CRTG

China Resources and Transportation Group Ltd
中 國 資 源 交 通 集 團 有 限 公 司

CHINA RESOURCES AND TRANSPORTATION GROUP LIMITED
中國資源交通集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 269

Annual Report **2012**

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Cao Zhong *(Chairman)*
Mr. Fung Tsun Pong *(Vice-chairman)*
Mr. Duan Jingquan *(Chief Executive Officer)*
(appointed on 7 November 2011)
Mr. Tsang Kam Ching, David *(Finance Director)*

Non-executive Director

Mr. Neil Bush

Independent Non-executive Directors

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

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

COMPANY SECRETARY

Miss Ngan Wai Kam, Sharon

AUDITOR

BDO Limited

LEGAL ADVISOR

Sidley Austin
Louis K.Y. Pau & Company

PRINCIPAL BANKERS

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

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS

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

SHARE REGISTRARS AND TRANSFER OFFICE

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

STOCK CODE AT HONG KONG STOCK EXCHANGE

269

CONTACT DETAILS

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

COMPANY WEBSITE

http://www.crtg.com.hk

STATEMENT OF CHAIRMAN

To all Shareholders,

On behalf of the board of directors (the "Board") of China Resources and Transportation Group Limited 中國資源交通集團有限公司 (the "Company"), I am delighted to present the Annual Report 2012 and the audited financial statements of the Company and its subsidiaries (together the "Group") for the year ended 31 March 2012.

BUSINESS REVIEW

For the year ended 31 March 2012, the Group was principally engaged in expressway and auxiliary facility investment, expressway operation, management and maintenance, property development and asset management, forest operation and management, timber logging and trading, sale of timber products, plantation and trading of seedlings, and cold storage warehouse rental.

In April and November 2011, the Company through its wholly-owned subsidiary, Cheer Luck Technology Limited ("Cheer Luck"), completed the respective subscription of an 11% and 40% equity interest in Inner Mongolia Zhunxing Heavy Haul Expressway Company Limited（內蒙古准興重載高速公路有限責任公司）("Zhunxing"). On 29 November 2011, 樹人木業（深圳）有限公司 (Shu Ren Wood (Shenzhen) Limited) ("Shuren Shenzhen"), a wholly-owned subsidiary of the Company, acquired 4.9% equity interest from a former equity holder of Zhunxing through public tender. As a result, the Company now indirectly held an aggregate 55.9% equity interest in Zhunxing through Cheer Luck and Shuren Shenzhen. Zhunxing has been granted an exclusive right to build and operate the first People's Republic of China ("PRC") heavy-duty toll expressway specifically designed for coal transportation in Inner Mongolia for 30 years (excluding the construction period). The expressway will run 265 km from Jungar Banner（准格爾旗）, a major coal production area located south of Hohhot（呼和浩特）in Ordos（鄂爾多斯）, towards northeast to Xinghe County（興和縣）, a major logistic hub for coal distribution in northern PRC (the "Expressway").

FINANCIAL REVIEW

For the year ended 31 March 2012, turnover of the Group recorded a substantial increase of 943% to approximately HK$139.00 million (2011: HK$13.33 million) which is mainly attributable to a significant increase of income generated from construction revenue in respect of service concession arrangement amounting to HK$128.66 million (2011: HK$Nil). The turnover comprised five business segments, namely income from construction and operation of expressway, timber logging and trading, other timber operation, property development and asset management and cold storage warehouse leasing which respectively contributed approximately HK$128.66 million, HK$1.14 million, HK$8.83 million, HK$0 and HK$0.38 million (2011: HK$0, HK$3.22 million, HK$9.35 million, HK$0 and HK$0.76 million) to the Group's consolidated income.

STATEMENT OF CHAIRMAN

Detailed segment turnover and contribution to loss before income tax expense of the Group are shown in note 6 of the Notes to the Financial Statements herein. Cost of sales for the year was approximately HK$148.34 million (2011: HK$16.49 million) which was mainly contributed by service cost for the construction of expressway. As a result, the Group recorded a gross loss of approximately HK$9.34 million (2011: HK$3.15 million) in this year.

Net loss for the year was approximately HK$449.44 million (2011: HK$157.53 million) and loss per share attributable to shareholders of the Company ("Shareholders") was HK2.081 cents per basic share (2011: HK1.026 cents) and HK2.081 cents per diluted share (2011: HK1.026 cents). The loss was mainly attributable to the losses recorded on a loss on change in fair value less costs to sell of biological assets in China which was approximately HK$37.03 million (2011: loss of HK$22.46 million) and a loss on change in fair value of the derivative financial instrument which was approximately HK$191.33 million (2011: loss of HK$67.73 million) i.e. a total of approximately HK$228.36 million loss in book value. The selling and administrative expenses was HK$200.55 million, significantly increased from that of previous year (2011: HK$71.21 million) mainly due to consolidation of Zhunxing this year.

The Board considers that the changes in fair value of the derivative financial instrument and the biological assets in China are non-cash items which do not have any impact on the operating cash flows of the Group.

Further, the Group's cash and cash equivalents stood at approximately HK$196.29 million as at 31 March 2012 (2011: HK$591.58 million). The decrease in cash and cash equivalents was mainly attributable to Zhunxing's prepaid construction costs, supervision fee and demolition fee, payment of compensation payable relating to litigation claims from certain construction contractors arising from suspended construction of expressway from October 2007 and payment of construction payable.

As at 31 March 2012, gearing ratio of the Group was 47.1% (2011: 27.6%).

The Board did not recommend any final dividend for the year ended 31 March 2012 (2011: NIL).

LIQUIDITY REVIEW

As at 31 March 2012, the Group's total assets less current liabilities amounted to approximately HK$7,505 million compared to approximately HK$2,643 million as at 31 March 2011, representing an increase of about 184%. Total assets were approximately HK$9,556 million (2011: HK$3,108 million) which comprised total non-current assets of approximately HK$7,737 million (2011: HK$1,251 million) and total current assets of approximately HK$1,819 million (2011: HK$1,857 million). The significant increase in the total non-current assets was due to the consolidation of assets of Zhunxing to the Group. The current assets of the Company include properties under development for sale which were valued at approximately HK$1,329 million (2011: HK$1,077 million).

The Group's current liabilities increased from HK$464.68 million in 2011 to HK$2,051 million in 2012, mainly attributable to deposits from sales of properties of approximately HK$123 million, trade and other payables of approximately HK$1,174 million, borrowings of approximately HK$107 million and convertible bonds of approximately HK$289 million.

A promissory note with a principal amount of HK$280 million was issued to China Alliance International Holding Group Limited, a substantial shareholder of the Company, in connection with the acquisition of Yichang Xinshougang Property Development Company Limited（宜昌新首鋼房地產開發有限公司）("Yichang Xinshougang") in 2009. With the accrual of interest, a total of approximately HK$289.10 million was recorded under current liabilities as at 31 March 2012 (2011: HK$284.80 million).

The Group's capital commitments outstanding as at 31 March 2012 was approximately HK$7,784 million (2011: HK$189 million), of which HK$7,553 million, representing almost 97%, was the investment on concession intangible asset representing the construction cost of the Expressway.

As at 31 March 2012, the Group had an outstanding borrowings of HK$716.47 million (2011: HK$6.16 million), of which RMB495.3 million (approximately HK$609.21 million), representing almost 85%, was an unsecured loan owing by Zhunxing to an authorized financial institution with interest bearing at 0.0288% per day and repayable within two years. The said loan was unconditionally assigned by one of the non-controlling equity holder of Zhunxing to the authorised financial institution on 6 February 2012 which was also agreed by Zhunxing.

The Group's business operations, assets and liabilities are denominated mainly in Hong Kong dollars, Renminbi and US dollars except its cold storage warehouse in Australia, thus appreciation in Australian dollars has resulted in a net exchange gain. Save as aforesaid, the Board considered foreign exchange risk is minimal. The management will review from time to time the potential foreign exchange exposure and will take appropriate actions to minimise any potential foreign exchange exposure risk to be arisen in the future.

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

Details of the Group's financial risk management are set out in note 51 of the Financial Statements.

MATERIAL EVENTS AND PROSPECT

Change of Company Name

The name of the Company was changed from "China Timber Resources Group Limited" to "China Resources and Transportation Group Limited" and the Company adopted the Chinese name "中國資源交通集團有限公司" to be part of its registered name with effect from 30 August 2011.

Completion of issue of the 9% coupon convertible bonds

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

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

The Company shall redeem any outstanding convertible bonds at the principal amount together with accrued interest on the maturity date which is on the third anniversary of the date of issuance. The Company has the right to require the bondholder(s) to convert the convertible bonds into ordinary shares of the Company when the share price is higher than HK$1.00 for 60 consecutive trading days.

Transportation and Expressway Operation in Inner Mongolia

On 21 April and 18 November 2011, the Company through Cheer Luck completed the subscription of 11% and 40% increased capital of Zhunxing respectively. In addition, the Company through Shuren Shenzhen acquired another 4.9% equity interest of Zhunxing from a former equity holder of Zhunxing by public tender on 29 November 2011. The Company is now indirectly interested in an aggregate 55.9% equity interest in Zhunxing.

Zhunxing has been granted an exclusive right to build and operate the Expressway for 30 years (excluding the construction period). The Expressway is designed to sustain 100 ton trucks, which will save time and cost for coal producers and distributors as it raises the transportation capacity of coal trucks, whereas most other expressways in the PRC can only allow a maximum of 55 ton trucks. In view of the current traffic congestion, increasing demand for coal transportation in Inner Mongolia and the existing coal transportation capacity of other expressways, there would be significant market demand of our Expressways for coal transportation.

The proposed toll fee for the Expressway is RMB0.15 per ton per km which is subject to the formal approval by the traffic bureau and the development and reform commission of Inner Mongolia. As the Expressway is a priority project under the “Eleventh Five-Year Plan” of the PRC, and is of strategic importance for energy logistics in northern PRC, the Board is of the view that the Expressway will generate significant turnover to the Group upon its opening for traffic.

The Group has also been granted an option but not obliged to subscribe a total of 66% equity interest in Zhunxing. On 17 December 2011, Cheer Luck and Zhunxing agreed to extend the option period for the unexercised portion of the subscription right from 31 December 2011 to 30 June 2012 in order to better align the said subscription right with the progress of the construction of the heavy haul toll expressway in Inner Mongolia. Depending on the progress of the construction of the Expressway by Zhunxing, the Group may further invest in Zhunxing in the future in order to capture the economic benefits of the Expressway.

The construction of the Expressway has been in steady progress and the Company estimates that 60km to 100km out of the total 265km of the Expressway could be open for traffic in January 2013 which will generate stable and significant turnover to the Group.

Construction of comprehensive logistics base

On 5 December 2011, the Company entered into an investment cooperation agreement (the "Cooperation Agreement") with the local people's government of 清水河縣 (Qingshuihe County) in the Inner Mongolia Autonomous Region of the PRC (the "Qingshuihe Government") in relation to a coal processing large scale comprehensive logistics base proposed to be built close to the 營盤梁 (Yingpanliang) exit of the Expressway (the "Comprehensive Logistics Base").

The Cooperation Agreement sets out certain specific terms for this project. Pursuant to the Cooperation Agreement, the Company and the Qingshuihe Government have agreed that the site area of the Comprehensive Logistics Base will be 15 square kilometers in total. The Qingshuihe Government will be responsible for the relocation of the current residents but the Company will be responsible for bearing the RMB5,000 per mu (equivalent to RMB7,500,000 per square kilometer) relocation compensation. The land will be made available to the Company in accordance with the PRC laws on a land grant, and the land use right will be granted to the Company for 50 years. In addition, all of the land grant fee will be invested in the construction of supplementary facilities of the coal logistics center.

The Comprehensive Logistics Base is expected to comprise a fully enclosed coal processing facility that includes bunkering, washing, selection, processing, storage and despatch facilities, including five production lines processing up to 10 million tons of coal per annum and a 3 million ton coal storage facility, as well as supplementary facilities such as vehicle servicing areas, and a gas station, transportation center and information services center. It is expected that the timetable for this project will be coordinated with the construction progress of the Expressway. When the project is completed, it will be a new material contributor to the Company's revenue.

Property Development Operation

The Group's property development arm in Yichang City of Hubei Province, Yichang Xinshougang commenced the first phase pre-sale of residential properties in June 2011. During the year under review, Yichang Xinshougang pre-sold approximately 23,000m^2 out of approximately 53,000m^2 salable area of residential property at the price of about RMB4,700 per square metre. These properties are expected to be delivered to purchasers in December 2012. Revenue from sales of properties is recognised when Yichang Xinshougang has delivered titles of the relevant properties to the purchaser and collectability of related receivable is reasonably assured. At the end of the Yichang Project, distributable profit from sales of the residential properties is to be shared by the Group and Hubei Dafang Properties Development Company Limited（湖北省大方房地產綜合開發公司）, the strategic property development partner of the Group, on a 60:40 basis.

Forest Operation and Management

The Group started to shift its business focus to expressway operation, management and maintenance, expressway and auxiliary facility investment and property development during the last two financial years, thus the Group does not intend to further invest in but will continue its existing operations in relation to forest operation and management, timber logging and trading, sale of timber products, and plantation and trading of seedlings.

STATEMENT OF CHAIRMAN

The Board is of the view that the performance of Guyana forestry concessions fell below the expectation of the Company and has become loss-making. As such, The Board has considered countermeasures such as improving the efficacy of the management of the business, restructuring, downsizing or (where it is no longer optimal for the Group to continue operating the business) sale or other methods of disposal.

CAPITAL RAISING AND EXPENDITURE

During the year under review, the Company has issued 347,858,523 shares pursuant to various exercises of warrants issued by the Company on 8 February 2010 at the exercise price of HK$0.23 per share. As at 31 March 2012, there are HK$83,950,000 outstanding warrants which are exercisable at the price of HK$0.23 per share and are convertible to 365,000,000 shares on or before 7 February 2013.

EMPLOYEES AND RETIREMENT BENEFIT SCHEME

The Group had approximately 260 employees in Hong Kong, the PRC, Australia and Guyana as at 31 March 2012. The Group implements remuneration policy, bonus and share options schemes to ensure that pay scales of its employees are rewarded on performance-related basis within the general framework of the Group's remuneration strategy.

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

ACKNOWLEDGEMENTS

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

Mr. Cao Zhong
Chairman

Hong Kong, 27 June 2012

DIRECTORS' REPORT

The Directors present their annual report and the audited financial statements of the Group for the year ended 31 March 2012.

PRINCIPAL ACTIVITIES

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

The activities of the Company's subsidiaries as at 31 March 2012 are set out in note 50 of the Financial Statements. During the year under review, the Group was principally engaged in expressway and auxiliary facility investment, expressway operation, management and maintenance, property development and asset management, forest operation and management, timber logging and trading, sale of timber products, plantation and trading of seedlings, and cold storage warehouse rental.

SEGMENT INFORMATION

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

RESULTS AND DIVIDENDS

The results of the Group are set out in the consolidated income statement on page 33 of this Annual Report and in the accompanying notes of the Financial Statements.

The Directors do not recommend any payment of final dividend for the year ended 31 March 2012 (2011: Nil).

SHARE PREMIUM AND RESERVES

Movements in the share premium and reserves of the Group and the Company during the year are set out on pages 38 and 39 of this Annual Report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group and the Company during the year are set out in note 17 of the Financial Statements.

DIRECTORS' REPORT

PROPERTIES

Particulars of properties of the Group as at 31 March 2012 are set out on page 136 of this Annual Report.

SUBSIDIARIES

Particulars of the subsidiaries of the Group as at 31 March 2012 are set out in note 50 of the Financial Statements.

CONTINGENT LIABILITIES

Details of the Group's contingent liabilities as at 31 March 2012 are set out in note 47 of the Financial Statements.

BORROWINGS

Details of borrowings as at 31 March 2012 are set out in note 37 of the Financial Statements.

SHARE CAPITAL

Details of the movements in the Company's share capital are set out in note 40 of the Financial Statements.

During the period under review, 347,858,523 ordinary shares of HK$0.01 each in the share capital of the Company ("Share") were issued pursuant to various exercises of warrants issued by the Company on 8 February 2010 at the exercise price of HK$0.23 per share. As at 31 March 2012, there were HK$83,950,000 outstanding warrants which are exercisable at the price of HK$0.23 per Share and are convertible to 365,000,000 Shares on or before 7 February 2013. Details of warrants of the Group are shown in note 45 of the Financial Statements.

DIRECTORS' REPORT

MAJOR CUSTOMERS AND SUPPLIERS

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

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

RELATED PARTY TRANSACTIONS

The related party transactions in note 48 of the Financial Statements have been disclosed in accordance with the Hong Kong Accounting Standard 24 "Related Party Disclosures" issued by the Hong Kong institute of Certified Public Accountants ("HKICPA") and did not constitute connected transactions nor continuing connected transactions under the definition of Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Stock Exchange") ("Listing Rules").

FIVE YEAR FINANCIAL SUMMARY

A summary of the published results and of the assets and liabilities of the Group for the past five financial years, as extracted from the audited financial statements and reclassified as appropriate, is set out on page 135 herein. The summary does not form part of the Financial Statements.

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

DIRECTORS' REPORT

DIRECTORS

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

Executive Directors:

Mr. Cao Zhong
Mr. Fung Tsun Pong
Mr. Duan Jingquan *(appointed on 7 November 2011)*
Mr. Tsang Kam Ching, David

Non-executive Director:

Mr. Neil Bush

Independent Non-executive Directors:

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

In accordance with Article 117 of the Company's Articles of Association, the Directors of the Company, including the executive, non-executive and independent non-executive Directors, are subject to retirement by rotation and, being eligible, may offer themselves for re-election. In addition, Article 100 of the Articles of Association provides that any Director appointed by the board of Directors shall hold office only until the following general meeting of the Company and shall then be eligible for re-election at that meeting. Accordingly, Messrs Duan Jingquan, Yip Tak On and Bao Liang Ming shall retire at the forthcoming annual general meeting, and being eligible, shall offer themselves for re-election.

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

BIOGRAPHICAL DETAILS OF DIRECTORS

Executive Directors

Mr. Cao Zhong, aged 52, has been appointed as an executive Director and the chairman of the Board of the Company since 19 November 2010. Mr. Cao was graduated from Zhejiang University and the Graduate School of the Chinese Academy of Social Sciences, the PRC with a bachelor degree in engineering and a master degree in economics respectively. Since 1988, Mr. Cao has served various institutions such as the National Development and Reform Commission of China, Guangdong Province Huizhou Municipal People's Government, Beijing International Trust and Investment Company Limited, Shougang Corporation and the Development Research Centre of the State Council of China. Mr. Cao remains as a non-executive director and the vice chairman of the board of Shougang Concord International Enterprises Company Limited ("Shougang Concord") (Stock Code: 697).

Mr. Cao has also held various managerial positions in companies including: the deputy chairman and general manager of Shougang Holding (Hong Kong) Limited ("Shougang Holding"); a director of Grand Invest International Limited ("Grand Invest") and China Gate Investments Limited ("China Gate") — Shougang Holding, Grand Invest and China Gate are substantial shareholders of Shougang Concord; an executive director and the general manager of Shougang Concord, vice chairman and general manager of Shougang Concord Grand (Group) Limited ("Shougang Grand") (Stock Code: 730), an executive director and general manager of Shougang Fushan Resources Group Limited (Stock Code: 639); and the chairman of the board of directors of Shougang Concord Century Holdings Limited (Stock Code: 103), Shougang Concord Technology Holdings Limited (Stock Code: 521) and Global Digital Creations Holdings Limited (Stock Code: 8271) which is a subsidiary of Shougang Grand. Mr. Cao resigned from those positions on 10 May 2010. In addition, he was an executive director of APAC Resources Limited (Stock Code: 1104) from April 2007 as well as a chairman from May 2007 to October 2009.

Mr. Fung Tsun Pong, aged 52, has been appointed as an executive Director since 22 September 2004. Mr. Fung has over 20-year experience in property development, logistics, investment banking and company management. Mr. Fung has held senior management positions in various companies incorporated in Hong Kong, British Virgin Islands and Samoa.

BIOGRAPHICAL DETAILS OF DIRECTORS *(Continued)*

Executive Directors *(Continued)*

Mr. Duan Jingquan, aged 56, has been appointed as an executive Director and the chief executive officer of the Company since 7 November 2011. He is currently the Chairman of the Supervisory Committee of Sino Life Insurance Company Limited ("Sino Life"), the Managing Director of the Accounting Society of China, a member of the Specialist Advisory Committee of the China Association of Actuaries, an adjunct professor of The Peking University HSBC Business School and a member of the Steering and Consultation Committee for Innovative Development of Shenzhen Insurance Industry. Mr. Duan graduated from Dongbei University of Finance and Economics (formerly known as Liaoning Institute of Finance and Economics) in 1982. He served the Ministry of Finance for around 20 years and assumed different positions, including as the chief officer of the Commerce Bureau of the Finance Department, the deputy head and the head of the Central Planning Office from 1982 to 1994, the deputy head of the Supervision Department from 1994 to 1998, the head of the Finance Supervision Department and the Supervision and Inspection Department from 1998 to 2002. Between 2002 and 2005, he was positioned as the Deputy General Manager of China Export and Credit Insurance Corporation. From 2005 to 2009, he was appointed as the General Manager and Director of Mingsheng Life Insurance Company Limited. In August 2009, Mr. Duan joined Sino Life and served as its General Manager and Director and he was then appointed as the Vice Chairman of Sino Life in October 2010. In October 2011, he took up the role as the Chairman of the Supervisory Committee of Sino Life. Mr. Duan was the major author of "Introduction to Financial Supervision", his first treatise on finance. He has been selected by China Insurance Journal as one of the "Top Ten Persons of 2009 in the Insurance Industry". Mr. Duan has over 20 years' experience in management of state agencies and enterprises. While he was with the Ministry of Finance, he developed and implemented various state finance management mechanisms which still exert significant influences nowadays. During his years with commercial enterprises, he pushed forward various reform programs, exercised assiduity at company management and operation, thus remarkably enhanced the performance of the enterprises.

Mr. Tsang Kam Ching, David, aged 55, has been appointed as an executive Director since 17 February 2004. Mr. Tsang has extensive financial management experience over the past 20 years which covers merchant banking, stock broking and corporate finance business. Mr. Tsang is also a fellow member of the Chartered Association of Certified Accountants in the United Kingdom and a member of the HKICPA.

BIOGRAPHICAL DETAILS OF DIRECTORS *(Continued)*

Non-Executive Director

Mr. Neil Bush, aged 57, has been appointed as a non-executive Director since 7 December 2010. Mr. Bush was graduated from Tulane University with a Bachelor's degree in International Economics and the Tulane University Freeman School of Business with a Master's degree in Business Administration. In 1980, Mr. Bush worked with Amoco Production Company in Denver, Colorado the United States. In the 1980s, Mr. Bush formed two independent oil companies which explored oil resources in various states including Wyoming, Colorado, California, and Michigan of the United States and in Argentina. In the 1990s, Mr. Bush diversified in the oil industry by becoming a part owner of Ultrafloat Corporation, a Houston based company that supplies conservation equipment to oil field storage facilities. For the past fifteen years he has founded a cutting edge education technology company and engaged in various international business development activities with a focus on Asia and the Middle East. Mr. Bush reentered the oil and gas business by forming Nexus Energy Corporation in December 2008, which has actively developed international projects in Africa and Asia. In addition, Mr. Bush is the Chairman of TX Oil and the President of ATX Oil and through these entities he is involved in upstream oil and gas development in the United States and Turkmenistan. Mr. Bush also serves as the Chairman of the Points of Light Institute, a national charitable organization formed by President George H.W. Bush in 1989 that promotes citizen service through volunteerism in communities all across America and increasingly overseas.

Independent non-executive Directors

Mr. Yip Tak On, aged 65, has been appointed as an INED since 22 September 2004. Mr. Yip is a fellow member of the Association of Chartered Certified Accountants, HKICPA, Taxation Institute of Hong Kong, and a full member of the Hong Kong Securities Institute. Mr. Yip has founded his own Certified Public Accountants firm for more than 20 years and he is the managing director of T. O. Yip & Co., Limited. Mr. Yip is also the vice-chairman of Kwun Tong District Civic Education Committee, and the chairman of charitable institution, the Neighborhood Advice-Action Council. Mr. Yip has not held other directorships in listed company in the last three years.

Mr. Jing Baoli, aged 47, has been appointed as an INED since 28 February 2006. Mr. Jing was graduated from Beijing University Law School with a Bachelor's degree in Laws in 1987 and acquired a Master's degree in Laws from Lanzhou University in 1997. After graduation from Beijing University, he was assigned to the High Court of Gansu Province and worked in various positions till 1997. In 1997, Mr. Jing joined Gansu Tianhe Law Firm as a partner and in 1999, he joined Beijing Shuang Cheng Law Firm as an attorney-at-laws. In August 2007, Mr. Jing joined China Commercial Law Company, Guangdong.

Mr. Bao Liang Ming, aged 56, has been appointed as an INED of the Company since 1 February 2007. Mr. Bao has vast executive and management experience. He has held various directorships in state owned enterprises in Tianjin and Beijing of the People's Republic of China.

DIRECTORS' SERVICE CONTRACTS

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

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

Details of the Directors' emolument and of the five highest paid employees in the Group are set out in notes 11 and 12 of the Financial Statements. The Group ensures that pay scales of its employees are rewarded on performance-related basis within the general framework of the Group's remuneration strategy. The Directors' remuneration is determined by the Company with reference to their responsibilities to undertake the Company's performance and profitability, remuneration benchmark, prevailing market conditions and recommendation of the Remuneration Committee of the Company.

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

Save as disclosed below, as at 31 March 2012, according to the register of interest kept by the Company under Section 336 of the Securities and Futures Ordinance (the "SFO") and so far as was known to the Directors, none of the Directors and chief executive of the Company held any interest or short positions on the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning or Part XV of the SFO) which (i) where required to be notified to the Company and SEHK pursuant to Divisions 7 and 8 Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO); or (ii) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 of the Listing Rules, to be notified to the Company and SEHK.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES, AND DEBENTURES *(Continued)*

Long positions in shares and underlying shares of the Company

Name of Director	Number of Shares: personal interest	Number of Shares: corporate interests	Number of underlying Shares: personal interest	Number of underlying Shares: corporate interests	Total number of Shares and underlying Shares held	Approximate percentage (%) of issued share capital
Mr. Cao Zhong *(note 1)*	124,200,000	2,070,300,000	NIL	NIL	2,194,500,000	10.86
Mr. Fung Tsun Pong *(note 2)*	1,242,362,449	1,114,300,000	NIL	NIL	2,356,662,449	11.67
Mr. Tsang Kam Ching, David	51,624,499	NIL	NIL	NIL	51,624,499	0.25

Note:

1. Champion Rise International Limited ("CRIL") being wholly owned by Mr. Cao Zhong was interested in 2,070,300,000 Shares, representing approximately 10.25% in the issued share capital of the Company. CRIL is a substantial shareholder of the Company and its shareholding in the Company is set out in the section headed "Substantial Shareholders".

2. Ocean Gain Limited ("OGL") being wholly owned by Mr. Fung Tsun Pong was interested in 1,114,300,000 Shares, representing approximately 5.51% in the issued share capital of the Company. OGL is a substantial shareholder of the Company and its shareholding in the Company is set out in the section headed "Substantial Shareholders".

Save as disclosed above, none of the Directors of the Company and their associates had any interest in the shares and/or underlying shares of the Company and its associated corporations, within the meaning of Part XV of the SFO, which were required to be notified to the Company and the SEHK pursuant to section 341 of the SFO (including interests which they were deemed or taken to have under section 344 of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein as at 31 March 2012.

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES

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

SUBSTANTIAL SHAREHOLDERS

Save as disclosed below, as at 31 March 2012, according to the register of interest kept by the Company, under section 336 of the SFO and so far as was known to the Directors, no other person or companies had an interest or short positions in the shares or underling shares which fall to be disclosed to the Company under the provision of Divisions 2 and 3 of part XV of the SFO or who were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other members of the Group.

Long Position in Shares

	Number of Shares		Number of underlying Shares			
Name of Shareholder	**personal interest**	**corporate interests**	**personal interest**	**corporate interests**	**Total number of Shares and underlying Shares held**	**Approximate percentage (%) of issued share capital**
中聚國際控股有限公司 (China Alliance International Holding Group Limited) *(note a)*	NIL	4,275,862,068	NIL	NIL	4,275,862,068	21.16
Champion Rise International Limited *(note b)*	NIL	2,070,300,000	NIL	NIL	2,070,300,000	10.25
Ocean Gain Limited *(note c)*	NIL	1,114,300,000	NIL	NIL	1,114,300,000	5.51

SUBSTANTIAL SHAREHOLDERS *(Continued)*

Long Position in Shares *(Continued)*

Name of Shareholder	Number of Shares		Number of underlying Shares		Total number of Shares and underlying Shares held	Approximate percentage (%) of issued share capital
	personal interest	corporate interests	personal interest	corporate interests		
Allkeen Investments Limited *(note d)*	NIL	1,016,000,000	NIL	NIL	1,016,000,000	5.03
Vivid Beyond Securities Limited *(note e)*	NIL	NIL	NIL	2,500,000,000	2,500,000,000	12.38
Fresh Generation Development Limited *(note f)*	NIL	NIL	NIL	1,350,000,000	1,350,000,000	6.68
Power Sky Investments Limited *(note g)*	NIL	NIL	NIL	1,200,000,000	1,200,000,000	5.94
China Life Insurance (Overseas) Company Ltd. *(note h)*	NIL	1,000,000,000	NIL	1,500,000,000	2,500,000,000	12.38
China Life Insurance (Group) Company *(note i)*	NIL	1,000,000,000	NIL	1,500,000,000	2,500,000,000	12.38
Li Ka Shing (Canada) Foundation *(note j)*	NIL	NIL	NIL	3,250,000,000	3,250,000,000	16.09

SUBSTANTIAL SHAREHOLDERS *(Continued)*

Long Position in Shares *(Continued)*

Notes:

a. China Alliance International Holding Group Limited is wholly owned by Ms. Zhang Lei.

b. Champion Rise International Limited is wholly owned by Mr. Cao Zhong, the Chairman and an executive Director whose interest in shares or underlying shares of the Company is set out in the above section headed "Directors' Interest and Short Positions in Shares, Underlying Shares, and Debentures".

c. Ocean Gain Limited is wholly owned by Mr. Fung Tsun Pong, an executive Director and the Vice Chairman of the Company whose interest in shares or underlying shares of the Company is set out in the above section headed "Directors' Interest and Short Positions in Shares, Underlying Shares, and Debentures"

d. Allkeen Investments Limited is wholly owned by Ms. Xu Yueyue.

e. Vivid Beyond Securities Limited, wholly owned by Hu Wei, was interested in HK$140,000,000 convertible bonds issued by the Company which are convertible into 2,500,000,000 Shares at HK$0.056 per Share.

f. Fresh Generation Development Limited, wholly owned by Hu Bing Zhuo, was interested in HK$75,600,000 convertible bonds issued by the Company which are convertible into 1,350,000,000 Shares at HK$0.056 per Share.

g. Power Sky Investments Limited, wholly owned by Xu Weidong, was interested in HK$67,200,000 convertible bonds issued by the Company which are convertible into 1,200,000,000 Shares at HK$0.056 per Share.

h. China Life Insurance (Overseas) Company Ltd. was interested in HK$600,000,000 convertible bonds issued by the Company which are convertible into 1,500,000,000 Shares at HK$0.40 per Share and it is interested in 1,000,000,000 Shares held by its wholly owned subsidiary, China Life Trustees Limited.

i. China Life Insurance (Group) Company is the holding company of China Life Insurance (Overseas) Company Limited.

j. Li Ka Shing (Canada) Foundation was interested in HK$1,300,000,000 convertible bonds issued by the Company which are convertible into 3,250,000,000 Shares at HK$0.40 per Share.

SHARE OPTION SCHEME

The Share Option Scheme of the Company was adopted on 16 July 2004 and shall remain in force for 10 years from the adoption date unless otherwise terminated or amended. Particulars of the Share Option Scheme are set out in note 43 of the Financial Statements.

No share option has been granted, exercised, cancelled or lapsed during the year ended 31 March 2012.

PUBLIC FLOAT OF THE LISTED SECURITIES

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

MANAGEMENT CONTRACT

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

THE MODEL CODE

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

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, namely Mr. Yip Tak On, 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 2012 have been reviewed by the Audit Committee.

REMUNERATION COMMITTEE

Detailed information related to the remuneration committee is set out in the Corporate Governance Report on page 27 herein.

NOMINATION COMMITTEE

Detailed information related to the nomination committee is set out in the Corporate Governance Report on page 28 herein.

AUDITORS

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

On behalf of the Board

Mr. Cao Zhong
Chairman
Hong Kong, 27 June 2012

CORPORATE GOVERNANCE REPORT

The Board is committed to maintaining a high standard of corporate governance practices throughout this financial year with emphasis on enhancing accountability and transparency of the management of the Company for the sake of safeguarding the interest of the Shareholders as a whole. Save as disclosed herein below, the Company has complied with the code provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Listing Rules for the year ended 31 March 2012.

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

THE BOARD

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

Board Composition

As at 31 March 2012, there were eight Directors, of which four were executive Directors, namely Messrs Cao Zhong (the Chairman), Fung Tsun Pong (the Vice-chairman), Duan Jiangquan (the Chief Executive Officer) and Tsang Kam Ching, David (the Finance Director), a non-executive Director, namely Mr. Neil Bush and three independent non-executive Directors namely, Messrs Yip Tak On, Bao Liang Ming and Jing Baoli. Details of the Directors are given on pages 13 to 15 herein. An induction regarding the duties and responsibilities of being a Director, the relevant laws and regulations applicable to the Directors, duty of disclosure of interest and business of the Group has been provided to all Directors shortly upon their appointment.

The Roles of the Chairman and the Board

The management of the Board is rested in the Chairman. Since 7 November 2011, the role of the Chairman is separated from the chief executive and performed by different person to ensure balance of power and authority. The Chairman assumes responsibility for leadership of the Company to ensure that the Board acts in the best interests of the Company. The Chairman has the right to convene board meetings as appropriate and is responsible for setting the agenda for each Board meeting after taking into account any matters proposed by the Directors who are encouraged to make active contribution to the Board's affair. With the support of the Company's secretarial staff, the Chairman ensures that all Board members receive sufficient, complete and reliable information and are properly briefed on issues to be discussed at Board meetings by dispatching materials to the Directors in advance, such that the Directors could work effectively and discharge their responsibility.

However, the Board is collectively responsible for supervising the Company's affairs, management and operation. Matters like annual budgets, financial statements, significant changes in accounting policy, material contracts, major financing arrangements, risk management strategy and policies, supervision of the management and performance of the Company, are all reserved for the Board. Clear directions have been given to the management on the matters that must be approved by the Board and the Board reviews the arrangement periodically.

THE BOARD *(Continued)*

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

The Board regularly reviews its composition and structure to ensure its expertise and independence are attained and maintained. Any Director appointed by the Board to fill a casual vacancy is subject to election by Shareholders at the first general meeting after his appointment and all Directors are subject to retirement by rotation in accordance with the Company's Articles of Association and, being eligible, may offer themselves for re-election.

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

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

All Directors disclose to the Board on their first appointment their interests as a Director or otherwise in other companies or organizations and such declarations of interests are updated annually. When the Board considers that any Director is having a conflict of interest in a matter to be considered by the Board, the Board will request such Director to fully disclose and declare his interest and require him to abstain from voting.

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

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

The Roles of the Chief Executive Officer and its Management Team

On the other hand, the day-to-day management, administration and operation of the Company have been delegated to the chief executive officer ("CEO"), Mr. Duan Jingquan since 7 November 2011. Between 1 April 2011 to 6 November 2011, the Chairman, Mr. Cao Zhong was also the CEO of the Company though the CG Code requires the two roles to be performed by different individuals to ensure a balance of power and authority. The non-compliance during that period of time is primarily due to the difficulty of recruiting a CEO with suitable caliber. The delegated functions and tasks were supervised and periodically reviewed by the Board to ensure efficiency of management.

THE BOARD *(Continued)*

The non-executive Director

The Board brings in a non-executive Director ("NED") with an objective to bring judgment on issues of strategy, policy and resources at the Board meetings as well as to take the lead on potential conflicts of interests. In light of the above, the Board brought in a NED to scrutinise the company's performance in achieving agreed corporate goals and objectives, and monitoring the reporting of performance.

The independent non-executive Directors

The independent non-executive Directors (the "INEDs") serve the important function of providing a balance of skills and experience to the Board and safeguarding the interests of Shareholders and the Company as a whole. Pursuant to Rules 3.10 (1) and 3.10 (2) of the Listing Rules, the Company has appointed three INEDs, one of whom has appropriate professional qualifications or accounting or related financial management expertise.

Each of the INEDs has executed an appointment letter for an initial term of two years unless terminated by notice in writing prior to the expiry of the term. The Company has received, from each of the INEDs, an annual confirmation of his independence pursuant to rule 3.13 of the Listing Rules. The Board is of the view that all INEDs meet the independence guidelines set out in rule 3.13 of the Listing Rules.

Board Meetings

The Board held 7 meetings during the financial year and the attendance of Directors were set forth below:

	Name of Directors	**Attended/ Eligible to Attend**
Executive Directors	Cao Zhong	7/7
	Fung Tsun Pong	7/7
	Duan Jingquan	1/1
	Tsang Kam Ching, David	7/7
Non-executive Director	Neil Bush	1/7
Independent non-executive Directors	Yip Tak On	6/7
	Jing Baoli	7/7
	Bao Liang Ming	6/7

All Directors attended the annual general meeting of the Company held on 11 August 2011.

THE BOARD *(Continued)*

Board Meetings *(Continued)*

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

Amongst the Board meetings held during the financial year, two were also regular Board meetings with written notice of the meeting despatched to all Directors at least 14 days before the meeting and an agenda with all supporting documents no less than 3 days prior to the meeting. The regular Board meetings have achieved active participation of the Directors. The Directors note that the CG Code requires the Board to hold at least 4 regular meetings a year at approximately quarterly intervals. However, in view of the size and activities of the Group during the year, the Directors considered 4 regular meetings to be unnecessary and indeed all the executive Director and INEDs have very high attendance rate in relation to all Board meetings convened during the year except Mr. Neil Bush whom has difficulties to attend board meetings due to different time zone.

If a Director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the Director will abstain from voting on the relevant proposed resolution in which he or any of his associates have a material interest and that he shall not be counted in the quorum present at the Board meeting.

Save as disclosed above, the Company has complied with the code provisions set out in the CG Code for this financial year.

Board Committees

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

AUDIT COMMITTEE

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

AUDIT COMMITTEE *(Continued)*

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

The Audit Committee held 2 meetings during the financial year, the attendances of which were as follows: Mr. Yip Tak On (2/2), Mr. Jing Baoli (2/2) and Mr. Bao Liang Ming (1/2).

A summary of the work performed by the Audit Committee for the financial year ended 31 March 2012 is set out below:

(a) approve the remuneration and terms of engagement of the external auditors, review their independence and the effectiveness of the audit process;

(b) make recommendation to the Board on the re-appointment of external auditors;

(c) review with the Finance Director and/or the external auditors the accounting principles and practices adopted by the Group, the accuracy and fairness of the annual and interim financial statements before submission to the Board;

(d) review the internal audit findings and internal audit plan;

(e) review the effectiveness of the financial control, internal control and risk management systems of the Group; and

(f) review the Group's financial and accounting policies and practices.

REMUNERATION COMMITTEE

The terms of reference of the Remuneration Committee was revised on 28 November 2011 to bring them in line with the revised CG Code. The Remuneration Committee comprises all the three INEDs and the Chairman, Mr. Cao Zhong (appointed on 28 November 2011 in place of Mr. Tsang Kam Ching, David), i.e. a majority of the members are independent non-executive Directors. The primary objectives of the Remuneration Committee are to make recommendations on the Company's policy for all Directors' and Senior Management remuneration, review and determine management's remuneration proposals, to ensure that no Director or any of his/her associates is involved in determining his/her own remuneration. During the year, the Remuneration Committee was responsible for, among others, determining, with delegated responsibility, the remuneration packages of the all Directors and the senior management, assessing their performance, approving the service contract of Mr. Duan Jingquan, and reviewing individual remuneration package including bonuses, incentive payments and share options within the terms of reference.

REMUNERATION COMMITTEE *(Continued)*

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

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

No Director shall take part in any discussion about his own remuneration. The remuneration of INEDs is determined by the Board in consideration of their responsibility involved. Each of the INEDs are appointed for a fixed term of service and entitled to an annual director's fee of HK$120,000.00.

The Remuneration Committee held 2 meetings during this financial year, the attendance of which were as follows: Mr. Tsang Kam Ching, David (2/2), Mr. Yip Tak On (2/2), Mr. Jing Baoli (2/2) and Mr. Bao Liang Ming (1/2).

NOMINATION COMMITTEE

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

The Nomination Committee has not held any meetings during this financial year due to the fact that it was only established in November 2011 and the Company did not conduct any recruitment of directors thereafter.

INTERNAL CONTROL

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

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

SECURITIES TRANSACTIONS

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

Under the Securities Code, Directors are required to notify the Chairman and receive a dated written acknowledgement before dealing in any securities of the Company and, in the case of the Chairman himself, he must notify the Board at a Board meeting or alternatively, another executive Director and receive a dated written acknowledgement before any dealing. The Company has made specific enquiries on Directors' dealings in the securities of the Company and all Directors have confirmed that they have complied with the required standard set out in the Securities Code throughout the year. Directors' interests as at 31 March 2012 in the shares of the Company and its associated corporations (within the meaning of Part XV of the SFO) are set out on pages 16 and 17 of this Annual Report.

EXTERNAL AUDITORS

The external auditors are primarily responsible for auditing and reporting on the annual financial statements. In this financial year, the total remuneration paid to the external auditors was approximately HK$2,994,000, of which HK$1,837,000 and HK$1,157,000 were respectively paid for audit service and advice, and other non-audit services.

INVESTOR RELATIONS

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

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

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

INVESTOR RELATIONS *(Continued)*

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

INDEPENDENT AUDITOR'S REPORT

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TO THE SHAREHOLDERS OF CHINA RESOURCES AND TRANSPORTATION GROUP LIMITED
（中國資源交通集團有限公司）
(formerly known as China Timber Resources Group Limited中國木業資源集團有限公司)
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of China Resources and Transportation Group Limited (the "Company") and its subsidiaries (hereinafter referred to as the "Group") set out on pages 33 to 134, which comprise the consolidated and company statements of financial position as at 31 March 2012, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2012 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

EMPHASIS OF MATTER

We draw attention to Note 3(b) to the financial statements, which states that the Group incurred a net loss of approximately HK$449,441,000 and had a net operating cash outflow of approximately HK$1,944,689,000 during the year ended 31 March 2012 and, as of that date, the Group's current liabilities exceeded its current assets by approximately HK$231,840,000. Notwithstanding the above, the consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the Group's ability to obtain sufficient new borrowings, raise capital from existing and new investors, and derive adequate operating cash flows from its operations. These conditions, along with other matters as described in Note 3(b), indicate the existence of a material uncertainty which may cast significant doubt about the ability of the Group to continue as a going concern. Our opinion is not qualified in respect of this matter.

BDO Limited
Certified Public Accountants
Choi Man On
Practising Certificate no.: P02410

Hong Kong, 27 June 2012

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2012

	Notes	2012 HK$'000	2011 HK$'000
Turnover	5	**139,002**	13,332
Cost of sales		**(148,340)**	(16,485)
Gross loss		**(9,338)**	(3,153)
(Loss)/gain on change in fair value of investment property	16	**(5,870)**	1,157
Loss on change in fair value less costs to sell of biological assets	20	**(37,033)**	(22,458)
Change in fair value of derivative financial instrument	25,39	**(191,331)**	(67,726)
Other income and other gains or losses	7	**(5,320)**	6,054
Selling and administrative expenses		**(200,549)**	(71,208)
Finance costs	8	**—**	(184)
Loss before income tax expense	9	**(449,441)**	(157,518)
Income tax expense	10	**—**	(12)
Loss for the year		**(449,441)**	(157,530)
Loss attributable to:			
Owners of the Company	13	**(419,404)**	(153,670)
Non-controlling interests		**(30,037)**	(3,860)
		(449,441)	(157,530)
		HK cents	*HK cents*
Loss per share attributable to owners of the Company	15		
— Basic		**(2.081)**	(1.026)
— Diluted		**(2.081)**	(1.026)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2012

	2012 HK$'000	2011 HK$'000
Loss for the year	**(449,441)**	(157,530)
Other comprehensive income:		
Gain on change in fair value of property occupied by the Group, net of tax	**10,746**	–
Exchange differences on translation of financial statements of foreign operations	**60,585**	49,245
Other comprehensive income for the year, net of tax	**71,331**	49,245
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**(378,110)**	(108,285)
Total comprehensive income attributable to		
Owners of the Company	**(351,650)**	(103,599)
Non-controlling interests	**(26,460)**	(4,686)
	(378,110)	(108,285)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2012

	Notes	2012 HK$'000	2011 HK$'000
Non-current assets			
Investment property	16	**44,200**	49,800
Property, plant and equipment	17	**160,098**	134,260
Other properties under development	18	**206,530**	194,341
Prepaid lease payments	19	**30,334**	32,977
Biological assets	20	**78,421**	95,781
Forest concession rights	21	**494,058**	521,643
Concession intangible asset	22	**5,185,307**	—
Long term deposit and prepayments	23	**1,537,688**	9,004
Derivative financial instrument	25,39	**—**	213,094
Total non-current assets		**7,736,636**	1,250,900
Current assets			
Derivative financial instrument	25,39	**21,763**	—
Properties under development for sale	26	**1,329,353**	1,077,653
Inventories	27	**127,451**	135,232
Trade and other receivables	28	**53,646**	51,908
Prepaid lease payments	19	**746**	657
Amount due from a non-controlling shareholder	29	**64,363**	—
Prepaid taxes		**11,031**	—
Pledged deposit and restricted cash	30	**14,834**	—
Cash and cash equivalents	31	**196,293**	591,575
Total current assets		**1,819,480**	1,857,025
Total assets		**9,556,116**	3,107,925
Current liabilities			
Trade and other payables	32	**1,173,883**	92,722
Deposits from sales of properties		**122,996**	—
Promissory note	33	**289,105**	284,797
Deferred government grants	34	**7,436**	9,277
Amount due to a joint operator	35	**61,505**	59,270
Amount due to a director	36	**—**	12,446
Borrowings	37	**107,264**	6,164
Tax payable		**241**	—
Convertible bonds	39	**288,890**	—
Total current liabilities		**2,051,320**	464,676
Net current (liabilities)/assets		**(231,840)**	1,392,349
Total assets less current liabilities		**7,504,796**	2,643,249

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2012

	Notes	2012 HK$'000	2011 HK$'000
Non-current liabilities			
Deferred tax liabilities	38	**3,697**	1,574
Deferred government grants	34	**122,987**	116,407
Convertible bonds	39	**1,698,276**	263,112
Borrowings	37	**609,209**	—
Acreage fees payable		**11,020**	11,020
Total non-current liabilities		**2,445,189**	392,113
Total liabilities		**4,496,509**	856,789
Net assets		**5,059,607**	2,251,136
Capital and reserves attributable to owners of the Company			
Share capital	40	**201,908**	198,429
Reserves		**2,441,263**	2,037,509
Equity attributable to owners of the Company		**2,643,171**	2,235,938
Non-controlling interests		**2,416,436**	15,198
Total equity		**5,059,607**	2,251,136

On behalf of the Board

Mr. Cao Zhong
Director

Mr. Tsang Kam Ching, David
Director

STATEMENT OF FINANCIAL POSITION

As at 31 March 2012

	Notes	2012 HK$'000	2011 HK$'000
Non-current assets			
Property, plant and equipment	17	**4,347**	213
Interests in subsidiaries	24	**4,391,791**	1,842,925
Derivative financial instrument	25,39	**—**	213,094
Total non-current assets		**4,396,138**	2,056,232
Current assets			
Derivative financial instrument	25,39	**21,763**	—
Trade and other receivables	28	**8,642**	12,284
Cash and cash equivalents	31	**43,503**	559,582
Total current assets		**73,908**	571,866
Current liabilities			
Trade and other payables	32	**7,545**	7,985
Promissory note	33	**289,105**	284,797
Convertible bonds	39	**288,890**	—
Amount due to a director	36	**—**	12,446
Total current liabilities		**585,540**	305,228
Net current (liabilities)/assets		**(511,632)**	266,638
Total assets less current liabilities		**3,884,506**	2,322,870
Non-current liabilities			
Convertible bonds	39	**1,698,276**	263,112
Total non-current liabilities		**1,698,276**	263,112
Total net assets		**2,186,230**	2,059,758
Capital and reserves			
Share capital	40	**201,908**	198,429
Reserves		**1,984,322**	1,861,329
Total equity		**2,186,230**	2,059,758

On behalf of the Board

Mr. Cao Zhong
Director

Mr. Tsang Kam Ching, David
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2012

THE GROUP

	Share capital *HK$'000*	Share premium *HK$'000*	Capital redemption reserve *HK$'000*	Capital reserve *HK$'000*	Assets revaluation reserve *HK$'000*	Forest rights revaluation reserve *HK$'000*	Convertible bonds reserve *HK$'000* *(Note (i))*	Translation reserve *HK$'000* *(Note (ii))*	Retained profits *HK$'000*	Sub-total *HK$'000*	Non-controlling interests *HK$'000*	Total *HK$'000*
At 1 April 2010	144,129	229,482	3,800	20,918	23,868	76,213	435,064	17,425	777,181	1,728,080	19,884	1,747,964
Loss for the year	–	–	–	–	–	–	–	–	(153,670)	(153,670)	(3,860)	(157,530)
Exchange gain on translation of financial statements of foreign operations	–	–	–	–	–	–	–	50,071	–	50,071	(826)	49,245
Total comprehensive income for the year	–	–	–	–	–	–	–	50,071	(153,670)	(103,599)	(4,686)	(108,285)
Placement of shares, less placement expense	18,000	516,556	–	–	–	–	–	–	–	534,556	–	534,556
Issue of shares on conversion of convertible bonds *(Note 39)*	33,429	150,715	–	–	–	–	(173,285)	–	–	10,859	–	10,859
Issue of shares on exercise of warrants *(Note 40)*	2,871	63,171	–	–	–	–	–	–	–	66,042	–	66,042
At 31 March 2011	198,429	959,924	3,800	20,918	23,868	76,213	261,779	67,496	623,511	2,235,938	15,198	2,251,136
Loss for the year	–	–	–	–	–	–	–	–	(419,404)	(419,404)	(30,037)	(449,441)
Exchange gain on translation of financial statements of foreign operations	–	–	–	–	–	–	–	57,008	–	57,008	3,577	60,585
Revaluation surplus, net of tax	–	–	–	–	10,746	–	–	–	–	10,746	–	10,746
Total comprehensive income for the year	–	–	–	–	10,746	–	–	57,008	(419,404)	(351,650)	(26,460)	(378,110)
Acquisition of additional interest in subsidiaries *(Note 41)*	–	–	–	–	–	–	–	–	221,288	221,288	(290,320)	(69,032)
Acquisition of subsidiaries *(Note 42)*	–	–	–	–	–	–	–	–	–	–	2,718,018	2,718,018
Issue of convertible bonds *(Note 39)*	–	–	–	–	–	–	457,587	–	–	457,587	–	457,587
Issue of shares on exercise of warrants *(Note 40)*	3,479	76,529	–	–	–	–	–	–	–	80,008	–	80,008
At 31 March 2012	201,908	1,036,453	3,800	20,918	34,614	76,213	719,366	124,504	425,395	2,643,171	2,416,436	5,059,607

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2012

THE COMPANY

	Share capital HK$'000	Share premium HK$'000	Capital redemption reserve HK$'000	Contributed surplus HK$'000 (Note (iii))	Convertible bonds reserve HK$'000 (Note (i))	Retained profits HK$'000	Total HK$'000
At 1 April 2010	144,129	229,482	3,800	64,314	435,064	751,253	1,628,042
Total comprehensive income for the year	—	—	—	—	—	(179,741)	(179,741)
Placement of shares, less placement expense	18,000	516,556	—	—	—	—	534,556
Issue of shares on conversion of convertible bonds *(Note 39)*	33,429	150,715	—	—	(173,285)	—	10,859
Issue of shares on exercise of warrants *(Note 40)*	2,871	63,171	—	—	—	—	66,042
At 31 March 2011	198,429	959,924	3,800	64,314	261,779	571,512	2,059,758
Total comprehensive income for the year	—	—	—	—	—	(411,123)	(411,123)
Issue of convertible bonds *(Note 39)*	—	—	—	—	457,587	—	457,587
Issue of shares on exercise of warrants *(Note 40)*	3,479	76,529	—	—	—	—	80,008
At 31 March 2012	201,908	1,036,453	3,800	64,314	719,366	160,389	2,186,230

Notes:

(i) The convertible bonds reserve represents the equity component of outstanding convertible bonds issued by the Company recognised in accordance with the accounting policy adopted for convertible bonds in Note 3(r)(iii).

(ii) Translation reserve represents all exchange differences arising from the translation of the financial statements of subsidiaries operating outside Hong Kong.

(iii) The contributed surplus of the Company represents the difference between the consolidated shareholders' funds of subsidiaries when they were acquired by the Company and the nominal amount of the Company's share capital issued for the acquisition.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2012

	2012 **HK$'000**	2011 HK$'000
Cash flows from operating activities		
Loss before income tax expense	**(449,441)**	(157,518)
Adjustments for:		
Interest income	**(1,902)**	(161)
Depreciation of property, plant and equipment	**18,375**	11,269
Impairment loss of property, plant and equipment	**1,088**	—
Change in fair value of derivative financial instrument	**191,331**	67,726
Loss/(gain) on change in fair value of investment property	**5,870**	(1,157)
Loss on change in fair value less costs to sell of biological assets	**37,033**	22,458
Impairment loss of other receivables	**36,903**	—
Release of prepaid lease payments	**797**	657
Amortisation of forest concession rights	**27,585**	6,896
Loss on deregistration of a subsidiary	**—**	27
Gain on disposal of property, plant and equipment, net	**(3)**	(163)
Interest expense	**—**	184
Write down of inventories to net realisable value, net	**10,845**	5,293
Operating loss before changes in working capital	**(121,519)**	(44,489)
Increase in inventories	**(3,064)**	(13,055)
Increase in trade and other receivables	**(30,401)**	(11,666)
(Decrease)/increase in trade and other payables	**(1,700,237)**	42,973
Increase in deposits from sales of properties	**122,996**	—
Increase of properties under development for sale	**(180,081)**	(48,792)
Decrease in acreage fees payable	**—**	(63)
Increase of biological assets	**(15,851)**	(9,613)
Effect of foreign exchange difference	**(1,436)**	(331)
Cash used in operations	**(1,929,593)**	(85,036)
Interest received	**1,902**	161
Interest paid	**(6,208)**	(4,579)
PRC tax paid	**(10,790)**	(12)
Net cash used in operating activities	**(1,944,689)**	(89,466)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2012

	Note	2012 HK$'000	2011 HK$'000
Cash flows from investing activities			
Additions of prepaid lease payment		**(139)**	—
Purchase of property, plant and equipment		**(25,795)**	(12,759)
Additions of other properties under development		**(676)**	(1,699)
Additions of concession intangible asset		**(128,658)**	—
Additions of pledged deposit and restricted cash		**(14,834)**	—
Acquisition of additional interest in subsidiaries		**(69,032)**	—
Net (increase)/decrease in long term deposits and prepayments		**(799,898)**	1,746
Net cash inflow arising on acquisition of subsidiaries	42	**309,957**	—
Proceeds from disposal of property, plant and equipment		**985**	2,547
Proceeds from disposal of prepaid lease payment		**3,034**	—
Net cash used in investing activities		**(725,056)**	(10,165)
Cash flow from financing activities			
Repayment of borrowings		**—**	(5,696)
Proceeds from placement of share, net of placement expenses		**—**	534,556
Proceeds from share issued upon exercise of warrants		**80,008**	66,042
Proceeds from a joint operator		**—**	59,270
Proceeds from borrowings		**100,897**	6,164
Proceeds from issue of convertible bonds		**2,000,000**	—
(Repayment to)/advance from a director		**(12,446)**	10,446
Advance from a non-controlling shareholder		**105,240**	—
Net cash generated from financing activities		**2,273,699**	670,782
Net (decrease)/increase in cash and cash equivalents		**(396,046)**	571,151
Effect of foreign exchange rate changes on cash and cash equivalents		**764**	665
Cash and cash equivalents at beginning of year		**591,575**	19,759
Cash and cash equivalents at end of year representing cash and bank balances		**196,293**	591,575

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

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 "SEHK"). The address of the registered office is the office of Caledonian Trust (Cayman) Limited, Caledonian House, 69 Dr. Roy's Drive, P.O. Box 1043, Grand Cayman, KY1-1102, Cayman Islands. Its principle place of business is located at Room 1801-07, 18/F, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong.

The principal activities of the Company and its subsidiaries (collectively refer to as the "Group") are engaged in expressway and auxiliary facility investment, expressway operation, management and maintenance, property development and asset management, forest operation and management, timber logging and trading, sale of timber products, plantation and trading of seedlings, and cold storage warehouse rental.

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

(a) Adoption of new/revised HKFRSs — effective 1 April 2011

HKFRSs (Amendments)	Improvements to HKFRSs 2010
Amendments to HK(IFRIC) — Interpretation 14	Prepayments of a Minimum Funding Requirement
HK(IFRIC) — Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments
HKAS 24 (Revised)	Related Party Disclosures

Except as explained below, the adoption of these new/revised standards and interpretations has no significant impact on the Group's financial statements.

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

(a) Adoption of new/revised HKFRSs — effective 1 April 2011 *(Continued)*

HKFRS 3 (Amendments) – Business Combinations

As part of the Improvements to HKFRSs issued in 2010, HKFRS 3 has been amended to clarify that the option to measure non-controlling interests ("NCI") at either fair value or the NCI's proportionate share in the recognised amounts of the acquiree's identifiable net assets is limited to instruments that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation. Other components of NCI are measured at their acquisition date fair value unless another measurement basis is required by HKFRSs. The Group has amended its accounting policies for measuring NCI but the adoption of the amendment has had no impact on the Group's financial statements.

HKFRS 7 (Amendments) — Financial Instruments: Disclosures

As part of the Improvements to HKFRSs issued in 2010, HKFRS 7 has been amended to enhance the interaction between quantitative and qualitative disclosures. If the carrying amount of a financial asset best represents the maximum exposure to credit risk, the standard does not require a positive statement to this effect in the financial statements. This amended disclosure requirement has been applied retrospectively. The carrying amount of the Group's trade receivables represents the Group's maximum exposure to credit risk in respect of these financial assets as at 31 March 2012 and 2011. The prior year financial statements included a positive statement to this effect which is removed in the 2012 financial statements following the amendments. The adoption of the amendments has no impact on the Group's reported profit or loss, total comprehensive income or equity for any period presented.

HKAS 24 (Revised) — Related Party Disclosures

HKAS 24 (Revised) amends the definition of related party and clarifies its meaning. This may result in changes to those parties who are identified as being related parties of the reporting entity. The Group has reassessed the identification of its related parties in accordance with the revised definition and no material impact has been noted for current and comparative period. The adoption of HKAS 24 (Revised) has no impact on the Group's reported profit or loss, total comprehensive income or equity for any period presented.

HKAS 24 (Revised) also introduces simplified disclosure requirements applicable to related party transactions where the Group and the counterparty are under the common control, joint control or significant influence of a government, government agency or similar body. These new disclosures are not relevant to the Group because the Group is not a government related entity.

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

(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.

HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[3]
HKAS 12 (Amendments)	Deferred Tax — Recovery of Underlying Assets[2]
HKAS 19 (2011)	Employee Benefits[4]
HKAS 27 (2011)	Separate Financial Statements[4]
HKAS 28 (2011)	Investments in Associates and Joint Ventures[4]
HKAS 32 (Amendments)	Presentation — Offsetting Financial Assets and Financial Liabilities[5]
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2009-2011 Cycle[4]
HKFRS 7 (Amendments)	Disclosures — Transfers of Financial Assets[1]
	Disclosures — Offsetting Financial Assets and Financial Liabilities[4]
	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[6]
HKFRS 9	Financial Instruments[6]
HKFRS 10	Consolidated Financial Statements[4]
HKFRS 11	Joint Arrangements[4]
HKFRS 12	Disclosure of Interests in Other Entities[4]
HKFRS 13	Fair Value Measurement[4]

1 Effective for annual periods beginning on or after 1 July 2011
2 Effective for annual periods beginning on or after 1 January 2012
3 Effective for annual periods beginning on or after 1 July 2012
4 Effective for annual periods beginning on or after 1 January 2013
5 Effective for annual periods beginning on or after 1 January 2014
6 Effective for annual periods beginning on or after 1 January 2015

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

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

Amendments to HKAS 12 — Deferred Tax — Recovery of Underlying Assets

The amendments to HKAS 12 introduce a rebuttable presumption that an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. The amendments will be applied retrospectively.

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

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

Amendments to HKFRS 7 — Disclosures — Transfers of Financial Assets

The amendments to HKFRS 7 improve the disclosure requirements for transfer transactions of financial assets and allow users of financial statements to better understand the possible effects of any risks that may remain with the entity on transferred assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.

HKFRS 9 — Financial Instruments

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

HKFRS 10 — Consolidated Financial Statements

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

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

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

HKFRS 11 — Joint Arrangements

The standard is effective for accounting periods beginning on or after 1 January 2013. Joint arrangements under HKFRS 11 have the same basic characteristics as joint ventures under HKAS 31. Joint arrangements are classified as either joint operations or joint ventures. Where the Group has rights to the assets and obligations for the liabilities of the joint arrangement, it is regarded as a joint operator and will recognise its interests in the assets, liabilities, income and expenses arising from the joint arrangement. Where the Group has rights to the net assets of the joint arrangement as a whole, it is regarded as having an interest in a joint venture and will apply equity method of accounting. HKFRS 11 does not allow proportionate consolidation. In an arrangement structured through a separate vehicle, all relevant facts and circumstances should be considered to determine whether the parties to the arrangement have rights to the net assets of the arrangement. Previously, the existence of a separate legal entity was the key factor in determining the existence of a jointly controlled entity under HKAS 31. HKFRS 11 will be applied retrospectively with specific restatement requirements for a joint venture which changes from proportionate consolidation to the equity method and a joint operation which changes from equity method to accounting for assets and liabilities.

HKFRS 12 — Disclosure of Interests in Other Entities

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

HKFRS 13 — Fair Value Measurement

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

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

3. PRINCIPAL ACCOUNTING POLICIES

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

(a) Statement of compliance

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

(b) Basis of measurement

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

The Group suffered a loss of HK$449,441,000 (2011: HK$157,530,000) for the year and had a net operating cash outflow of approximately HK$1,944,689,000 during the year ended 31 March 2012 and, as of that date, the Group's current liabilities exceeded its current assets by approximately HK$231,840,000 (2011: net current assets of HK$1,392,349,000) as at 31 March 2012. These conditions indicate the existence of a material uncertainty which may cast doubt on the Group's ability to continue as a going concern and therefore, the Group may not be able to realise its assets and discharge its liabilities in the normal course of business.

In order to improve the Group's financial position, the directors of the Company have been implementing various measures as follows:

(i) The Group obtained new short term bank facilities of approximately HK$2,460 million (RMB2,000 million) granted from China Development Bank after the end of reporting date;

(ii) The Group entered into a loan agreement with an independent third party to borrow HK$300 million for a period of 6 months with interest rate at 20% per annum;

(iii) The Group is in negotiation with financial institutions to obtain new borrowings and in the process of finalising the corporate guarantee requested by a bank; and

(iv) The Group is actively considering to raise new capital by carrying out fund raising activities including but not limited to rights issue, open offer, placing of new shares and issuance of convertible note.

In addition, the Group has planned to continue the pre-sale of properties under development for sale and is expected to bring operating cash inflows to the Group in the second quarter of 2012.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(b) Basis of measurement *(Continued)*

The directors are of the opinion that, taking into account the above-mentioned measures, 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 2012. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

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

(c) Functional and presentation currency

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

(d) Group accounting

(i) Business combination and basis of consolidation

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

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

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

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(d) Group accounting *(Continued)*

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

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

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

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

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

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

(ii) Subsidiaries

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

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

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(e) Foreign currency

Transactions and balances

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

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

On consolidation

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

(i) assets and liabilities of foreign operations are translated at the closing rate at the end of the reporting period;

(ii) income and expenses of foreign operations are translated at the average exchange rates for the year (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

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

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the rate of exchange prevailing at the end of the reporting period. Exchange differences arising are recognised in translation reserve.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(f) Property, plant and equipment

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

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

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

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

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

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

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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

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

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

(g) Prepaid lease payment

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

(h) Investment property

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

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

(i) Forest concession rights

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

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

During the year ended 31 March 2011, the Group revised the amortisation method of forest concession rights from the units of production method based on volume to straight-line method over the remaining useful life. The details and effect of such change was set out in Note 21 to the financial statements.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(i) Forest concession rights *(Continued)*

The useful lives are as follows:

Forest concession rights	Over the remaining license period of the Forest concession rights

(j) Concession intangible asset

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

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

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

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

(k) Impairment of tangible and intangible assets excluding goodwill

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

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(k) Impairment of tangible and intangible assets excluding goodwill *(Continued)*

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

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

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

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

(l) Biological assets

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

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

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

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(m) Jointly controlled operations

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

(n) Properties under development for sale

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

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

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

(o) Other properties under development

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

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

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(p) Inventories

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

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

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

(q) Financial assets

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

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

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

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

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(q) Financial assets *(Continued)*

(ii) Loans and receivables

Trade and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

(iii) Impairment loss on financial assets

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

Objective evidence of impairment could include:

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

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

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(q) Financial assets *(Continued)*

(iv) Effective interest method

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

(v) Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39.

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

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

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

(i) Equity instruments

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

(ii) Financial liabilities

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

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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

(iii) Convertible bonds

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

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

(iv) Effective interest method

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

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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

(v) Derecognition of financial liabilities

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

(s) Cash and cash equivalents

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

(t) Borrowings

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

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

(u) Taxation

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

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

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(u) Taxation *(Continued)*

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

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

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

(v) Employee benefits

(i) Employee leave entitlements

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

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

(ii) Defined contribution retirement benefits schemes

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

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(v) Employee benefits *(Continued)*

(ii) ***Defined contribution retirement benefits schemes*** *(Continued)*

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

(iii) ***Share-based payments***

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

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

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

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

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(w) Provision and contingent liabilities

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

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

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

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

(x) Revenue recognition

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

(i) Revenue from sales of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer.

(ii) Revenue from sales of properties is recognised when the risks and rewards of properties are transferred to the purchasers, which is when the construction of relevant properties has been completed and the properties have been delivered to the purchasers and collectibility of related receivables is reasonably assured. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the consolidated statement of financial position as deposits from sales of properties under current liabilities.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(x) Revenue recognition *(Continued)*

(iii) The Group recognises income and expenses associated with construction services provided under the service concession arrangements in accordance with HKAS 11 Construction Contracts.

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

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

(iv) Rental income from operating leases is recognised in equal installments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased assets. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(v) Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the effective interest rates applicable.

(vi) Dividend income is recognised when the shareholders' rights to receive payment is established.

(y) Leases

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

The Group as lessor

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

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(y) Leases *(Continued)*

The Group as lessor *(Continued)*

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

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

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

(z) Borrowing costs

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

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

(aa) Government grants

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(a) Useful lives of property, plant and equipment

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

(b) Income tax

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

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

(c) Land appreciation taxes

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

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

(d) Revenue recognition on sales of properties

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

As disclosed in Note 47 to the financial statements, the Group provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. These guarantees will normally be discharged upon issuance of the real estate ownership certificate which are generally be available within three months after the purchasers take possession of the relevant properties. In order to obtain mortgages, the purchasers would have settled no less than 30% of the total contract amount in accordance with related PRC regulations upon signing the sales contract. The directors of the Company are of the opinion that such settlements provide sufficient evidence of the purchasers' commitment to honour contractual obligation of the bank loans. Further, as disclosed in Note 51(c) to the financial statements, the credit risk of the Group under the circumstance that a purchaser defaults on the payment of its mortgage during the term of the guarantee is very low.

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

(e) Fair value estimation

The fair value of derivative financial instrument held by the Group that are not traded in an active market is determined by using valuation techniques. The Group used a variety of methods and made assumptions that are based on market conditions existing at the end of each reporting period. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purpose is estimated by discounting the future contractual cash flows at the current market rate that is available to the Group for similar financial instruments.

(f) Fair value of biological assets

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

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

(g) Net realisable value of inventories

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

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

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

In determining whether allowances should be made for the Group's properties under development for sale, the Group takes into consideration the current market environment and the estimated market value (i.e. the estimated selling price less estimated costs of selling expenses) less estimated costs to completion of the properties. An allowance is made if the estimated market value is less than the carrying amount. If the actual net realisable value on properties under development for sale and other properties under development is less than expected as a result of change in market condition and/or significant variation in the budgeted development cost, material provision for impairment losses may result. The carrying amount for the properties under development for sale is HK$1,329,353,000 (2011: HK$1,077,653,000) and the carrying amount for the other properties under development is HK$206,530,000 (2011: HK$194,341,000).

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

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

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

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

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

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

(j) Fund availability

In order to fund the daily operation and the construction of expressway of the Group, significant amounts of capital in the form of borrowing or equity, or a combination of both, is considered to be necessary in the future. Management considers such funding for the future operation and construction will be available as and when required. The basis of preparing these consolidated financial statements under the going concern assumption have been discussed in Note 3(b) to the financial statements.

5. TURNOVER

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

	2012	2011
	HK$'000	*HK$'000*
Income from timber logging and trading	**–**	607
Sales of seedlings	**1,142**	2,617
Sales of furniture and handicrafts	**7,307**	7,552
Sales of tea oil	**1,519**	1,797
Construction revenue in respect of service concession arrangement	**128,658**	–
Gross rental income from cold storage warehouse (before direct outgoings of HK$26,000 (2011: HK$98,000))	**376**	759
	139,002	13,332

6. SEGMENT INFORMATION

The Group has five reportable segments. The segments are managed separately as each business offers different products and requires different business strategies. The following summary describes the operations in each of the Group's reportable segments:

— Timber logging and trading — sales of timber logs from forest concession, tree plantation area and outside suppliers, and sales of seedlings

— Other timber operation — the manufacture and sale of furniture and handicrafts and sales of refined tea oil

— Property development and asset management

— Cold storage warehouse leasing

— Construction and operation of expressway

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

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

(a) Reportable Segment

There was no inter-segment sale or transfer during the year (2011: HK$Nil). Central revenue and expenses are not allocated to the operating segments as they are not included in the measure of the segments' loss that is used by the chief operating decision makers for assessment of segment performance.

For the year ended 31 March 2012

	Timber logging and trading	Other timber operation	Property development and asset management	Cold storage warehouse leasing	Construction and operation of expressway	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE						
Revenue from external customers	1,142	8,826	–	376	128,658	139,002
Inter-segment revenue	–	–	–	–	–	–
Reportable segment revenue	1,142	8,826	–	376	128,658	139,002
Reportable segment loss	(40,515)	(26,781)	(14,664)	(300)	(61,786)	(144,046)
Reportable segment assets	616,252	200,408	1,543,366	63,026	6,802,058	9,225,110
Reportable segment liabilities	(16,312)	(30,220)	(461,630)	(230)	(1,693,705)	(2,202,097)

6. SEGMENT INFORMATION *(Continued)*

(a) Reportable Segment *(Continued)*

For the year ended 31 March 2012 *(Continued)*

	Timber logging and trading HK$'000	Other timber operation HK$'000	Property development and asset management HK$'000	Cold storage warehouse leasing HK$'000	Construction and operation of expressway HK$'000	Total HK$'000
Other segment information						
Additions of property, plant and equipment	2,603	7,307	6,353	–	3,234	19,497
Unallocated additions of property, plant and equipment						6,298
Total additions of property, plant and equipment						25,795
Additions of other properties under development	–	–	5,420	–	–	5,420
Additions of biological assets	17,807	2,600	–	–	–	20,407
Additions of prepaid lease payments	139	–	–	–	–	139
Additions of concession intangible asset	–	–	–	–	284,521	284,521
Depreciation of property, plant and equipment	3,214	3,705	953	1,033	372	9,277
Unallocated depreciation of property, plant and equipment						9,098
Total depreciation of property, plant and equipment						18,375
Impairment loss of property, plant and equipment	–	1,088	–	–	–	1,088

6. SEGMENT INFORMATION *(Continued)*

(a) Reportable Segment *(Continued)*

For the year ended 31 March 2012 *(Continued)*

	Timber logging and trading *HK$'000*	Other timber operation *HK$'000*	Property development and asset management *HK$'000*	Cold storage warehouse leasing *HK$'000*	Construction and operation of expressway *HK$'000*	Total *HK$'000*
Amortisation of prepaid lease payments	716	–	–	–	–	716
Unallocated amortisation of prepaid lease payments						81
Total amortisation of prepaid lease payments						797
Amortisation of forest concession rights	27,585	–	–	–	–	27,585
Impairment loss of other receivables	–	–	–	–	36,903	36,903
Write down of inventories	–	10,845	–	–	–	10,845
Impairment loss of inventories included in selling and administrative expenses	1,336	–	–	–	–	1,336
Interest income	3	294	163	–	–	460
Unallocated interest income						1,442
Total interest income						1,902

6. SEGMENT INFORMATION *(Continued)*

(a) Reportable Segment *(Continued)*

For the year ended 31 March 2011

	Timber logging and trading *HK$'000*	Other timber operation *HK$'000*	Property development and asset management *HK$'000*	Cold storage warehouse leasing *HK$'000*	Total *HK$'000*
REVENUE					
Revenue from external customers	3,224	9,349	–	759	13,332
Inter-segment revenue	–	–	–	–	–
Reportable segment revenue	3,224	9,349	–	759	13,332
Reportable segment (loss)/profit	(15,506)	(26,221)	(1,911)	15	(43,623)
Reportable segment assets	582,035	307,811	1,259,518	68,734	2,218,098
Reportable segment liabilities	(12,042)	(61,726)	(211,091)	(230)	(285,089)

6. SEGMENT INFORMATION *(Continued)*

(a) Reportable Segment *(Continued)*

For the year ended 31 March 2011 *(Continued)*

	Timber logging and trading *HK$'000*	Other timber operation *HK$'000*	Property development and asset management *HK$'000*	Cold storage warehouse leasing *HK$'000*	Total *HK$'000*
Other segment information					
Additions of property, plant and equipment	–	5,620	365	–	5,985
Unallocated additions of property, plant and equipment					6,774
Total additions of property, plant and equipment					12,759
Additions of other properties under development	–	–	16,739	–	16,739
Additions of biological assets	21,269	1,757	–	–	23,026
Depreciation and impairment loss of property, plant and equipment	2,532	3,817	54	–	6,403
Unallocated depreciation and impairment of property, plant and equipment					4,866
Total depreciation and impairment loss of property, plant and equipment					11,269
Amortisation of prepaid lease payments	–	577	–	–	577
Unallocated amortisation of prepaid lease payments					80
Total amortisation of prepaid lease payments					657
Amortisation of forest concession rights	6,896	–	–	–	6,896
Write down of inventories	–	5,293	–	–	5,293
Interest income	1	34	123	–	158
Unallocated interest income					3
Total interest income					161

6. SEGMENT INFORMATION *(Continued)*

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

	2012 HK$'000	2011 HK$'000
Reportable segment loss before income tax expense	**(144,046)**	(43,623)
(Loss)/gain on change in fair value of investment property	**(5,870)**	1,157
Loss on change in fair value less costs to sell of biological assets	**(37,033)**	(22,458)
Change in fair value of derivative financial instrument	**(191,331)**	(67,726)
Other income and other gains or losses	**1,738**	5,511
Unallocated corporate expenses	**(72,899)**	(30,195)
Finance costs	**—**	(184)
Consolidated loss before income tax expense	**(449,441)**	(157,518)
Assets		
Reportable segment assets	**9,225,110**	2,218,098
Derivative financial instrument	**21,763**	213,094
Pledged deposit and restricted cash	**14,834**	—
Cash and cash equivalents	**196,293**	591,575
Unallocated corporate assets	**98,116**	85,158
Consolidated total assets	**9,556,116**	3,107,925
Liabilities		
Reportable segment liabilities	**2,202,097**	285,089
Deferred tax liabilities	**3,697**	1,574
Promissory note	**289,105**	284,797
Convertible bonds	**1,987,166**	263,112
Unallocated corporate liabilities	**14,444**	22,217
Consolidated total liabilities	**4,496,509**	856,789

6. SEGMENT INFORMATION *(Continued)*

(c) Geographical information

The Group operates in four principal geographical areas — the People's Republic of China (excluding Hong Kong) (the "PRC"), Hong Kong, Australia 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	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
PRC	**138,626**	11,966	**7,099,693**	435,510
Hong Kong	**—**	—	**32,874**	13,369
Australia	**376**	759	**44,200**	49,800
Guyana	**—**	607	**559,869**	539,127
	139,002	13,332	**7,736,636**	1,037,806

(d) Information about major customers

During the year ended 31 March 2012, revenue of approximately HK$128,658,000 (2011: HK$Nil) was recognised under a service concession arrangement under the construction and operation of expressway segment (Note 22), which amounted to 90% or more of the total revenue.

During the year ended 31 March 2011, four customers with whom transactions had exceeded 10% of the Group's revenues in other segments. Revenues from one customer in the timber logging and trading segment was approximately HK$1,702,000 and three customers from other timber operation segment was approximately HK$2,777,000, HK$1,812,000 and HK$1,604,000 respectively during the year ended 31 March 2011. During the year ended 31 March 2012, none of the customers have transactions exceeded 10% of the Group's revenues in these segments.

7. OTHER INCOME AND OTHER GAINS OR LOSSES

Other income and other gains or losses comprises:

	2012	2011
	HK$'000	*HK$'000*
Interest income	**1,902**	161
Exchange (loss)/gain, net	**(7,671)**	5,041
Loss on deregistration of a subsidiary	**—**	(27)
Gain on disposals of property, plant and equipment	**3**	163
Impairment loss of property, plant and equipment	**(1,088)**	—
Others	**1,534**	716
	(5,320)	6,054

8. FINANCE COSTS

	2012	2011
	HK$'000	*HK$'000*
Interest and finance costs on short term borrowings wholly repayable within five years	**16,689**	184
Interest expenses on convertible bonds maturing within five years	**181,641**	47,839
Interest expenses on promissory note maturing within five years *(Note i)*	**4,308**	47,535
Total finance costs	**202,638**	95,558
Less: Interest capitalised in properties under development for sale and other properties under development *(Note ii)*	**(36,296)**	(95,374)
Interest capitalised in concession intangible asset *(Note ii)*	**(166,342)**	—
	—	184

Notes:

i. During the year ended 31 March 2011, the Group defaulted on payment of the principal and interest of the promissory note (Note 33). Interest expense for 2011 comprised of imputed interest up to the date of default, coupon interest thereafter and early recognition of remaining imputed interest to maturity date resulting from default of payment. Interest expense for the current year comprised of coupon interest at 1.5% per annum only.

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

9. LOSS BEFORE INCOME TAX EXPENSE

Loss before income tax expense is stated after charging:

	2012 **HK$'000**	2011 HK$'000
Auditor's remuneration	**1,837**	1,230
Depreciation of property, plant and equipment *(Note i)*	**18,375**	11,269
Amortisation of forest concession rights included in selling and administrative expenses	**27,585**	6,896
Amortisation of prepaid lease payments *(Note ii)*	**797**	657
Operating lease payments recognised as expenses	**11,048**	4,852
Construction costs in respect of concession intangible asset	**126,757**	—
Cost of inventories and timber harvested:		
— Upon sales	**10,738**	11,192
— Write down of inventories	**10,845**	5,293
Impairment loss of inventories included in selling and administrative expenses	**1,336**	—
Impairment loss of other receivables	**36,903**	—
Staff cost (excluding directors' remuneration):		
— Salaries and allowances *(Note iii)*	**20,856**	15,648
— Defined contributions pension costs	**943**	286

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

	2012 **HK$'000**	2011 HK$'000
Amounts included in biological assets	**320**	180
Amounts included in cost of sales	**851**	506
Amounts included in selling and administrative expenses	**17,204**	10,583
	18,375	11,269

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

	2012 **HK$'000**	2011 HK$'000
Amounts included in biological assets	**574**	536
Amounts included in selling and administrative expenses	**223**	121
	797	657

Note (iii): Salaries and allowances of HK$1,039,000 (2011: HK$1,032,000) has been included in the cost of sales on the face of the consolidated income statement.

10. INCOME TAX EXPENSE

The income tax expense comprises:

	2012 **HK$'000**	2011 HK$'000
PRC enterprise income tax — current year	**–**	12

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

	2012 **HK$'000**	2011 HK$'000
Loss before income tax expense	**(449,441)**	(157,518)
Tax calculated at 16.5%	**(74,158)**	(25,990)
Net effect of non-taxable/deductible items	**72,375**	21,085
Net effect of tax losses and temporary differences not recognised	**1,042**	8,165
Tax effect on tax exemption granted by PRC tax authority	**(1,176)**	(260)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**1,917**	(2,988)
Income tax expense	**–**	12

The statutory tax rate for Hong Kong profits tax is 16.5% (2011: 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 2012 and 2011.

The subsidiaries in Guyana are liable to Guyana income tax at a rate of 45% (2011: 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 2012 and 2011.

The subsidiaries in Australia are liable to Australian income tax at a rate of 30% (2011: 30%). No provision for Australian income tax has been made as the subsidiaries in Australian sustained losses for taxation purposes for the years ended 31 March 2012 and 2011.

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

10. INCOME TAX EXPENSE *(Continued)*

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

For the year ended 31 March 2012, the statutory corporate income tax rates applicable to the subsidiaries established and operating in the PRC is 25% (2011: 25%).

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

11. DIRECTORS' REMUNERATION

Details of remuneration of each director are shown below:

Year ended 31 March 2012

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

11. DIRECTORS' REMUNERATION *(Continued)*

Year ended 31 March 2011

Name of director	Fees	Basic salaries, allowances and other benefits	Defined contribution retirement benefits scheme	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors				
Cao Zhong *(ii)*	—	1,320	5	1,325
Fung Tsun Pong	—	3,380	12	3,392
Tsang Kam Ching, David	—	2,300	12	2,312
Non-executive directors				
Peng Ru Chuan *(iii)*	—	—	—	—
Neil Bush *(iv)*	—	—	—	—
Independent non-executive directors				
Yip Tak On	120	—	—	120
Jing Baoli	120	—	—	120
Bao Liang Ming	120	—	—	120
	360	7,000	29	7,389

Note:

(i) appointed on 7 November 2011

(ii) appointed on 19 November 2010

(iii) appointed on 19 November 2010 and resigned on 17 December 2010

(iv) appointed on 7 December 2010

During the years ended 31 March 2012 and 2011, no emoluments were paid by the Group to the directors as an inducement to join, or upon joining the Group, or as compensation for loss of office. There were no arrangements under which a director waived or agreed to waive any remuneration during the current and prior years.

12. INDIVIDUALS WITH HIGHEST EMOLUMENTS

During the year, the five highest paid individuals included four (2011: three) directors, details of whose emoluments are set out in Note 11 to the financial statements. The aggregate of the emoluments paid or payable to the remaining one (2011: two) individual is as follows:

	2012	2011
	HK$'000	*HK$'000*
Salaries and other benefits	**2,400**	1,415
Retirement benefit scheme contributions	**—**	—
	2,400	1,415

The emoluments of the employees are within the following band:

	Number of employees	
	2012	2011
Nil – HK$1,000,000	**—**	2
HK$2,000,000 — HK$2,500,000	**1**	—

13. LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated loss attributable to owners of the Company for the year ended 31 March 2012 includes a loss of approximately HK$411,123,000 (2011: loss of HK$179,741,000) which has been dealt with in the financial statements of the Company.

14. DIVIDEND

The Directors of the Company do not recommend the payment of a dividend for the year ended 31 March 2012 (2011: HK$Nil).

15. 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 attributable to owners of the Company

	2012 **HK$'000**	2011 HK$'000
Loss for the purposes of basic and diluted loss per share	**(419,404)**	(153,670)
Number of shares	***'000***	*'000*
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	**20,155,899**	14,971,055
	HK cents	*HK cents*
Loss per share attributable to owners of the Company — Basic and diluted	**(2.081)**	(1.026)

For the years ended 31 March 2012 and 2011, the computation of diluted loss per share does not assume the exercise of the Company's outstanding warrants as they had an anti-dilutive effect on the loss per share calculation.

For the years ended 31 March 2012 and 2011, 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.

16. INVESTMENT PROPERTY

	Group	
	2012	2011
	HK$'000	*HK$'000*
Valuation:		
At 1 April	**49,800**	44,900
Fair value (loss)/gain	**(5,870)**	1,157
Exchange difference	**270**	3,743
At 31 March	**44,200**	49,800

The investment property is held in freehold land outside Hong Kong.

The Group's investment property was revalued at 31 March 2012 by an independent firm of chartered surveyors, LCH (Asia-Pacific) Surveyors Limited. Due to the lack of an established market upon which to base on comparable transactions of actual sales of comparable properties, the investment property has been valued on the basis of its depreciated replacement cost. Depreciated replacement cost is defined as "an estimate of the new replacement cost of the building and other site works from which deductions are then made to allow for age, condition, and functional obsolescence taken into account of the site formation cost and those public utilities connection charges to the properties". The loss from the change in fair value estimated by the valuer on 31 March 2012 amounted to HK$5,870,000 (gain in 2011: HK$1,157,000) has been recognised in profit or loss for the year ended 31 March 2012.

17. PROPERTY, PLANT AND EQUIPMENT

Group	Buildings HK$'000	Leasehold improvements HK$'000	Furniture, machinery and equipment HK$'000	Motor vehicles HK$'000	Vessels HK$'000	Construction in progress HK$'000	Total HK$'000
Cost or valuation:							
At 1 April 2010	13,841	1,533	52,245	7,754	25,216	53,129	153,718
Additions	–	2,652	420	859	277	8,551	12,759
Disposal/write off	–	–	(4,119)	–	–	–	(4,119)
Transfer in/(out)	–	–	351	–	33,781	(34,132)	–
Exchange difference	–	62	969	251	1,023	2,055	4,360
At 31 March 2011	13,841	4,247	49,866	8,864	60,297	29,603	166,718
Additions	–	10,662	3,941	5,929	–	5,263	25,795
Surplus on revaluation	11,309	–	–	–	–	–	11,309
Disposal/write off	–	–	(12)	–	–	(982)	(994)
Acquisition of subsidiaries	–	71	634	4,017	–	–	4,722
Transfer in/(out)	31,239	3	3,352	4	–	(34,598)	–
Exchange difference	413	242	770	445	998	714	3,582
At 31 March 2012	56,802	15,225	58,551	19,259	61,295	–	211,132
Analysis of cost or valuation							
At 31 March 2012							
At cost	32,493	15,225	58,551	19,259	61,295	–	186,823
At valuation	24,309	–	–	–	–	–	24,309
	56,802	**15,225**	**58,551**	**19,259**	**61,295**	**–**	**211,132**
At 31 March 2011							
At cost	841	4,247	49,866	8,864	60,297	29,603	153,718
At valuation	13,000	–	–	–	–	–	13,000
	13,841	**4,247**	**49,866**	**8,864**	**60,297**	**29,603**	**166,718**

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

Group	Buildings HK$'000	Leasehold improvements HK$'000	Furniture, machinery and equipment HK$'000	Motor vehicles HK$'000	Vessels HK$'000	Construction in progress HK$'000	Total HK$'000
Accumulated depreciation and impairment:							
At 1 April 2010	520	515	15,450	3,849	1,892	–	22,226
Charge for the year	555	198	6,549	1,437	2,530	–	11,269
Disposal/write off	–	–	(1,735)	–	–	–	(1,735)
Exchange difference	(6)	30	320	165	189	–	698
At 31 March 2011	1,069	743	20,584	5,451	4,611	–	32,458
Charge for the year	925	2,150	7,024	2,182	6,094	–	18,375
Impairment loss	–	–	1,088	–	–	–	1,088
Elimination on revaluation	(1,560)	–	–	–	–	–	(1,560)
Disposal/write off	–	–	(12)	–	–	–	(12)
Exchange difference	5	49	130	291	210	–	685
At 31 March 2012	**439**	**2,942**	**28,814**	**7,924**	**10,915**	**–**	**51,034**
Net carrying amount:							
At 31 March 2012	**56,363**	**12,283**	**29,737**	**11,335**	**50,380**	**–**	**160,098**
At 31 March 2011	12,772	3,504	29,282	3,413	55,686	29,603	134,260

The Group's building in Shenzhen was revalued as at 31 March 2012 based on net rental income allowing for reversionary income potential. The valuation was carried out by an independent firm of chartered surveyors, LCH (Asia-Pacific) Surveyors Limited. The revaluation surplus was HK$10,746,000 (2011: HK$Nil) net of applicable deferred tax was credit to assets revaluation reserve.

Had this building been carried at cost less accumulated depreciation and accumulated impairment losses, its carrying amount would have been HK$2,976,000 (2011: HK$3,045,000) as at 31 March 2012.

Property certificates of certain buildings with an aggregate carrying value of HK$31,277,000 (2011: HK$Nil) as at 31 March 2012 have yet been obtained.

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

The buildings of HK$32,051,000 (2011: HK$808,000) are carried at cost less accumulated depreciation and accumulated impairment losses as the director considered that the carrying amount of the buildings are not materially different from their fair values as at 31 March 2012 and 2011.

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

Company	**Leasehold improvements** *HK$'000*	**Furniture, machinery and equipment** *HK$'000*	**Motor vehicles** *HK$'000*	**Total** *HK$'000*
Cost:				
At 1 April 2010	—	193	150	343
Additions	—	152	—	152
As 31 March 2011	—	345	150	495
Additions	3,498	1,554	—	5,052
As 31 March 2012	3,498	1,899	150	5,547
Accumulated depreciation:				
At 1 April 2010	—	103	103	206
Charge for the year	—	46	30	76
At 31 March 2011	—	149	133	282
Charge for the year	583	318	17	918
As 31 March 2012	583	467	150	1,200
Net book value:				
At 31 March 2012	2,915	1,432	—	4,347
At 31 March 2011	—	196	17	213

18. OTHER PROPERTIES UNDER DEVELOPMENT

	Group	
	2012	2011
	HK$'000	*HK$'000*
Amounts comprise:		
Prepaid lease payments	**172,484**	170,785
Additions	**676**	1,699
Interest capitalised	**19,784**	15,040
Exchange difference	**13,586**	6,817
	206,530	194,341

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

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

During the year ended 31 March 2010, the Group commenced construction of Three Gorges State Guest Garden Commercial Property and allocated the attributable prepaid lease payments to properties under development for sale (Note 26). The remaining portion was included as other properties under development.

During the year ended 31 March 2011, Yichang Xinshougang signed a joint development agreement with Hubei Province Dafang Properties Development Company Limited（湖北省大方房地產綜合開發公司）("Dafang Properties") for the development of the Yichang Project. Details of arrangement are disclosed in Note 35 to the financial statements.

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

19. PREPAID LEASE PAYMENTS

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

	Group	
	2012	2011
	HK$'000	*HK$'000*
Cost:		
At 1 April	**33,634**	32,915
Reallocated from long term deposits and prepayments	**—**	202
Additions	**139**	—
Disposal	**(3,034)**	—
Exchange difference	**1,138**	1,174
Amortisation for the year	**(797)**	(657)
At 31 March	**31,080**	33,634
Classified as current portion	**746**	657
Classified as non-current portion	**30,334**	32,977

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

20. BIOLOGICAL ASSETS

	Group			
	Seedlings *HK$'000*	**Camellia trees** *HK$'000*	**Standing trees** *HK$'000*	**Total** *HK$'000*
At 1 April 2010	32,838	—	61,176	94,014
Plantation expenditure incurred	1,223	1,757	20,046	23,026
Reclassification	(15,027)	14,435	592	—
Direct sales	(1,409)	—	—	(1,409)
Change in fair value less costs to sell	—	(2,120)	(20,338)	(22,458)
Exchange difference	713	663	1,232	2,608
At 31 March 2011	18,338	14,735	62,708	95,781
Plantation expenditure incurred	1,207	2,600	16,600	20,407
Reclassification	(13,578)	—	13,578	—
Cost of direct sales	(1,030)	—	—	(1,030)
Recognised in administrative expenses	(3,525)	—	—	(3,525)
Change in fair value less costs to sell	—	—	(37,033)	(37,033)
Exchange difference	164	589	3,068	3,821
At 31 March 2012	1,576	17,924	58,921	78,421

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

At 31 March 2012, the Group obtained all the forestry ownership certificates for approximately 94,500 (2011: 94,500) Chinese Mu of forests in Dabu, with 28 to 50 years term, expiring between October 2036 and October 2058. According to the confirmation obtained from the local forest bureau in Dabu, the Group held approximately 94,500 Chinese Mu of forest in Dabu.

Seedlings are carried at cost less any impairment loss as the directors of the Company considered that little biological transformation has taken place since initial cost incurrence. The cost of these seedlings is therefore not materially different from their fair values as at 31 March 2012 and 2011 as determined by the directors of the Company.

During the year ended 31 March 2012, the Group did not harvest or sell any standing trees (2011: Nil). The Group's standing trees were independently valued by LCH (Asia-Pacific) Surveyors Limited (the "Valuer"). The Valuer has adopted market value approach for the valuation of standing trees. The method uses the present market price per unit cubic meter ("cu.m") of round logs and the total merchantable volume of timber in the forest at 31 March 2012 as the basis for estimating the fair value less costs to sell of the Group. The principal assumptions adopted are as follows:

20. BIOLOGICAL ASSETS *(Continued)*

— the Group is to produce round logs and;

— the factors of natural defects in the wood such as physical defects, rots and directions of grain have been allowed for a recovery rate of 70% for the valuation.

At 31 March 2012, the Group obtained all the forestry ownership certificates for approximately 10,200 Chinese Mu of forests in Xingning, with 50 years term, expiring between September 2058 and December 2059. According to the confirmation obtained from the local forest bureau in Xingning, the Group held approximately 10,200 Chinese Mu of forest in Xingning.

Camellia trees or tea trees for refined tea oil held by 興寧樹人木業有限公司 which were planted in previous years and had already gone through certain biological transformation. They are carried at cost less any impairment loss as the directors of the Company considered that the carrying amount of Camellia trees are not materially different from their fair value as at 31 March 2012.

Camellia trees were independently valued by the Valuer for impairment testing. The Valuer has adopted the replacement cost basis since the trees are still young and seed will only be ready for harvest about five years planting. Under replacement cost basis, the Valuer accumulated the costs associated with site preparation, sapling and planting costs, land rental, fertiliser cost, tending and silviculture costs and other associated management expenses.

As at 31 March 2012, no impairment for Camellia trees were required based on the valuation report.

21. FOREST CONCESSION RIGHTS

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

	Group	
	2012	2011
	HK$'000	*HK$'000*
Cost:		
At 1 April	**534,445**	534,451
Exchange difference	**–**	(6)
At 31 March	**534,445**	534,445
Accumulated amortisation:		
At 1 April	**12,802**	5,906
Amortisation for the year	**27,585**	6,896
At 31 March	**40,387**	12,802
Net carrying amount:		
At 31 March	**494,058**	521,643

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

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

21. FOREST CONCESSION RIGHTS *(Continued)*

The logging operation in Block B has been completed during the year ended 31 March 2010. There was no logging operation during the current and prior year.

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

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

For the purpose of impairment testing, the forest concession rights were independently valued by LCH (Asia-Pacific) Surveyors Limited (the "Valuer") using the market value approach for the valuation of standing trees. The method uses the current market price per unit cu.m of round logs and the total merchantable volume of timber in the forest at 31 March 2012 as the basis for estimating the fair value less costs to sell of the standing trees. The principal assumptions adopted are as follows:

— the Group is to produce round logs;
— the annual growth rate has been allowed for reasonable rate for the valuation;
— the total volume of logs for Jaling Concession Rights and Garner Concession Rights were 2.93 million cu.m (2011: 2.93 million cu.m) and 2.03 million cu.m (2011: 2.03 million cu.m) respectively as at 31 March 2012;
— the price of logs are homogenous and the average price for all species is applicable;
— the round logs are free from all encumbrances, restrictions and outgoings of an onerous nature which could affect its value; and
— the factors of natural defects in the wood such as physical defects, rots and directions of grain have been allowed for reasonable recovery rate for the valuation.

As at 31 March 2012 and 2011, no impairment for forest concession rights was required based on the valuation reports.

21. FOREST CONCESSION RIGHTS *(Continued)*

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

During the second half of the year ended 31 March 2011, taking into consideration of the current condition and expected production from the Jaling Concession Rights and Garner Concession Rights, the management of the Company reassessed the amortisation method and considered that amortisation using the unit of production method based on the proven and probable timber resources was no longer the appropriate method to reflect the expected pattern of consumption of the future economic benefits embodied in the forest concession rights.

Accordingly, the Group revised the amortisation method from units of production method to straight line method.

The change in accounting estimate is accounted for prospectively from 1 January 2011. As a result of such change, amortisation expense increased by HK$6,877,000 for the year ended 31 March 2011.

22. CONCESSION INTANGIBLE ASSET

	Note	**Group** *HK$'000*
Cost:		
At 1 April 2011		–
Acquisition of subsidiaries	*42*	4,886,071
Additions		284,521
Exchange difference		14,715
At 31 March 2012		5,185,307
Accumulated amortisation:		
At 1 April 2011		–
Additions		–
At 31 March 2012		–
Net carrying amount:		
At 31 March 2012		5,185,307
At 31 March 2011		–

22. CONCESSION INTANGIBLE ASSET *(Continued)*

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

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

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

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

Amortisation of the intangible asset will be provided for over the operation period on a straight-line basis when the expressway commences its operation over 30 years. No amortisation charge for the year as the expressway is still under construction.

Additions to concession intangible asset during the year include interest capitalised in respect of convertible bond issued on 28 September 2011 amounting to HK$155,863,000 (2011: HK$Nil).

22. CONCESSION INTANGIBLE ASSET *(Continued)*

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

The recoverable amount of the CGU has been determined by value in use calculated based on cash flow projections up to the end of the service concession arrangement period, and a pre-tax discount rate of 12.2% adopted in the valuation report issued by Jones Lang LaSalle Corporate Appraisal and Advisory Limited. As at 31 March 2012, no impairment was required based on the valuation report.

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

Period of operation	30 years
Discount rate	12.2%
Average toll revenue growth rate over the concession period	2.1%

Discount rate

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

Average toll revenue growth rate over the concession period

The toll revenue growth rate was determined based on forecasted traffic volume growth and the increase in toll rates. The average traffic volume growth rate is estimated to be 2.1% per annum over the concession period.

23. LONG TERM DEPOSIT AND PREPAYMENTS

	Group	
	2012	2011
	HK$'000	*HK$'000*
Prepayments for construction of expressway	**1,514,755**	—
Other prepayments	**—**	9,004
Deposit paid for acquisition of property, plant and equipment	**22,933**	—
	1,537,688	9,004

24. INTERESTS IN SUBSIDIARIES

	Company	
	2012	2011
	HK$'000	*HK$'000*
Unlisted shares, at cost	**10**	10
Due from subsidiaries	**4,418,881**	1,870,015
	4,418,891	1,870,025
Less: Impairment losses	**(27,100)**	(27,100)
	4,391,791	1,842,925

Particulars of the Company's subsidiaries as at 31 March 2012 are set out in Note 50 to the financial statements.

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

An accumulated allowance for amounts due from subsidiaries of HK$27,100,000 (2011: HK$27,100,000) was recognised as at 31 March 2012 because the balances due from subsidiaries with reference to the net assets value of the respective subsidiaries were estimated to be less than their carrying amounts. Accordingly, the carrying amount of the related investment costs and amounts due from the respective subsidiaries is reduced to their recoverable amounts.

25. DERIVATIVE FINANCIAL INSTRUMENT

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

Convertible bond issued on 9 February 2010:	**At 31 March 2012**	**At 31 March 2011**	**At issue date**
Conversion price	HK$0.056	HK$0.056	HK$0.056
Expected volatility *(Note a)*	51%	62.7%	88%
Expected life *(Note b)*	0.87 years	1.87 years	3 years
Risk free rate *(Note c)*	0.14%	0.59%	0.93%

Notes:

(a) Expected volatility was determined by calculating the historical volatility of the Company's share price cover the period same as the remaining life of the convertible bond before date of valuation.

(b) Expected life was the expected remaining life of the options.

(c) The risk free rate is determined by reference to the HKMA Exchange Fund Notes rate at date of valuation.

During the year, loss of HK$191,331,000 (2011: loss of HK$67,726,000) was recognised as a change in fair value of derivative financial instrument (Note 39).

26. PROPERTIES UNDER DEVELOPMENT FOR SALE

	Group	
	2012	2011
	HK$'000	*HK$'000*
Amounts comprise:		
Construction cost	**225,267**	48,792
Prepaid lease payments	**915,726**	912,120
Interest capitalised	**111,884**	80,334
Exchange difference	**76,476**	36,407
	1,329,353	1,077,653

The properties under development for sale are located in the PRC (Note 18).

27. INVENTORIES

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Raw materials	**78,010**	72,940	**–**	–
Work in progress	**36,534**	45,576	**–**	–
Finished goods	**12,517**	14,990	**–**	–
Timber logs and products	**390**	1,726	**–**	–
	127,451	135,232	**–**	–

Included in raw materials are precious woods of HK$61,825,000 (2011: HK$59,578,000) which are ready for trading.

28. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Trade receivables	**7,182**	2,796	**–**	–
Other receivables	**13,441**	18,378	**–**	–
Deposits paid	**8,362**	6,568	**1,688**	4,999
Prepayments	**24,661**	24,166	**6,954**	7,285
	53,646	51,908	**8,642**	12,284

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.

At 31 March 2012, the Group's trade and other receivables of HK$36,903,000 were determined to be impaired. It related to a former shareholder of a subsidiary which was bankrupted and management assessed that the receivable is not expected to be recovered.

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

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Outstanding balances aged:				
0 to 30 days	**–**	794	**–**	–
31 to 60 days	**3,945**	14	**–**	–
61 to 180 days	**59**	659	**–**	–
Over 180 days	**3,178**	1,329	**–**	–
	7,182	2,796	**–**	–

28. TRADE AND OTHER RECEIVABLES *(Continued)*

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

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Neither past due nor impaired	**3,945**	808	**–**	–
30 to 90 days past due	**59**	659	**–**	–
Over 90 days	**3,178**	1,329	**–**	–
	7,182	2,796	**–**	–

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

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

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Renminbi ("RMB")	**7,182**	1,550	**–**	–
United States Dollars ("USD")	**–**	1,246	**–**	–
	7,182	2,796	**–**	–

29. AMOUNT DUE FROM A NON-CONTROLLING SHAREHOLDER

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

30. PLEDGED DEPOSIT AND RESTRICTED CASH

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Restricted cash from pre-sale of properties for property construction *(Note i)*	**5,202**	–	**–**	–
Guarantee deposits for mortgage loans *(Note ii)*	**1,031**	–	**–**	–
Restricted cash for property construction *(Note iii)*	**8,601**	–	**–**	–
	14,834	–	**–**	–

Notes:

(i) Yichang Xinshougang is required to place certain amount of proceeds from pre-sales of properties at designated bank accounts. The deposits can only be used for the purchases of construction materials and the payments of construction fee for the project.

(ii) Amounts represent cash deposited in certain banks as guarantee deposits for the mortgage loan facilities granted by the banks to the purchasers of the Group's properties under development for sale. Such guarantee will only be released after the loan has been settled or issuance of the real estate ownership certificate to the purchaser, whichever is earlier.

(iii) Pursuant to the loan agreement signed with a bank, the restricted cash can only be used for the purchases of construction materials and the payments of construction fee for the project upon receiving the approval from the bank. Such restriction will only be released after the loan has been settled.

31. CASH AND CASH EQUIVALENTS

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cash and bank balances	**196,293**	591,575	**43,503**	559,582

Cash and bank balances were denominated in the following currencies:

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
HKD	**56,285**	570,865	**43,481**	559,547
RMB	**139,120**	20,240	**20**	24
USD	**655**	166	**2**	11
Australian Dollars ("AUD")	**126**	215	**—**	—
Guyana Dollars	**59**	—	**—**	—
Euro dollars	**48**	89	**—**	—
	196,293	591,575	**43,503**	559,582

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

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits were made for varying periods depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The effective interest rate on short-term time deposit was 0.44% (2011: 0.44%) per annum; these deposits have a maturity ranging from 7 to 34 days.

32. TRADE AND OTHER PAYABLES

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Trade payables	**153**	3,402	**—**	—
Other payables and accruals *(Note)*	**1,163,734**	75,505	**2,437**	2,877
Deposit received from customers	**4,888**	8,707	**—**	—
Purchase consideration payable	**5,108**	5,108	**5,108**	5,108
	1,173,883	92,722	**7,545**	7,985

Note:

As at 31 March 2012, other payables mainly comprised construction cost payable of HK$233,930,000 (2011: HK$Nil), retention and guarantee deposit of HK$731,492,000 (2011: HK$28,700,000), and compensation payable of HK$27,937,000 (2011: HK$Nil) relating to litigation claims from certain contracts arising from suspension of construction of expressway.

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 are as follows:

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Outstanding balances aged:				
0 to 30 days	**—**	302	**—**	—
31 to 60 days	**—**	450	**—**	—
61 to 180 days	**—**	507	**—**	—
Over 180 days	**153**	2,143	**—**	—
	153	3,402	**—**	—

Trade and other payables were denominated in the following currencies:

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
HKD	**12,664**	23,411	**7,545**	7,985
RMB	**1,160,637**	67,003	**—**	—
USD	**351**	2,079	**—**	—
AUD	**231**	229	**—**	—
	1,173,883	92,722	**7,545**	7,985

33. PROMISSORY NOTE

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

The movement on the promissory note is as follows:

	Group and Company	
	2012	2011
	HK$'000	*HK$'000*
Carrying value as at 1 April	**284,797**	237,262
Interest expense *(Note 8)*	**4,308**	47,535
Carrying value as at 31 March	**289,105**	284,797

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

34. DEFERRED GOVERNMENT GRANTS

	Group	
	2012	2011
	HK$'000	*HK$'000*
At 1 April	**125,684**	120,786
Exchange difference	**4,739**	4,898
At 31 March	**130,423**	125,684
Analysed for reporting purposes as:		
Current liabilities	**7,436**	9,277
Non-current liabilities	**122,987**	116,407
	130,423	125,684

(i) Yichang Xinshougang, a subsidiary acquired during the year ended 31 March 2010, received a government grant of approximately RMB105,326,000 (equivalent to HK$119,987,000) in 2007 in the form of a foregivable payable on the partial land premium in respect of a piece of land situated in Yichang City, Hubei, the PRC.

Pursuant to the Land Use Rights Contract and the supplemental contract, Yichang Xinshougang had committed to invest approximately RMB650 million (equivalent to HK$740 million) to develop this piece of land during 2007. As Yichang Xinshougang obtained the legal title of the land in March 2007, the government grant was recorded since that date.

The government grant would be recognised in profit or loss in the period when the Group recognises the cost of the relevant land use rights as expense.

(ii) During the year ended 31 March 2010, the Company's subsidiary received a government grant of approximately RMB6,045,000 (equivalent to HK$6,886,000) for the development of tea-oil production located in Xingning, the PRC.

The government grant is to be amortised on a systematic basis according to the volume of production when the production of tea-oil begins and income is generated. No amortisation was recognised for the years ended 31 March 2011 and 2012 as production had not been commenced at the end of the reporting period.

35. AMOUNT DUE TO A JOINT OPERATOR

As described in Note 18 to the financial statements, during the year ended 31 March 2011, Yichang Xinshougang has signed a joint development agreement with a third party, Dafang Properties, for the development of several complex commercial and residential properties, including Yichang Three Gorges International Convention Centre ("Convention Centre"), the Three Gorges State Guest House ("Guest House") and the Three Gorges State Guest Garden Commercial Property. According to the agreement, the Group will provide a parcel of land located at Meiziya Village, Yiling District, Yichang City, Hubei Province and Dafang Properties will provide funding for all necessary development and construction costs for the property project except for borrowing costs for Convention Centre and Guest House which will be shared by the Group and Dafang Properties on 65:35 basis. During the year ended 31 March 2011, Yichang Xinshougang has contributed a parcel of land while Dafang Properties has provided funding for all necessary development and construction costs for the Yichang Project.

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

The amount due to a joint operator is unsecured, interest-free and with no fixed term of repayment.

36. AMOUNT DUE TO A DIRECTOR

The amount due to a director was unsecured, interest free and repayable on demand.

37. BORROWINGS

	Group	
	2012	2011
	HK$'000	*HK$'000*
Secured		
— Current portion *(i)*	**100,867**	—
Unsecured		
— Current portion *(ii)*	**6,397**	6,164
— Non-current portion *(iii)*	**609,209**	—
	716,473	6,164

Total borrowings were repayable as follows:

	Group	
	2012	2011
	HK$'000	*HK$'000*
On demand or within one year included in current liabilities	**107,264**	6,164
Over one year and included in non-current liabilities	**609,209**	—
	716,473	6,164

(i) The loan is secured by the Group's other properties under development and properties under development for sale and is repayable within three years and with weighted average effective interest rate of 6.56%.

(ii) The loan is unsecured, interest free and repayable within one year.

(iii) The loan is unsecured, interest bearing at 0.0288% per day and repayable within two years. The Group entered into the assignment of loan agreement with an authorised financial institution and one of the non-controlling shareholders under which all parties agreed that the amount due to a non-controlling shareholder of HK$609,209,000 was unconditionally assigned to the authorised financial institution on 6 February 2012.

38. DEFERRED TAX LIABILITIES

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

	Group	
	2012	2011
	HK$'000	*HK$'000*
At 1 April	**1,574**	1,574
Recognised in other comprehensive income for the year	**2,123**	—
At 31 March	**3,697**	1,574

Deferred income tax assets were recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through the future taxable profits is probable. The Group has unrecognised tax losses of HK$108,666,000 (2011: HK$104,393,000) to be carried forward for offset against future taxable income which included tax losses of HK$71,132,000 (2011: HK$67,160,000) may be carried forward against future taxable income for a period of five years in accordance with the PRC tax law. The remaining tax losses may be carried forward indefinitely.

39. CONVERTIBLE BONDS

Issue of convertible bond on 9 February 2010

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

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

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

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

39. CONVERTIBLE BONDS *(Continued)*

Issue of convertible bond on 9 February 2010 *(Continued)*

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

Issue of convertible bond on 28 September 2011

On 28 September 2011, the Company issued the convertible bond with an aggregate amount of HK$2,000,000,000 with a maturity date on 27 September 2014 to several subscribers. The convertible bond carry an interest rate of 9% per annum, which shall be payable by the Company annually in arrears, upon conversion or redemption.

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

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

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

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

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

39. CONVERTIBLE BONDS *(Continued)*

The movement of the liability component, embedded derivative component and equity component of the convertible bonds were as follows:

	Group and Company			
	Liability component *HK$'000*	**Derivative financial instrument** *HK$'000*	**Equity component** *HK$'000*	**Total** *HK$'000*
Convertible bond issued on 9 February 2010				
At 1 April 2010	361,205	(411,498)	435,064	384,771
Interest expense *(Note 8)*	47,839	—	—	47,839
Interest paid	(4,395)	—	—	(4,395)
Conversion of convertible bond into ordinary shares *(i)*				
— Transfer to share capital	(33,429)	—	—	(33,429)
— Transfer to share premium	(108,108)	130,678	(173,285)	(150,715)
Change in the fair value *(Note 25)*	—	67,726	—	67,726
At 31 March and 1 April 2011	263,112	(213,094)	261,779	311,797
Interest expense *(Note 8)*	25,778	—	—	25,778
Change in the fair value *(Note 25)*	—	191,331	—	191,331
At 31 March 2012	288,890	(21,763)	261,779	528,906
Convertible bond issued on 28 September 2011				
At 1 April 2011	—	—	—	—
Issue of convertible bond	1,542,413	—	457,587	2,000,000
Interest expense *(Note 8)*	155,863	—	—	155,863
At 31 March 2012	1,698,276	—	457,587	2,155,863
Total				
At 31 March 2012	1,987,166	(21,763)	719,366	2,684,769
At 31 March 2011	263,112	(213,094)	261,779	311,797
Represented by				
Current portion	288,890	(21,763)		267,127
Non-current portion	1,698,276	—		1,698,276
	1,987,166	(21,763)		1,965,403

39. CONVERTIBLE BONDS *(Continued)*

(i) Summary of conversion of convertible bond during the year ended 31 March 2011 is as follows:

Date	**Amount**	**Number of ordinary shares converted**
22 February 2011	HK$36,000,000	642,857,143
2 March 2011	HK$20,000,000	357,142,857
24 March 2011	HK$112,000,000	2,000,000,000
29 March 2011	HK$19,200,000	342,857,142

40. SHARE CAPITAL

		2012		2011	
	Notes	**Number of shares** ***'000***	**Amount** ***HK$'000***	Number of shares *'000*	Amount *HK$'000*
Authorised:					
Ordinary shares of HK$0.01 each					
At 1 April		**30,000,000**	**300,000**	30,000,000	300,000
Increase during the year	*(a)*	**20,000,000**	**200,000**	–	–
At 31 March		**50,000,000**	**500,000**	30,000,000	300,000
Issued and fully paid:					
Ordinary shares of HK$0.01 each					
At 1 April		**19,842,925**	**198,429**	14,412,927	144,129
Placement of shares	*(b)*	**–**	**–**	1,800,000	18,000
Shares issued upon conversion of convertible bonds	*(c)*	**–**	**–**	3,342,857	33,429
Shares issued upon exercise of warrants	*(d)*	**347,859**	**3,479**	287,141	2,871
At 31 March		**20,190,784**	**201,908**	19,842,925	198,429

40. SHARE CAPITAL *(Continued)*

Note:

(a) Increase in authorised share capital

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

(b) Placement of shares

Pursuant to a placing agreement dated 12 January 2011, 1,800,000,000 shares of HK$0.01 each were allotted and issued at a placing price of HK$0.30 per placing share for a total cash consideration, before any issuance expenses, of HK$540,000,000, for the purpose of paying a refundable deposit under a letter of intent dated 12 January 2011 relating to subscribe for an equity interest in Zhunxing, a company established under the laws of the PRC and providing additional working capital to the Company. Details were disclosed in the announcement of the Company dated 13 January 2011.

(c) Conversion of convertible bonds

During the year ended 31 March 2011, convertible bonds of the Company with an aggregate principal amount of approximately HK$187,200,000 were converted into 3,342,857,141 shares of the Company of HK$0.01 each at a conversion price of HK$0.056 per ordinary share.

(d) Exercises of warrants

During the year, 347,858,523 (2011: 287,141,477) shares of HK$0.01 each were issued at HK$0.23 per share from the utilisation of warrants with proceed of HK$80,000,000 (2011: HK$66,000,000).

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

41. ACQUISITION OF ADDITIONAL INTERESTS IN SUBSIDIARIES

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

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

42. ACQUISITION OF ASSETS AND LIABILITIES THROUGH ACQUISITION OF SUBSIDIARIES

On 21 April and 18 November 2011, the Company through a wholly-owned subsidiary, Cheer Luck Technology Limited ("Cheer Luck") completed the subscription of 11% and 40% increased capital of Zhunxing respectively. According to the business license and the Notice of Registration Modification(變更登記通知書)of Zhunxing dated 18 November 2011, the Group through Cheer Luck, acquired 51% equity interest of Zhunxing together with its subsidiary, through capital injection of RMB2,318,000,000 (equivalent to HK$2,828,957,000) which represent registered capital of RMB416,326,530 and share premium of RMB1,901,673,470 respectively.

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

The principal activities of Zhunxing are expressway and auxiliary facility investment, operation, management and maintenance. Zhunxing has been granted an exclusive right to build and operate the first heavy haul toll expressway in the PRC for 30 years (excluding the construction period). The construction is now in progress during the year ended 31 March 2012.

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

42. ACQUISITION OF ASSETS AND LIABILITIES THROUGH ACQUISITION OF SUBSIDIARIES *(Continued)*

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

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

43. SHARE OPTIONS

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

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

No share options were granted, exercised nor lapsed during the years ended 31 March 2012 and 2011.

44. LEASES

Operating leases — lessee

The Group leases part of its office properties and plantation sites, under operating lease arrangements. Leases for properties are negotiated for terms for 1 to 5 years (2011: 1 to 5 years). Leases for plantation sites are negotiated for terms for 1 to 7 years (2011: 1 to 7 years).

At 31 March 2012, the Group had total future minimum lease payments under non-cancellable operating leases due at the end of reporting period as follows:

	2012 ***HK$'000***	2011 *HK$'000*
Within one year	**7,837**	6,947
In the second to fifth years, inclusive	**6,734**	13,002
After five years	**88**	198
	14,659	20,147

44. LEASES *(Continued)*

Operating leases — lessor

The Group's investment property is leased to a tenant for varying terms. The sub-lease rental income during the year ended 31 March 2012 was HK$376,000 (2011: HK$759,000).

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

	2012	2011
	HK$'000	*HK$'000*
Within one year	**361**	337
Over one year but within 5 years	**361**	—
	722	337

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

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

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

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

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

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

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

Date of grant	8 February 2010
Exercise period	8 February 2010 to 8 February 2013
Subscription price	HK$0.23

	2012	2011
	'000	*'000*
At 1 April	**712,859**	1,000,000
Utilised during the year *(Note 40)*	**(347,859)**	(287,141)
At 31 March	**365,000**	712,859

During the year, 347,858,523 warrants (2011: 287,141,477) were exercised to subscribe for the shares of the Company.

46. CAPITAL COMMITMENTS

Capital commitments outstanding at 31 March 2012 and 2011 not provided for in the financial statements were as follows:

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Authorised but not contracted for				
— a coal processing large scale comprehensive logistics base *(Note i)*	**138,385**	—	**138,385**	—
Contracted but not provided for				
— acquisition of property, plant and equipment and land use right	**—**	4,089	**—**	1,283
— investment on properties under development for sale *(Note ii)*	**91,821**	184,715	**—**	—
— investment on concession intangible asset *(Note iii)*	**7,553,309**	—	**—**	—
	7,783,515	188,804	**138,385**	1,283

Notes:

(i) The Company entered into an investment cooperation agreement on 5 December 2011 (the "Cooperation Agreement") with the local people's government of Qingshuihe County in the Inner Mongolia Autonomous Region of the People's Republic of China ("Qingshuihe Government") in relation to a coal processing large scale comprehensive logistics base (the "Comprehensive Logistics Base") proposed to be built close to the Yingpanliang exit of the Zhunxing coal expressway currently being constructed by Zhunxing. In accordance with the Cooperation Agreement, the area of the Comprehensive Logistics Base will be 15 square kilometers (ie 22,500 mu) in total. The Qingshuihe Government will be responsible for the relocation of the current residents and the Company will be responsible for bearing the relocation compensation of RMB5,000 per mu, i.e. RMB112,500,000 in total.

(ii) Pursuant to a Contract for the Grant of State-owned Land Use Rights No. Yichang City Yiling District Yi Zeng Guo Rang (He) Zi (2006) Di 438 Hao dated 29 December 2006 (hereinafter referred to as the "Contract") made between the Land Resource Bureau of Yichang City Yiling District and Yichang Xinshougang, it was agreed that the total investment for the development would be approximately RMB650,000,000. Up to 31 March 2012, the total investment in the property development was HK$228,385,000 (2011: HK$39,700,000).

(iii) The investment on concession intangible asset represented the construction cost of the expressway being constructed by Zhunxing.

47. CONTINGENT LIABILITIES

(a) The Group had the following contingent liabilities:

	2012 **HK$'000**	2011 HK$'000
Guarantees in respect of mortgage facilities for certain purchasers	**40,268**	–

The Group was in cooperation with certain financial institutions arranged mortgage loan facility for its purchasers of property and provided guarantees to secure obligations of such purchasers for repayments. As at 31 March 2012, the outstanding guarantees amounted to RMB32,736,000 (2011: RMB Nil). Such guarantees will be discharged upon the earlier of (i) issuance of the real estate ownership certificate which will generally be available within three months after the purchasers take possession of the relevant property; and (ii) the satisfaction of relevant mortgage loan by purchasers.

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

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

48. RELATED PARTY TRANSACTIONS

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

(b) Save as disclosed elsewhere in these financial statements, the Group had the following major transactions with related parties during the years ended 31 March 2012 and 2011:

Related party relationship	**Type of transactions**	*Notes*	**For the year ended 31 March 2012** ***HK$'000***	2011 *HK$'000*
China Alliance International Holding Group Limited (a substantial shareholder of the Company)	Interest expense on promissory note	*8*	**4,308**	47,535
	Interest expense on convertible bonds	*8, 39*	**–**	32,540

	Type of balances	**As at 31 March 2012** ***HK$'000***	2011 *HK$'000*
China Alliance International Holding Group Limited (a substantial shareholder of the Company)	Promissory note	**289,105**	284,797
Shougang Holding Company Limited (a non-controlling shareholder of a subsidiary)	Deposit paid for purchase of office building located in Inner Mongolia Autonomous Region, the PRC	**22,933**	–

(c) Members of key management during the year comprised only of the directors whose remuneration is set out in Note 11 to the financial statements.

49. JOINTLY CONTROLLED OPERATION

The following amounts represent the assets, liabilities and results of the project under jointly controlled operation in accordance with joint development agreement described in note 35 to the financial statement. They are included in the consolidated statement of financial position and consolidated income statement:

	2012	2011
	HK$'000	*HK$'000*
Total non-current assets	**212,337**	194,664
Total current assets	**1,365,202**	1,080,584
Total current liabilities	**(447,377)**	(199,466)
Total non-current liabilities	**(122,987)**	(116,407)
Net assets	**1,007,175**	959,375

	2012	2011
	HK$'000	*HK$'000*
Income	**163**	123
Expenses	**(14,827)**	(2,034)
Loss before income tax expense	**(14,664)**	(1,911)
Income tax expense	**—**	—
Loss for the year	**(14,664)**	(1,911)

50. PARTICULARS OF SUBSIDIARIES

Name	Place of incorporation and operation	Issued and fully paid share capital/ registered capital	Proportion of ownership interest: Held by the Company*/ subsidiaries %	Proportion of ownership interest: Attributable to the Group %	Principal activity
Australian Service Cold Storage (N.S.W.) Pty Ltd	Australia	AUD2,500,002 shares	100	100	Dormant
Seapower Resources Australia Pty Ltd	Australia	AUD700,002 shares	100	100	Investment holding
Seapower Resources Gosford Pty Ltd	Australia	AUD4,200,002 shares	100	100	Cold storage warehousing
Seapower Resources Investment Pty Ltd	Australia	AUD2,000,002 shares	100	100	Investment holding
Allied National Ltd	British Virgin Islands/ Hong Kong	US$1 share	100*	100	Investment holding
Best Idea International Investment Limited	British Virgin Islands	US$1 share	100*	100	Investment holding
Bondwell International Group Limited	British Virgin Islands	US$1 share	100*	100	Investment holding
China Timber Maritime Limited	British Virgin Islands	HK$20,000,000 shares	65	65	Construction of barges
Sunshine Delight Limited	British Virgin Islands	US$1 share	100*	100	Investment holding
Jaling Forest Industries Inc.	Guyana	G$500,000 shares	100	100	Timber logging
Garner Forest Industries Inc.	Guyana	G$100,000 shares	100	100	Timber logging
Unisea Wood Development Inc.	Guyana	G$10,000 shares	100	100	Dormant

50. PARTICULARS OF SUBSIDIARIES *(Continued)*

Name	Place of incorporation and operation	Issued and fully paid share capital/ registered capital	Proportion of ownership interest: Held by the Company*/ subsidiaries %	Proportion of ownership interest: Attributable to the Group %	Principal activity
Cheer Luck Technology Limited	Hong Kong	HK$1 share	100	100	Investment holding
China Solartronics Technology Limited	Hong Kong	HK$1 share	100*	100	Dormant
China Transportation and Resources Group Limited	Hong Kong	HK$1 share	100*	100	Dormant
China Timber Resources Group Limited	Hong Kong	HK$1 share	100*	100	Dormant
Glory Success Trading Limited	Hong Kong	HK$10 shares	100*	100	Timber log trading and sale of furniture and handicrafts
New Shougang Group Holdings Limited	Hong Kong	HK$1 share	100*	100	Dormant
Seapower Investment (China) Limited	Hong Kong	HK$10,000 shares	100*	100	Investment holding
Smart Fancy (China) Limited	Hong Kong	HK$1 share	100*	100	Investment holding
Triumph Kind Investment Limited	Hong Kong	HK$100 shares	100*	100	Investment in property
Triumph Max Investment Limited	Hong Kong	HK$100 shares	100*	100	Investment holding
Vastrich Corporation Limited	Hong Kong	HK$1 share	100*	100	Investment holding
Wide Forest Limited	Hong Kong	HK$1 share	100*	100	Investment holding

50. PARTICULARS OF SUBSIDIARIES *(Continued)*

Name	Place of incorporation and operation	Issued and fully paid share capital/ registered capital	Proportion of ownership interest: Held by the Company*/ subsidiaries %	Proportion of ownership interest: Attributable to the Group %	Principal activity
中國國際資源控股集團有限公司	Hong Kong	HK$1 share	100*	100	Dormant
樹人木業(大埔)有限公司	People's Republic of China	RMB102,175,000	100	100	Forest operation, timber logging and tree plantation
樹人苗木組培(大埔)有限公司	People's Republic of China	RMB4,721,500	100	100	Plantation and trading of seedling
興寧樹人木業有限公司	People's Republic of China	RMB30,000,000	100	100	Production and sale of tea-oil
樹人木業(深圳)有限公司	People's Republic of China	RMB43,773,024	100	100	Timber log trading and sale of furniture and handicrafts
陽東縣樹人木業有限公司	People's Republic of China	RMB1,000,000	100	100	Dormant
東莞樹人木業有限公司	People's Republic of China	RMB153,673,000	100	100	Dormant
首控(北京)管理咨詢有限公司	People's Republic of China	RMB2,000,000	100	100	Investment holding
宜昌新首鋼房地產開發有限公司	People's Republic of China	RMB20,000,000	100	100	Property development and asset management

50. PARTICULARS OF SUBSIDIARIES *(Continued)*

Name	Place of incorporation and operation	Issued and fully paid share capital/ registered capital	Proportion of ownership interest: Held by the Company*/ subsidiaries %	Proportion of ownership interest: Attributable to the Group %	Principal activity
內蒙古准興重載高速公路有限責任公司 ("Zhunxing")	People's Republic of China	RMB816,326,530 (Note)	55.9	55.9	Expressway and auxiliary facility investment, operation, management and maintenance
北京准興隆博管理咨詢有限責任公司	People's Republic of China	RMB2,000,000	100	55.9	Investment holding
北京中資准興科技有限公司	People's Republic of China	HK$5,000,000	100	100	Investment holding
內蒙古清水河准興物流園有限責任公司	People's Republic of China	RMB10,000,000	100	100	Coal processing and storage

Note: During the year, the registered capital was increased from RMB400,000,000 to RMB816,326,530. During the year ended 31 March 2012, the Group has accumulatively injected RMB342,182,601 into Zhunxing. Thus, register capital of RMB742,182,601 has been paid up as at 31 March 2012.

51. FINANCIAL RISK MANAGEMENT

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

(a) Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates as the Group has no significant interest-bearing assets and liabilities except for the deposits in banks and borrowings, details of which have been disclosed in Notes 30, 31 and 37 to the financial statements. The interest rate risk is considered to be insignificant.

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

(b) Foreign currency risk

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

(c) Credit risk

The Group's credit risk is primarily attributable to its trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

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

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry in which customers operate also has an influence on credit risk but to a lesser extent. At the end of reporting period, the Group has a certain concentration of credit risk as 54% (2011: 45%) and 92% (2011: 79%) of the total trade receivables was due from the Group's largest trade debtor and the three largest trade debtors.

51. FINANCIAL RISK MANAGEMENT *(Continued)*

(c) Credit risk *(Continued)*

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in Note 28 to the financial statements.

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

The Group has arranged bank financing for certain purchasers of property units and provided guarantees to secure obligations of such purchasers for repayments. Detailed disclosure of these guarantees is made in Note 47 to the financial statements.

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

(d) Liquidity risk

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

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

51. FINANCIAL RISK MANAGEMENT *(Continued)*

(d) Liquidity risk *(Continued)*

The Group	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000
2012						
Trade and other payables	1,173,883	1,173,883	1,173,883	–	–	–
Deposit from sales of properties	122,996	122,996	122,996	–	–	–
Promissory note	289,105	289,105	289,105	–	–	–
Amount due to a joint operator	61,505	61,505	61,505	–	–	–
Borrowings	716,473	855,002	6,396	–	848,606	–
Convertible bonds	1,987,166	2,841,041	481,041	180,000	2,180,000	–
Acreage fees payable	11,020	11,020	519	519	1,557	8,425
	4,362,148	5,354,552	2,135,445	180,519	3,030,163	8,425
2011						
Trade and other payables	92,722	92,722	92,722	–	–	–
Promissory note	284,797	284,797	284,797	–	–	–
Amount due to a joint operator	59,270	59,270	59,270	–	–	–
Amount due to a director	12,446	12,446	12,446	–	–	–
Borrowings	6,164	6,164	6,164	–	–	–
Convertible bond	263,112	301,041	–	301,041	–	–
Acreage fees payable	11,020	11,020	519	519	1,557	8,425
	729,531	767,460	455,918	301,560	1,557	8,425

The basis of preparing these consolidated financial statements under the going concern assumption have been discussed in Note 3(b) to the financial statements.

51. FINANCIAL RISK MANAGEMENT *(Continued)*

(d) Liquidity risk *(Continued)*

The Company	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000
2012						
Trade and other payables	**7,545**	**7,545**	**7,545**	**–**	**–**	**–**
Promissory note	**289,105**	**289,105**	**289,105**	**–**	**–**	**–**
Convertible bonds	**1,987,166**	**2,841,041**	**481,041**	**180,000**	**2,180,000**	**–**
	2,283,816	**3,137,691**	**777,691**	**180,000**	**2,180,000**	**–**
2011						
Trade and other payables	7,985	7,985	7,985	–	–	–
Promissory note	284,797	284,797	284,797	–	–	–
Amount due to a director	12,446	12,446	12,446	–	–	–
Convertible bond	263,112	301,041	–	301,041	–	–
	568,340	606,269	305,228	301,041	–	–

(e) Market risk

The Group is exposed to equity price risk arising from changes in the Company's own share price to the extent that the Company's own equity instruments underlie the fair values of derivative or other financial liabilities of the Group. At the end of reporting period, the Group is exposed to this risk through the early redemption option attached to the convertible bonds issued by the Company as disclosed in Note 39 to the financial statements.

Sensitivity analysis

The sensitivity analysis on equity price risk includes the Group's financial instruments, which fair value or future cash flow will fluctuate because of changes in their corresponding or underlying asset's equity price. If the prices of the respective equity instruments had been 10% higher/lower, loss after tax would decrease/increase by HK$16,722,000 (2011: HK$67,063,000) and the Group's reserve would increase/decrease by HK$16,722,000 (2011: HK$67,063,000).

52. CAPITAL RISK MANAGEMENT

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

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

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total liabilities divided by total assets. The gearing ratios at 31 March 2012 and 2011 are as follows:

	2012 ***HK$'000***	2011 *HK$'000*
Total liabilities	**4,496,509**	856,789
Total assets	**9,556,116**	3,107,925
Gearing ratio	**47.1%**	27.6%

53. NATURE RISK

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

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

54. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The carrying amounts of the Group's financial assets and financial liabilities as recognised at 31 March 2012 and 2011 may be categorised as follows:

	2012 **HK$'000**	2011 HK$'000
Financial assets		
Derivative financial instrument	**21,763**	213,094
Loans and receivables (including cash and bank balances)	**240,112**	619,317
Financial liabilities		
Financial liabilities measured at amortised cost	**4,239,152**	729,531

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

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

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

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

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

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

31 March 2012	**Level 1** *HK$'000*	**Level 2** *HK$'000*	**Level 3** *HK$'000*	**Total** *HK$'000*
Assets				
Derivative financial instrument	—	21,763	—	21,763

31 March 2011	**Level 1** *HK$'000*	**Level 2** *HK$'000*	**Level 3** *HK$'000*	**Total** *HK$'000*
Assets				
Derivative financial instrument	—	213,094	—	213,094

55. EVENTS AFTER THE REPORTING PERIOD

(a) On 8 May 2012, the Group entered into a loan agreement with an independent third party to borrow HK$300,000,000 for a period of 6 months with interest rate at 20% per annum. The purpose of the loan shall be used to finance the capital contribution to Zhunxing.

(b) New short term bank facilities of HK$2,460 million approximately (RMB2,000 million) was granted by China Development Bank after the end of reporting period.

(c) On 23 May 2012, the Group and the promissory note holder signed a supplemental agreement to extend the repayment term of promissory note. Both parties agreed that the Group is required to repay 25% of principal amount with accrued interest or 100% principal amount with accrued interest when the Group received fund amounted to US$50 million to US$100 million or US$100 million respectively. If the Group fails to repay the principal amount and coupon interest according to the revised repayment term, then a default interest with interest rate at 0.0005% per day (annual interest rate of 18.25%) is required to pay to the promissory note holder.

SUMMARY OF FINANCIAL INFORMATION

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

	Year ended 31 March				
	2008	2009	2010	2011	**2012**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
RESULTS					
Turnover	33,382	17,841	21,171	13,332	**139,002**
Profit/(loss) from operations	19,445	(70,458)	(27,286)	(157,334)	**(449,441)**
Finance costs	—	(799)	(9,633)	(184)	**—**
Profit/(loss) before income tax expense	19,445	(71,257)	(36,919)	(157,518)	**(449,441)**
Income tax expense	346	(185)	248	(12)	**—**
Profit/(loss) for the year	19,791	(71,442)	(36,671)	(157,530)	**(449,441)**
Attributable to:					
Owners of the Company	21,211	(67,436)	(33,119)	(153,670)	**(419,404)**
Non-controlling interests	(1,420)	(4,006)	(3,552)	(3,860)	**(30,037)**
	19,791	(71,442)	(36,671)	(157,530)	**(449,441)**
ASSETS AND LIABILITIES					
Total assets	1,193,081	1,112,912	2,538,348	3,107,925	**9,556,116**
Total liabilities	(43,356)	(38,521)	(790,384)	(856,789)	**(4,496,509)**
Non-controlling interests	(26,839)	(22,971)	(19,884)	(15,198)	**(2,416,436)**
Shareholders' funds	1,122,886	1,051,420	1,728,080	2,235,938	**2,643,171**

PARTICULARS OF THE GROUP'S MAJOR PROPERTIES

1. PROPERTIES HELD FOR THE GROUP'S OWN USE

(a) Leasehold building and prepaid lease payments

Location	Lease expiry	Approximate gross floor area *(sq. m)*	Main usage	Attributable interest to the Group %
Level 7, Xinruike Building Futian Trade Zone Futian District Shenzhen PRC	2,051	2,737	O	100

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

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

2. PROPERTY HELD FOR RENTAL PURPOSE

Cold storage warehouse – investment property

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

Note:

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