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)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 MARCH 2016

The board of directors (the "Board") of China Resources and Transportation Group Limited (the "Company") announces the annual consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2016 together with comparative figures for the last year as follows:

CONSOLIDATED INCOME STATEMENT
For the year ended 31 March 2016

	Notes	**2016** **HK$'000**	2015 HK$'000
Turnover	*4*	**2,221,556**	5,016,547
Cost of sales and other direct operating costs		**(2,462,304)**	(4,816,021)
Gross (loss)/profit		**(240,748)**	200,526
Gain/(loss) on change in fair value of investment properties		**338**	(3,562)
(Loss)/gain on change in fair value less costs to sell of biological assets		**(1,226)**	3,088
Gain/(loss) on settling convertible bonds and non-convertible debt securities		**37,690**	(105,437)
Change in fair value of derivative financial instrument		**26,423**	142,083
Impairment loss on forest concession rights		**(110,831)**	(112,567)
Impairment loss on concession intangible asset		**(1,877,027)**	–
Impairment loss on properties, plant and equipment		**(103,237)**	(32,303)
Other income and other gains or losses	*6*	**131,433**	25,925
Selling and administrative expenses		**(270,477)**	(256,919)
Finance costs	*7*	**(1,462,207)**	(1,748,754)
Share of results of associates		**390**	348
Loss before income tax credit	*8*	**(3,869,479)**	(1,887,572)
Income tax credit	*9*	**593**	2,325

	Notes	**2016** ***HK$'000***	2015 *HK$'000*
Loss for the year		**(3,868,886)**	(1,885,247)
Loss for the year attributable to:			
Owners of the Company		**(3,455,588)**	(1,765,900)
Non-controlling interests		**(413,298)**	(119,347)
		(3,868,886)	(1,885,247)
		HK$	*HK$* (Restated)
Loss per share attributable to owners of the Company			
– Basic and diluted	*11*	**(1.15)**	(1.31)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2016

	2016	2015
	HK$'000	*HK$'000*
Loss for the year	**(3,868,886)**	(1,885,247)
Other comprehensive income:		
Items that will not be reclassified subsequently to profit or loss:		
– Gain on revaluation of property occupied by the Group, net of tax	**–**	5,175
Items that may be reclassified subsequently to profit or loss:		
– Exchange differences on translation of financial statements of foreign operations	**(181,503)**	43,362
– Share of other comprehensive income of associates	**(381)**	(93)
– Release of translation reserve upon disposal of subsidiaries	**(789)**	–
– Net movements in fair value reserve for available-for-sale investments	**11,822**	(55,000)
	(170,851)	(11,731)
Other comprehensive income for the year, net of tax	**(170,851)**	(6,556)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**(4,039,737)**	(1,891,803)
Total comprehensive income attributable to:		
– Owners of the Company	**(3,618,940)**	(1,773,885)
– Non-controlling interests	**(420,797)**	(117,918)
	(4,039,737)	(1,891,803)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2016

	Notes	2016 HK$'000	2015 HK$'000
NON-CURRENT ASSETS			
Investment properties		**31,689**	155,671
Property, plant and equipment		**1,023,891**	1,420,561
Prepaid lease payments		**38,513**	44,451
Goodwill and other intangible assets		**99,158**	400,782
Biological assets		**74,684**	79,710
Forest concession rights		**–**	138,417
Concession intangible asset		**15,763,277**	19,001,931
Long-term deposits and prepayments		**291,247**	661,127
Interests in associates		**480,551**	480,907
Available-for-sale investments		**109,750**	405,229
TOTAL NON-CURRENT ASSETS		**17,912,760**	22,788,786
CURRENT ASSETS			
Inventories		**87,465**	288,858
Trade and other receivables	*12*	**366,677**	351,567
Prepaid lease payments		**912**	1,042
Amounts due from non-controlling shareholders of subsidiaries		**15,588**	28,705
Amounts due from associates		**145,098**	116,156
Available-for-sale investments		**–**	63,227
Pledged deposits and restricted cash		**–**	134,040
Cash and cash equivalents		**116,225**	298,458
		731,965	1,282,053
Assets of a disposal group classified as held for sale		**58,042**	–
TOTAL CURRENT ASSETS		**790,007**	1,282,053
TOTAL ASSETS		**18,702,767**	24,070,839

	Notes	2016 HK$'000	2015 HK$'000
CURRENT LIABILITIES			
Trade and other payables	13	**1,813,083**	2,183,225
Promissory note		**306,892**	302,345
Deferred government grants		**–**	2,548
Borrowings		**843,578**	1,865,877
Convertible bonds		**3,189,853**	2,630,099
Non-convertible debt securities		**1,048,403**	–
		7,201,809	6,984,094
Liabilities of a disposal group classified as held for sale		**40,364**	–
TOTAL CURRENT LIABILITIES		**7,242,173**	6,984,094
NET CURRENT LIABILITIES		**(6,452,166)**	(5,702,041)
TOTAL ASSETS LESS CURRENT LIABILITIES		**11,460,594**	17,086,745
NON-CURRENT LIABILITIES			
Borrowings		**11,229,008**	11,734,712
Deferred tax liabilities		**10,811**	58,119
Convertible bonds		**–**	2,160,444
Acreage fees payable		**10,454**	10,454
TOTAL NON-CURRENT LIABILITIES		**11,250,273**	13,963,729
TOTAL LIABILITIES		**18,492,446**	20,947,823
NET ASSETS		**210,321**	3,123,016
CAPITAL AND RESERVES			
Share capital		**1,350,479**	270,096
Reserves		**(1,453,572)**	2,198,371
Equity attributable to owners of the Company		**(103,093)**	2,468,467
Non-controlling interests		**313,414**	654,549
TOTAL EQUITY		**210,321**	3,123,016

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2016

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 "Stock Exchange"). The address of the registered office is the office of Sterling Trust (Cayman) Limited, Whitehall House, 238 North Church Street, P.O. Box 1043, George Town, 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 expressway operations, trading and storage of petroleum and related products, compressed natural gas ("CNG") gas stations operations and timber operations.

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

(a) Adoption of new/revised HKFRSs – effective 1 April 2015

HKFRSs (Amendments)	Annual Improvements 2010-2012 Cycle
HKFRSs (Amendments)	Annual Improvements 2011-2013 Cycle
Amendments to HKAS 19 (2011)	Defined Benefit Plans: Employee Contributions

The adoption of the new HKFRSs had no material effect on the results and financial position for the current or prior accounting periods which have been prepared and presented. Accordingly, no restatement has been recognised.

Detailed impacts of the adoption of the new or amended HKFRSs are discussed below:

Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle

The amendments issued under the annual improvements process make small, non-urgent changes to a number of standards where they are currently unclear. They include amendments to HKAS 16 "Property, Plant and Equipment" to clarify how the gross carrying amount and accumulated depreciation are treated where an entity uses the revaluation model. The carrying amount of the asset is restated to revalued amount. The accumulated depreciation may be eliminated against the gross carrying amount of the asset. Alternatively, the gross carrying amount may be adjusted in a manner consistent with the revaluation of the carrying amount of the asset and the accumulated depreciation is adjusted to equal the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The adoption of the amendments to HKAS 16 has no impact on these financial statements as the latter treatment is consistent with the manner in which the Group has previously dealt with revaluations of its property, plant and equipment.

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

The amendments permit contributions that are independent of the number of years of service to be recognised as a reduction in the service cost in the period in which the service is rendered instead of allocating the contributions to periods of service.

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

The following new/revised HKFRSs, 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.

HKFRSs (Amendments)	Annual Improvements 2012-2014 cycle[1]
Amendments to HKAS 1	Disclosure Initiative[1]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[1]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[1]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[1]
HKFRS 9 (2014)	Financial Instruments[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[1]
HKFRS 14	Regulatory Deferral Accounts[1]
HKFRS 15	Revenue from Contracts with Customers[2]
HKFRS 16	Leases[3]

1 Effective for annual periods beginning on or after 1 January 2016
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for annual periods beginning on or after 1 January 2019
4 Effective date is deferred

Amendments to HKAS 1 – Disclosure Initiative

The amendments are designed to encourage entities to use judgement in the application of HKAS 1 when considering the layout and content of their financial statements.

An entity's share of other comprehensive income from equity accounted interests in associates and joint ventures will be split between those items that will and will not be reclassified to profit or loss, and presented in aggregate as a single line item within those two groups.

Amendments to HKAS 16 and HKAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to HKAS 16 prohibit the use of a revenue-based depreciation method for items of property, plant and equipment. The amendments to HKAS 38 introduce a rebuttable presumption that amortisation based on revenue is not appropriate for intangible assets. This presumption can be rebutted if either the intangible asset is expressed as a measure of revenue or revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

Amendments to HKAS 16 and HKAS 41 – Agriculture: Bearer Plants

The amendments define bearer plants and require biological assets that meet the definition to be accounted for as property, plant and equipment in accordance with HKAS 16. The agricultural produce of bearer plants remains within the scope of HKAS 41.

Amendments to HKAS 27 – Equity Method in Separate Financial Statements

The amendments allow an entity to apply the equity method in accounting for its investments in subsidiaries, joint ventures and associates in its separate financial statements.

HKFRS 9 (2014) – Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income ("FVTOCI") if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit or loss ("FVTPL").

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the 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 15 – Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and related interpretations.

HKFRS 15 requires the application of a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to each performance obligation
Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

HKFRS 16 – Leases

HKFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statement of both lessors and lessees. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value.

A lessee is required to recognise a right-of-use asset and a lease liability at the commencement of lease arrangement. Right-of-use asset includes the amount of initial measurement of lease liability, any lease payment made to the lessor at or before the lease commencement date, estimated cost to be incurred by the lessee for dismantling or removing the underlying assets from and restoring the site, as well as any other initial direct cost incurred by the lessee. Lease liability represents the present value of the lease payments. Subsequently, depreciation and impairment expenses, if any, on the right-of-use asset will be charged to profit or loss following the requirement of HKAS 16 "Property, Plant and Equipment", while lease liability will be increased by the interest accrual, which will be charged to profit or loss, and deducted by lease payments.

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

(c) New Hong Kong Companies Ordinance provisions relating to the preparation of financial statements

The provisions of the new Hong Kong Companies Ordinance, Cap. 622, in relation to the preparation of financial statements will apply to the Company in its first financial year beginning on or after 3 March 2014 (i.e. the financial year ended 31 March 2016).

The directors consider that there will be no impact on the Group's financial position or performance, however the new Hong Kong Companies Ordinance, Cap. 622, impacts on the presentation and disclosures in the consolidated financial statements. For example, the statement of financial position of the Company is now presented in the notes to the financial statements rather than a primary statement and the related notes to the statement of financial position of the Company are generally no longer presented.

3. BASIS OF PREPARATION

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") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of Hong Kong Companies Ordinance. In addition, the consolidated 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, office building included in property, plant and equipment, derivative financial instrument, available-for-sale investments with quoted market price, and biological assets and assets of a disposal group classified as held for sale, which are measured at revalued amounts, fair values or fair value less costs to sell as explained in the accounting policies set out below.

As at 31 March 2016, the Group had net current liabilities of HK$6,452,166,000 and incurred a loss of HK$3,868,886,000 for the year ended 31 March 2016. In addition, during the year the partial settlement of convertible bonds and non-convertible debt securities of HK$832,000,000 and HK$500,000,000 respectively were overdue. The Company's default on settlement is a breach of the relevant loan covenants which caused the remaining balances of the convertible bonds and non-convertible debt securities to become also repayable on demand. In aggregate, the carrying amount of these convertible bonds and non-convertible debt securities which are immediately repayable was HK$4,238,256,000 (the "Repayable Amount). These conditions, indicate the existence of material uncertainties 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 view of the above, the directors of the Company have undertaken the following measures to improve its financial position which include:

i) As of 31 March 2016, the Group is required to repay the Repayable Amount. As announced by the Company on 26 February 2016, the Group has been actively discussing with the holders of the Notes (the "Notes Holders") on rectifying the default on partial settlement and to agree on the repayment schedule of the Repayable Amount. The directors of the Company maintain regular discussions with the financial advisers and the Notes Holders. These discussions remain constructive, and the directors of the Company are of the opinion that the default on partial settlement could be rectified and new repayment schedule could be agreed; and

ii) Up to the date of this report, the Group is currently discussing with a potential buyer, to dispose of the entire equity interest in one of its subsidiaries, Inner Mongolia Zhunxing Heavy Haul Expressway Company Limited ("Zhunxing"), which is the legal owner of the Group's property, plant and equipment and concession intangible asset with carrying amounts of HK$821,721,000 and HK$15,763,277,000, as set out in Notes 16 and 21 in these consolidated financial statements, such that sales proceeds would be available before the Note Holders would demand for repayment on the borrowings in default above (the "Disposal"). The final terms and conditions of the agreement of the Disposal is still under negotiation. Moreover, the successfulness of the Disposal will be subject to the results of financial due diligence work to be performed on Zhunxing and the approvals by the government authorities. If the Disposal is materialised, the Group's cashflow will be strengthened and have sufficient reserve of cash to meet its liquidity requirement in the short and long term.

The directors of the Company have prepared a cash flow forecast of the Group for a period covered not less than twelve months from 31 March 2016. Based on the forecast which has taken into account of the above measures, the directors of the Company 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 2016. Accordingly, the directors of the Company are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Should the Group be unable to continue in business as a going concern, adjustments would have to be made to restate the value of assets to their estimated realisable 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 consolidated financial statements.

(c) Functional and presentation currency

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

4. TURNOVER

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

	2016	2015
	HK$'000	*HK$'000*
Toll income from toll road operations	**501,052**	905,788
Trading of petroleum and related products	**1,643,310**	4,091,582
CNG gas station service income	**19,759**	2,106
Income from timber logging and trading	**49,642**	10,308
Sales of seedlings	**5,843**	4,540
Sales of plant-oil	**1,950**	2,223
	2,221,556	5,016,547

5. SEGMENT INFORMATION

The Chief operating decision makers have been identified as executive directors of the Company. They review the Group's internal reporting in order to assess performance and allocate resources, and determine the operating segments.

The Group has three reportable segments. The segments are managed separately as each business offers different products or provides different services and requires different business strategies.

The following summary describes the operations in each of the Group's reportable segments:

- Expressway operations – the operations, management, maintenance and auxiliary facility investment of Zhunxing Expressway;

- Petroleum business – trading of petroleum and related products, provision of petroleum storage and ancillary services, and operations of CNG gas stations; and

- Timber operations – sales of timber logs from forest concession, tree plantation area and outside suppliers, sales of seedlings and refined plant oil.

There was no inter-segment sale or transfer during the year (2015: HK$Nil). Central revenue and expenses are not allocated to the operating segments as they are not included in the measure of the segments' results that is used by the chief operating decision makers for assessment of segment performance.

The measure used for reportable segment profit or loss is loss before interest and tax.

Segment assets exclude investment property in Australia, assets of a disposal group classified as held for sale, interest in associates – Yichang Group, available-for-sale investments, amounts due from non-controlling shareholders of subsidiaries, amounts due from associates, pledged deposits 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 exclude promissory note, convertible bonds, non-convertible debt securities, liabilities of a disposal group classified as held for sale, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

(a) **Reportable Segment**

For the year ended 31 March 2016

	Expressway operations *HK$'000*	**Petroleum business** *HK$'000*	**Timber operations** *HK$'000*	**Total** *HK$'000*
REVENUE				
Revenue from external customers	**501,052**	**1,663,069**	**57,435**	**2,221,556**
Inter-segment revenue	**–**	**–**	**–**	**–**
Reportable segment revenue	**501,052**	**1,663,069**	**57,435**	**2,221,556**
Reportable segment loss	**(2,266,326)**	**(65,141)**	**(163,028)**	**(2,494,495)**
Reportable segment assets	**17,082,906**	**352,897**	**278,379**	**17,714,182**
Reportable segment liabilities	**(13,338,359)**	**(296,677)**	**(30,031)**	**(13,665,067)**
Other segment information				
Additions of property, plant and equipment	**1,272**	**978**	**287**	**2,537**
Unallocated additions of property, plant and equipment				**496**
Total additions of property, plant and equipment				**3,033**
Additions of biological assets	**–**	**–**	**5,325**	**5,325**
Depreciation of property, plant and equipment	**94,847**	**6,812**	**6,879**	**108,538**
Unallocated depreciation of property, plant and equipment				**1,813**
Total depreciation of property, plant and equipment				**110,351**
Amortisation of prepaid lease payments	**–**	**412**	**580**	**992**
Unallocated amortisation of prepaid lease payments				**34**
Total amortisation of prepaid lease payments				**1,026**

	Expressway operations *HK$'000*	Petroleum business *HK$'000*	Timber operations *HK$'000*	Total *HK$'000*
Amortisation of customer relationship	**–**	**3,687**	**–**	**3,687**
Amortisation of forest concession rights	**–**	**–**	**27,586**	**27,586**
Amortisation of concession intangible assets	**617,143**	**–**	**–**	**617,143**
Impairment loss of forest concession rights	**–**	**–**	**110,831**	**110,831**
Impairment loss on concession intangible asset	**1,877,027**	**–**	**–**	**1,877,027**
Impairment loss of property, plant and equipment	**97,846**	**–**	**5,391**	**103,237**
Interest income	**10,334**	**197**	**4,819**	**15,350**
Unallocated interest income				**2,554**
Total interest income				**17,904**

For the year ended 31 March 2015

	Expressway operations *HK$'000*	Petroleum business *HK$'000*	Timber operations *HK$'000*	Total *HK$'000*
REVENUE				
Revenue from external customers	905,788	4,093,688	17,071	5,016,547
Inter-segment revenue	–	–	–	–
Reportable segment revenue	905,788	4,093,688	17,071	5,016,547
Reportable segment profit/(loss)	61,080	33,413	(194,213)	(99,720)
Reportable segment assets	20,909,238	1,139,735	436,944	22,485,917
Reportable segment liabilities	(14,495,354)	(1,093,346)	(41,714)	(15,630,414)
Other segment information				
Additions of property, plant and equipment	1,859	147,699	882	150,440
Unallocated additions of property, plant and equipment				542
Total additions of property, plant and equipment				150,982
Additions of prepaid lease payments	–	16,554	–	16,554
Additions of goodwill and other intangible assets	–	403,650	–	403,650
Additions of biological assets	–	–	2,448	2,448
Depreciation of property, plant and equipment	98,131	7,881	13,150	119,162
Unallocated depreciation of property, plant and equipment				2,319
Total depreciation of property, plant and equipment				121,481

	Expressway operations *HK$'000*	Petroleum business *HK$'000*	Timber operations *HK$'000*	Total *HK$'000*
Amortisation of prepaid lease payments	–	71	580	651
Unallocated amortisation of prepaid lease payments				81
Total amortisation of prepaid lease payments				732
Amortisation of customer relationships	–	5,193	–	5,193
Amortisation of forest concession rights	–	–	27,586	27,586
Amortisation of concession intangible assets	617,143	–	–	617,143
Impairment loss of forest concession rights	–	–	112,567	112,567
Impairment loss of property, plant and equipment	–	–	32,303	32,303
Interest income	6,286	285	6,029	12,600
Unallocated interest income				785
Total interest income				13,385

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

	2016	2015
	HK$'000	*HK$'000*
Reportable segment loss before interest and income tax credit	**(2,494,495)**	(99,720)
Gain/(loss) on change in fair value of investment properties	**338**	(5,199)
Gain/(loss) on settling convertible bonds and non-convertible debt securities	**37,690**	(105,437)
Gain on disposal of subsidiaries	**64,670**	–
Change in fair value of derivative financial instrument	**26,423**	142,083
Other income and other gains or losses	**27,409**	1,487
Finance costs	**(1,462,207)**	(1,748,754)
Share of results of associates	**(621)**	(295)
Unallocated corporate expenses	**(68,686)**	(71,737)
Consolidated loss before income tax credit	**(3,869,479)**	(1,887,572)
Assets		
Reportable segment assets	**17,714,182**	22,485,917
Assets of a disposal group classified as held for sale	**58,042**	–
Investment properties	**31,689**	31,400
Interests in associates	**448,916**	448,665
Cash and cash equivalents	**116,225**	298,458
Pledged deposits and restricted cash	**–**	134,040
Available-for-sale investments	**109,750**	468,456
Amounts due from non-controlling shareholders of subsidiaries	**15,588**	28,705
Amounts due from associates	**145,098**	116,156
Unallocated corporate assets	**63,277**	59,042
Consolidated total assets	**18,702,767**	24,070,839
Liabilities		
Reportable segment liabilities	**13,665,067**	15,630,414
Liabilities of a disposal group classified as held for sale	**40,364**	–
Deferred tax liabilities	**10,811**	58,119
Promissory note	**306,892**	302,345
Convertible bonds	**3,189,853**	4,790,543
Non-convertible debt securities	**1,048,403**	–
Unallocated corporate liabilities	**231,056**	166,402
Consolidated total liabilities	**18,492,446**	20,947,823

(c) Geographical information

The Group operates in three principal geographical areas – the PRC, Hong Kong 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	
	2016	2015	**2016**	2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
PRC	**2,172,054**	5,006,239	**17,769,966**	22,172,372
Hong Kong	**49,502**	–	**1,355**	33,556
Australia	**–**	–	**31,689**	31,400
Guyana	**–**	10,308	**–**	146,229
	2,221,556	5,016,547	**17,803,010**	22,383,557

(d) Information about major customers

The Group's customer base is diversified. Individual external customers accounting for 10% or more of the Group's revenue for the years ended 31 March 2016 and 2015 are as follows:

	2016	2015
	HK$'000	*HK$'000*
Customer A	**542,929**	1,721,446
Customer B	**238,757**	859,118
Customer C	**235,099**	–
Customer D	**221,280**	–
	1,238,065	2,580,564

For the above presentation purpose, sales to entities which are known to the Group to be under common control by the same ultimate parent company are grouped as a single customer. All of the revenue disclosed above is derived from the Group's petroleum business segment in the PRC.

6. OTHER INCOME AND OTHER GAINS OR LOSSES

Other income and other gains or losses comprises:

	2016	2015
	HK$'000	*HK$'000*
Interest income	**17,904**	13,385
Dividend income	**–**	1,915
Exchange gain, net	**1,754**	47
Amortisation of deferred government grants	**2,463**	2,538
Rental income	**2,044**	4,104
Impairment loss on assets of a disposal group classified as held for sale	**(89)**	–
Gain on disposal of subsidiaries	**64,670**	–
Gain on disposal of available-for-sale investments	**39,485**	–
Others	**3,202**	3,936
	131,433	25,925

7. FINANCE COSTS

	2016	2015
	HK$'000	*HK$'000*
Interest and finance costs on bank and other borrowings	**816,743**	970,345
Interest expenses on convertible bonds and non-convertible debt securities	**577,794**	719,582
Interest expenses on promissory note	**4,547**	4,469
Default interest on convertible bonds and non-convertible debt securities	**7,797**	–
Default interest on promissory note	**55,326**	54,358
	1,462,207	1,748,754

8. LOSS BEFORE INCOME TAX CREDIT

Loss before income tax credit is stated after charging:

	2016	2015
	HK$'000	*HK$'000*
Auditor's remuneration		
– Audit services	**2,700**	2,625
– Non-audit services	**615**	280
Depreciation of property, plant and equipment *(Note i)*	**110,351**	121,481
Amortisation of prepaid lease payments *(Note ii)*	**1,026**	732
Amortisation of customer relationships	**3,687**	5,193
Amortisation of forest concession rights included in selling and administrative expenses	**27,586**	27,586
Amortisation of concession intangible asset included in cost of sales	**617,143**	617,143
Amortisation of deferred government grants	**(2,463)**	(2,538)
Write-off of inventories	**526**	–
Operating lease payments recognised as expenses	**17,489**	17,107
Cost of inventories sold	**1,681,109**	3,996,710
Impairment loss of trade and other receivables	**20,760**	9,221
Staff costs (excluding directors' remuneration):		
– Salaries and allowances *(Note iii)*	**82,498**	83,501
– Defined contributions pension costs	**7,501**	6,112

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

	2016	2015
	HK$'000	*HK$'000*
Amounts included in cost of sales	**89,071**	92,190
Amounts included in selling and administrative expenses	**21,280**	29,291
	110,351	121,481

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

	2016	2015
	HK$'000	*HK$'000*
Amounts included in biological assets	**580**	580
Amounts included in selling and administrative expenses	**446**	152
	1,026	732

Note (iii): An analysis of the Group's salaries and allowances is as follows:

	2016	2015
	HK$'000	*HK$'000*
Amounts included in cost of sales	**31,958**	37,161
Amounts included in selling and administrative expenses	**50,540**	46,340
	82,498	83,501

9. INCOME TAX CREDIT

The income tax credit comprises:

	2016	2015
	HK$'000	*HK$'000*
PRC enterprise income tax		
– Current tax expense	**594**	485
– Deferred tax credit	**(1,187)**	(2,810)
	(593)	(2,325)

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

	2016	2015
	HK$'000	*HK$'000*
Loss before income tax credit	**(3,869,479)**	(1,887,572)
Tax calculated at 25% (2015: 25%)	**(967,370)**	(471,893)
Net effect of non-taxable/deductible items	**859,932**	393,426
Net effect of tax losses and temporary differences not recognised	**28,187**	656
Effect of different tax rates of subsidiaries operating in other jurisdictions	**78,658**	75,486
Income tax credit	**(593)**	(2,325)

The PRC 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, subsidiaries of the Company, 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 Company, is entitled to a three-year exemption from PRC enterprise income tax followed by a 50% reduction in PRC enterprise income tax for subsequent three years (the "Tax Holiday"). As Zhunxing has started operations during the year ended 31 March 2014, the Tax Holiday has been started in 2014. Consequently, Zhunxing is exempted from PRC enterprise income tax rate from 2014 to 2016 and is subject to a 12.5% PRC enterprise income tax rate from 2017 to 2019.

For the year ended 31 March 2016, the statutory PRC enterprise income tax rate applicable to all other subsidiaries established and operating in the PRC is 25% (2015: 25%).

According to the PRC Corporate Income Tax Law and its implementation rules, dividends receivable by non-PRC resident corporate investors from PRC-resident enterprises are subject to withholding income tax at a rate of 10%, unless reduced by tax treaties or arrangements, for profits earned since 1 January 2008. Since the Group can control the quantum and timing of distribution of profits of the Group's subsidiaries in the PRC, deferred tax liabilities are only provided to the extent that such profits are expected to be distributed in the foreseeable future.

The statutory tax rate for Hong Kong profits tax is 16.5% (2015: 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 2016 and 2015.

The subsidiaries in Guyana are liable to Guyana income tax at a rate of 45% (2015: 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 2016 and 2015.

The subsidiaries in Australia are liable to Australian income tax at a rate of 30% (2015: 30%). No provision for Australian income tax has been made as the subsidiaries in Australia sustained losses for taxation purposes for the years ended 31 March 2016 and 2015.

10. DIVIDEND

The directors of the Company do not recommend the payment of a dividend for the year ended 31 March 2016 (2015: HK$Nil).

11. LOSS PER SHARE

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

Loss for the year attributable to owners of the Company:

	2016	2015
	HK$'000	*HK$'000*
Loss for the purposes of basic and diluted loss per share	**(3,455,588)**	(1,765,900)

Number of shares:	***'000***	*'000* (Restated)
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	**3,018,284**	1,353,432

For the years ended 31 March 2016 and 2015, 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.

For the year ended 31 March 2015, the weighted average number of ordinary shares in issue was restated, after adjusting for share consolidation and bonus elements in the rights issue.

The computation of diluted loss per share for the years ended 31 March 2016 and 2015 does not assume the exercise of the Company's outstanding share options (2015: share options and warrants) as the exercise prices of those options (2015: share options and warrants) are higher than the average market price for shares.

12. TRADE AND OTHER RECEIVABLES

	2016	2015
	HK$'000	*HK$'000*
Trade receivables	**14,369**	153,049
Less: Provision for impairment loss	**(9,103)**	(1,859)
Trade receivables, net	**5,266**	151,190
Other receivables	**161,011**	74,140
Loan to non-controlling shareholder of a subsidiary	**83,629**	–
Loan receivables	**97,444**	71,027
Less: Provision for impairment loss	**(24,701)**	(11,668)
Other receivables, net	**317,383**	133,499
Deposits paid	**4,390**	4,917
Prepayments	**39,638**	61,961
	366,677	351,567

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.

The below table reconciles the impairment loss of trade and other receivables for the years:

	2016	2015
	HK$'000	*HK$'000*
At 1 April	**13,527**	41,510
Add: Impairment loss recognised *(Note 8)*	**20,760**	9,221
Less: Written off	**–**	(37,251)
Exchange differences	**(483)**	47
At 31 March	**33,804**	13,527

Details of the ageing analysis of trade receivables of the Group (net of impairment losses) are as follows:

	2016	2015
	HK$'000	*HK$'000*
Outstanding balances aged:		
0 to 30 days	**3,819**	98,612
31 to 60 days	**–**	40,637
61 to 180 days	**42**	6,385
Over 180 days	**1,405**	5,556
	5,266	151,190

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

	2016	2015
	HK$'000	*HK$'000*
Neither past due nor impaired	**3,819**	139,249
30 to 90 days past due	**42**	6,385
Over 90 days	**1,405**	5,556
	5,266	151,190

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.

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

	2016	2015
	HK$'000	*HK$'000*
Neither past due nor impaired	**279,414**	108,208
Over 90 days past due	**37,969**	25,291
	317,383	133,499

Other receivables that were neither past due nor impaired related to a number of other debtors for whom there was no recent history of default.

Loan to non-controlling shareholder of a subsidiary is unsecured, interest free and repayable on demand.

An advance to a third party was included in the loan receivables, and was made on 1 August 2015. It is unsecured, bearing interest at the rate of 14% per annum and is repayable on or before 31 August 2016.

13. TRADE AND OTHER PAYABLES

	2016	2015
	HK$'000	*HK$'000*
Trade payables	**1,505**	1,525
Other payables and accruals *(Note i)*	**1,776,591**	2,117,799
Deposit received from customers	**34,987**	63,901
	1,813,083	2,183,225

Note:

(i) As at 31 March 2016, other payables mainly comprised construction costs payable of HK$1,253,815,000 (2015: HK$1,647,978,000) and retention and guarantee deposit of HK$203,108,000 (2015: HK$227,290,000).

Accruals of the Group also included accumulated default interest on promissory note, convertible bonds and non-convertible debt securities amounted to HK$217,619,000 (2015: HK$154,496,000).

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:

	2016	2015
	HK$'000	*HK$'000*
Outstanding balances aged:		
Within 30 days	**850**	–
31 to 60 days	**589**	544
61 to 180 days	**–**	906
Over 180 days	**66**	75
	1,505	1,525

MANAGEMENT DISCUSSION AND ANALYSIS FOR THE YEAR ENDED 31 MARCH 2016

For the year ended 31 March 2016, the Group was principally engaged in expressway operations, trading and storage of petroleum and related products, compressed natural gas ("**CNG**") gas station operations and timber operations. The Group's turnover was mainly derived from expressway operation and the trading of petroleum and related products.

BUSINESS REVIEW

Operation of Zhunxing Expressway

During the year, the Company's turnover was partly contributed by toll income from the 265-kilometre heavy-haul toll expressway ("**Zhunxing Expressway**") operated by 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**") which is indirectly held as to 86.87% by the Company.

For the year ended 31 March 2016, Zhunxing Expressway recorded an accumulated toll income of approximately RMB409.71 million (approximately HK$500.72 million), i.e. an average daily toll income of approximately RMB1.12 million (approximately HK$1.37 million) and an average daily traffic volume of approximately 3,585 vehicles (for the year ended 31 March 2015, was approximately RMB2.00 million (approximately HK$2.50 million) and the average daily traffic volume was approximately 5,000 vehicles).

Upon traffic opening and commencement of toll collection of Zhunxing Expressway on 21 November 2013, the Group actively introduced measures and promotions to build client base. Yet, a number of factors have restrained the growth of both traffic volume and toll income of Zhunxing Expressway during the year:

(1) the coal market remains sluggish under the influence of the national macroeconomic environment and environmental policy. Special political events in 2015 such as Olympic bidding and troops review posed negative impacts on the number and loading of coal transport vehicles, resulting in a 45% drop in toll fee as compared to the previous corresponding year;

(2) the opening of part of the Beijing-Lhasa Expressway ("G109") has diverted some coal transportation vehicles traveling to Hebei to run on G109, instead of running on Zhunxing Expressway; and

(3) the auxiliary facilities of some service areas and major petrol and gas stations were not in operation, which caused inconvenience to some users of Zhunxing Expressway.

To improve both the traffic volume and toll income of Zhunxing Expressway, Zhunxing is actively implementing the below measures to promote and attract more coal transport vehicles to run on Zhunxing Expressway on a regular basis:

(1) closely keep track with competitors to cope with any new market changes brought by the toll collection network. Zhunxing is fine-tuning its business strategies to seek breakthrough in raising toll income in this harsh market environment:

    i) the tunnel-free nature of Zhunxing Expressway and the absence of hazardous chemical transport restrictions are promoted to attract specific customers;

    ii) discount plans are offered to major customers to enhance the usage of Zhunxing Expressway; and

    iii) a safe and expedient driving environment is emphasised by implementing 24-hour patrol service which aims to swiftly resolve spontaneous traffic incidents and minimise the time to restore traffic fluency on Zhunxing Expressway;

(2) push forward the licensing process of auxiliary facilities of service areas and major petrol and gas stations. The petrol and gas stations in the Wulanchabu section and the Hohhot section are expected to officially commence operation in August 2016 and June 2017 respectively. The additional services, such as petrol and gas dispensing and supply of food and beverages, are expected to bring convenience to road users and attract a steady flow of customers; and

(3) reduce the operating costs of Zhunxing Expressway. Upon the implementation of toll collection network in June 2015, Zhunxing promoted the use of Electronic Toll Collection Cards (the "**ETC Cards**") for fee collection at the toll stations. Zhunxing has gradually modified its human resource structure to better align with the reduced service level resulting from the implementation of the ETC Cards, hence significantly reduced its labor costs.

Petroleum and Related Products Business

For the year ended 31 March 2016, the Group through its wholly owned subsidiary, Shenzhenshi Qianhai Zitong Energy Company Limited (深圳市前海資通能源有限公司) ("**Zitong Energy**") continued to focus on the development of the three ancillary business sectors under the petroleum business segment, namely (1) the traditional energy business sector based on refined petroleum trading, (2) the clean energy business sector based on contemporary coal chemicals, and (3) the new energy business sector based on CNG.

(1) Refined Petroleum Trading business:

For the year ended 31 March 2016, Zitong Energy continued to build the business platform for refined petroleum trading as well as expansion of business channels and market shares. To cope with the changes in business environments, the Group modified its business strategies by completing a reorganization process at the end of July 2015, of which 70% of the equity interests of Zhanjiang Dapeng Petrochemical Company Limited (湛江大鵬石化有限公司) ("**Dapeng**") was disposed and an additional 35% of the equity interests of Guangdong Jinjing Energy Company Limited (廣東金晶能源股份有限公司) ("**Jinjing**") was acquired (the "**Reorganization**"). After the Reorganization was completed, Jinjing became a wholly-owned subsidiary of the Group. Up till now, Zitong Energy and Jinjing have become the suppliers of a number of provincial sales companies of the products of PetroChina Company Limited and Sinocorp.

During the year, the international crude petroleum market has been unstable. The price of the crude petroleum has continued to drop and demand of the domestic refined petroleum market remains weak. During the year ended 31 March 2016, Zitong Energy, Dapeng and Jinjing recorded sales of petroleum products of approximately 291,000 tons in total (2015: approximately 636,000 tons), whereas revenue from principal business was approximately HK$1,636.34 million (2015: approximately HK$4,085.00 million).

(2) Clean Energy Business:

For the year ended 31 March 2016, the Group's 85% owned subsidiary Shenzhenshi Qianhai Zitong Clean Energy Company Limited (深圳市前海資通清潔能源有限公司) ("**Zitong Clean Energy**") continued to focus on technological coordination and business negotiation for the cooperation project with CNOOC Oil & Petrochemicals Company Limited (中海石油煉化有限責任公司) ("**CNOOC**") in relation to the partial oxidation coal-to-hydrogen plant (the "**POX Project**") under the Huizhou petrochemicals phase II project. Zitong Clean Energy will continue to take proactive approach in the preliminary works including optimization of technologies, selection of equipment and construction, and formation of the related joint venture.

(3) New Energy Business:

In July 2015, the second CNG gas dispensing station of the Group's wholly owned subsidiary Sichuan Leshan Zhongshun Oil and Gas Company Limited (四川樂山中順油汽有限公司) ("**Leshan Zhongshun**") has commenced operation. For the year ended 31 March 2016, Leshan Zhongshun has realised sales of CNG amounted to approximately HK$19.76 million (2015: HK$2.10 million).

Forest Operation

With an aim to focus its resources and manpower on other main businesses of the Group, the Company will continue to look for opportunity to dispose its forestry related businesses.

FINANCIAL REVIEW

For the year ended 31 March 2016, the Group recorded a turnover of approximately HK$2,221.56 million (2015: HK$5,016.55 million) which is recognised under three reportable segments of the Group, namely expressway operations, petroleum business and timber operations, contributing approximately HK$501.05 million (22.55%), HK$1,663.07 million (74.86%) and HK$57.44 million (2.59%) (2015: HK$905.79 million (18.06%), HK$4,093.69 million (81.60%) and HK$17.07 million (0.34%)) respectively to the Group's consolidated turnover.

Turnovers from the two core businesses, i.e. HK$501.05 million income from expressway operations (2015: HK$905.79 million) and HK$1,643.31 million income from trading of petroleum and related product (2015: HK$4,091.58 million), constituted the main streams of the Group's revenue for the year ended 31 March 2016. A 45% drop in toll income from the expressway operations was recorded as a result of the decrease in both the traffic volume and toll rates of Zhunxing Expressway, which were restrained by certain factors detailed in the above "Business Review" section. Furthermore, due to the price reduction of international crude petroleum and weak demand of the domestic refined petroleum market, a 60% decline in income was recorded under the Group's petroleum trading business for the year ended 31 March 2016.

During the year, the Group recorded a gross loss amounted to approximately HK$240.75 million as compared to a gross profit of HK$200.53 million recorded for the year ended 31 March 2015. Cost of sales for the year ended 31 March 2016 was approximately HK$2,462.30 million (2015: HK$4,816.02 million) which was primarily driven by (i) the cost of sales of petroleum and related products amounted to HK$1,613.70 million (2015: HK$3,983.39 million), (ii) the amortization of the concession intangible assets of approximately HK$617.14 million upon the commencement of toll collection of Zhunxing Expressway (2015: HK$617.14 million), and (iii) the depreciation of fixed assets arising from expressway operations amounted to HK$89.07 million (2015: HK$92.19 million).

For the year ended 31 March 2016, the Group recorded a decreased EBITDA (defined as earnings before interest, tax, depreciation, amortization and non-cash changes in values of assets and liabilities) amounted to approximately HK$396.47 million compared to the EBITDA of approximately HK$740.53 million for the last financial year. The 46% decline in EBITDA was primarily driven by the reduced revenue from the two core businesses as previously discussed. Detailed segment turnover and contribution to loss before tax credit of the Group are shown in Note 5 to the financial statements.

The loss before income tax credit was approximately HK$3,869.48 million (2015: HK$1,887.57 million) and net loss was approximately HK$3,868.89 million (2015: HK$1,885.25 million) for the year ended 31 March 2016. The 105% increase in net loss during the year was mainly attributable to the significant increase in impairment loss amounted to HK$1,877.03 million on the concession intangible asset and HK$97.85 million on related property, plant and equipment under the expressway operations of the Group. No impairment loss on the concession intangible asset and related property, plant and equipment under the expressway operations was recognised for the year ended 31 March 2015. The impairment loss is non-cash in nature and the Board is of the view that it does not have any impact on the cash flow of the Group.

Apart from the above, the reduction in revenue from the two core businesses also accelerated the increase in net loss during the year. The finance cost of the Group was reduced by 16% to HK$1,462.21 million (2015: HK$1,748.75 million) due to the disposal of a subsidiary under the petroleum business and the repayment of certain convertible bonds and non-convertible debt securities during the year.

For the purpose of estimating the fair value of the Group's biological assets in the PRC and any impairment on the forest concession rights in Guyana as at 31 March 2016, independent valuations were performed by LCH (Asia-Pacific) Surveyors Limited (the "**Valuer**"), a firm of qualified professional surveyors and international valuation consultants with over 20 years of valuation experience. The Board is satisfied that the Valuer is independent and competent to conduct the valuations. As at 31 March 2016, the Group has recorded a loss on the change in fair value less costs to sell of biological assets amounted to approximately HK$1.23 million (2015: a gain of HK$3.09 million) and an impairment loss on forest concession rights of approximately HK$110.83 million (2015: HK$112.57 million).

The loss attributable to owners of the Company for the year was approximately HK$3,455.59 million (2015: HK$1,765.90 million). Taking into account the share consolidation on the basis of every twenty issued and unissued existing shares into one consolidated share which came into effect on 5 November 2015 and the completion of rights issue on 9 December 2015, both the basic and diluted loss per share attributable to owners of the Company for the year were HK$1.15 as compared with HK$1.31 (restated) for the last corresponding year.

LIQUIDITY REVIEW

As at 31 March 2016, the Group's net assets significantly decreased by 93% to approximately HK$210.32 million (2015: HK$3,123.02 million) mainly due to the impairment loss on the concession intangible asset and related property, plant and equipment under the expressway operations as set forth above.

The current assets of the Group decreased by about 38% from HK$1,282.05 million to HK$790.00 million, primarily contributed by (i) reduced cash and cash equivalents to approximately HK$116.23 million (2015: HK$298.46 million) arising from the interest payments for bank loans, convertible bonds and non-convertible debt securities, (ii) reduction in pledged deposits and restricted cash of approximately HK$134.04 million due to the repayment of bank borrowings and (iii) reduced inventories to approximately HK$87.47 million (2015: HK$288.86 million) mainly arising from the trading activities under the petroleum business.

During the year, the Group's current liabilities increased by about 4% from approximately HK$6,984.09 million to approximately HK$7,242.17 million, mainly contributed by (i) reduced borrowings to approximately HK$843.58 million (2015: HK$1,865.88 million), (ii) reduced trade and other payables to approximately HK$1,813.08 million (2015: HK$2,183.23 million) primarily due to reduced construction costs payable to approximately HK$1,253.82 million (2015: HK$1,647.98 million) and (iii) increased convertible bonds to approximately HK$3,189.85 million (2015: HK$2,630.10 million). The convertible bonds classified under current liabilities as at 31 March 2016 included the principal amount of HK$832 million matured in February 2016, the HK$1,500 million maturing in October 2016 and the HK$700 million maturing in February 2018.

As at 31 March 2016, the Group was due to repay the principal amounts of HK$832 million of convertible bonds and HK$500 million of non-convertible debt securities payable on 10 February 2016 and 3 March 2016 respectively, interests of HK$25.38 million and default interests of HK$7.80 million. Besides, there were outstanding interests amounted to approximately HK$125.92 million payable under other convertible bonds on 19 February 2016. Up to the date of this announcement, the management of the Company maintains regular discussions with the financial advisers and all the holders of the convertible bonds and non-convertible debt securities on the potential restructuring of all the outstanding bonds. Further details on the outstanding convertible bonds and non-convertible debt securities are set out in the "Material Events" section of this announcement.

As at 31 March 2016, the Group's available banking facilities amounted to approximately HK$12,769.82 million (2015: HK$17,172.32 million), of which HK$12,072.59 million (2015: HK$13,600.59 million) has been utilised. The Group's outstanding borrowings, all being dominated in RMB, amounted to approximately HK$12,072.59 million (2015: HK$13,600.59 million). Approximately HK$1,151.67 million (2015: HK$2,447.43 million) of the Group's outstanding borrowings were charged at fixed rates. About 7% of the Group's outstanding borrowings were repayable within one year (2015: 14%).

As expressway operation is a capital intensive industry, approximately 98% of the Group's outstanding borrowings amounted to RMB9,845.63 million (approximately HK$11,805.21 million), were obtained and drawn down primarily for the construction of Zhunxing Expressway as at 31 March 2016. The syndicated loan facilities of RMB8,793.13 million (approximately HK$10,543.23 million) granted by several PRC banks in December 2012, including short term loans of RMB8.55 million (approximately HK$10.25 million) and long term loans of RMB8,784.58 million (approximately HK$10,532.98 million), were secured by Zhunxing's receivables of toll income. Furthermore, Zhunxing obtained and drawn down short term loans of RMB472.00 million (approximately HK$565.94 million) and long term loans of RMB580.50 million (approximately HK$696.04 million) from several authorised financial institutions in the PRC, of which (i) RMB120.00 million (approximately HK$143.88 million) was secured by Zhunxing's receivables of toll income and the equity interests of Zhunxing, and (ii) RMB376.00 million (approximately HK$450.84 million) was secured by certain Zhunxing's investments.

The remaining 2% of the Group's outstanding borrowings as at 31 March 2016 were unsecured and utilised primarily to finance the petroleum business of the Group.

As at 31 March 2016, the gearing ratio of the Group, measured as total liabilities to total assets, was 98.9% (2015: 87.0%).

During the year, the Group suffered a loss of HK$3,868.89 million and at the end of the reporting period, the Group's current liabilities exceeded its current assets by approximately HK$6,452.17 million. 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 realize its assets and discharge its liabilities in the normal course of business. However, having considered the measures set out in Note 3(b) to the financial statements (including the potential disposal of the Group's equity interest in Zhunxing) and a cash flow forecast of the Group for a period covered not less than twelve months from 31 March 2016, the Board is of the view 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 2016.

The Group's capital commitments outstanding as at 31 March 2016 dropped by 58% to approximately HK$25.04 million (2015: HK$60.23 million), representing the capital expenditure arising from the acquisition of property, plant and equipment under the expressway operations sector during the year.

The Group's business operations, assets and liabilities are denominated mainly in Hong Kong dollars, Renminbi and US dollars. There was no significant foreign exchange gain or loss recognised during the year. The Board considered foreign exchange risk of the Group is 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.

MATERIAL EVENTS

Repayment dates extension of the convertible bonds due 2015

On 3 September 2013, the Company issued (a) HK$1,300 million 9% convertible bonds to Li Ka Shing (Canada) Foundation ("**LKSCF**"), (b) HK$100 million 9% convertible bonds to Dr. Lo Ka Shui ("**LKS**"), (c) HK$160 million 9% convertible bonds to Grand Version Investments Limited ("**Grand Version**") and (d) HK$32 million 9% convertible bonds to Guotai Junan Investments (Hong Kong) Limited ("**GJHK**"), and these bonds (the "**2015 Bonds**") should fall due on 3 September 2015 (the "**Maturity Date**"). On 4 November 2013, the 2015 Bonds held by GJHK were transferred to Guotai Junan Finance (Hong Kong) Limited ("**GJFHK**", and together with LKSCF, LKS and Grand Version the "**Bondholders**").

On 14 August 2015, the Company agreed with LKSCF and LKS for repayment of their 2015 Bonds to be deferred, such that the due date of the principal amount of (a) HK$400 million was changed to 3 December 2015; (b) HK$500 million was changed to 3 March 2016, and (c) HK$500 million was changed to 3 September 2016. All principal amount and interests due before the end of 2015 were duly settled, whilst the others are still outstanding. Up to the date of this announcement, the Company is in discussion with LKSCF and LKS on the potential restructuring of the outstanding bonds.

On 28 August 2015, the Company also agreed with Grand Version and GJFHK for repayment of their 2015 Bonds to be deferred such that the due date of the principal amount of HK$192 million was changed to 31 December 2015. All principal amount and interests due on or before the end of 2015 were duly settled.

The Bondholders also have unconditionally and irrevocably waived their conversion rights attached to the 2015 Bonds with effect from the Maturity Date, so the 2015 Bonds had become non-convertible debt securities. The above amendments were approved by The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") pursuant to Rule 28.05. Save for the changes mentioned above, other terms and conditions of the 2015 Bonds remain unchanged.

Mr. Cao Zhong ("**Mr. Cao**") has provided LKSCF, LKS and Grand Version with personal guarantee as to the due performance of all the obligations of the 2015 Bonds as so extended (including but not limited to payment obligations).

Further details on the extension of repayment dates of the 2015 Bonds are set out in the announcements dated 14 August 2015, 18 August 2015 and 28 August 2015 of the Company.

Waiver of conversion rights of the convertible bonds due 2016

The Company issued on 10 February 2015 HK$160 million 9% convertible bonds to be due on 10 February 2016 to VMS Private Investment Partners III Limited (the "**VMSPIP**"). On 24 December 2015, VMSPIP agreed with the Company to unconditionally and irrevocably waive their conversion rights as attached to the said bonds. Therefore, the said bonds became non-convertible debt securities and the Shareholders will no longer be subject to any dilutive effect upon conversion of any Bonds. All principal amount and interests were duly settled during the year.

Other outstanding convertible bonds

(a) On 10 February 2015, the Company issued 9% convertible bonds in the principal amount of (a) HK$800 million ("**2016 CBs**"), maturing 10 February 2016, and (b) HK$700 million ("**2018 CBs**"), maturing 12 February 2018, to China Life Insurance (Overseas) Company Limited (the "**CLIOC**"). Prior to 10 February 2016, the Company and CLIOC entered into discussions regarding the re-borrowing of the principal amount under the 2016 CBs and the rescheduling of HK$63 million interest payment on the 2018 CBs, which was payable on 19 February 2016. The HK$72 million interest payment on the 2016 CBs was duly settled.

    The Company received a letter dated 24 February 2016 from CLIOC requesting (i) payment of all the interest due under the 2018 CBs on or before 26 February 2016; (ii) repayment of HK$200 million of the principal amount of the 2016 CBs on or before 29 February 2016, and (iii) a repayment proposal and timetable acceptable to CLIOC and the entering into of a supplemental agreement on or before 29 February 2016 for the rest of the principal amount of the 2016 CBs. Up to date of this announcement, the Company maintains ongoing dialogue with CLIOC on the potential restructuring of the 2016 CBs and the 2018 CBs.

(b) On 10 February 2015, the Company issued 9% convertible bonds in the principal amount of HK$700 million and HK$800 million, maturing 24 October 2016 to Strait CRTG Fund, L.P. (the "**Strait Fund**") and Strait Capital Service Limited (the "**Strait Capital**"), respectively.

On 13 June 2016, the Company and Strait Fund entered into an amendment agreement, pursuant to which the maturity date and conversion rights were extended to 24 January 2017 with the conversion price being reset as HK$0.20 per Share. The proposed amendments are subject to the approval by the shareholders of the Company (the "**Shareholders**") and the Stock Exchange approving the proposed amendments and the listing on the Stock Exchange of conversion shares arising from the convertible bonds during the extended period as mentioned above. Further details on the proposed amendments are set out in the announcement dated 13 June 2016 and the circular dated 29 June 2016 of the Company.

Up to the date of this announcement, the Company is in discussion with Strait Fund and Strait Capital on the potential restructuring of the said bonds, including the outstanding interest payments of approximately HK$54 million which were payable on 19 February 2016.

(c) Besides liaising with the holders of the non-convertible debt securities and convertible bonds (i.e. LKSCF, LKS, CLIOC, Strait Capital and Strait Fund) as set forth above, the Company is in discussion with Cross-Strait Capital Limited on the potential restructuring of the convertible bonds in the principal amount of approximately HK$32 million.

The Board is carrying out, with the assistance of financial advisers, an overall review of the financial position of the Group and the Group's capital and debt structure, and exploring different avenues for strengthening the Group's cashflows including, but not limited to, the possibility of disposing the Group's equity interest in Zhunxing.

Proposed disposal of 86.87% equity interest in Zhunxing

On 28 June 2016, the Company entered into a letter of intent ("**LOI**") with Inner Mongolia Highway Construction and Development Co., Ltd. (內蒙古高等級公路建設開發有限責任公司) ("**Potential Purchaser**"), pursuant to which the Company proposes to procure the sale of, and the Potential Purchaser proposes to acquire, the 86.87% equity interest of Zhunxing owned by the Company through its wholly owned subsidiaries (the "**Proposed Disposal**").

The LOI does not create legally binding obligations on the parties in relation to the Proposed Disposal, which is subject to further negotiations amongst the parties.

The Company wishes to emphasise that the Proposed Disposal may or may not materialise. If the Proposed Disposal materialises, it may constitute a very substantial disposal of the Company under Chapter 14 of the Rules Governing the Listing Securities (the "**Listing Rules**") on the Stock Exchange.

Further details on the Proposed Disposal is set out in the announcement dated 28 June 2016 of the Company.

Share consolidation

At an extraordinary general meeting held on 4 November 2015 (the "**EGM**"), the Shareholders approved an ordinary resolution to consolidate every twenty (20) issued and unissued existing shares of par value of HK$0.01 each (the "**Old Shares**") into one (1) consolidated share of par value of HK$0.20 each (the "**Shares**") (the "**Share Consolidation**").

Prior to the Share Consolidation, the authorised share capital of the Company was HK$700,000,000 divided into 70,000,000,000 Old Shares, of which 27,009,583,895 Old Shares were in issue and were fully paid or credited as fully paid. Upon the implementation of the Share Consolidation, the authorised share capital of the Company had become HK$700,000,000 divided into 3,500,000,000 Shares and the number of issued Shares (which were fully paid or credited as fully paid) was reduced to 1,350,479,194.

Increase in authorised share capital

At the EGM, the Shareholders also passed an ordinary resolution to increase the authorised share capital of the Company which took effect immediately after the Share Consolidation on 5 November 2015, such that the authorised share capital of the Company was increased from HK$700,000,000 divided into 3,500,000,000 Shares to HK$3,000,000,000 divided into 15,000,000,000 Shares by the creation of an additional 11,500,000,000 new Shares (the "**Increase in Authorised Share Capital**"), which rank pari passu in all respects with each other.

Further details on the Share Consolidation and Increase in Authorised Share Capital are set out in the announcements dated 29 September 2015 and 4 November 2015, and the circular dated 19 October 2015 of the Company.

Change in board lot size

Upon the Share Consolidation becoming effective on 5 November 2015, the board lot size for trading on the Stock Exchange was changed from 100,000 Old Shares to 5,000 Shares, whilst the monetary value of each board lot has remained unchanged. Further details on the change in board lot size are set out in the announcement dated 29 September 2015 and the circular dated 19 October 2015 of the Company.

Rights issue

At the EGM, the independent Shareholders also passed an ordinary resolution which subject to, amongst others, the Share Consolidation and the Increase in Authorised Share Capital becoming effective, to implement a rights issue, by way of the issue of not less than 5,401,916,776 Shares and not more than 9,063,216,776 Shares (the "**Rights Shares**"), on the basis of four (4) Rights Shares for every one (1) Share held on the record date at the subscription price of HK$0.20 per Rights Share (the "**Rights Issue**"), to raise not less than approximately HK$1,080.4 million and not more than approximately HK$1,812.6 million before expenses.

Pursuant to the ordinary resolution approving the Rights Issue, the Company provisionally allotted to the qualifying shareholders four (4) Rights Shares in nil-paid form for every one (1) Share in issue and held on the record date, i.e. 16 November 2015 (the "**Record Date**"), as detailed in the prospectus of the Company dated 17 November 2015 (the "**Prospectus**").

In respect of the Rights Issue, each of Mr. Cao and Mr. Fung, both as executive directors and substantial shareholders of the Company, unconditionally and irrevocably undertook to remain as the beneficial owner of all Shares held under their personal capacity or through companies controlled by them and to accept their respective Rights Shares consisting of an aggregate of 1,240,032,488 Rights Shares, being their full entitlements under the Rights Issue (the "**Irrevocable Undertakings**").

Pursuant to the underwriting agreement dated 9 September 2015 (the "**Underwriting Agreement**") entered into between VMS Securities Limited ("**VMS Securities**"), Mr. Cao and Mr. Fung (collectively, the "**Underwriters**"), the Rights Issue was fully underwritten, whereby Mr. Cao and Mr. Fung jointly, severally (in addition to their respective obligation under the Irrevocable Undertakings) and conditionally agreed to underwrite the first 400,000,000 untaken shares, whereas VMS Securities conditionally agreed to underwrite up to 3,761,884,288 untaken shares, subject to the terms and conditions set out in the Underwriting Agreement.

Upon completion of the Rights Issues on 9 December 2015, a total of 5,401,916,776 Rights Shares were issued pursuant to the terms of the Rights Issue and the number of Shares in issue became 6,752,395,970. The number of 5,401,916,776 Rights Shares issued pursuant to the terms of the Rights Issue represents approximately 400% of the Company's existing issued share capital immediately after the Share Consolidation and the Increase in Authorised Share Capital and approximately 80% of the Company's issued share capital as enlarged by the issue of the Rights Shares.

The net proceeds of the Rights Issue were approximately HK$1,046.5 million, of which HK$946.5 million were applied in the following manners:

(i) approximately HK$780.0 million for repayment of the principal amount of the Company's loans and borrowings; and

(ii) approximately HK$166.5 million for the interest payments of the outstanding convertible bonds and other borrowings.

The remaining net proceeds of the Rights Issue amounted to approximately HK$ 100.0 million were also applied to pay interests of the outstanding convertible bonds and other borrowings to facilitate further discussions with the holders of convertible bonds and non-convertible debt securities on the potential restructuring of all the outstanding bonds.

The directors of the Company (the "**Directors**") are of the view that the Rights Issue has facilitated the repayment of the loans and borrowings of the Group, which improved the financial position of the Group and lowered the interest expense of the Group.

Further details of the Rights Issue are set out in the announcements dated 29 September 2015 and 4 November 2015, the circular dated 19 October 2015 and the Prospectus of the Company.

Adjustments to (i) conversion price and number of conversion shares of the 2016 and 2018 convertible bonds; (ii) subscription price and number of subscription shares of warrants; and (iii) exercise price and number of option shares of share options under the share option scheme

Prior to the implementation of the Share Consolidation on 5 November 2015 and completion of Rights Issue on 9 December 2015, the Company had the following share options, convertible bonds and warrants in issue, which conferred rights to subscribe for or convert or exchange into Shares:

(a) the 9% unlisted convertible bonds in the aggregate principal amount of HK$3,192 million issued by the Company on 10 February 2015 with rights to convert up to 15,960,000,000 Old Shares at a conversion price of HK$0.2 per Old Share pursuant to the convertible bonds subscription agreements dated 28 November 2014 entered into between the Company and several subscribers (the "**2016 and 2018 Convertible Bonds**");

(b) the conditional warrants issued by the Company on 19 April 2013 with rights to subscribe for 2,000,000,000 Old Shares at a subscription price of HK$0.48 per Old Share until 20 December 2015 pursuant to the agreement dated 20 December 2012 entered into between the Company and Joint Gain Holdings Limited (the "**Warrants**"); and

(c) the outstanding share options to subscribe for an aggregate of 346,500,000 Old Shares at an exercise price of HK$0.45 per Old Share (the "**Share Options**") under the share option scheme of the Company adopted on 16 July 2004 (the "**Share Option Scheme**").

Pursuant to the terms and conditions of the instruments constituting the 2016 and 2018 Convertible Bonds and the Warrants, and the terms and conditions of the Share Option Scheme, the conversion price and the number of conversion shares of the 2016 and 2018 Convertible Bonds, the subscription price and the number of subscription shares of the Warrants, and the exercise price and the number of option shares of the Share Options were adjusted upon the implementation of the Share Consolidation on 5 November 2015 and completion of Rights Issue on 9 December 2015 (the "**Adjustments**"). Details of the Adjustments are set out below:

	Before completion of the Share Consolidation		After completion of the Share Consolidation		After completion of the Rights Issue	
	Prevailing conversion price	Number of conversion shares of HK$0.01 each	Adjusted conversion price	Adjusted number of conversion shares of HK$0.20 each	Adjusted conversion price	Number of conversion shares of HK$0.20 each
2016 and 2018 Convertible Bonds	HK$0.20	15,960,000,000	HK$4.00	798,000,000	HK$1.07	2,983,177,568
	Prevailing subscription price	Number of subscription shares of HK$0.01 each	Adjusted subscription price	Adjusted number of subscription shares of HK$0.20 each	Adjusted subscription price	Number of subscription shares
Warrants *(note i)*	HK$0.48	2,000,000,000	HK$9.60	100,000,000	No adjustment	No adjustment
	Prevailing exercise price	Number of option shares of HK$0.01 each	Adjusted exercise price	Adjusted number of option shares of HK$0.20 each	Adjusted exercise price	Number of option shares of HK$0.20 each
Share Options	HK$0.45	346,500,000	HK$9.00	17,325,000	HK$4.05	38,499,990

Note (i) the Warrants were expired on 20 December 2015.

Save for the above Adjustments, all the other terms and conditions of the 2016 and 2018 Convertible Bonds, Warrants and Share Options remain unchanged.

The Company's auditors, BDO Limited has performed certain factual finding procedures on the Adjustments in accordance with Hong Kong Standard on Related Services 4400 "Engagements to Perform Agreed-Upon Procedures Regarding Financial Information" issued by the Hong Kong Institute of Certified Public Accountants and issued a report of factual findings to the Board stating that the computation of each of the Adjustments is mathematically accurate and is in compliance with the terms and conditions of the instruments constituting the 2016 and 2018 Convertible Bonds and the Warrants, and the terms and conditions of the Share Option Scheme.

Further details on the Adjustments are set out in the announcement of the Company dated 6 November 2015.

PROSPECTS

At present, the domestic coal market is in the trough and continues to lose the balance between supply and demand. Following the improvements on the macroeconomy and coal market, the traffic volume and toll income of Zhunxing Expressway are expected to gradually recover, bringing a turnaround to profit in the long run.

The Board is committed to protect the interests of all the stakeholders of the Company. Given the deteriorating market conditions and the Company's imminent funding needs to meet its short-term financial obligations, the Board has explored different avenues for strengthening the Group's cashflows including, but not limited to, the possibility of disposing the Group's equity interest in Zhunxing. The Board is of the view that if the potential disposal of the Group's interest in its toll expressway operation is successfully materialised during the next financial year, the Group's cash flows will be strengthened and its liquidity requirement will be fulfilled in both short- and long-term.

The Board will continue to look out for opportunities to push forward the expansion on petroleum business to achieve sustainable growth of the Group and maximise the benefits of the shareholders as a whole.

Refined Petroleum Trading business

In line with the Group's principle of sustainable development on business operation, Zitong Energy and Jinjing will endeavor to further strengthen and expand the sources of resources, continue to optimize their client base and prudently review the business environments from time to time. By means of implementing system formulation, design of business flows and comprehensive risk management, Zitong Energy and Jinjing will strengthen the strategies on operational management, strictly control the operating costs and strive to increase the gross profit per ton of petroleum, in order to facilitate the long term development of the Group's refined petroleum trading business.

Clean Energy Business

Zitong Clean Energy will continue to focus on the technological coordination and business negotiation for the POX Project in Huizhou and actively facilitate the forming of the related joint venture with CNOOC. Besides, Zitong Clean Energy will deploy additional effort in researching the coal chemical industry, so as to explore a larger room for further development in the flourishing clean energy market in the PRC.

New Energy Business

Looking forward, the Group aims to strengthen its business position and profitability in the natural gas energy industry through its collaboration with PetroChina marketing branches in establishing CNG and/or liquefied natural gas dispensing stations.

Given the opportunity to collaborate with CNOOC and the PetroChina marketing branches, the Group aims at achieving effective provision of resources to the market and thereby realizing the strategic development objective of the Group, and thus the Board is full of confidence in the Group's energy business prospects.

COMPLIANCE WITH LAWS AND REGULATIONS

While the Company is listed on the Stock Exchange, the Group's main operations, namely the toll expressway business and the petroleum business, are conducted by the Company's subsidiaries in the PRC. Accordingly, the Group's main operations shall comply with the relevant laws and regulations in the PRC and Hong Kong. During the year ended 31 March 2016 and up to the date of this announcement, the Group was not aware of any non-compliance with any relevant laws and regulations that had a significant impact on it.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to environmental protection by conducting its operations and activities in an environmentally responsible and sustainable manner. The Group has established an environmental policy that encourages its employees to maintain green offices by means of conservation on energy and other natural resources, reduction in materials consumption, waste reduction, recycling, reduction in toxics and hazardous waste, and green procurement under reasonable circumstances. The Group's environmental performance has been monitored on a regular basis since January 2016.

EMPLOYEES AND RETIREMENT BENEFIT SCHEME

The Group had approximately 552 employees in Hong Kong, the PRC and Guyana as at 31 March 2016. 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.

CHARGES ON ASSETS

As at 31 March 2016, the Group has pledged the equity interests of (i) Inner Mongolia Berun New Energy Company Limited (內蒙古博源新型能源有限公司) with a carrying amount of HK$45.56 million; (ii) Inner Mongolia Zhunxing Expressway Service Areas Management Company Limited (內蒙古准興高速服務區管理有限責任公司); and (iii) Zhunxing to secure part of the Group's borrowings.

CONTINGENT LIABILITIES

As at 31 March 2016, the Group did not have any material contingent liabilities.

DIVIDENDS

The Directors do not recommend any payment of final dividend for the year ended 31 March 2016 (2015: HK$Nil).

SCOPE OF WORK OF BDO LIMITED

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 March 2016 have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on the preliminary announcement.

EXTRACT OF THE AUDITOR'S REPORT

BASIS FOR DISCLAIMER OF OPINION

Material uncertainties related to going concern

As further disclosed in Note 3(b) to the financial statements, as at 31 March 2016, the Group had net current liabilities of HK$6,452,166,000 and incurred a loss of HK$3,868,886,000 for the year ended 31 March 2016. In addition, during the year the partial settlement of convertible bonds and non-convertible debt securities of HK$832,000,000 and HK$500,000,000 respectively were overdue. The Company's default on settlement is a breach of the relevant loan covenants which caused the remaining balances of the convertible bonds and non-convertible debt securities to become also repayable on demand. In aggregate, the carrying amount of these convertible bonds and non-convertible debt securities which are immediately repayable was HK$4,238,256,000 (the "**Repayable Amount**"). These conditions, together with the other conditions set out in Note 3(b) to the financial statements, indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern.

Notwithstanding the foregoing, the directors of the Company have prepared the consolidated financial statements on a going concern basis, the appropriateness of which depends upon the outcomes of a number of measures undertaken by the directors of the Company as detailed in Note 3(b) to the financial statements which include: (i) whether the Group could obtain agreement from the holders of the convertible bonds and non-convertible debt securities (the "**Notes Holders**") to rectify the default on partial settlement and to agree on the repayment schedule of the Repayable Amount; and (ii) whether the Group can dispose of one of its subsidiaries, Inner Mongolia Zhunxing Heavy Haul Expressway Company Limited ("**Zhunxing**"), which is the legal owner of the Group's property, plant and equipment and concession intangible asset with carrying amounts of HK$821,721,000 and

HK$15,763,277,000, as set out in Notes 16 and 21 in these consolidated financial statements (collectively referred to the "**Expressway Assets**"), such that sales proceeds would be available before the Notes Holders would demand for repayment on the borrowings in default above.

In respect of the disposal of the Expressway Assets, the Company has identified a potential buyer who is also the vendor of the Expressway Assets. Up to the date of this report, the Company is in discussion with the potential buyer about the terms and conditions of the disposal. In particular, in the draft sale and purchase agreement, among other terms, the completion of the sale and purchase of the Expressway Assets is subject to the results of financial due diligence work on Zhunxing and the approvals by government authorities. However, the directors of the Company have not provided us details about the financial due diligence work and the conditions necessary for getting the government authority's approval. As a result, we were unable to determine whether the directors' assessment that the Expressway Assets can be disposed of and the sales proceeds would become available to the Company in the near future before the Notes Holders would demand for repayments.

Should the going concern basis be considered inappropriate, adjustments would have to be made to write down the carrying amounts of the Group's assets to their estimated realisable values, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effects of these adjustments have not been reflected in the consolidated financial statements.

DISCLAIMER OF OPINION

Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraphs, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

REMEDIAL MEASURES ON GOING CONCERN

The Company wishes to furnish further information on the relevant remedial measures taken and to be taken by the management to improve the Company's financial position.

Repayment dates extension of the convertible bonds due 2015

During the year, the Company has negotiated and agreed with the Bondholders of the 2015 Convertible Bonds to extend the maturity dates of the outstanding convertible bonds held by them.

On 14 August 2015, the Company agreed with LKSCF and LKS for the repayment of their 2015 Bonds to be deferred, such that the due date of the principal amount of (a) HK$400 million was changed to 3 December 2015; (b) HK$500 million was changed to 3 March 2016, and (c) HK$500 million was changed to 3 September 2016.

On 28 August 2015, the Company also agreed with Grand Version and GJFHK to defer the due date of the principal amount of HK$192 million to 31 December 2015.

In this connection, Mr. Cao has agreed to provide personal guarantees in respect of such convertible bonds other than the convertible bonds held by GJFHK.

Rights Issue

Towards the end of 2015, the Company has completed an equity fund raising activity, in which the Company successfully raised approximately HK$1,046.5 million by way of issuing 5,401,916,776 Rights Shares at the subscription price of HK$0.20 per Rights Share pursuant to the terms of the Rights Issue.

Out of the net proceeds of the Rights Issue, the Company has applied approximately HK$780.0 million for repayment of the principal amount of the Company's loans and borrowings; and approximately HK$166.5 million for the interest payments of the outstanding convertible bonds and other borrowings. The remaining net proceeds of the Rights Issue amounted to approximately HK$ 100.0 million were also applied to pay interests of the outstanding convertible bonds and other borrowings to facilitate further discussions with the holders of convertible bonds and non-convertible debt securities on the potential restructuring of all the outstanding bonds.

The Directors are of the view that the Rights Issue has facilitated the repayment of the loans and borrowings of the Group, which improved the financial position of the Group and lowered the interest expense of the Group.

Proposed amendments of the convertible bonds due 2016

On 13 June 2016, the Company and Strait Fund entered into an amendment agreement in respect of the HK$700 million convertible bonds maturing on 24 October 2016, pursuant to which the maturity date and conversion rights were extended to 24 January 2017 with the conversion price being reset as HK$0.20 per Share.

The Board considers that the extended time for the repayment to Strait Fund will be beneficial to the Company and its operations by alleviating the pressure on its cashflows and profits. Furthermore, the amendment of conversion price will incentivize Strait Fund to convert all or part of the convertible bonds not previously converted by bringing it closer to the current market level of the share price.

The proposed amendments are subject to the approval by Shareholders at the extraordinary general meeting scheduled on 19 July 2016 and the Stock Exchange approving the proposed amendments and the listing on the Stock Exchange of conversion shares arising from the convertible bonds during the extended period as mentioned above.

Proposed disposal of 86.87% equity interest in Zhunxing

On 28 June 2016, the Company entered into a letter of intent with a potential purchaser, pursuant to which the Company proposes to procure the sale of, and the potential purchaser proposes to acquire, the 86.87% equity interest of Zhunxing owned by the Company through its wholly owned subsidiaries.

The final terms and conditions of the agreement of the proposed disposal are still under negotiation. Moreover, the successfulness of the proposed disposal will be subject to the results of financial due diligence work to be performed on Zhunxing and the approvals by the government authorities. If the proposed disposal is materialised, the Group's cashflow will be strengthened and have sufficient reserve of cash to meet its liquidity requirement in the short and long term.

Potential restructuring of convertible bonds and non-convertible debt securities

The Company is due to redeem the convertible bonds and non-convertible debt securities issued by the Company with a principal amount of HK$832 million and HK$500 million on 10 February 2016 and 3 March 2016, respectively. Besides, there are convertible bonds in the principal amount of approximately HK$2,200 million and non-convertible debt securities in the principal amount of approximately HK$500 million, which would be immediately repayable if requested by the respective holders as a result of the potential cross-default events.

With the assistance of the financial advisers and legal counsel, the Company has been actively seeking for the potential restructuring of the convertible bonds and non-convertible securities with aggregate principal amounts of HK$4,032 million. Up to the date of this announcement, management of the Company has maintained ongoing dialogues with the financial advisers and all holders of the convertible bonds and non-convertible securities. These discussions remain constructive, and the Directors are of the opinion that the default on partial settlement could be rectified and new repayment schedule could be agreed.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

There were no purchases, sales or redemptions of the Company's listed securities by the Company or any of its subsidiaries during the year ended 31 March 2016.

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 on the Stock Exchange 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.

AUDIT COMMITTEE

The Company has established the Audit Committee in accordance with the requirements of the Listing Rules. The Audit Committee, comprising all independent non-executive Directors ("**INED**"), 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.

The Group's annual results for the year ended 31 March 2016 have been reviewed by the Audit Committee.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Board is of the view that throughout the financial year under review, the Company has complied with all the code provisions set out in the Corporate Governance Code in Appendix 14 of the Listing Rules (the "**CG Code**") except for the deviations from the code provision A1.1 and A.6.7 as detailed below.

The Directors note that the code provision A1.1 requires the Board to hold at least four regular meetings per year at approximately quarterly intervals. However, in view of the fact that two regular meetings and seven ad hoc meetings were convened during the year and the ad hoc meetings have achieved an average participation rate of over 70%, the Directors considered holding four regular meetings to be unnecessary.

The Directors also note that the code provision A6.7 requires the non-executive directors' attendance at general meetings. Due to other business engagement, Mr. Yip Tak On and Mr. Bao Liang Ming did not attend the annual general meeting held on 18 August 2015 and the EGM respectively. However, other INEDs and non-executive Director were present at those general meetings to take up questions from the Shareholders.

Further details of the Company's corporate governance practices will be set out in the Corporate Governance Report to be contained in the 2016 Annual Report.

PUBLICATION OF RESULTS ON THE STOCK EXCHANGE'S WEBSITE

All the information required by paragraph 45 of Appendix 16 of the Listing Rules will be published on the website of the Stock Exchange in due course and at the website of the Company at http://www.crtg.com.hk. Our 2016 Annual Report containing all the information required by the Listing Rules will be dispatched to the Shareholders and available on the above websites in due course.

By order of the Board
China Resources and Transportation Group Limited
Cao Zhong
Chairman

Hong Kong, 30 June 2016

As at the date of this announcement, the Board comprises five executive Directors, namely Messrs Cao Zhong, Fung Tsun Pong, Duan Jingquan, Tsang Kam Ching, David and Gao Zhiping; a non-executive Director namely Mr. Suo Suo Stephen; and three independent non-executive Directors, namely Messrs Yip Tak On, Jing Baoli and Bao Liang Ming.