/12/2007	08/04/2008- 08/04/2018
<b>Former directors</b>								
Mr. Jack Chik Ming Chu	100,000	-	-	-	(100,000)	2	19/12/2007	08/04/2008- 08/04/2018
Mr. Pierre Seligman	100,000	-	-	-	(100,000)	2	19/12/2007	08/04/2008- 08/04/2018
Mr. William Kam Biu Tam	50,000	-	-	-	(50,000)	2	19/12/2007	08/04/2008- 08/04/2018
Mr. Cheong Sao Tai	50,000	-	-	-	(50,000)	2	19/12/2007	08/04/2008- 08/04/2018
Mr. Henry Chang Manayan	50,000	-	-	-	(50,000)	2	19/12/2007	17/12/2008- 08/04/2018
Mr. James Anthony Wigginton	50,000	-	-	-	(50,000)	2	19/12/2007	08/04/2008- 08/04/2018
<b>Total</b>	<b>1,748,792</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,748,792)</b>	<b>-</b>		

The Company adopts the Binomial Option Pricing Model for estimating the fair value of share options issued under the Share Option Scheme. The model is one of the commonly used models to estimate the fair value of a share option which can be exercised before the expiry of the option period.

# **VIAGOLD CAPITAL LIMITED**

## **DIRECTORS' REPORT (Continued)**

### **DIRECTORS' INTERESTS IN SHARES AND SHARE OPTIONS (Continued)**

#### **(ii) Share options (Continued)**

##### **Employee share option scheme (Continued)**

Significant assumptions are used in the Binomial Option Pricing Model to estimate the value of the share option granted on the grant date, taking into account the following factors:

- Risk-free interest rate - the yields of Australian Government Bonds.
- Expected volatility - the historical volatility of the share prices of the Company.

Binomial Option Pricing Model is subject to certain fundamental limitations because of the subjective nature of and uncertainty relating to the assumptions and inputs to the model as well as certain inherent limitation of the model itself. Any changes in the above assumptions or inputs may materially affect the fair value estimation.

Consultant is classified as employee under the New Scheme.

### **ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES**

At no time during the year was the Company, its ultimate holding company, any of its subsidiaries or fellow subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

### **DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE**

Other than as disclosed in note 30 to the consolidated financial statements, no other contract of significance in relation to the Group's business to which the Company, its ultimate holding company, or any of its subsidiaries or its fellow subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## **VIAGOLD CAPITAL LIMITED**

### **DIRECTORS' REPORT (Continued)**

#### **DIRECTORS' BENEFITS**

Other than as disclosed in note 9 to the consolidated financial statements, during the year, no director of the Company has received or become entitled to receive a benefit because of a contract that the director or a firm of which the director is a member or a company in which the director has a substantial financial interest made with the Company or a company that the Company controlled, or a body corporate that was related to the Company, when the contract was made or when the director received, or became entitled to receive the benefit.

#### **PRE-EMPTIVE RIGHTS**

There is no provision for pre-emptive rights under the Company's Bye-Laws, or the laws of Bermuda which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

#### **AUDITOR**

The consolidated financial statements have been audited by Messrs. KTC Partners CPA Limited, who will retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-appointment.

On behalf of the Board



Longguang Shi  
Chairman

21 June 2019



## **VIAGOLD CAPITAL LIMITED**

### **DIRECTORS' DECLARATION**

The directors of the Company declare that, for the year ended 31 March 2019:

- 1 The attached consolidated financial statements and notes thereto as set out on pages 39 to 110:
  - (a) comply with the International Financial Reporting Standards; and
  - (b) present fairly of the Group's financial position as at 31 March 2019 and of its performance for the financial 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 Board of directors.



**Mulei Shi**  
*Director*

21 June 2019

## **INDEPENDENT AUDITOR'S REPORT**

### **TO THE SHAREHOLDERS OF VIAGOLD CAPITAL LIMITED**

(Incorporated in Bermuda with limited liability)

#### **Opinion**

We have audited the consolidated financial statements of VIAGOLD CAPITAL LIMITED (the "Company") and its subsidiaries ("the Group") set out on pages 39 to 110, which comprise the consolidated statement of financial position as at 31 March 2019, and the consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

#### **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

# INDEPENDENT AUDITOR'S REPORT

## Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### Key Audit Matter

### How the matter was addressed in our audit

#### *Goodwill*

Refer to note 17 in the consolidated financial statements

<p>The goodwill relating to the acquisition of subsidiaries in rare earth refining and separation segment was fully impaired during the year.</p> <p>On an annual basis, management are required to perform an impairment assessment for goodwill, this assessment involves significant management judgment in the application of valuation models and assumptions.</p> <p>As a consequence, there is a greater risk of misstatement in these balances, either by fraud or error, including through the potential override of controls by management.</p> <p>Management performed the valuation for the recoverable amount of the cash-generating unit of which the goodwill was allocated to and has concluded that the goodwill should fully impaired during the year. This conclusion was based on a value in use model that required significant management judgment with respect to the discount rate and the underlying cash flows, in particular future revenue growth.</p>	<p>Our procedures in relation to management's impairment assessment included:</p> <ul style="list-style-type: none"> <li>- assessing the valuation methodology in the valuation report supporting goodwill with the management;</li> <li>- challenging the reasonableness of key assumptions based on our knowledge of the business and industry; and</li> <li>- reconciling input data to supporting evidence, such as approved budgets and considering the reasonableness of these budgets.</li> </ul>
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# INDEPENDENT AUDITOR'S REPORT

## Key Audit Matters (Continued)

<u>Key Audit Matter</u>	<u>How the matter was addressed in our audit</u>
<p><i>Valuation of inventories</i></p> <p>Refer to note 20 in the consolidated financial statements</p>	
<p>We identified the valuation of inventories as a key audit matter due to its significance to the consolidated financial statements and the inventory costing models require significant estimates to calculate the cost of the inventory and net realisable value (“NRV”).</p> <p>The determination of the NRV of the inventory requires management’s judgement in relation to considers prices recently paid for similar assets, with adjustments made to the indicated market prices to reflect condition and utility of the appraised assets relative to the market comparative.</p>	<p>Our procedures in relation to assessing the valuation of the inventories :</p> <ul style="list-style-type: none"> <li>- assessing the model applied by the Group in determining the NRV for inventory against the requirements of the International Accounting Standards;</li> <li>- obtaining management’s valuation reports and agreeing the quantity included in the inventory costing models as at 31 March 2019;</li> <li>- evaluating the processes undertaken by the expert in preparing the valuation reports;</li> <li>- assessing the competency and objectivity of the expert used by management in the preparation of the valuation reports;</li> <li>- comparing the recent price of the inventories used in management’s models to current rare earth data; and</li> <li>- assessing the adequacy of the related disclosures in Note 20 to the financial statements.</li> </ul>

# INDEPENDENT AUDITOR'S REPORT

## Key Audit Matters (Continued)

### Key Audit Matter

### How the matter was addressed in our audit

#### *Provision for expected credit losses ("ECL") of trade receivables*

Refer to notes 3.2 and 19 in the consolidated financial statements

<p>ECL for trade receivables are based on management's estimate of the lifetime ECL to be incurred, which is estimated by taking into account the credit loss experience, ageing of overdue trade receivables, customers' repayment history and customers' financial position and an assessment of both the current and forecast general economic conditions, all of which involve a significant degree of management judgment.</p> <p>We have identified ECL assessment of trade receivables as a key audit matter because the assessing ECL of trade receivables is a subjective area as it requires the management's judgment and uses of estimates.</p> <p>At 31 March 2019, the carrying amount of trade receivables is approximately A\$7,340,000 (net of allowance for doubtful debts of approximately A\$1,824,000).</p>	<p>Our procedures in relation to management's ECL assessment on trade receivables included:</p> <ul style="list-style-type: none"> <li>- reviewing and assessing the application of the Group's policy for calculating the ECL;</li> <li>- evaluation techniques and methodology in the ECL model against the requirements of IFRS 9;</li> <li>- assessing the reasonableness of management's loss allowance estimates by examining the information used by management to form such judgements, including testing the accuracy of the historical default data, evaluating whether the historical loss rates are appropriately adjusted based on current economic conditions and forwardlooking information and examining the actual losses recorded during the current financial year and assessing whether there was an indication of management bias when recognising loss allowances;</li> <li>- inquiring of management for the status of each of the material trade receivables past due as at year end and corroborating explanations from management with supporting evidence, such as understanding on-going business relationship with the customers based on trade records, checking historical and subsequent settlement records of and other correspondence with the customers;</li> </ul>
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# INDEPENDENT AUDITOR'S REPORT

## Key Audit Matters (Continued)

### Key Audit Matter

### How the matter was addressed in our audit

*Provision for expected credit losses ("ECL") of trade receivables (Continued)*

Refer to notes 3.2 and 19 in the consolidated financial statements

	<ul style="list-style-type: none"><li>- evaluating the design, implementation and operating effectiveness of key internal controls which govern credit control, debt collection and estimation of ECL; and</li><li>- checking, on a sample basis, the ageing profile of the trade receivables as at 31 March 2019 to the underlying financial records and post year-end settlement to bank receipts.</li></ul>
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## Other information

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of Directors and the Audit Committee for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

# **INDEPENDENT AUDITOR'S REPORT**

## **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981 and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

## INDEPENDENT AUDITOR'S REPORT

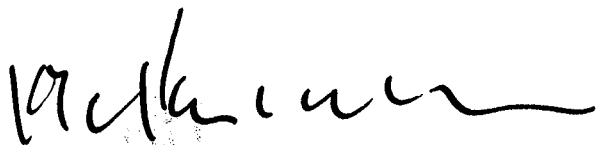
### Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



KTC Partners CPA Limited  
Certified Public Accountants (Practising)

Chow Yiu Wah, Joseph  
Audit Engagement Director  
Practising Certificate Number: P04686

Hong Kong  
21 June 2019



# **VIAGOLD CAPITAL LIMITED**

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

**For the year ended 31 March 2019**

		<b>2019</b>	<b>2018</b>
	<b>Note</b>	<b>A\$'000</b>	<b>A\$'000</b>
Turnover	<b>5</b>	27,397	35,597
Cost of services and sales		<u>(28,446)</u>	<u>(33,390)</u>
<b>Gross (loss)/profit</b>		(1,049)	2,207
Other income	<b>6</b>	75	266
Administrative expenses		(3,075)	(3,349)
Write-off of inventories		(21,440)	-
Impairment loss on interest in an associate		-	(191)
Impairment loss on goodwill		(2,816)	-
Share of result of an associate		(149)	29
Finance costs	<b>7</b>	<u>(47)</u>	<u>(112)</u>
<b>Loss before income tax</b>	<b>8</b>	(28,501)	(1,150)
Income tax credit/(expenses)	<b>11</b>	<u>5,341</u>	<u>(203)</u>
<b>Loss for the year</b>		<u><u>(23,160)</u></u>	<u><u>(1,353)</u></u>
<b>Attributable to:</b>			
Equity holders of the Company		(3,003)	(1,126)
Non-controlling interests		<u>(20,157)</u>	<u>(227)</u>
		<u><u>(23,160)</u></u>	<u><u>(1,353)</u></u>
<b>Loss per share attributable to the equity holders of the Company</b>	<b>13</b>		
- Basic		<u>(A\$0.07)</u>	<u>(A\$0.03)</u>
- Diluted		<u><u>(A\$0.07)</u></u>	<u><u>(A\$0.03)</u></u>

**The notes on pages 45 to 110 form an integral part of these consolidated financial statements.**

# **VIAGOLD CAPITAL LIMITED**

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

**For the year ended 31 March 2019**

	<b>2019</b> <b>A\$'000</b>	<b>2018</b> <b>A\$'000</b>
<b>Loss for the year</b>	(23,160)	(1,353)
Other comprehensive (loss)/income for the year		
Items that may be reclassified subsequently to profit or loss		
Exchange difference arising in		
translation of foreign operations	(184)	1,518
Fair value loss on financial assets at fair value		
through other comprehensive income	(381)	-
<b>Total comprehensive income for the year</b>	<u>(23,725)</u>	<u>165</u>
<b>Total comprehensive income attributable to:</b>		
Equity holders of the Company	(3,013)	(566)
Non-controlling interests	(20,712)	731
	<u>(23,725)</u>	<u>165</u>

**The notes on pages 45 to 110 form an integral part of these consolidated financial statements.**

# **VIAGOLD CAPITAL LIMITED**

## **CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

**As at 31 March 2019**

	<b>Note</b>	<b>2019 A\$'000</b>	<b>2018 A\$'000</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Fixed assets	<b>14</b>		
- Investment property		497	537
- Plant and equipment		7,759	8,752
Land use rights	<b>15</b>	4,415	4,421
Interests in an associate	<b>16</b>	188	337
Goodwill	<b>17</b>	-	2,856
Financial assets at fair value	<b>18</b>		
through other comprehensive income		1,913	-
Available-for-sale financial assets	<b>18</b>	-	2,278
		<u>14,772</u>	<u>19,181</u>
<b>Current assets</b>			
Trade and other receivables	<b>19</b>	24,825	21,270
Inventories	<b>20</b>	46,816	69,087
Pledged bank deposits	<b>21</b>	140	1,036
Cash and cash equivalents	<b>22</b>	926	923
		<u>72,707</u>	<u>92,316</u>
<b>Total assets</b>		<u><u>87,479</u></u>	<u><u>111,497</u></u>

**The notes on pages 45 to 110 form an integral part of these consolidated financial statements.**

## **VIAGOLD CAPITAL LIMITED**

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

**As at 31 March 2019**

	<b>Note</b>	<b>2019 A\$'000</b>	<b>2018 A\$'000</b>
<b>CAPITAL AND RESERVES</b>			
<b>Equity</b>			
Share capital	<b>23</b>	8,331	8,331
Reserves		<u>1,648</u>	<u>8,615</u>
Capital and reserves attributable to the equity holders of the Company		9,979	16,946
Non-controlling interests		<u>12,362</u>	<u>33,074</u>
<b>Total equity</b>		<b>22,341</b>	<b>50,020</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred tax liabilities	<b>25</b>	<u>7,477</u>	<u>12,820</u>
<b>Current liabilities</b>			
Trade and other payables	<b>26</b>	57,513	46,548
Contract liabilities	<b>27</b>	112	-
Tax payable		36	36
Short-term bank borrowing	<b>28</b>	<u>-</u>	<u>2,073</u>
		<u>57,661</u>	<u>48,657</u>
<b>Net current assets</b>		<u>15,046</u>	<u>43,659</u>
<b>Total equity and liabilities</b>		<u><b>87,479</b></u>	<u><b>111,497</b></u>

The consolidated financial statements on pages 39 to 110 were approved and authorised for issue by the board of directors on 21 June 2019 and are signed on its behalf by:

  
Longguang Shi  
Director

  
Mulei Shi  
Director

The notes on pages 45 to 110 form an integral part of these consolidated financial statements.

VIAGOLD CAPITAL LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
For the year ended 31 March 2019

	Attributable to equity holders of the Company										Total equity AS'000
	Share capital AS'000	Share premium AS'000	Translation reserve AS'000	Contributed surplus AS'000	Warrant reserve AS'000	Share-based compensation reserve AS'000	Investment revaluation reserve AS'000	Accumulated losses AS'000	Sub-total AS'000	Non-controlling interests AS'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 income for the year	-	-	560	-	-	-	-	(1,126)	(566)	731	165
Transactions with equity holders in their capacity	8,031	43,445	(27,226)	47,645	1,440	2,949	-	(60,403)	15,881	33,074	48,955
- Issuance of shares by exercise of warrants	300	885	-	-	(120)	-	-	-	1,065	-	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)	16,946	33,074	50,020
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
Adjustment on adoption of IFRS 9, net of tax	-	-	-	-	-	-	-	(3,954)	(3,954)	-	(3,954)
Restated balance on 1 April 2018	8,331	44,330	(27,226)	47,645	1,080	1,707	-	(62,875)	12,992	33,074	46,066
- Loss for the year	-	-	-	-	-	-	-	(3,003)	(3,003)	(20,157)	(23,160)
- Exchange differences arising on translation of foreign operations	-	-	371	-	-	-	-	-	371	(555)	(184)
- Fair value loss on financial assets at fair value through other comprehensive income	-	-	-	-	-	-	(381)	-	(381)	-	(381)
Total comprehensive income for the year	-	-	371	-	-	-	(381)	(3,003)	(3,013)	(20,712)	(23,725)
Transactions with equity holders in their capacity	-	-	-	-	-	-	-	-	-	-	-
- Transfer of warrant reserve upon lapse of warrants	-	-	-	-	(150)	-	-	150	-	-	-
As at 31 March 2019	8,331	44,330	(26,855)	47,645	930	1,707	(381)	(65,728)	9,979	12,362	22,341

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

- it is, or would after the payment be, unable to pay its liabilities as they become due; or
- the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

The notes on pages 45 to 110 form an integral part of these consolidated financial statements.

# **VIAGOLD CAPITAL LIMITED**

## **CONSOLIDATED STATEMENT OF CASH FLOWS**

**For the year ended 31 March 2019**

	<b>Note</b>	<b>2019 A\$'000</b>	<b>2018 A\$'000</b>
<b>Operating activities</b>			
Net cash generated from/(used in) operating activities	<b>29(a)</b>	<u>1,380</u>	<u>(2,971)</u>
<b>Investing activities</b>			
Purchase of fixed assets	<b>14</b>	(233)	(1,081)
Purchase of available-for-sale financial assets		-	(481)
Proceeds from disposal of plant and equipment		89	203
Interest received		<u>31</u>	<u>54</u>
Net cash used in investing activities		<u>(113)</u>	<u>(1,305)</u>
<b>Financing activities</b>			
Interest paid		(47)	(112)
Decrease/(increase) of pledged fixed deposits		886	(474)
Repayment of bank loans		(2,043)	-
Proceeds from bank loans		-	2,073
Proceeds from issuance of new shares by exercise of warrants		<u>-</u>	<u>1,065</u>
Net cash (used in)/generated from financing activities		<u>(1,204)</u>	<u>2,552</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>63</b>	<b>(1,724)</b>
Cash and cash equivalents at the beginning of the year		923	1,374
Effect of foreign exchange rate change, net		<u>(60)</u>	<u>1,273</u>
<b>Cash and cash equivalents at the end of the year</b>	<b>22</b>	<u><u>926</u></u>	<u><u>923</u></u>

**The notes on pages 45 to 110 form an integral part of these consolidated financial statements.**

# **VIAGOLD CAPITAL LIMITED**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**For the year ended 31 March 2019**

### **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 addresses of the registered office and principal place of business of the Company are disclosed on page 113.

The Company and its subsidiaries (together the "Group") are principally engaged in investment holding, rare earth refining and separation, leasing and capital financing services, and consultancy and management services to educational institutions. Details of the activities of the Company's principal subsidiaries are set out in note 32.

These consolidated financial statements are presented in units of Australian Dollars (A\$), unless otherwise stated. These consolidated financial statements were approved for issue by the Board of Directors on 21 June 2019.

### **2. Significant accounting policies**

#### **2.1. Basis of preparation of financial statements**

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards and IFRIC interpretations ("IFRSs") issued by the International Accounting Standards Board ("IASB"). The consolidated financial statements have been prepared under the historical cost convention.

These consolidated financial statements have been prepared under the accrual basis of accounting and on the basis that the Group is a going concern.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

# **VIAGOLD CAPITAL LIMITED**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**For the year ended 31 March 2019**

### **2. Significant accounting policies (Continued)**

#### **2.1. Basis of preparation of financial statements (Continued)**

##### *Application of new and revised IFRSs*

In the current year, the Group has applied the following new and revised standards, amendments and interpretations ("new and revised IFRSs") which are or have become effective.

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers and the related Amendments
Amendments to IFRS 15	Clarifications to IFRS 15 Revenue from Contracts with Customers
IFRIC-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to IFRS 2	Classification and Measurement of Share-based Payment
Amendments to IAS 28	As part of the Annual Improvements to IFRSs 2014–2016 Cycle
Amendments to IAS 40	Transfers of Investment Property

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period, except for the amendments to IFRS 9, Prepayment features with negative compensation which have been adopted at the same time as IFRS 9.

#### **IFRS 9, Financial instruments, including the amendments to IFRS 9, Prepayment features with negative compensation**

IFRS 9 replaces IAS 39, Financial instruments: recognition and measurement. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied IFRS 9 retrospectively to items that existed at 1 April 2018 in accordance with the transition requirements. The Group has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 April 2018. Therefore, comparative information continues to be reported under IAS 39.

There is no impact of transition to IFRS 9 on accumulated losses at 1 April 2018.

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:



# **VIAGOLD CAPITAL LIMITED**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**For the year ended 31 March 2019**

### **2. Significant accounting policies (Continued)**

#### **2.1. Basis of preparation of financial statements (Continued)**

##### **IFRS 9, Financial instruments, including the amendments to IFRS 9, Prepayment features with negative compensation (Continued)**

###### **a. Classification of financial assets and financial liabilities**

IFRS 9 categorises financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income (“FVOCI”) and at fair value through profit or loss (“FVPL”). These supersede IAS 39’s categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under IFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated from the host. Instead, the hybrid instrument as a whole is assessed for classification.

The reclassifications made to balances recognised in the consolidated statement of financial position at the date of initial application (1 April 2018) are summarised as follows:

	Carrying amount as at 31 March 2018 under IAS 39 A\$'000	Reclassification and remeasurement A\$'000	Carrying amount as at 1 April 2018 under IFRS 9 A\$'000
Consolidation financial position			
Available-for-sale financial assets	2,278	(2,278)	-
Investment revaluation reserve	-	381	381
Financial assets at FVOCI	-	1,897	1,897
Trade and other receivables	21,270	(3,954)	17,316
Accumulated losses	58,921	3,954	62,875

The Group’s trade and other receivables and bank balances and cash are reclassified from loans and receivables to financial assets carried at amortised cost under IFRS 9.

The measurement categories for all financial liabilities remain the same.

The carrying amounts for all financial assets and liabilities at 1 April 2018 have not been impacted by the initial application of IFRS 9.

The Group did not designate or de-designate any financial asset or financial liability at FVPL at 1 April 2018.

# **VIAGOLD CAPITAL LIMITED**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**For the year ended 31 March 2019**

### **2. Significant accounting policies (Continued)**

#### **2.1. Basis of preparation of financial statements (Continued)**

##### **IFRS 9, Financial instruments, including the amendments to IFRS 9, Prepayment features with negative compensation (Continued)**

###### **b. Impairment of financial assets**

IFRS 9 replaces the “incurred loss” model in IAS 39 with the “expected credit loss” ( “ECL ” ) model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the “incurred loss” accounting model in IAS 39.

The Group applies the new ECL model to financial assets measured at amortised cost (including trade and other receivables and bank balances and cash).

The Group recognises that there will be not any material impact in the ECLs of the Group due to the change in accounting policy.

###### **c. Transition**

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below:

- Information relating to comparative periods has not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of IFRS 9 are recognised in accumulated losses and reserves as at 1 April 2018. Accordingly, the information presented for 2017 continues to be reported under IAS 39 and thus may not be comparable with the current period.
- If, at the date of initial application, the assessment of whether there has been a significant increase in credit risk since initial recognition would have involved undue cost or effort, a lifetime ECL has been recognised for that financial instrument.

##### **IFRS 15, Revenue from contracts with customers**

IFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. IFRS 15 replaces IAS 18, Revenue, which covered revenue arising from sale of goods and rendering of services, and IAS 11, Construction contracts, which specified the accounting for construction contracts.

# **VIAGOLD CAPITAL LIMITED**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**For the year ended 31 March 2019**

### **2. Significant accounting policies (Continued)**

#### **2.1. Basis of preparation of financial statements (Continued)**

##### **IFRS 15, Revenue from contracts with customers (Continued)**

The Group has elected to use the cumulative effect transition method and has recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 April 2018. Therefore, comparative information has not been restated and continues to be reported under IASs 18. As allowed by IFRS 15, the Group has applied the new requirements only to contracts that were not completed before 1 April 2018.

There is no impact of transition to IFRS 15 on accumulated losses at 1 April 2018.

Further details of the nature and effect of the changes on previous accounting policies are set out below:

##### **a. Timing of revenue recognition**

Previously, revenue arising from construction contracts and provision of services was recognised over time, whereas revenue from sale of goods was generally recognised at a point in time when the risks and rewards of ownership of the goods had passed to the customers.

Under IFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. IFRS 15 identifies the following three situations in which control of the promised good or service is regarded as being transferred over time:

- When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;
- When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;
- When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under IFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs.

# **VIAGOLD CAPITAL LIMITED**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**For the year ended 31 March 2019**

### **2. Significant accounting policies (Continued)**

#### **2.1. Basis of preparation of financial statements (Continued)**

##### **IFRS 15, Revenue from contracts with customers (Continued)**

The adoption of IFRS 15 does not have a significant impact on when the Group recognises revenue from sale of goods and this change in accounting policy had no material impact on opening balances as at 1 April 2018.

##### **b. Significant financing component**

IFRS 15 requires an entity to adjust the transaction price for the time value of money when a contract contains a significant financing component, regardless of whether the payments from customers are received significantly in advance of revenue recognition or significantly deferred.

Previously, the Group only applied such a policy when payments were significantly deferred, which was not common in the Group's arrangements with its customers. The Group did not apply such a policy when payments were received in advance.

It is not common for the Group to receive payments significantly in advance of revenue recognition over one year in the Group's arrangements with its customers.

The adoption of IFRS 15 does not have a significant impact on when the Group recognises financing component from sale of goods and this change in accounting policy had no material impact on opening balance as at 1 April 2018.

##### **c. Presentation of contract assets and liabilities**

Under IFRS 15, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. The impact on the Group's financial position by the application of IFRS 15 as compared to IAS 18 that was previously in effect before the adoption of IFRS 15 is as follows:

	IAS 18		IFRS 15
	Carrying amount		Carrying amount
	31 March 2018	Reclassification	1 April 2018
	A\$'000	A\$'000	A\$'000
Receipt in advances	99	(99)	-
Contract liabilities	-	99	99
	<u>99</u>	<u>-</u>	<u>99</u>

# **VIAGOLD CAPITAL LIMITED**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**For the year ended 31 March 2019**

### **2. Significant accounting policies (Continued)**

#### **2.1. Basis of preparation of financial statements (Continued)**

*New and revised IFRSs issued but not yet effective*

The Group has not early applied the following new and amendments to IFRSs that have been

IFRS 16	Leases <sup>1</sup>
IFRS 17	Insurance contracts <sup>2</sup>
IFRIC 23	Uncertainty over income tax treatments <sup>1</sup>
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture <sup>3</sup>
Amendments to IAS 19	Plan amendment, curtailment or settlement <sup>1</sup>
Amendments to IAS 28	Long-term interests in associates and joint ventures <sup>1</sup>
Amendments to IFRSs	Annual improvements to IFRSs 2015-2018 cycle <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2019.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2021.

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined.

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

#### **IFRS 16 “Leases”**

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede IAS 17 Leases and the related interpretations when it becomes effective.

IFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. In addition, IFRS 16 requires sales and leaseback transactions to be determined based on the requirements of IFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. IFRS 16 also includes requirements relating to subleases and lease modifications.

Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

# **VIAGOLD CAPITAL LIMITED**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**For the year ended 31 March 2019**

### **2. Significant accounting policies (Continued)**

#### **2.1. Basis of preparation of financial statements (Continued)**

*New and revised IFRSs issued but not yet effective (Continued)*

##### **IFRS 16 “Leases” (Continued)**

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at the date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Under the IFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing and operating cash flows.

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

Furthermore, extensive disclosures are required by IFRS 16.

As at 31 March 2019, the Group has non-cancellable operating lease commitments of approximately A\$753,000 as disclosed in Note 31. A preliminary assessment indicates that these arrangements will meet the definition of a lease under IFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of IFRS 16.

In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. The Group intends to elect the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and I(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease and not apply this standard to contracts that were not previously identified as containing a lease applying IAS 17 and I(IFRIC)-Int 4. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group intends to elect the modified retrospective approach for the application of IFRS 16 as lessee and will recognise the cumulative effect of initial application to opening accumulated losses without restating comparative information.

# **VIAGOLD CAPITAL LIMITED**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**For the year ended 31 March 2019**

### **2. Significant accounting policies (Continued)**

#### **2.2. Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

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.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

#### **2.3. Investments in subsidiaries**

Investments in subsidiaries are included in the Company's statement of financial position at cost less accumulated impairment loss, if any.

# **VIAGOLD CAPITAL LIMITED**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**For the year ended 31 March 2019**

### **2. Significant accounting policies (Continued)**

#### **2.4. Associates**

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

The Group's investments in associates are accounted for in the consolidated financial statements using the equity method. Under the equity method, investments in associates are initially recognised at cost. The Group's share of the profit or loss and changes in the other comprehensive income of the associates are recognised in profit or loss and other comprehensive income respectively after the date of acquisition. If the Group's share of losses of an associate equals or exceeds its interest in the associate, which determined using the equity method together with any long-term interests that, in substance, form part of the Group's net investment in the associate, the Group discontinues recognising its share of further losses. Additional losses are provided for, and a liability is recognised, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

If an associate uses accounting policies other than those of the Group for like transactions or events in similar circumstances, adjustments are made to make the associate's accounting policies conform to those of the Group when the associate's financial statements are used by the Group in applying the equity method.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment, any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of the associate is recognised as goodwill and is included in the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognised in profit or loss in the period in which the investment is acquired.

After application of the equity method, including recognising the associate's losses (if any), the Group determines whether it is necessary to recognise any additional impairment loss with respect to its investment in the associate. Goodwill that forms part of the carrying amount of an investment in an associate is not separately recognised. The entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment in the associate. Any reversal of that impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.



# **VIAGOLD CAPITAL LIMITED**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**For the year ended 31 March 2019**

### **2. Significant accounting policies (Continued)**

#### **2.4. Associates (Continued)**

When the investment ceases to be an associate upon the Group losing significant influence over the associate, the Group discontinues to apply equity method and any retained interest is measured at fair value at that date which is regarded as its fair value on initial recognition as a financial asset in accordance with IAS 39. Any difference between the fair value of any retained interest and any proceeds from disposing of a part interest in the associate and the carrying amount of the investment at the date the equity method was discontinued is recognised in profit or loss. Any amount previously recognised in other comprehensive income in relation to that investment is reclassified to profit or loss or retained earnings on the same basis as it would have been required if the investee had directly disposed of the related assets or liabilities.

When the Group's ownership interest in an associate is reduced, but the Group continues to apply the equity method, the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest is reclassified to profit or loss if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

Gains and losses resulting from transactions between the Group and its associate are recognised in consolidated financial statements only to the extent of unrelated investors' interests in the associate. The Group's share in the associate's gains or losses resulting from these transactions is eliminated.

#### **2.5. Goodwill**

Goodwill represents the excess of

- (i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over
- (ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

# **VIAGOLD CAPITAL LIMITED**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**For the year ended 31 March 2019**

### **2. Significant accounting policies (Continued)**

#### **2.5. Goodwill (Continued)**

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment.

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

#### **2.6. Segment reporting**

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

#### **2.7. Foreign currency translation**

##### *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Australian Dollars ("A\$"), which is the Group's presentation currency, while the Group's transactions are denominated in multi-currencies, including Hong Kong Dollars ("HKD"), United States Dollars ("USD") and Renminbi ("RMB"). The directors of the Company have chosen to present the consolidated financial statements in Australian Dollars on the grounds that the Group is listed in Australia.

# **VIAGOLD CAPITAL LIMITED**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**For the year ended 31 March 2019**

### **2. Significant accounting policies (Continued)**

#### **2.7. Foreign currency translation (Continued)**

##### *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

##### *Group companies*

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting period;
- income and expenses for each statement of profit or loss are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

# **VIAGOLD CAPITAL LIMITED**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**For the year ended 31 March 2019**

### **2. Significant accounting policies (Continued)**

#### **2.8. Revenue recognition (accounting policies applied from 1 April 2018)**

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- 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.

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or service.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amounts receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. For contracts where the period between the payment and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

# **VIAGOLD CAPITAL LIMITED**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**For the year ended 31 March 2019**

### **2. Significant accounting policies (Continued)**

#### **2.8. Revenue recognition (accounting policies applied from 1 April 2018) (Continued)**

##### *Provision of consultancy and management services to educational institutions*

For contracts entered into with customers on consultancy and management services, taking into consideration of the relevant contract terms and the legal environment, the Group concluded that the Group does not have an enforceable right to payment prior to completion of the consultancy and management services. Besides, the customers only received and consumed the benefits upon completion of the consultancy and management services. Revenue from provision of consultancy and management services to educational institutions is therefore recognised at a point in time when the provision of consultancy and management services to educational institutions rendered and the Group has present right to payment and collection of the consideration is probable.

##### *Rare earth refining and separation*

Customers obtain control of the minerals and rare earth when the goods are delivered to and have been accepted. Revenue is thus recognised upon when the customers accepted the products. There is generally only one performance obligation. Invoices are usually payable within 30 days. In the comparative period, revenue from sales of goods is recognised on transfer of risks and rewards of ownership, which was taken as at the time of delivery and the title is passed to customer.

##### *Contract assets and liabilities*

A contract asset represents the Group's right to consideration in exchange for services that the Group has transferred to a customer that is not yet unconditional. 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 services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

# **VIAGOLD CAPITAL LIMITED**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**For the year ended 31 March 2019**

### **2. Significant accounting policies (Continued)**

#### **2.8. Revenue recognition (accounting policies applied until 31 March 2018)**

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and provision of services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

##### *Provision of consultancy and management services to educational institutions*

Revenue from management and consulting services to educational institutions are recognised when the services are rendered.

##### *Rare earth refining and separation*

Revenue from the sales of minerals and rare earth refining and separation is recognised upon transfer of significant risks and rewards of ownership, which generally coincides with the time when the rare earth products are delivered and the title has passed to the customers.

##### *Interest income*

Interest income is recognised on a time proportion basis on the principal outstanding and at the effective interest rate applicable.

##### *Dividend income*

Dividend income is recognised when the right to receive payment is established.

##### *Lease income*

Lease income is recognised over the term of the lease on a straight-line basis.

# **VIAGOLD CAPITAL LIMITED**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**For the year ended 31 March 2019**

### **2. Significant accounting policies (Continued)**

#### **2.9. Leases**

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment, or series of payments, the right to use an asset for an agreed period of time.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statement of profit or loss on a straight-line basis over the period of the lease.

#### **2.10. Fixed assets**

##### *Investment property*

Investment properties are properties held to earn rental income and/or for capital appreciation. Investment properties are initially measured at cost, including any directly attributable expenditure, except for those transferred from property, plant and equipment and land use rights which are measured at fair value at date of transfer. After initial recognition, investment property is accounted for in accordance with the cost model as set out in IAS 16, Property, Plant and Equipment - cost less accumulated depreciation and less accumulated impairment losses.

Depreciation is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

Investment property	20 years
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An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

##### *Other property, plant and equipment*

Other property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

# **VIAGOLD CAPITAL LIMITED**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**For the year ended 31 March 2019**

### **2. Significant accounting policies (Continued)**

#### **2.10. Fixed assets (Continued)**

##### *Other property, plant and equipment (Continued)*

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are expensed in the profit or loss during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

Leasehold improvements	3 - 20 years
Plant and machinery	5 - 10 years
Furniture and equipment	5 - 10 years
Motor vehicles	4 - 10 years
Building	20 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the profit or loss.

#### **2.11. Impairment of non-financial assets**

Assets other than goodwill are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.



# **VIAGOLD CAPITAL LIMITED**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**For the year ended 31 March 2019**

### **2. Significant accounting policies (Continued)**

#### **2.12. Financial instruments recognition (accounting policies applied from 1 April 2018)**

##### *Financial assets*

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at fair value through profit or loss (“FVTPL”), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

##### *Debt instruments*

Subsequent measurement of debt instruments depends on the Group’s business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

**Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

**Fair value through other comprehensive income (“FVOCI”):** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets’ cash flows represent solely payments of principal and interest, are measured at FVOCI. Debt investments at fair value through other comprehensive income are subsequently measured at fair value. Interest income calculated using the effective interest rate method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

# **VIAGOLD CAPITAL LIMITED**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)** **For the year ended 31 March 2019**

### **2. Significant accounting policies (Continued)**

#### **2.12. Financial instruments recognition (accounting policies applied from 1 April 2018)** **(Continued)**

##### *Debt instruments (Continued)*

Fair value through profit or loss ("FVTPL"): Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through other comprehensive income, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

##### *Equity instruments*

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Equity investments at fair value through other comprehensive income are measured at fair value. Dividend income are recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss. All other equity instruments are classified as FVTPL, whereby changes in fair value, dividends and interest income are recognised in profit or loss.

##### *Impairment loss on financial assets*

The Group recognises loss allowances for expected credit loss ("ECL") on trade receivables, contract assets, financial assets measured at amortised cost and debt investments measured at FVOCI. The ECLs are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

# **VIAGOLD CAPITAL LIMITED**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**For the year ended 31 March 2019**

### **2. Significant accounting policies (Continued)**

#### **2.12. Financial instruments recognition (accounting policies applied from 1 April 2018) (Continued)**

##### *Impairment loss on financial assets (Continued)*

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate. The Group has elected to measure loss allowances for trade receivables and contract assets using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the ECLs are based on the 12-months ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be credit-impaired when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets interest income is calculated based on the gross carrying amount.

##### *Financial liabilities*

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at fair value through profit or loss are initially measured at fair value and financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

# **VIAGOLD CAPITAL LIMITED**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**For the year ended 31 March 2019**

### **2. Significant accounting policies (Continued)**

#### **2.12. Financial instruments recognition (accounting policies applied from 1 April 2018) (Continued)**

##### *Financial liabilities at amortised cost*

Financial liabilities at amortised cost including trade and other payables, amount due to former directors, other borrowings and amount due to a major shareholder, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

##### *Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

##### *Equity instruments*

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

##### *Derecognition*

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with IFRS 9.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

Where the Group issues its own equity instruments to a creditor to settle a financial liability in whole or in part as a result of renegotiating the terms of that liability, the equity instruments issued are the consideration paid and are recognised initially and measured at their fair value on the date the financial liability or part thereof is extinguished. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments are measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability or part thereof extinguished and the consideration paid is recognised in profit or loss for the year.

# **VIAGOLD CAPITAL LIMITED**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**For the year ended 31 March 2019**

### **2. Significant accounting policies (Continued)**

#### **2.12. Financial instruments recognition (accounting policies applied until 31 March 2018)**

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

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

##### *Financial assets*

Financial assets are classified into the category; 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 recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

##### *Effective interest method*

The effective interest method is a method of calculating the amortised 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 recognised on an effective interest basis for debt instruments.

##### *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 trade and bills receivables, deposits and other receivables and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivable where the recognition of interest would be immaterial.

# **VIAGOLD CAPITAL LIMITED**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**For the year ended 31 March 2019**

### **2. Significant accounting policies (Continued)**

#### **2.12. Financial instruments recognition (accounting policies applied until 31 March 2018) (Continued)**

##### *Impairment of financial assets*

Financial assets 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 investment have been affected.

For financial assets, objective evidence of impairment could include:

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

For certain categories of financial assets, such as trade receivables and other receivables, assets are assessed for impairment on a collective basis even if they were 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 of 90 days and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

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 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 trade receivables and other receivables, where the carrying amount is reduced through the use of an allowance account. When a trade or other 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 recognised in profit or loss.

# **VIAGOLD CAPITAL LIMITED**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**For the year ended 31 March 2019**

### **2. Significant accounting policies (Continued)**

#### **2.12. Financial instruments recognition (accounting policies applied until 31 March 2018) (Continued)**

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

For financial assets measured at amortised 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 was recognised, the previously recognised 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 amortised cost would have been had the impairment not been recognised.

##### *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 a group entity are recognised at the proceeds received, net of direct issue costs.

##### *Other financial liabilities*

Other financial liabilities (including trade payables, other payables, amount due to a director/former director/a major shareholder, dividends payables, other borrowings and loan from a major shareholder) are subsequently measured at amortised cost using the effective interest method.

##### *Effective interest method*

The effective interest method is a method of calculating the amortised 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 recognised on an effective interest basis.

# **VIAGOLD CAPITAL LIMITED**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**For the year ended 31 March 2019**

### **2. Significant accounting policies (Continued)**

#### **2.12. Financial instruments recognition (accounting policies applied until 31 March 2018) (Continued)**

##### *Derecognition*

The Group derecognises 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 recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised 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 recognised in other comprehensive income and accumulated in equity is recognised 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 recognise, and the part it no longer recognises 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 recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

#### **2.13. Trade and other receivables**

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less provision for impairment, except where the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less impairment losses for bad and doubtful debts.



# **VIAGOLD CAPITAL LIMITED**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**For the year ended 31 March 2019**

### **2. Significant accounting policies (Continued)**

#### **2.14. Cash and cash equivalents**

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

#### **2.15. Share capital**

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

#### **2.16. Inventories**

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any writedown of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any writedown of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

#### **2.17. Trade and other payables**

Trade and other payables are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

# **VIAGOLD CAPITAL LIMITED**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**For the year ended 31 March 2019**

### **2. Significant accounting policies (Continued)**

#### **2.18. Current and deferred income tax**

The tax expense comprises current and deferred tax. Tax is recognised in the profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly, in equity respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted by the end of the reporting period in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associate, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis, or to realise the asset and settle the liability simultaneously.

# **VIAGOLD CAPITAL LIMITED**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**For the year ended 31 March 2019**

### **2. Significant accounting policies (Continued)**

#### **2.19. Employee benefits**

##### *Employee leave entitlement*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

##### *Pension obligations*

The employees of the Company's subsidiaries which operate in the People's Republic of China participates in the central pension scheme (the "CPS") operated by the local government authorities on behalf of its staff. These subsidiaries are required to contribute a certain percentage of their covered payroll to the CPS to fund the benefits. The only obligation of the subsidiaries with respect to the CPS is to pay the ongoing required contribution under the CPS. Contribution under the CPS are charged to the profit or loss as they become payable in accordance with the rules of the CPS.

##### *Share-based compensation*

The Group operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees and consultants as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted, excluding the impact of any non-market service and performance vesting conditions (for example, profitability and sales growth targets.) Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision of original estimates, if any, in the profit or loss, with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

# **VIAGOLD CAPITAL LIMITED**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**For the year ended 31 March 2019**

### **2. Significant accounting policies (Continued)**

#### **2.20. Provisions and contingent liabilities**

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

#### **Borrowings**

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit or loss over the period of the borrowings using the effective interest method.

#### **2.22. Related parties**

A related party is a person or entity that is related to the Group in these financial statements, as follows:-

- (i) A person, or a close member of that person's family, is related to the Group if that person:
  - (1) has control or joint control over the Group;
  - (2) has significant influence over the Group; or
  - (3) is a member of the key management personnel of the Group or the Group's parent.

# **VIAGOLD CAPITAL LIMITED**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**For the year ended 31 March 2019**

### **2. Significant accounting policies (Continued)**

(ii) An entity is related to the Group if any of the following conditions applies:

- (1) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (2) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (3) Both entities are joint ventures of the same third party.
- (4) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (5) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
- (6) The entity is controlled or jointly controlled by a person identified in note 2.21(i).
- (7) A person identified in note 2.21(i)(1) 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).
- (8) 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 Group's parent.

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.

### **3. Financial risk management**

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow interest rate risk and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group does not use derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by the Board of Directors. The Board of Directors identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units.

# **VIAGOLD CAPITAL LIMITED**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**For the year ended 31 March 2019**

### **3. Financial risk management (Continued)**

#### **3.1. Market risk**

##### **i. Foreign exchange risk**

The Company has no significant exposure to foreign currency risk as substantially all of the Group's transactions are denominated in the functional currency of the entity to which they relate, mainly RMB and HK\$.

##### **ii. Cash flow and fair value interest rate risk**

The Group's income and operating cash flows are substantially independent of change in market interest rates and the Group has no significant interest-bearing assets and liabilities except for cash and cash equivalents and bank borrowing, details of which have been disclosed in note 22 and 28. Since the bank interest income and finance costs are insignificant, management considers that cash flow and fair value interest rate risks of the Group are insignificant. Therefore no sensitivity analysis is presented thereon.

#### **3.2. Credit risk**

The group's credit risk is primarily attributable to pledged bank deposits, cash and cash equivalent, trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates.

The credit risk on pledged bank deposits and cash and cash equivalent is limited because the Group mainly places the deposits in banks with high credit rating and management does not expect any losses from non-performance by banks.

The Group has significant concentration of credit risk on trade receivables as they are mainly attributable from certain limited counterparties. At the end of the reporting period, 90% (2018: 47%) and 100% (2018: 89%) of the total trade receivables were due from the Group's largest customer and the five largest customers respectively within the rare earth refining and separation segment.

# **VIAGOLD CAPITAL LIMITED**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**For the year ended 31 March 2019**

### **3. Financial risk management (Continued)**

#### **3.2. Credit risk (Continued)**

The Group has significant concentration of credit risk on other receivables as they are mainly attributable from certain limited counterparties. At the end of the reporting period, 49% (2018: 33%) and 97% (2018: 75%) of the total other receivables were due from the Group's largest debtor and the five largest debtors respectively within the rare earth refining and separation segment.

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

The Group's maximum exposure to credit risk in the event that counterparties fail to perform their obligations at 31 March 2019 in relation to each class of recognised financial assets is the carrying amounts of those assets as stated in the consolidated statement of financial position. The Group's credit risk is primarily attributable to its trade and other receivables. In order to minimise credit risk, the directors have delegated a team to be responsible for the determination of credit limits, credit approvals and other monitoring procedures. The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at 31 March 2019:

	Expected credit loss rate (%)	Gross carrying amount A\$'000	Loss allowance A\$'000	Net carrying amount A\$'000
<u>Provision on individual basis (Note)</u>				
Less than 180 days past due	0%	33	-	33
181 to 365 days past due	0%	337	-	337
<u>Provision on collective basis</u>				
Current (not past due)	0%	6,970	-	6,970
Less than 180 days past due	30%	-	-	-
181 to 365 days past due	100%	1,824	(1,824)	-
		<u>9,164</u>	<u>(1,824)</u>	<u>7,340</u>

# **VIAGOLD CAPITAL LIMITED**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**For the year ended 31 March 2019**

### **3. Financial risk management (Continued)**

#### **3.2. Credit risk (Continued)**

As at 31 March 2019, trade receivables that are individually significant have been separately assessed for impairment. The Group makes periodic assessments on the recoverability of the receivables based on the background and reputation of the customers, historical settlement records and past experience. The directors are of the opinion that the credit risk of these receivables is low due to the sound collection history of the receivables due from them. Therefore, expected credit loss rate of these receivables is assessed to be zero and no provision was made for the year ended 31 March 2019.

#### **3.3. Liquidity risk**

The Group regularly monitors current and expected liquidity requirements to ensure that it maintains sufficient cash to meet its liquidity requirements in the short and longer term.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contracted undiscounted payment, was as follows:

	<b>Carrying amount A\$'000</b>	<b>On demand A\$'000</b>	<b>Less than 1 year A\$'000</b>
<b>As at 31 March 2019</b>			
Payable and accrued charges	13,868	-	13,868
Amounts due to key management personnel	2,495	2,495	-
Amounts due to related companies	41,150	41,150	-
<b>Total</b>	<b>57,513</b>	<b>43,645</b>	<b>13,868</b>
	<b>Carrying amount A\$'000</b>	<b>On demand A\$'000</b>	<b>Less than 1 year A\$'000</b>
<b>As at 31 March 2018</b>			
Payable and accrued charges	21,016	-	21,016
Amounts due to key management personnel	1,675	1,675	-
Amounts due to related companies	23,758	23,758	-
Short-term bank borrowing	2,073	-	2,073
<b>Total</b>	<b>48,522</b>	<b>25,433</b>	<b>23,089</b>



# **VIAGOLD CAPITAL LIMITED**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**For the year ended 31 March 2019**

### **3. Financial risk management (Continued)**

#### **3.4. Capital risk management**

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected operating cash flows, projected capital expenditures and projected strategic investment opportunities.

The Company also endeavours to ensure the steady and reliable cash flow from the normal business operation. Apart from short-term bank borrowing raised in 2018, the Group did not raise any debts during the year (2018:Nil).

#### **3.5. Fair value estimation**

The carrying amounts of the Group's current financial assets, including trade and other receivables, pledged bank deposits and cash and cash equivalents; and current financial liabilities including trade and other payables and short-term bank borrowing, approximate to their fair values due to their short maturities. The face values less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year are assumed to approximate to their fair values.

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

# **VIAGOLD CAPITAL LIMITED**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**For the year ended 31 March 2019**

### **4. Critical accounting estimates and judgments**

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

#### *Provision of ECL for trade receivables*

The Group uses provision matrix to calculate ECL for the trade receivables. The provision rates are based on internal credit ratings as groupings of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. In addition, trade receivables with significant balances and credit impaired are assessed for ECL individually.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables are disclosed in Notes 3.2 and 19.

#### *Valuation of inventories*

Inventories are stated at the lower of cost and net realisable value. Net realisable value of inventories is based on estimated selling prices less any estimated costs to be incurred to completion and disposal. It is the Group's policy to review the net realisable value of inventories periodically with reference to current market situation and conditions of the items. The Group's management reviewed regularly the suitability of the allowance policy and then applied allowances on those inventories by considering the net realisable value. The Group's management reviewed the inventory age listing to identify slow-moving inventories and then estimated the amount of allowance primarily based on the pricing policy and strategies and the historical experience in selling goods of similar nature.

# **VIAGOLD CAPITAL LIMITED**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**For the year ended 31 March 2019**

### **4. Critical accounting estimates and judgments (Continued)**

#### *Accounting for companies governed under contractual arrangements as subsidiaries*

The Company and its subsidiaries do not hold any equity interests in Jintan Hailin Rare Earth Company Limited, nor, in any of its subsidiaries. Nevertheless, under the contractual agreements entered into between the Group, Jintan Hailin Rare Earth Company Limited and the registered owners of Jintan Hailin Rare Earth Company Limited, the directors of the Company determine that the Group has the power to govern the financial and operating policies of Jintan Hailin Rare Earth Company Limited so as to obtain benefits from their activities. As such, Jintan Hailin Rare Earth Company Limited is accounted for as subsidiary of the Group for accounting purposes.

#### *Income taxes*

The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

#### *Useful lives of property, plant and equipment*

The Group's management determines the estimated useful life and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful life of property, plant and equipment of similar nature and functions. Management will increase/decrease the depreciation charges where useful life are less/more than previous estimates.

#### *Impairment 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 unit 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.

# **VIAGOLD CAPITAL LIMITED**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**For the year ended 31 March 2019**

### **5. Segment information**

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 investment property, property, plant and equipment and land use rights, and the location of the operation to which they are allocated in the case of goodwill and interests in an associate.

The management assesses the performance of the operating segments based on the profit/loss for the period. This measurement basis excludes corporate income and expenses and result of associate.

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.

**VIAGOLD CAPITAL LIMITED**
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**For the year ended 31 March 2019**
**5. Segment information**

The segment information for the reporting segments for the year ended 31 March 2019 is as follows:

	Leasing and capital financing A\$'000	Provision of consultancy and management services to educational institutions A\$'000	Rare earth refining and separation A\$'000	Total A\$'000
Segment revenue	360	408	26,629	27,397
Inter-segment revenue	-	-	-	-
Revenue from external customers	360	408	26,629	27,397
Reportable segment (loss)/profit before income tax	(158)	126	(24,900)	(24,932)
Unallocated corporate expenses				(3,569)
Loss before income tax				(28,501)
Depreciation	(224)	(54)	(903)	(1,181)
Amortisation of land use rights	-	-	(62)	(62)
Interest income	1	-	31	32
Finance costs	-	-	(47)	(47)
Gain/(loss) on disposal of plant and equipment	-	-	(86)	(86)
As at 31 March 2019				
Reportable segment assets	1,866	560	84,508	86,934
Interests in an associate				188
Unallocated corporate assets				357
Consolidated total assets				87,479
Non-current assets				
(Other than financial instruments)	1,079	298	11,292	12,669
Unallocated corporate assets				190
				12,859
Additions to non-current assets				
(Other than financial instruments)	-	-	233	233
Reportable segment liabilities	(122)	(870)	(62,399)	(63,391)
Unallocated corporate liabilities				(1,747)
Consolidated total liabilities				(65,138)

The Group's customer base includes three (2018: two) customers with whom transactions have exceeded 10% of the Group's total revenue. Revenue from sales to these customers amounted to A\$11,562,000, A\$4,043,000 and A\$3,195,000 each which related to rare earth refining and separation segment (2018: A\$10,981,000 and A\$5,037,000 each which related to rare earth refining and separation segment).

**VIAGOLD CAPITAL LIMITED**
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**For the year ended 31 March 2019**
**5. Segment information (Continued)**

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

	Leasing and capital financing AS'000	Provision of consultancy and management services to educational institutions AS'000	Rare earth refining and separation AS'000	Total AS'000
Segment revenue	215	368	35,014	35,597
Inter-segment revenue	-	-	-	-
Revenue from external customers	215	368	35,014	35,597
Reportable segment (loss)/profit before income tax	(168)	8	(170)	(330)
Unallocated corporate expenses				(820)
Loss before income tax				(1,150)
Depreciation	(133)	(11)	(1,053)	(1,197)
Amortisation of land use rights	-	-	(59)	(59)
Interest income	2	-	52	54
Finance costs	-	-	(112)	(112)
Gain on disposal of plant and equipment	25	-	(2)	23
As at 31 March 2018				
Reportable segment assets	1,981	366	105,322	107,669
Interests in an associate				337
Unallocated corporate assets				3,491
Consolidated total assets				111,497
Non-current assets				
(Other than financial instruments)	1,293	350	12,067	13,710
Unallocated corporate assets				3,193
				16,903
Additions to non-current assets				
(Other than financial instruments)	765	236	80	1,081
Reportable segment liabilities	(100)	(797)	(59,256)	(60,153)
Unallocated corporate liabilities				(1,324)
Consolidated total liabilities				(61,477)

# **VIAGOLD CAPITAL LIMITED**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**For the year ended 31 March 2019**

### **6. Other income**

	<b>2019</b>	<b>2018</b>
	<b>A\$'000</b>	<b>A\$'000</b>
Bank interest income	31	54
Gain on disposal of plant and equipment	-	23
Sundry income	44	189
	<u>75</u>	<u>266</u>

### **7. Finance costs**

	<b>2019</b>	<b>2018</b>
	<b>A\$'000</b>	<b>A\$'000</b>
Interest expenses:		
- bank borrowings	47	112
	<u>47</u>	<u>112</u>

### **8. Loss before income tax**

	<b>2019</b>	<b>2018</b>
	<b>A\$'000</b>	<b>A\$'000</b>
Loss before income tax is arrived at:		
<b>After charging the following items:</b>		
Auditor's remuneration		
- Audit and review service	117	169
Amortisation of land use rights (Note 15)	62	59
Depreciation of fixed assets (Note 14)	1,181	1,197
Directors' remuneration (Note 9)	272	294
Employee benefit expense		
(excluding director's remuneration) (Note 10)	771	742
Impairment loss on interests in an associate	-	191
Operating lease rentals in respect of rental premises		
and equipment	55	144
Loss on disposal of plant and equipment	86	-
Cost of inventories sold	28,091	33,043
	<u>28,091</u>	<u>33,043</u>

# VIAGOLD CAPITAL LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 March 2019

### 9. Directors' and senior management's emoluments

	2019 AS'000	2018 AS'000
Directors' remuneration		
- fees	257	280
- salaries, allowances and benefits in kind	15	14
	<u>272</u>	<u>294</u>

The remuneration of each director for the year ended 31 March 2019 is set out below:

	Fees AS'000	Salaries, allowances and benefits in kind AS'000	Total AS'000
<b><u>Non-executive directors</u></b>			
Dr. Longguang Shi	126	-	126
<b><u>Executive directors</u></b>			
Ms. Mulei Shi	76	-	76
Mr. King Choi Leung	55	15	70
Mr. Changyuan Liao	-	-	-
<b><u>Independent non-executive directors</u></b>			
Mr. Yan Wang	-	-	-
Mr. Fuchuan Guo	-	-	-
Mr. Xunchang Hu	-	-	-
	<u>257</u>	<u>15</u>	<u>272</u>



# VIAGOLD CAPITAL LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 March 2019

### 9. Directors' and senior management's emoluments (Continued)

The remuneration of each director and an executive for the year ended 31 March 2018 is set out below:

	Fees AS'000	Salaries, allowances and benefits in kind AS'000	Total AS'000
<b><u>Non-executive directors</u></b>			
Dr. Longguang Shi	119	-	119
<b><u>Executive directors</u></b>			
Ms. Mulei Shi	71	-	71
Mr. King Choi Leung	70	14	84
Mr. Changyuan Liao (Appointed on 29 September 2018)	-	-	-
Mr. Libin Sun (Resigned on 29 September 2018)	20	-	20
<b><u>Independent non-executive directors</u></b>			
Mr. Yan Wang	-	-	-
Mr. Ouyang Cong (Resigned on 29 September 2018)	-	-	-
Mr. Fuchuan Guo (Appointed on 29 September 2018)	-	-	-
Mr. Xunchang Hu (Appointed on 10 November 2018)	-	-	-
	<u>280</u>	<u>14</u>	<u>294</u>

### 10. Employee benefit expenses

	2019 AS'000	2018 AS'000
Wages and salaries	618	611
Social insurance	63	54
Other staff benefits	90	77
	<u>771</u>	<u>742</u>

# **VIAGOLD CAPITAL LIMITED**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**For the year ended 31 March 2019**

### **11. Income tax (credit)/expenses**

The Group's principle activities are operated in Hong Kong and the PRC. Current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted by the end of the reporting period in the jurisdictions where the Group operates and generates taxable income.

During the year, no provision for Hong Kong Profits Tax has been made as the Group did not generate any assessable profits arising from Hong Kong (2018: Nil). PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% for the years ended 31 March 2019 and 2018.

	<b>2019</b> <b>A\$'000</b>	<b>2018</b> <b>A\$'000</b>
Current		
- PRC Enterprise Income Tax	19	80
Deferred	<u>(5,360)</u>	<u>123</u>
	<u><u>(5,341)</u></u>	<u><u>203</u></u>

The income tax expense for the year can be reconciled to the loss before income tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	<b>2019</b> <b>A\$'000</b>	<b>2018</b> <b>A\$'000</b>
Loss before income tax	<u>(28,501)</u>	<u>(1,150)</u>
Notional tax on loss calculated at the rates applicable to profits in the jurisdiction concerned	(6,997)	(225)
Tax effect of:		
Expenses not deductible for tax purposes	1,609	310
Income not subject to tax	(47)	(24)
Share of results of associate	37	(7)
Tax effect of unused tax losses not recognised	<u>57</u>	<u>149</u>
Income tax expense	<u><u>(5,341)</u></u>	<u><u>203</u></u>

# **VIAGOLD CAPITAL LIMITED**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**For the year ended 31 March 2019**

### **12. Employee share option scheme**

On 19 December 2007, ordinary resolutions were passed by the shareholders at the annual general meeting to approve the adoption of a new share option scheme (the "New Scheme") and the termination of the old scheme (the "Old Scheme") which was adopted on 28 November 1995.

On 19 December 2007, share options were granted to certain employees and directors of the Group pursuant to the Group's New Scheme. Share options with rights to subscribe for a total of 1,898,792 shares (a total of current outstanding 1,748,792 shares as at 31 March 2019) were granted to certain employees with an exercise price at A\$2.00 per share on 19 December 2007. The share options can be exercised from 8 April 2008 and expire on 8 April 2018.

On 1 November 2012, share options were granted to consultants of the Group pursuant to the Group's New Scheme. Share options with rights to subscribe to a total of 4,500,000 shares were granted to consultants with an exercise price of A\$1.00 per share on 1 November 2012. The share options can be exercised from 1 November 2012 and expire on 1 November 2017.

No share options were granted and exercised during the year ended 31 March 2019.

Movements in the share options outstanding and their related weighted average exercise prices are as follows:

	<b>Weighted average exercise price per share (A\$)</b>	<b>Number of underlying shares</b>
As at 1 April 2017 and 31 March 2018	1.28	6,248,792
Lapsed during the year	<u>1.00</u>	<u>(4,500,000)</u>
As at 31 March 2018	2.00	1,748,792
Lapsed during the year	<u>2.00</u>	<u>(1,748,792)</u>
As at 31 March 2019	<u><u>-</u></u>	<u><u>-</u></u>

# **VIAGOLD CAPITAL LIMITED**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**For the year ended 31 March 2019**

### **12. Employee share option scheme (Continued)**

Share options outstanding at the end of the year have the following expiry dates and exercise prices:

<b>Expiry date</b>	<b>Exercise price per share (A\$)</b>	<b>2019 Number of underlying shares</b>	<b>2018 Number of underlying shares</b>
8 April 2018	2.00	-	1,748,792
		-	1,748,792

### **13. Loss per share**

#### **13.1. Basic**

Basic loss per share is calculated by dividing the loss attributable to equity holders of the

	<b>2019 A\$'000</b>	<b>2018 A\$'000</b>
Loss attributable to equity holders of the Company (A\$'000)	(3,003)	(1,126)
Weighted average number of ordinary shares in issue ('000)		
Issued ordinary shares at 1 April	40,658	40,156
Effect of new issue shares	-	502
Weighted average number of ordinary shares at 31 March	40,658	40,658
Basic loss per share (A\$ per share)	(0.07)	(0.03)

# **VIAGOLD CAPITAL LIMITED**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**For the year ended 31 March 2019**

### **13. Loss per share (Continued)**

#### **13.2. Diluted**

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all potential dilutive ordinary shares. The Company has two category of potential dilutive ordinary shares: share options and warrants. For the share options/warrants, a calculation is done to determine the number of shares that could have been issued at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options/warrants. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the share options/warrants were exercised. The incremental shares from assumed exercise of share options/warrants are excluded in calculating the diluted loss per share for the year ended 31 March 2019 and 2018 because they are anti-dilutive in calculating the diluted loss per share.

	<b>2019</b>	<b>2018</b>
Loss attributable to equity holders of the Company (A\$'000)	<u>(3,003)</u>	<u>(1,112)</u>
Weighted average number of ordinary shares for diluted loss per share ('000)		
Issued ordinary shares at 1 April	40,658	40,156
Effect of new issue shares	<u>-</u>	<u>502</u>
Weighted average number of ordinary shares at 31 March	<u>40,658</u>	<u>40,658</u>
Diluted loss per share (A\$ per share)	<u>(0.07)</u>	<u>(0.03)</u>

# **VIAGOLD CAPITAL LIMITED**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)** For the year ended 31 March 2019

### **14. Fixed assets**

	Motor vehicles AS'000	Leasehold improvements AS'000	Furniture and equipment AS'000	Plant and Machinery AS'000	Building AS'000	Sub-total AS'000	Investment property AS'000	Total AS'000
<b>Cost</b>								
As at 1 April 2017	1,227	1,955	85	2,790	3,555	9,612	749	10,361
Additions	1,021	-	10	50	-	1,081	-	1,081
Disposals	(403)	-	-	-	-	(403)	-	(403)
Exchange realignment	155	185	9	267	335	951	71	1,022
<b>As at 31 March 2018</b>	<b>2,000</b>	<b>2,140</b>	<b>104</b>	<b>3,107</b>	<b>3,890</b>	<b>11,241</b>	<b>820</b>	<b>12,061</b>
Additions	13	-	1	219	-	233	-	233
Disposals	(204)	-	-	(312)	-	(516)	-	(516)
Exchange realignment	19	28	1	45	49	142	10	152
<b>As at 31 March 2019</b>	<b>1,828</b>	<b>2,168</b>	<b>106</b>	<b>3,059</b>	<b>3,939</b>	<b>11,100</b>	<b>830</b>	<b>11,930</b>
<b>Accumulated depreciation</b>								
As at 1 April 2017	535	128	30	475	179	1,347	224	1,571
Depreciation	341	121	26	472	201	1,161	36	1,197
Eliminated on disposal	(223)	-	-	-	-	(223)	-	(223)
Exchange realignment	58	20	4	75	47	204	23	227
<b>As at 31 March 2018</b>	<b>711</b>	<b>269</b>	<b>60</b>	<b>1,022</b>	<b>427</b>	<b>2,489</b>	<b>283</b>	<b>2,772</b>
Depreciation	339	112	21	433	231	1,136	45	1,181
Eliminated on disposal	(129)	-	-	(212)	-	(341)	-	(341)
Exchange realignment	14	6	1	24	12	57	5	62
<b>As at 31 March 2019</b>	<b>935</b>	<b>387</b>	<b>82</b>	<b>1,267</b>	<b>670</b>	<b>3,341</b>	<b>333</b>	<b>3,674</b>
<b>Net carrying amounts</b>								
As at 31 March 2019	893	1,781	24	1,792	3,269	7,759	497	8,256
As at 31 March 2018	1,289	1,871	44	2,085	3,463	8,752	537	9,289

The investment property and building are located in the PRC.

# **VIAGOLD CAPITAL LIMITED**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**For the year ended 31 March 2019**

### **15. Land use rights**

	<b>AS'000</b>
<b>Cost</b>	
As at 1 April 2017	4,266
Exchange realignment	<u>284</u>
As at 31 March 2018	4,550
Exchange realignment	<u>55</u>
As at 31 March 2019	<u><u>4,605</u></u>
<b>Deduct: Accumulated amortisation</b>	
As at 1 April 2017	60
Charged for the year	59
Exchange realignment	<u>10</u>
As at 31 March 2018	129
Charged for the year	62
Exchange realignment	<u>(1)</u>
As at 31 March 2019	<u><u>190</u></u>
<b>Net book values</b>	
As at 31 March 2019	<u><u>4,415</u></u>
As at 31 March 2018	<u><u>4,421</u></u>

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

The amortisation charged for the year has been recognised as an expense in the period, within the "administrative expenses" line item in the consolidated statement of profit or loss.

# **VIAGOLD CAPITAL LIMITED**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**For the year ended 31 March 2019**

### **16. Interests in an associate**

#### **Interests in an associate**

	<b>2019</b>	<b>2018</b>
	<b>A'000</b>	<b>A'000</b>
At beginning of the year	337	465
Addition through acquisition of subsidiaries	-	-
Share of post-acquisition results	(149)	29
Impairment for the year	-	(191)
Exchange realignment	-	34
	<hr/>	<hr/>
At end of the year	<u>188</u>	<u>337</u>

At 31 March 2019, the Group has interest in the following associate:

Name of associate	Place of establishment and operations	Registered capital	Percentage of equity attributable to the Group
茂名市金晟礦業有限公司			
Maoming Jinsheng Minerals Company Limited @	PRC	RMB 9,600,000	25.50%

@ The English name is for identification purpose only

Principal activities of the associate are refining and trading of metal.

	<b>2019</b>	<b>2018</b>
	<b>A'000</b>	<b>A'000</b>
(Loss)/profit attributable to equity holders of the Company	<u>(149)</u>	<u>29</u>

In the opinion of the Directors, Maoming Jinsheng Minerals Company Limited did not have a material effect on the results or assets of the Group.



# **VIAGOLD CAPITAL LIMITED**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**For the year ended 31 March 2019**

### **17. Goodwill**

	<b>2019</b>	<b>2018</b>
	<b>A\$'000</b>	<b>A\$'000</b>
<u>Cost</u>		
At beginning of the year	2,856	2,778
Exchange realignment	(40)	78
	<u>2,816</u>	<u>2,856</u>
At end of the year	<u>2,816</u>	<u>2,856</u>
<u>Accumulated impairment losses</u>		
At beginning of the year	-	-
Recognised during the year	2,816	-
	<u>2,816</u>	<u>-</u>
At end of the year	<u>2,816</u>	<u>-</u>
Carrying amount	<u>-</u>	<u>2,856</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.

#### Impairment testing of goodwill

During the year, the Group assessed the recoverable amount of goodwill associated with rare earth refining and separation segment by reference to value-in-use. The calculations used cash flow projections based on financial budgets approved by the management of the Company covering a five-year period. The discount rate used for value-in-use calculations was 17% (2018: 16%). The cash flows beyond the 5-year period are extrapolated using a steady 3% growth rate (2018: 3%). This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Based on the management's assessment, the goodwill was fully impaired during the year ended 31 March 2019.

### **18. Financial assets at fair value through other comprehensive income/Available-for-sales financial assets**

Available-for-sale financial assets were reclassified to financial assets at FVOCI (non-recycling) upon the initial application of HKFRS 9 at 1 April 2018, see Note 2 in details.

	<b>2019</b>	<b>2018</b>
	<b>A\$'000</b>	<b>A\$'000</b>
Financial assets at FVOCI	1,913	-
Available-for-sales financial assets	<u>-</u>	<u>2,278</u>

# **VIAGOLD CAPITAL LIMITED**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**For the year ended 31 March 2019**

### **18. Financial assets at fair value through other comprehensive income/Available-for-sales financial assets (Continued)**

	<b>2019</b> <b>A\$'000</b>	<b>2018</b> <b>A\$'000</b>
Unlisted equity shares		
Jiangsu Jiangnan Rural Commercial		
Bank Company Limited	<u>1,913</u>	<u>2,278</u>

The financial assets represents 4,100,969 ordinary shares (2018: 4,100,969 ordinary shares) in Jiangsu Jiangnan Rural Commercial Bank Company Limited.

The fair value of unlisted equity shares that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity-specific estimates. The financial asset is included in level 2.

### **19. Trade and other receivables**

	<b>2019</b> <b>A\$'000</b>	<b>2018</b> <b>A\$'000</b>
Trade receivables	9,164	4,778
Less: Impairment loss recognised	<u>(1,824)</u>	<u>-</u>
	7,340	4,778
Bills receivables	<u>21</u>	<u>29</u>
	<u>7,361</u>	<u>4,807</u>
Other receivables	10,165	12,685
Deposits and prepayments	6,969	1,960
Amounts due from related parties	2,570	1,818
Less: Impairment loss recognised	<u>(2,240)</u>	<u>-</u>
	<u>17,464</u>	<u>16,463</u>
	<u><u>24,825</u></u>	<u><u>21,270</u></u>

All the receivables (including amounts due from related parties) are expected to be recovered or recognised as expense within one year or are receivable on demand.

# **VIAGOLD CAPITAL LIMITED**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**For the year ended 31 March 2019**

### **19. Trade and other receivables (Continued)**

#### **(a) Impairment of trade and bills receivables**

The Group's trading terms with its customers are mainly on credit. The credit period is generally for a period of 1 month. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management.

Expected credit losses for trade receivables related to credit-impaired accounts which are long overdue with significant amounts or known insolvencies or non-response to collection activities. Such credit-impaired receivables are assessed individually for impairment allowance. The Group determine the provision for expected credit losses by grouping together trade receivables with similar credit risk characteristics and collectively assessing them for likelihood of recovery, taking into account prevailing economic conditions.

Movements in impairment losses recognised in respect of trade receivables are as follows:

	<b>2019</b> <b>AS'000</b>	<b>2018</b> <b>AS'000</b>
At beginning of the year	-	22
Remeasurement under IFRS 9	1,774	-
Uncollectible impaired debts written off	-	(22)
Exchange realignment	50	-
	<hr/>	<hr/>
At end of the year	<b>1,824</b>	<b>-</b>

Movements in impairment losses recognised in respect of other receivables are as follows:

	<b>2019</b> <b>AS'000</b>	<b>2018</b> <b>AS'000</b>
At beginning of the year	-	-
Remeasurement under IFRS 9	2,180	-
Exchange realignment	60	-
	<hr/>	<hr/>
At end of the year	<b>2,240</b>	<b>-</b>

# **VIAGOLD CAPITAL LIMITED**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**For the year ended 31 March 2019**

### **19. Trade and other receivables (Continued)**

- (b) The aged analysis of trade receivables presented based on the invoice date, net of impairment losses recognised was as follows:

	<b>2019</b>	<b>2018</b>
	<b>A\$'000</b>	<b>A\$'000</b>
1 to 90 days	6,970	4,778
91 to 180 days	33	-
181 to 365 days	337	-
Over 365 days	-	-
	<u>7,340</u>	<u>4,778</u>

- (c) As of 31 March 2019, trade receivables of approximately A\$370,000 (2018: Nil) were past due but not credit-impaired. These relate to a number of independent customers for whom there is no recent history of default. The aging analysis of these trade receivables is as follows:

	<b>2019</b>	<b>2018</b>
	<b>A\$'000</b>	<b>A\$'000</b>
Less than 180 days past due	33	-
181 to 365 days past due	337	-
	<u>370</u>	<u>-</u>

In determining the recoverability of the trade receivables, the Group monitors change in the credit quality of the trade receivables since the credit was granted and up to the reporting date. The directors of the Company considered that the trade receivables that are neither past due nor impaired to be of a good credit quality.

Amounts due from related parties are non-interest bearing, unsecured and repayable on demand.

The directors consider that the carrying amounts of trade and other receivables approximate to their fair values due to their short term maturities.

# **VIAGOLD CAPITAL LIMITED**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**For the year ended 31 March 2019**

### **20. Inventories**

	<b>2019</b>	<b>2018</b>
	<b>A\$'000</b>	<b>A\$'000</b>
Raw materials	606	18,373
Work-in-progress	42,730	42,184
Finished goods	<u>3,480</u>	<u>8,530</u>
	<u><u>46,816</u></u>	<u><u>69,087</u></u>

Raw materials of apporoxiately AUD21,440,000 were written off during the year ended 31 March 2019 due to the loss on theft.

### **21. Pledged bank deposits**

As at 31 March 2019, the Group pledged approximately A\$140,000 bank deposits (2018: A\$1,036,000), which is denominated in RMB, to bankers of the Group to secure the bill payables due within twelve months. The pledged bank deposits will be released upon the settlement of relevant bill payables.

### **22. Cash and cash equivalents**

	<b>2019</b>	<b>2018</b>
	<b>A\$'000</b>	<b>A\$'000</b>
Cash at bank and on hand	<u>926</u>	<u>923</u>
Cash and cash equivalents in the consolidated statement of cash flows	<u><u>926</u></u>	<u><u>923</u></u>

### **23. Share capital**

	<b>Number of shares '000</b>	<b>Ordinary shares A\$'000</b>
<b>Issued and fully paid</b>		
As at 1 April 2017	40,156	8,031
Issuance of new shares by exercise of warrants	<u>1,500</u>	<u>300</u>
As at 31 March 2018, 1 April 2018 and 31 March 2019	<u><u>41,656</u></u>	<u><u>8,331</u></u>

The total authorised number of ordinary shares is 100 million shares (2018: 100 million shares) with a par value of Australian twenty cents per share (2018: Australian twenty cents per share).

# **VIAGOLD CAPITAL LIMITED**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**For the year ended 31 March 2019**

### **24. Warrant reserve**

On 14 December 2012, unlisted warrants issued to private professional investors were approved by shareholders at the Company's Annual General Meeting. 5,000,000 warrants were issued at A\$0.08 each on 4 February 2013, with each warrant entitling the holder to one ordinary share in the Company on further payment of the exercise price of A\$0.71. Final date for the exercise of these warrants is 30 November 2017.

On 12 February 2014, unlisted warrants issued to professional and sophisticated investors were approved by shareholders at the Company's Annual General Meeting. 5,000,000 warrants were issued at A\$0.03 on 25 October 2013, with each warrant entitling the holder to one ordinary share in the Company on further payment of the exercise price of A\$0.26. Final date for the exercise of these warrants is 16 December 2018.

On 13 June 2014, unlisted warrants issued to private professional investors were approved by shareholders at the Company's Special General Meeting. 6,000,000 warrants were issued at A\$0.05 each on 8 November 2014, with each warrant entitling the holder to one ordinary share in the Company on further payment of the exercise price of A\$0.40. Final date for the exercise of these warrants is 6 November 2019.

On 5 December 2015, unlisted warrants issued to private professional investors were approved by shareholders at the Company's Special General Meeting. 4,000,000 warrants were issued on 17 December 2015, 5,000,000 warrants were issued on 2 March 2016 and 3,000,000 warrants were issued on 3 March 2016 at A\$0.05 each respectively, with each warrant entitling the holder to one ordinary share in the Company on further payment of the exercise price of A\$0.44. Final date for the exercise of these warrants is 3 December 2020.

The Company has issued a total of 500,000 ordinary shares to private professional investors who exercised their unlisted warrants in December 2015 and January 2016 respectively. Exercise of 500,000 warrants will entitle the holder to 500,000 ordinary share in the Company on payment of exercise price at A\$0.71 each.

# **VIAGOLD CAPITAL LIMITED**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**For the year ended 31 March 2019**

### **24. Warrant reserve (Continued)**

Movements in the warrants outstanding and their related weighted average exercise prices are as follows:

	<b>Weighted average exercise price per share A\$</b>	<b>Number of underlying shares</b>
As at 1 April 2017	0.44	27,500,000
Exercised	0.71	(1,500,000)
Lapsed	0.71	<u>(3,000,000)</u>
As at 31 March 2018	0.39	23,000,000
Lapsed	0.26	<u>(5,000,000)</u>
As at 31 March 2019	0.43	<u><u>18,000,000</u></u>

Warrants outstanding at the end of the year have the following expiry dates and exercise prices:

<b>Expiry date</b>	<b>Exercise price per share A\$</b>	<b>2019 Number of underlying shares</b>	<b>2018 Number of underlying shares</b>
16 December 2018	0.26	-	5,000,000
6 November 2019	0.40	6,000,000	6,000,000
3 December 2020	0.44	<u>12,000,000</u>	<u>12,000,000</u>

The weighted average share price at the date of exercise for warrant exercised during the year ended 31 March 2018 was A\$2.35.

# VIAGOLD CAPITAL LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 March 2019

### 25. Deferred tax liabilities

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

	Fair value adjustments on acquisition of subsidiaries A\$'000
As at 1 April 2017	11,578
Charge to profit and loss during the year	123
Exchange realignment	1,119
	<hr/>
As at 31 March 2018	12,820
Charge to profit and loss during the year	(5,360)
Exchange realignment	17
	<hr/>
As at 31 March 2019	<u>7,477</u>

The Group has tax losses arising from operations in Mainland China of approximately A\$1,454,000 (2018: A\$1,223,000) that will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

At the end of the reporting period, undistributed profits of subsidiaries amounted to approximately A\$12,993,000 (2018: A\$12,868,000). Withholding tax resulting from the distribution of such profits would amount approximately to A\$1,299,000 (2018: A\$1,287,000) if they are distributed to holding companies/shareholders outside of PRC. However, no deferred tax liabilities have been recognised in this respect as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that these profits will not be distributed in the foreseeable future.

### 26. Trade and other payables

	2019 A\$'000	2018 A\$'000
Trade and bill payables	12,109	14,242
Other payables and accrued charges	1,759	6,774
Receipt in advance	-	99
Amounts due to key management personnel	2,495	1,675
Amounts due to related companies	41,150	23,758
	<hr/>	<hr/>
	<u>57,513</u>	<u>46,548</u>



# **VIAGOLD CAPITAL LIMITED**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**For the year ended 31 March 2019**

### **26. Trade and other payables (Continued)**

The aged analysis of trade and bill payables presented based on the invoice date at the end of the reporting period was as follows:

	<b>2019</b>	<b>2018</b>
	<b>AS'000</b>	<b>AS'000</b>
1 to 90 days	3,316	2,738
91 to 180 days	7	19
181 to 365 days	3	6,618
Over 365 days	8,783	4,867
	<u>12,109</u>	<u>14,242</u>

The directors consider that the carrying amounts of other payables approximate to their fair values due to their short term maturities.

The amounts due to key management personnel and related companies are unsecured, interest free and repayable on demand.

### **27. Contract liabilities**

	<b>31 March 2019</b>	<b>1 April 2018</b>
	<b>AS'000</b>	<b>AS'000</b>
Leasing and capital financing	96	70
Rare earth refining and separation	<u>16</u>	<u>29</u>
	<u>112</u>	<u>99</u>

Upon the adoption of IFRS 15, amounts previously included as "Receipts in advance" were reclassified to contract liabilities

When the Group receives a deposit before the goods this will give rise to contract liabilities at the start of a contract, until the revenue recognised.

For some sales orders, the Group may ask the customers to made a deposit on acceptance of the order, with the remainder of the consideration payable at the earlier of delivery of the finished goods and notice from the customer to cancel the order. If the customer cancels the order, then the group is immediately entitled to receive payment for work done to date.

# **VIAGOLD CAPITAL LIMITED**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**For the year ended 31 March 2019**

### **28. Short-term bank borrowing**

	<b>2019</b>	<b>2018</b>
	<b>A\$'000</b>	<b>A\$'000</b>
Unsecured	<u>-</u>	<u>2,073</u>

The bank borrowings are unsecured and repayable within 1 year.

The effective interest rates of the borrowings are 5.8725% per annum.

### **29. Cash flow information**

#### **(a) Net cash generated from/(used in) operating activities**

	<b>2019</b>	<b>2018</b>
	<b>A\$'000</b>	<b>A\$'000</b>
Loss before income tax	(28,501)	(1,150)
Adjustments for:		
- Amortization of land use rights	62	59
- Depreciation of fixed assets	1,181	1,197
- Gain on disposal of plant and equipment	86	(23)
- Share of result of an associate	149	(29)
- Write-off of inventories	21,440	-
- Impairment loss on interest of an associate	-	191
- Impairment loss on goodwill	2,816	-
- Interest income	(31)	(54)
- Interest expenses	47	112
Changes in working capital:		
- Trade and other receivables	(7,149)	(1,282)
- Trade and other payables	10,089	2,165
- Contract liabilities	112	-
- Inventories	1,098	(4,082)
Tax paid	<u>(19)</u>	<u>(75)</u>
Net cash generated from/(used in) operating activities	<u>1,380</u>	<u>(2,971)</u>

# **VIAGOLD CAPITAL LIMITED**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**For the year ended 31 March 2019**

### **29. Cash flow information**

#### **(b) Change in liabilities arising from financing activities**

The following table shows the Group's change in liabilities arising from financing activities during the year:

	Short-term bank borrowing A\$'000	Total A\$'000
At 1 April 2017	-	-
Changes in cash flows	2,073	2,073
At 31 March 2018 and 1 April 2018	2,073	2,073
Changes in cash flows	(2,043)	(2,043)
Foreign exchange translations	(30)	(30)
At 31 March 2019	-	-

### **30. Related-party transactions**

During the year, the Group had the following transactions and balances with related parties:

		2019 A\$'000	2018 A\$'000
<b>Related parties</b>	<b>Nature of transactions</b>		
Related companies	Consultancy and management services income	408	368
	Amounts due from related parties #	2,570	1,818
	Amounts due to related companies @	(41,150)	(23,758)
	Amounts due to key management personnel	(2,495)	(1,675)
Directors of the Company	Key management compensation	272	294

# **VIAGOLD CAPITAL LIMITED**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**For the year ended 31 March 2019**

### **30. Related-party transactions (con't)**

Note:

Services fees were receivable from three education institutions under the common control of directors.

Amounts due from/to related parties are non-interest bearing, unsecured and repayable on demand.

#: The related parties are the family members of the key management personnel of the Group.

@: The related companies are controlled by the key management personnels of the Group.

### **31. Operating lease commitments**

The Group leases out various motor vehicles and investment property under non-cancellable operating lease agreements. The lease terms are between 1 to 3 years, and the majority of lease agreements are renewable at the end of the period at market rate.

The future minimum lease receivables under non-cancellable operating leases are as follows:

	<b>2019</b>	<b>2018</b>
	<b>A\$'000</b>	<b>A\$'000</b>
<b>Motor vehicles</b>		
Not later than 1 year	259	270
Later than 1 year but not later than 5 years	159	370
	<u>418</u>	<u>640</u>
	<b>2019</b>	<b>2018</b>
	<b>A\$'000</b>	<b>A\$'000</b>
<b>Property</b>		
Not later than 1 year	122	57
Later than 1 year but not later than 5 years	213	-
	<u>335</u>	<u>57</u>

# **VIAGOLD CAPITAL LIMITED**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)** **For the year ended 31 March 2019**

### **32. Particulars of principal subsidiaries**

Particulars of principal subsidiaries at 31 March 2019 were as follows:

Name of subsidiary	Place of incorporation/ registration and operation	Issued and fully paid up share capital / registered capital	Attributable equity interests held by the Company		Principal activities
			Directly	Indirectly	
ViaGOLD International Education Management Group Holdings Limited	British Virgin Islands ("BVI")	US\$1	100%	-	Investment holding
Goldwin Century Limited	BVI	US\$1	-	100%	Investment holding
Goldwin Century Limited	Hong Kong	HK\$1	-	100%	Investment holding
珠海金网教育咨询有限公司 (Zhuhai ViaGOLD Education Consulting Limited * @)	PRC	HK\$5,400,000	-	100%	Provision of management and consultancy services to educational institutions
ViaGOLD Technology Limited	BVI	US\$1	100%	-	Investment holding
ViaGOLD Inc. Limited	Hong Kong	HK\$2	-	100%	Investment holding
北京华宝时代国际设备租赁有限公司 (Beijing Hua Bao Times International Leasing Company Limited * @)	PRC	US\$2,600,000	-	70%	Leasing and capital financing

# **VIAGOLD CAPITAL LIMITED**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)** **For the year ended 31 March 2019**

### **32. Particulars of principal subsidiaries (Continued)**

Name of subsidiary	Place of incorporation/ registration and operation	Issued and fully paid up share capital / registered capital	Attributable equity interests held by the Company		Principal activities
			<i>Directly</i>	<i>Indirectly</i>	
ViaGOLD Mining Group Limited	BVI	US\$1	100%	-	Investment holding
ViaGOLD Mining Group Limited	Hong Kong	HK\$2	-	100%	Trading of minerals
Polygoal Capital Limited	BVI	US\$10	-	100%	Investment holding
珠海宏杰企业管理 咨询有限公司 (Zhuhai Hongjie Enterprise Management Consulting Company Limited * @)	PRC	HK\$1,500,000	-	100%	Investment holding
深圳市讯达投资 有限公司 (Shenzhen Xunda Investment Company Limited @)	PRC	RMB10,000,000	-	51%	Investment holding
常州市海林稀土 有限公司 (Jintan Hailin Rare Earth Company Limited @ #)	PRC	RMB16,000,000	-	-	Rare earth refining and separation

# **VIAGOLD CAPITAL LIMITED**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**For the year ended 31 March 2019**

### **32. Particulars of principal subsidiaries (Continued)**

Note:

\* Wholly foreign-owned enterprises registered in the PRC

@ The English names are for identification purpose only

# The Company and its subsidiaries do not hold any equity interests in Jintan Hailin Rare Earth Company Limited, nor, in any of its subsidiaries. Nevertheless, under the contractual agreements entered into between the Group, Jintan Hailin Rare Earth Company Limited and the ultimate controlling shareholders who are the registered owners of Jintan Hailin Rare Earth Company Limited, the directors of the Company determine that the Group has the power to govern the financial and operating policies of Jintan Hailin Rare Earth Company Limited so as to obtain benefits from their activities. As such, Jintan Hailin Rare Earth Company Limited is accounted for as subsidiary of the Group for accounting purposes.

Details of the Group's subsidiary that has material non-controlling interests ("NCI") is set out below:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights indirectly held by		Profit/(loss) allocated to NCI		Accumulated NCI	
		NCI					
		2019	2018	2019	2018	2019	2018
				AS'000	AS'000	AS'000	AS'000
Jintan Hailin Rare Earth Company Limited	PRC	69%	69%	(20,036)	(86)	11,780	32,368
Individually immaterial subsidiaries with NCI				(121)	(141)	582	706
				<u>(20,157)</u>	<u>(227)</u>	<u>12,362</u>	<u>33,074</u>

# **VIAGOLD CAPITAL LIMITED**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**For the year ended 31 March 2019**

### **32. Particulars of principal subsidiaries (Continued)**

The following tables illustrate the summarised financial information of the above subsidiary that has material NCI. The amounts disclosed are before any inter-company eliminations:

	<b>2019</b>	<b>2018</b>
	<b>A\$'000</b>	<b>A\$'000</b>
<u>Jintan Hailin Rare Earth Company Limited</u>		
Non-current assets	13,207	14,346
Current assets	73,202	89,471
Current liabilities	(54,441)	(43,883)
Non-current liabilities	<u>(7,958)</u>	<u>(13,294)</u>
Turnover	26,629	35,014
(Loss)/profit for the year	(28,870)	(124)
Total comprehensive loss for the year	<u>(22,630)</u>	<u>(335)</u>
Dividends paid to non-controlling interests	<u>-</u>	<u>-</u>
Net cash generated from/(used in) operating activities	1,394	(2,227)
Net cash used in investing activities	(117)	(728)
Net cash (used in)/generated from financing activities	<u>(1,204)</u>	<u>1,984</u>



# **VIAGOLD CAPITAL LIMITED**

## **ADDITIONAL INFORMATION PURSUANT TO THE OFFICIAL LISTING RULES OF THE AUSTRALIAN SECURITIES EXCHANGE LIMITED**

### **1. The statement of interests in share capital as at 31 May 2019 is as follows:**

#### **a. Distribution of shareholdings:**

<b>Size of holding</b>	<b>No. of ordinary shareholders</b>
1 - 1,000	455
1,001 - 5,000	37
5,001 - 10,000	8
10,001 - 100,000	18
100,001 - 999,999,999	20
1,000,000,000 - 9,999,999,999	-
	<hr/>
	538
	<hr/>

#### **b. The name of the substantial shareholder and the number of securities held as at 31 May 2019 are:**

<b>Names</b>	<b>No. of ordinary shares held</b>
Harvest Smart Overseas Limited	10,962,290
Capital Luck Group Limited	10,000,000
Mr. Zhou Halin	7,000,000
Citicorp Nominees Pty Limited	3,775,023
Sa Ha Leong	1,500,000
	<hr/>
	33,237,313
	<hr/>

#### **c. The 20 largest holders of the Company's securities are:**

<b>Names</b>	<b>No. of ordinary shares held</b>	<b>% of total issued of ordinary capital held</b>
Harvest Smart Overseas Ltd	10,962,290	26.32%
Capital Luck Group Limited	10,000,000	24.01%
Mr Zhou Hailin	7,000,000	16.80%
Citicorp Nominees Pty Limited	3,775,023	9.06%
Sa Ha Leong	1,500,000	3.60%
Mr Chen Wei Qing	1,235,862	2.97%

# **VIAGOLD CAPITAL LIMITED**

## **ADDITIONAL INFORMATION PURSUANT TO THE OFFICIAL LISTING RULES OF THE AUSTRALIAN SECURITIES EXCHANGE LIMITED (Continued)**

### **1. The statement of interests in share capital as at 31 May 2019 is as follows (Continued):**

#### **c. The 20 largest holders of the Company's securities are (Continued):**

<b>Names</b>	<b>No. of ordinary shares held</b>	<b>% of total issued of ordinary capital held</b>
J P Morgan Nominees Australia Pty Limited	1,216,500	2.92%
Guangdong Rare Earths Industry Group Co. Ltd	1,200,000	2.88%
Mr Liao Changyuan <Ling Ge Art Foundation A/C>	800,000	1.92%
HSBC Custody Nominees (Australia) Limited	644,433	1.55%
BNP Paribas Nominees Pty Ltd	507,459	1.22%
Mr Sio Kai Kuan	301,750	0.72%
Io Chong Leong	300,000	0.72%
Monex Boom Securities (HK) Ltd	292,485	0.70%
Bay Square Holdings Ltd	291,250	0.70%
Lanstone Investment Limited	225,000	0.54%
Chow Lai Wah	217,500	0.52%
Hainan Finance Limited	154,600	0.37%
Carleton Trading Ltd	105,175	0.25%
Fong Hong Kei	100,000	0.24%

#### **d. Voting rights**

Subject to the ASX Listing Rules and to any special rights, privileges or restrictions attaching to any class or classes of shares, every member is entitled to be present at a meeting in person, by proxy, representative or attorney. On a show of hands, every member who is present in person or by proxy has one vote for every share of which he is the holder, and on a poll; every member has (i) one vote for each fully paid share held by that person or (ii) voting rights pro-rata to the amount paid up on each partly paid share held by that person.

### **2. Share options outstanding as at 31 May 2019**

Total number of outstanding share options	-
Total number of option holders	-

Since the remaining balance of 1,748,792 share options was lapsed on 8 April 2018, therefore the number of the share options as at 31 May 2019 stated was zero.

# **VIAGOLD CAPITAL LIMITED**

## **ADDITIONAL INFORMATION PURSUANT TO THE OFFICIAL LISTING RULES OF THE AUSTRALIAN SECURITIES EXCHANGE LIMITED (Continued)**

### **3. The name of the Company Secretary**

Mr. King Choi Leung

### **4. Address and contact number:**

The address and contact number of the principal registered office in Zhuhai is:

Floor 7, 53 Bailian Road,  
Jida, Zhuhai,  
Guangdong Province, PRC  
Telephone: (86-756) 3320 271  
Website: <http://www.viagold.ws>

The address and contact number of the principal registered office in Australia is:

Suite 1102, Level 11,  
370 Pitt Street, Sydney, NSW,  
Australia  
Area Code: 2000  
Telephone: 61-2 9283 3933

The address and contact number of the registered office provider in Bermuda is:

Conyers Corporate Services (Bermuda) Limited  
Clarendon House  
2 Church Street, Hamilton HM 11  
Bermuda  
Telephone: +1 (441) 295 5950

### **5. Register of securities are kept at the following address in Australia:**

Computershare Investor Services Pty Limited  
Yarra Falls, 452 Johnston Street  
Abbotsford, Victoria, 3067  
Australia  
Telephone: 1300 850 505 (within Australia)  
61 (3) 9415 4000 (outside Australia)