



CRTG

China Resources and Transportation Group Ltd
中國資源交通集團有限公司

CHINA RESOURCES AND TRANSPORTATION GROUP LIMITED

中國資源交通集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 269

Annual Report **2013**



CONTENTS

	Pages
Corporate Information	2
Statement of Chairman	3
Directors' Report	9
Corporate Governance Report	18
Independent Auditor's Report	25
Consolidated Income Statement	27
Consolidated Statement of Comprehensive Income	28
Consolidated Statement of Financial Position	29
Statement of Financial Position	31
Consolidated Statement of Changes in Equity	32
Statement of Changes in Equity	33
Consolidated Statement of Cash Flows	34
Notes to the Financial Statements	36
Summary of Financial Information	127
Particulars of the Group's Major Properties	128

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Cao Zhong (*Chairman*)
Mr. Fung Tsun Pong (*Vice-chairman*)
Mr. Duan Jingquan (*Chief Executive Officer*)
Mr. Tsang Kam Ching, David (*Finance Director*)
Mr. Gao Zhiping (*appointed on 17 June 2013*)

Non-executive Director

Mr. Neil Bush (*resigned on 20 July 2012*)

Independent Non-executive Directors

Mr. Yip Tak On
Mr. Jing Baoli
Mr. Bao Liang Ming

Audit Committee

Mr. Yip Tak On (*Chairman*)
Mr. Jing Baoli
Mr. Bao Liang Ming

Remuneration Committee

Mr. Yip Tak On (*Chairman*)
Mr. Jing Baoli
Mr. Bao Liang Ming
Mr. Cao Zhong

Nomination Committee

Mr. Cao Zhong (*Chairman*)
Mr. Yip Tak On
Mr. Jing Baoli
Mr. Bao Liang Ming

COMPANY SECRETARY

Miss Ngan Wai Kam, Sharon

AUDITOR

BDO Limited

LEGAL ADVISOR

Sidley Austin
Louis K.Y. Pau & Company

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
The Bank of East Asia Limited
The Hong Kong and Shanghai Banking Corporation Limited

REGISTERED OFFICE

Caledonian Trust (Cayman) Limited
Caledonian House
69 Dr. Roy's Drive
P.O. Box 1043
Grand Cayman
KY1-1102
Cayman Islands

PRINCIPAL PLACE OF BUSINESS

Room 1801-07, 18/F.
China Resources Building
26 Harbour Road
Wanchai
Hong Kong

SHARE REGISTRARS AND TRANSFER OFFICE

Tricor Progressive Limited
26/F., Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

STOCK CODE AT HONG KONG STOCK EXCHANGE

269

CONTACT DETAILS

Telephone no.: (852) 3176 7100
Facsimile no.: (852) 3176 7122

COMPANY WEBSITE

<http://www.crtg.com.hk>

STATEMENT OF CHAIRMAN

To all Shareholders,

On behalf of the board of directors (the "Board") of China Resources and Transportation Group Limited 中國資源交通集團有限公司 (the "Company"), I am delighted to present the Annual Report 2013 and the audited financial statements of the Company and its subsidiaries (together the "Group") for the year ended 31 March 2013.

BUSINESS REVIEW

For the year ended 31 March 2013, the Group was principally engaged in expressway and auxiliary facility investment, expressway operation, management and maintenance, property development and asset management, and forest operation and management.

The Company through its wholly-owned subsidiaries acquired in aggregate 55.9% equity interest in Inner Mongolia Zhunxing Heavy Haul Expressway Company Limited (內蒙古准興重載高速公路有限責任公司) ("Zhunxing") by the end of 2011 and have shifted its business focus to expressway operation, management and maintenance which was a key strategic move of the Company. Zhunxing has been granted an exclusive right to build and operate the first PRC heavy-duty toll expressway specifically designed for coal transportation in Inner Mongolia for 30 years (the "Expressway"). The Expressway runs 265 km from Jungar Banner (准格爾旗), a major coal production area located south of Hohhot (呼和浩特) in Ordos (鄂爾多斯), towards northeast to Xinghe County (興和縣), a major logistic hub for coal distribution in northern PRC. The estimated total investment required for the Expressway is about RMB15 billion (approximately HK\$19 billion). The construction of the Expressway has been mainly funded by equity and loan financing. In December 2012, a few PRC banks granted Zhunxing a syndicated loan facility of RMB8.82 billion for the construction of the Expressway.

Zhunxing commenced investment in the Expressway in 2006 and thereafter it has obtained approvals and consents for construction from all relevant governmental administrative bureaus. In the past two years, full scale construction works have been launched for the Expressway and by the end of March 2013, Zhunxing completed around 60% of the gross output value of the construction of the Expressway and approximately 145 km (60%) out of 253 km of the total roadbed have been completed and handed over to government for acceptance check.

The Expressway will have five lanes with road width of about 28 meters and is designed to sustain the passing of heavy haul vehicles in high frequency and high proportion. The estimated annual traffic capacity of the Expressway is about 150 million tons. The Company expects that the Expressway could be opened for traffic in the fourth quarter of this year. The Board believes that the opening of Expressway will broaden revenue base and maintain sustainable growth of the Company in the future.

FINANCIAL REVIEW

For the year ended 31 March 2013, the continuing and discontinued operations of the Group recorded a turnover of approximately HK\$4,659.25 million, representing a substantial increase of 3,261% during the year (2012: HK\$138.63 million), which was mainly attributable to a significant increase in income generated from construction revenue in respect of service concession arrangement amounting to HK\$4,562.04 million (2012: HK\$128.66 million). The three reportable segments classified as continuing operations of the Group, namely timber logging and trading, other timber operation and construction and operation of expressway contributed approximately HK\$2.69 million (0.06%), HK\$4.85 million (0.10%) and HK\$4,562.04 million (97.92%) (2012: HK\$1.14 million, HK\$8.83 million and HK\$128.66 million) respectively to the Group's consolidated turnover. The property development and asset management business, the reportable segment classified as discontinued operations of the Group, contributed approximately HK\$89.68 million (1.92%) (2012: HK\$Nil) to the Group's consolidated turnover.

STATEMENT OF CHAIRMAN

Detailed segment turnover and contribution to loss before tax of the Group are shown in Note 6 to the financial statements. Cost of sales under continuing operations for the year was approximately HK\$4,491.44 million (2012: HK\$148.34 million) which was mainly contributed by service cost for the construction of the Expressway. As a result, the Group recorded a gross profit of approximately HK\$78.13 million (2012: gross loss of HK\$9.71 million) under continuing operations in this year. Cost of sales under discontinued operations for the year was approximately HK\$80.35 million (2012: HK\$Nil), resulting in a gross profit of approximately HK\$9.33 million (2012: HK\$Nil).

During the year, the Group's property development arm, Yichang Xinshougang Property Development Company Limited ("Yichang Xinshougang"), has achieved the sale of a total of approximately 15,465 square metres gross floor area at the price of approximately RMB4,721 (HK\$5,900) per square metre, i.e. income receivable of approximately RMB73.0 million (HK\$91.25 million). The sales turnover of approximately HK\$89.68 million (2012: HK\$Nil) has been recorded during the year upon delivery of the properties to the purchasers. Distributable profit from sales of the residential properties was shared by Yichang Xinshougang and Hubei Province Dafang Properties Development Co., Ltd. (湖北省大方房地產綜合開發公司), its strategic property development partner, on a 60:40 basis.

The loss before income tax expense from continuing operations was approximately HK\$221.60 million (2012: HK\$434.77 million) and net loss from continuing and discontinued operations was approximately HK\$260.54 million (2012: HK\$449.44 million). The loss was mainly attributed by a loss on change in fair value of the early redemption option component of the convertible bond of approximately HK\$21.76 million (2012: HK\$191.33 million), the selling and administrative expenses of approximately HK\$164.28 million (2012: HK\$185.71 million) mainly due to the costs incurred in the construction of Expressway not being capitalised, finance costs of approximately HK\$56.02 million (2012: HK\$Nil) due to the default interest on promissory note under continuing operations and other income and other gains or losses of approximately HK\$42.09 million (2012: HK\$5.11 million). Other income and other gains or losses mainly arose from the impairment loss on forest concession rights of approximately HK\$28.79 million (2012: HK\$Nil) and the compensation claims amounted to approximately HK\$22.04 million (2012: HK\$Nil), which were compensations claimed by contractors and suppliers due to the suspension of construction work before Zhunxing was acquired by the Group. The loss attributable to owners of the Company from continuing and discontinued operations for the period was approximately HK\$271.66 million (2012: HK\$419.40 million). The loss per share for the year reduced to HK1.262 cents as compared with HK2.081 cents for the last corresponding year.

LIQUIDITY REVIEW

As at 31 March 2013, the Group's net assets amounted to approximately HK\$5,114.40 million, representing an increase of 1.08%. Besides, the current assets of the Group were HK\$4,152.10 million (2012: HK\$1,819.48 million) which mainly include assets of a disposal group classified as held for sale of approximately HK\$1,823.68 million (2012: HK\$Nil), inventories of approximately HK\$120.81 million (2012: HK\$127.45 million), trade and other receivables of approximately HK\$34.25 million (2012: HK\$53.65 million), pledged deposits for expressway construction of approximately HK\$117.41 million (2012: HK\$Nil) and cash and cash equivalents of approximately HK\$2,033.05 million (2012: HK\$196.29 million). The significant increase in cash and cash equivalents was attributable to the cash and bank deposits in RMB, which were drawn down loans obtained from several PRC banks.

The current liabilities increased from approximately HK\$2,051.32 million to approximately HK\$9,027.03 million during the year mainly due to the contribution by borrowings of approximately HK\$5,827.08 million (2012: HK\$107.26 million), trade and other payables of approximately HK\$2,188.91 million (2012: HK\$1,173.88 million) and liabilities of a disposal group classified as held for sale of approximately HK\$710.11 million (2012: HK\$Nil). The increase in trade and other payables of 86% during the year was mainly due to the increase in construction cost payable for the construction of Expressway.

STATEMENT OF CHAIRMAN

As at 31 March 2013, the Group had an outstanding borrowings of HK\$7,495.49 million (2012: HK\$716.47 million), of which RMB5,050 million (approximately HK\$6,241.09 million), representing almost 83%, consists of short term and long term secured bank loans charged with interest from 5.7% to 8.5% per annum provided by several PRC banks mainly for the investment in the construction of the Expressway. The short term secured bank loans of RMB3,700 million (approximately HK\$4,572.68 million) will be refinanced by part of the long term syndicated loan facility of RMB8,820 million (approximately HK\$11 billion) upon maturity.

The remaining outstanding borrowings were unsecured loans of HK\$1,136.99 million (2012: HK\$615.61 million) repayable within one year and bill payables of HK\$117.41 million (2012: HK\$Nil) secured by bank deposits for payments of construction materials and construction fees of the Expressway. An unsecured loan of RMB495.3 million (approximately HK\$612.06 million) was owed by Zhunxing to an authorized financial institution with interest bearing at 0.0288% per day. The said loan was unconditionally assigned by one of the former non-controlling equity holders of Zhunxing to the authorized financial institution on 6 February 2012 which was also agreed by the Group. The rest of the unsecured loans of HK\$524.93 million, mainly obtained from two independent third parties with interest bearing at 20% per annum, were utilized as general working capital and to finance its capital contribution to registered capital of Zhunxing.

The gearing ratio of the Group, measured as total liabilities to total assets, was 71.05% (2012: 47.05%).

The Group's capital commitments (apart from the disposal group) outstanding as at 31 March 2013 was approximately HK\$5,733.39 million (2012: HK\$7,691.69 million), of which HK\$5,594.35 million, representing almost 97.6%, was the investment on concession intangible asset representing the construction cost of the Expressway.

The Group's business operations, assets and liabilities are denominated mainly in Hong Kong dollars, Renminbi and US dollars, thus appreciation in Renminbi has resulted in a net exchange gain. Save as aforesaid, the Board considered foreign exchange risk being minimal. The management will review from time to time of the potential foreign exchange exposure and will take appropriate measures to minimise the risk of foreign exchange exposure in the future.

The Group did not use any financial instruments for hedging purposes and did not have foreign currency investments being hedged by foreign currency borrowings and other hedging instruments.

Details of the Group's financial risk management are set out in Note 53 of the Notes to the Financial Statements of the 2013 Annual Report.

MATERIAL EVENTS AND PROSPECT

Syndicated Banking Facility for Zhunxing

On 27 December 2012, Zhunxing, a 55.9% indirect non-wholly owned subsidiary of the Company, and 國家開發銀行股份有限公司 (China Development Bank Corporation) ("China Development Bank"), as the leading bank, 華夏銀行股份有限公司 (Hua Xia Bank Co., Limited) and 招商銀行股份有限公司 (China Merchants Bank Co., Limited), as the participant banks, (together the "Lenders") entered into a loan agreement (the "Loan Agreement"), pursuant to which the Lenders agreed to provide a RMB8.82 billion (approximately HK\$11 billion) loan (the "Loan") to Zhunxing at an initial annual interest rate of 6.8775% on normal commercial terms, of which RMB3.6 billion (approximately HK\$4.5 billion) of the Loan will be for a term of 15 years, RMB2.77 billion (approximately HK\$3.46 billion) of the Loan will be for a term of 20 years and RMB2.45 billion (approximately HK\$3.06 billion) of the Loan will be for a term of 21 years. Part of the proceeds of the Loan will be used by Zhunxing to refinance the short-term loans in the amount of RMB3.7 billion (approximately HK\$4.57 billion) advanced by the China Development Bank which have been invested in the construction of the Expressway. The rest of the proceeds of the Loan will also be invested in the construction of the Expressway.

STATEMENT OF CHAIRMAN

The granting of the Loan has enriched the working capital of Zhunxing and strengthened its continuous development capabilities. The construction of the Expressway has been in full gear and the Board is confident on its opening in the fourth quarter of 2013.

Development of Expressway Auxiliary Facilities

In line with the Group's commitment on expressway business, the Company has also started to develop auxiliary facilities for serving the expressway users. The auxiliary facility investment coupled with the expressway operation will contribute greatly to the Group's revenue as a whole in the coming year.

On 20 December 2012, the Company entered into a master agreement with Joint Gain Holdings Limited ("Joint Gain"), an independent third party, agreeing to procure the transfer to it, at the consideration of RMB301,000,000 (approximately HK\$374,143,000), the entire equity interest in a project company to be incorporated by Zhunxing to hold and operate the rights of construction and development of petrol and gas stations in the service areas of the Expressway. Joint Gain will be responsible for all the costs related to the construction and development of petrol and gas stations in the service areas.

At the same time, Joint Gain has granted a call option to the Company conferring the Company a right to require Joint Gain to sell the entire equity interest of the project company to the Company. The call option is exercisable at the discretion of the Company and the price for the acquisition of the project company will be determined with reference to the total construction and development costs of the petrol and gas stations in the service areas. Upon completion of exercise of the call option by the Company, Joint Gain shall be entitled to exercise its right on 2,000,000,000 conditional warrants granted to it by the Company on 19 April 2013 at the exercise price of HK\$0.48 per share.

In addition, the Group is also actively exploring opportunities to develop logistics base in the neighborhood of the Expressway.

Disposal of the Property Development Arm in the PRC

On 15 September 2012, the Company entered into an agreement with China International Holdings Limited (中翔國際集團有限公司) ("China International"), a Singapore listed company, pursuant to which the Company conditionally agreed to sell a 55% equity interest of its property development arm, Yichang Xinshougang, to China International at a consideration of HK\$550 million. Completion of the sale is expected to take place by the end of June this year. For more details of the disposal, please refer to the announcements of the Company dated 16 September 2012, 2 January 2013 and 28 March 2013.

The disposal is in line with the Group's focus on expressway operation and its intention to divest non-core business. The proceeds generated by the disposal are intended to enhance the working capital position of the Group.

Potential Disposal of the Forestry Related Business

The Group have shifted its business focus to expressway operation, management and maintenance and the Group does not intend to further invest in but will continue its existing operations in relation to forest operation and management, timber logging and trading, sale of timber products, and plantation and trading of seedlings.

STATEMENT OF CHAIRMAN

On 26 September 2012, the Company entered into a letter of intent with Yueshou Environmental Holdings Limited (“Yueshou”), a Hong Kong main board listed company, in relation to the possible disposal of the Company’s entire or controlling interests in all or some of its subsidiaries that are engaged in the forestry related business. The proposed disposal is subject to further negotiation between the Company and Yueshou, and the parties are yet to enter into a definitive agreement in relation to it. For more details of the forestry disposal, please refer to the announcement of the Company dated 26 September 2012. The Board is still in the process of negotiation with Yueshou for the material terms of the agreement.

Capital Increase in Zhunxing

On 10 June 2013, Cheer Luck Technology Limited (“Cheer Luck”) and Shu Ren Wood (Shenzhen) Limited, wholly-owned subsidiaries of the Group, entered into a capital increase agreement (the “Capital Increase Agreement”) with the other shareholders of Zhunxing, namely, Xinjiang Shougang Investment Co., Ltd. (新疆首鋼投資有限公司), Fujian Xinrong Industries Group Co., Ltd. (福建信融實業有限公司) and Fujian Ding Feng Sheng Chuang Xin Investment Limited (福建鼎豐盛創新投資有限公司), pursuant to which the registered capital of Zhunxing will be increased and Cheer Luck will subscribe for additional registered capital in Zhunxing at a total cash consideration of RMB1,611,898,040, resulting in an increase from 55.9% to 82.27% of the Group’s indirect holding of equity interest in Zhunxing (the “Capital Increase”).

The Directors consider that the Capital Increase is a valuable opportunity for the Group to further increase its interest in Zhunxing, and is an appropriate occasion to bring the most benefits to the Shareholders, which is in conformity with the Group’s development directions and commitment on the expressway business. Completion of the Capital Increase is subject to certain conditions disclosed in the announcement of the Company dated 14 June 2013.

The Group intends to fund the Capital Increase by the proceeds from the issue of the 9% unlisted convertible bonds due 2015 with an aggregate principal amount of HK\$2,584,000,000 (the “2015 Convertible Bonds”) and the issue of 2,500,000,000 new shares of the Company (the “Subscription Shares”).

Proposed Issue of the 2015 Convertible Bonds

On 14 June 2013, the Company entered into an agreement with each of the seven subscribers in relation to the proposed issue of the 2015 Convertible Bonds. The 2015 Convertible Bonds will carry an interest rate of 9% per annum which will be payable by the Company annually in arrears.

The bondholders will be entitled to convert the 2015 Convertible Bonds into ordinary shares of the Company at an initial conversion price of HK\$0.32 per conversion share (subject to the normal adjustments pursuant to the terms and conditions of the 2015 Convertible Bonds) at any time during the period commencing from the date of issuance of the convertible bonds.

The estimated net proceeds from the issue of the 2015 Convertible Bonds would be approximately HK\$2,581.0 million. The Company intends to apply the net proceeds to increase the Group’s investment in Zhunxing and repay the 9% unlisted convertible bonds to be due on 28 September 2014 (the “2014 Convertible Bonds”) held by Li Ka Shing (Canada) Foundation and Dr. Lo Ka Shui and other convertible debts.

Completion of the issue of the 2015 Convertible Bonds is subject to certain conditions, including the obtaining of shareholders’ approval of the Company. For details on the proposed issue of the 2015 Convertible Bonds, please refer to the announcement of the Company dated 14 June 2013.

STATEMENT OF CHAIRMAN

Proposed Issue of 2,500,000,000 Subscription Shares

On 14 June 2013, the Company entered into an agreement with each of the two share subscribers pursuant to which the Company has agreed to issue 2,500,000,000 Subscription Shares in aggregate at a subscription price of HK\$0.30 per share.

The estimated net proceeds from the share subscription would be approximately HK\$747.0 million. The Company intends to apply the net proceeds from the share subscription to increase the Group's investment in Zhunxing and for general working capital of the Group.

Completion of the issue of Subscription Shares is subject to certain conditions, including the obtaining of shareholders' approval of the Company. For details on the proposed issue of Subscription Shares, please refer to the announcement of the Company dated 14 June 2013.

CAPITAL RAISING AND EXPENDITURE

During the year under review, the Company has issued 5,050,000,000 new shares pursuant to the conversion of certain convertible bonds issued to China Alliance International Holding Group Limited on 9 February 2010. Moreover, the Company issued 365,000,000 new shares pursuant to various exercises of warrants issued by the Company on 8 February 2010 at the exercise price of HK\$0.23 per share.

EMPLOYEES AND RETIREMENT BENEFIT SCHEME

The Group had approximately 267 employees in Hong Kong, the PRC, Australia and Guyana as at 31 March 2013. The Group implements remuneration policy, bonus and share options schemes to ensure that pay scales of its employees are rewarded on performance-related basis within the general framework of the Group's remuneration strategy.

The emoluments payable to the Directors are determined based on the scope of work, level of involvement, experience and seniority.

ACKNOWLEDGEMENTS

I wish to take this opportunity to extend my appreciation and gratitude to all Shareholders for their continual support and to thank my fellow Directors and colleagues for their tremendous energy, dedication and hard work in the past year.

Mr. Cao Zhong

Chairman

Hong Kong, 27 June 2013

DIRECTORS' REPORT

The Directors present their annual report and the audited financial statements of the Group for the year ended 31 March 2013.

PRINCIPAL ACTIVITIES

During the year under review, the Company is principally engaged in investment holding.

The activities of the Company's subsidiaries as at 31 March 2013 are set out in Note 52 of the Financial Statements. During the year under review, the Group was principally engaged in expressway and auxiliary facility investment, expressway operation, management and maintenance, property development and asset management, and forest operation and management.

SEGMENT INFORMATION

Details of the segment information are set out in Note 6 of the Financial Statements.

RESULTS AND DIVIDENDS

The results of the Group are set out in the consolidated income statement on page 27 of this Annual Report and in the accompanying notes of the Financial Statements.

The Directors do not recommend any payment of final dividend for the year ended 31 March 2013 (2012: Nil).

SHARE PREMIUM AND RESERVES

Movements in the share premium and reserves of the Group and the Company during the year are set out on pages 32 and 33 of this Annual Report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group and the Company during the year are set out in Note 18 of the Financial Statements.

PROPERTIES

Particulars of properties of the Group as at 31 March 2013 are set out on page 128 of this Annual Report.

SUBSIDIARIES

Particulars of the principal subsidiaries of the Group as at 31 March 2013 are set out in Note 52 of the Financial Statements.

CHARGES ON ASSETS

As at 31 March 2013, other properties under development, properties under development for sale and completed properties held for sale of the Group with an aggregate net book value of approximately HK\$310 million was pledged to secure the bank loan granted to the disposal group classified as held for sale.

Pledged deposits amounted to HK\$117.41 million were cash deposited in a certain bank for issuing bill payables for the purchases of construction materials and payments of construction fees for the Expressway.

CONTINGENT LIABILITIES

Details of the Group's contingent liabilities as at 31 March 2013 are set out in Note 49 of the Financial Statements.

BORROWINGS

Details of borrowings as at 31 March 2013 are set out in Note 38 of the Financial Statements.

DIRECTORS' REPORT

SHARE CAPITAL

Details of the movements in the Company's share capital are set out in Note 42 of the Financial Statements.

During the year under review, the Company has issued 5,050,000,000 new shares pursuant to the conversion of certain convertible bonds issued to China Alliance International Holding Group Limited on 9 February 2010. The Company also issued 365,000,000 new shares pursuant to various exercises of warrants issued by the Company on 8 February 2010 at the exercise price of HK\$0.23 per share.

As at 31 March 2013, there are HK\$2,000,000,000 outstanding convertible bonds issued on 28 September 2011 which are convertible at the price of HK\$0.40 per share and will be due on 28 September 2014.

The Company entered into a master agreement with Joint Gain on 20 December 2012, pursuant to which 2,000 million conditional warrants were issued by the Company to Joint Gain on 19 April 2013 entitling it to, subject to satisfaction of certain conditions, subscribe for 2,000 million new shares of the Company at the initial exercise price of HK\$0.48 each on or before 20 December 2015.

Details of convertible bonds and warrants of the Group are shown in Notes 40 and 47 respectively of the Financial Statements.

MAJOR CUSTOMERS AND SUPPLIERS

As the Expressway in Inner Mongolia is under construction and the Group has not commenced the toll road operation, the Group has no customer information for construction revenue to be disclosed.

The five largest suppliers of the Group are contractors of the Expressway and properties in Yichang, there are no further information on major suppliers to be disclosed.

RELATED PARTY TRANSACTIONS

The related party transactions in Note 50 of the Financial Statements have been disclosed in accordance with the Hong Kong Accounting Standard 24 "Related Party Disclosures" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and did not constitute connected transactions nor continuing connected transactions under the definition of Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Stock Exchange") ("Listing Rules").

FIVE YEAR FINANCIAL SUMMARY

A summary of the published results and of the assets and liabilities of the Group for the past five financial years, as extracted from the audited financial statements and reclassified as appropriate, is set out on page 127 herein. The summary does not form part of the Financial Statements.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Articles of Association, or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing Shareholders.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

There was no purchase, sale or redemption of listed securities of the Company by the Company or any of its subsidiaries during the year.

DIRECTORS' REPORT

DIRECTORS

The Directors of the Company during the year and up to the date of this Annual Report were:

Executive Directors:

Mr. Cao Zhong
Mr. Fung Tsun Pong
Mr. Duan Jingquan
Mr. Tsang Kam Ching, David
Mr. Gao Zhiping (*appointed on 17 June 2013*)

Non-executive Director:

Mr. Neil Bush (*resigned on 20 July 2012*)

Independent Non-executive Directors:

Mr. Yip Tak On
Mr. Jing Baoli
Mr. Bao Liang Ming

In accordance with Article 117 of the Company's Articles of Association, the Directors of the Company, including the executive, non-executive and independent non-executive Directors, are subject to retirement by rotation and, being eligible, may offer themselves for re-election. In addition, Article 100 of the Articles of Association provides that any Director appointed by the board of Directors shall hold office only until the following general meeting of the Company and shall then be eligible for re-election at that meeting. Accordingly, Mr. Tsang Kam Ching, David, Mr. Gao Zhiping and Mr. Jing Baoli shall retire at the forthcoming annual general meeting, and being eligible, shall offer themselves for re-election.

The Company has received annual confirmation from each of the independent non-executive Directors (the "INEDs") as regards to their independence to the Company and considered that each of them is independent to the Company.

BIOGRAPHICAL DETAILS OF DIRECTORS

Executive Directors

Mr. Cao Zhong, aged 53, has been appointed as an executive Director and the chairman of the Board of the Company since 19 November 2010. Mr. Cao was graduated from Zhejiang University and the Graduate School of the Chinese Academy of Social Sciences with a bachelor degree in engineering and a master degree in economics, respectively. Since 1988, Mr. Cao had served various institutions such as the National Development and Reform Commission of China, Guangdong Province Huizhou Municipal People's Government, Beijing International Trust and Investment Company Limited, Shougang Corporation and the Development Research Centre of the State Council of China.

DIRECTORS' REPORT

BIOGRAPHICAL DETAILS OF DIRECTORS *(Continued)*

Executive Directors *(Continued)*

Mr. Cao had also held various managerial positions in companies including: an executive director, general manager, a non-executive director and vice chairman of Shougang Concord International Enterprises Company Limited ("Shougang Concord") (Stock Code: 697); the deputy chairman and general manager of Shougang Holding (Hong Kong) Limited ("Shougang Holding"); a director of Grand Invest International Limited ("Grand Invest") and China Gate Investments Limited ("China Gate") – Shougang Holding, Grand Invest and China Gate are substantial shareholders of Shougang Concord; vice chairman and general manager of Shougang Concord Grand (Group) Limited ("Shougang Grand") (Stock Code: 730); an executive director and general manager of Shougang Fushan Resources Group Limited (Stock Code: 639); and the chairman of the board of directors of Shougang Concord Century Holdings Limited (Stock Code: 103), Shougang Concord Technology Holdings Limited (Stock Code: 521) and Global Digital Creations Holdings Limited (Stock Code: 8271) which is a subsidiary of Shougang Grand. In addition, he was an executive director of APAC Resources Limited (Stock Code: 1104) from April 2007 as well as a chairman from May 2007 to October 2009.

Mr. Fung Tsun Pong, aged 53, has been appointed as an executive Director since 22 September 2004. Mr. Fung has over 20-year experience in property development, logistics, investment banking and company management. Mr. Fung has held senior management positions in various companies incorporated in Hong Kong, British Virgin Islands and Samoa.

Mr. Duan Jingquan, aged 57, has been appointed as an executive Director and the chief executive officer of the Company since 7 November 2011. He is currently the managing director of the Accounting Society of China, a member of the Specialist Advisory Committee of the China Association of Actuaries, an adjunct professor of The Peking University HSBC Business School and a member of the Steering and Consultation Committee for Innovative Development of Shenzhen Insurance Industry. Mr. Duan graduated from Dongbei University of Finance and Economics (formerly known as Liaoning Institute of Finance and Economics) in 1982. He served the Ministry of Finance for around 20 years and assumed different positions, including as the chief officer of the Commerce Bureau of the Finance Department, the deputy head and the head of the Central Planning Office from 1982 to 1994, the deputy head of the Supervision Department from 1994 to 1998, the head of the Finance Supervision Department and the Supervision and Inspection Department from 1998 to 2002. Between 2002 and 2005, he was positioned as the deputy general manager of China Export and Credit Insurance Corporation.

From 2005 to 2009, he was appointed as the secretary of the party committees, general manager and director of Mingsheng Life Insurance Company Limited. In August 2009, Mr. Duan joined Sino Life Insurance Company Limited ("Sino Life") and served as its general manager and director and he was then appointed as the vice chairman of Sino Life in October 2010. From October 2011 to April 2013, he took up the role as the Chairman of the Supervisory Committee of Sino Life. Mr. Duan was the major author of "Introduction to Financial and Political Supervision"《財政監督學概論》, his first treatise on finance and politic. He has been selected by China Insurance Journal as one of the "Top Ten Persons of 2009 in the Insurance Industry". Mr. Duan has over 20 years' experience in management of state agencies and enterprises. While he was with the Ministry of Finance, he developed and implemented various state finance management mechanisms which still exert significant influences nowadays. During his years with commercial enterprises, he pushed forward various reform programs, exercised assiduity at company management and operation, thus remarkably enhanced the performance of the enterprises.

DIRECTORS' REPORT

BIOGRAPHICAL DETAILS OF DIRECTORS *(Continued)*

Executive Directors *(Continued)*

Mr. Tsang Kam Ching, David, aged 56, has been appointed as an executive Director since 17 February 2004. Mr. Tsang has extensive financial management experience over the past 20 years which covers merchant banking, stock broking and corporate finance business. Mr. Tsang is also a fellow member of the Chartered Association of Certified Accountants in the United Kingdom and a member of the HKICPA.

Mr. Gao Zhiping, aged 51, has been appointed as an executive Director since 17 June 2013. Mr. Gao was graduated from China Europe International Business School (中歐國際工商學院) with a Master of Business Administration and is a Senior Economist certified by the State Grid Corporation of China (國家電網公司). He has received the awards of Distinctive Young Enterprise Management Personnel and Distinctive Pilot Project Construction Personnel of Henan Province. From 1979 to 1994, he served various departments in the local administrative office of Nanyang Prefecture in Henan as secretary of finance office as well as the chief officer of the finance office of Nanyang city government. From 1994 to 2009, he was positioned as the deputy general manager and the secretary of the party committees of Nanyang YaHeKou Electricity Company Limited (南陽鴨河口發電有限責任公司) and Nanyang Tianyi Power Generation Co., Ltd. (南陽天益發電有限責任公司), both being subsidiary of Henan Investment Group (河南投資集團). He also took up the post as the deputy general manager of Tianjin Hangfa (Jinji) Expressway Company Limited (天津航發(津薊)高速公路有限公司) and the chairman of the board of directors of Nan Yang WDX Expressway Construction Co., Ltd. (南陽宛達昕高速公路建設有限責任公司) in 2010. Since October 2010, he has been appointed as the general manager of Inner Mongolia Zhunxing Heavy Haul Expressway Company Limited (內蒙古准興重載高速公路有限責任公司) ("Zhunxing"), an indirect subsidiary of the Company, and has made great contribution to the management of Zhunxing and construction of the expressway of Zhunxing.

Independent non-executive Directors

Mr. Yip Tak On, aged 66, has been appointed as an INED since 22 September 2004. Mr. Yip is a fellow member of the Association of Chartered Certified Accountants, HKICPA, Taxation Institute of Hong Kong, and a full member of the Hong Kong Securities Institute. Mr. Yip has founded his own Certified Public Accountants firm for more than 20 years and he is the managing director of T. O. Yip & Co., Limited. Mr. Yip is the chairman of a charitable institution, the Neighborhood Advice-Action Council. Mr. Yip has not held other directorships in listed company in the last three years.

Mr. Jing Baoli, aged 48, has been appointed as an INED since 28 February 2006. Mr. Jing was graduated from Beijing University Law School with a Bachelor's degree in Laws in 1987 and acquired a Master's degree in Laws from Lanzhou University in 1997. After graduation from Beijing University, he was assigned to the High Court of Gansu Province and worked in various positions till 1997. In 1997, Mr. Jing joined Gansu Tianhe Law Firm as a partner and in 1999, he joined Beijing Shuang Cheng Law Firm as an attorney-at-laws. In August 2007, Mr. Jing joined China Commercial Law Company, Guangdong.

Mr. Bao Liang Ming, aged 57, has been appointed as an INED of the Company since 1 February 2007. Mr. Bao has vast executive and management experience. He has held various directorships in state owned enterprises in Tianjin and Beijing of the People's Republic of China.

DIRECTORS' SERVICE CONTRACTS

None of the existing Directors has a service contract with the Company which is not terminable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REPORT

DIRECTORS' EMOLUMENT, THE FIVE HIGHEST PAID EMPLOYEES AND THE GROUP'S EMOLUMENT POLICY

Details of the Directors' emolument and of the five highest paid employees in the Group are set out in Notes 12 and 13 of the Financial Statements. The Group ensures that pay scales of its employees are rewarded on performance-related basis within the general framework of the Group's remuneration strategy. The Directors' remuneration is determined by the Company with reference to their responsibilities to undertake the Company's performance and profitability, remuneration benchmark, prevailing market conditions and recommendation of the Remuneration Committee of the Company.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES, AND DEBENTURES

Save as disclosed below, as at 31 March 2013, according to the register of interest kept by the Company under Section 336 of the Securities and Futures Ordinance (the "SFO") and so far as was known to the Directors, none of the Directors and chief executive of the Company held any interest or short positions on the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and Stock Exchange pursuant to Divisions 7 and 8 Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO); or (ii) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 of the Listing Rules, to be notified to the Company and Stock Exchange.

Long positions in shares and underlying shares of the Company

Name of Director	Number of Shares		Number of underlying Shares		Total number of Shares and underlying Shares held	Approximate percentage (%) of issued share capital
	personal interest	corporate interests	personal interest	corporate interests		
Mr. Cao Zhong (Note 1)	124,200,000	2,070,300,000	NIL	NIL	2,194,500,000	8.57
Mr. Fung Tsun Pong (Note 2)	1,242,362,449	1,114,300,000	NIL	NIL	2,356,662,449	9.20
Mr. Tsang Kam Ching, David	51,624,499	NIL	NIL	NIL	51,624,499	0.20

Note:

1. Champion Rise International Limited ("CRIL") being wholly owned by Mr. Cao Zhong was interested in 2,070,300,000 Shares, representing approximately 8.08% in the issued share capital of the Company. CRIL is a substantial shareholder of the Company and its shareholding in the Company is set out in the section headed "Substantial Shareholders".
2. Ocean Gain Limited ("OGL") being wholly owned by Mr. Fung Tsun Pong was interested in 1,114,300,000 Shares, representing approximately 4.35% in the issued share capital of the Company.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in this Annual Report, no contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly at the end of the year or at any time during the year.

DIRECTORS' REPORT

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as disclosed under the paragraphs headed "Directors' Interests and Short Positions in Shares, Underlying Shares, and Debentures" above, at no time during the year were rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company granted to any Directors or their respective spouse or children under 18 years of age, or were any such rights exercised by them, or was the Company, its holding company, or any of its subsidiaries and fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS

Save as disclosed below, as at 31 March 2013, according to the register of interest kept by the Company, under section 336 of the SFO and so far as was known to the Directors, no other person or companies had an interest or short positions in the shares or underlying shares which fall to be disclosed to the Company under the provision of Divisions 2 and 3 of part XV of the SFO or who were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other members of the Group.

Long Position in Shares

Name of Shareholder	Number of Shares		Number of underlying Shares		Total number of Shares and underlying Shares held	Approximate percentage (%) of issued share capital
	personal interest	corporate interests	personal interest	corporate interests		
China Alliance International Holding Group Limited (Note a)	NIL	4,275,862,068	NIL	NIL	4,275,862,068	16.70
Champion Rise International Limited (Note b)	NIL	2,070,300,000	NIL	NIL	2,070,300,000	8.08
Vivid Beyond Securities Limited (Note c)	NIL	2,500,000,000	NIL	NIL	2,500,000,000	9.76
Fresh Generation Development Limited (Note d)	NIL	1,350,000,000	NIL	NIL	1,350,000,000	5.27
China Life Insurance (Overseas) Company Ltd. (Note e)	NIL	1,079,600,000	NIL	1,500,000,000	2,579,600,000	10.07
Li Ka Shing (Canada) Foundation (Note f)	NIL	NIL	NIL	3,250,000,000	3,250,000,000	12.69
Joint Gain Holdings Ltd. (Note g)	NIL	NIL	NIL	2,000,000,000	2,000,000,000	7.81
Jiao Xuding (Note h)	1,000,000	NIL	NIL	2,000,000,000	2,001,000,000	7.81

DIRECTORS' REPORT

SUBSTANTIAL SHAREHOLDERS *(Continued)*

Long Position in Shares *(Continued)*

Notes:

- a. China Alliance International Holding Group Limited is wholly owned by Ms. Zhang Lei.
- b. Champion Rise International Limited is wholly owned by Mr. Cao Zhong, the Chairman and an executive Director whose interest in shares or underlying shares of the Company is set out in the above section headed "Directors' Interests and Short Positions in Shares, Underlying Shares, and Debentures".
- c. Vivid Beyond Securities Limited is wholly owned by Mr. Hu Wei.
- d. Fresh Generation Development Limited is wholly owned by Ms. Hu Bing Zhuo.
- e. China Life Insurance (Overseas) Company Ltd. ("CLIOC") was interested in HK\$600,000,000 convertible bonds issued by the Company which are convertible into 1,500,000,000 Shares at HK\$0.40 per Share and it is deemed to be interested in 1,079,600,000 Shares held by its wholly owned subsidiary, China Life Trustees Limited. China Life Insurance (Group) Company is the immediate holding company of CLIOC and is deemed to be interested in the Shares and underlying Shares CLIOC is interested in.
- f. Li Ka Shing (Canada) Foundation ("LKSCF") was interested in HK\$1,300,000,000 convertible bonds issued by the Company which are convertible into 3,250,000,000 Shares at HK\$0.40 per Share. Each of Mr. Li Ka-Shing and Mr. Li Tzar Kuoi, Victor may be regarded as having the ability to exercise or control the exercise of one-third or more of the voting power at the general meetings of LKSCF, thus is deemed to be interested in the underlying Shares held by LKSCF.
- g. Joint Gain Holdings Limited ("Joint Gain") is interested in 2,000,000,000 warrants issued by the Company on 19 April 2013 which are exercisable at HK\$0.48 per Share within three years. Mr. Ho Kee Cheung Louis and Mr. Tsang Ka Lun are deemed to be interested in the warrants held by Joint Gain as trustees.
- h. Mr. Jiao Xuding is the beneficial owner of 1,000,000 Shares and is deemed to be interested in the warrants held by Joint Gain as a beneficiary of a trust.

SHARE OPTION SCHEME

The Share Option Scheme of the Company was adopted on 16 July 2004 and shall remain in force for 10 years from the adoption date unless otherwise terminated or amended. Particulars of the Share Option Scheme are set out in Note 45 of the Financial Statements.

No share option has been granted, exercised, cancelled or lapsed during the year ended 31 March 2013.

PUBLIC FLOAT OF THE LISTED SECURITIES

Based on the publicly available information to the Company and within the knowledge of the Board, none of the Directors, up to the date of this Annual Report, is aware of any information which would indicate the Company has not maintained sufficient public float of its Shares in the open market.

MANAGEMENT CONTRACT

No contract concerning the management and administration of the whole or any substantial part of the business of the Company.

THE MODEL CODE

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less than the required standard set out in the Model Code in Appendix 10 of the Listing Rules and the Directors have confirmed that they have complied with the required standard set out in the Model Code and the Company's code of conduct regarding Directors' securities transactions.

DIRECTORS' REPORT

AUDIT COMMITTEE

The Company has established the Audit Committee in accordance with the requirements of the Listing Rules. The Audit Committee, comprising all INEDs, namely Mr. Yip Tak On (Chairman), Mr. Jing Baoli and Mr. Bao Liang Ming, is responsible for reviewing the Group's accounting practice and policies, the external audit, internal control and risk evaluation.

Detailed information related to the Audit Committee is set out in the Corporate Governance Report on pages 21 and 22 herein.

REMUNERATION COMMITTEE

Detailed information related to the Remuneration Committee is set out in the Corporate Governance Report on pages 22 to 23 herein.

NOMINATION COMMITTEE

Detailed information related to the Nomination Committee is set out in the Corporate Governance Report on page 23 herein.

AUDITORS

The financial statements have been audited by BDO Limited which shall retire and a resolution for its reappointment will be proposed at the forthcoming annual general meeting of the Company.

On behalf of the Board

Mr. Cao Zhong

Chairman

Hong Kong, 27 June 2013

CORPORATE GOVERNANCE REPORT

The Board is committed to maintaining a high standard of corporate governance practices with emphasis on enhancing accountability and transparency of the management of the Company for the sake of safeguarding the interest of the Shareholders as a whole. Save as disclosed herein below, the Company has complied with the code provisions and to a large extent, the recommended best practices set out in the Corporate Governance Code (the "CG Code") in Appendix 14 of the Listing Rules for the year ended 31 March 2013.

The purpose of this report is to provide Shareholders with information on the principles and corporate governance practices adopted by the Company.

THE BOARD

The principal duty of the Board is to ensure that the Company is properly managed in the best interest of the Shareholders.

Board Composition

As at 31 March 2013, the Board comprised four executive Directors and three independent non-executive Directors ("INEDs"). Their names and brief biographies are set out on pages 11 to 13 of this Annual Report.

Each new Director appointed by the Board during the year shall hold office until the following general meeting and thereafter the same Director, if re-elected, shall be subject to retirement by rotation. There exists no relationship among Board members and senior management, including financial, operational, family or other relevant material relations.

The Roles of the Chairman and the Board

The management of the Board is rested in the Chairman. During the period, the role of the Chairman is separated from the chief executive and performed by different persons to ensure balance of power and authority. The Chairman, Mr. Cao Zhong, assumes responsibility for leadership of the Company to ensure that the Board acts in the best interests of the Company.

The Board's focus is on the formulation of overall business strategy, management objectives, and internal control policy. Matters reserved for the Board are those affecting the Company's overall strategic policies, management, finance and shareholders rights. These include, but not limited to, deliberation of investment plans, staff management, annual budgets, financing arrangements, internal controls, material contracts, dividend policy, financial statements and other major corporate activities. Clear directions have been given to the management on the matters that must be approved by the Board and the Board reviews the arrangement periodically.

The Board regularly reviews its composition and structure to ensure its expertise and independence are attained and maintained. With the support of the Company's secretarial staff, the Board ensures that all Board members receive sufficient, complete and reliable information and are properly briefed on issues to be discussed at Board meetings by dispatching materials to the Directors in advance, such that the Directors could work effectively and discharge their responsibility.

During the regular board meetings, the Board reviewed the Company's policies and practices on corporate governance, set arrangement for the provision of continuous professional development of Directors and senior management; approved insurance policies for all Directors, reviewed and monitored the Company's policies and practices on compliance with the CG Code, legal and regulatory requirements, and reviewed the code of conduct and compliance manual for employees.

CORPORATE GOVERNANCE REPORT

THE BOARD *(Continued)*

The Roles of the Chairman and the Board *(Continued)*

All Directors are provided upon reasonable request made to the Board with means, at the Company's expense, to take independent professional advice in furtherance of their duties if necessary.

The Company also engages external service provider as its company secretary to assist the Board and the primary contact person of the Company is its finance Director, Mr. Tsang Kam Ching, David.

The Roles of the Chief Executive Officer and its Management Team

The day-to-day management, administration and operation of the Company have been delegated to the chief executive officer ("CEO"), Mr. Duan Jingquan since his appointment on 7 November 2011. The roles of the Chairman of the Board and the CEO of the Company are performed by different individuals to ensure a balance of power and authority. The functions and tasks delegated to the CEO were supervised and periodically reviewed by the Board to ensure efficiency of management.

The independent non-executive Directors

The INEDs are professions or executive of high caliber with diversified industry expertise and bring a wide range of skills and experience to the Group. They bring to the Company independent judgment on issues of performance, risk and internal control through their contribution at Board meetings, thus safeguarding the interests of Shareholders and the Company as a whole. Pursuant to Rules 3.10 (1) and 3.10 (2) of the Listing Rules, the Company has appointed one INED whom has appropriate professional qualifications or accounting or related financial management expertise.

The Company has received, from each of the INEDs, an annual confirmation of his independence and the Board considers that the three INEDs are independent in character and judgment and they also meet the independence criteria set out in Rule 3.13 of the Listing Rules. All the INEDs are appointed for a specific term of two years and all Directors are required to submit themselves for re-election at least once every three years under the Company's Articles of Association.

In addition, the Chairman is a member of the Remuneration Committee and the chairman of the Nomination Committee which only include INEDs (apart from the Chairman himself), as such, the Chairman is well positioned to meet with the non-executive directors regularly without the executive Directors present to encourage active discussion and effective contribution of the INEDs.

CORPORATE GOVERNANCE REPORT

THE BOARD *(Continued)*

Board Meetings

The Board held meetings during the financial year and the attendance of Directors were set forth below:

	Name of Directors	Attended/ Eligible to Attend
Executive Directors	Cao Zhong	9/11
	Fung Tsun Pong	8/11
	Duan Jingquan	5/11
	Tsang Kam Ching, David	11/11
Non-executive Director	Neil Bush	0/5
Independent non-executive Directors	Yip Tak On	6/11
	Jing Baoli	5/11
	Bao Liang Ming	3/11

The relatively low attendance rate of Mr. Duan Jingquan is mainly due to his stationing in Inner Mongolia overseeing the construction of the expressway and management of Zhunxing. In respect of Mr. Neil Bush, he has difficulties to attend board meetings due to different time zone. As to Mr. Bao Liang Ming, his low attendance rate is mainly contributed by his residency in mainland.

All Directors (except Mr. Neil Bush who resigned on 20 July 2012) attended the annual general meeting of the Company held on 8 August 2012.

Amongst the Board meetings held during the financial year, two were also regular Board meetings with written notice of the meeting despatched to all Directors at least 14 days before the meeting and an agenda with all supporting documents no less than 3 days prior to the meeting. The regular Board meetings have achieved active participation of the Directors. The Directors note that the CG Code requires the Board to hold at least 4 regular meetings a year at approximately quarterly intervals. However, in view of the size and activities of the Group during the year, the Directors considered 4 regular meetings to be unnecessary. Save as the number of regular meetings not reaching the required level, the Company has complied with all the code provisions set out in the CG Code for this financial year.

In addition to the regular Board meetings, the Chairman had meetings with the INEDs without the presence of the executive Directors during the financial year.

CORPORATE GOVERNANCE REPORT

THE BOARD *(Continued)*

Board Meetings *(Continued)*

The Directors have access to the advice and services of the Company's secretarial team and all applicable rules and regulations in respect of the board meetings are followed. Drafts with sufficient details and final versions of the minutes of Board and the various committees were circulated to the Directors for their comment and record respectively. Originals of such minutes, being kept by the Company Secretary, are open for inspection at office hours on reasonable notice by any Director.

The Company has maintained the Directors and officers' liability insurance for members of the Board to provide protection against claims arising from the lawful discharge of duties by the Directors.

Directors' Training and Professional Development

On appointment, every newly appointed Director has been given a comprehensive, formal and tailored induction including the duties and responsibilities of being a Director, the relevant laws and regulations applicable to the Directors, duty of disclosure of interest and business of the Group. During the financial year, the Company has organised a training session conducted by qualified professionals for all the Directors and relevant staff. The training session covered areas such as companies' laws and corporate governance. All Directors have provided to the Company their records of training which they have received during the financial year. In addition, some of the Directors also attended other external seminars or briefings and read relevant materials on regulatory updates.

Board Committees

The Board has established the following committees: the Audit Committee, the Remuneration Committee and the Nomination Committee, with the participation of all the INEDs. In addition, the Board has also adopted good corporate governance practices and procedures and taken appropriate steps to provide effective communication with Shareholders.

AUDIT COMMITTEE

The terms of reference of the Audit Committee was revised on 28 November 2011 to bring them in line with the revised CG Code. The Audit Committee is accountable to the Board and consists of all the three INEDs namely of Messrs Yip Tak On (the chairman), Jing Baoli and Bao Liang Ming.

The Committee reviewed the completeness and accuracy of the Company's financial statements, annual reports and accounts and half-year reports and provided assurance to the Board that these documents comply with the respective accounting policies, the standards and practices, the Stock Exchange and legal requirements. The Committee also reviewed the adequacy and effectiveness of the financial controls, internal control and risk management systems. It also made recommendation to the Board on the appointment and removal of external auditors and their terms of engagement as well as monitor the external auditors' independence and effectiveness and recommended appropriate actions required.

The Audit Committee held 2 meetings during the financial year, the attendances of which are as follows: Mr. Yip Tak On (2/2), Mr. Jing Baoli (2/2) and Mr. Bao Liang Ming (2/2).

CORPORATE GOVERNANCE REPORT

AUDIT COMMITTEE *(Continued)*

A summary of the work performed by the Audit Committee for the financial year ended 31 March 2013 is set out below:

- (a) approve the remuneration and terms of engagement of the external auditors, review their independence and the effectiveness of the audit process;
- (b) make recommendation to the Board on the re-appointment of external auditors;
- (c) review with the Finance Director and/or the external auditors the accounting principles and practices adopted by the Group, the accuracy and fairness of the annual and interim financial statements before submission to the Board;
- (d) review the internal audit findings and internal audit plan;
- (e) review the effectiveness of the financial control, internal control and risk management systems of the Group; and
- (f) review the Group's financial and accounting policies and practices.

The Group's annual results for the year ended 31 March 2013 have been reviewed by the Audit committee. Special attention of the Audit Committee was drawn to Note 3(b) of the Financial Statements that the Group incurred a net loss of approximately HK\$260,539,000 during the year ended 31 March 2013 and, as of that date, the Group's current liabilities exceeded its current assets by about HK\$4,874.9 million. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the ability of the Group to continue as a going concern. The Audit Committee noted that in December 2012, Zhunxing was granted a long term syndicated bank facility of RMB8,820 million by a few PRC banks which would be used to replace the short term loans when they fall due, as such, along with other measures as described in Note 3(b), the Group will have sufficient working capital to meet its financial obligations as and when they fall due in the next 12 months from 31 March 2013.

REMUNERATION COMMITTEE

The terms of reference of the Remuneration Committee was revised on 28 November 2011 to bring them in line with the revised CG Code. The Remuneration Committee comprises all the three INEDs and Mr. Cao Zhong, i.e. a majority of the members are independent non-executive Directors.

The primary objectives of the Remuneration Committee are to make recommendations on the Company's policy for all Directors' and senior management remuneration, review and determine management's remuneration proposals, to ensure that no Director or any of his/her associates is involved in determining his/her own remuneration. During the year, the Remuneration Committee was responsible for, among others, determining, with delegated responsibility, the remuneration packages of all Directors and the senior management, assessing their performance, approving their service contracts, and reviewing individual remuneration package including bonuses, incentive payments and share options.

In order to be able to attract and retain staff of suitable calibre, the Company provides a competitive remuneration package. This comprises salary, provident fund, leave passage and discretionary bonus. The remuneration policy has contributed considerably to the maintenance of a stable, motivated and high-calibre management team in the Company.

The remuneration policy and the levels of remuneration paid to the executive Directors were reviewed by the Remuneration Committee every year.

CORPORATE GOVERNANCE REPORT

REMUNERATION COMMITTEE *(Continued)*

No Director has taken part in any discussion about his own remuneration. The remuneration of INEDs is determined by the Board in consideration of their responsibility involved. Each of the INEDs is appointed for a fixed term of service and entitled to an annual director's fee of HK\$120,000.

The Remuneration Committee held 1 meeting during this financial year, the attendance of which is as follows: the Chairman, Mr. Yip Tak On (1/1), Mr. Jing Baoli (1/1), Mr. Bao Liang Ming (1/1) and Mr. Cao Zhong (1/1).

NOMINATION COMMITTEE

The Nomination Committee was established on 28 November 2011 and chaired by the Chairman of the Board, Mr. Cao Zhong, with all the three INEDs as members, i.e. a majority of the members are independent non-executive Directors. The primary duties of the Nomination Committee are to review the structure, size and composition of the Board, make recommendations on any proposed changes to the Board, advise on the appointment or re-appointment of Directors, assess the independence of INEDs, conduct interviews with qualified candidates, recommend suitable candidates for directorship to the Board and ensure that all nominations are fair and transparent.

The Nomination Committee held 1 meeting during this financial year, the attendance of which is as follows: the Chairman, Mr. Cao Zhong (1/1), Mr. Yip Tak On (1/1), Mr. Jing Baoli (1/1) and Mr. Bao Liang Ming (1/1).

INTERNAL CONTROL

The Board is responsible for the system of internal control and for reviewing its effectiveness. During this financial year, the Directors have conducted two reviews on the effectiveness of the internal control systems of the Company, including but not limited to, financial, operational and compliance controls and risk management functions, and considered that the internal control systems effective and adequate and the Company has complied with the code provisions on internal control of the CG Code in view of the latest business development and the management structure of the Company.

Detailed control guidelines have been set and made available to all employees of the Company regarding handling and dissemination of inside information. Systems and procedures are in place to identify, control and report on major risks, including business, legal, financial, and reputational risks. Exposures to these risks are monitored by the Board with the assistance of its external professional advisers.

SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding the securities transactions by directors (the "Securities Code") on terms no less than the required standard set out in the Model Code. A copy of the Securities Code has been sent to each Director first on his appointment and thereafter reminders were sent to the Directors twice annually, namely 30 days and 60 days before the date of the Board meeting to approve the Company's interim and annual results respectively, with a notice that the Directors cannot deal in the securities and derivatives of the Company until after the results announcement has been published.

Under the Securities Code, Directors are required to notify the Chairman and receive a dated written acknowledgement before dealing in any securities of the Company and, in the case of the Chairman himself, he must notify the Board at a Board meeting or alternatively, another executive Director and receive a dated written acknowledgement before any dealing. The Company has made specific enquiries on Directors' dealings in the securities of the Company and all Directors have confirmed that they have complied with the required standard set out in the Securities Code throughout the year. Directors' interests as at 31 March 2013 in the shares of the Company and its associated corporations (within the meaning of Part XV of the SFO) are set out on page 14 of this Annual Report.

CORPORATE GOVERNANCE REPORT

EXTERNAL AUDITORS

The external auditors are primarily responsible for auditing and reporting on the annual financial statements. In this financial year, the total remuneration paid to the external auditors was approximately HK\$2,427,000, of which HK\$2,223,000 and HK\$204,000 were respectively paid for audit service and advice, and other non-audit services.

INVESTOR RELATIONS

The Company continues to enhance relationships and communication with its investors. Extensive information about the Company's performance and activities provided in this Annual Report and the Interim Report which has been sent to the Shareholders.

All Shareholders are encouraged to attend the annual general meeting to discuss matters relating to the Company. Any inquiries from the Shareholders can be addressed to the Board.

Shareholders may request an extraordinary general meeting to be convened in accordance with Article 73 of the Articles of Association of the Company, which provides that members holding at the date of deposit of the requisition not less than one-twentieth of the paid up capital of the Company carrying the right of voting at general meetings shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an extraordinary general meeting to be convened by the Board for the transaction of any business specified in such requisition.

If the Directors do not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting, the requisitionists themselves may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Directors, and all reasonable expenses incurred by the requisitionists as a result of the failure of the Directors shall be reimbursed to them by the Company. The procedure for shareholders to convene an extraordinary general meeting is also posted on the official website of the Company.

INDEPENDENT AUDITOR'S REPORT



Tel : +852 2218 8288
Fax: +852 2815 2239
www.bdo.com.hk

25th Floor Wing On Centre
111 Connaught Road Central
Hong Kong

電話 : +852 2218 8288
傳真 : +852 2815 2239
www.bdo.com.hk

香港干諾道中111號
永安中心25樓

TO THE SHAREHOLDERS OF CHINA RESOURCES AND TRANSPORTATION GROUP LIMITED

(中國資源交通集團有限公司)

(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of China Resources and Transportation Group Limited (the "Company") and its subsidiaries (hereinafter referred to as the "Group") set out on pages 27 to 126, which comprise the consolidated and company statements of financial position as at 31 March 2013, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

INDEPENDENT AUDITOR'S REPORT

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2013 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

EMPHASIS OF MATTER

Without qualifying our opinion, we draw attention to Note 3(b) to the financial statements, which states that the Group incurred a net loss of approximately HK\$260,539,000 during the year ended 31 March 2013 and, as of that date, the Group's current liabilities exceeded its current assets by approximately HK\$4,874,921,000. These conditions, along with other matters as described in Note 3(b), indicate the existence of a material uncertainty which may cast significant doubt about the ability of the Group to continue as a going concern.

BDO Limited

Certified Public Accountants

Cheung Sai Kit

Practising Certificate no.: P05544

Hong Kong, 27 June 2013

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2013

	Notes	2013 HK\$'000	2012 HK\$'000 (represented)
Continuing operations:			
Turnover	5	4,569,568	138,626
Cost of sales		(4,491,442)	(148,340)
Gross profit/(loss)		78,126	(9,714)
Loss on change in fair value of investment property	17	(92)	(5,870)
Loss on change in fair value less costs to sell of biological assets	21	(15,477)	(37,033)
Change in fair value of derivative financial instrument	27	(21,763)	(191,331)
Other income and other gains or losses	7	(42,093)	(5,107)
Selling and administrative expenses		(164,279)	(185,713)
Finance costs	8	(56,023)	–
Loss before income tax expense	9	(221,601)	(434,768)
Income tax expense	10	(2,712)	–
Loss for the year from continuing operations		(224,313)	(434,768)
Discontinued operations:			
Loss for the year from discontinued operations	11	(36,226)	(14,673)
Loss for the year		(260,539)	(449,441)
Loss attributable to:			
Owners of the Company	14		
Loss for the year from continuing operations		(235,402)	(404,731)
Loss for the year from discontinued operations		(36,258)	(14,673)
Loss for the year attributable to owners of the Company		(271,660)	(419,404)
Non-controlling interests			
Profit/(loss) for the year from continuing operations		11,089	(30,037)
Profit for the year from discontinued operations		32	–
Profit/(loss) for the year attributable to non-controlling interests		11,121	(30,037)
		(260,539)	(449,441)
		HK cents	HK cents
Loss per share attributable to owners of the Company			
From continuing and discontinued operations			
– Basic and diluted	16	(1.262)	(2.081)
From continuing operations			
– Basic and diluted	16	(1.093)	(2.008)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2013

<i>Notes</i>	2013 HK\$'000	2012 HK\$'000
Loss for the year	(260,539)	(449,441)
Other comprehensive income:		
(Loss)/gain on change in fair value of property occupied by the Group, net of tax	(1,085)	10,746
Impairment loss on forest concession rights	(76,213)	–
Exchange differences on translation of financial statements of foreign operations	12,322	60,585
Other comprehensive income for the year, net of tax	(64,976)	71,331
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	(325,515)	(378,110)
Total comprehensive income attributable to:		
– Owners of the Company	(339,442)	(351,650)
– Non-controlling interests	13,927	(26,460)
	(325,515)	(378,110)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2013

	Notes	2013 HK\$'000	2012 HK\$'000
NON-CURRENT ASSETS			
Investment property	17	44,100	44,200
Property, plant and equipment	18	137,872	160,098
Other properties under development	19	–	206,530
Prepaid lease payments	20	29,806	30,334
Biological assets	21	76,745	78,421
Forest concession rights	22	361,456	494,058
Concession intangible asset	23	10,546,874	5,185,307
Long term deposit and prepayments	24	2,209,418	1,537,688
Available-for-sale investments	26	108,756	–
TOTAL NON-CURRENT ASSETS		13,515,027	7,736,636
CURRENT ASSETS			
Derivative financial instrument	27, 40	–	21,763
Properties under development for sale	28	–	1,329,353
Investments held for trading		6,179	–
Inventories	29	120,806	127,451
Trade and other receivables	30	34,251	53,646
Prepaid lease payments	20	665	746
Amount due from a non-controlling shareholder of a subsidiary	31	16,066	64,363
Prepaid taxes		–	11,031
Pledged deposit and restricted cash	32	117,407	14,834
Cash and cash equivalents	33	2,033,045	196,293
		2,328,419	1,819,480
Assets of a disposal group classified as held for sale	41	1,823,685	–
TOTAL CURRENT ASSETS		4,152,104	1,819,480
TOTAL ASSETS		17,667,131	9,556,116
CURRENT LIABILITIES			
Trade and other payables	34	2,188,910	1,173,883
Deposits from sales of properties		–	122,996
Promissory note	35	293,458	289,105
Deferred government grants	36	7,471	7,436
Amount due to a joint operator	37	–	61,505
Borrowings	38	5,827,081	107,264
Tax payable		–	241
Convertible bonds	40	–	288,890
		8,316,920	2,051,320
Liabilities of a disposal group classified as held for sale	41	710,105	–
TOTAL CURRENT LIABILITIES		9,027,025	2,051,320
NET CURRENT LIABILITIES		(4,874,921)	(231,840)
TOTAL ASSETS LESS CURRENT LIABILITIES		8,640,106	7,504,796

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2013

	Notes	2013 HK\$'000	2012 HK\$'000
NON-CURRENT LIABILITIES			
Deferred tax liabilities	39	9,561	3,697
Deferred government grants	36	–	122,987
Convertible bonds	40	1,836,870	1,698,276
Borrowings	38	1,668,411	609,209
Acreage fees payable		10,867	11,020
TOTAL NON-CURRENT LIABILITIES		3,525,709	2,445,189
TOTAL LIABILITIES		12,552,734	4,496,509
NET ASSETS		5,114,397	5,059,607
CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Share capital	42	256,058	201,908
Reserves		2,427,791	2,441,263
Equity attributable to owners of the Company		2,683,849	2,643,171
Non-controlling interests		2,430,548	2,416,436
TOTAL EQUITY		5,114,397	5,059,607

On behalf of the Board

Mr. Cao Zhong
Director

Mr. Tsang Kam Ching, David
Director

STATEMENT OF FINANCIAL POSITION

As at 31 March 2013

	Notes	2013 HK\$'000	2012 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	18	3,565	4,347
Interests in subsidiaries	25	4,396,259	4,391,791
TOTAL NON-CURRENT ASSETS		4,399,824	4,396,138
CURRENT ASSETS			
Derivative financial instrument	27, 40	–	21,763
Trade and other receivables	30	2,855	8,642
Cash and cash equivalents	33	93,286	43,503
TOTAL CURRENT ASSETS		96,141	73,908
CURRENT LIABILITIES			
Trade and other payables	34	265,818	7,545
Promissory note	35	293,458	289,105
Convertible bonds	40	–	288,890
TOTAL CURRENT LIABILITIES		559,276	585,540
NET CURRENT LIABILITIES		(463,135)	(511,632)
TOTAL ASSETS LESS CURRENT LIABILITIES		3,936,689	3,884,506
NON-CURRENT LIABILITIES			
Convertible bonds	40	1,836,870	1,698,276
TOTAL NON-CURRENT LIABILITIES		1,836,870	1,698,276
NET ASSETS		2,099,819	2,186,230
CAPITAL AND RESERVES			
Share capital	42	256,058	201,908
Reserves		1,843,761	1,984,322
TOTAL EQUITY		2,099,819	2,186,230

On behalf of the Board

Mr. Cao Zhong
Director

Mr. Tsang Kam Ching, David
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2013

THE GROUP

	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Capital reserve HK\$'000	Assets revaluation reserve HK\$'000	Forest rights revaluation reserve HK\$'000	Convertible bonds reserve HK\$'000 (Note (i))	Translation Reserve HK\$'000 (Note (ii))	Retained profits HK\$'000	Sub-total HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
At 1 April 2011	198,429	959,924	3,800	20,918	23,868	76,213	261,779	67,496	623,511	2,235,938	15,198	2,251,136
Loss for the year	-	-	-	-	-	-	-	-	(419,404)	(419,404)	(30,037)	(449,441)
Exchange gain on translation of financial statements of foreign operations	-	-	-	-	-	-	-	57,008	-	57,008	3,577	60,585
Revaluation surplus, net of tax	-	-	-	-	10,746	-	-	-	-	10,746	-	10,746
Total comprehensive income for the year	-	-	-	-	10,746	-	-	57,008	(419,404)	(351,650)	(26,460)	(378,110)
Acquisition of additional interest in subsidiaries (Note 43)	-	-	-	-	-	-	-	-	221,288	221,288	(290,320)	(69,032)
Acquisition of subsidiaries (Note 44)	-	-	-	-	-	-	-	-	-	-	2,718,018	2,718,018
Issue of convertible bonds (Note 40)	-	-	-	-	-	-	457,587	-	-	457,587	-	457,587
Issue of shares on exercise of warrants (Note 42)	3,479	76,529	-	-	-	-	-	-	-	80,008	-	80,008
At 31 March 2012	201,908	1,036,453	3,800	20,918	34,614	76,213	719,366	124,504	425,395	2,643,171	2,416,436	5,059,607
Loss for the year	-	-	-	-	-	-	-	-	(271,660)	(271,660)	11,121	(260,539)
Exchange gain on translation of financial statements of foreign operations	-	-	-	-	-	-	-	9,516	-	9,516	2,806	12,322
Impairment loss on forest concession right	-	-	-	-	-	(76,213)	-	-	-	(76,213)	-	(76,213)
Revaluation surplus, net of tax	-	-	-	-	(1,085)	-	-	-	-	(1,085)	-	(1,085)
Total comprehensive income for the year	-	-	-	-	(1,085)	(76,213)	-	9,516	(271,660)	(339,442)	13,927	(325,515)
Non-controlling interest of newly incorporated subsidiary	-	-	-	-	-	-	-	-	-	-	185	185
Issue of shares on conversion of convertible bonds (Note 42)	50,500	507,449	-	-	-	-	(261,779)	-	-	296,170	-	296,170
Issue of shares on exercise of warrants (Note 42)	3,650	80,300	-	-	-	-	-	-	-	83,950	-	83,950
At 31 March 2013	256,058	1,624,202	3,800	20,918	33,529	-	457,587	134,020	153,735	2,683,849	2,430,548	5,114,397

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2013

THE COMPANY

	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Contributed surplus HK\$'000 <i>(Note (iii))</i>	Convertible bonds reserve HK\$'000 <i>(Note (i))</i>	Retained profits HK\$'000	Total HK\$'000
At 1 April 2011	198,429	959,924	3,800	64,314	261,779	571,512	2,059,758
Total comprehensive income for the year	-	-	-	-	-	(411,123)	(411,123)
Issue of convertible bonds <i>(Note 40)</i>	-	-	-	-	457,587	-	457,587
Issue of shares on exercise of warrants <i>(Note 42)</i>	3,479	76,529	-	-	-	-	80,008
At 31 March 2012	201,908	1,036,453	3,800	64,314	719,366	160,389	2,186,230
Total comprehensive income for the year	-	-	-	-	-	(466,531)	(466,531)
Issue of shares on conversion of convertible bonds <i>(Note 42)</i>	50,500	507,449	-	-	(261,779)	-	296,170
Issue of shares on exercise of warrants <i>(Note 42)</i>	3,650	80,300	-	-	-	-	83,950
At 31 March 2013	256,058	1,624,202	3,800	64,314	457,587	(306,142)	2,099,819

Notes:

- (i) The convertible bonds reserve represents the equity component of outstanding convertible bonds issued by the Company recognised in accordance with the accounting policy adopted for convertible bonds in Note 3(r)(iii).
- (ii) Translation reserve represents all exchange differences arising from the translation of the financial statements of subsidiaries operating outside Hong Kong.
- (iii) The contributed surplus of the Company represents the difference between the consolidated shareholders' funds of subsidiaries when they were acquired by the Company and the nominal amount of the Company's share capital issued for the acquisition.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2013

	2013 HK\$'000	2012 HK\$'000 (represented)
Cash flows from operating activities		
Loss before income tax expense	(221,601)	(434,768)
Profit/(loss) before tax from discontinued operations	731	(14,673)
	(220,870)	(449,441)
Adjustments for:		
Interest income	(2,509)	(1,902)
Depreciation of property, plant and equipment	22,070	18,375
Impairment loss of property, plant and equipment	–	1,088
Impairment loss of forest concession rights	28,787	–
Change in fair value of derivative financial instrument	21,763	191,331
Loss on change in fair value of investment property	92	5,870
Loss on change in fair value less costs to sell of biological assets	15,477	37,033
Impairment loss of trade and other receivables	814	36,903
Release of prepaid lease payments	757	797
Amortisation of forest concession rights	27,586	27,585
Gain on disposal of property, plant and equipment, net	(86)	(3)
Write down of inventories to net realisable value, net	–	10,845
Operating loss before changes in working capital	(106,119)	(121,519)
Decrease/(increase) in inventories	6,645	(3,064)
Decrease/(increase) in trade and other receivables	23,024	(30,401)
Increase/(decrease) in trade and other payables	200,759	(1,700,237)
Increase in deposits from sales of properties	91,393	122,996
Decrease/(increase) in properties under development for sale	86,701	(180,081)
Increase in completed properties held for sale	(196,029)	–
Increase in investments held for trading	(6,179)	–
Decrease in acreage fees payable	(153)	–
Increase of biological assets	(13,356)	(15,851)
Effect of foreign exchange difference	(4,560)	(1,436)
Cash generated from/(used in) operations	82,126	(1,929,593)
Interest received	2,509	1,902
Interest paid	(208,644)	(6,208)
PRC tax paid	(23,250)	(10,790)
Net cash used in operating activities	(147,259)	(1,944,689)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2013

	Notes	2013 HK\$'000	2012 HK\$'000 (represented)
Cash flows from investing activities			
Additions of prepaid lease payment		(16)	(139)
Purchase of property, plant and equipment		(11,718)	(25,795)
Additions of other properties under development		(39,987)	(676)
Additions of concession intangible asset		(4,035,611)	(128,658)
Additions of pledged deposit and restricted cash		(109,367)	(14,834)
Net increase in long term deposits and prepayments		(664,517)	(799,898)
Net cash inflow arising on acquisition of subsidiaries	44	–	309,957
Purchase of available-for-sale investments		(108,756)	–
Proceeds from disposal of property, plant and equipment		2,793	985
Proceeds from disposal of prepaid lease payment		–	3,034
Net cash used in investing activities		(4,967,179)	(656,024)
Cash flow from financing activities			
Proceeds from share issued upon exercise of warrants		83,950	80,008
Repayment to a joint operator		(37,091)	–
Proceeds from borrowings		6,897,773	100,897
Proceeds from issue of convertible bonds		–	2,000,000
Acquisition of additional interest in a subsidiary		–	(69,032)
Repayment to a director		–	(12,446)
Repayment to a non-controlling shareholder of a subsidiary		48,297	105,240
Capital injection by non-controlling shareholder of a subsidiary		185	–
Net cash generated from financing activities		6,993,114	2,204,667
Net increase/(decrease) in cash and cash equivalents		1,878,676	(396,046)
Effect of foreign exchange rate changes on cash and cash equivalents		909	764
Cash and cash equivalents at beginning of year		196,293	591,575
Cash and cash equivalents at end of year representing cash and bank balances		2,075,878	196,293

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2013

1. CORPORATE INFORMATION

China Resources and Transportation Group Limited (the “Company”) is an exempted Company incorporated in the Cayman Islands with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited. The address of the registered office is the office of Caledonian Trust (Cayman) Limited, Caledonian House, 69 Dr. Roy’s Drive, P.O. Box 1043, Grand Cayman, KY1-1102, Cayman Islands. Its principal place of business is located at Room 1801-07, 18/F, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong.

The principal activities of the Company and its subsidiaries (collectively refer to as the “Group”) are engaged in expressway and auxiliary facility investment, expressway operation, management and maintenance, property development and asset management, and forest operation and management.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

(a) Adoption of new/revised HKFRSs – effective 1 April 2012

HKAS 12 (Amendments) Deferred Tax – Recovery of Underlying Assets
Income Taxes

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

(b) New/revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs that are potentially relevant to the Group’s financial statements, have been issued, but are not yet effective and have not been early adopted by the Group:

HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income ¹
HKAS 19 (2011)	Employee Benefits ²
HKAS 27 (2011)	Separate Financial Statements ²
HKAS 32 (Amendments)	Presentation – Offsetting Financial Assets and Financial Liabilities ³
HKFRSs (Amendments)	Annual Improvements to HKFRS 2009-2011 Cycle ²
HKFRS 7 (Amendments)	Disclosures – Offsetting Financial Assets and Financial Liabilities ²
HKFRS 9	Financial Instruments ⁴
HKFRS 10	Consolidated Financial Statements ²
HKFRS 12	Disclosure of Interests in Other Entities ²
HKFRS 13	Fair Value Measurement ²

¹ Effective for annual periods beginning on or after 1 July 2012

² Effective for annual periods beginning on or after 1 January 2013

³ Effective for annual periods beginning on or after 1 January 2014

⁴ Effective for annual periods beginning on or after 1 January 2015

Amendments to HKAS 1 (Revised) – Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 (Revised) require the Group to separate items presented in other comprehensive income into those that may be reclassified to profit and loss in the future (e.g. revaluations of available-for-sale financial assets) and those that may not (e.g. revaluations of property, plant and equipment). Tax on items of other comprehensive income is allocated and disclosed on the same basis. The amendments will be applied retrospectively.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2013

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

(Continued)

(b) New/revised HKFRSs that have been issued but are not yet effective (Continued)

HKFRS 9 – Financial Instruments

Under HKFRS 9, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the entity’s business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for those non-trade equity investments, which the entity will have a choice to recognise the gains and losses in other comprehensive income. HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

HKFRS 10 – Consolidated Financial Statements

HKFRS 10 introduces a single control model for consolidation of all investee entities. An investor has control when it has power over the investee (whether or not that power is used in practice), exposure or rights to variable returns from the investee and the ability to use the power over the investee to affect those returns. HKFRS 10 contains extensive guidance on the assessment of control. For example, the standard introduces the concept of “de facto” control where an investor can control an investee while holding less than 50% of the investee’s voting rights in circumstances where its voting interest is of sufficiently dominant size relative to the size and dispersion of those of other individual shareholders to give it power over the investee. Potential voting rights are considered in the analysis of control only when these are substantive, i.e. the holder has the practical ability to exercise them. The standard explicitly requires an assessment of whether an investor with decision making rights is acting as principal or agent and also whether other parties with decision making rights are acting as agents of the investor. An agent is engaged to act on behalf of and for the benefit of another party and therefore does not control the investee when it exercises its decision making authority. The implementation of HKFRS 10 may result in changes in those entities which are regarded as being controlled by the Group and are therefore consolidated in the financial statements. The accounting requirements in the existing HKAS 27 on other consolidation related matters are carried forward unchanged. HKFRS 10 is applied retrospectively subject to certain transitional provisions.

HKFRS 12 – Disclosure of Interests in Other Entities

HKFRS 12 integrates and makes consistent the disclosures requirements about interests in subsidiaries, associates and joint arrangements. It also introduces new disclosure requirements, including those related to unconsolidated structured entities. The general objective of the standard is to enable users of financial statements to evaluate the nature and risks of a reporting entity’s interests in other entities and the effects of those interests on the reporting entity’s financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2013

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

(Continued)

(b) New/revised HKFRSs that have been issued but are not yet effective (Continued)

HKFRS 13 – Fair Value Measurement

HKFRS 13 provides a single source of guidance on how to measure fair value when it is required or permitted by other standards. The standard applies to both financial and non-financial items measured at fair value and introduces a fair value measurement hierarchy. The definitions of the three levels in this measurement hierarchy are generally consistent with HKFRS 7 “Financial Instruments: Disclosures”. HKFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). The standard removes the requirement to use bid and ask prices for financial assets and liabilities quoted in an active market. Rather the price within the bid-ask spread that is most representative of fair value in the circumstances should be used. It also contains extensive disclosure requirements to allow users of the financial statements to assess the methods and inputs used in measuring fair values and the effects of fair value measurements on the financial statements. HKFRS 13 can be adopted early and is applied prospectively.

The Group is in the process of making an assessment of the potential impact of these new/revised HKFRSs and the directors of the Company (the “Directors”) so far concluded that the application of these new/revised HKFRSs will have no material impact on the Group’s financial statements.

3. PRINCIPAL ACCOUNTING POLICIES

A summary of significant accounting policies adopted by the Group is set out below.

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards (“HKASs”) and Interpretations (hereinafter collectively referred to as the “HKFRSs”) and the disclosure requirements of Hong Kong Companies Ordinance. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange.

(b) Basis of measurement and going concern assumption

The consolidated financial statements have been prepared under historical cost basis except for investment properties, buildings included in property, plant and equipment, derivative financial instrument, and biological assets, which are measured at revalued amounts, fair values or fair value less costs to sell as explained in the accounting policies set out below.

During the year, the Group suffered a loss of HK\$260,539,000 and at the end of reporting period, the Group’s current liabilities exceeded its current assets by approximately HK\$4,874,921,000. These conditions indicate the existence of a material uncertainty which may cast doubt on the Group’s ability to continue as a going concern and therefore, the Group may not be able to realise its assets and discharge its liabilities in the normal course of business.

In order to improve the Group’s financial position, the Directors have been implementing various measures as follows:

- (i) On 3 May 2013, the Group entered into a new loan agreement with an independent third party to extend the repayment term of the original loan agreement dated 2 November 2012 for further six months from 7 May 2013 to 6 November 2013 and the loan facility limit was remained at HK\$400,000,000.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2013

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(b) Basis of measurement and going concern assumption *(Continued)*

- (ii) The Group's subsidiary, Inner Mongolia Zhunxing Heavy Haul Expressway Company Limited ("Zhunxing"), obtained bank facility of RMB8,820 million from China Development Bank Corporation. As disclosed in Note 38(i), RMB5,050 million has been utilized as at 31 March 2013, including short term loans of RMB3,700 million and long term loans of RMB1,350 million. However, the Company obtained a declaration from China Development Bank Corporation which confirmed that long term loans will be granted to Zhunxing to replace the short term loans when they fall due.
- (iii) As disclosed in Note 11, the Company entered into a share transfer agreement to sell 55% equity interest in a subsidiary for a consideration of HK\$550 million. Deposit of HK\$150 million was received as of 31 March 2013 and the remaining HK\$400 million will be received in July 2013.
- (iv) The Group is actively considering to raise new capital by carrying out fund raising activities including but not limited to rights issue, open offer, placing of new shares and issuance of convertible note.

The Directors have prepared the cash flow forecast of the Group. Based on the forecast which has taken into account of the above measures, the Directors are of the opinion that the Group will have sufficient working capital to meet its financial obligations as and when they fall due in the next twelve months from 31 March 2013. Accordingly, the financial statements have been prepared on a going concern basis.

Should the Company be unable to continue in business as a going concern, adjustments would have to be made to restate the value of assets to their recoverable amounts, to reclassify non-current assets and liabilities as current assets and liabilities respectively, and to provide for any further liabilities which may arise. The effects of these potential adjustments have not been reflected in these financial statements.

(c) Functional and presentation currency

The financial statements are presented in Hong Kong dollars ("HK\$"), which is the same as the functional currency of the Company.

(d) Group accounting

(i) Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries (the "Group"). Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective dates of acquisition or up to the effective dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2013

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

(d) Group accounting (Continued)

(i) Business combination and basis of consolidation (Continued)

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interest that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

Contingent consideration balances arising from business combinations whose acquisition dates preceded 1 January 2010 (i.e. the date the Group first applied HKFRS 3 (2008)) have been accounted for in accordance with the transition requirements in the standard. Such balances are not adjusted upon first application of the standard. Subsequent revisions to estimates of such consideration are treated as adjustments to the cost of these business combinations and are recognised as part of goodwill.

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

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interest that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus the non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interest having a deficit balance.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2013

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

(d) Group accounting (Continued)

(ii) Subsidiaries

A subsidiary is an entity over which the Company is able to exercise control. Control is achieved where the Company, directly or indirectly, has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are presently exercisable are taken into account.

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

(e) Foreign currency Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the rates ruling at the end of the reporting period of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised in other comprehensive income.

On consolidation

The results and financial position of 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:

- (i) assets and liabilities of foreign operations are translated at the closing rate at the end of the reporting period;
- (ii) income and expenses of foreign operations are translated at the average exchange rates for the year (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
- (iii) all resulting exchange differences are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as translation reserve on consolidation. When a foreign operation is sold, such exchange differences are reclassified to the consolidated income statement as part of the gain or loss on sale.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2013

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

(e) Foreign currency (Continued)

On consolidation (Continued)

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 rate of exchange prevailing at the end of the reporting period. Exchange differences arising are recognised in translation reserve.

(f) Property, plant and equipment

Property, plant and equipment other than buildings and construction in progress are stated at cost less accumulated depreciation and any impairment losses. The cost of assets comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the asset has been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the property, plant and equipment, the expenditure is capitalised as an additional cost of that asset.

Building is stated at revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair values at the end of the reporting period. Increases in value arising on revaluation are recognised in other comprehensive income and accumulated in equity under the heading of asset revaluation reserve per consolidated statement of changes in equity. Decreases in value arising on revaluation are first offset against increases on earlier valuations in respect of the same property and thereafter recognised in profit or loss. Any subsequent increases are recognised in profit or loss up to the amount previously charged and thereafter to the asset revaluation reserve.

Upon disposal, the relevant portion of the revaluation reserve realised in respect of previous valuations is released from the asset revaluation reserve to retained profits.

Depreciation is calculated on the straight-line basis to write off the cost or valuation of each asset other than construction in progress over its estimated useful life. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. The principal annual rates used for this purpose are as follows:

Building	Higher of 4% or over the remaining term of the relevant lease
Leasehold improvements	20%
Furniture, machinery and equipment	20%
Motor vehicles	20%
Vessels	10%

The gain or loss on disposal or retirement of a property, plant and equipment recognised in profit or loss is the difference between the net sales proceeds and the carrying amount of the relevant asset.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2013

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(f) **Property, plant and equipment** *(Continued)*

Construction in progress represents property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is stated at cost less accumulated impairment losses, if any. Cost includes the costs of construction and interest charges arising from borrowings used to finance these assets during the period of construction or installation and testing, if any. No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and are available for intended use.

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

(g) **Prepaid lease payment**

The cost of acquiring land under an operating lease is amortised on a straight-line basis over the period of the lease term except where the lands are classified as properties under development for sale (Note 3(n)) or and other properties under development (Note 3(o)).

(h) **Investment property**

Investment property is property held either to earn rentals or for capital appreciation or for both, but not held for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at fair value with any change therein recognised in profit or loss.

The gain or loss on disposal of an investment property is the difference between the net sales proceeds and the carrying amount of the property, and is recognised in profit or loss.

(i) **Forest concession rights**

Forest concession licenses acquired by the Group are stated at cost, being the fair value at the date of acquisition in a business combination less accumulated amortisation and any accumulated impairment losses. These licenses give the Group the rights to harvest trees in the allocated concession forests in designated area in Guyana.

The costs of forest concession rights include the acreage fees payable to Guyana Forestry Commission, costs of necessary exploratory, geological, geophysical and other research studies incurred prior to obtaining the right.

Forest concession rights are amortised over the remaining license period. The amortisation expense is recognised in profit or loss.

(j) **Concession intangible asset**

Concession intangible asset represent the rights to charge users of the public service, that the Group obtained under the service concession arrangements. Concession intangible asset are stated at cost, that is, the fair value of the consideration received or receivable in exchange for the construction services provided under the service concession arrangements, less accumulated amortisation and any impairment losses.

Amortisation for concession intangible asset with finite useful lives is provided on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2013

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

(j) Concession intangible asset (Continued)

It is the Group's policy to review regularly the projected total traffic volume throughout the concession periods of the respective concession intangible asset. If it is considered appropriate, independent professional traffic studies will be performed. Appropriate adjustment will be made should there be a material change in the projected total traffic volume.

Costs incurred during the period of construction of underlying concession intangible asset are recorded in concession intangible asset and will be amortised upon the commencement of operation of the concession intangible asset.

(k) Impairment of tangible and intangible assets excluding goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2013

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(l) **Biological assets**

Biological assets are living plants involved in the agricultural activities of the transformation of biological assets into agricultural produce for sale or into additional biological assets. Biological assets, agricultural produce and seedlings, are measured at fair value less costs to sell at initial recognition and at the end of each reporting period. The fair value less costs to sell at the time of harvest is deemed as the cost of agricultural produce for further processing, if applicable.

If an active market exists for a biological asset or agricultural produce with reference to comparable specie, growing condition and expected yield of the crops, the quoted price in that market is adopted for determining the fair value of that asset. If an active market does not exist, the Group uses the most recent market transaction price, provided that there has not been a significant change in economic circumstances between the transaction date and the end of the reporting period, or the market prices for similar assets adjusted to reflect differences to determine fair values. The gain or loss arising on initial recognition and subsequent changes in fair values less costs to sell of biological assets is recognised in profit or loss in the period in which it arises. Upon the sale of the agricultural produce as forestry products, the carrying amount is transferred to cost of sales in the income statement.

Seedlings and Camellia trees that have little biological transformation taken place since initial cost incurrence are stated at cost less any impairment loss.

(m) **Jointly controlled operations**

Assets that the Group controls and liabilities that it incurs in relation to jointly controlled operations are recognised in the Group's consolidated statement of financial position on an accrual basis and classified according to the nature of the item. The Group's share of income that it earns from jointly controlled operations together with the expenses that it incurs are included in profit or loss when it is probable that economic benefits associated with the transaction will flow to/from the Group.

(n) **Properties under development for sale**

Properties under development for sale are stated at the lower of cost and net realisable value. Net realisable value is determined by reference to the sale proceeds of properties sold in the ordinary course of business under prevailing market conditions, less applicable variable selling expenses and the anticipated costs to completion.

Development cost of property comprises cost of land use rights, construction costs, depreciation of machinery and equipment, borrowing costs capitalised for qualifying assets and professional fees incurred during the development period. On completion, the properties are transferred to completed properties held for sale.

Properties under development for sale are classified as current assets when the construction of the relevant properties commences unless the construction period of the relevant property development project is expected to complete beyond normal operation cycle.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2013

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

(o) Other properties under development

Other properties under development are stated at cost less accumulated impairment losses, if any. Development cost of properties comprises cost of land use rights, construction costs, depreciation of machinery and equipment, borrowing costs capitalised for qualifying assets and professional fees incurred during the development period. On completion, the properties are transferred to property, plant and equipment. No provision for depreciation is made on other property under development until such time as the relevant assets are completed and are available for intended use.

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

(p) Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

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. 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 write-down 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 write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The cost of timber harvested from biological assets is its fair value less costs to sell at the date of harvest, determined in accordance with the accounting policy for biological assets (Note 3(l)). Any change in value through the date of harvest is recognised in profit or loss.

(q) Financial assets

The Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets at fair value through profit or loss are initially measured at fair value and all other financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned. Financial assets are subsequently accounted for as follows, depending on their classification:

(i) Financial assets at fair value through profit or loss

These assets include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2013

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

(q) Financial assets (Continued)

(ii) Loans and receivables

Trade and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, they are carried 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 receivables when the recognition of interest would be immaterial.

(iii) Available-for-sale financial assets

These assets are non-derivative financial assets that are designated as available-for-sale or are not included in other categories of financial assets. Subsequent to initial recognition, these assets are carried at fair value with changes in fair value recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary instruments, which are recognised in profit or loss.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses.

(iv) Impairment loss on financial assets

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

Objective evidence of impairment could include:

- significant financial difficulty of the debtor;
- a breach of contract, such as default or delinquency in interest or principal payments;
- granting concession to a debtor because of debtor's financial difficulty; and
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

For loans and receivables

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade and other receivables directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2013

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

(q) Financial assets (Continued)

(iv) Impairment loss on financial assets (Continued)

For available-for-sale financial assets

Where a decline in the fair value constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognised in profit or loss.

For available-for-sale equity investment, any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

For available-for-sale equity investment that is carried at cost, the amount of impairment loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss is not reversed.

(v) Effective interest method

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

(vi) Derecognition of financial assets

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 HKAS 39.

(r) Financial liabilities and equity instrument issued by the Group

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below:

(i) Equity instruments

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

(ii) Financial liabilities

Financial liabilities, including trade and other payables, borrowings and promissory note, are subsequently measured at amortised cost, using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2013

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(r) Financial liabilities and equity instrument issued by the Group *(Continued)*

(iii) Convertible bonds

Convertible bonds issued by the Company that contain liability component, redemption option and equity component are classified separately into respective items on initial recognition. The redemption option represents the Company's option to early redeem before maturity date. At the date of issue, both the liability component and redemption option are recognised at fair value. The fair value of the liability and redemption option are determined using the prevailing market interest rate of similar non-convertible instruments. The equity component is determined by deducting the amount of the liability component and redemption option from the fair value of the compound instrument as a whole. This is recognised and included in equity as convertible bonds reserve, net of income tax effects, and is not subsequently remeasured.

In subsequent reporting periods, the liability component of the convertible bonds is carried at amortised cost using the effective interest method. The redemption option is measured at fair value with change in fair value recognised in profit or loss. The equity component represented by the option to convert the liability component into ordinary shares of the Company will remain in the convertible bonds reserve until the conversion option is exercised, in which case, the convertible bonds reserve and the carrying value of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. Where the conversion option remains unexercised at the maturity date, the balance stated in the convertible bonds reserve will be released to retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

(iv) 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 through the expected life of the financial liability, or where appropriate, a shorter period.

(v) Derecognition of financial liabilities

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

(s) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2013

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

(t) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortised cost, any differences between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

(u) Taxation

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates expected to apply in the period when the liability is settled or the asset is realised based on tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates and jointly controlled entities, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income.

(v) Employee benefits

(i) Employee leave entitlements

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2013

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

(v) Employee benefits (Continued)

(ii) Defined contribution retirement benefits schemes

The Company's PRC subsidiaries participate in defined contribution retirement schemes organised by the local government authorities in the PRC. All of the PRC employees are entitled to an annual pension equivalent to a fixed portion of their basic salaries at their retirement dates. The Company's PRC subsidiaries are required to contribute certain percentage ranged from 10% to 20% of the basic salaries of their PRC employees to the retirement schemes and have no further obligation for post-retirement benefits. The contributions are charged to profit or loss of the Group as they become payable in accordance with the rules of scheme.

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for all of its employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

(iii) Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is recognised in profit or loss over the vesting period with a corresponding increase in the employee share based compensation reserve within equity. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at the end of each reporting period so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also recognised in profit or loss over the remaining vesting period.

Equity-settled share-based payments transactions with other parties are measured at the fair value of the goods or services received, except where the fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2013

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

(w) Provision and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

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.

(x) Revenue recognition

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

- (i) Revenue from sales of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer.
- (ii) Revenue from sales of properties is recognised when the risks and rewards of properties are transferred to the purchasers, which is when the construction of relevant properties has been completed and the properties have been delivered to the purchasers and collectability of related receivables is reasonably assured. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the consolidated statement of financial position as deposits from sales of properties under current liabilities.
- (iii) The Group recognises income and expenses associated with construction services provided under the service concession arrangements in accordance with HKAS 11 Construction Contracts.

Revenue generated by construction services rendered by the Group is measured at fair value of the consideration received or receivable. The consideration represents the rights to attain an intangible asset.

The Group uses the percentage of completion method to determine the appropriate amount of income and expenses to be recognised in a given period, provided that the revenue, the costs incurred and the estimated costs to completion can be measured reliably. The stage of completion is measured by reference to the construction costs of the related infrastructure incurred up to the end of the reporting period as a percentage of the total estimated costs for each contract. Provision is made for foreseeable losses as soon as they are anticipated by management.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2013

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

(x) Revenue recognition (Continued)

- (iv) Rental income from operating leases is recognised in equal installments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased assets. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.
- (v) Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the effective interest rates applicable.
- (vi) Dividend income is recognised when the shareholders' rights to receive payment is established.

(y) Leases

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

The Group as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on the straight-line basis over the lease term.

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

(z) Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants are deferred and recognised in profit or loss over the period necessary to match them with the costs that the grants are intended to compensate. Government grants relating to the purchase of assets are included in liabilities as deferred government grants in the statement of financial position and are recognised in profit or loss on straight-line method over the expected lives of the related assets.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2013

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(aa) Non-current assets held for sale and disposal groups

Non-current assets and disposal groups are classified as held for sale when:

- they are available for immediate sale;
- management is committed to a plan to sell;
- it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn;
- an active programme to locate a buyer has been initiated;
- the asset or disposal group is being marketed at a reasonable price in relation to its fair value; and
- a sale is expected to complete within 12 months from the date of classification.

Non-current assets and disposal groups classified as held for sale are measured at the lower of:

- their carrying amount immediately prior to being classified as held for sale in accordance with the Group's accounting policy; and
- fair value less costs to sell.

Following their classification as held for sale, non-current assets (including those in a disposal group) are not depreciated.

The results of operations disposed of during the year are included in profit or loss up to the date of disposal.

(bb) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Directors that makes strategic decisions.

(cc) Capitalisation of borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. Borrowing costs consists of interest and other costs that an entity incurs in connection with the borrowing of funds.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2013

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(dd) Related parties

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

- (b) An entity is related to the Group if any of the following conditions apply:
 - (i) 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).
 - (ii) 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).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

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 and include:

- (i) that person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependents of that person or that person's spouse or domestic partner.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2013

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results differ from these estimates.

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

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 discussed below:

(a) Useful lives of property, plant and equipment

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

(b) Income tax

The Group is subject to income taxes in several jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. 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 are initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(c) Land appreciation taxes

PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including land cost, borrowing costs and all property development expenditures.

The subsidiaries of the Group engaging in property development business in the PRC are subject to land appreciation taxes, which have been included in the income tax expenses. However, the implementation of these taxes varies amongst various PRC cities and the Group has not finalised its land appreciation tax returns with various tax authorities. Accordingly, significant judgement is required in determining the amount of land appreciation and its related taxes. The Group recognises these liabilities based on management's best estimates. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax expenses and provisions of land appreciation taxes in the period in which such determination is made.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2013

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

(d) Revenue recognition on sales of properties

The assessment of when an entity has transferred the significant risks and rewards of ownership to buyers requires the examination of the circumstances of the transaction. In most cases, the transfer of risks and rewards of ownership coincides with the date when the equitable interest in the property vests with the buyer upon release of the respective property to the buyer.

As disclosed in Note 49, the Group provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. These guarantees will normally be discharged upon issuance of the real estate ownership certificate which are generally be available within three months after the purchasers take possession of the relevant properties. In order to obtain mortgages, the purchasers would have settled no less than 30% of the total contract amount in accordance with related PRC regulations upon signing the sales contract. The directors of the Company are of the opinion that such settlements provide sufficient evidence of the purchasers' commitment to honour contractual obligation of the bank loans. Further, as disclosed in Note 53(c), the credit risk of the Group under the circumstance that a purchaser defaults on the payment of its mortgage during the term of the guarantee is very low.

(e) Fair value of biological assets

Management estimates the current market prices less costs to sell of biological assets at the end of each reporting period with reference to market prices and professional valuations. Un-anticipated volatile changes in market prices of the underlying agricultural produce could significantly affect the fair values of these biological assets and result in fair value re-measurement losses in future accounting periods.

The Group's forestry business is subject to the usual agricultural hazards from fire, wind and insects. Forces of nature such as temperature and rainfall may also affect harvest efficiency. Management considers adequate preventive measures are in place and the relevant legislation under forestry laws in the PRC will assist in minimising exposure. Nevertheless, to the extent that un-anticipated factors affecting harvestable agricultural produce may result in re-measurement or harvest losses in future accounting periods.

(f) Net realisable value of inventories

Management reviews the conditions of timber and other inventories at the end of each reporting period, and make allowances for obsolete and slow-moving inventory items identified that are no longer suitable for use in production and/or sales in the market. These estimates are based on current market conditions and the historical experience of selling goods of similar nature. It could change significantly as a result of change in market condition. Management will reassess the estimations at the end of reporting period.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2013

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

(g) **Estimated net realisable value on properties under development for sale and other properties under development**

In determining whether allowances should be made for the Group's properties under development for sale, the Group takes into consideration the current market environment and the estimated market value (i.e. the estimated selling price less estimated costs of selling expenses) less estimated costs to completion of the properties. An allowance is made if the estimated market value is less than the carrying amount. If the actual net realisable value on properties under development for sale and other properties under development is less than expected as a result of change in market condition and/or significant variation in the budgeted development cost, material provision for impairment losses may result. The carrying amount for the properties under development for sale is approximately HK\$1,341,834,000 (2012: HK\$1,329,353,000) and the carrying amount for the other properties under development is approximately HK\$166,521,000 (2012: HK\$206,530,000).

(h) **Percentage of completion of construction services provided under service concession arrangements**

In accordance with Hong Kong (IFRIC) Interpretation 12 "Service Concession Arrangements", income and expenses associated with construction work and project management provided under the concession service arrangement are recognised as per Hong Kong Accounting Standards 11 "Construction Contracts" using the percentage of completion method. Revenue generated by construction services rendered by the Group is measured at the fair value of the consideration received or receivable.

Due to the fact that there was no real cash inflow realised/realisable during the construction phase of the infrastructure assets under the service concession arrangement, in order to determine the construction revenue to be recognised during the year, the directors of the Company made estimates of the respective amounts by making reference to the service rendered by other relevant competitors on similar industry for construction of toll road for respective PRC local government without the corresponding grant of the related toll road operating rights and entitlement to future toll revenues. The directors of the Group have drawn an analogy of the construction of toll road under the service concession arrangement as if the Group were providing construction and management services. Accordingly, construction revenue under the respective service concession arrangement is recognised at the total expected construction costs of the toll road plus management fees, computed at an estimated percentage of the costs.

In ascertaining the total construction costs, the directors of the Company made estimates based on information available such as budgeted project costs, actual project costs incurred/settled to date, and relevant independent party evidence such as signed construction contracts and their supplements, the related variation orders placed and the underlying construction and design plans. In ascertaining the amount of management fee, the directors have made reference to the practice for determining management fees for management construction contracts transacted by the Group, whereby the fee is determined as an estimated percentage on the total budgeted costs of the project. Actual outcomes in terms of total cost or revenue may be higher or lower than estimated at the end of the reporting period, which would affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2013

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

(i) Impairment of available-for-sale investments

The directors of the Company review available-for-sale investments at the end of each reporting period to assess whether they are impaired. The Group records impairment charges on available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is significant or prolonged requires judgement. In making this judgement, the directors evaluate, among other factors, historical share price movements and the duration and extent to which the fair value of an investment is less than its cost.

5. TURNOVER

Turnover represents the revenue from the principal activities of the Group. The amounts of each significant category of revenue recognised in turnover during the year are as follows:

	2013 HK\$'000	2012 HK\$'000 (represented)
Continuing operations:		
Income from timber logging and trading	1,656	–
Sales of seedlings	1,029	1,142
Sales of furniture and handicrafts	1,017	7,307
Sales of tea oil	3,828	1,519
Construction revenue in respect of service concession arrangement	4,562,038	128,658
	4,569,568	138,626
Discontinued operations:		
Sales of completed properties held for sale	89,680	–

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2013

6. SEGMENT INFORMATION

The Group has four reportable segments. The segments are managed separately as each business offers different products and requires different business strategies. During the year, the property development and asset management segments were intended to be disposed of and were presented as discontinued operations which details were set out in Note 11. The following summary describes the operations in each of the Group's reportable segments:

Continuing operations:

- Timber logging and trading – sales of timber logs from forest concession, tree plantation area and outside suppliers, and sales of seedlings;
- Other timber operation – the manufacture and sale of furniture and handicrafts and sales of refined tea oil; and
- Construction and operation of expressway.

Discontinued operations:

- Property development and asset management.

There was no inter-segment sale or transfer during the year (2012: HK\$Nil). Central revenue and expenses are not allocated to the operating segments as they are not included in the measure of the segments' loss that is used by the chief operating decision makers for assessment of segment performance.

Segment assets exclude derivative financial instrument, pledged deposit and restricted cash, cash and cash equivalents and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities mainly exclude deferred tax liabilities, promissory note, convertible bonds and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2013

6. SEGMENT INFORMATION (Continued)

(a) Reportable Segment

For the year ended 31 March 2013

	Continuing operations			Discontinued operations	Total HK\$'000
	Timber logging and trading HK\$'000	Other timber operation HK\$'000	Construction and operation of expressway HK\$'000	Property development and asset management HK\$'000	
REVENUE					
Revenue from external customers	2,685	4,845	4,562,038	89,680	4,659,248
Inter-segment revenue	-	-	-	-	-
Reportable segment revenue	2,685	4,845	4,562,038	89,680	4,659,248
Reportable segment (loss)/profit	(46,267)	(12,491)	14,133	731	(43,894)
Reportable segment assets	512,600	190,480	14,911,313	1,773,988	17,388,381
Reportable segment liabilities	(18,366)	(23,221)	(9,362,425)	(710,105)	(10,114,117)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2013

6. SEGMENT INFORMATION (Continued)

(a) Reportable Segment (Continued)

For the year ended 31 March 2013 (Continued)

	Continuing operations			Discontinued operations	Total HK\$'000
	Timber logging and trading HK\$'000	Other timber operation HK\$'000	Construction and operation of expressway HK\$'000	Property development and asset management HK\$'000	
Other segment information					
Additions of property, plant and equipment	340	89	2,526	7,468	10,423
Unallocated additions of property, plant and equipment					1,295
Total additions of property, plant and equipment					11,718
Additions of other properties under development	-	-	-	16,623	16,623
Additions of biological assets	13,460	1,951	-	-	15,411
Additions of prepaid lease payments	16	-	-	-	16
Additions of concession intangible asset	-	-	5,333,086	-	5,333,086
Depreciation of property, plant and equipment	3,099	6,398	1,387	405	11,289
Unallocated depreciation of property, plant and equipment					10,781
Total depreciation of property, plant and equipment					22,070
Amortisation of prepaid lease payments	676	-	-	-	676
Unallocated amortisation of prepaid lease payments					81
Total amortisation of prepaid lease payments					757

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2013

6. SEGMENT INFORMATION (Continued)

(a) Reportable Segment (Continued)

For the year ended 31 March 2013 (Continued)

	Continuing operations			Discontinued operations	Total HK\$'000
	Timber logging and trading HK\$'000	Other timber operation HK\$'000	Construction and operation of expressway HK\$'000	Property development and asset management HK\$'000	
Other segment information (Continued)					
Amortisation of forest concession rights	27,586	-	-	-	27,586
Impairment loss of forest concession rights included in other income and other gains or losses	28,787	-	-	-	28,787
Interest income	6	402	1,906	87	2,401
Unallocated interest income					108
Total interest income					2,509

For the year ended 31 March 2012

	Continuing operations			Discontinued operations	Total HK\$'000 (represented)
	Timber logging and trading HK\$'000	Other timber operation HK\$'000	Construction and operation of expressway HK\$'000	Property development and asset management HK\$'000	
REVENUE					
Revenue from external customers	1,142	8,826	128,658	-	138,626
Inter-segment revenue	-	-	-	-	-
Reportable segment revenue	1,142	8,826	128,658	-	138,626
Reportable segment loss	(40,515)	(26,781)	(61,786)	(14,673)	(143,755)
Reportable segment assets	616,252	200,408	6,802,058	1,543,366	9,162,084
Reportable segment liabilities	(16,312)	(30,220)	(1,693,705)	(461,630)	(2,201,867)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2013

6. SEGMENT INFORMATION (Continued)

(a) Reportable Segment (Continued)

For the year ended 31 March 2012 (Continued)

	Continuing operations			Discontinued operations	Total HK\$'000 (represented)
	Timber logging and trading HK\$'000	Other timber operation HK\$'000	Construction and operation of expressway HK\$'000	Property development and asset management HK\$'000	
Other segment information					
Additions of property, plant and equipment	2,603	7,307	3,234	6,353	19,497
Unallocated additions of property, plant and equipment					6,298
Total additions of property, plant and equipment					25,795
Additions of other properties under development	–	–	–	5,420	5,420
Additions of biological assets	17,807	2,600	–	–	20,407
Additions of prepaid lease payments	139	–	–	–	139
Additions of concession intangible asset	–	–	284,521	–	284,521
Depreciation of property, plant and equipment	3,214	3,705	372	953	8,244
Unallocated depreciation of property, plant and equipment					10,131
Total depreciation of property, plant and equipment					18,375
Impairment loss of property, plant and equipment	–	1,088	–	–	1,088
Amortisation of prepaid lease payments	716	–	–	–	716
Unallocated amortisation of prepaid lease payments					81
Total amortisation of prepaid lease payments					797

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2013

6. SEGMENT INFORMATION (Continued)

(a) Reportable Segment (Continued)

For the year ended 31 March 2012 (Continued)

	Continuing operations			Discontinued operations	Total HK\$'000 (represented)
	Timber logging and trading HK\$'000	Other timber operation HK\$'000	Construction and operation of expressway HK\$'000	Property development and asset management HK\$'000	
Other segment information (Continued)					
Amortisation of forest concession rights	27,585	–	–	–	<u>27,585</u>
Impairment loss of other receivables	–	–	36,903	–	<u>36,903</u>
Write down of inventories	–	10,845	–	–	<u>10,845</u>
Impairment loss of inventories included in selling and administrative expenses	1,336	–	–	–	<u>1,336</u>
Interest income	3	294	–	163	460
Unallocated interest income					<u>1,442</u>
Total interest income					<u>1,902</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2013

6. SEGMENT INFORMATION (Continued)

(b) Reconciliation of reportable segment loss, assets and liabilities

	2013 HK\$'000	2012 HK\$'000 (represented)
Reportable segment loss before income tax expense	(44,625)	(129,082)
Segment profit/(loss) before tax from discontinued operations	731	(14,673)
Loss on change in fair value of investment property	(92)	(5,870)
Loss on change in fair value less costs to sell of biological assets	(15,477)	(37,033)
Change in fair value of derivative financial instrument	(21,763)	(191,331)
Other income and other gains or losses	(3,371)	1,738
Unallocated corporate expenses	(80,250)	(73,190)
Finance costs	(56,023)	–
Consolidated loss before income tax expense	(220,870)	(449,441)
Assets		
Reportable segment assets	15,614,393	7,618,718
Segment assets of discontinued operations	1,773,988	1,543,366
Derivative financial instrument	–	21,763
Pledged deposit and restricted cash	6,864	14,834
Cash and cash equivalents	181,188	196,293
Unallocated corporate assets	90,698	161,142
Consolidated total assets	17,667,131	9,556,116
Liabilities		
Reportable segment liabilities	9,404,012	1,740,237
Segment liabilities of discontinued operations	710,105	461,630
Deferred tax liabilities	9,561	3,697
Promissory note	293,458	289,105
Convertible bonds	1,836,870	1,987,166
Receipt in advance	210,000	–
Unallocated corporate liabilities	88,728	14,674
Consolidated total liabilities	12,552,734	4,496,509

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2013

6. SEGMENT INFORMATION (Continued)

(c) Geographical information

The Group operates in two principal geographical areas – the People’s Republic of China (excluding Hong Kong) (the “PRC”) and Guyana.

The following table provides an analysis of the Group’s revenue from external customers and non-current assets other than financial instruments (“Specified non-current assets”).

	Revenue from external customers		Specified non-current assets	
	2013 HK\$'000	2012 HK\$'000 (represented)	2013 HK\$'000	2012 HK\$'000 (represented)
PRC	4,657,592	138,626	13,019,662	7,099,693
Hong Kong	–	–	32,613	32,874
Australia	–	–	44,100	44,200
Guyana	1,656	–	418,652	559,869
	4,659,248	138,626	13,515,027	7,736,636

(d) Information about major customers

During the year ended 31 March 2013, revenue of approximately HK\$4,562,038,000 (2012: HK\$128,658,000) was derived from the operation of the toll under a service concession arrangement under the construction and operation of expressway segment, which amounted to 90% or more of the total revenue.

During the years ended 31 March 2012 and 2013, none of the customers have transactions exceeded 10% of the Group’s revenues in other segments.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2013

7. OTHER INCOME AND OTHER GAINS OR LOSSES

Other income and other gains or losses comprises:

	2013 HK\$'000	2012 HK\$'000 (represented)
Continued operations:		
Interest income	2,422	1,739
Compensation claims (<i>Note</i>)	(22,039)	–
Exchange gain/(loss), net	2,558	(7,671)
Government grant	1,232	–
Gain on disposals of property, plant and equipment	86	3
Impairment loss on forest concession rights	(28,787)	–
Impairment loss of property, plant and equipment	–	(1,088)
Others	2,435	1,910
	(42,093)	(5,107)
Discontinued operations:		
Interest income	87	163
Management fee income	224	–
Others	59	–
	370	163

Note: Compensation claims represented compensation claimed by contractors and suppliers of the construction of the expressway arising from the suspension of construction work due to lack of funding of the subsidiary occurred before the acquisition by the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2013

8. FINANCE COSTS

	2013 HK\$'000	2012 HK\$'000 (represented)
Continued operations:		
Interest and finance costs on bank and other borrowings:		
– wholly repayable within five years	378,327	10,479
– not wholly repayable within five years	13,716	–
Interest expenses on convertible bonds	318,594	155,863
Default interest on promissory note	45,779	–
Commitment fee	6,000	–
Total finance costs	762,416	166,342
Less: Amount capitalised in concession intangible asset (<i>Note i</i>)	(706,393)	(166,342)
	56,023	–
Discontinued operations:		
Interest and finance costs on bank and other borrowings:		
– wholly repayable within five years	11,121	6,210
Interest expenses on convertible bonds	24,802	25,778
Default interest on promissory note	4,353	4,308
Total finance costs	40,276	36,296
Less: Amount capitalised in properties under development for sale and other properties under development (<i>Note i</i>)	(40,276)	(36,296)
	–	–

Note:

- i. Borrowing costs capitalised during the year arose on specific borrowings to expenditure on qualifying assets.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2013

9. LOSS BEFORE INCOME TAX EXPENSE

Loss before income tax expense is stated after charging:

	2013 HK\$'000	2012 HK\$'000 (represented)
Continuing operations:		
Auditor's remuneration	2,223	1,837
Depreciation of property, plant and equipment (<i>Note i</i>)	20,794	17,508
Amortisation of forest concession rights included in selling and administrative expenses	27,586	27,585
Amortisation of prepaid lease payments (<i>Note ii</i>)	757	797
Compensation claims	22,039	–
Operating lease payments recognised as expenses	14,662	11,048
Construction costs in respect of concession intangible asset	4,483,837	126,757
Cost of inventories and timber harvested:		
– Upon sales	7,605	10,738
– Write down of inventories	–	10,845
Impairment loss of inventories included in selling and administrative expenses	–	1,336
Impairment loss of trade and other receivables	814	36,903
Staff cost (excluding directors' remuneration):		
– Salaries and allowances (<i>Note iii</i>)	32,715	20,255
– Defined contributions pension costs	820	881
Discontinued operations:		
Depreciation of property, plant and equipment (<i>Note i</i>)	1,276	867
Staff cost (excluding directors' remuneration)	1,458	663

Note (i): An analysis of the Group's depreciation of property, plant and equipment is as follows:

	2013 HK\$'000	2012 HK\$'000
Amounts included in biological assets	1,150	320
Amounts included in cost of sales	416	851
Amounts included in selling and administrative expenses	20,504	17,204
	22,070	18,375

Note (ii): An analysis of the Group's amortisation of prepaid lease payments is as follows:

	2013 HK\$'000	2012 HK\$'000
Amounts included in biological assets	584	574
Amounts included in selling and administrative expenses	173	223
	757	797

Note (iii): Salaries and allowances of HK\$1,123,000 (2012: HK\$1,039,000) has been included in the cost of sales on the face of the consolidated income statement.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2013

10. INCOME TAX EXPENSE

The income tax expense comprises:

	2013 HK\$'000	2012 HK\$'000 (represented)
Continuing operations:		
Deferred tax (Note 39)	2,712	–
Discontinued operations:		
PRC enterprise income tax		
– Current tax	34,818	–
PRC land appreciation tax		
– Current tax	2,139	–
	36,957	–
Total	39,669	–

The income tax expense for the year can be reconciled to the loss per consolidated income statement as follows:

	2013 HK\$'000	2012 HK\$'000 (represented)
Loss before taxation		
Continuing operations	(221,601)	(434,768)
Discontinued operations	731	(14,673)
	(220,870)	(449,441)
Tax calculated at 16.5%	(36,443)	(74,158)
Net effect of non-taxable/deductible items	74,175	72,375
Net effect of tax losses and temporary differences not recognised	2,812	1,042
Tax effect on tax exemption granted by PRC tax authority	–	(1,176)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(875)	1,917
Income tax expense	39,669	–

The statutory tax rate for Hong Kong profits tax is 16.5% (2012: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. No provision for the Hong Kong profits tax has been made as the Group did not earn any income subject to Hong Kong profits tax during the years ended 31 March 2013 and 2012.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2013

10. INCOME TAX EXPENSE (Continued)

The subsidiaries in Guyana are liable to Guyana income tax at a rate of 45% (2012: 45%). No provision for Guyana income tax has been made as the subsidiaries in Guyana sustained losses for taxation purposes for the years ended 31 March 2013 and 2012.

The subsidiaries in Australia are liable to Australian income tax at a rate of 30% (2012: 30%). No provision for Australian income tax has been made as the subsidiaries in Australian sustained losses for taxation purposes for the years ended 31 March 2013 and 2012.

The State Council released the Implementation Rules to the Corporate Income Tax Law on 6 December 2007 (the "Implementation Rules"). According to the Implementation Rules, an entity engaged in forestry business is entitled to full exemption from PRC enterprise income tax commencing from 1 January 2008. 樹人木業(大埔)有限公司 and 樹人苗木組培(大埔)有限公司 are qualified as forestry operation enterprise by the local tax authorities and so they are fully exempted from PRC enterprise income tax.

Inner Mongolia Zhunxing Heavy Haul Expressway Company Limited ("Zhunxing"), a subsidiary of the Group, is entitled to a two-year exemption from corporate income tax followed by a 50% reduction in corporate income tax for subsequent three years. As Zhunxing is still in the preparation stage, the exemption period has not commenced.

For the year ended 31 March 2013, the statutory corporate income tax rates applicable to the subsidiaries established and operating in the PRC is 25% (2012: 25%).

PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including cost of land use rights and all property development expenditures.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2013

11. DISCONTINUED OPERATIONS

On 15 September 2012, the Company entered into a share transfer agreement (the "Share Transfer Agreement") with an independent third party (the "Purchaser"), pursuant to which the Company conditionally agreed to sell, and the Purchaser conditionally agreed to purchase, 55% equity interest in the property development and asset management business of the Group at a consideration of HK\$550 million. The share transfer is expected to be completed on the later of 30 June 2013 and the fifth business day after the satisfaction or waiver of the last of the conditions precedent to completion or such other date as mutually agreed by both parties. During the year ended 31 March 2013, the Company received deposit of HK\$150 million from the Purchaser.

The property development and asset management business were classified as discontinued operations and the related results for the years ended 31 March 2013 and 2012 were as follows:

	Notes	2013 HK\$'000	2012 HK\$'000
Turnover	5	89,680	–
Cost of sales		(80,352)	–
Gross profit		9,328	–
Other income and other gains or losses	7	370	163
Selling and administrative expenses		(8,967)	(14,836)
Profit/(loss) before income tax expenses		731	(14,673)
Income tax expenses	10	(36,957)	–
Loss for the year from discontinued operations		(36,226)	(14,673)

The net cash flows of the discontinued operations for the years ended 31 March 2013 and 2012 were as follows:

	2013 HK\$'000	2012 HK\$'000
Net cash inflows/(outflows) from operating activities	26,147	(42,237)
Net cash outflows from investing activities	(31,688)	(57,263)
Net cash inflows from financing activities	44,057	103,102
Net cash flows incurred by the discontinued operations	38,516	3,602

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2013

12. DIRECTORS' REMUNERATION

Details of remuneration of each director are shown below:

Year ended 31 March 2013

Name of director	Fees HK\$'000	Basic salaries, allowances and other benefits HK\$'000	Defined contribution retirement benefits scheme HK\$'000	Total HK\$'000
Executive directors				
Cao Zhong	–	3,600	14	3,614
Fung Tsun Pong	–	3,000	14	3,014
Tsang Kam Ching, David	–	2,400	14	2,414
Duan Jingquan	–	2,760	–	2,760
Non-executive director				
Neil Bush (i)	–	194	–	194
Independent non-executive directors				
Yip Tak On	120	–	–	120
Jing Baoli	120	–	–	120
Bao Liang Ming	120	–	–	120
	360	11,954	42	12,356

Note:

(i) resigned on 20 July 2012

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2013

12. DIRECTORS' REMUNERATION (Continued)

Year ended 31 March 2012

Name of director	Fees HK\$'000	Basic salaries, allowances and other benefits HK\$'000	Defined contribution retirement benefits scheme HK\$'000	Total HK\$'000
Executive directors				
Cao Zhong	–	3,600	12	3,612
Fung Tsun Pong	–	3,000	12	3,012
Tsang Kam Ching, David	–	2,400	12	2,412
Duan Jingquan (ii)	–	1,104	–	1,104
Non-executive director				
Neil Bush	–	–	–	–
Independent non-executive directors				
Yip Tak On	120	–	–	120
Jing Baoli	120	–	–	120
Bao Liang Ming	120	–	–	120
	360	10,104	36	10,500

Note:

(ii) appointed on 7 November 2011

During the years ended 31 March 2013 and 2012, no emoluments were paid by the Group to the directors as an inducement to join, or upon joining the Group, or as compensation for loss of office of the Company. There were no arrangements under which a director waived or agreed to waive any remuneration during the current and prior years.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2013

13. INDIVIDUALS WITH HIGHEST EMOLUMENTS

During the year, the five highest paid individuals included four (2012: four) directors, details of whose emoluments are set out in Note 12. The aggregate of the emoluments paid or payable to the remaining one (2012: one) individuals is as follows:

	2013 HK\$'000	2012 HK\$'000
Salaries and other benefits	2,400	2,400
Retirement benefit scheme contributions	–	–
	2,400	2,400

The emoluments of the employees are within the following band:

	Number of employees	
	2013	2012
Nil – HK\$1,000,000	–	–
HK\$2,000,001 – HK\$3,500,000	1	1

The emoluments paid or payable to members of senior management (comprising all directors) were within the following bands:

	Number of employees	
	2013	2012
Nil – HK\$1,000,000	–	–
HK\$1,000,001 – HK\$1,500,000	–	1
HK\$1,500,001 – HK\$2,000,000	–	–
HK\$2,000,001 – HK\$2,500,000	1	1
HK\$2,500,001 – HK\$3,000,000	1	–
HK\$3,000,001 – HK\$3,500,000	1	1
HK\$3,500,001 – HK\$4,000,000	1	1

14. LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated loss attributable to owners of the Company for the year ended 31 March 2013 includes a loss of approximately HK\$466,531,000 (2012: HK\$411,123,000) which has been dealt with in the financial statements of the Company.

15. DIVIDEND

The Directors do not recommend the payment of a dividend for the year ended 31 March 2013 (2012: HK\$Nil).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2013

16. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to the owners of the Company is based on the following data:

Loss attributable to owners of the Company

	2013 HK\$'000	Group 2012 HK\$'000 (represented)
For continuing and discontinued operations:		
Loss for the purposes of basic and diluted loss per share	<u>(271,660)</u>	(419,404)
For continuing operations:		
Loss for the purposes of basic and diluted loss per share	<u>(235,402)</u>	(404,731)
For discontinued operations:		
Loss for the purposes of basic and diluted loss per share	<u>(36,258)</u>	(14,673)
Number of shares	'000	'000
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	<u>21,532,962</u>	20,155,899

For the year ended 31 March 2012, the computation of diluted loss per share does not assume the exercise of the Company's outstanding warrants as they had an anti-dilutive effect on the loss per share calculation. For the year ended 31 March 2013, all outstanding warrants are exercised.

For the years ended 31 March 2013 and 2012, the computation of diluted loss per share does not assume the conversion of the Company's outstanding convertible bonds as they had an anti-dilutive effect on the loss per share calculation.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2013

17. INVESTMENT PROPERTY

	Group	
	2013	2012
	HK\$'000	HK\$'000
Valuation:		
At 1 April	44,200	49,800
Fair value loss	(92)	(5,870)
Exchange difference	(8)	270
At 31 March	44,100	44,200

The investment property includes a freehold land outside Hong Kong.

The Group's investment property was revalued at 31 March 2013 by an independent firm of chartered surveyors, LCH (Asia-Pacific) Surveyors Limited. Due to the lack of an established market upon which to base on comparable transactions of actual sales of comparable properties, the investment property has been valued on the basis of its depreciated replacement cost. Depreciated replacement cost is defined as "an estimate of the new replacement cost of the building and other site works from which deductions are then made to allow for age, condition, and functional obsolescence taken into account of the site formation cost and those public utilities connection charges to the properties". The loss from the change in fair value estimated by the valuer on 31 March 2013 amounted to HK\$92,000 (loss in 2012: HK\$5,870,000) has been recognised in profit or loss for the year ended 31 March 2013.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2013

18. PROPERTY, PLANT AND EQUIPMENT

The Group	Buildings HK\$'000	Leasehold improvements HK\$'000	Furniture, machinery and equipment HK\$'000	Motor vehicles HK\$'000	Vessels HK\$'000	Construction in progress HK\$'000	Total HK\$'000
Cost or valuation:							
At 1 April 2011	13,841	4,247	49,866	8,864	60,297	29,603	166,718
Additions	–	10,662	3,941	5,929	–	5,263	25,795
Surplus on revaluation	11,309	–	–	–	–	–	11,309
Disposal/write off	–	–	(12)	–	–	(982)	(994)
Acquisition of subsidiaries	–	71	634	4,017	–	–	4,722
Transfer in/(out)	31,239	3	3,352	4	–	(34,598)	–
Exchange difference	413	242	770	445	998	714	3,582
At 31 March 2012	56,802	15,225	58,551	19,259	61,295	–	211,132
Additions	226	1,765	1,229	8,498	–	–	11,718
Surplus on revaluation	1,093	–	–	–	–	–	1,093
Disposal/write off	–	–	(2,251)	(1,414)	–	–	(3,665)
Transfer to disposal group	–	(6,792)	(1,497)	(6,073)	–	–	(14,362)
Exchange difference	188	13	180	109	165	–	655
At 31 March 2013	58,309	10,211	56,212	20,379	61,460	–	206,571
Analysis of cost or valuation							
At 31 March 2013							
At cost	32,907	10,211	56,212	20,379	61,460	–	181,169
At valuation	25,402	–	–	–	–	–	25,402
	58,309	10,211	56,212	20,379	61,460	–	206,571
At 31 March 2012							
At cost	32,493	15,225	58,551	19,259	61,295	–	186,823
At valuation	24,309	–	–	–	–	–	24,309
	56,802	15,225	58,551	19,259	61,295	–	211,132

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2013

18. PROPERTY, PLANT AND EQUIPMENT (Continued)

The Group	Buildings HK\$'000	Leasehold improvements HK\$'000	Furniture, machinery and equipment HK\$'000	Motor vehicles HK\$'000	Vessels HK\$'000	Construction in progress HK\$'000	Total HK\$'000
Accumulated depreciation and impairment:							
At 1 April 2011	1,069	743	20,584	5,451	4,611	–	32,458
Charge for the year	925	2,150	7,024	2,182	6,094	–	18,375
Impairment loss	–	–	1,088	–	–	–	1,088
Elimination on revaluation	(1,560)	–	–	–	–	–	(1,560)
Disposal/write off	–	–	(12)	–	–	–	(12)
Exchange difference	5	49	130	291	210	–	685
At 31 March 2012	439	2,942	28,814	7,924	10,915	–	51,034
Charge for the year	2,511	5,354	5,140	2,932	6,133	–	22,070
Elimination on revaluation	(972)	–	–	–	–	–	(972)
Disposal/write off	–	–	(110)	(848)	–	–	(958)
Transfer to disposal group	–	(1,844)	(354)	(641)	–	–	(2,839)
Exchange difference	7	69	214	30	44	–	364
At 31 March 2013	1,985	6,521	33,704	9,397	17,092	–	68,699
Net carrying amount:							
At 31 March 2013	56,324	3,690	22,508	10,982	44,368	–	137,872
At 31 March 2012	56,363	12,283	29,737	11,335	50,380	–	160,098

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2013

18. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The Group's building in Shenzhen was revalued as at 31 March 2013 based on net rental income allowing for reversionary income potential. The valuation was carried out by an independent firm of chartered surveyors, LCH (Asia-Pacific) Surveyors Limited. The revaluation surplus of HK\$1,085,000 (2012: HK\$10,746,000) net of applicable deferred tax was credited to assets revaluation reserve.

Had this building been carried at cost less accumulated depreciation and accumulated impairment losses, its carrying amount would have been HK\$2,907,000 (2012: HK\$2,976,000) as at 31 March 2013.

Property certificates of certain buildings with an aggregate carrying value of HK\$29,913,000 (2012: HK\$31,277,000) as at 31 March 2013 have yet to be obtained.

The buildings of HK\$30,922,000 (2012: HK\$32,051,000) are carried at cost less accumulated depreciation and accumulated impairment losses as the directors of the Company considered that the carrying amount of the buildings are not materially different from their fair values as at 31 March 2013 and 2012.

During the year ended 31 March 2013, no impairment loss was recognised. During the year ended 31 March 2012, management wrote down those machineries for other timber operation to recoverable amount. The management considered the property, plant and equipment in other segments (mainly for operation in property development and construction of expressway) had no impairment indication as they expected profit could be generated in near future and the carrying amount was lower than the recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2013

18. PROPERTY, PLANT AND EQUIPMENT (Continued)

The Company	Leasehold improvements HK\$'000	Furniture, machinery and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost:				
At 1 April 2011	–	345	150	495
Additions	3,498	1,554	–	5,052
As 31 March 2012	3,498	1,899	150	5,547
Additions	–	320	–	320
As 31 March 2013	3,498	2,219	150	5,867
Accumulated depreciation:				
At 1 April 2011	–	149	133	282
Charge for the year	583	318	17	918
At 31 March 2012	583	467	150	1,200
Charge for the year	699	403	–	1,102
As 31 March 2013	1,282	870	150	2,302
Net book value:				
At 31 March 2013	2,216	1,349	–	3,565
At 31 March 2012	2,915	1,432	–	4,347

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2013

19. OTHER PROPERTIES UNDER DEVELOPMENT

	Group	
	2013 HK\$'000	2012 HK\$'000
Amounts comprise:		
Prepaid lease payments	–	172,484
Additions	–	676
Interest capitalised	–	19,784
Exchange difference	–	13,586
	–	206,530

The development site is located in Meiziya Village, Yiling District, Yichang City, Hubei Province, the PRC and the parcel of land are held on lease of between 40 to 70 years (the "Land").

The Land is owned by a subsidiary, Yichang Xinshougang Property Development Company Limited ("Yichang Xinshougang") and is planned for the development of the Yichang Three Gorges International Convention Centre, the Three Gorges State Guest House and the Three Gorges State Guest Garden Commercial Property (collectively the "Yichang Project").

During the year ended 31 March 2010, the Group commenced construction of Three Gorges State Guest Garden Commercial Property and allocated the attributable prepaid lease payments to properties under development for sale (Note 28). The remaining portion was included as other properties under development.

During the year ended 31 March 2011, Yichang Xinshougang signed a joint development agreement with Hubei Province Dafang Properties Development Company Limited (湖北省大方房地產綜合開發公司) ("Dafang Properties") for the development of the Yichang Project. Details of arrangement are disclosed in Note 37.

During the year ended 31 March 2012, other properties under development has yet commenced construction. During the year ended 31 March 2013, construction has been commenced.

As at 31 March 2013, other properties under development which form part of the disposal group are classified as assets held for sale as disclosed in Note 11.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2013

20. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments represent land use rights in the PRC under medium term lease.

	Group	
	2013	2012
	HK\$'000	HK\$'000
Cost:		
At 1 April	31,080	33,634
Additions	16	139
Disposal	–	(3,034)
Exchange difference	132	1,138
Amortisation for the year	(757)	(797)
At 31 March	30,471	31,080
Classified as current portion	665	746
Classified as non-current portion	29,806	30,334

The prepaid lease payment mainly represented the land located in Dabu, the PRC, for plantation purpose. The lease term will be expired in 2057, the directors of the Company considered that the land is still under the early stage of development, no impairment was provided.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2013

21. BIOLOGICAL ASSETS

	Group			Total HK\$'000
	Seedlings HK\$'000	Camellia trees HK\$'000	Standing trees HK\$'000	
At 1 April 2011	18,338	14,735	62,708	95,781
Plantation expenditure incurred	1,207	2,600	16,600	20,407
Reclassification	(13,578)	–	13,578	–
Cost of direct sales	(1,030)	–	–	(1,030)
Recognised in administrative expenses	(3,525)	–	–	(3,525)
Change in fair value less costs to sell	–	–	(37,033)	(37,033)
Exchange difference	164	589	3,068	3,821
At 31 March 2012	1,576	17,924	58,921	78,421
Plantation expenditure incurred	2,031	1,951	11,429	15,411
Cost of direct sales	(673)	–	–	(673)
Harvested timber transferred to inventory	(1,244)	–	(138)	(1,382)
Change in fair value less costs to sell	–	1,144	(16,621)	(15,477)
Exchange difference	8	101	336	445
At 31 March 2013	1,698	21,120	53,927	76,745

Standing trees and seedlings are located in Dabu, the PRC and the camellia trees are located in Xingning, the PRC.

Seedlings are carried at cost less any impairment loss as the directors of the Company considered that little biological transformation has taken place since initial cost incurrence. The cost of these seedlings is therefore not materially different from their fair values as at 31 March 2013 and 2012 as determined by the directors of the Company.

For camellia tree, at 31 March 2013, the Group obtained all the forestry ownership certificates for approximately 8,800 Chinese Mu of forests with 50 years term, expiring in 2058. Together with approximately 1,400 Chinese Mu of new forests acquired during the year, the Group held approximately 10,200 Chinese Mu of forest of camellia tree in Xingning for which forestry ownership certificates have been issued as at 31 March 2013.

Camellia trees or tea trees for refined tea oil held by 興寧樹人木業有限公司 were planted in previous years and had already gone through substantial biological transformation. They are stated at fair value less cost to sell as at 31 March 2013.

Camellia trees were independently valued by LCH (Asia-Pacific) Surveyors Limited (the "Valuer"). The Valuer has adopted income approach by using a discount rate of 16% and the main assumption that the estimated seed yield at maturity for the plantation are 600 kg/mu which is estimated to be achieved in 8 years.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2013

21. BIOLOGICAL ASSETS (Continued)

As at 31 March 2013, based on the valuation report, no impairment for Camellia trees was required.

For standing trees, as at 31 March 2013, the Group obtained all the forestry ownership certificates for approximately 93,719 (2012: 93,719) Chinese Mu of forests in Dabu with 50 years term, expiring in 2057.

The Group's standing trees were independently valued by the Valuer. The Valuer has adopted market value approach for the valuation of standing trees. The method uses the current market price per unit cubic meter ("cu.m") of round logs and the total merchantable volume of timber in the forest as at 31 March 2013 as basis for estimating the fair value less costs to sell of the Group. The principal assumptions adopted are as follows:

- the Group is to produce round logs; and
- the factors of natural defects in the wood such as physical defects, rots and directions of grain have been allowed for a recovery rate of 70% for the valuation.

22. FOREST CONCESSION RIGHTS

The forest concession rights in Guyana are stated at cost less accumulated amortisation and any accumulated impairment losses. The costs of forest concession rights include the acreage fees payable to Guyana Forestry Commission, costs of necessary exploration, geological, geophysical and other research studies incurred prior to the grant of the forest concession rights.

	2013	Group
	HK\$'000	2012
		HK\$'000
Cost:		
At 1 April	534,445	534,445
Exchange difference	(16)	–
At 31 March	534,429	534,445
Accumulated amortisation:		
At 1 April	40,387	12,802
Impairment loss	105,000	–
Amortisation for the year	27,586	27,585
At 31 March	172,973	40,387
Net carrying amount:		
At 31 March	361,456	494,058

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2013

22. FOREST CONCESSION RIGHTS *(Continued)*

Forest concession rights held by Jaling Forest Industries Inc. ("Jaling Concession Rights"), a subsidiary of the Company

On 22 August 2003, Jaling Forest Industries Inc. ("Jaling") was granted a State Forest Exploratory Permit (1/2003) by the Commissioner of Forests, the Guyana Forestry Commission, to carry out exploratory work on an area of 167,000 hectares (approximately 412,000 acres) for a period of 3 years. Pursuant to the Timber Sales Agreement (TSA 02/2005) dated 25 January 2005, Jaling was granted with an exclusive timber concession right by the Commissioner of Forests, the Guyana Forestry Commission, for a period of 25 years, commencing on 25 January 2005 and until 24 January 2030 (both dates inclusive) to occupy, cut and remove timber from an area of approximately 136,900 hectares (approximately 338,000 acres) in the State Forest of Guyana, South America, which include a block ("Block A") based on the natural surrounding and is bounded on the North by the Amakura River, on the South by the Baramita Amerindian Reserves and Whana River, on the East by the Whannamaparu and Whana River, and on the West by the common border of Guyana and Venezuela. It lies within the Northwest border of Guyana, South America and another block ("Block B") is bounded on the North by WCL 6/93, on the South by the Kaituma River, (TSA 04/91-BCL) and Sebai River, on the East by the Aruka River and Sebai Amerindian Reserves and on the West by Sand Creek and Waiamu River, being the concession boundary of BCL-TSA 04/91. Under the Jaling Concession Rights, Jaling shall pay a total acreage fee of approximately HK\$9,000,000 charged on all forestry area as prescribed by the Forest Act and Regulations of Guyana. In addition, based on a letter dated 23 November 2004 issued by the Commissioner of Forests, the Guyana Forestry Commission has committed in principle to find an additional area in the proximity of the current concession which would compensate more or less to the area that was exercised and bring the total concession acreage as close as possible to the original 167,000 hectares (approximately 412,000 acres) at terms same as the Forest Concession Rights.

The logging operation in Block B has been completed during the year ended 31 March 2010. During the year, the Group commenced logging operation in Block A.

Forest concession rights held by Garner Forest Industries Inc. ("Garner Concession Rights"), a subsidiary of the Company

On 18 August 2004, Garner Forest Industries Inc. ("Garner") was granted a State Forest Exploratory permit (3/2004) by the Commissioner of Forests, the Guyana Forestry Commission, to carry out exploratory work on an area of 90,469 hectares (approximately 223,552 acres) for a period of 3 years. Pursuant to the Timber Sales Agreement (TSA 03/2005) dated 11 June 2005, Garner was granted with an exclusive concession right by the Commissioner of Forests, the Guyana Forestry Commission for a period of 25 years, commencing on 11 June 2005 and until 10 June 2030 (both dates inclusive) to occupy, cut and remove timber from an area of approximately 92,737 hectares (approximately 229,158 acres) in the State Forest of Guyana, South America, which includes a block located on the left bank of Mazaruni River, right bank of Puruni River, left bank of Putareng River of Guyana, South America. Under the Garner Concession Rights, Garner shall pay a total acreage fee of approximately HK\$5,375,000 charged on all forestry area as prescribed by the Forest Act and Regulations of Guyana. Garner has completed the necessary exploratory studies and obtained the Garner Concession Rights.

For the purpose of impairment testing, the forest concession rights are allocated to the cash-generating unit under timber logging and trading segment and were independently valued by LCH (Asia-Pacific) Surveyors Limited (the "Valuer") using the income approach for the valuation. By using this method, the expected cash flows (after deducting from net income, the capital expenditures and net changes in working capital and the addition of depreciation) generated are set out year by year and brought to a present value by use of present value factors at the appropriate rate. In constructing the cumulative present value table, positive present values are netted off against negative present values so as to arrive at the "net present value".

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2013

22. FOREST CONCESSION RIGHTS (Continued)

Forest concession rights held by Garner Forest Industries Inc. ("Garner Concession Rights"), a subsidiary of the Company (Continued)

To arrive at the projections of the future revenues used in this evaluation, an annual compounded growth rate of approximately 6% was used. It is assumed that the prices of logs for various species are homogenous and the average price for all species was used as basis. Working Capital to Sales ratio is approximately 16%. Target Debt ratio of is approximately 31%. Tax rate of is 35%.

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

Beta	0.81
Risk free rate	1.17%
Market return	12.41%
Risk premium	3.89%
Cost of equity	14.21%

Discount rate

In estimating the discount rate in the valuation, the Valuer has adopted the market-derived discount rate by capital asset pricing model.

Based on the above review, the directors of the Company have assessed the recoverable amount of the cash generating unit which is lower than its carrying value as at 31 March 2013. Accordingly, an impairment of HK\$105,000,000 was recognised based on the valuation of which HK\$76,213,000 was transferred to forest rights valuation reserve to reverse the reserve arising from the acquisition of forest concession rights in previous years and the remaining balance of HK\$28,787,000 was recorded in profit or loss for the year. Impairment was recognised because management reduced turnover projections for the expected cash flows from the operation of the forest concession rights by reference to market condition and management plan.

As at 31 March 2012, based on the valuation reports, no impairment was required.

Management reviews the estimated useful lives of forest concession rights annually and, if there has been a significant change in the expected pattern of consumption of the future economic benefits embodied in the asset, the estimate is changed to reflect the changed pattern. The amortisation expense for future period is adjusted if there are significant changes from previous estimates. Management determines the useful life of the Group's forest concession rights based on its historical experience with similar assets and expected pattern of consumption of the assets. Estimates and assumptions used in setting amortisable lives require both judgment and estimation.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2013

23. CONCESSION INTANGIBLE ASSET

	Note	2013 HK\$'000	Group 2012 HK\$'000
Cost:			
At 1 April		5,185,307	–
Acquisition of subsidiaries	44	–	4,886,071
Additions		5,333,086	284,521
Exchange differences		28,481	14,715
At 31 March		10,546,874	5,185,307
Accumulated amortisation:			
At 1 April		–	–
Additions		–	–
At 31 March		–	–
Net Carrying amount:			
At 31 March		10,546,874	5,185,307

Zhunxing entered into a service concession arrangement with the local government whereby Zhunxing is required to build the infrastructure of a heavy duty toll expressway designed for coal transportation in the Inner Mongolia Autonomous Region and is granted an exclusive operating right for collecting tolls from drivers using the expressway for a term of 30 years.

According to the relevant government's approval documents and the relevant regulations, Zhunxing is responsible for the construction of the toll road and the acquisition of the related facilities and equipment and it is also responsible for the operations and management, maintenance and overhaul of the toll roads during the approved operating period. Zhunxing is entitled to operate the toll road upon completion for a specified concession period of 30 years by charging drivers, which amounts are contingent on the extent that the public uses the expressway. The relevant toll road assets are required to be returned to the local government authorities when the operating rights periods expire without any payments to be made to Zhunxing. As such, the arrangement is accounted for as a concession intangible asset under Hong Kong (IFRIC) Interpretation 12 "Service Concession Arrangement".

The right to charge the users of the public service is recognised as an intangible asset. Zhunxing estimates the fair value of the intangible asset to be equal to the construction costs plus certain margin by management estimation with reference to the information in similar industry and management's experience.

During the year, construction revenue of HK\$4,562,038,000 (2012: HK\$128,658,000) and construction cost of HK\$4,483,837,000 (2012: HK\$126,757,000) were recognised in respect of the construction service provided by the Group for the expressway. That construction revenue was included in additions to concession intangible asset which will be amortised upon the commencement of operation.

No amortisation charge for the year as the expressway is still under construction.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2013

23. CONCESSION INTANGIBLE ASSET (Continued)

Additions to concession intangible asset during the year include interest capitalised in respect of short term and long term borrowings and convertible bond issued on 28 September 2011 amounting to HK\$308,173,000 (2012: HK\$7,085,000) and HK\$398,220,000 (2012: HK\$155,863,000) respectively.

For the purpose of the impairment testing, the concession intangible asset is allocated to the cash generating unit ("CGU") which contains the expressway.

The recoverable amount of the CGU has been determined by value in use calculated based on cash flow projections up to the end of the service concession arrangement period, and a pre-tax discount rate of 12.09% adopted in the valuation report issued by Jones Lang LaSalle Corporate Appraisal and Advisory Limited. As at 31 March 2013, no impairment was required based on the valuation report.

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

Period of operation	30 years
Discount rate	12.09%
Average toll revenue growth rate over concession period	2.2%

Discount rate

The discount rate is a pre-tax measure estimated using the Capital Asset Pricing Model based on the industry average ratios and the CGU's specific risks.

Average toll revenue growth rate over concession period

The toll revenue growth rate was determined based on forecasted traffic volume growth and the increase in toll rates. The average traffic volume growth rate is estimated to be 2.2% per annum over the concession period.

24. LONG TERM DEPOSIT AND PREPAYMENTS

	Group	
	2013	2012
	HK\$'000	HK\$'000
Prepayments for construction of expressway	2,186,377	1,514,755
Deposits paid for acquisition of property, plant and equipment	23,041	22,933
	2,209,418	1,537,688

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2013

25. INTERESTS IN SUBSIDIARIES

	Company	
	2013	2012
	HK\$'000	HK\$'000
Unlisted shares, at cost	11	10
Due from subsidiaries	4,423,348	4,418,881
	4,423,359	4,418,891
Less: Impairment losses	(27,100)	(27,100)
	4,396,259	4,391,791

Particulars of principal subsidiaries as at 31 March 2013 are set out in Note 52.

Amounts due from subsidiaries are unsecured, non-interest bearing and in substance represent the Company's interest in the subsidiaries in the form of quasi-equity loans. The amounts are not expected to be settled within the next twelve months.

An accumulated allowance for amounts due from subsidiaries of HK\$27,100,000 (2012: HK\$27,100,000) was recognised as at 31 March 2013 because the balances due from subsidiaries with reference to the net assets value of the respective subsidiaries were estimated to be less than their carrying amounts. Accordingly, the carrying amount of the related investment costs and amounts due from the respective subsidiaries is reduced to their recoverable amounts.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2013

26. AVAILABLE-FOR-SALE INVESTMENTS

	2013 HK\$'000	Group 2012 HK\$'000
Unlisted equity shares, at cost	108,756	–

The details are as follows:

Name	Place of incorporation and operation	Registered capital	Proportion of ownership interest		Principal activity
			Held by the Company/ subsidiaries %	Attributable to the Group %	
國開瑞明(北京)投資基金有限公司	People's Republic of China	RMB3,300,000,000	1.52	1.52	Investment holding
內蒙古博源新型能源有限公司	People's Republic of China	RMB200,000,000	19	19	Develop railway line and coal processing large scale comprehensive logistics base in 興和煤炭循環經濟產業園

Both companies have not commenced operation as at 31 March 2013. All unquoted long-term equity investments are measured at cost less accumulated impairment losses at the end of reporting period as the directors of the Company are of the opinion that their fair value cannot be measured reliably.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2013

27. DERIVATIVE FINANCIAL INSTRUMENT

Derivative financial instrument represent the fair value of the Company's option to early redeem convertible bond issued by the Company on 9 February 2010 into shares of the Company. The fair value of the early redemption option is based on the valuation performed by LCH (Asia-Pacific) Surveyors Limited using the Binomial Option Pricing Model, Tree Model and Black Scholes model. The major inputs into the models were as follows:

Convertible bond issued on 9 February 2010:

	At 31 March 2013	At 31 March 2012	At issue date
Conversion price	–	HK\$0.056	HK\$0.056
Expected volatility (Note a)	–	51%	88%
Expected life (Note b)	–	0.87 years	3 years
Risk free rate (Note c)	–	0.14%	0.93%

Notes:

- (a) Expected volatility was determined by calculating the historical volatility of the Company's share price cover the period same as the remaining life of the convertible bond before date of valuation.
- (b) Expected life was the expected remaining life of the options.
- (c) The risk free rate is determined by reference to the HKMA Exchange Fund Notes rate at date of valuation.

During the year, the convertible bond issued by the Company on 9 February 2010 were all converted into shares of the Company, loss of HK\$21,763,000 (2012: HK\$191,331,000) was recognised as a change in fair value of derivative financial instrument (Note 40).

28. PROPERTIES UNDER DEVELOPMENT FOR SALE

	2013 HK\$'000	Group 2012 HK\$'000
Amounts comprise:		
Construction cost	–	225,267
Prepaid lease payments	–	915,726
Interest capitalised	–	111,884
Exchange difference	–	76,476
	–	1,329,353

As at 31 March 2013, the properties under development for sale which form part of the disposal group are classified as assets held for sale as mentioned in Note 41.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2013

29. INVENTORIES

	Group	
	2013 HK\$'000	2012 HK\$'000
Raw materials	63,753	78,010
Work in progress	42,976	36,534
Finished goods	13,299	12,517
Timber logs and products	778	390
	120,806	127,451

Included in raw materials are precious woods of HK\$62,114,000 (2012: HK\$61,825,000) which are ready for trading.

30. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Trade receivables	4,361	7,182	–	–
Other receivables	18,752	13,441	–	–
Deposits paid	2,049	8,362	1,688	1,688
Prepayments	9,089	24,661	1,167	6,954
	34,251	53,646	2,855	8,642

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally two months, extending up to over three months or more for major customers. 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.

As at 31 March 2013, the Group's trade receivables of HK\$466,000 (2012: HK\$Nil) and other receivables of HK\$348,000 (2012: HK\$36,903,000) were determined to be impaired. Impairment in last year mainly related to a former shareholder of a subsidiary which was bankrupted and management assessed that the receivable is not expected to be recovered.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2013

30. TRADE AND OTHER RECEIVABLES (Continued)

Details of the ageing analysis of trade receivables of the Group are as follows:

	Group		Company	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Outstanding balances aged:				
0 – 30 days	–	–	–	–
31 – 60 days	1,157	3,945	–	–
61 – 180 days	2	59	–	–
Over 180 days	3,202	3,178	–	–
	4,361	7,182	–	–

The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired are as follows:

	Group		Company	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Neither past due nor impaired	1,159	3,945	–	–
30 to 90 days past due	–	59	–	–
Over 90 days	3,202	3,178	–	–
	4,361	7,182	–	–

Trade receivables that were neither past due nor impaired related to a number of independent customers for whom there was no recent history of default.

Included in trade receivables are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	Group		Company	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Renminbi ("RMB")	3,204	7,182	–	–
United States Dollars ("USD")	1,157	–	–	–
	4,361	7,182	–	–

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2013

31. AMOUNT DUE FROM A NON-CONTROLLING SHAREHOLDER OF A SUBSIDIARY

Amount due from a non-controlling shareholder of a subsidiary is unsecured, interest-free and repayable on demand.

32. PLEDGED DEPOSIT AND RESTRICTED CASH

	Group	
	2013	2012
	HK\$'000	HK\$'000
Restricted cash from construction of pre-sale properties (<i>Note i</i>)	–	5,202
Guarantee deposits for mortgage loans (<i>Note ii</i>)	–	1,031
Restricted cash for property construction (<i>Note iii</i>)	–	8,601
Pledged deposits for expressway construction (<i>Note iv</i>)	117,407	–
	117,407	14,834

Notes:

- (i) Yichang Xinshougang is required to place certain amount of proceeds from pre-sales of properties at designated bank accounts. The deposits can only be used for the purchases of construction materials and the payments of construction fee for the project.
- (ii) Amounts represent cash deposited in certain banks as guarantee deposits for the mortgage loan facilities granted by the banks to the purchasers of the Group's properties under development for sale. Such guarantee will only be released after the loan has been settled or issuance of the real estate ownership certificate to the purchaser, whichever is earlier.
- (iii) Pursuant to the loan agreement signed with a bank, the restricted cash can only be used for the purchases of construction materials and the payments of construction fee for the project upon receiving the approval from the bank. Such restriction will only be released after the loan has been settled.
- (iv) Amounts represent cash deposited in certain banks as pledged deposits for the facilities granted by the bank for issuing bills payables for the purchases of construction materials and payments of construction fees for expressway construction.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2013

33. CASH AND CASH EQUIVALENTS

	Group		Company	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Cash and bank balances	2,033,045	196,293	93,286	43,503

Cash and bank balances were denominated in the following currencies:

	Group		Company	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
HKD	99,554	56,285	93,284	43,481
RMB	1,933,148	139,120	–	20
USD	164	655	2	2
Australian Dollars (“AUD”)	119	126	–	–
Guyana Dollars	60	59	–	–
Euro dollars	–	48	–	–
	2,033,045	196,293	93,286	43,503

RMB is not freely convertible into other currencies, however, under PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits were made for varying periods depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The effective interest rate on short-term time deposits was 0.39% (2012: 0.44%) per annum; these deposits have a maturity ranging from 7 to 34 days.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2013

34. TRADE AND OTHER PAYABLES

	Group		Company	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Trade payables	1,840	153	–	–
Other payables and accruals (<i>Note</i>)	1,965,496	1,163,734	50,710	2,437
Deposit received from customers	6,466	4,888	–	–
Receipt in advance	210,000	–	210,000	–
Purchase consideration payable	5,108	5,108	5,108	5,108
	2,188,910	1,173,883	265,818	7,545

Note: As at 31 March 2013, other payable mainly comprised construction cost payable of HK\$978,880,000 (2012: HK\$233,930,000), retention and guarantee deposit of HK\$569,553,000 (2012: HK\$731,492,000), and compensation payable of HK\$22,602,000 (2012: HK\$27,937,000) relating to litigation claims from certain contracts arising from suspension of construction of expressway occurred in previous years.

The carrying amounts of other payables and accruals at the end of reporting period approximate their fair values.

Details of the ageing analysis of trade payables of the Group are as follows:

	Group		Company	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Outstanding balances aged:				
Over 180 days	1,840	153	–	–

Trade and other payables were denominated in the following currencies:

	Group		Company	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
HKD	300,567	12,664	265,818	7,545
RMB	1,887,655	1,160,637	–	–
USD	457	351	–	–
AUD	231	231	–	–
	2,188,910	1,173,883	265,818	7,545

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2013

35. PROMISSORY NOTE

On 9 February 2010, the Company issued HK\$280,000,000 promissory note in connection with the acquisition of subsidiaries. The promissory note is repayable by 14 quarterly instalments of HK\$20,000,000 each with the interest accrued thereon payable on the last day of every three months after the issue of the promissory note. The promissory note bears coupon interests at 1.5% per annum payable quarterly. The Company may, by giving prior written notice to the noteholder, repay in whole or in part the outstanding promissory note (in the multiples of HK\$20,000,000) at any time and from time to time after the date of issue of the promissory note. The fair value of promissory notes is HK\$233,482,000, as at the issue date, based on the professional valuation performed by LCH (Asia-Pacific) Surveyors Limited. The effective interest rate of the promissory note is determined to be 11.82% per annum.

The movement on the promissory note is as follows:

	Group and Company	
	2013	2012
	HK\$'000	HK\$'000
Carrying value as at 1 April	289,105	284,797
Interest expense (Note 8)	4,353	4,308
Carrying value as at 31 March	293,458	289,105

During the year ended 31 March 2011, the Group defaulted on repayment of the principal and interest. Pursuant to the agreement, the promissory note holders are entitled to demand immediate repayment of any outstanding principal and accrued interest.

As a result, the promissory note was carried at its face value plus accrued interest of HK\$285 million and was classified under current liabilities as at 31 March 2011. The difference of HK\$40.7 million between the carrying amount of promissory note at the date of default and its face value represented the accelerated imputed interest charge.

On 23 May 2012, the Group and the promissory note holder signed a supplemental agreement to extend the repayment term of promissory note. Both parties agreed that the Group is required to pay a default interest at 0.0005% per day (annual interest rate of 18.25%) based on the outstanding principal amount and accrued interest. As at 31 March 2013, default interest of HK\$45 million (2012: HK\$Nil) was accrued.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2013

36. DEFERRED GOVERNMENT GRANTS

	2013 HK\$'000	Group 2012 HK\$'000
At 1 April	130,423	125,684
Classified as liability of a disposal group classified as held for sale	(122,987)	–
Exchange difference	35	4,739
At 31 March	7,471	130,423
Analysed for reporting purposes as:		
Current liabilities	7,471	7,436
Non-current liabilities	–	122,987
	7,471	130,423

- (i) Yichang Xinshougang, a subsidiary acquired during the year ended 31 March 2010, received a government grant of approximately RMB105,326,000 in 2007 in the form of a foregivable payable on the partial land premium in respect of a piece of land situated in Yichang City, Hubei, the PRC.

Pursuant to the Land Use Rights Contract and the supplemental contract, Yichang Xinshougang had committed to invest approximately RMB650 million to develop this piece of land during 2007. As Yichang Xinshougang obtained the legal title of the land in March 2007, the government grant was recorded since that date.

As at 31 March 2013, the deferred government grant which form part of the disposal group is classified as liabilities held for sale as disclosed in Note 41.

- (ii) During the year ended 31 March 2010, the Group received a government grant of approximately RMB6,045,000 for the development of tea-oil production located in Xingning, the PRC.

The government grant is to be amortised on a systematic basis according to the volume of production when the production of tea-oil begins and income is generated. No amortisation was recognised for the years ended 31 March 2013 and 2012 as normal production had not been commenced at the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2013

37. AMOUNT DUE TO A JOINT OPERATOR

As described in Note 19, during the year ended 31 March 2011, Yichang Xinshougang has signed a joint development agreement with a third party, Dafang Properties, for the development of several complex commercial and residential properties, including Yichang Three Gorges International Convention Centre ("Convention Centre"), the Three Gorges State Guest House ("Guest House") and the Three Gorges State Guest Garden Commercial Property. According to the agreement, the Group will provide a parcel of land located at Meiziya Village, Yiling District, Yichang City, Hubei Province and Dafang Properties will provide funding for all necessary development and construction costs for the property project except for borrowing costs for Convention Centre and Guest House which will be shared by the Group and Dafang Properties on 65:35 basis. During the year ended 31 March 2011, Yichang Xinshougang has contributed a parcel of land while Dafang Properties has provided funding for all necessary development and construction costs for the Yichang Project.

Yichang Xinshougang and Dafang Properties agreed to share the after tax distributable profit attributable to the Three Gorges State Guest Garden Commercial Property on a 60:40 basis, and share the economic benefit attributable to the Yichang Three Gorges International Convention Centre and the Three Gorges State Guest House on a 65:35 basis.

The amount due to a joint operator is unsecured, interest-free and repayable in accordance with the agreement dated 26 November 2012.

As disclosed in Note 11, the Group has entered into the Share Transfer Agreement of which Yichang Xinshougang is required to terminate the joint development agreement on the completion date as set out in that agreement. Accordingly, on 26 November 2012, both the Group and Dafang Properties agreed to terminate the joint development agreement and entered into a termination agreement.

As at 31 March 2013, the amount due to a joint operator which form part of the disposal group is classified as liabilities of a disposal group classified as held for sale as disclosed in Note 41.

38. BORROWINGS

	Group	
	2013 HK\$'000	2012 HK\$'000
Secured		
– Current portion (i)	4,572,682	100,867
– Bills payables (ii)	117,407	–
– Non-current portion (i)	1,668,411	–
Unsecured		
– Current portion (iii), (iv) and (v)	1,136,992	6,397
– Non-current portion (iii)	–	609,209
	7,495,492	716,473

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2013

38. BORROWINGS (Continued)

Total borrowings were repayable as follows:

	2013 HK\$'000	Group 2012 HK\$'000
On demand or within one year included in current liabilities	5,827,081	107,264
Over one year and included in non-current liabilities	1,668,411	609,209
	7,495,492	716,473

- (i) During the year, Zhunxing, entered into a loan agreement with China Development Bank Corporation, as the lending bank, Hua Xia Bank Co., Limited and China Merchants Bank Co., Limited, as the participating banks, (together the "Lenders") to obtain loan facilities amounted to RMB8,820 million (the "Loan") at an initial annual interest rate of 6.8775% on normal commercial terms, of which RMB3,600 million of the Loan will be for a term of 15 years, RMB2,770 million of the Loan will be for a term of 20 years and RMB2,450 million of the Loan will be for a term of 21 years. The loans are for the construction of the heavy-haul toll expressway owned by Zhunxing. As at 31 March 2013, Zhunxing has drawn down loans of RMB5,050 million from the Lenders, including short term loans of RMB3,700 million and long term loans of RMB1,350 million.

As at 31 March 2013, the loans are guaranteed by Zhunxing's receivables of toll fee income of the expressway, the Group and the former non-controlling shareholder and bear interest at the respective fixed rates ranging from 5.7% to 8.5% per annum.

As at 31 March 2012, the loan was secured by the Group's other properties under development and properties under development for sale and was repayable within three years and with weighted average effective interest rate of 6.56%.

- (ii) Bills payables were issued from bank to suppliers for payables of construction materials and payments of construction fees for expressway construction with a total of HK\$117 million were secured by bank deposits of same amount.

- (iii) As at 31 March 2013, the loan is unsecured, interest bearing at 0.0288% per day and repayable within one year. Zhunxing entered into the assignment of loan agreement with an authorised financial institution and its former non-controlling shareholder under which all parties agreed that the amount due to its former non-controlling shareholder of HK\$612,067,000 (2012: HK\$609,209,000) was unconditionally assigned to the authorised financial institution on 6 February 2012. The bank loan is guaranteed by the Company and its former non-controlling shareholder.

The loan was unsecured, interest bearing at 0.0288% per day and repayable within two years as at 31 March 2012.

- (iv) The loan amounting to HK\$6,179,000 (2012: HK\$6,397,000) was unsecured, interest free and repayable within one year.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2013

38. BORROWINGS (Continued)

- (v) The Group entered into loan agreements with independent third parties for loans of HK\$300 million and HK\$150 million at 20% p.a. repayable after six months on 7 May 2012 and 10 July 2012 respectively. The loans were used by the Group for the purpose of financing its capital contribution to registered capital of Zhunxing.

On 2 November 2012, the agreement for the loan of HK\$300 million is replaced by another loan agreement with the lender to obtain an additional HK\$100 million at 20% p.a. repayable in 6 months' time and is used for general working capital purpose.

39. DEFERRED TAX LIABILITIES

The movements in deferred tax assets and liabilities recognised on revaluation of building during current and prior years were as follows:

	2013 HK\$'000	Group 2012 HK\$'000
At 1 April	3,697	1,574
Recognised in other comprehensive income for the year	3,152	2,123
Recognised in profit or loss	2,712	–
At 31 March	9,561	3,697

Deferred income tax assets were recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through the future taxable profits is probable. The Group has unrecognised tax losses of HK\$108,820,000 (2012: HK\$108,660,000) to be carried forward for offset against future taxable income which included tax losses of HK\$64,019,000 (2012: HK\$71,132,000) may be carried forward against future taxable income for a period of five years in accordance with the PRC tax law. The remaining tax losses may be carried forward indefinitely.

40. CONVERTIBLE BONDS

Issue of convertible bond on 9 February 2010

On 9 February 2010, the Company issued redeemable convertible bond with a principal amount of HK\$470,000,000 with a maturity date on 8 February 2013 in connection with the acquisition of subsidiaries. The bond carried coupon interest rate of 2.15% per annum, which shall be payable by the Company upon conversion or redemption of the bond.

The bondholders are entitled to convert the bond into ordinary shares of the Company at an initial conversion price of HK\$0.056 per conversion share (subject to the normal adjustments in accordance with the terms of the convertible bond) at any time during the period commencing from date of issue of convertible bond.

Unless previously redeemed, converted, or purchased and cancelled by the Company, the Company shall redeem any outstanding convertible bond at the principal amount together with accrued interest on the maturity date which is the date falling three years after the issuing date.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2013

40. CONVERTIBLE BONDS (Continued)

Issue of convertible bond on 9 February 2010 (Continued)

The Company may at any time prior to the maturity date of the convertible bond to redeem the whole or any relevant part of the outstanding bond together with interest accrued by giving the bondholders 10 days' notice of its intention to make such redemption.

At issuing date, the Company determined the fair value of the embedded early redemption option component and liability component based on the valuations performed by LCH (Asia-Pacific) Surveyors Limited using discounted cash flow approach. The effective interest rate is 12.08%. The residual amount was assigned as the equity component for the conversion option held by bondholders and was included in the convertible bond reserve of the Company and the Group.

Issue of convertible bond on 28 September 2011

On 28 September 2011, the Company issued the convertible bond with an aggregate amount of HK\$2,000,000,000 with a maturity date on 28 September 2014 to several subscribers. The convertible bond carry an interest rate of 9% per annum, which shall be payable by the Company annually in arrears, upon conversion or redemption.

The bondholders are entitled to convert the convertible bond into ordinary shares of the Company at an initial conversion price of HK\$0.4 per conversion share (subject to the normal adjustments pursuant to the terms and conditions of the convertible bond) at any time during the period commencing from the date of issuance of the convertible bond.

The Company shall redeem any outstanding convertible bond at the principal amount together with accrued interest on the maturity date which is on the third anniversary of the date of issuance.

The Company has the right to require the bondholder(s) to convert the convertible bond into ordinary shares of the Company at an initial conversion price of HK\$0.4 per conversion share when the share price is higher than HK\$1.00 for 60 consecutive trading days.

The embedded mandatory conversion option is included in the equity component.

At issuing date, the Company determined the fair value of liability component based on the valuation performed by LCH (Asia-Pacific) Surveyors Limited using discounted cash flow approach. The effective interest rate is 19.83%. The residual amount was assigned as the equity component for the conversion option held by bondholders and the Group and was included in the convertible bond reserve of the Company and the Group.

The liability component is carried on amortised cost basis until extinguished on conversion or redemption.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2013

40. CONVERTIBLE BONDS (Continued) Issue of convertible bond on 28 September 2011 (Continued)

	Group and Company			Total HK\$'000
	Liability component HK\$'000	Derivative financial instrument HK\$'000	Equity component HK\$'000	
Convertible bond issued on 9 February 2010				
At 1 April 2011	263,112	(213,094)	261,779	311,797
Interest expense (Note 8)	25,778	–	–	25,778
Change in the fair value (Note 27)	–	191,331	–	191,331
At 31 March 2012	288,890	(21,763)	261,779	528,906
Interest expense (Note 8)	24,802	–	–	24,802
Interest paid	(17,522)	–	–	(17,522)
Conversion of convertible bond into ordinary shares (i)				
– Transfer to share capital	(50,500)	–	–	(50,500)
– Transfer to share premium	(245,670)	–	(261,779)	(507,449)
Change in the fair value (Note 27)	–	21,763	–	21,763
At 31 March 2013	–	–	–	–
Convertible bond issued on 28 September 2011				
At 1 April 2011	–	–	–	–
Issue of convertible bond	1,542,413	–	457,587	2,000,000
Interest expense (Note 8)	155,863	–	–	155,863
At 31 March 2012	1,698,276	–	457,587	2,155,863
Interest expense (Note 8)	318,594	–	–	318,594
Interest paid	(180,000)	–	–	(180,000)
At 31 March 2013	1,836,870	–	457,587	2,294,457
Total				
At 31 March 2013	1,836,870	–	457,587	2,294,457
At 31 March 2012	1,987,166	(21,763)	719,366	2,684,769
Represented by				
Current portion	–	–	–	–
Non-current portion	1,836,870	–	–	1,836,870
	1,836,870	–	–	1,836,870

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2013

40. CONVERTIBLE BONDS (Continued)

(i) Summary of conversion of convertible bond during the year ended 31 March 2013 is as follows:

Date	Amount	Number of ordinary shares converted
21 December 2012	HK\$215,600,000	3,850,000,000
25 January 2013	HK\$67,200,000	1,200,000,000

41. ASSETS AND LIABILITIES OF A DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

Pursuant to the Share Transfer Agreement as set out in Note 11 above, the property development and asset management business was classified as a disposal group. All of its assets are presented as "Assets of a disposal group classified as held for sale" and its liabilities are presented as "Liabilities of a disposal group classified as held for sales" and set out below.

	2013 HK\$'000
Property, plant and equipment	11,523
Other properties under development	166,521
Prepaid taxes	25,772
Properties under development for sale	1,341,834
Completed properties held for sale	223,480
Other receivables, deposits and prepayments	4,858
Pledged deposit and restricted cash	6,864
Cash and cash equivalents	42,833
Assets of a disposal group classified as held for sale	1,823,685
Borrowings	144,596
Trade and other payables	164,994
Deposits from sales of properties	215,288
Amount due to a joint operator	20,446
Tax payables	41,217
Deferred government grants	123,564
Liabilities of a disposal group classified as held for sale	710,105
Net assets of a disposal group classified as held for sale	1,113,580

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2013

41. ASSETS AND LIABILITIES OF A DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

(Continued)

As at 31 March 2013, there was an amount of approximately HK\$131,430,000 due to the group companies by the disposal group which had been eliminated in the Group's consolidated financial statements. This amount is expected to be fully settled upon the completion of the disposal.

As at 31 March 2013, there was a contracted amount of HK\$77,510,000 but not provided for investment on properties under development for sale by the disposal group.

42. SHARE CAPITAL

	Notes	2013		2012	
		Number of shares '000	Amount HK\$'000	Number of shares '000	Amount HK\$'000
Authorised:					
Ordinary shares of HK\$0.01 each					
At 1 April		50,000,000	500,000	30,000,000	300,000
Increase during the year	(a)	–	–	20,000,000	200,000
At 31 March		50,000,000	500,000	50,000,000	500,000
Issued and fully paid:					
Ordinary shares of HK\$0.01 each					
At 1 April		20,190,784	201,908	19,842,925	198,429
Shares issued upon conversion of convertible bonds	(b)	5,050,000	50,500	–	–
Shares issued upon exercise of warrants	(c)	365,000	3,650	347,859	3,479
At 31 March		25,605,784	256,058	20,190,784	201,908

Note:

(a) Increase in authorised share capital

Pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 11 August 2011, the authorised ordinary share capital of the Company was increased from HK\$300,000,000 divided into 30,000,000,000 shares of a par value of HK\$0.01 each to HK\$500,000,000 divided into 50,000,000,000 shares of a par value of HK\$0.01 each by the creation of an additional 20,000,000,000 shares of a par value of HK\$0.01 each.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2013

42. SHARE CAPITAL (Continued)

Note: (Continued)

(b) Conversion of convertible bonds

During the year, convertible bonds of the Company with an aggregate principal amount of approximately HK\$282,800,000 were converted into 5,050,000,000 shares of the Company of HK\$0.01 each at a conversion price of HK\$0.056 per ordinary share.

(c) Exercises of warrants

During the year, 365,000,000 (2012: 347,858,523) shares of HK\$0.01 each were issued at HK\$0.23 per share from the utilisation of warrants with proceed of HK\$83,950,000 (2012: HK\$80,000,000).

All these new ordinary shares rank pari passu in all respects with the existing shares of the Company.

43. ADDITIONAL INTEREST ACQUIRED IN SUBSIDIARIES

(a) On 8 July 2011, the Group acquired the remaining 5% equity interest of Jaling at a consideration of HK\$5,000,000. Jaling has become a wholly-owned subsidiary of the Group since 8 July 2011.

(b) The Group, through a wholly-owned subsidiary, 樹人木業(深圳)有限公司 (“樹人木業”), further acquired additional equity interest, amounted to RMB40,000,000 registered capital of Zhunxing at a consideration of HK\$64,032,000 from a former shareholder of Zhunxing, 北方通和控股有限公司, by a way of auction according to 北京市高級人民法院執行裁定書 dated 29 November 2011.

44. ACQUISITION OF ASSETS AND LIABILITIES THROUGH ACQUISITION OF SUBSIDIARIES

On 21 April and 18 November 2011, the Company through a wholly-owned subsidiary, Cheer Luck Technology Limited (“Cheer Luck”) completed the subscription of 11% and 40% increased capital of Zhunxing respectively. According to the business license and the Notice of Registration Modification (變更登記通知書) of Zhunxing dated 18 November 2011, the Group, through Cheer Luck, acquired 51% equity interest of Inner Mongolia Zhunxing Heavy Haul Expressway Company Limited (內蒙古准興重載高速公路有限責任公司) (“Zhunxing”) together with its subsidiary, through capital injection of RMB2,318,000,000 (equivalent to HK\$2,828,957,000) which represent registered capital of RMB416,326,530 and share premium of RMB1,901,673,470 respectively.

According to the capital increase agreements, the Group is able to subscribe an additional 15% equity interest in Zhunxing at a negotiable price on or 30 June 2012.

The principal activities of Zhunxing are expressway and auxiliary facility investment, operation, management and maintenance. Zhunxing has been granted an exclusive right to build and operate the first heavy haul toll expressway in the PRC for 30 years (excluding the construction period).

The acquisition was made by way of acquisition of 51% equity interests in Zhunxing and its subsidiary – Beijing Zhunxing Longbo Management Consulting Company Limited (“北京市准興隆博管理諮詢有限責任公司”). This transaction has been reflected as a purchase of assets and liabilities. Further details are set out in the Company’s circular dated 31 August 2011.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2013

44. ACQUISITION OF ASSETS AND LIABILITIES THROUGH ACQUISITION OF SUBSIDIARIES (Continued)

The initial carrying amount of identifiable assets and liabilities is acquired as follows:

	Initial carrying amount HK\$'000
Property, plant and equipment	4,722
Concession intangible asset	4,886,071
Long term deposits and prepayments	728,786
Trade and other receivables	7,003
Other receivable for capital injection	1,478,957
Cash and cash equivalents	309,957
Other payables and accruals	(1,428,915)
Amount due to shareholders	(439,606)
Net assets	5,546,975
Non-controlling interests	(2,718,018)
Net identified assets acquired	2,828,957
Net cash inflow arising on acquisition:	
Cash and cash equivalents acquired	309,957
	309,957

45. SHARE OPTIONS

The Share Option Scheme adopted on 16 July 2004 shall remain in force for 10 years from the adoption date unless otherwise terminated or amended.

The exercise price of the options shall be determined by the directors of the Company, but may at least the highest of (i) the Stock Exchange closing price of the Company's share on the date of the grant of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the grant of the share options; and (iii) the nominal value of an ordinary share. The maximum number of shares in respect of which options may be granted under the Share Option Scheme shall not exceed 10% of the issued share capital of the Company from time to time.

No share options were granted, exercised nor lapsed during the years ended 31 March 2013 and 2012.

46. LEASES

Operating leases – lessee

The Group leases part of its office properties and plantation sites, under operating lease arrangements. Leases for properties are negotiated for terms for 1 to 5 years (2012: 1 to 5 years). Leases for plantation sites are negotiated for terms for 1 to 7 years (2012: 1 to 7 years).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2013

46. LEASES (Continued)

Operating leases – lessee (Continued)

As at 31 March 2013, the Group had total future minimum lease payments under non-cancellable operating leases due at the end of reporting period as follows:

	2013 HK\$'000	2012 HK\$'000
Within one year	6,495	7,837
In the second to fifth years, inclusive	154	6,734
After five years	–	88
	6,649	14,659

Operating leases – lessor

The Group's investment property is leased to a tenant for varying terms. The sub-lease rental income during the year ended 31 March 2013 was HK\$370,000 (2012: HK\$376,000).

The minimum rent receivables under non-cancellable operating leases at the end of reporting period are as follows:

	2013 HK\$'000	2012 HK\$'000
Within one year	339	361
Over one year but within 5 years	–	361
	339	722

47. GRANT OF THE EQUITY LINE OF CREDIT TO THE COMPANY AND ISSUE OF WARRANTS

On 5 January 2010, the Company entered into the Equity Line of Credit Agreement (the "Credit Agreement") with GEM Global Yield Fund Limited ("GEM Global") and GEM Investment Advisors, Inc. ("GEMIA"), pursuant to which the Company has been granted an option to require GEM Global to subscribe for up to HK\$300 million worth of shares of the Company structured under the Equity Line of Credit during the commitment period (the "Option") and 1,000 million warrants of the Company. The Company, GEM Global and GEMIA further entered into the Amendment Deed on 19 January 2010. Further details are set out in the Company's circular dated on 22 January 2010. On 8 February 2010, the Company issued a total of 1,000 million warrants at nil consideration at an exercise price of HK\$0.23 per warrant share (subject to adjustment pursuant to the conditions to GEM Global) pursuant to the Credit Agreement.

The Option is exercisable by the Company during the commitment period commencing on (and including) the date of the Credit Agreement and expiring upon the earlier of (i) the third anniversary of the date of the Credit Agreement, and (ii) the date on which the Equity Line of Credit has been fully utilised by the Company by way of allotting and issuing shares (the "Option Shares") for total issue price equals to the total commitment amount (i.e. HK\$300 million) upon exercising the Option in full.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2013

47. GRANT OF THE EQUITY LINE OF CREDIT TO THE COMPANY AND ISSUE OF WARRANTS *(Continued)*

The Company was required to pay GEMIA a commitment fee of HK\$6,000,000, equivalent to 2% of the total commitment amount of HK\$300 million (i) on or before the first anniversary of the date of the Agreement, or (ii) on the Company's receipt or deemed receipt of the proceeds resulting from the first closing notice to be issued by GEM Global to the Company, whichever is earlier. The commitment fee payable was recognised as trade and other receivables at 31 March 2010. The fee was paid during the year ended 31 March 2011 as condition (i) was fulfilled. The account held in other receivables will be transferred to share premium when the Company exercises the option.

The Company shall exercise any part of the Option by serving a drawdown notice and specifying the proposed number of the Option Shares thereunder. GEM Global shall respond to any drawdown notice by delivering a closing notice, which shall set out, inter alia, the final number of Option Shares to be subscribed by, and allotted and issued to, the GEM Global or any other subscribers procured by it on the closing date.

The movement of the warrants during the year is set out below:

Date of grant	8 February 2010		
Exercise period	8 February 2010 to 8 February 2013		
Subscription price	HK\$0.23		
		2013	2012
		'000	'000
At 1 April		365,000	712,859
Utilised during the year <i>(Note 42)</i>		(365,000)	(347,859)
At 31 March		–	365,000

During the year, 365,000,000 warrants (2012: 347,858,523) were exercised to subscribe for the shares of the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2013

48. CAPITAL COMMITMENTS

Capital commitments outstanding as at 31 March 2013 and 2012 not provided for in the financial statements were as follows:

	Group		Company	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Authorised but not contracted for				
– a coal processing large scale comprehensive logistics base (Note i)	139,039	138,385	139,039	138,385
Contracted but not provided for				
– investment on properties under development for sale (Note ii)	–	91,821	–	–
– investment on concession intangible asset (Note iii)	5,594,352	7,553,309	–	–
	5,733,391	7,783,515	139,039	138,385

Notes:

- (i) The Company signed an investment cooperation agreement on 5 December 2011 with the local people's government of Qingshuihe County ("Qingshuihe Government") in the Inner Mongolia Autonomous Region of the People's Republic of China in relation to a coal processing large scale comprehensive logistics base (the "Comprehensive Logistics Base") proposed to be build close to the Yingpanliang exit of the Zhunxing coal expressway currently being constructed by Zhunxing. In accordance with the Cooperation Agreement, the area of the Comprehensive Logistics Base will be 15 square kilometers (ie 22,500 mu) in total. The Qingshuihe Government will be responsible for the relocation of the current residents and the Company will be responsible for bearing the relocation compensation of RMB5,000 per mu, i.e. RMB112,500,000 in total.
- (ii) Pursuant to a Contract for the Grant of State-owned Land Use Rights No. Yichang City Yiling District Yi Zeng Guo Rang (He) Zi (2006) Di 438 Hao dated 29 December 2006 (hereinafter referred to as the "Contract") made between the Land Resource Bureau of Yichang City Yiling District and Yichang Xinshougang, it was agreed that the total investment for the development would be approximately RMB650,000,000. Up to 31 March 2013, the total investment in the property development was HK492,387,000 (2012: HK\$228,385,000) under the disposal group.
- (iii) The investment on concession intangible asset represented the construction cost of the expressway being constructed by Zhunxing.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2013

49. CONTINGENT LIABILITIES

- (a) The Group had the following contingent liabilities:

	2013 HK\$'000	2012 HK\$'000
Guarantees in respect of mortgage facilities for certain purchasers under disposal group	<u>62,782</u>	<u>40,268</u>

The Group was in cooperation with certain financial institutions arranged mortgage loan facility for its purchasers of property and provided guarantees to secure obligations of such purchasers for repayments. As at 31 March 2013, the outstanding guarantees amounted to RMB50,800,000 (2012: RMB32,736,000). Such guarantees will be discharged upon the earlier of (i) issuance of the real estate ownership certificate which will generally be available within three months after the purchasers take possession of the relevant property; and (ii) the satisfaction of relevant mortgage loan by purchasers.

Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with any accrued interest and penalty owed by the defaulted purchasers to the banks, and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee starts from the dates the mortgagees grant the mortgage loans. No provision has been made for the guarantees as the net realisable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interest and penalty in case of any default in payments.

- (b) The Group's operations are regulated by various laws and regulations in Guyana. Guyana laws and regulations for the protection of the environment and wild life have generally become more stringent in recent years. Some of these laws and regulations could impose significant costs, expenses, penalties and liabilities on the Group. The financial position of the Group may be adversely affected by any environmental liabilities which may be imposed under such new environmental laws and regulations. The directors of the Company are not aware of any environmental liabilities as at the end of the reporting period and up to the date of this report. The directors are also not aware of any violation to existing conditions attached to the Group's forest concession rights, or subject to any significant costs, expenses, penalties and liabilities.

50. RELATED PARTY TRANSACTIONS

- (a) Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Other than details of transactions between the Group and other related parties are disclosed elsewhere in these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2013

50. RELATED PARTY TRANSACTIONS (Continued)

- (b) Save as disclosed elsewhere in these financial statements, the Group had the following major transactions with related parties during the years ended 31 March 2013 and 2012:

Related party relationship	Type of transactions	Note	For the year ended 31 March	
			2013 HK\$'000	2012 HK\$'000
China Alliance International Holding Group Limited (a substantial shareholder of the Company)	Interest expense on promissory note	8	4,353	4,308
	Default interest expense on promissory note	8	45,779	–

	Type of balances	As at 31 March	
		2013 HK\$'000	2012 HK\$'000
China Alliance International Holding Group Limited (a substantial shareholder of the Company)	Promissory note	293,458	289,105
Shougang Holding Company Limited (a former non-controlling shareholder of a subsidiary)	Deposit paid for office building located in Inner Mongolia Autonomous Region, the PRC	23,041	22,933

- (c) Members of key management during the year comprised only of the directors whose remuneration is set out in Note 12.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2013

51. JOINTLY CONTROLLED OPERATION

The following amounts represent the assets, liabilities and results of the project under jointly controlled operation in accordance with joint development agreement described in Note 37. They are included in the consolidated statement of financial position and consolidated statement of comprehensive income:

	2013 HK\$'000	2012 HK\$'000
Total non-current assets	–	212,337
Total current assets	–	1,365,202
Total current liabilities	–	(447,377)
Total non-current liabilities	–	(122,987)
Net assets	–	1,007,175
	2013 HK\$'000	2012 HK\$'000
Income	–	163
Expenses	–	(14,827)
Loss before income tax expense	–	(14,664)
Income tax expense	–	–
Loss for the year	–	(14,664)

On 26 November 2012, both parties agreed to terminate the joint development agreement described in Note 37 and entered into a termination agreement. The property development and asset management business was classified as a disposal group. All of its assets are presented as "Assets of a disposal group classified as held for sales" and its liabilities are presented as "Liabilities of a disposal group classified as held for sales" as disclosed in Note 41.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2013

52. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Name	Place of incorporation and operation	Issued and fully paid share capital/ registered capital	Proportion of ownership interest		Principal activity
			Held by the Company*/ subsidiaries %	Attributable to the Group %	
Seapower Resources Australia Pty Ltd.	Australia	A\$700,002 shares	100	100	Investment holding
Seapower Resources Gosford Pty Ltd.	Australia	A\$4,200,002 shares	100	100	Cold storage warehousing
Seapower Resources Investment Pty Ltd.	Australia	A\$2,000,002 shares	100	100	Investment holding
Allied National Ltd.	British Virgin Islands/ Hong Kong	US\$1 share	100*	100	Investment holding
Best Idea International Investment Limited	British Virgin Islands	US\$1 share	100*	100	Investment holding
Bondwell International Group Limited	British Virgin Islands	US\$1 share	100*	100	Investment holding
China Timber Maritime Limited	British Virgin Islands	HK\$20,000,000 shares	65	65	Construction of barges
Sunshine Delight Limited	British Virgin Islands	US\$1 share	100*	100	Investment holding
Jaling Forest Industries Inc.	Guyana	G\$500,000 shares	100	100	Timber logging
Garner Forest Industries Inc.	Guyana	G\$100,000 shares	100	100	Timber logging
Cheer Luck Technology Limited	Hong Kong	HK\$1 share	100	100	Investment holding

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2013

52. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Place of incorporation and operation	Issued and fully paid share capital/ registered capital	Proportion of ownership interest		Principal activity
			Held by the Company*/ subsidiaries %	Attributable to the Group %	
Glory Success Trading Limited	Hong Kong	HK\$10 shares	100*	100	Timber log trading and sale of furniture and handicrafts
Seapower Investment (China) Limited	Hong Kong	HK\$10,000 shares	100*	100	Investment holding
Smart Fancy (China) Limited	Hong Kong	HK\$1 share	100*	100	Investment holding
Triumph Kind Investment Limited	Hong Kong	HK\$100 shares	100*	100	Investment in property
Triumph Max Investment Limited	Hong Kong	HK\$100 shares	100*	100	Investment holding
Vastrich Corporation Limited	Hong Kong	HK\$1 share	100*	100	Investment holding
Wide Forest Limited	Hong Kong	HK\$1 share	100*	100	Investment holding
樹人木業(大埔)有限公司	People's Republic of China	RMB102,175,000	100	100	Forest operation, timber logging and tree plantation
樹人苗木組培(大埔)有限公司	People's Republic of China	RMB4,721,500	100	100	Plantation and trading of seedling

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2013

52. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Place of incorporation and operation	Issued and fully paid share capital/ registered capital	Proportion of ownership interest		Principal activity
			Held by the Company*/ subsidiaries %	Attributable to the Group %	
興寧樹人木業有限公司	People's Republic of China	RMB30,000,000	100	100	Production and sale of tea-oil
樹人木業(深圳)有限公司	People's Republic of China	RMB43,773,024	100	100	Timber log trading and sale of furniture and handicrafts
陽東縣樹人木業有限公司	People's Republic of China	RMB1,000,000	100	100	Processing and manufacturing of timber products
東莞樹人木業有限公司	People's Republic of China	RMB153,673,000	100	100	Investment holding
首控(北京)管理諮詢有限公司**	People's Republic of China	RMB2,000,000	100	100	Investment holding
宜昌新首鋼房地產開發有限公司**	People's Republic of China	RMB20,000,000	100	100	Property development and asset management
內蒙古准興重載高速公路有限責任公司 ("Zhunxing")	People's Republic of China	RMB2,513,920,600 (Note 1)	55.9	55.9	Expressway and auxiliary facility investment, operation, management and maintenance

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2013

52. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Place of incorporation and operation	Issued and fully paid share capital/ registered capital	Proportion of ownership interest		Principal activity
			Held by the Company*/ subsidiaries %	Attributable to the Group %	
Beijing Zhunxing Longbo Management Consulting Company Limited	People's Republic of China	RMB2,000,000	100	55.9	Provision of management services
北京中資准興科技有限公司	People's Republic of China	HK\$5,000,000	100	100	Investment holding
內蒙古清水河准興物流園有限責任公司	People's Republic of China	RMB10,000,000	100	100	Coal processing and storage
Noble Grade International Investment Limited	British Virgin Islands	US\$1 share	100*	100	Investment holding
Sunshine Project Limited	British Virgin Islands	US\$1 share	100*	100	Investment holding
Sunshine Focus Limited	British Virgin Islands	US\$1 share	100*	100	Investment holding
宜昌中翔物業管理有限公司**	People's Republic of China	RMB500,000	70	70	Building management

** These subsidiaries form the disposal group. Details are set out in Note 41.

Note 1: During the year, the registered capital was increased from RMB816,326,630 to RMB2,513,920,600. During the year ended 31 March 2013, the capital reserve of RMB1,697,594,070 was transferred to paid-in capital and the Group has accumulatively injected RMB74,143,929 into Zhunxing.

Note 2: The above table includes the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the results of the Group for the period or formed a substantial portion of the assets and liabilities of the Group at the end of the reporting period. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2013

53. FINANCIAL RISK MANAGEMENT

The main risks arising from the Group's business and financial instruments are interest rate risk, foreign currency risk, credit risk, liquidity risk and market risk. These risks are limited by the Group's financial management policies and practices described below.

(a) Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates as the Group has no significant interest-bearing assets and liabilities except for the deposits in banks, promissory note and borrowings, details of which have been disclosed in Notes 32, 33, 35 and 38. The interest rate risk is considered to be insignificant.

Borrowings were issued at fixed rates which expose the Group to fair value interest-rate risk. The Group has no cash flow interest-rate risk as there are no borrowings which bear floating interest rates. The Group has not used any financial instruments to hedge potential fluctuations in interest rates.

At 31 March 2013, it is estimated that a general increase of 100 basis points in interest rates, with all other variables held constant, would increase the Group's loss for the year and retained profits by approximately HK\$16,326,000. Other components of consolidated equity would not have any impact.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of reporting period and had been applied to the exposure to interest rate risk for the borrowings in existence at that date. The 100 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual reporting date. The analysis is performed on the same basis for 2012.

(b) Foreign currency risk

The group companies mainly operated in their local jurisdiction with most of the transactions settled in their functional currency of the operation and did not have significant exposure to risk resulting from changes in foreign currency exchange rates.

(c) Credit risk

The Group's credit risk is primarily attributable to its 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 receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customers' past history of making payments when due and current ability to pay, and take into account information specific to the customers as well as pertaining to the economic environment in which the customers operate. Ongoing credit evaluation is performed on the financial condition of trade receivables. Normally, the Group does not obtain collateral from customers.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2013

53. FINANCIAL RISK MANAGEMENT *(Continued)*

(c) Credit risk *(Continued)*

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry in which customers operate also has an influence on credit risk but to a lesser extent. At the end of reporting period, the Group has a certain concentration of credit risk as 37% (2012: 54%) and 83% (2012: 92%) of the total trade receivables was due from the Group's largest trade debtor and the three largest trade debtors.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in Note 30.

For properties that are still under construction, the Group typically provides guarantees to banks in connection with the customers' borrowing of mortgage loans to finance their purchase of the properties for an amount up to 70% of the total purchase price of the property. If a purchaser defaults on the payment of its mortgage during the term of the guarantee, the bank holding the mortgage may demand the Group to repay the outstanding amount under the loan and any accrued interest thereon. Under such circumstances, the Group is able to retain the customer's deposit and sell the property to recover any amounts paid by the Group to the bank. Unless the selling price would drop by 30%, which is remote, the Group would not be in a loss position in selling those properties out. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced (refer to note 4(d) for more information).

The Group has arranged bank financing for certain purchasers of property units and provided guarantees to secure obligations of such purchasers for repayments. Detailed disclosure of these guarantees is made in Note 49.

No credit limits were exceeded during the year, and management does not expect any losses from non-performance by these counterparties.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2013

53. FINANCIAL RISK MANAGEMENT (Continued)

(d) Liquidity risk

The Group's policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities at the end of reporting period of the Group's and the Company's non-derivative financial liabilities and derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates, or if floating, based on rates current at the end of reporting period) and the earliest date the Group and the Company can be required to pay:

The Group

	Carrying amount HK\$'000	Total contractual undiscounted cash flow HK\$'000	Within 1 year or on demand HK\$'000	More than 1 year but less than 2 years HK\$'000	More than 2 years but less than 5 years HK\$'000	More than 5 years HK\$'000
2013						
Trade and other payables	2,188,910	2,188,910	2,188,910	–	–	–
Promissory note	293,458	293,458	293,458	–	–	–
Borrowings	7,495,492	8,925,802	6,258,377	114,745	291,127	2,261,553
Convertible bonds	1,836,870	2,360,000	180,000	2,180,000	–	–
Acreage fees payable	10,867	10,867	403	403	1,613	8,448
	11,825,597	13,779,037	8,921,148	2,295,148	292,740	2,270,001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
2012						
Trade and other payables	1,173,883	1,173,883	1,173,883	–	–	–
Deposit from sales of properties	122,996	122,996	122,996	–	–	–
Promissory note	289,105	289,105	289,105	–	–	–
Amount due to a joint operator	61,505	61,505	61,505	–	–	–
Borrowings	716,473	855,002	6,396	–	848,606	–
Convertible bonds	1,987,166	2,841,041	481,041	180,000	2,180,000	–
Acreage fees payable	11,020	11,020	519	519	1,557	8,425
	4,362,148	5,354,552	2,135,445	180,519	3,030,163	8,425

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2013

53. FINANCIAL RISK MANAGEMENT (Continued)

(d) Liquidity risk (Continued)

The Company

	Carrying amount HK\$'000	Total contractual undiscounted cash flow HK\$'000	Within 1 year or on demand HK\$'000	More than 1 year but less than 2 years HK\$'000	More than 2 years but less than 5 years HK\$'000	More than 5 years HK\$'000
2013						
Trade and other payables	55,818	55,818	55,818	-	-	-
Promissory note	293,458	293,458	293,458	-	-	-
Convertible bonds	1,836,870	2,360,000	180,000	2,180,000	-	-
	2,186,146	2,709,276	529,276	2,180,000	-	-
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
2012						
Trade and other payables	7,545	7,545	7,545	-	-	-
Promissory note	289,105	289,105	289,105	-	-	-
Convertible bonds	1,987,166	2,841,041	481,041	180,000	2,180,000	-
	2,283,816	3,137,691	777,691	180,000	2,180,000	-

(e) Market risk

The Group is exposed to equity price risk arising from changes in the Company's own share price to the extent that the Company's own equity instruments underlie the fair values of derivative or other financial liabilities of the Group. At the end of reporting period, the Group is exposed to this risk through the early redemption option attached to the convertible bonds issued by the Company as disclosed in Note 40.

Sensitivity analysis

The sensitivity analysis on equity price risk includes the Group's financial instruments, which fair value or future cash flow will fluctuate because of changes in their corresponding or underlying asset's equity price. If the prices of the respective equity instruments had been 10% higher/lower, loss after tax would decrease/increase by HK\$Nil (2012: HK\$16,722,000) and the Group's reserve would increase/decrease by HK\$Nil (2012: HK\$16,722,000).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2013

54. 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 Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total liabilities divided by total assets. The gearing ratios at 31 March 2013 and 2012 are as follows:

	2013 HK\$'000	2012 HK\$'000
Total liabilities	12,552,734	4,496,509
Total assets	17,667,131	9,556,116
Gearing ratio	71.1%	47.1%

55. NATURE RISK

The Group's revenue depends significantly on the ability to harvest wood at adequate levels. The ability to harvest wood in the concessions and the growth of the trees in the plantations may be affected by unfavourable local weather conditions and natural disasters. Weather conditions such as floods, droughts, cyclones and windstorms and natural disasters such as earthquakes, fire, disease, insect infestation and pests are examples of such events. The occurrence of severe weather conditions or natural disasters may diminish the supply of trees available for harvesting in the concessions, or otherwise impede the Group's logging operations or the growth of the trees in the plantations, which in turn may have a material adverse effect on the Group's ability to produce the products in sufficient quantities and a timely manner.

Moreover, bad weather may adversely affect the condition of the Group's transportation infrastructure, which is critical for the Group to supply timber from the timber concessions to the Group's manufacturing plants and customers. The Group has developed a strategy for utilising different transportation modes and stockpiling, but its daily operations may be unfavourably affected by interruption of transportation due to bad weather or other reasons.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2013

56. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The carrying amounts of the Group's financial assets and financial liabilities as recognised at 31 March 2013 and 2012 may be categorised as follows:

	2013 HK\$'000	2012 HK\$'000
Financial assets		
Derivative financial instrument	–	21,763
Investments held for trading	6,179	–
Loans and receivables (including cash and bank balances)	2,175,614	240,112
Available-for-sale investments	108,756	–
Financial liabilities		
Financial liabilities measured at amortised cost	11,833,068	4,239,152

(a) The fair values of financial assets and financial liabilities are determined as follows:

The fair value of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for option derivatives.

(b) The following table provides an analysis of financial instruments carried at fair value by level of fair value hierarchy:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

31 March 2013	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Assets				
Derivative financial instrument	–	–	–	–
31 March 2012				
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Assets				
Derivative financial instrument	–	21,763	–	21,763

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2013

57. EVENTS AFTER THE REPORTING PERIOD

- (a) On 3 May 2013, the Group entered into a new loan agreement with an independent third party to extend the repayment term of the original loan agreement dated 2 November 2012 for further six months from 7 May 2013 to 6 November 2013 and the loan facility limit was remained at HK\$400,000,000.
- (b) On 14 June 2013, the Company made an announcement on the followings:
 - (i) capital increase agreement in relation to subscription for the additional registered capital of Zhunxing for a total cash consideration of RMB1,611,898,040, resulting in the increase of the Company's indirect holding of equity interest in Zhunxing from 55.9% to 82.27%;
 - (ii) issuing of several convertible bonds by the Company in aggregate amount of HK\$2,584 million to several independent third parties; and
 - (iii) Issuing of 2,500 million ordinary shares of the Company at subscription price of HK\$0.3 per subscription share with total estimated net proceeds of HK\$747 million.
- (c) On 19 April 2013, the Company issued 2,000 million conditional warrants to Joint Gain Holdings Limited, an independent third party, subject to satisfaction of certain conditions, subscribe for 2,000 million new shares of the Company at the initial exercise price of HK\$0.48 each on or before 20 December 2015 according to a master agreement entered on 20 December 2012.

58. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 27 June 2013.

SUMMARY OF FINANCIAL INFORMATION

The summarised consolidated results, assets and liabilities of the Group for the last five financial years, as extracted from the audited consolidated financial statements of the Group, were set out below:

	Year ended 31 March				2013 HK\$'000
	2009 HK\$'000 (represented)	2010 HK\$'000 (represented)	2011 HK\$'000 (represented)	2012 HK\$'000 (represented)	
RESULTS					
Turnover					
– Continuing operations	17,121	20,489	12,573	138,626	4,569,568
– Discontinued operations	–	–	–	–	89,680
	17,121	20,489	12,573	138,626	4,659,248
Profit/(loss) before income tax expense					
– Continuing operations	(71,257)	(36,919)	(155,607)	(434,768)	(221,601)
– Discontinued operations	–	–	(1,911)	(14,673)	731
	(71,257)	(36,919)	(157,518)	(449,441)	(220,870)
Income tax expense					
– Continuing operations	(185)	248	(12)	–	(2,712)
– Discontinued operations	–	–	–	–	(36,957)
	(185)	248	(12)	–	(39,669)
Loss for the year					
– Continuing operations	(71,442)	(36,671)	(155,619)	(434,768)	(224,313)
– Discontinued operations	–	–	(1,911)	(14,673)	(36,226)
	(71,442)	(36,671)	(157,530)	(449,441)	(260,539)
Attributable to:					
Owners of the Company	(67,436)	(33,119)	(153,670)	(419,404)	(271,660)
Non-controlling interests	(4,006)	(3,552)	(3,860)	(30,037)	11,121
	(71,442)	(36,671)	(157,530)	(449,441)	(260,539)
ASSETS AND LIABILITIES					
Total assets	1,112,912	2,538,348	3,107,925	9,556,116	17,667,131
Total liabilities	(38,521)	(790,384)	(856,789)	(4,496,509)	(12,552,734)
Non-controlling interests	(22,971)	(19,884)	(15,198)	(2,416,436)	(2,430,548)
Shareholders' funds	1,051,420	1,728,080	2,235,938	2,643,171	2,683,849

PARTICULARS OF THE GROUP'S MAJOR PROPERTIES

1. PROPERTIES HELD FOR THE GROUP'S OWN USE

(a) Leasehold building and prepaid lease payments

Location	Lease expiry	Approximate gross floor area (sq. m)	Main usage	Attributable interest to the Group %
Level 7, Xinruike Building Futian Trade Zone Futian District Shenzhen PRC	2051	2,737	O	100

(b) Leasehold land included in property under development for sale and other properties under development.

Location	Lease expiry	Approximate site area (sq. m)	Main usage	Attributable interest to the Group %
Meiziya Village Xiaoxita Yiling District Yichang City Hubei Province The People's Republic of China	The property is subject to a right to use of land till 28 December 2046 for commercial, tourism and convention purpose and till 28 December 2076 for residential purpose	454,090 40,920 92,716 <u>587,726</u>	R C H	100

2. PROPERTY HELD FOR RENTAL PURPOSE

Cold storage warehouse – investment property

Location	Lease expiry	Approximate site area (sq. m)	Main usage	Attributable interest to the Group %
Central Coast Cold Storage Lots 120 Racecourse Road West Gosford New South Wales Australia	Freehold	10,520	C	100

Note:

O = Office R = Residential C = Commercial H = Hotel and international convention centre