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

2014 ANNUAL REPORT

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Independent Non-executive Directors

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

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

COMPANY SECRETARY

Miss Ngan Wai Kam, Sharon

AUDITOR

BDO Limited

LEGAL ADVISOR

Sidley Austin
Louis K.Y. Pau & Company

PRINCIPAL BANKERS

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

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS

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

SHARE REGISTRARS AND TRANSFER OFFICE

Tricor Progressive Limited
Level 22
Hopewell Centre
183 Queen's Road East
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 2014 and the audited financial statements of the Company and its subsidiaries (together the "Group") for the year ended 31 March 2014.

BUSINESS REVIEW

For the year ended 31 March 2014, the Group was principally engaged in expressway operation, management, maintenance and auxiliary facility investment, trading of petroleum and related products, property development, and forest operation.

Operation of Zhunxing Expressway

The Company through its wholly-owned subsidiaries acquired in aggregate 86.87% equity interest in Inner Mongolia Zhunxing Heavy Haul Expressway Company Limited (內蒙古准興重載高速公路有限責任公司) ("Zhunxing") by the end of February 2014 and have shifted its business focus to expressway operation, management and maintenance which was a key strategic move of the Company. Zhunxing has been granted an exclusive right to build and operate the first PRC heavy-haul toll expressway specifically designed for coal transportation in Inner Mongolia for 30 years ("Zhunxing Expressway"). Zhunxing Expressway runs 265 km from Jungar Banner (准格爾旗), a major coal production area located south of Hohhot (呼和浩特) in Ordos (鄂爾多斯), towards northeast to Xinghe County (興和縣), a major logistic hub for coal distribution in northern PRC. The total investment on Zhunxing Expressway was about RMB15 billion (approximately HK$19 billion) which had been mainly funded by equity and loan financing. The most significant loan financing for the construction of Zhunxing Expressway is the syndicated loan facility of RMB8.82 billion (approximately HK$11 billion) granted by a few PRC banks in December 2012.

In October 2013, Zhunxing completed the construction of the main body of Zhunxing Expressway and handed over to government for acceptance check and on 21 November 2013, a grand opening ceremony was held for Zhunxing Expressway's entry into service. Zhunxing Expressway has five lanes with road width of about 28 meters and is designed to sustain the passing of heavy haul vehicles in high frequency and high proportion. Its estimated annual traffic capacity is about 150 million tons. The Board believes that with the opening of Zhunxing Expressway for traffic and its capacity to generate cash return to the Group on a daily basis, the Group will have a totally different turnover and asset portfolio thereafter.

Based on the experience of other expressway operators, an expressway is usually in an incubation stage for two to three years after opening, namely loss-making in the first year, holding stable in the second year and making moderate profit in the third year. In order to promote the use of Zhunxing Expressway and boost revenue, the Company has mobilized full-force marketing by devoting tremendous efforts at advertisement, establishing long-term contractual relationship with major customers, and implementation of attractive discount policies.

In the meantime, the Company has also taken the following actions:

(1) firmly implement the interconnection with Beijing-Tibet Highway (京藏高速公路) ("G6") and Er-Guang Expressway (二廣高速公路) ("G55");

(2) improve road surface and enhance driver comfort level;

(3) push forward the construction and operation of service areas, and petrol and gas stations; and

(4) pro-actively spur the construction of logistics bases at both ends of the Zhunxing Expressway.

STATEMENT OF CHAIRMAN

BUSINESS REVIEW *(Continued)*

Operation of Zhunxing Expressway *(Continued)*

From Zhunxing Expressway's commission in late November 2013 to 31 March 2014, it recorded an accumulated toll fee of RMB253 million, i.e. an average daily income of RMB2.11 million and an average daily traffic volume of 4,400 vehicles. During this period, Zhunxing has encountered the following major constraints in its operation:

(1) Zhunxing Expressway is at its initial stage of operation and time is required to promote and establish customer base;

(2) snowy weather is common in the winter in Inner Mongolia, therefore road closures is sometimes unavoidable in order to clear the snow timely;

(3) auxiliary facilities (such as service areas and petrol and gas stations) are still under construction by service operators, it may bring inconvenience to some expressway travelers;

(4) Interconnection with G6 and G55 has not been implemented.

Development of Zhunxing Expressway Auxiliary Facilities

In line with the Group's commitment on expressway business, the Company has also engaged operators to construct and provide auxiliary facilities along Zhunxing Expressway for serving road users. The operation of the auxiliary facilities will enhance the competitiveness of Zhunxing Expressway by promoting the convenience and comfort level of road users.

On 20 December 2012, the Company entered into an agreement with Joint Gain Holdings Limited ("Joint Gain") granting Joint Gain the right to develop and operate the petrol and gas stations in the service areas of Zhunxing Expressway (the "Operation Rights") through transferring all the equity interest in a project company (the "Project Company") to Joint Gain (the "Cooperation Agreement"). As of 31 March 2014, the construction of the petrol and gas stations as well as related service facilities have been completed substantively by Joint Gain. The Company is currently negotiating with Joint Gain in respect of the consideration for buy-back of the entire equity interest of the Project Company pursuant to the Cooperation Agreement.

Under the Cooperation Agreement, upon completion of exercise of the call option by the Company, Joint Gain shall be entitled to exercise its right on the 2,000 million conditional warrants granted to it by the Company on 19 April 2013 at the exercise price of HK$0.48 per new share of the Company. The shares to be issued upon exercise of the warrants have a nominal value of HK$20 million and a market value of HK$550 million based on the closing price of the shares of HK$0.275 on 20 December 2012, the date of the Cooperation Agreement. No conditional warrants were entitled to be exercised during this year and thus no proceeds have been received.

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

Trading of Petroleum and Related Products

Towards the end of 2013, the Group has commenced a new business in the trading of petroleum and related products through a newly incorporated wholly owned subsidiary of the Company in the PRC, namely Shenzhenshi Qianhai Zitong Energy Company Limited (深圳市前海資通能源有限公司) ("Qianhai Zitong") which has a paid-up capital of RMB100 million (approximately HK$126 million). Qianhai Zitong is managed and operated by experts in the oil trading industry with past working experience in Petrochina Company Limited (中國石油天然氣股份有限公司) (Stock Code: 857). As at 31 March 2014, Qianhai Zitong has recorded a turnover of approximately RMB92.9 million (approximately HK$117.1 million).

The Board believes that oil trading activities will enhance profitability of the Company by bringing in stable income and maintain sustainable growth.

STATEMENT OF CHAIRMAN

BUSINESS REVIEW *(Continued)*

Property Development and Forest Operation

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

The Company discontinued its property management business in September 2013 by completing its disposal of 55% equity interest of its property development arm, Yichang Xinshougang Property Development Company Limited (宜昌新首鋼房地產開發有限公司) ("Yichang Xinshougang") at a consideration of HK$550 million. As at 31 March 2014, approximately HK$502.7 million of cash consideration has been received by the Company. The remaining deferred consideration of approximately HK$47.31 million is expected to be received by the Company within the next six months. The proceeds generated by the disposal were and will be used as working capital of the Group.

FINANCIAL REVIEW

For the year ended 31 March 2014, the continuing and discontinued operations of the Group recorded a turnover of approximately HK$8,669.02 million, representing an increase of 86% during the year (2013: HK$4,659.25 million), which was mainly attributable to

(i) a significant increase in construction revenue in respect of service concession arrangement amounted to HK$8,148.64 million (2013: HK$4,562.04 million);

(ii) the toll income of HK$307.67 million (2013: HK$Nil) since the operation of Zhunxing Expressway on 21 November 2013; and

(iii) the trading revenue of petroleum and related products of HK$117.09 million (2013: HK$Nil) from a new subsidiary.

The four reportable segments classified as continuing operations of the Group, namely construction and operation of expressway, petroleum and related products trading, timber logging and trading and other timber operation, contributed approximately HK$8,456.30 million (97.55%), HK$117.09 million (1.35%), HK$5.70 million (0.07%) and HK$6.62 million (0.08%) (2013: HK$4,562.04 million, HK$Nil, HK$2.69 million and HK$4.85 million) respectively to the Group's consolidated turnover. The property development and asset management business which is the reportable segment classified as discontinued operations of the Group, contributed approximately HK$83.31 million (0.96%) (2013: HK$89.68 million) to the Group's consolidated turnover.

Detailed segment turnover and contribution to loss before tax of the Group are shown in Note 6 to the financial statements. Cost of sales under continuing operations for the year was approximately HK$8,402.75 million (2013: HK$4,491.44 million) which was mainly contributed by the service cost for the construction of Zhunxing Expressway amounted to approximately HK$8,026.88 million (2013: HK$4,483.84 million), the amortization of the concession intangible asset of approximately HK$205.71 million (2013: HK$Nil) upon the commencement of toll collection of Zhunxing Expressway on 21 November 2013 and the cost of sales of petroleum and related products amounted to HK$116.68 million (2013: HK$Nil). Cost of sales under discontinued operations for the year was approximately HK$69.51 million (2013: HK$80.35 million), resulting in a gross profit of approximately HK$13.80 million (2013: HK$9.33 million).

During the period from 1 April 2013 to 16 September 2013, Yichang Xinshougang has achieved the sale of a total of approximately 12,017 square metres (2013: 15,465 square metres) gross floor area at the price of approximately RMB5,523 (HK$6,900) (2013: RMB4,721 (HK$5,900)) per square metre, i.e. income receivable of approximately RMB66.4 million (HK$83 million) (2013: RMB73.0 million (HK$91.25 million)). The sales turnover of approximately HK$83.31 million (2013: HK$89.68 million) has been recorded during the year upon delivery of the properties to the purchasers.

STATEMENT OF CHAIRMAN

FINANCIAL REVIEW *(Continued)*

The loss before income tax expense from continuing operations was approximately HK$714.04 million (2013: HK$221.60 million) and net loss from continuing and discontinued operations was approximately HK$631.65 million (2013: HK$260.54 million). Apart from the amortization of concession intangible asset mentioned under cost of sales, the substantial increase in net loss was mainly attributable to the significant increase in finance costs of approximately HK$648.57 million (2013: HK$56.02 million), primarily arising from bank borrowings and convertible bonds issued by the Company (collectively the "Specific Borrowings") to finance the construction of Zhunxing Expressway. During the construction phase of Zhunxing Expressway, all finance costs arising from these Specific Borrowings were capitalized to the Group's concession intangible assets. Upon the traffic opening and commencement of toll collection of Zhunxing Expressway on 21 November 2013, the Group ceased capitalizing such finance costs and recognized them directly in the Group's consolidated income statement pursuant to HKAS 23, Borrowing Costs. In addition, the increase in net loss was also contributed by an increase in selling and administrative expenses to approximately HK$263.37 million (2013: HK$164.28 million) which was mainly due to the operating costs of Zhunxing Expressway amounted to approximately HK$49 million and the share options expenses of HK$31.37 million during the year.

The loss attributable to owners of the Company from continuing and discontinued operations for the year was approximately HK$590.49 million (2013: HK$271.66 million). The basic and diluted loss per share attributable to owners of the Company from continuing and discontinued operations for the year was HK2.19 cents as compared with HK1.26 cents for the last corresponding year.

For the purpose of estimating the fair value of the Group's investment property outside Hong Kong, the biological assets in the PRC and any impairment on the forest concession rights in Guyana as at 31 March 2014, independent valuations were performed by LCH (Asia-Pacific) Surveyors Limited (the "Valuer"), a firm of qualified professional surveyors and international valuation consultants with over 20 years of valuation experience. The Board is satisfied that the valuer is independent and competent to conduct the valuations. As at 31 March 2014, the Group has recorded a loss from the change in fair value of investment property amounted to approximately HK$3.81 million (2013: HK$0.09 million), a loss from the change in fair value less costs to sell of biological assets amounted to approximately HK$5.47 million (2013: HK$15.48 million) and an impairment loss on forest concession rights under the other income and other gains or losses of approximately HK$55.30 million (2013: HK$28.79 million). Further details on the qualifications of the Valuer, valuation methodology and assumptions, material input used in the valuations and sensitivity analysis in relation to the valuation of the biological assets and forest concession rights are set out in Notes 20 and 21 to the financial statements.

LIQUIDITY REVIEW

As at 31 March 2014, the Group's net assets amounted to approximately HK$5,110.88 million (2013: HK$5,114.40 million). Besides, the current assets of the Group were HK$2,289.10 million (2013: HK$4,152.10 million) which mainly include cash and cash equivalents of approximately HK$1,702.51 million (2013: HK$2,033.05 million), amount due from associates of approximately HK$185.22 million (2013: HK$Nil), inventories of approximately HK$123.33 million (2013: HK$120.81 million), pledged deposits and restricted cash of approximately HK$62.92 million (2013: HK$117.41 million) and trade and other receivables of approximately HK$198.10 million (2013: HK$34.25 million). Upon completion of the share transfer of 55% interest of Yichang Xinshougang to China International Holdings Limited (the "CIHL") in September 2013, the assets of a disposal group classified as held for sales were HK$Nil as at 31 March 2014 (2013: HK$1,823.7 million). The increase in trade and other receivables during the year was primarily due to the deferred consideration of approximately HK$47.31 million to be received from CIHL and the trade receivable amounted to approximately HK$74.84 million arising from petroleum trading by a new subsidiary.

STATEMENT OF CHAIRMAN

LIQUIDITY REVIEW *(Continued)*

The current liabilities decreased about 27% from approximately HK$9,027.03 million to approximately HK$6,546.03 million during the year are basically contributed by reduced borrowings of approximately HK$2,635.52 million (2013: HK$5,827.08 million), trade and other payables of HK$2,876.34 million (2013: HK$2,188.91 million) due to the increase in construction cost of Zhunxing Expressway and convertible bonds of approximately HK$731.23 million (2013: HK$Nil). The convertible bonds classified under current liabilities as at 31 March 2014 mainly represented the outstanding HK$600 million of convertible bonds due 28 September 2014.

As at 31 March 2014, the Group had an outstanding borrowing of HK$12,400.38 million (2013: HK$7,495.49 million), of which RMB8,820 million (approximately HK$11,098.82 million) consisted of short term and long term secured bank loans charged with a weighted average effective interest rate of 6.95% per annum provided by several PRC banks in December 2012 mainly for the construction of Zhunxing Expressway. During the year ended 31 March 2014, Zhunxing obtained a secured bank loan amounted to RMB500 million (approximately HK$629.19 million) for a term of 30 months from another PRC bank for the construction of Zhunxing Expressway with interest bearing at a fixed rate of 12% per annum.

Apart from the secured bank loan granted during the year, Zhunxing further obtained an unsecured loan of RMB500 million (approximately HK$629.19 million) from an authorized financial institution for a term of 30 months with interest bearing at a fixed rate of 11% per annum. The remaining outstanding borrowings consisted of an unsecured short term loan liability of approximately HK$81 million arising from the Cooperative Agreement entered into between the Company and Joint Gain for the construction of petrol and gas stations in the service areas of Zhunxing Expressway. No actual interest is payable by the Company and the loan liability is expected to be settled within one year upon the reacquisition of the Project Company.

The gearing ratio of the Group, measured as total liabilities to total assets, was 79.7% (2013: 71.1%).

The Group's capital commitments (apart from the disposal group) outstanding as at 31 March 2014 was approximately HK$456.27 million (2013: HK$5,733.39 million), of which HK$314.71 million, representing almost 69%, was the investment on concession intangible asset representing the construction cost of the Zhunxing Expressway.

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

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

Details of the Group's financial risk management are set out in Note 48 to the financial statements.

STATEMENT OF CHAIRMAN

MATERIAL EVENTS

Capital Increase in Zhunxing

On 10 June 2013, Cheer Luck Technology Limited ("Cheer Luck") and Shu Ren Wood (Shenzhen) Limited ("Shu Ren Wood"), both being wholly owned subsidiaries of the Company, entered into a capital increase agreement (the "Capital Increase Agreement") with the other shareholders of Zhunxing. Pursuant to the Capital Increase Agreement, the Group has increased its equity interest in Zhunxing from 55.9% to 82.27% by injection into its registered capital a total cash consideration of RMB1,611,898,040 (approximately HK$2.01 billion) (the "Consideration"). The Capital Increase Agreement was approved by shareholders of the Company on 26 August 2013 and completion took place on 27 August 2013.

As at 31 March 2014, approximately HK$1.43 billion (approximately RMB1.13 billion) equivalent to 71.1% of the Consideration had been paid by the Company and the balance shall be paid by installments according to the schedule set out in the Capital Increase Agreement.

On 15 January 2014, Shu Ren Wood, entered into an equity transfer agreement (the "Equity Transfer Agreement") with Fujian Xinrong Industries Group Co., Ltd. (福建信融實業有限公司), pursuant to which the Group further acquired a 4.6% equity interest in Zhunxing at a cash consideration of RMB0.13 billion (approximately HK$0.16 billion) and as a result, the Group's equity interest in Zhunxing increased from 82.27% to 86.87%. The equity transfer was completed on 14 February 2014 upon the issuance of the Certificate of Approval for foreign investment by PRC department of commerce.

Issue of the 2015 Convertible Bonds

In order to raise fund for payment of the Consideration and repayment of certain convertible debts to be due in 2014, the Company entered into convertible bonds subscription agreements with seven subscribers (all being institutional investors except Dr. Lo Ka Shui) on 14 June 2013 for the issue of 9% unlisted convertible bonds due 2015 with an aggregate principal amount of HK$2,584 million (the "2015 Convertible Bonds"). The 2015 Convertible Bonds carries an interest rate of 9% per annum which is payable by the Company annually in arrears.

The bondholders is entitled to convert the 2015 Convertible Bonds into ordinary shares of the Company at an initial conversion price of HK$0.32 per conversion share (subject to the normal adjustments) at any time during the period commencing from the date of issue of the convertible bonds. Assuming full conversion of the 2015 Convertible Bonds at the conversion price of HK$0.32 per share, the 2015 Convertible Bonds will be convertible into approximately 8,075 million new shares ("Conversion Shares"). The Conversion Shares have a nominal value of HK$80.75 million and a market value of approximately HK$2,462.9 million based on the closing price of HK$0.305 on 10 June 2013, the last trading day prior to the date of the subscription agreements. The total net proceeds from the issue of the 2015 Convertible Bonds would be approximately HK$2,581 million, i.e. a net price of HK$0.3196 per share of the Company.

The issue of the 2015 Convertible Bonds was approved by shareholders of the Company on 26 August 2013 and an aggregate principal amount of HK$1,984 million convertible bonds were issued on 3 September 2013 with the balance of HK$600 million convertible bonds issued to China Life Insurance (Overseas) Company Limited on 12 February 2014. The HK$1,300 million and the HK$100 million 2015 Convertible Bonds issued to Li Ka Shing (Canada) Foundation and Dr. Lo Ka Shui respectively were used to set off their 9% convertible bonds to be due on 28 September 2014.

STATEMENT OF CHAIRMAN

MATERIAL EVENTS *(Continued)*

Issue of 2,500,000,000 Subscription Shares

On 14 June 2013, the Company entered into a share subscription agreement with each of Turbo View Investment Limited and Wisdom Accord Limited for the issue of 1,500 million and 1,000 million (a total of 2,500 million) new ordinary shares respectively at a subscription price of HK$0.30 per share. The issue of the 2,500 million new shares (the "Subscription Shares") was approved by shareholders of the Company on 26 August 2013 and all the Subscription Shares were issued at an aggregate consideration of HK$750 million on 30 August 2013.

Based on the closing price of HK$0.305 per share on 10 June 2013, the last trading day prior to the date of the share subscription agreements, the Subscription Shares have a market value of HK$762.5 million and an aggregate nominal value of HK$25 million. The net proceed from the share subscription was approximately HK$747 million and the net price per Subscription Share is approximately HK$0.2988. The Company has applied the net proceeds to fund the Consideration and for general working capital of the Group.

Issue of the 2016 Convertible Bonds

On 11 September 2013, the Company and Strait Capital Service Limited ("Strait Capital") entered into a convertible bond subscription agreement for the issue of convertible bonds by the Company to Strait Capital in the principal amount of HK$1,500 million with an interest rate of 9% per annum to be due on the date falling on the third anniversary of the issue date (the "2016 Convertible Bonds"). The 2016 Convertible Bonds were issued in three tranches on 22 October 2013, 26 November 2013 and 28 November 2013 under the general mandate granted to the directors of the Company on 26 August 2013. The 2016 Convertible Bonds shall be convertible at any time during the period commencing from the date of issuance till maturity at HK$0.37 (subject to the normal adjustments) per new share of the Company and thus will be convertible into a total of 4,054,054,054 new shares with a nominal value of approximately HK$40.54 million and a market value of approximately HK$1,418.92 million based on the closing price of the shares of HK$0.350 on 11 September 2013, being the date of the agreement.

The net proceeds from the issue of the 2016 Convertible Bonds were approximately HK$1,499.5 million and the net issue price of each share is HK$0.3699. The Company has applied approximately HK$900 million of the net proceeds from the issue of the 2016 Convertible Bonds for funding the Consideration and the equity transfer pursuant to the Equity Transfer Agreement, and will apply the remaining net proceeds of approximately HK$600 million for funding the Consideration according to the schedule set out in the Capital Increase Agreement.

PROSPECTS

The Board has been proactively looking out for opportunities to enhance the competitive edge of Zhunxing Expressway to achieve sustainable growth of the Company and maximize the benefits of the shareholders as a whole:

(1) Interconnection with G6

In April 2014, after Zhunxing's coordination, Inner Mongolia Highway Construction Development Company Limited (內蒙古高等級公路建設開發有限責任公司) ("Highway Co.") formally replied that it agreed to develop interoperable interconnection with Zhunxing Expressway and Zhunxing submitted the interconnection proposal to the Highway Co. for audit purpose. It is expected that the Haiwozi (海窩子) temporary toll station will open for traffic in June 2014. Prior to the interconnection with G6, light-haul vehicles traveling from east to west do not have direct access to Zhunxing Expressway but need to travel along G6, which took an extra mileage of approximately 100 kilometers to arrive the coal area; while heavy-haul vehicles traveling from west to east could only access to G6 expressway by detouring Xinghe toll station for approximately 20 kilometers. Therefore, some vehicles might not prefer to use Zhunxing Expressway for sake of convenience, and the synergy advantages of shorter distance and time saving of Zhunxing Expressway could not be fully utilized. After interconnection with G6, Zhunxing estimates that vehicles traveling Zhunxing Expressway can save approximately RMB550 per trip, and the toll fee income of Zhunxing will be significantly increased leveraging on this tremendous competitive advantage.

STATEMENT OF CHAIRMAN

PROSPECTS *(Continued)*

(2) The logistics bases at both ends of Zhunxing Expressway

In addition, the development of Qingshuihe Logistics Base (清水河物流園) and Miaoliang Logistics Base (廟梁物流園), i.e. the logistics bases at both ends of Zhunxing Expressway, is expected to give full play to Zhunxing's competitive edge in heavy-haul transportation by reducing the transportation costs of delivering coal from coal production area to the Xinghe logistic area which will attract more heavy-haul vehicles to use Zhunxing Expressway and thus increase the revenue of Zhunxing.

Qingshuihe Logistics Base is being established jointly by the Company via its wholly-owned subsidiary Bejing Zhongzi Zhunxing Technology Company Limited (北京中資准興科技有限公司) ("Zhongzi Zhunxing") and another independent third party company. As of 31 March 2014, the Company invested RMB10 million via Zhongzi Zhunxing for an indirect 55% equity interest. The feasibility report of Qingshuihe Logistics Base has been completed and the design and survey works have been commenced. The expected construction area of the first phase and the second phase will be 6,000 mu and 9,000 mu respectively, i.e. a total of 15,000 mu.

Miaoliang Logistics Base, with a planned area of 14.5 square kilometers for the first phase, is one of the key projects of the logistics industry in Inner Mongolia Autonomous Region. Currently, 120 enterprises have signed up for the logistics base, of which, 15 enterprises have registered. Zhunxing and Inner Mongolia Berun Holdings Group Company Limited (內蒙古博源控股集團有限公司) registered Inner Mongolia Berun New Energy Company Limited (內蒙古博源新型能源有限公司) in the logistics base, and Zhunxing contributed RMB38 million to its registered capital for a 19% equity interest.

(3) Service Areas of Zhunxing Expressway

The service areas in the neighborhood of Zhunxing Expressway are now under tight construction, and are expected to put into operation in July 2014. The commencement of operation of the service areas will provide supplementary services and convenience to road users, such as maintenance services and supply of oil, food, drinks and other necessities. In addition, Zhunxing offers discounts to large vehicle customers using Zhunxing Expressway.

With the opening of Zhunxing Expressway for traffic and the abovementioned developments, the Board is full of confidence in the Group's future business prospects.

CAPITAL RAISING AND EXPENDITURE

During the year under review, the Company has issued 2,500,000,000 at a subscription price of HK$0.30 per share, i.e. an aggregate consideration of HK$750 million, on 30 August 2013 pursuant to the share subscription agreements approved by shareholders of the Company on 26 August 2013.

EMPLOYEES AND RETIREMENT BENEFIT SCHEME

The Group had approximately 819 employees in Hong Kong, the PRC and Guyana as at 31 March 2014. 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.

STATEMENT OF CHAIRMAN

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 2014

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 March 2014.

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 2014 are set out in Note 46 to the financial statements. During the year under review, the Group was principally engaged in expressway operation, management, maintenance and auxiliary facility investment, trading of oil and related products, property development, and forest operation.

SEGMENT INFORMATION

Details of the segment information are set out in Note 6 to the financial statements.

RESULTS AND DIVIDENDS

The results of the Group are set out in the consolidated income statement on page 32 of this Annual Report and in the accompanying notes to the financial statements.

The Directors do not recommend any payment of final dividend for the year ended 31 March 2014 (2013: 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 37 to 40 of this Annual Report.

PROPERTY, PLANT AND EQUIPMENT

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

PROPERTIES

Particulars of properties of the Group as at 31 March 2014 are set out on page 142 of this Annual Report.

SUBSIDIARIES

Particulars of the principal subsidiaries of the Group as at 31 March 2014 are set out in Note 46 to the financial statements.

CHARGES ON ASSETS

As at 31 March 2014, the Group had a loan facility of RMB500 million (approximately HK$629.95 million) provided by a PRC bank for a term of 30 months with interest bearing at a fixed rate of 12% per annum. The loan was secured by the Group's equity interests in Guo Kai Rui Ming (Beijing) Investment Fund Co., Limited (國開瑞明(北京)投資基金有限公司) and Inner Mongolia Berun New Energy Company Limited (內蒙古博源新型能源有限公司).

CONTINGENT LIABILITIES

As at 31 March 2014, the Group did not have any material contingent liabilities.

BORROWINGS

Particulars of borrowings of the Group as at 31 March 2014 are set out in Note 35 to the financial statements.

SHARE CAPITAL

Details of the movements in the Company's share capital are set out in Note 39 to the financial statements.

CONVERTIBLE BONDS

Details of convertible bonds of the Group are shown in Note 37 to the financial statements.

WARRANTS

Details of conditional warrants of the Group are shown in Note 41 to the financial statements.

DIRECTORS' REPORT

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 March 2014, the aggregate amount of purchases attributable to the Group's 5 largest suppliers amounted to less than 30% of the total purchase of the Group.

As the Group's major customers are individual users of the Zhunxing Expressway, the aggregate amount of turnover attributable to the Group's 5 largest customers amounted to less than 30% of the total turnover of the Group during the year.

Accordingly, a corresponding analysis of major customers and suppliers is not presented.

RELATED PARTY TRANSACTIONS

The related party transactions in Note 45 to 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 141 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

During the year ended 31 March 2014, the Company repurchased a total of 931,000,000 ordinary shares of the Company on the Stock Exchange at an aggregate consideration (before expenses) of HK$377,208,500.

Particulars of the repurchases are as follows:

Month	Number of shares repurchased	Purchase price		Aggregate consideration (before expenses)
		Highest (HK$)	Lowest (HK$)	(HK$)
January 2014	235,600,000	0.410	0.355	89,006,000
February 2014	526,900,000	0.445	0.400	221,348,000
March 2014	168,500,000	0.415	0.370	66,854,500
	931,000,000			377,208,500

Out of the 931,000,000 repurchased ordinary shares, 878,100,000 repurchased ordinary shares were cancelled during the year and the remaining 52,900,000 repurchased ordinary shares were cancelled subsequent to the end of the reporting period.

The repurchases were made for the benefit of the Company and its shareholders as a whole with a view to enhancing the earnings per share of the Company.

Save as disclosed above, there were no purchases, sales or redemptions of the company's listed securities by the company or any of its subsidiaries during the year ended 31 March 2014.

DIRECTORS' REPORT

DIRECTORS

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

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

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 and independent non-executive Directors (the "INEDs"), are subject to retirement by rotation and, being eligible, may offer themselves for re-election. Accordingly, Mr. Cao Zhong and Mr. Fung Tsun Pong shall retire at the forthcoming annual general meeting, and being eligible, shall offer themselves for re-election. Moreover, Mr. Yip Tak On has served the Company for more than 9 years and his appointment will expire on 24 July 2015, thus the Company will seek approval from shareholders in advance for his reappointment.

CONFIRMATION OF INDEPENDENCE

The Company has received annual confirmation from each of 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 54, has been appointed as an executive Director and the chairman of the Board of the Company since 19 November 2010. Mr. Cao was graduated from Zhejiang University and the Graduate School of the Chinese Academy of Social Sciences with a bachelor degree in engineering and a master degree in economics, respectively. Since 1988, Mr. Cao had served various institutions such as the National Development and Reform Commission of China, Guangdong Province Huizhou Municipal People's Government, Beijing International Trust and Investment Company Limited, Shougang Corporation and the Development Research Centre of the State Council of China.

Mr. Cao is currently an executive director, chief executive officer and chairman of FDG Electric Vehicles Limited (Stock Code: 729), a company whose shares are listed on the Stock Exchange. Mr. Cao had also held various senior managerial positions in companies including: an executive director, general manager, a non-executive director and the vice chairman of Shougang Concord International Enterprises Company Limited ("Shougang Concord") (Stock Code: 697); the deputy chairman and general manager of Shougang Holding (Hong Kong) Limited ("Shougang Holding"); a director of Grand Invest International Limited ("Grand Invest") and China Gate Investments Limited ("China Gate") – Shougang Holding, Grand Invest and China Gate are substantial shareholders of Shougang Concord; vice chairman and general manager of Shougang Concord Grand (Group) Limited ("Shougang Grand") (Stock Code: 730); an executive director and general manager of Shougang Fushan Resources Group Limited (Stock Code: 639); and the chairman of the board of directors of Shougang Concord Century Holdings Limited (Stock Code: 103), Shougang Concord Technology Holdings Limited (Stock Code: 521) and Global Digital Creations Holdings Limited (Stock Code: 8271) which is a subsidiary of Shougang Grand. In addition, he was a non-executive director of Mount Gibson Iron Limited, a company listed on the Australian Securities Exchange (Stock Code: MGX) from December 2008 to February 2012.

BIOGRAPHICAL DETAILS OF DIRECTORS *(Continued)*

Executive Directors *(Continued)*

Mr. Fung Tsun Pong, aged 54, has been appointed as an executive Director since 22 September 2004. Mr. Fung has over 20 years' experience in property development, logistics, investment banking and company management. Mr. Fung has held senior management positions in various companies incorporated in Hong Kong, British Virgin Islands and Samoa.

Mr. Duan Jingquan, aged 58, has been appointed as an executive Director and the chief executive officer of the Company since 7 November 2011. He is currently the managing director of the Accounting Society of China, a member of the Specialist Advisory Committee of the China Association of Actuaries, an adjunct professor of The Peking University HSBC Business School and a member of the Steering and Consultation Committee for Innovative Development of Shenzhen Insurance Industry. Mr. Duan graduated from Dongbei University of Finance and Economics (formerly known as Liaoning Institute of Finance and Economics) in 1982. He served the Ministry of Finance for around 20 years and assumed different positions, including as the chief officer of the Commerce Bureau of the Finance Department, the deputy head and the head of the Central Planning Office from 1982 to 1994, the deputy head of the Supervision Department from 1994 to 1998, the head of the Finance Supervision Department and the Supervision and Inspection Department from 1998 to 2002. Between 2002 and 2005, he was positioned as the deputy general manager of China Export and Credit Insurance Corporation.

From 2005 to 2009, he was appointed as the secretary of the party committees, general manager and director of Mingsheng Life Insurance Company Limited. In August 2009, Mr. Duan joined Sino Life Insurance Company Limited ("Sino Life") and served as its general manager and director and he was then appointed as the vice chairman of Sino Life in October 2010. From October 2011 to April 2013, he took up the role as the Chairman of the Supervisory Committee of Sino Life. Mr. Duan was the major author of "Introduction to Financial and Political Supervision"《財政監督學概論》, his first treatise on finance and politics. 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 57, has been appointed as an executive Director since 17 February 2004. Mr. Tsang has extensive financial management experience over the past 20 years which covers merchant banking, stock broking and corporate finance business. Mr. Tsang is also a fellow member of the Chartered Association of Certified Accountants in the United Kingdom and a member of the HKICPA.

Mr. Gao Zhiping, aged 52, has been appointed as an executive Director since 17 June 2013. Mr. Gao was graduated from China Europe International Business School (中歐國際工商學院) with a Master of Business Administration and is a Senior Economist certified by the State Grid Corporation of China (國家電網公司). He has received the awards of Distinctive Young Enterprise Management Personnel and Distinctive Pilot Project Construction Personnel of Henan Province. From 1979 to 1994, he served various departments in the local administrative office of Nanyang Prefecture in Henan as secretary of finance office as well as the chief officer of the finance office of Nanyang city government. From 1994 to 2009, he was positioned as the deputy general manager and the secretary of the party committees of Nanyang YaHeKou Electricity Company Limited (南陽鴨河口發電有限責任公司) and Nanyang Tianyi Power Generation Co., Ltd. (南陽天益發電有限責任公司), both being subsidiary of Henan Investment Group (河南投資集團). He also took up the post as the deputy general manager of Tianjin Hangfa (Jinji) Expressway Company Limited (天津航發(津薊)高速公路有限公司) and the chairman of the board of directors of Nan Yang WDX Expressway Construction Co., Ltd. (南陽宛達昕高速公路建設有限責任公司) in 2010. Since October 2010, he has been appointed as the general manager of Inner Mongolia Zhunxing Heavy Haul Expressway Company Limited (內蒙古准興重載高速公路有限責任公司) ("Zhunxing"), an indirect subsidiary of the Company, and has made great contribution to the management of Zhunxing and construction of the expressway of Zhunxing.

DIRECTORS' REPORT

BIOGRAPHICAL DETAILS OF DIRECTORS *(Continued)*

Independent Non-executive Directors

Mr. Yip Tak On, aged 67, has been appointed as an INED since 22 September 2004. Mr. Yip is a fellow member of the Association of Chartered Certified Accountants, HKICPA, Taxation Institute of Hong Kong, and a full member of the Hong Kong Securities Institute. Mr. Yip has founded his own Certified Public Accountants firm for more than 20 years and he is the managing director of T. O. Yip & Co., Limited. Mr. Yip is the president of a charitable institution, the Neighborhood Advice-Action Council. Mr. Yip has not held directorships in other listed company in the last three years.

Mr. Jing Baoli, aged 49, 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 58, 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 12 and 13 to 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 2014, 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 Stock Exchange pursuant to Divisions 7 and 8 Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO); or (ii) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 of the Listing Rules, to be notified to the Company and Stock Exchange.

DIRECTORS' REPORT

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

Long positions in issued shares and underlying shares of the Company

Name of Director	Number of Shares: Personal interests	Number of Shares: Corporate interests	Number of Underlying Shares: Personal Interests	Number of Underlying Shares: Corporate Interests	Total number of shares held	Approximate percentage (%) of issued share capital
Mr. Cao Zhong *(Note 1)*	135,200,000	2,975,800,000	NIL	NIL	3,111,000,000	11.42
Mr. Fung Tsun Pong *(Note 2)*	1,242,362,449	1,814,300,000	NIL	NIL	3,056,662,449	11.22
Mr. Tsang Kam Ching, David	51,624,499	NIL	NIL	NIL	51,624,499	0.18

Notes:

1. Champion Rise International Limited ("CRIL") being wholly owned by Mr. Cao Zhong was interested in 2,975,800,000 shares, representing approximately 10.92% 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 1,814,300,000 shares, representing approximately 6.66% 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".

DIRECTORS' INTERESTS IN CONTRACTS

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

SUBSTANTIAL SHAREHOLDERS

Save as disclosed below, as at 31 March 2014, 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.

DIRECTORS' REPORT

SUBSTANTIAL SHAREHOLDERS *(Continued)*

Long Position in Shares

Name of Shareholders	Number of shares		Number of underlying shares		Total number of shares and underlying shares held	Approximate percentage (%) of issued share capital
	Personal interests	Corporate interests	Personal interests	Corporate interests		
Champion Rise International Limited *(Note a)*	NIL	2,975,800,000	NIL	NIL	2,975,800,000	10.92
Vivid Beyond Securities Limited *(Note b)*	NIL	2,500,000,000	NIL	NIL	2,500,000,000	9.18
China Alliance International Holding Group Limited *(Note c)*	NIL	2,025,862,068	NIL	NIL	2,025,862,068	7.44
Ocean Gain Limited *(Note d)*	NIL	1,814,300,000	NIL	NIL	1,814,300,000	6.66
Turbo View Investment Limited *(Note e)*	NIL	1,500,000,000	NIL	NIL	1,500,000,000	5.50
Li Ka Shing (Canada) Foundation *(Note f)*	NIL	NIL	NIL	4,062,500,000	4,062,500,000	14.92
China Life Insurance (Overseas) Company Ltd. *(Note g)*	NIL	1,237,100,000	NIL	4,000,000,000	5,237,100,000	19.23
Joint Gain Holdings Ltd. *(Note h)*	NIL	NIL	NIL	2,000,000,000	2,000,000,000	7.35
Jiao Xuding *(Note i)*	1,000,000	NIL	NIL	2,000,000,000	2,001,000,000	7.35
Strait Capital Service Limited *(Note j)*	NIL	NIL	NIL	4,054,054,054	4,054,054,054	14.89

SUBSTANTIAL SHAREHOLDERS *(Continued)*

Long Position in Shares *(Continued)*

Notes:

a. Champion Rise International Limited ("CRIL") is wholly owned by Mr. Cao Zhong, the Chairman and an executive Director 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".

b. Vivid Beyond Securities Limited is wholly owned by Mr. Hu Wei.

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

d. 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' Interests and Short Positions in Shares, Underlying Shares and Debentures".

e. Turbo View Investment Limited is wholly owned by Mr. Gao Xiao Rui.

f. Li Ka Shing (Canada) Foundation ("LKSCF") was interested in HK$1,300,000,000 convertible bonds issued on 3 September 2013 by the Company which are convertible into 4,062,500,000 shares at HK$0.32 per share. Each of Mr. Li Ka-Shing and Mr. Li Tzar Kuoi, Victor may be regarded as having the ability to exercise or control the exercise of one-third or more of the voting power at the general meetings of LKSCF, thus is deemed to be interested in the underlying shares held by LKSCF.

g. China Life Insurance (Overseas) Company Ltd. ("CLIOCL") was interested in HK$600,000,000 convertible bonds issued on 28 September 2011 by the Company which are convertible into 1,500,000,000 shares at HK$0.40 per share and HK$800,000,000 convertible bonds issued in two tranches on 3 September 2013 and 12 February 2014 by the Company which are convertible into 2,500,000,000 shares at HK$0.32 per share. CLIOCL is further interested in 1,237,100,000 (4.54%) shares held by its wholly owned subsidiary, China Life Trustees Limited. China Life Insurance (Group) Company is the holding company of CLIOCL and is deemed to be interest in the shares and underlying shares held by CLIOCL.

h. Joint Gain Holdings Limited ("Joint Gain") is interested in 2,000,000,000 conditional warrants issued by the Company on 19 April 2013 exercisable subject to certain conditions on or before 20 December 2015 at HK$0.48 per share. Joint Gain is held as to 50% by Success Pacific Holdings Limited ("Success Pacific") and 50% by Billion Grant Limited ("Billion Grant"). Billion Grant is held as to 50% by each of Mr. Ho Kee Cheung Louis and Mr. Tsang Ka Lun as trustee and Mr. Jiao Xuding is the beneficiary of the trust. Success Pacific is wholly owned by Mr. Yang Yong. Thus Billion Grant, Mr. Ho Kee Cheung Louis, Mr. Tsang Ka Lun, Mr. Jiao Xuding, Success Pacific and Mr. Yang Yong are all deemed to be interested in the warrants held by Joint Gain.

i. Mr. Jiao Xuding is the beneficial owner of 1,000,000 shares and is deemed to be interested in the warrants held by Joint Gain as a beneficiary of a trust under Billion Grant.

j. Strait Capital Service Limited ("SCSL") was interested in HK$1,500,000,000 convertible bonds issued in three tranches on 22 October 2013, 26 November 2013 and 28 November 2013 by the Company which are convertible into 4,054,054,054 shares at HK$0.37 per share. SCSL is the general partner of Strait CRTG Fund, L.P. ("SCFLP") and is deemed to be interested in the HK$700,000,000 convertible bonds issued on 22 October 2013 by the Company to SCFLP which are convertible into 1,891,891,891 shares at HK$0.37 per share, representing approximately 6.94% in the issued share capital of the Company.

SHARE OPTION SCHEME

The share option scheme of the Company was adopted on 16 July 2004 (the "Share Option Scheme") whereby the Directors of the Company are authorized, at their discretion, to invite employees of the group, including directors of any company in the group, to take up options to subscribe for shares of the Company. The purpose of the scheme is to provide incentives and rewards to eligible participants to encourage them to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole. The Share Option Scheme shall be valid and effective for a period of 10 years ending on 15 July 2014, after which no further options will be granted.

SHARE OPTION SCHEME *(Continued)*

The exercise price of options is at least the highest of the nominal value of the shares, the closing price of the shares on the shares on Stock Exchange on the date of grant and the average closing price of the shares on the Stock Exchange for the five business days immediately preceding the date of grant.

The total number of securities available for issue under the Share Option Scheme as at 31 March 2014 was 350,595,309 shares which represented 1.29% of the issued share capital of the Company at 31 March 2014. On 16 October 2013, the Board approved to grant 350,500,000 options to some directors and employees under the share option scheme of the Company, but such offers were only effectively accepted by grantees after 31 March 2014. The number of securities to be issued upon exercise of the options approved to each grantee is less than 1% of the Company's ordinary shares in issue. No options were exercisable and thus no securities were issued during this financial year.

During the year, the Board has approved to grant the following options to the directors and employees of the Company:

	No. of options outstanding as of 01/04/2013	No. of options	Date of grant being approved	Exercise period	Exercise price per share (HK$)	Market value per share at date of approval of grant (HK$)	No. of options exercised	No. of options cancelled/ lapsed	No. of options outstanding as of 31/03/2014
Directors									
Duan Jingquan	–	28,000,000	16 October 2013	23 May 2014 to 15 October 2018	0.45	0.42	–	–	28,000,000
Tsang Kam Ching, David	–	28,000,000	16 October 2013	23 May 2014 to 15 October 2018	0.45	0.42	–	–	28,000,000
Gao Zhiping	–	28,000,000	16 October 2013	23 May 2014 to 15 October 2018	0.45	0.42	–	–	28,000,000
Jing Baoli	–	5,000,000	16 October 2013	23 May 2014 to 15 October 2018	0.45	0.42	–	–	5,000,000
Yip Tak On	–	5,000,000	16 October 2013	23 May 2014 to 15 October 2018	0.45	0.42	–	–	5,000,000
Bao Liang Ming	–	5,000,000	16 October 2013	23 May 2014 to 15 October 2018	0.45	0.42	–	–	5,000,000
Employees	–	251,500,000	16 October 2013	23 May 2014 to 15 October 2018	0.45	0.42	–	–	251,500,000

Each option entitles a grantee to subscribe for one ordinary share of HK$0.01 each of the Company (market value per share as at 31 March 2014 was HK$0.41) at the subscription price of HK$0.45 per share. The options are unlisted.

Particulars of the above share options are set out in Note 40 to the financial statements.

DIRECTORS' REPORT

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.

THE AUDIT COMMITTEE

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

Detailed information related to the Audit Committee is set out in the Corporate Governance Report on page 26 herein.

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 27 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 2014

CORPORATE GOVERNANCE REPORT

The Board is committed to maintaining a high standard of corporate governance practices with emphasis on enhancing accountability and transparency of the management of the Company for the sake of safeguarding the interest of the Shareholders as a whole. Save as disclosed herein below, the Company has complied with the code provisions and to a large extent, the recommended best practices set out in the Corporate Governance Code (the "CG Code") in Appendix 14 of the Listing Rules for the year ended 31 March 2014.

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

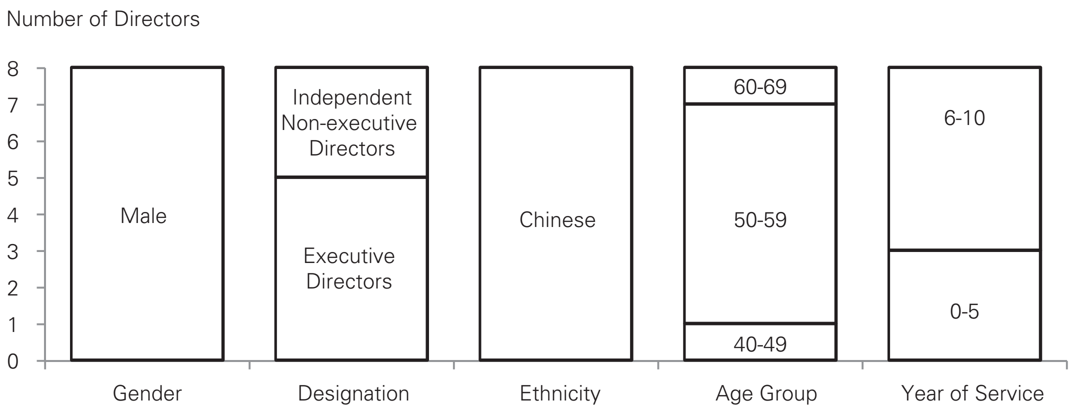
THE BOARD

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 2014, the Board comprised five executive Directors and three INEDs. Their names and brief biographies are set out on pages 14 to 16 of this Annual Report. A list setting out the names of the Directors and their roles and functions is posted on the websites of the Company and the Stock Exchange.

As at the date of this report, the diversity profile of the Board is as follows:



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

CORPORATE GOVERNANCE REPORT

THE BOARD *(Continued)*

The Roles of the Chairman and the Board

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

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

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

During the regular board meetings, the Board reviewed the Company's internal control policies, overall development direction and provision of continuous professional development of Directors and senior management, approved insurance policies for all Directors, 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 are provided upon reasonable request made to the Board with means, at the Company's expense, to take independent professional advice in furtherance of their duties if necessary.

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

The Roles of the Chief Executive Officer and Its Management Team

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

THE BOARD *(Continued)*

The Independent Non-executive Directors

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

In September 2013, Mr. Yip has served the Company for nine years and his appointment will expire on 24 July 2015. 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. He has founded his own Certified Public Accountants firm, T. O. Yip & Co., Limited, for more than 20 years and he is still the managing director of it. Moreover, during his tenure of service, Mr. Yip has demonstrated his ability to provide an independent view to the Company's matters. As such, the Board is of the view that Mr. Yip is still independent and is able to continue to fulfill his role as an independent non-executive director of the Company.

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

In addition, the Chairman is a member and the chairman of the Remuneration Committee and the Nomination Committee respectively, as such, the Chairman is well positioned to meet with the INEDs regularly without the executive Directors present to encourage active discussion and effective contribution of the INEDs.

Board Meetings

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

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

THE BOARD *(Continued)*

Board Meetings *(Continued)*

All Directors (except Mr. Duan Jingquan and Mr. Gao Zhiping) attended the annual general meeting of the Company held on 26 August 2013. Mr. Duan Jingquan and Mr. Gao Zhiping were stationed in Inner Mongolia during that period overseeing the construction of the expressway and management of Zhunxing.

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, due to the tight schedule for construction of Zhunxing Expressway during the year, some directors have had to visit Inner Mongolia for on-site inspections regularly, thus the Directors considered holding 4 regular meetings is not in the best interest of the Company. Save as the number of regular meetings not reaching the required level, the Company has complied with all the code provisions set out in the CG Code for this financial year.

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

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

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

Directors' Training and Professional Development

On appointment, every newly appointed Director has been given a comprehensive, formal and tailored induction including the duties and responsibilities of being a Director, the relevant laws and regulations applicable to the Directors, duty of disclosure of interest and business of the Group.

During this financial year, the Company has sent training materials prepared by qualified professions to all the Directors and relevant staff. The training materials covered areas such as the new Companies Ordinance and director's duties. All Directors have confirmed to the Company of completing the training. In addition, Mr. Tsang Kam Ching, David and Mr. Yip Tak On also attended other external seminars or briefings and read relevant materials on regulatory updates.

Board Committees

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

AUDIT COMMITTEE

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

The Committee reviewed the completeness and accuracy of the Company's financial statements, annual reports and accounts and half-year reports and provided assurance to the Board that these documents comply with the respective accounting policies, the standards and practices, the Listing Rules 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 3 meetings during the financial year, the attendances of which are as follows: Mr. Yip Tak On (3/3), Mr. Jing Baoli (3/3) and Mr. Bao Liang Ming (2/3).

A summary of the work performed by the Audit Committee for the financial year ended 31 March 2014 is set out below:

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

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

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

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

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

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

The Group's annual results for the year ended 31 March 2014 have been reviewed by the Audit committee. Special attention of the Audit Committee was drawn to Note 3(b) to the financial statements that the Group incurred a net loss of HK$631,654,000 and had a net operation cash outflow of HK$731,354,000 during the year ended 31 March 2014 and, as of that date, the Group's current liabilities exceeded its current assets by HK$4,256,932,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the ability of the Group to continue as a going concern. The Audit Committee noted that the Board have been implementing various measures as described in Note 3(b) to improve the Group's financial position, as such, the Group will have sufficient working capital to meet its financial obligations as and when they fall due in the next 12 months from 31 March 2014.

REMUNERATION COMMITTEE

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

The primary objectives of the Remuneration Committee are to make recommendations on the Company's policy for all Directors' and senior management remuneration, assess performance of executive directors and approving the terms of their service contracts, 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, approving the service contract of Mr. Gao Zhiping, approving the offer of share options to Directors, determining with delegated responsibility, the remuneration packages of the all executive Directors and the senior management, assessing their performance and reviewing individual remuneration package including bonuses, incentive payments and share options within the terms of reference.

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, share options, 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 senior management staff were reviewed by the Remuneration Committee every year.

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

The Remuneration Committee held 4 meetings during this financial year, the attendance of which is as follows: the Chairman, Mr. Yip Tak On (4/4), Mr. Jing Baoli (4/4), Mr. Bao Liang Ming (4/4) and Mr. Cao Zhong (4/4).

NOMINATION COMMITTEE

The Nomination Committee was established on 28 November 2011 and chaired by the Chairman of the Board, Mr. Cao Zhong, with all the three INEDs as members, i.e. a majority of the members are INEDs.

The primary function of the Nomination Committee is to determine the policy for the nomination of new directors, conduct interviews with qualified candidates, make recommendations to the Board on appointment of new Directors and advice the Board on the independency of INEDs.

During the year, the Nomination Committee have reviewed the size, composition and diversity policy of the Board, made recommendations on the appointment of Mr. Gao Zhiping as an executive Director, advised on the re-appointment of Directors, assessed the independence of INEDs, conducted interviews with qualified candidates and ensure that all nominations are fair and transparent.

The Nomination Committee held 2 meetings during this financial year, the attendance of which is as follows: the Chairman, Mr. Cao Zhong (2/2), Mr. Yip Tak On (2/2), Mr. Jing Baoli (2/2) and Mr. Bao Liang Ming (2/2).

CORPORATE GOVERNANCE REPORT

NOMINATION COMMITTEE *(Continued)*

The Company recognizes and embraces the benefits of a Board that possesses a balance of skills, experience and diversity of perspectives appropriate to the business nature of the Company. On 29 November 2013, the Board has adopted a board diversity policy. Selection of candidates of board members will be based on a range of diversity perspectives, including but not limited to educational background, professional experience, industry expertise, knowledge and skills. The ultimate decision will be based on merit as well as complementing and expanding the skills, knowledge and experience of the Board as a whole. The Board will review and monitor from time to time the implementation of this policy to ensure its effectiveness and will set measurable objectives for achieving board diversity when appropriate.

INTERNAL CONTROL

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

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

SECURITIES TRANSACTIONS

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

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. Directors' interests as at 31 March 2014 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. Nevertheless, the Directors acknowledged that they have the primary duties on preparing the accounts of the Company. In this financial year, the total remuneration paid to the external auditors was approximately HK$3.35 million, of which HK$3.11 million and HK$0.24 million were respectively paid for audit service and advice, and other non-audit services.

INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

The Company continues to enhance relationships and communication with its investors and Shareholders. Corporate communications providing extensive information about the Company's performance and activities are published on the website of the Company in a timely manner. Information on financial statements, transactions or activities of the Company which are required to be disclosed under the Listing Rules are also published on the website of the Stock Exchange and if necessary, delivered to Shareholders.

During the year, there is no change to the constitutional documents of the Company.

Procedures for Sending Enquiries to the Board

All Shareholders are encouraged to attend the annual general meeting of the Company to discuss matters relating to the Company. Shareholders may at any time send their enquiries and concerns to the Board by addressing them to its principal place of business in Hong Kong by post or by fax for the attention of the Company Secretarial Department.

Procedures for Shareholders to Convene an Extraordinary General Meeting

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

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

Procedures for Shareholders to Put Forward Proposals at Shareholders' Meeting

There are no provisions allowing Shareholders to propose new resolutions at general meetings under the Cayman Islands Companies Law. However, Shareholders who wish to propose a resolution may request to convene an extraordinary general meeting following the procedures set out above.

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)
(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 32 to 140, which comprise the consolidated and company statements of financial position as at 31 March 2014, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2014 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

EMPHASIS OF MATTER

Without qualifying our opinion, we draw attention to Note 3(b) to the financial statements, which indicates that the Group incurred a net loss of HK$631,654,000 and had a net operating cash outflow of HK$731,354,000 during the year ended 31 March 2014 and, as of that date, the Group's current liabilities exceeded its current assets by HK$4,256,932,000. These conditions, along with other matters as set forth in Note 3(b), indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

BDO Limited
Certified Public Accountants
Cheung Sai Kit
Practising Certificate no.: P05544

Hong Kong, 27 June 2014

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2014

	Notes	2014 HK$'000	2013 HK$'000
Continuing operations:			
Turnover	5	**8,585,715**	4,569,568
Cost of sales and other direct operating costs		**(8,402,754)**	(4,491,442)
Gross profit		**182,961**	78,126
Loss on change in fair value of investment property	17	**(3,814)**	(92)
Loss on change in fair value less costs to sell of biological assets	20	**(5,465)**	(15,477)
Gain on settling debt component of old convertible bonds by issuing new convertible bonds		**54,261**	–
Change in fair value of derivative financial instrument		**29,767**	(21,763)
Other income and other gains or losses	7	**(57,976)**	(42,093)
Selling and administrative expenses		**(263,371)**	(164,279)
Finance costs	8	**(648,567)**	(56,023)
Share of results of associates		**(1,837)**	–
Loss before income tax expense	9	**(714,041)**	(221,601)
Income tax credit/(expense)	10	**522**	(2,712)
Loss for the year from continuing operations		**(713,519)**	(224,313)
Discontinued operations:			
Profit/(loss) for the year from discontinued operations	11	**81,865**	(36,226)
Loss for the year		**(631,654)**	(260,539)
Loss attributable to:			
Owners of the Company	14		
Loss for the year from continuing operations		**(672,629)**	(235,402)
Profit/(loss) for the year from discontinued operations		**82,144**	(36,258)
Loss for the year attributable to owners of the Company		**(590,485)**	(271,660)
Non-controlling interests			
(Loss)/profit for the year from continuing operations		**(40,890)**	11,089
(Loss)/profit for the year from discontinued operations		**(279)**	32
(Loss)/profit for the year attributable to non-controlling interests		**(41,169)**	11,121
		(631,654)	(260,539)
		HK cents	HK cents
Loss per share attributable to owners of the Company			
From continuing and discontinued operations	16		
– Basic and diluted		**(2.19)**	(1.26)
From continuing operations	16		
– Basic and diluted		**(2.50)**	(1.09)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2014

	2014 HK$'000	2013 HK$'000
Loss for the year	**(631,654)**	(260,539)
Other comprehensive income:		
Items that will not be reclassified subsequently to profit or loss:		
– Gain/(loss) on revaluation of property occupied by the Group, net of tax	**3,048**	(1,085)
– Impairment loss on forest concession rights	**–**	(76,213)
	3,048	(77,298)
Items that may be reclassified subsequently to profit or loss:		
– Exchange differences on translation of financial statements of foreign operations	**53,360**	12,322
– Release of translation reserve upon disposal of subsidiaries	**(84,435)**	–
– Net movements in fair value reserve for available-for-sale investments	**35,728**	–
	4,653	12,322
Other comprehensive income for the year, net of tax	**7,701**	(64,976)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**(623,953)**	(325,515)
Total comprehensive income attributable to:		
– Owners of the Company	**(611,951)**	(339,442)
– Non-controlling interests	**(12,002)**	13,927
	(623,953)	(325,515)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2014

	Notes	2014 HK$'000	2013 HK$'000
NON-CURRENT ASSETS			
Investment property	17	**38,700**	44,100
Property, plant and equipment	18	**1,414,045**	137,872
Prepaid lease payments	19	**28,894**	29,806
Biological assets	20	**74,984**	76,745
Forest concession rights	21	**278,570**	361,456
Concession intangible asset	22	**19,543,099**	10,546,874
Long term deposits and prepayments	23	**640,103**	2,209,418
Interests in associates	25	**449,064**	–
Available-for-sale investments	26	**459,687**	108,756
TOTAL NON-CURRENT ASSETS		**22,927,146**	13,515,027
CURRENT ASSETS			
Investments held for trading		**–**	6,179
Inventories	27	**123,329**	120,806
Trade and other receivables	28	**198,102**	34,251
Prepaid lease payments	19	**665**	665
Amount due from a non-controlling shareholder of a subsidiary	29	**16,359**	16,066
Amount due from associates	29	**185,216**	–
Pledged deposits and restricted cash	30	**62,919**	117,407
Cash and cash equivalents	31	**1,702,510**	2,033,045
		2,289,100	2,328,419
Assets of a disposal group classified as held for sale	38	**–**	1,823,685
TOTAL CURRENT ASSETS		**2,289,100**	4,152,104
TOTAL ASSETS		**25,216,246**	17,667,131
CURRENT LIABILITIES			
Trade and other payables	32	**2,876,336**	2,188,910
Promissory note	33	**297,876**	293,458
Deferred government grants	34	**5,071**	7,471
Borrowings	35	**2,635,516**	5,827,081
Convertible bonds	37	**731,233**	–
		6,546,032	8,316,920
Liabilities of a disposal group classified as held for sale	38	**–**	710,105
TOTAL CURRENT LIABILITIES		**6,546,032**	9,027,025
NET CURRENT LIABILITIES		**(4,256,932)**	(4,874,921)
TOTAL ASSETS LESS CURRENT LIABILITIES		**18,670,214**	8,640,106

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2014

	Notes	2014 HK$'000	2013 HK$'000
NON-CURRENT LIABILITIES			
Deferred tax liabilities	*36*	**9,696**	9,561
Convertible bonds	*37*	**3,774,231**	1,836,870
Borrowings	*35*	**9,764,867**	1,668,411
Acreage fees payable		**10,545**	10,867
TOTAL NON-CURRENT LIABILITIES		**13,559,339**	3,525,709
TOTAL LIABILITIES		**20,105,371**	12,552,734
NET ASSETS		**5,110,875**	5,114,397
CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Share capital	*39*	**271,748**	256,058
Reserves		**4,016,433**	2,427,791
Equity attributable to owners of the Company		**4,288,181**	2,683,849
Non-controlling interests		**822,694**	2,430,548
TOTAL EQUITY		**5,110,875**	5,114,397

On behalf of the Board

Mr. Cao Zhong
Director

Mr. Tsang Kam Ching, David
Director

STATEMENT OF FINANCIAL POSITION

As at 31 March 2014

	Notes	2014 HK$'000	2013 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	18	**2,516**	3,565
Interests in subsidiaries	24	**6,641,544**	4,396,259
Available-for-sale investments	26	**313,500**	–
TOTAL NON-CURRENT ASSETS		**6,957,560**	4,399,824
CURRENT ASSETS			
Trade and other receivables	28	**3,769**	2,855
Cash and cash equivalents	31	**270,053**	93,286
TOTAL CURRENT ASSETS		**273,822**	96,141
CURRENT LIABILITIES			
Trade and other payables	32	**191,642**	265,818
Promissory note	33	**297,876**	293,458
Convertible bonds	37	**731,233**	–
TOTAL CURRENT LIABILITIES		**1,220,751**	559,276
NET CURRENT LIABILITIES		**(946,929)**	(463,135)
TOTAL ASSETS LESS CURRENT LIABILITIES		**6,010,631**	3,936,689
NON-CURRENT LIABILITIES			
Convertible bonds	37	**3,774,231**	1,836,870
TOTAL NON-CURRENT LIABILITIES		**3,774,231**	1,836,870
NET ASSETS		**2,236,400**	2,099,819
CAPITAL AND RESERVES			
Share capital	39	**271,748**	256,058
Reserves		**1,964,652**	1,843,761
TOTAL EQUITY		**2,236,400**	2,099,819

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 2014

THE GROUP

	Share capital HK$'000	Share premium HK$'000	Capital redemption reserve HK$'000	Capital reserve HK$'000 *(Note (viii))*	Assets revaluation reserve HK$'000 *(Note (iii))*	Available-for-sale financial assets reserve HK$'000 *(Note (iv))*	Forest rights revaluation reserve HK$'000	Convertible bonds reserve HK$'000 *(Note (v))*	Translation reserve HK$'000 *(Note (vi))*	Retained profits HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 April 2012	201,908	1,036,453	3,800	20,918	34,614	–	76,213	719,366	124,504	425,395	2,643,171	2,416,436	5,059,607
Loss for the year	–	–	–	–	–	–	–	–	–	(271,660)	(271,660)	11,121	(260,539)
Exchange differences on translation of financial statements of foreign operations	–	–	–	–	–	–	–	–	9,516	–	9,516	2,806	12,322
Impairment loss on forest concession right	–	–	–	–	–	–	(76,213)	–	–	–	(76,213)	–	(76,213)
Revaluation surplus, net of tax	–	–	–	–	(1,085)	–	–	–	–	–	(1,085)	–	(1,085)
Total comprehensive income for the year	–	–	–	–	(1,085)	–	(76,213)	–	9,516	(271,660)	(339,442)	13,927	(325,515)
Non-controlling interest of newly incorporated subsidiary	–	–	–	–	–	–	–	–	–	–	–	185	185
Issue of shares on conversion of convertible bonds *(Note 39)*	50,500	507,449	–	–	–	–	–	(261,779)	–	–	296,170	–	296,170
Issue of shares on exercise of warrants *(Note 39)*	3,650	80,300	–	–	–	–	–	–	–	–	83,950	–	83,950
At 31 March 2013	256,058	1,624,202	3,800	20,918	33,529	–	–	457,587	134,020	153,735	2,683,849	2,430,548	5,114,397

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2014

	Share capital HK$'000	Share premium HK$'000	Warrants reserve HK$'000 *(Note (i))*	Share options reserve HK$'000 *(Note (ii))*	Capital redemption reserve HK$'000	Capital reserve HK$'000 *(Note (viii))*	Assets revaluation reserve HK$'000 *(Note (iii))*	Available-for-sale financial assets reserve HK$'000 *(Note (iv))*	Convertible bonds reserve HK$'000 *(Note (v))*	Translation reserve HK$'000 *(Note (vi))*	Retained profits HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 April 2013	256,058	1,624,202	–	–	3,800	20,918	33,529	–	457,587	134,020	153,735	2,683,849	2,430,548	5,114,397
Loss for the year	–	–	–	–	–	–	–	–	–	–	(590,485)	(590,485)	(41,169)	(631,654)
Exchange differences on translation of financial statements of foreign operations	–	–	–	–	–	–	–	–	–	24,193	–	24,193	29,167	53,360
Release of translation reserve upon disposal of subsidiaries *(Note 44)*	–	–	–	–	–	–	–	–	–	(84,435)	–	(84,435)	–	(84,435)
Net movements in fair value for available-for-sale investments	–	–	–	–	–	–	–	35,728	–	–	–	35,728	–	35,728
Revaluation surplus, net of tax	–	–	–	–	–	–	3,048	–	–	–	–	3,048	–	3,048
Total comprehensive income for the year	–	–	–	–	–	–	3,048	35,728	–	(60,242)	(590,485)	(611,951)	(12,002)	(623,953)
Issue of ordinary shares *(Note 39)*	25,000	725,000	–	–	–	–	–	–	–	–	–	750,000	–	750,000
Purchase of own shares for cancellation *(Note 39)*	(9,310)	(367,899)	–	–	–	–	–	–	–	–	–	(377,209)	–	(377,209)
Expense for purchase of own shares for cancellation	–	(697)	–	–	–	–	–	–	–	–	–	(697)	–	(697)
Equity-settled share options granted *(Note 40)*	–	–	–	31,370	–	–	–	–	–	–	–	31,370	–	31,370
Capital reorganisation of a subsidiary	–	–	–	–	–	774,445	–	–	–	–	–	774,445	(774,445)	–
Capital contribution by non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	31,872	31,872
Disposal of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	59	59
Issue of convertible bonds *(Note 37)*	–	–	–	–	–	–	–	–	166,723	–	–	166,723	–	166,723
Issue of conditional warrants *(Note 41)*	–	–	21,630	–	–	–	–	–	–	–	–	21,630	–	21,630
Change in equity component arising from exchange in convertible bonds	–	–	–	–	–	–	–	–	74,060	–	–	74,060	–	74,060
Share of non-controlling interests transferred to the Group	–	–	–	–	–	–	–	–	–	–	775,961	775,961	(853,338)	(77,377)
Gain on settling equity component of old convertible bonds by issuing a new convertible bond	–	–	–	–	–	–	–	–	(142,766)	–	142,766	–	–	–
At 31 March 2014	271,748	1,980,606	21,630	31,370	3,800	795,363	36,577	35,728	555,604	73,778	481,977	4,288,181	822,694	5,110,875

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2014

THE COMPANY

	Share capital HK$'000	Share premium HK$'000	Capital redemption reserve HK$'000	Available-for-sale financial assets reserve HK$'000 *(Note (iv))*	Contributed surplus HK$'000 *(Note (vii))*	Convertible bonds reserve HK$'000 *(Note (v))*	Retained Profits/ (accumulated losses) HK$'000	Total HK$'000
At 1 April 2012	201,908	1,036,453	3,800	–	64,314	719,366	160,389	2,186,230
Total comprehensive income for the year	–	–	–	–	–	–	(466,531)	(466,531)
Issue of shares on conversion of convertible bonds *(Note 39)*	50,500	507,449	–	–	–	(261,779)	–	296,170
Issue of shares on exercise of warrants *(Note 39)*	3,650	80,300	–	–	–	–	–	83,950
At 31 March 2013	256,058	1,624,202	3,800	–	64,314	457,587	(306,142)	2,099,819
Loss for the year	–	–	–	–	–	–	(512,024)	(512,024)
Net movements in fair value for available-for-sale investments	–	–	–	35,728	–	–	–	35,728
Total comprehensive income for the year	–	–	–	35,728	–	–	(512,024)	(476,296)
Issue of ordinary shares *(Note 39)*	25,000	725,000	–	–	–	–	–	750,000
Purchase of own shares for cancellation *(Note 39)*	(9,310)	(367,899)	–	–	–	–	–	(377,209)
Expense for purchase of own shares for cancellation	–	(697)	–	–	–	–	–	(697)
Issue of convertible bonds *(Note 37)*	–	–	–	–	–	166,723	–	166,723
Change in equity component arising from exchange in convertible bonds	–	–	–	–	–	74,060	–	74,060
Gain on settling equity component of old convertible bonds by issuing a new convertible bond	–	–	–	–	–	(142,766)	142,766	–
At 31 March 2014	271,748	1,980,606	3,800	35,728	64,314	555,604	(675,400)	2,236,400

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2014

Notes:

(i) The warrants reserve represents the conditional warrants issued in relation to the Financing Arrangement as detailed in Note 35(v).

(ii) The share option reserve represents the cumulative expenses recognised on the granting of share options during the reporting year.

(iii) The asset revaluation reserve represents gains/losses arising on the revaluation of property.

(iv) The available-for-sale financial asset reserve represents gains/losses arising on recognising financial assets classified as available for sale at fair value.

(v) 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(q)(iii).

(vi) Translation reserve represents all exchange differences arising from the translation of the financial statements of operations outside Hong Kong.

(vii) 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.

(viii) The capital reserve represented capitalisation of payables to non-controlling interests.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2014

	2014 HK$'000	2013 HK$'000
Cash flows from operating activities		
Loss before income tax expense – continuing operations	**(714,041)**	(221,601)
Profit before income tax expense – discontinued operations	**89,358**	731
	(624,683)	(220,870)
Adjustments for:		
Interest income	**(8,191)**	(2,509)
Finance costs	**648,567**	56,023
Depreciation of property, plant and equipment	**53,211**	22,070
Impairment loss of forest concession rights	**55,300**	28,787
Change in fair value of derivative financial instrument	**(29,767)**	21,763
Loss on change in fair value of investment property	**3,814**	92
Loss on change in fair value less costs to sell of biological assets	**5,466**	15,477
Impairment loss of trade and other receivables	**3,793**	814
Amortisation of prepaid lease payments	**664**	757
Amortisation of forest concession rights	**27,586**	27,586
Amortisation of concession intangible assets	**205,714**	–
Amortisation of deferred government grants	**(2,539)**	–
Gain on disposal of property, plant and equipment, net	**(510)**	(86)
Share of results of associates	**1,837**	–
Gain on settling debt component of old convertible bonds by issuing new convertible bonds	**(54,261)**	–
Gain on loss of control in subsidiaries	**(82,667)**	–
Equity-settled share-based payment expense	**31,370**	–
Operating profit/(loss) before changes in working capital	**234,704**	(50,096)
(Increase)/decrease in inventories	**(2,523)**	6,645
(Increase)/decrease in trade and other receivables	**(93,724)**	23,024
(Decrease)/increase in trade and other payables	**(546,456)**	200,759
(Decrease)/increase in deposits from sales of properties	**(17,776)**	91,393
(Increase)/decrease in properties under development for sale	**(315,847)**	86,701
Decrease/(increase) in completed properties held for sale	**331,932**	(196,029)
Decrease/(increase) in investments held for trading	**6,179**	(6,179)
Decrease in acreage fees payable	**(322)**	(153)
Increase of biological assets	**(1,906)**	(13,356)
Effect of foreign exchange differences	**6,529**	(4,560)
Cash (used in)/generated from operations	**(399,210)**	138,149
Interest received	**8,191**	2,509
Interest paid	**(332,821)**	(264,667)
PRC tax paid	**(7,514)**	(23,250)
Net cash used in operating activities	**(731,354)**	(147,259)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2014

	Notes	2014 HK$'000	2013 HK$'000
Cash flows from investing activities			
Net decrease/(increase) in long term deposits and prepayments		**1,483,720**	(664,517)
Proceeds from disposal of subsidiaries, net of cash disposed	44	**495,989**	–
Decrease/(increase) in pledged deposits and restricted cash		**54,488**	(109,367)
Purchase of property, plant and equipment		**(1,191,805)**	(11,718)
Purchase of available-for-sale investments		**(313,222)**	(108,756)
Increase in amount due from associates		**(185,216)**	–
Additions of concession intangible asset		**(7,725,894)**	(4,035,611)
Additions of other properties under development		**(10,111)**	(39,987)
Proceeds from disposal of prepaid lease payments		**982**	–
Proceeds from disposal of property, plant and equipment		**464**	2,793
Additions of prepaid lease payments		**–**	(16)
Net cash used in investing activities		**(7,390,605)**	(4,967,179)
Cash flows from financing activities			
Proceeds from borrowings		**5,971,803**	6,897,773
Proceeds from issue of convertible bonds		**2,684,000**	–
Proceeds from issue of new shares		**750,000**	–
Repayment of borrowings		**(1,268,705)**	–
Payment for repurchase of own shares		**(377,906)**	–
Acquisition of additional interests in a subsidiary		**(77,377)**	–
Capital injection by a non-controlling shareholder of a subsidiary		**31,872**	185
Changes in amount due to a non-controlling shareholder of a subsidiary		**(293)**	48,297
Proceeds from shares issue of upon exercise of warrants		**–**	83,950
Repayment to a joint operator		**–**	(37,091)
Net cash generated from financing activities		**7,713,394**	6,993,114
Net (decrease)/increase in cash and cash equivalents		**(408,565)**	1,878,676
Effect of foreign exchange rate changes on cash and cash equivalents		**35,197**	909
Cash and cash equivalents at beginning of year		**2,075,878**	196,293
Cash and cash equivalents at end of year representing cash and bank balances		**1,702,510**	2,075,878

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

1. CORPORATE INFORMATION

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

The principal activities of the Company and its subsidiaries (collectively refer to as the "Group") are engaged in expressway operation, management, maintenance and auxiliary facility investment, trading of petroleum and related products, property development, and forest operation.

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

(a) Adoption of new/revised HKFRSs – effective 1 April 2013

HKFRSs (Amendments)	Annual Improvements 2009-2011 Cycle
HKFRSs (Amendments)	Annual Improvements 2010-2012 Cycle
HKFRSs (Amendments)	Annual Improvements 2011-2013 Cycle
Amendments to HKAS 1 (Revised)	Presentation of Items of Other Comprehensive Income
Amendments to HKFRS 7	Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 27 (2011)	Separate Financial Statements
HKAS 28 (2011)	Investments in Associates and Joint Ventures
HKAS 19 (2011)	Employee Benefits
HK(IFRIC) – Interpretation 20	Stripping Costs of the Production Phase of a Surface Mine
Amendments to HKFRS 1	Government loans

Except as explained below, the adoption of these amendments has no material impact on the Group's financial statements.

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 and those that may not. Tax on items of other comprehensive income is allocated and disclosed on the same basis.

The Group has adopted the amendments retrospectively for the financial year ended 31 March 2014. Items of other comprehensive income that may and may not be reclassified to profit and loss in the future have been presented separately in the consolidated statement of profit or loss and other comprehensive income. The comparative information has been restated to comply with the amendments. As the amendments affect presentation only, there are no effects on the Group's financial position or performance.

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

(a) Adoption of new/revised HKFRSs – effective 1 April 2013 *(Continued)*

HKFRS 10 – Consolidated Financial Statements

HKFRS 10 replaces the requirements in HKAS 27, Consolidated and separate financial statements relating to the preparation of consolidated financial statements and HK-SIC 12 Consolidation – Special purpose entities. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns.

As a result of the adoption of HKFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not change any of the control conclusions reached by the group in respect of its involvement with other entities as at 1 April 2013.

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.

As the new standard affects only disclosure, there is no effect on the Group's financial position and performance.

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 is applied prospectively.

HKFRS 13 did not materially affect any fair value measurements of the Group's assets and liabilities and therefore has no effect on the Group's financial position and performance. The standard requires additional disclosures about fair value measurements and these are included in Notes 17, 18, 20 and 51. Comparative disclosures have not been presented in accordance with the transitional provisions of the standard.

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.

Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[1]
HKFRS 9	Financial Instruments[4]
Amendments to HKFRS 9, HKFRS 7 and HKAS 39	Hedge Accounting
Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Investment entities[1]
Amendments to HKAS 19 (2011)	Defined Benefit Plans: Employee Contributions[2]
Amendments to HKAS 36	Recoverable Amount Disclosures[1]
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting[1]
HK (IFRIC) 21	Levies[1]
HKFRSs (Amendments)	Annual Improvements 2010-2012 Cycle[3]
HKFRSs (Amendments)	Annual Improvements 2011-2013 Cycle[2]

1 Effective for annual periods beginning on or after 1 January 2014
2 Effective for annual periods beginning on or after 1 July 2014
3 Effective for annual periods beginning, or transactions occurring, on or after 1 July 2014
4 Effective for annual periods beginning, or transactions occurring, on or after 1 January 2015

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.

Amendments to HKAS 36 – Recoverable Amount Disclosures

The amendments limit the requirements to disclose the recoverable amount of an asset or cash generating unit (CGU) to those periods in which an impairment loss has been recognised or reversed, and expand the disclosures where the recoverable amount of impaired assets or CGUs has been determined based on fair value less costs of disposal.

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 Stock Exchange.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(b) Basis of measurement and going concern assumption

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

During the year, the Group suffered a loss of HK$631,654,000 and had a net operating cash outflow of HK$731,354,000 and at the end of reporting period, the Group's current liabilities exceeded its current assets by approximately HK$4,256,932,000. These conditions indicate the existence of a material uncertainty which may cast doubt on the Group's ability to continue as a going concern and therefore, the Group may not be able to realise its assets and discharge its liabilities in the normal course of business.

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

(i) The Group's subsidiary, Inner Mongolia Zhunxing Heavy Haul Expressway Company Limited ("Zhunxing"), obtained bank facility of RMB8,820 million from China Development Bank Corporation which has been fully utilised at 31 March 2014 as disclosed in Note 35. The bank loans obtained under this banking facility included short term loans of RMB1,800 million and long term loans of RMB7,020 million. However, the Company obtained a declaration from China Development Bank Corporation which confirmed that long term loans will be granted to Zhunxing to replace the short term loans when they fall due.

(ii) The Group is in active negotiation with financial institutions to obtain new borrowings.

(iii) The Group is actively considering raising 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 bond.

(iv) On 21 November 2013, the Group's major investment project Zhunxing Expressway (as defined in Note 22) has started its operation. The daily toll income during the operation of Zhunxing Expressway will contribute to a major source of operating cash flow to the Group for a term of 30 years.

The directors have prepared the cash flow forecast of the Group. Based on the forecast which has taken into account of the above measures, the directors are of the opinion that the Group will have sufficient working capital to meet its financial obligations as and when they fall due in the next twelve months from 31 March 2014. Accordingly, the financial statements have been prepared on a going concern basis.

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

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(c) Functional and presentation currency

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

(d) Group accounting

(i) Business combination and basis of consolidation

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

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

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.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(d) Group accounting *(Continued)*

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

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 investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

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.

(iii) Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor a joint arrangement. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies.

Associates are accounted for using the equity method whereby they are initially recognised at cost and thereafter, their carrying amount are adjusted for the Group's share of the post-acquisition change in the associates' net assets except that losses in excess of the Group's interest in the associate are not recognised unless there is an obligation to make good those losses.

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate. Where unrealised losses provide evidence of impairment of the asset transferred they are recognised immediately in profit or loss.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(d) Group accounting *(Continued)*

(iii) Associates *(Continued)*

Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate. Where there is objective evidence that the investment in an associate has been impaired, the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

(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 estimated useful lives used for this purpose are as follows:

Buildings	
– Temporary houses and structures	30 years
– Other buildings	Over the remaining term of the relevant lease but not exceeding 25 years
Leasehold improvements	Over the remaining life of the leases but not exceeding 5 years
Furniture, machinery and equipment	5 years
Motor vehicles	5 to 8 years
Vessels	10 years
Safety equipment	10 years
Communication and signalling systems	10 years
Toll collection equipment	10 years

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.

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.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(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(m)) or and other properties under development (Note 3(n)).

(h) Investment property

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

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

(i) Forest concession rights

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

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

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

(j) Concession intangible asset

Concession intangible asset represent the rights to charge users of the public service, that the Group obtained under the service concession arrangements. Concession intangible asset is 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 of the concession intangible asset starts upon commencement of the operation of the concession intangible asset.

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. Subsequent expenditures are capitalised in the concession intangible asset when it increase the future economic benefits embodied in the concession intangible asset. All other expenditures are recognised in profit or loss as incurred.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(k) Impairment of tangible and intangible assets excluding goodwill

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

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

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

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

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

(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) 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.

(n) Other properties under development

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

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

(o) 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.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(p) 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.

(ii) Loans and receivables

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

(iii) Available-for-sale financial assets

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

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

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(p) Financial assets *(Continued)*

(iv) Impairment loss on financial assets

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

Objective evidence of impairment could include:

– significant financial difficulty of the debtor;

– a breach of contract, such as default or delinquency in interest or principal payments;

– granting concession to a debtor because of debtor's financial difficulty; and

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

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

For available-for-sale financial assets
Where a decline in the fair value constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognised in profit or loss.

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

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

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(p) Financial assets *(Continued)*

(v) Effective interest method

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

(vi) Derecognition of financial assets

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

(q) 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.

(iii) Convertible bonds

Convertible bonds issued by the Company that contain liability component, embedded derivative and equity component are classified separately into respective items on initial recognition. At the date of issue, both the liability component and embedded derivative are recognised at fair value. The equity component is determined by deducting the amount of the liability component and embedded derivative 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 embedded derivative 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.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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

(iv) Effective interest method

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

(v) Derecognition of financial liabilities

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

(r) 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.

(s) 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.

(t) Taxation

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

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

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

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(t) Taxation *(Continued)*

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.

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

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

(iii) Share-based payments

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

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

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(u) Employee benefits *(Continued)*

(iii) Share-based payments (Continued)

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.

(v) 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.

(w) Revenue recognition

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

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

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

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

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(w) Revenue recognition *(Continued)*

(iii) *(Continued)*

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) Toll income from the operation of toll road is recognised when the tolls are received or become receivable.

(v) Rental income from operating leases is recognised in equal instalments 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.

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

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

(x) Leases

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

The Group as lessor

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(x) Leases *(Continued)*

The Group as lessee

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.

(y) 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.

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

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

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

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

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

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

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

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(aa) Segment Reporting

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

(bb) Capitalisation of borrowing costs

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

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

(cc) Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Company's parent.

(b) An entity is related to the Group if any of the following conditions apply:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(cc) Related parties *(Continued)*

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

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 (which became the associates of the Group during the year) 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.

(e) Fair value of biological assets

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

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

(f) Net realisable value of inventories

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

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

(g) Estimated net realisable value on properties under development for sale and other properties under development included in interests in associates

In determining whether allowances should be made for the Group's interests in associates engaging in property development business, 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 under development. 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.

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

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

(i) Impairment of available-for-sale investments

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

(j) Fair value measurement

A number of assets and liabilities included in the Group's financial statements require measurement at, and/or disclosure of, fair value.

The fair value measurement of the Group's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the "fair value hierarchy"):

– Level 1: Quoted prices in active markets for identical items (unadjusted);

– Level 2: Observable direct or indirect inputs other than Level 1 inputs;

– Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

The Group measures a number of items at fair value:

- Revalued buildings – Property, Plant and Equipment (Note 18);
- Investment property (Note 17);
- Biological assets (Note 20);
- Financial instruments (Note 51); and
- Assets and liabilities classified as held for sale (Note 38).

For more detailed information in relation to the fair value measurement of the items above, please refer to the applicable notes.

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

(k) Impairment of non-current key operating assets

Concession intangible assets are the key operating assets for the Group's business operations. (collectively the "Key Operating Assets"). Management tests whether the Key Operating Assets have suffered any impairment in accordance with the accounting policy as stated in Note 3(k). The management has assessed the recoverable amounts of the Key Operating Assets based on value-in-use calculations which require the use of estimate on the projections of cash inflows from continual use of the Key Operating Assets and discount rate.

If the projected toll rate and traffic volume had been 10% lower than the management's estimates or the discount rate as applied in the impairment assessment was higher than management's existing estimates by 0.5 percentage point, the recoverable amounts of the Key Operating Assets will be reduced by approximately RMB2,380,909,000, RMB2,429,697,000 and RMB1,074,079,000 respectively. Even the recoverable amounts of the Key Operating Assets are reduced by the above mentioned respective amounts, the adjusted recoverable amounts of those Key Operating Assets are still higher than their carrying amounts as of the end of reporting period.

(l) Impairment of forest concession right

Determining whether forest concession right is impaired requires an estimation of the value in use of the cash-generating units. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value.

5. TURNOVER

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

	2014 **HK$'000**	2013 HK$'000
Continuing operations:		
Income from timber logging and trading	**5,702**	1,656
Sales of seedlings	**3,255**	1,029
Sales of furniture and handicrafts	**–**	1,017
Sales of plant oil	**3,365**	3,828
Trading of oil and related products	**117,089**	–
Construction revenue in respect of service concession arrangement	**8,148,639**	4,562,038
Toll income from toll road operations	**307,665**	–
	8,585,715	4,569,568
Discontinued operations:		
Sales of completed properties held for sale	**83,309**	89,680

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. During the year, the property development and asset management segments were intended to be disposed of and were presented as discontinued operations which details were set out in Note 11. The following summary describes the operations in each of the Group's reportable segments:

Continuing operations:

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

– Other timber operation – the manufacture and sale of furniture and handicrafts and sales of refined plant oil;

– Petroleum and related products trading; and

– Construction and operation of expressway.

Discontinued operations:

– Property development and asset management.

There was no inter-segment sale or transfer during the year (2013: HK$Nil). Central revenue and expenses are not allocated to the operating segments as they are not included in the measure of the segments' results that is used by the chief operating decision makers for assessment of segment performance.

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

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

6. SEGMENT INFORMATION *(Continued)*

(a) Reportable Segment

For the year ended 31 March 2014

	Continuing operations				Discontinued operations	
	Timber logging and trading HK$'000	Other timber operation HK$'000	Petroleum and related products trading HK$'000	Construction and operation of expressway HK$'000	Property development and asset management HK$'000	Total HK$'000
REVENUE						
Revenue from external customers	5,702	6,620	117,089	8,456,304	83,309	8,669,024
Inter-segment revenue	–	–	–	–	–	–
Reportable segment revenue	5,702	6,620	117,089	8,456,304	83,309	8,669,024
Reportable segment (loss)/profit	(95,322)	(13,348)	(19)	60,563	6,691	(41,435)
Reportable segment assets	480,343	191,324	77,749	21,700,106	–	22,449,522
Reportable segment liabilities	(16,941)	(64,137)	(285)	(15,099,007)	–	(15,180,370)

6. SEGMENT INFORMATION *(Continued)*

(a) Reportable Segment *(Continued)*

For the year ended 31 March 2014 *(Continued)*

	Continuing operations				Discontinued operations	
	Timber logging and trading HK$'000	Other timber operation HK$'000	Petroleum and related products trading HK$'000	Construction and operation of expressway HK$'000	Property development and asset management HK$'000	Total HK$'000
Other segment information						
Additions of property, plant and equipment	291	2,386	2,829	1,319,829	–	1,325,335
Unallocated additions of property, plant and equipment						808
Total additions of property, plant and equipment						1,326,143
Additions of biological assets	5,611	462	–	–	–	6,073
Addition of concession intangible asset	–	–	–	9,080,261	–	9,080,261
Depreciation of property, plant and equipment	12,044	3,627	2	36,325	–	51,998
Unallocated depreciation of property, plant and equipment						1,213
Total depreciation of property, plant and equipment						53,211
Amortisation of prepaid lease payments	583	–	–	–	–	583
Unallocated amortisation of prepaid lease payments						81
Total amortisation of prepaid lease payments						664

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

6. SEGMENT INFORMATION *(Continued)*

(a) Reportable Segment *(Continued)*

For the year ended 31 March 2014 *(Continued)*

	Continuing operations				Discontinued operations	
	Timber logging and trading HK$'000	Other timber operation HK$'000	Petroleum and related products trading HK$'000	Construction and operation of expressway HK$'000	Property development and asset management HK$'000	Total HK$'000
Other segment information *(Continued)*						
Amortisation of forest concession rights	27,586	–	–	–	–	27,586
Amortisation of concession intangible asset	–	–	–	205,714	–	205,714
Impairment loss of forest concession rights included in other income and other gains or losses	55,300	–	–	–	–	55,300
Interest income	2	1,957	222	5,162	–	7,343
Unallocated interest income						848
Total interest income						8,191

6. SEGMENT INFORMATION *(Continued)*

(a) Reportable Segment *(Continued)*

For the year ended 31 March 2013

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

6. SEGMENT INFORMATION *(Continued)*

(a) Reportable Segment *(Continued)*

For the year ended 31 March 2013 *(Continued)*

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

6. SEGMENT INFORMATION *(Continued)*

(a) Reportable Segment *(Continued)*

For the year ended 31 March 2013 *(Continued)*

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

6. SEGMENT INFORMATION *(Continued)*

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

	2014 HK$'000	2013 HK$'000
Reportable segment loss before income tax expense	**(48,126)**	(44,625)
Segment profit before tax from discontinued operations	**6,691**	731
Loss on change in fair value of investment property	**(3,814)**	(92)
Loss on change in fair value less costs to sell of biological assets	**(5,465)**	(15,477)
Change in fair value of derivative financial instrument	**29,767**	(21,763)
Gain on settling debt component of convertible bonds	**54,261**	–
Share of results of associates	**(1,837)**	–
Other income and other gains or losses	**1,967**	(3,371)
Unallocated corporate expenses	**(92,227)**	(80,250)
Finance costs	**(648,567)**	(56,023)
Consolidated loss before income tax expense	**(707,350)**	(220,870)
Assets		
Reportable segment assets	**22,449,522**	15,614,393
Segment assets of discontinued operations	**–**	1,773,988
Interests in associates	**449,064**	–
Pledged deposits and restricted cash	**62,919**	6,864
Cash and cash equivalents	**1,702,510**	181,188
Available-for-sale investments	**313,500**	–
Amount due from associates	**185,216**	–
Unallocated corporate assets	**53,515**	90,698
Consolidated total assets	**25,216,246**	17,667,131
Liabilities		
Reportable segment liabilities	**15,180,370**	9,404,012
Segment liabilities of discontinued operations	**–**	710,105
Deferred tax liabilities	**9,696**	9,561
Promissory note	**297,876**	293,458
Convertible bonds	**4,505,464**	1,836,870
Receipt in advance	**–**	210,000
Unallocated corporate liabilities	**111,965**	88,728
Consolidated total liabilities	**20,105,371**	12,552,734

6. SEGMENT INFORMATION *(Continued)*

(c) Geographical information

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

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

	Revenue from external customers		**Specified non-current assets**	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
PRC	**8,663,322**	4,657,592	**22,068,659**	12,910,906
Hong Kong	**–**	–	**32,761**	32,613
Australia	**–**	–	**38,700**	44,100
Guyana	**5,702**	1,656	**327,339**	418,652
	8,669,024	4,659,248	**22,467,459**	13,406,271

(d) Information about major customers

During the year ended 31 March 2014, revenue of approximately HK$8,148,639,000 (2013: HK$4,562,038,000) was derived from the construction of the toll expressway under a service concession arrangement in the construction and operation of expressway segment, which amounted to 90% or more of the total revenue.

During the year ended 31 March 2013 and 2014, none of the customers have transactions exceeded 10% of the Group's revenues in other segments.

7. OTHER INCOME AND OTHER GAINS OR LOSSES

Other income and other gains or losses comprises:

	2014 HK$'000	2013 HK$'000
Continuing operations:		
Interest income	8,191	2,422
Compensation claims *(Note i)*	–	(22,039)
Exchange (loss)/gain, net	(15,259)	2,558
Government grant	2,791	1,232
Gain on disposals of property, plant and equipment	510	86
Impairment loss on forest concession rights	(55,300)	(28,787)
Others	1,091	2,435
	(57,976)	(42,093)
Discontinued operations:		
Interest income	83	87
Management fee income	175	224
Others	11	59
	269	370

Note:

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

8. FINANCE COSTS

	2014 **HK$'000**	2013 HK$'000
Continuing operations:		
Interest and finance costs on bank and other borrowings:		
– wholly repayable within five years	**702,857**	378,327
– not wholly repayable within five year	**339,819**	13,716
Interest expenses on convertible bonds	**480,775**	318,594
Interest expenses on promissory note maturing within five years	**2,380**	–
Default interest on promissory note	**54,359**	45,779
Commitment fee	**–**	6,000
Total finance costs	**1,580,190**	762,416
Less: Amount capitalised in concession intangible asset *(Note i)*	**(931,623)**	(706,393)
	648,567	56,023
Discontinued operations:		
Interest and finance costs on bank and other borrowings:		
– wholly repayable within five years	**4,609**	11,121
Interest expenses on convertible bond	**–**	24,802
Default interest on promissory note	**2,038**	4,353
Total finance costs	**6,647**	40,276
Less: Amount capitalised in properties under development for sale and other properties under development *(Note i)*	**(6,647)**	(40,276)
	–	–

Note:

(i) 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:

	2014 HK$'000	2013 HK$'000
Continuing operations:		
Auditor's remuneration	**3,350**	2,427
Depreciation of property, plant and equipment *(Note i)*	**53,039**	20,794
Amortisation of forest concession rights included in selling and administrative expenses	**27,586**	27,586
Amortisation of prepaid lease payments *(Note ii)*	**664**	757
Compensation claims	**–**	22,039
Amortisation of concession intangible asset included in cost of sales	**205,714**	–
Operating lease payments recognised as expenses	**14,706**	14,662
Cost of inventories sold	**123,774**	7,605
Impairment loss of trade and other receivables	**3,793**	814
Staff costs (excluding directors' remuneration):		
– Salaries and allowances *(Note iii)*	**58,738**	32,715
– Defined contributions pension costs	**3,559**	820
– Equity-settled share-based payment expense *(Note 40)*	**31,370**	–
Discontinued operations:		
Depreciation of property, plant and equipment *(Note i)*	**172**	1,276
Staff costs (excluding directors' remuneration)	**1,300**	1,458

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

	2014 HK$'000	2013 HK$'000
Amounts included in biological assets	**–**	1,150
Amounts included in cost of sales	**27,881**	416
Amounts included in selling and administrative expenses	**25,330**	20,504
	53,211	22,070

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

	2014 HK$'000	2013 HK$'000
Amounts included in biological assets	**583**	584
Amounts included in selling and administrative expenses	**81**	173
	664	757

Note (iii): Salaries and allowances of HK$7,058,000 (2013: HK$1,123,000) has been included in the cost of sales on the face of the consolidated income statement.

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For the year ended 31 March 2014

10. INCOME TAX (CREDIT)/EXPENSE

The income tax (credit)/expense comprises:

	2014 HK$'000	2013 HK$'000
Continuing operations:		
PRC enterprise income tax		
– Current tax	**20**	–
Deferred tax (credit)/expense *(Note 36)*	**(542)**	2,712
	(522)	2,712
Discontinued operations:		
PRC enterprise income tax		
– Current tax	**3,423**	34,818
PRC land appreciation tax		
– Current tax	**4,070**	2,139
	7,493	36,957
Total	**6,971**	39,669

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

	2014 HK$'000	2013 HK$'000
(Loss)/profit before taxation:		
Continuing operations	**(714,041)**	(221,601)
Discontinued operations	**6,691**	731
	(707,350)	(220,870)
Tax calculated at 16.5%	**(116,713)**	(36,443)
Net effect of non-taxable/deductible items	**138,880**	74,175
Net effect of tax losses and temporary differences not recognised	**1,696**	2,812
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(16,892)**	(875)
Income tax expense	**6,971**	39,669

The statutory tax rate for Hong Kong profits tax is 16.5% (2013: 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 2014 and 2013.

10. INCOME TAX (CREDIT)/EXPENSE *(Continued)*

The subsidiaries in Guyana are liable to Guyana income tax at a rate of 45% (2013: 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 2014 and 2013.

The subsidiaries in Australia are liable to Australian income tax at a rate of 30% (2013: 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 2014 and 2013.

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 corporate income tax.

Inner Mongolia Zhunxing Heavy Haul Expressway Company Limited ("Zhunxing"), a subsidiary of the Group, is entitled to a three-year exemption from corporate income tax followed by a 50% reduction in corporate income tax for subsequent three years (the "Tax Holiday"). As Zhunxing has started operations during the year, the Tax Holiday has been started during the year. Consequently, Zhunxing is subject to a 0% corporate income tax rate from 2014 to 2016 and a 12.5% corporate income tax rate from 2017 to 2019.

For the year ended 31 March 2014, the statutory corporate income tax rate applicable to all other subsidiaries established and operating in the PRC is 25% (2013: 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. DISCONTINUED OPERATIONS

On 15 September 2012, the Company entered into a share transfer agreement (the "Share Transfer Agreement") with an independent third party (the "Purchaser"), pursuant to which the Company conditionally agreed to sell, and the Purchaser conditionally agreed to purchase, 55% equity interest in the property development and asset management business of the Group at a consideration of HK$550 million. The share transfer has been completed on 16 September 2013.

The property development and asset management business were classified as discontinued operations and the related results for the years ended 31 March 2014 and 2013 were as follows:

	Notes	**2014 HK$'000**	2013 HK$'000
Turnover	*5*	**83,309**	89,680
Cost of sales		**(69,509)**	(80,352)
Gross profit		**13,800**	9,328
Other income and other gains or losses	*7*	**269**	370
Selling and administrative expenses		**(7,378)**	(8,967)
Profit before income tax expense		**6,691**	731
Income tax expenses	*10*	**(7,493)**	(36,957)
Gain on loss of control of subsidiaries		**82,667**	–
Profit/(loss) for the period from discontinued operations		**81,865**	(36,226)

The net cash flows of the discontinued operations for the years ended 31 March 2014 and 2013 were as follows:

	2014 HK$'000	2013 HK$'000
Net cash inflows from operating activities	**18,665**	26,147
Net cash outflows from investing activities	**(14,567)**	(31,688)
Net cash (outflows)/inflows from financing activities	**(40,228)**	44,057
Net cash flows incurred by the discontinued operations	**(36,130)**	38,516

11. DISCONTINUED OPERATIONS *(Continued)*

Earnings/(loss) per share from discontinued operations:

	2014	2013
	HK cents	HK cents
– Basic and diluted	**0.30**	(0.17)

The calculations of basic and diluted earnings/(loss) per share from discontinued operations are based on below:

	2014	2013
	HK$'000	HK$'000
Profit/(loss) for the purposes of basic and diluted earnings/(loss) per share from discontinued operations	**82,144**	(36,258)
Number of shares:	**'000**	'000
Weighted average number of ordinary shares for the purposes of basic and diluted earnings/(loss) per share	**26,952,255**	21,532,962

For the years ended 31 March 2014 and 2013, the computation of diluted earnings/(loss) per share from discontinued operations does not assume the exercise of share options and warrants and the conversion of those outstanding convertible bonds which had an anti-dilution effect on the earnings/(loss) per share calculation.

12. DIRECTORS' REMUNERATION

Details of remuneration of each director are shown below:

Year ended 31 March 2014

Name of director	Fees HK$'000	Basic salaries, allowances and other benefits HK$'000	Defined contribution retirement benefits scheme HK$'000	Share-based payments *(Note i)* HK$'000	Total HK$'000
Executive directors					
Cao Zhong	–	3,600	15	–	3,615
Fung Tsun Pong	–	3,000	15	–	3,015
Tsang Kam Ching, David	–	2,400	15	2,506	4,921
Duan Jingquan	–	2,760	14	2,506	5,280
Gao Zhiping (appointed on 17 June 2013)	–	1,893	–	2,506	4,399
Independent non-executive directors					
Yip Tak On	120	–	–	448	568
Jing Baoli	120	–	–	448	568
Bao Liang Ming	120	–	–	448	568
	360	13,653	59	8,862	22,934

12. DIRECTORS' REMUNERATION *(Continued)*

Year ended 31 March 2013

Name of director	Fees	Basic salaries, allowances and other benefits	Defined contribution retirement benefits scheme	Share-based payments *(Note i)*	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive directors					
Cao Zhong	–	3,600	14	–	3,614
Fung Tsun Pong	–	3,000	14	–	3,014
Tsang Kam Ching, David	–	2,400	14	–	2,414
Duan Jingquan	–	2,760	–	–	2,760
Non-executive director					
Neil Bush (resigned on 20 July 2012)	–	194	–	–	194
Independent non-executive directors					
Yip Tak On	120	–	–	–	120
Jing Baoli	120	–	–	–	120
Bao Liang Ming	120	–	–	–	120
	360	11,954	42	–	12,356

Notes:

(i) These represent the estimated value of share options granted to the directors during the year ended 31 March 2014 under the Company's share option scheme. The value of these share options is measured according to the Group's policy for share-based payment transactions as set out in Note 3(u)(iii). The details of these benefits in kind, including the principal terms and number of options granted, are disclosed under the paragraph "Share Option Scheme" in the directors' report and Note 40.

(ii) During the years ended 31 March 2014 and 2013, no emoluments were paid by the Group to the directors as an inducement to join, or upon joining the Group, or as compensation for loss of office of the Company. There were no arrangements under which a director waived or agreed to waive any remuneration during the current and prior years.

13. INDIVIDUALS WITH HIGHEST EMOLUMENTS

During the year, the five highest paid individuals included five (2013: four) directors, details of whose emoluments are set out in Note 12. The aggregate of the emoluments paid or payable to the remaining individual is as follows:

	2014 **HK$'000**	2013 HK$'000
Salaries and other benefits	**–**	2,400
Retirement benefit scheme contributions	**–**	–
	–	2,400

The emoluments of the employee are within the following band:

	Number of employees **2014**	2013
Nil – HK$1,000,000	**–**	–
HK$2,000,001 – HK$3,500,000	**–**	1

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

	Number of employees **2014**	2013
Nil – HK$1,000,000	**–**	–
HK$2,000,001 – HK$2,500,000	**–**	1
HK$2,500,001 – HK$3,000,000	**–**	1
HK$3,000,001 – HK$3,500,000	**1**	1
HK$3,500,001 – HK$4,000,000	**1**	1
HK$4,000,001 – HK$4,500,000	**1**	–
HK$4,500,001 – HK$5,000,000	**1**	–
HK$5,000,001 – HK$5,500,000	**1**	–

14. LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated loss attributable to owners of the Company for the year ended 31 March 2014 includes a loss of approximately HK$512,024,000 (2013: HK$466,531,000) which has been dealt with in the financial statements of the Company.

15. DIVIDEND

The Directors of the Company do not recommend the payment of a dividend for the year ended 31 March 2014 (2013: HK$Nil).

16. 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:

	Group	
	2014	2013
	HK$'000	HK$'000
For continuing and discontinued operations:		
Loss for the purposes of basic and diluted loss per share	**(590,485)**	(271,660)
For continuing operations:		
Loss for the purposes of basic and diluted loss per share	**(672,629)**	(235,402)
Number of shares:	**'000**	'000
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	**26,952,255**	21,532,962

For the years ended 31 March 2014 and 2013, the computation of diluted loss per share does not assume the conversion of the Company's outstanding convertible bonds and exercise of share options and warrants as they had an anti-dilutive effect on the loss per share calculation.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

17. INVESTMENT PROPERTY

	Group	
	2014	2013
	HK$'000	HK$'000
Valuation:		
At 1 April	**44,100**	44,200
Fair value loss	**(3,814)**	(92)
Exchange difference	**(1,586)**	(8)
At 31 March	**38,700**	44,100

The investment property includes a freehold land outside Hong Kong.

The Group's investment property was revalued at 31 March 2014 by an independent firm of chartered surveyors, LCH (Asia-Pacific) Surveyors Limited (the "Valuer"), who have among their staff members of the Hong Kong Institute of Surveyors with recent experience in the category of property being valued. 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 fair value measurement of the investment property has been categorised as a level 3 fair value based on the inputs to the valuation technique used. Further information about this level 3 fair value measurement is as below:

Significant unobservable inputs	**Input value/range**
Unit price of land (AUD per sq. meter)	AUD399 to AUD491
Replacement cost of new building of similar characteristics (AUD per sq. meter)	AUD1,100

The higher the unit price of land, the higher the fair value of the investment property. The higher the replacement cost of new building of similar characteristics, the higher the fair value of the investment property.

The loss from the change in fair value estimated by the Valuer on 31 March 2014 amounted to HK$3,814,000 (2013: loss of HK$92,000) has been recognised in profit or loss for the year ended 31 March 2014.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

18. PROPERTY, PLANT AND EQUIPMENT

The Group	Buildings	Leasehold improvements	Furniture, machinery and equipment	Motor vehicles	Vessels	Safety equipment	Communication and signalling systems	Toll collection equipment	Construction in progress	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Cost or valuation:										
At 1 April 2012	56,802	15,225	58,551	19,259	61,295	–	–	–	–	211,132
Additions	226	1,765	1,229	8,498	–	–	–	–	–	11,718
Surplus on revaluation	1,093	–	–	–	–	–	–	–	–	1,093
Disposal/write off	–	–	(2,251)	(1,414)	–	–	–	–	–	(3,665)
Transfer to disposal group	–	(6,792)	(1,497)	(6,073)	–	–	–	–	–	(14,362)
Exchange difference	188	13	180	109	165	–	–	–	–	655
At 31 March 2013	58,309	10,211	56,212	20,379	61,460	–	–	–	–	206,571
Additions	408,804	2,881	43,029	28,313	–	538,720	109,553	60,505	134,338	1,326,143
Surplus on revaluation	2,709	–	–	–	–	–	–	–	–	2,709
Disposal/write off	–	–	–	(1,673)	–	–	–	–	–	(1,673)
Exchange difference	85	59	175	152	449	(651)	(132)	(73)	–	64
At 31 March 2014	469,907	13,151	99,416	47,171	61,909	538,069	109,421	60,432	134,338	1,533,814
Analysis of cost or valuation										
At 31 March 2014										
At cost	441,796	13,151	99,416	47,171	61,909	538,069	109,421	60,432	134,338	1,505,703
At valuation	28,111	–	–	–	–	–	–	–	–	28,111
	469,907	**13,151**	**99,416**	**47,171**	**61,909**	**538,069**	**109,421**	**60,432**	**134,338**	**1,533,814**
At 31 March 2013										
At cost	32,907	10,211	56,212	20,379	61,460	–	–	–	–	181,169
At valuation	25,402	–	–	–	–	–	–	–	–	25,402
	58,309	**10,211**	**56,212**	**20,379**	**61,460**	**-**	**-**	**-**	**-**	**206,571**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

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

The Group	Buildings	Leasehold improvements	Furniture, machinery and equipment	Motor vehicles	Vessels	Safety equipment	Communication and signalling systems	Toll collection equipment	Construction in progress	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Accumulated depreciation and impairment:										
At 1 April 2012	439	2,942	28,814	7,924	10,915	–	–	–	–	51,034
Charge for the year	2,511	5,354	5,140	2,932	6,133	–	–	–	–	22,070
Elimination on revaluation	(972)	–	–	–	–	–	–	–	–	(972)
Disposal/write off	–	–	(110)	(848)	–	–	–	–	–	(958)
Transfer to disposal group	–	(1,844)	(354)	(641)	–	–	–	–	–	(2,839)
Exchange difference	7	69	214	30	44	–	–	–	–	364
At 31 March 2013	1,985	6,521	33,704	9,397	17,092	–	–	–	–	68,699
Charge for the year	10,525	3,948	4,155	4,761	6,196	17,957	3,652	2,017	–	53,211
Elimination on revaluation	(1,016)	–	–	–	–	–	–	–	–	(1,016)
Disposal/write off	–	–	–	(1,485)	–	–	–	–	–	(1,485)
Exchange difference	23	51	107	72	135	(22)	(4)	(2)	–	360
At 31 March 2014	**11,517**	**10,520**	**37,966**	**12,745**	**23,423**	**17,935**	**3,648**	**2,015**	**-**	**119,769**
Net carrying amount:										
At 31 March 2014	**458,390**	**2,631**	**61,450**	**34,426**	**38,486**	**520,134**	**105,773**	**58,417**	**134,338**	**1,414,045**
At 31 March 2013	56,324	3,690	22,508	10,982	44,368	–	–	–	–	137,872

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

The Group's building in Shenzhen was revalued as at 31 March 2014 based on market comparison approach by reference to recent sales price of comparable properties on a price per square foot basis using market data. The valuation was carried out by an independent firm of chartered surveyors, LCH (Asia-Pacific) Surveyors Limited who have among their staff members of the Hong Kong Institute of Surveyors with recent experience in the category of the property being valued. The fair value of this building is categorised as level 2. The revaluation surplus of HK$3,048,000 (2013: HK$1,085,000) net of applicable deferred tax was credited to assets revaluation reserve.

Had this building been carried at cost less accumulated depreciation and accumulated impairment losses, its carrying amount would have been HK$2,838,000 (2013: HK$2,907,000) as at 31 March 2014.

Property certificates of certain buildings with an aggregate carrying value of HK$28,920,000 (2013: HK$29,913,000) as at 31 March 2014 have yet to be obtained.

The buildings of HK$430,279,000 (2013: HK$30,922,000) are carried at cost less accumulated depreciation and accumulated impairment losses as the directors of the Company considered that the carrying amount of the buildings are not materially different from their fair values as at 31 March 2014 and 2013.

Construction in progress represented the construction costs incurred for petrol and gas stations in the service areas of Zhunxing Expressway under the Financing Arrangement as defined in Note 35(v).

During the years ended 31 March 2014 and 2013, no impairment loss was recognised as management considered the property, plant and equipment in all cash generating units of the Group had no impairment indication as they expected profit could be generated in near future and the carrying amount was lower than the recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS

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

The Company	**Leasehold improvements** HK$'000	**Furniture, machinery and equipment** HK$'000	**Motor vehicles** HK$'000	**Total** HK$'000
Cost:				
At 1 April 2012	3,498	1,899	150	5,547
Additions	–	320	–	320
As 31 March 2013	3,498	2,219	150	5,867
Additions	–	67	–	67
As 31 March 2014	3,498	2,286	150	5,934
Accumulated depreciation:				
At 1 April 2012	583	467	150	1,200
Charge for the year	699	403	–	1,102
At 31 March 2013	1,282	870	150	2,302
Charge for the year	700	416	–	1,116
As 31 March 2014	1,982	1,286	150	3,418
Net book value:				
At 31 March 2014	1,516	1,000	–	2,516
At 31 March 2013	2,216	1,349	–	3,565

19. PREPAID LEASE PAYMENTS

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

	Group	
	2014	2013
	HK$'000	HK$'000
At 1 April	**30,471**	31,080
Additions	**–**	16
Disposal	**(748)**	–
Exchange difference	**500**	132
Amortisation for the year	**(664)**	(757)
At 31 March	**29,559**	30,471
Represented by:		
Current portion	**665**	665
Non-current portion	**28,894**	29,806
	29,559	30,471

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

20. BIOLOGICAL ASSETS

	Group			
	Seedlings	**Camellia trees**	**Standing trees**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000
At 1 April 2012	1,576	17,924	58,921	78,421
Plantation expenditure incurred	2,031	1,951	11,429	15,411
Cost of direct sales	(673)	–	–	(673)
Harvested timber transferred to inventory	(1,244)	–	(138)	(1,382)
Change in fair value less costs to sell	–	1,144	(16,621)	(15,477)
Exchange difference	8	101	336	445
At 31 March 2013	1,698	21,120	53,927	76,745
Plantation expenditure incurred	3,012	462	2,599	6,073
Disposals	–	–	(148)	(148)
Cost of direct sales	(1,106)	–	–	(1,106)
Harvested timber transferred to inventory	(2,270)	–	(643)	(2,913)
Change in fair value less costs to sell	–	1,294	(6,759)	(5,465)
Exchange difference	35	403	1,360	1,798
At 31 March 2014	1,369	23,279	50,336	74,984

20. BIOLOGICAL ASSETS *(Continued)*

(a) Description of the Group's biological assets

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

Seedlings are carried at cost less any impairment loss as the directors of the Company considered that little biological transformation has taken place since initial cost incurrence. The cost of these seedlings is therefore not materially different from their fair values as at 31 March 2014 and 2013 as determined by the directors of the Company.

For camellia trees, at 31 March 2014, the Group owned and obtained all the forestry ownership certificates for approximately 10,200 (2013: 10,200) Chinese Mu of forests of camellia trees in Xingning with 50 years term, expiring in 2058.

Camellia trees or tea trees for refined tea oil held by 興寧樹人木業有限公司 were planted in previous years and had already gone through substantial biological transformation. They are stated at fair value less cost to sell at both 31 March 2014 and 2013.

For standing trees, at 31 March 2014, the Group owned and obtained all the forestry ownership certificates for approximately 92,638 (2013: 93,719) Chinese Mu of forests of standing trees in Dabu with 50 years term, expiring in 2057. The standing trees are stated at fair value less cost to sell at both 31 March 2014 and 2013.

(b) Measurement of fair values

The fair value of the Group's camellia trees and standing trees were independently valued by LCH (Asia-Pacific) Surveyors Limited (the "Valuer"), who have among their staff members of the American Society of Appraisers with over 20 years of valuation experience. After due consideration of the experience and credentials of the Valuer, the directors of the Company are satisfied that the Valuer is competent to determine the valuation of the Group's biological assets. Further, after reasonable enquiry with the directors of the Company, the directors of the Company are satisfied that the Valuer is independent from the directors of the Company.

The fair values of both camellia trees and standing trees are categorised as level 3 recurring fair value measurements.

(i) Fair value measurement of camellia trees

Since camellia trees of the Group are still young and are not ready for harvest and generate income during the year, the Valuer considered that both the market approach and income approach are not appropriate in performing the valuation of camellia trees because there are generally no market price for pre-mature camellia trees and the determination of future cash flow from these pre-mature camellia trees involved a lot of estimates.

The Valuer has adopted the replacement cost approach in its valuation. This approach involves an estimation of the number of saplings per mu and an accumulation of the costs of the saplings, planting, fertilising, and management of the trees.

20. BIOLOGICAL ASSETS *(Continued)*

(b) Measurement of fair values *(Continued)*

(i) Fair value measurement of camellia trees *(Continued)*

Significant unobservable inputs	**Input value**
Number of saplings per mu	89
Unit cost of sapling	RMB2.5
Unit cost of planting	RMB3.5
Cost of fertiliser per mu	RMB82
Cost of tending per mu	RMB60

The higher the number of saplings per mu, the higher the fair value of the camellia trees. The higher the cost of sapling, planting, fertiliser and tending, the higher the fair value of the camellia trees.

(ii) Fair value measurement of standing trees

The Valuer has adopted the market approach in its valuation by using the current market price per unit cubic meter ("cu.m") of similar round logs and the total merchantable volume of timber in the forest at 31 March 2014 as basis for estimating the fair value less costs to sell of the Group's standing trees. The principal assumptions adopted are as follows:

– the Group is to produce round logs; and

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

Significant unobservable inputs	**Range**
Price of round logs per cubic meter	RMB510 to RMB780
Recovery rate	70%

The higher the price of round logs, the higher the fair value of the standing trees. The higher the recovery rate, the higher the fair value of the standing trees.

There were no changes to the valuation techniques for both camellia trees and standing trees during the year.

20. BIOLOGICAL ASSETS *(Continued)*

(c) **Sensitivity analysis on changes in material inputs used in the valuation techniques are as follows:**

(i) Camellia trees as at 31 March 2014

Changes on the number of saplings per mu	Increased by 5% HK$'000	Decreased by 5% HK$'000
Increase/(decrease) in fair value	**340**	**(340)**

Changes on base value of unit cost	Increased by 10% HK$'000	Decreased by 10% HK$'000
Increase/(decrease) in fair value		
– Unit cost of sapling	**290**	**(290)**
– Unit cost of planting	**403**	**(403)**
– Cost of fertiliser per mu	**529**	**(529)**
– Cost of tending per mu	**466**	**(466)**

(ii) Standing trees as at 31 March 2014

Changes on the price of round logs per cubic meter	Increased by 10% HK$'000	Decreased by 10% HK$'000
Increase/(decrease) in fair value	**9,689**	**(10,193)**

Changes on the recovery rate	Increased by 5% HK$'000	Decreased by 5% HK$'000
Increase/(decrease) in fair value	**3,523**	**(3,523)**

(d) **Work done by the Valuer**

In respect of the camellia trees in Xingning and standing trees in Dabu, the Valuer conducted physical field inspection to the respective forest sites in April 2014 to verify the physical existence and quality of the biological assets. The Valuer also visited the local Forest Bureaus where the forests are located.

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	
	2014	2013
	HK$'000	HK$'000
Cost:		
At 1 April	**534,429**	534,445
Exchange difference	**–**	(16)
At 31 March	**534,429**	534,429
Accumulated impairment and amortisation:		
At 1 April	**172,973**	40,387
Impairment loss	**55,300**	105,000
Amortisation for the year	**27,586**	27,586
At 31 March	**255,859**	172,973
Net carrying amount:		
At 31 March	**278,570**	361,456

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For the year ended 31 March 2014

21. FOREST CONCESSION RIGHTS *(Continued)*

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

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

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

(b) 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.

21. FOREST CONCESSION RIGHTS *(Continued)*

(c) Impairment testing of Jaling Concession Rights and Garner Concession Rights

For the purpose of impairment testing, the forest concession rights are allocated to the cash-generating unit under timber logging and trading segment and were independently valued by LCH (Asia-Pacific) Surveyors Limited (the "Valuer"), who have among their staff members of the Hong Kong Institute of Surveyors with recent experience in the category of forest concession rights being valued. After due consideration of the experience and credentials of the Valuer, the directors of the Company are satisfied that the Valuer is competent to determine the valuation of the Group's forest concession rights. Further, after reasonable enquiry with the directors of the Company, the directors of the Company are satisfied that the Valuer is independent from the directors of the Company.

There are limited comparable transactions available in the public domain which results in the inapplicability of adopting the comparable market approach in our valuation. The Valuer has adopted the income approach in the valuation of both Jaling Concession Rights and Garner Concession Rights. By using this method, the expected cash flows (after deducting from net income, the capital expenditures and net changes in working capital and the addition of depreciation) generated are set out year by year and brought to a present value by use of present value factors at the appropriate rate. In constructing the cumulative present value table, positive present values are netted off against negative present values so as to arrive at the "net present value".

To arrive at the projections of the future revenues used in this evaluation, it is assumed that the prices of logs for various species are homogenous and the average price for all species was used as the basis of the evaluation. Working Capital to Sales ratio is approximately 21% (2013: 16%) and a tax rate of is 35% (2013: 35%) is assumed.

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

	2014	2013
Beta	**0.67**	0.81
Risk free rate	**2.72%**	1.17%
Market return	**13%**	12.41%
Cost of equity	**21%**	14.21%

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

Based on the above review, the directors of the Company have assessed the recoverable amount of the cash generating unit which is lower than its carrying value as at 31 March 2014. Based on the valuation, an impairment loss of HK$55,300,000 was recognised in profit or loss for the year ended 31 March 2014 (2013: impairment loss of HK$105,000,000 of which HK$76,213,000 was transferred to forest rights valuation reserve and HK$28,787,000 was recognised in profit or loss). Impairment was recognised because management reduced turnover projections for the expected cash flows from the operation of the forest concession rights by reference to market condition and management plan.

21. FOREST CONCESSION RIGHTS *(Continued)*

(c) Impairment testing of Jaling Concession Rights and Garner 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.

(d) Sensitivity analysis on changes in material inputs used in the valuation techniques are as follows:

Changes on discount rate	**Increased by 2%**	**Decreased by 2%**
	HK$'000	HK$'000
(Decrease)/increase in recoverable amounts	(31,000)	41,600

Changes on sales price growth rate	**Increased by 2%**	**Decreased by 2%**
	HK$'000	HK$'000
Increase/(decrease) in recoverable amounts	42,400	(29,900)

(e) Work done by the Valuer

The Valuer conducted physical field inspection to the respective forest sites in relation to the Jaling Concession Rights and the Garner Concession Rights in April 2014 to verify the physical existence and quality of the forests. The Valuer also visited the local Forest Bureaus where the forests are located.

22. CONCESSION INTANGIBLE ASSET

	Group	
	2014	2013
	HK$'000	HK$'000
Cost:		
At 1 April	**10,546,874**	5,185,307
Additions	**9,080,261**	5,333,086
Exchange differences	**121,428**	28,481
At 31 March	**19,748,563**	10,546,874
Accumulated amortisation:		
At 1 April	**–**	–
Amortisation for the year	**205,714**	–
Exchange differences	**(250)**	–
At 31 March	**205,464**	–
Net Carrying amount:		
At 31 March	**19,543,099**	10,546,874

Zhunxing entered into a service concession arrangement with the local government whereby Zhunxing is required to build the infrastructure of a heavy duty toll expressway of 265 km designed for coal transportation in the Inner Mongolia Autonomous Region (the "Zhunxing Expressway") and is granted an exclusive operating right for collecting tolls from drivers using the Zhunxing 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.

22. CONCESSION INTANGIBLE ASSET *(Continued)*

During the year, construction revenue of HK$8,148,639,000 (2013: HK$4,562,038,000) and construction cost of HK$8,026,882,000 (2013: HK$4,483,837,000) 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.

Amortisation of the concession intangible asset has been started during the year upon commencement of the operation of the Zhunxing Expressway on 21 November 2013.

Additions to concession intangible asset during the year include interest capitalised in respect of short term and long term borrowings and convertible bonds amounted to HK$631,962,000 and HK$299,661,000 respectively (2013: HK$308,173,000 and HK$398,220,000).

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 independently by Jones Lang LaSalle Corporate Appraisal and Advisory Limited by value in use calculation based on cash flow projections up to the end of the service concession arrangement period, taking into account the actual operating result of the expressway during the year.

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

	2014	2013
Concession period (include trial run period of 2 years)	**32 years**	30 years
Pre-tax discount rate	**11.26%**	12.09%
Average toll revenue growth rate over the concession period	**2.2%**	2.2%

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. The toll revenue growth rate was determined based on forecasted traffic volume growth and the increase in toll rates.

As at 31 March 2014, no impairment was required based on the valuation report.

23. LONG TERM DEPOSITS AND PREPAYMENTS

	Group	
	2014	2013
	HK$'000	HK$'000
Prepayments for construction of expressway and related facilities	**597,500**	2,186,377
Deposits paid for acquisition of property, plant and equipment	**42,603**	23,041
	640,103	2,209,418

24. INTERESTS IN SUBSIDIARIES

	Company	
	2014	2013
	HK$'000	HK$'000
Unlisted shares, at cost	**11**	11
Amount due from subsidiaries	**6,668,633**	4,423,348
	6,668,644	4,423,359
Less: Impairment losses	**(27,100)**	(27,100)
	6,641,544	4,396,259

Particulars of principal subsidiaries as at 31 March 2014 are set out in Note 46.

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 (2013: HK$27,100,000) was recognised as at 31 March 2014 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. INTERESTS IN ASSOCIATES

	Group	
	2014	2013
	HK$'000	HK$'000
Share of net assets	**449,064**	–

25. INTERESTS IN ASSOCIATES *(Continued)*

Details of the associates are as follows:

Name	Place of incorporation and operation	Issued and fully paid share capital	Percentage of ownership interests	Principal activity
北京開源萬嘉管理咨詢有限公司(formerly known as首控(北京)管理咨詢有限公司)	PRC	RMB4,444,445	45%	Investment holding
宜昌新首鋼房地產開發有限公司	PRC	RMB120,000,000	45%	Property development and asset management
宜昌中翔物業管理有限公司	PRC	RMB500,000	31.5%	Building management

(a) Summarised financial information

	2014 HK$'000
As at 31 March	
Current assets	1,532,557
Non-current assets	228,082
Current liabilities	(636,718)
Non-current liabilities	(126,000)
Included in the above amounts are:	
Cash and cash equivalents	10,667
Current financial liabilities (excluding trade and other payables)	(537,023)
Period from 17 September 2013 to 31 March 2014	
Revenue	119,522
Loss for the year	(4,083)
Other comprehensive income	(873)
Total comprehensive income	(4,956)
Included in the above amounts are:	
Depreciation and amortisation	(1,591)
Interest income	83
Income tax expense	(23,772)

25. INTERESTS IN ASSOCIATES *(Continued)*

(a) Summarised financial information *(Continued)*

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	2014 HK$'000
Net assets of the associates	**997,921**
Group's share of net assets of associates at 45%	**449,064**
Carrying amount of the Group's interest in associates at 31 March	**449,064**

26. AVAILABLE-FOR-SALE INVESTMENTS

	Group		Company	
	2014 **HK$'000**	2013 HK$'000	**2014** **HK$'000**	2013 HK$'000
Unlisted equity shares, at cost	**146,187**	108,756	**–**	–
Equity shares listed in Hong Kong, at fair value	**313,500**	–	**313,500**	–
	459,687	108,756	**313,500**	–

The details are as follows:

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
國開瑞明(北京)投資基金有限公司	PRC	RMB3,300,000,000	1.52	1.52	Investment holding
內蒙古博源新型能源有限公司	PRC	RMB200,000,000	19	19	Develop railway line and coal processing large scale comprehensive logistics base in興和煤炭循環經濟產業園
CNAF Hong Kong Refuelling Limited	Hong Kong	HK$100,000,000	10	10	Provision of aviation refuelling services

26. AVAILABLE-FOR-SALE INVESTMENTS *(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
內蒙古西北煤炭交易中心股份有限公司	PRC	RMB500,000,000	4	4	Provision of coal transaction services and related consulting and transportation services
FDG Electric Vehicles Limited (formerly known as Sinopoly Battery Limited)	Bermuda/PRC	HK$16,976,891,626	3.24*	3.24	Research and development, production, distribution and sale of lithium-batteries and related products, which are used for electric vehicles and energy storage

All unquoted long-term equity investments are measured at cost less accumulated impairment losses at the end of the reporting period as the directors of the Company are of the opinion that their fair values cannot be measured reliably.

27. INVENTORIES

	Group 2014 HK$'000	Group 2013 HK$'000
Raw materials	**64,641**	63,753
Work in progress	**43,119**	42,976
Finished goods	**12,961**	13,299
Timber logs and products	**2,608**	778
	123,329	120,806

Included in raw materials are precious woods of HK$61,207,000 (2013: HK$62,114,000) which are ready for trading.

28. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade receivables	**86,736**	4,827	**–**	–
Less: Provision for impairment loss	**(1,288)**	(466)	**–**	–
Trade receivables, net	**85,448**	4,361	**–**	–
Other receivables	**138,611**	56,003	**–**	–
Less: Provision for impairment loss	**(40,222)**	(37,251)	**–**	–
Other receivables, net	**98,389**	18,752	**–**	–
Deposits paid	**3,201**	2,049	**2,583**	1,688
Prepayments	**11,064**	9,089	**1,186**	1,167
	198,102	34,251	**3,769**	2,855

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally two months, extending up to over three months or more for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management.

The below table reconciled the impairment loss of trade debtors for the years:

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
At 1 April	**37,717**	36,903		
Add: Impairment loss recognised *(Note 9)*	**3,793**	814	**–**	–
At 31 March	**41,510**	37,717	**–**	–

28. TRADE AND OTHER RECEIVABLES *(Continued)*

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

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Outstanding balances aged:				
0 to 30 days	**80,005**	–	**–**	–
31 to 60 days	**11**	1,157	**–**	–
61 to 180 days	**3,057**	2	**–**	–
Over 180 days	**2,375**	3,202	**–**	–
	85,448	4,361	**–**	–

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

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Neither past due nor impaired	**80,016**	1,159	**–**	–
30 to 90 days past due	**3,057**	–	**–**	–
Over 90 days	**2,375**	3,202	**–**	–
	85,448	4,361	**–**	–

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.

Trade and other receivables were denominated in the following currencies:

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong Dollars("HKD")	**3,663**	2,834	**3,769**	2,855
Renminbi ("RMB")	**185,940**	25,680	**–**	–
United States Dollars ("USD")	**8,215**	5,417	**–**	–
Australian Dollars ("AUD")	**284**	320	**–**	–
	198,102	34,251	**3,769**	2,855

29. AMOUNT DUE FROM A NON-CONTROLLING SHAREHOLDER OF A SUBSIDIARY AND AMOUNT DUE FROM ASSOCIATES

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

30. PLEDGED DEPOSITS AND RESTRICTED CASH

	Group	
	2014	2013
	HK$'000	HK$'000
Pledged deposits for expressway construction *(Note i)*	**–**	117,407
Fixed deposits with maturity over three months	**62,919**	–
	62,919	117,407

Note:

(i) Amounts represent cash deposited in certain banks as pledged deposits for the facilities granted by the bank for issuing bills payables for the purchases of construction materials and payments of construction fees for expressway construction.

31. CASH AND CASH EQUIVALENTS

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances	**1,702,510**	2,033,045	**270,053**	93,286

Cash and bank balances were denominated in the following currencies:

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
HKD	**275,012**	99,554	**270,040**	93,284
RMB	**1,427,202**	1,933,148	**10**	–
USD	**131**	164	**3**	2
AUD	**140**	119	**–**	–
Guyana Dollars	**25**	60	**–**	–
	1,702,510	2,033,045	**270,053**	93,286

31. CASH AND CASH EQUIVALENTS *(Continued)*

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.

32. TRADE AND OTHER PAYABLES

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables	**69**	1,840	**–**	–
Other payables and accruals *(Note i)*	**2,821,879**	1,970,604	**111,642**	55,818
Deposit received from customers	**54,388**	6,466	**–**	–
Receipt in advance	**–**	210,000	**80,000**	210,000
	2,876,336	2,188,910	**191,642**	265,818

Note:

(i) As at 31 March 2014, other payables mainly comprised construction cost payable of HK$2,287,336,000 (2013: HK$978,880,000), retention and guarantee deposit of HK$298,481,000 (2013: HK$569,553,000), and compensation payable of HK$6,131,000 (2013: HK$22,602,000) relating to litigation claims from certain contracts arising from suspension of construction of expressway.

Accruals of the Group and the Company also included default interest of the promissory note amounted to HK$100,138,000 (2013: HK$45,779,000) (Note 33).

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

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

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Outstanding balances aged:				
Over 180 days	**69**	1,840	**–**	–

32. TRADE AND OTHER PAYABLES *(Continued)*

Trade and other payables were denominated in the following currencies:

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
HKD	**116,397**	300,567	**191,642**	265,818
RMB	**2,759,198**	1,887,655	**–**	–
USD	**536**	457	**–**	–
AUD	**205**	231	**–**	–
	2,876,336	2,188,910	**191,642**	265,818

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	
	2014	2013
	HK$'000	HK$'000
Carrying value as at 1 April	**293,458**	289,105
Interest expense *(Note 8)*	**4,418**	4,353
Carrying value as at 31 March	**297,876**	293,458

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

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

33. PROMISSORY NOTE *(Continued)*

On 23 May 2012, the Group and the promissory note holder signed a supplemental agreement to extend the repayment term of promissory note. Both parties agreed that the Group is required to pay a default interest at 0.05% per day (annual interest rate of 18.25%) based on the outstanding principal amount and accrued interest. At 31 March 2014, default interest of HK$100,138,000 (2013: HK$ 45,779,000) was accrued under other payables and accruals (Note 32).

34. DEFERRED GOVERNMENT GRANTS

	Group	
	2014	2013
	HK$'000	HK$'000
At 1 April	**7,471**	130,423
Classified as liability of a disposal group classified as held for sale *(Note i)*	**–**	(122,987)
Credited to other income and other gains or losses *(Note ii)*	**(2,539)**	–
Exchange difference	**139**	35
At 31 March	**5,071**	7,471

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

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

As at 31 March 2013, the deferred government grant which form part of the disposal group is classified as liabilities held for sale as mentioned in Note 38.

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

The government grant is to be amortised on a systematic basis according to the volume of production when the production of tea-oil begins and income is generated. Amortisation has been started during the year ended 31 March 2014 as normal production has commenced.

35. BORROWINGS

	Group	
	2014	2013
	HK$'000	HK$'000
Secured		
– Current portion *(i), (ii)*	**2,491,572**	4,572,682
– Bills payables *(iii)*	**–**	117,407
– Non-current portion *(i), (ii)*	**9,198,601**	1,668,411
Unsecured		
– Current portion *(iv), (v)*	**143,944**	1,136,992
– Non-current portion *(iv)*	**566,266**	–
	12,400,383	7,495,492

Total borrowings were repayable as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
On demand or within one year included in current liabilities	**2,635,516**	5,827,081
Over one year and included in non-current liabilities	**9,764,867**	1,668,411
	12,400,383	7,495,492

(i) During the year ended 31 March 2013, Zhunxing, entered into a loan agreement with China Development Bank Corporation, as the leading bank, Hua Xia Bank Co., Limited and China Merchants Bank Co., Limited, as the participating banks, (together the "Lenders") to obtain loan facilities amounted to RMB8,820 million (the "Loans") at an initial annual interest rate of 6.8775% on normal commercial terms, of which RMB3,600 million of the Loans will be for a term of 15 years, RMB2,770 million of the Loans will be for a term of 20 years and RMB2,450 million of the Loans will be for a term of 21 years. The Loans are for the construction of the Zhunxing Expressway. As at 31 March 2014, Zhunxing has drawn down the whole Loans of RMB8,820 million from the Lenders (2013: RMB5,050 million), including short term loans of RMB1,800 million and long term loans of RMB7,020 million (2013: short term loans of RMB3,700 million and long term loans of RMB1,350 million).

As at 31 March 2014, the Loans are secured by Zhunxing's receivables of toll fee income of the Zhunxing Expressway, guaranteed by the Group and the non-controlling shareholder of Zhunxing and bear interest at a weighted average effective interest rate of 6.95% per annum (2013: weighted average effective interest rate of 6.99% per annum).

35. BORROWINGS *(Continued)*

(ii) During the year ended 31 March 2014, Zhunxing also entered into a loan agreement with an authorised financial institution in the People's Republic of China to obtain loan facilities amounted to RMB500 million for the construction of Zhunxing Expressway. The loan is secured by the Group's equity interests in 國開瑞明(北京)投資基金有限公司，內蒙古博源新型能源有限公司 (Note 26) and the equity interests of 內蒙古准興高速服務區管理有限責任公司, the Project Company as defined in Note 35(v). As at 31 March 2014, RMB180 million of the loan was repayable within one year and RMB320 million of the loan was repayable after more than one year but not exceeding five years. The loan bears interest at a fixed rate of 12% per annum.

(iii) Bills payables were issued from bank to suppliers for payables of construction materials and payments of construction fees for Zhunxing Expressway construction which were secured by bank deposits.

(iv) Unsecured loan as at 31 March 2014 represented a loan borrowed by Zhunxing from an authorised financial institution in the People's Republic of China amounted to RMB500 million for the construction of Zhunxing Expressway during the year. The loan is guaranteed by the Company and one of the Company's wholly owned subsidiary. As at 31 March 2014, RMB50 million of the loan was repayable within one year and RMB450 million of the loan was repayable after more than one year but not exceeding five years. The loan bears interest at a fixed rate of 11% per annum.

Unsecured loan as at 31 March 2013 represented (1) a loan borrowed from an authorised financial institution in the People's Republic of China of RMB495 million which was unsecured, interest bearing at 0.0288% per day and repayable within one year; (2) a loan borrowed from a third party amounted to RMB5 million which was unsecured, interest free and repayable within one year; and (3) two loans borrowed from independent third parties totalled HK$450 million which was unsecured, interest bearing at 20% per annum and repayable within one year. All of the above unsecured loans at 31 March 2013 had been repaid by the Group during the year ended 31 March 2014.

(v) Unsecured current borrowings as at 31 March 2014 also included a loan liability of approximately HK$81 million arising from the financing arrangement entered into between the Company and Joint Gain Holdings Limited ("Joint Gain") for the construction of petrol and gas stations in the service areas of Zhunxing Expressway (the "Financing Arrangement"). Under the Financing Arrangement, the Company (i) sold to Joint Gain the project company (the "Project Company") which holds the development and operating rights to the petrol and gas stations in the service areas of Zhunxing Expressway, (ii) after completion of the relevant construction the Company may reacquire the Project Company and (iii) the Company issued conditional warrants of the Company to Joint Gain (Note 41). Details of the Financing Arrangement are disclosed in the Company's announcement dated 20 December 2012.

No actual interest is payable by the Company under the Financing Arrangement. At 31 March 2014, the loan liability is measured at amortised costs at an imputed interest rate of 11.7%. The directors of the Company expected that the loan liability will be settled within one year, upon the reacquisition of the Project Company.

36. DEFERRED TAX LIABILITIES

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

	Group	
	2014	2013
	HK$'000	HK$'000
At 1 April	**9,561**	3,697
Recognised in other comprehensive income for the year	**677**	3,152
Recognised in profit or loss	**(542)**	2,712
At 31 March	**9,696**	9,561

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$108,390,000 (2013: HK$108,820,000) to be carried forward for offset against future taxable income which included tax losses of HK$63,286,000 (2013: HK$64,019,000) 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.

37. CONVERTIBLE BONDS

(a) 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 "CB2013"). CB2013 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 CB2013.

Unless previously redeemed, converted, or purchased and cancelled by the Company, the Company shall redeem any outstanding CB2013 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 CB2013 to redeem the whole or any relevant part of the outstanding bond together with interest accrued by giving the bondholders 10 days' notice of its intention to make such redemption.

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

37. CONVERTIBLE BONDS *(Continued)*

(b) Issue of convertible bond on 28 September 2011

On 28 September 2011, the Company issued the convertible bond with an aggregate amount of HK$2,000,000,000 with a maturity date on 28 September 2014 to several subscribers (the "CB2014"). CB2014 carries 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 CB2014 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 CB2014.

The Company shall redeem any outstanding CB2014 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 CB2014 into ordinary shares of the Company at an initial conversion price of HK$0.4 per conversion share when the share price is higher than HK$1.00 for 60 consecutive trading days.

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

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

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

(c) Issue of convertible bond on 3 September 2013 and 12 February 2014

On 3 September 2013, the Company issued the convertible bond with an aggregate amount of HK$1,984,000,000 with a maturity date on 3 September 2015 to several subscribers. On 12 February 2014, the Company further issued the convertible bond of additional HK$600,000,000 to a subscriber under the same terms (collectively referred to as the "CB2015").

CB2015 carries 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 CB2015 into ordinary shares of the Company at an initial conversion price of HK$0.32 per conversion share (subject to the normal adjustments pursuant to the terms and conditions of the convertible bond) at any time during the period commencing from the date of issuance of the CB2015.

The Company shall redeem any outstanding CB2015 at the principal amount together with accrued interest on the maturity date which is on the second anniversary of the date of issuance.

The Company has the right to require the bondholder(s) to convert the CB2015 into ordinary shares of the Company at an initial conversion price of HK$0.32 per conversion share when the share price is higher than HK$0.60 for 60 consecutive trading days.

37. CONVERTIBLE BONDS *(Continued)*

(c) Issue of convertible bond on 3 September 2013 and 12 February 2014 *(Continued)*

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

At issuing dates, the Company determined the fair value of liability component based on the valuation performed by LCH (Asia-Pacific) Surveyors Limited using discounted cash flow approach. The effective interest rate is 17%. The residual amount was assigned as the equity component for the conversion option held by bondholders and the Group and was included in the convertible bond reserve of the Company and the Group.

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

(d) Issue of convertible bond on 22 October 2013, 26 November 2013 and 28 November 2013

On 22 October 2013, 26 November 2013 and 28 November 2013, the Company issued the convertible bond with an aggregate amount of HK$1,500,000,000 with a maturity date on 24 October 2016 to a subscriber (the "CB2016").

CB2016 carries 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 CB2016 into ordinary shares of the Company at an initial conversion price of HK$0.37 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 CB2016.

The Company shall redeem any outstanding CB2016 at the principal amount together with accrued interest on the maturity date which is on the third anniversary of the date of issuance.

If, at any time prior to the maturity date, the market price of the Company's shares is higher than HK$0.74 for 15 consecutive trading days, a repayment premium of 100% of the outstanding principal amount of the CB2016 as at the maturity date will be payable by the Company on the maturity date (the "Repayment Adjustment Feature"). The market price represented the closing prices published in the Stock Exchange Daily Quotations Sheet for one share for 60 consecutive trading days. This Repayment Adjustment Feature is an embedded derivative and is recognised as a derivative financial instrument at fair value by Monte Carlo Model at the time of issue and subsequently measured at fair value at the end of each reporting period in accordance with the Group's accounting policy on embedded derivatives (Note 3(p)(i)).

At issuing dates, the Company determined the fair value of liability component based on the valuation performed by LCH (Asia-Pacific) Surveyors Limited using discounted cash flow approach. The effective interest rate is 17%. The residual amount was assigned as the equity component for the conversion option held by bondholders and the Group and was included in the convertible bond reserve of the Company and the Group.

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

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37. CONVERTIBLE BONDS *(Continued)*

	Group and Company			
	Liability component HK$'000	**Derivative financial instrument** HK$'000	**Equity component** HK$'000	**Total** HK$'000
CB2013				
At 1 April 2012	288,890	(21,763)	261,779	528,906
Interest expense *(Note 8)*	24,802	–	–	24,802
Interest paid	(17,522)	–	–	(17,522)
Conversion of convertible bond into ordinary shares *(Note ii)*				
– Transfer to share capital	(50,500)	–	–	(50,500)
– Transfer to share premium	(245,670)	–	(261,779)	(507,449)
Change in the fair value	–	21,763	–	21,763
At 31 March 2013 and 2014	–	–	–	–
CB2014				
At 1 April 2012	1,698,276	–	457,587	2,155,863
Interest expense *(Note 8)*	318,594	–	–	318,594
Interest paid	(180,000)	–	–	(180,000)
At 31 March 2013	1,836,870	–	457,587	2,294,457
Interest expense *(Note 8)*	217,553	–	–	217,553
Interest paid	(171,369)	–	–	(171,369)
Being settlement of equity component *(Note i)*	–	–	(320,311)	(320,311)
Being settlement of debt component *(Note i)*	(1,276,717)	–	–	(1,276,717)
At 31 March 2014	606,337	–	137,276	743,613
CB2015				
At 1 April 2012 and 31 March 2013	–	–	–	–
Issue of convertible bond	2,272,075	–	311,925	2,584,000
Interest expense *(Note 8)*	181,508	–	–	181,508
At 31 March 2014	2,453,583	–	311,925	2,765,508

37. CONVERTIBLE BONDS *(Continued)*

	Group and Company			
	Liability component HK$'000	**Derivative financial instrument** HK$'000	**Equity component** HK$'000	**Total** HK$'000
CB2016				
At 1 April 2012 and 31 March 2013	–	–	–	–
Issue of convertible bond	1,238,934	154,663	106,403	1,500,000
Interest expense *(Note 8)*	81,714	–	–	81,714
Changes in fair value of derivative financial instruments	–	(29,767)	–	(29,767)
At 31 March 2014	1,320,648	124,896	106,403	1,551,947
Total				
At 31 March 2014	4,380,568	124,896	555,604	5,061,068
At 31 March 2013	1,836,870	–	457,587	2,294,457
Represented by:				
At 31 March 2014				
Current portion	606,337	124,896		731,233
Non-current portion	3,774,231	–		3,774,231
	4,380,568	124,896		4,505,464
At 31 March 2013				
Current portion	–	–		–
Non-current portion	1,836,870	–		1,836,870
	1,836,870	–		1,836,870

37. CONVERTIBLE BONDS *(Continued)*

Notes:

(i) During the year ended 31 March 2014, the CB2015 issued to two subscribers (which are bondholders of CB2014) with aggregate principal amount of HK$1,400 million were used to set off their CB2014 of the same principal amount. This partial settlement of the CB2014 resulted in the settlement of equity component of approximately HK$320 million and the settlement of debt component of approximately HK$1,277 million recognised during the year.

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

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

There were no conversions of convertible bonds during the year ended 31 March 2014.

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

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

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

The disposal has been completed on 16 September 2013. The remaining equity interests of the property development and asset management business held by the Group is recognised as interests in associates (Note 25).

39. SHARE CAPITAL

		2014		2013	
	Notes	Number of shares '000	Amount HK$'000	Number of shares '000	Amount HK$'000
Authorised:					
Ordinary shares of HK$0.01 each		**50,000,000**	**500,000**	50,000,000	500,000
Issued and fully paid:					
Ordinary shares of HK$0.01 each					
At 1 April		**25,605,784**	**256,058**	20,190,784	201,908
Shares issued upon conversion of convertible bonds	*(a)*	**–**	**–**	5,050,000	50,500
Shares issued upon exercise of warrants	*(b)*	**–**	**–**	365,000	3,650
Issue of ordinary shares	*(c)*	**2,500,000**	**25,000**		
Purchase of own shares for cancellation	*(d)*	**(931,000)**	**(9,310)**	–	–
At 31 March		**27,174,784**	**271,748**	25,605,784	256,058

Notes:

(a) Conversion of convertible bonds

During the year ended 31 March 2013, convertible bonds of the Company with an aggregate principal amount of approximately HK$282,800,000 were converted into 5,050,000,000 shares of the Company of HK$0.01 each at a conversion price of HK$0.056 per ordinary share (Note 37(ii)). All these new ordinary shares ranked pari passu in all respects with the existing shares of the Company.

(b) Exercises of warrants

During the year ended 31 March 2013, 365,000,000 shares of HK$0.01 each were issued at HK$0.23 per share from the utilisation of warrants with proceed of HK$83,950,000. All these new ordinary shares ranked pari passu in all respects with the existing shares of the Company.

(c) Issue of ordinary shares

On 14 June 2013, the Company entered into a share subscription agreement with each of Turbo View Investment Limited and Wisdom Accord Limited for the issue of 1,500,000,000 and 1,000,000,000 (a total of 2,500,000,000) new ordinary shares respectively at a subscription price of HK$0.30 per share. The issue of the 2,500,000,000 new shares (the "Subscription Shares") was approved by shareholders of the Company on 26 August 2013 and all the Subscription Shares were issued at an aggregate consideration of HK$750,000,000 on 30 August 2013. All these new ordinary shares rank pari passu in all respects with the existing shares of the Company.

39. SHARE CAPITAL *(Continued)*

Notes: (Continued)

(d) Purchase of own shares for cancellation

During the year ended 31 March 2014, the Company repurchased its own ordinary shares on the Stock Exchange as follows:

Month/year	Number of shares repurchased '000	Highest price paid per share HK$	Lowest price paid per share HK$	Aggregate price Paid HK$'000
January 2014	**235,600**	**0.410**	**0.355**	**89,006**
February 2014	**526,900**	**0.445**	**0.400**	**221,348**
March 2014	**168,500**	**0.415**	**0.370**	**66,855**
	931,000			**377,209**

Out of the 931,000,000 repurchased ordinary shares, 878,100,000 repurchased ordinary shares were cancelled during the year and the remaining 52,900,000 repurchased ordinary shares were cancelled subsequent to the end of the reporting period. The issued share capital of the Company was reduced accordingly by the nominal value of the ordinary shares repurchased.

40. EQUITY-SETTLED SHARE-BASED PAYMENT

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

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

The equity-settled share options granted during the year are as follow:

	2014 '000	2013 '000
Outstanding at the beginning of the year	**–**	–
Granted during the year	**350,500**	–
Outstanding at the end of the year	**350,500**	–

40. EQUITY-SETTLED SHARE-BASED PAYMENT *(Continued)*

The exercise price of the above equity-settled share options granted during the year is HK$0.45 per share. These share options vested immediately at the date of grant and are valid up to 15 October 2018. The following information is relevant in the determination of the fair value of share options granted during the year:

(a) Fair value of share options and assumptions

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on a binomial lattice model.

Fair value of share options granted during the year ended 31 March 2014 and assumptions:

Fair value of each share option at grant date	HK$0.0895
Share price of each share at grant date	HK$0.42
Exercise price of each share option	HK$0.45
Expected volatility (expressed as weighted average volatility used in the modelling under binomial lattice model)	40%
Option life	5 years
Expected dividend yield	5%
Risk-free interest rate	1.18%

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility based on publicly available information. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share option grants.

41. ISSUE OF CONDITIONAL WARRANTS

On 20 December 2012, the Company and Joint Gain entered into the agreement pursuant to which:

(1) the Group sold to Joint Gain the development and operating rights to the petrol and gas stations in the service areas of Zhunxing Expressway held by the Project Company for the aggregate consideration of RMB301,000,000 (equivalent to approximately HK$374,143,000); and

(2) after completion of the construction of the petrol and gas stations in the service areas of the Zhunxing Expressway, the Company may reacquire the Project Company, and the Company agreed to issue conditional warrants to Joint Gain.

Details and movement of conditional warrants issued during the year ended 31 March 2014 are as follow:

Date of issue:	19 April 2013
Exercise period:	From the date when the Project Company is reacquired by the Group to 20 December 2015
Subscription price:	HK$0.48

	2014 **'000**
At 1 April 2013	**–**
Issued during the year	**2,000,000**
At 31 March 2014	**2,000,000**

No conditional warrants were exercised during the year ended 31 March 2014.

42. 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 (2013: 1 to 5 years). Leases for plantation sites are negotiated for terms for 1 to 6 years (2013: 1 to 7 years).

At 31 March 2014, the Group had total future minimum lease payments under non-cancellable operating leases due at the end of reporting period as follows:

	2014 **HK$'000**	2013 HK$'000
Within one year	**11,672**	6,495
In the second to fifth years, inclusive	**18,118**	154
	29,790	6,649

Operating leases – lessor

The Group's properties are leased to a tenant for varying terms. The rental income during the year ended 31 March 2014 was HK$1,109,000 (2013: HK$370,000).

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

	2014 **HK$'000**	2013 HK$'000
Within one year	**730**	339
Over one year but within 5 years	**243**	–
	973	339

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43. CAPITAL COMMITMENTS

Capital commitments outstanding at 31 March 2014 and 2013 not provided for in the financial statements were as follows:

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Authorised but not contracted for				
– a coal processing large scale comprehensive logistics base *(Note i)*	**141,567**	139,039	**141,567**	139,039
Contracted but not provided for				
– investment on concession intangible asset *(Note ii)*	**314,707**	5,594,352	**–**	–
	456,274	5,733,391	**141,567**	139,039

Notes:

(i) The Company signed an investment cooperation agreement on 5 December 2011 with the local people's government of Qingshuihe County ("Qingshuihe Government") in the Inner Mongolia Autonomous Region of the People's Republic of China in relation to a coal processing large scale comprehensive logistics base (the "Comprehensive Logistics Base") proposed to be built close to the Yingpanliang exit of the Zhunxing Expressway. 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) The investment on concession intangible asset represented the construction cost of the expressway being constructed by Zhunxing.

44. DISPOSAL OF EQUITY INTERESTS IN SUBSIDIARIES

As set out in Note 11, on 16 September 2013, the Group disposed of 55% equity interest in the property development and asset management business, through the disposal of 55% equity interest in Shoukong (Beijing) Management Consulting Company Limited (首控(北京)管理咨詢有限公司) ("Shoukong"). At the date of disposal, Shoukong was a wholly owned subsidiary of the Company which holds 100% equity interest in Yichang Xinshougang Property Development Company Limited (宜昌新首鋼房地產開發有限公司) ("Yichang Xinshougang") and 70% equity interest in Yichang Zhongxiang Property Management Company Limited (宜昌中翔物業管理有限公司) ("Yichang Zhongxiang"). After the disposal, Shoukong, Yichang Xinshougang and Yichang Zhongxiang became associates of the Group (Note 25).

The net assets of the disposal group at the date of disposal were as follows:

	HK$'000
Property, plant and equipment	14,395
Other properties under development	176,633
Prepaid taxes	4,409
Properties under development for sale	1,025,987
Completed properties held for sale	555,411
Other receivables, deposits and prepayments	17,856
Pledged deposit and restricted cash	8,358
Cash and cash equivalents	6,703
Trade and other payables	(182,973)
Amount due to new holding company	(154,342)
Amount due to former holding company	(80,547)
Deposits from sales of properties	(233,064)
Tax payables	(29,736)
Deferred government grants	(126,026)
Net asset of the disposal group	1,003,064
Net assets of 100% equity interest disposed of	1,003,064
Transfer to interests in associates of 45% equity interest at fair value	(451,296)
Release of translation reserve upon disposal of equity interests in subsidiaries	(84,435)
Gain on loss of control of subsidiaries	82,667
Total consideration	550,000
Satisfied by:	
Cash	502,692
Deferred consideration	47,308
	550,000
Net cash inflow arising on disposal:	
Cash consideration	502,692
Cash and bank balances disposed of	(6,703)
	495,989

44. DISPOSAL OF EQUITY INTERESTS IN SUBSIDIARIES *(Continued)*

At 31 March 2014, approximately HK$502,692,000 of cash consideration has been received by the Group. The remaining HK$47,308,000 deferred consideration is included as other receivables (Note 28) on the consolidated statement of financial position.

45. 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.

(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 2014 and 2013:

Related party relationship	Type of transactions	Notes	For the year ended 31 March 2014 HK$'000	2013 HK$'000
China Alliance International Holding Group Limited (a substantial shareholder of the Company)	Interest expense on promissory note	*8*	**4,418**	4,353
	Default interest expense on promissory note	*8*	**54,359**	45,779

	Type of balances		As at 31 March 2014 HK$'000	2013 HK$'000
China Alliance International Holding Group Limited (a substantial shareholder of the Company)	Promissory note	*33*	**297,876**	293,458
Shougang Holding Company Limited (a former non-controlling shareholder of a subsidiary)	Deposit paid for office building located in Inner Mongolia Autonomous Region, the PRC		**–**	23,041

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

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46. PARTICULARS OF PRINCIPAL 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
Seapower Resources Australia Pty Ltd.	Australia	A$7,000,002 shares	100	100	Investment holding
Seapower Resources Gosford Pty Ltd.	Australia	A$4,200,002 shares	100	100	Cold storage warehousing
Seapower Resources Investment Pty Ltd.	Australia	A$2,000,002 shares	100	100	Investment holding
Allied National Ltd.	British Virgin Islands/ Hong Kong	US$1 share	100*	100	Investment holding
Best Idea International Investment Limited	British Virgin Islands	US$1 share	100*	100	Investment holding
Bondwell International Group Limited	British Virgin Islands	US$1 share	100*	100	Investment In barges
China Timber Maritime Limited	British Virgin Islands	HK$20,000,000 shares	65	65	Construction of barges
Sunshine Delight Limited	British Virgin Islands	US$1 share	100*	100	Investment holding
Jaling Forest Industries Inc.	Guyana	G$500,000 shares	100	100	Timber logging
Garner Forest Industries Inc.	Guyana	G$100,000 shares	100	100	Timber logging
Cheer Luck Technology Limited	Hong Kong	HK$1 share	100	100	Investment holding
Glory Success Trading Limited	Hong Kong	HK$10 shares	100*	100	Timber log trading and sale of furniture and handicrafts
Seapower Investment (China) Limited	Hong Kong	HK$10,000 shares	100*	100	Investment holding
Smart Fancy (China) Limited	Hong Kong	HK$1 share	100*	100	Investment holding

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46. PARTICULARS OF PRINCIPAL 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
Triumph Kind Investment Limited	Hong Kong	HK$100 shares	100*	100	Investment in property
Triumph Max Investment Limited	Hong Kong	HK$100 shares	100*	100	Investment holding
Vastrich Corporation Limited	Hong Kong	HK$1 share	100*	100	Investment holding
Wide Forest Limited	Hong Kong	HK$1 share	100*	100	Investment holding
樹人木業(大埔)有限公司	People's Republic of China	RMB102,175,000	100	100	Forest operation, timber logging and tree plantation
樹人苗木組培(大埔)有限公司	People's Republic of China	RMB4,721,500	100	100	Plantation and trading of seedlings
興寧樹人木業有限公司	People's Republic of China	RMB30,000,000	100	100	Production and sale of plant-oil
樹人木業(深圳)有限公司	People's Republic of China	RMB43,773,025	100	100	Timber log trading and sale of furniture and handicrafts
陽東縣樹人木業有限公司	People's Republic of China	RMB1,000,000	100	100	Processing and manufacturing of timber products
東莞樹人木業有限公司	People's Republic of China	RMB153,673,000	100	100	Investment holding
內蒙古准興重載高速公路有限責任公司 ("Zhunxing")	People's Republic of China	RMB2,513,920,600 *(Note 1)*	86.87	86.87	Expressway and auxiliary facility investment, operation, management and maintenance

46. PARTICULARS OF PRINCIPAL 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
北京准興隆博投資有限公司	People's Republic of China	RMB20,000,000	100	86.87	Provision of management consulting services
北京中資准興科技有限公司	People's Republic of China	HK$5,000,000	100	100	Investment holding
內蒙古清水河准興物流園有限責任公司	People's Republic of China	RMB18,181,818	55	55	Coal processing and storage
深圳市前海潤宏投資有限公司	People's Republic of China	RMB10,000,000	100	100	Investment and asset management
深圳市前海資通能源有限公司	People's Republic of China	RMB100,000,000	100	100	Trading of petroleum and related products
Noble Grade International Investment Limited	British Virgin Islands	US$1 share	100*	100	Investment holding
Sunshine Project Limited	British Virgin Islands	US$1 share	100*	100	Investment holding
Sunshine Focus Limited	British Virgin Islands	US$1 share	100*	100	Investment holding
Joy Brilliant Investment Limited	Hong Kong	HK$1 share	100	100	Investment holding
Cheer Luck Investment Limited	Hong Kong	HK$1 share	100	100	Investment holding

Note 1: The Company through its wholly-owned subsidiaries (i) entered into capital increase agreement to further increase its equity interests in Zhunxing from 55.9% to 82.27% by injection of a total cash consideration of RMB1,611,898,040 into its registered capital in August 2013 and (ii) purchased additional 4.6% equity interests in Zhunxing from its non-controlling equity holder in February 2014 at a consideration of RMB130,000,000. As at 31 March 2014, the Group held 86.87% equity interests in Zhunxing.

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

47. NON-CONTROLLING INTERESTS

Zhunxing, a 86.87% owned subsidiary of the Company, has material non-controlling interests ("NCI"). The NCI of all other subsidiaries that are not 100% owned by the Group are considered to be immaterial.

Summarised financial information in relation to the NCI of Zhunxing, before intra-group eliminations, is presented below:

	2014	2013
	HK$'000	HK$'000
For the period ended 31 March		
Revenue	**8,456,302**	4,562,037
Loss for the year	**(270,880)**	29,289
Total comprehensive income	**(8,729)**	15,754
(Loss)/profit allocated to NCI	**(38,227)**	12,918
For the year ended 31 March		
Cash flows from operating activities	**793,027**	399,446
Cash flows from investing activities	**(7,583,370)**	(4,899,634)
Cash flows from financing activities	**5,953,605**	6,298,810
Net cash (outflows)/inflows	**(836,738)**	1,798,622
As at 31 March		
Current assets	**1,190,653**	2,050,131
Non-current assets	**20,899,068**	12,334,684
Current liabilities	**(6,499,442)**	(7,188,993)
Non-current liabilities	**(9,764,867)**	(1,668,411)
Net assets	**5,825,412**	5,527,411
Accumulated NCI	**822,678**	2,437,588

47. NON-CONTROLLING INTERESTS *(Continued)*

On 27 August 2013 and 14 February 2014, the Group acquired an additional 26.37% and 4.6% ownership interests respectively in its subsidiary, Zhunxing. Following the acquisitions, the Group had 82.27% and 86.87% ownership interests respectively. The transactions had been accounted for as equity transactions with the non-controlling interests as follows:

	2014 HK$'000
Consideration paid for 26.37% ownership interest	–
Consideration paid for 4.6% ownership interest	(77,377)
Net assets attributable to 26.37% ownership interest	639,158
Net assets attributable to 4.6% ownership interest	214,180
Increase in equity attributable to owners of the Company (included in retained earnings)	775,961

48. FINANCIAL RISK MANAGEMENT

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

(a) Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates as the Group has no significant interest-bearing assets and liabilities except for the deposits in banks, promissory note and borrowings, details of which have been disclosed in Notes 31, 33 and 35. The interest rate risk is considered to be insignificant.

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

At 31 March 2014, it is estimated that a general increase of 100 basis points in interest rates, with all other variables held constant, would reduce the Group's loss for the year and increase in retained profits by approximately HK$16,663,000 (2013: HK$16,326,000). Other components of consolidated equity would not have any impact.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of reporting period and had been applied to the exposure to interest rate risk for the financial instruments in existence at that date. The basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual reporting date. Changes in market interest rates affect the interest income or expense of non-derivative variable-interest financial instruments. As a consequence, they are included in the calculation of sensitivity analysis. The analysis is performed on the same basis for 2013.

48. FINANCIAL RISK MANAGEMENT *(Continued)*

(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 88% (2013: 37%) and 97% (2013: 83%) of the total trade receivables was due from the Group's largest trade debtor and the three largest trade debtors, respectively.

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.

48. FINANCIAL RISK MANAGEMENT *(Continued)*

(d) Liquidity risk

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

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

The Group

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000
2014						
Trade and other payables	**2,876,336**	**2,876,336**	**2,876,336**	**–**	**–**	**–**
Promissory note	**297,876**	**297,876**	**297,876**	**–**	**–**	**–**
Borrowings	**12,400,383**	**20,181,518**	**3,427,839**	**1,224,513**	**2,646,026**	**12,883,140**
Convertible bonds	**4,505,464**	**5,577,199**	**990,639**	**2,951,560**	**1,635,000**	**–**
Acreage fees payable	**10,545**	**10,545**	**403**	**403**	**1,613**	**8,126**
	20,090,604	**28,943,474**	**7,593,093**	**4,176,476**	**4,282,639**	**12,891,266**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2013						
Trade and other payables	2,188,910	2,188,910	2,188,910	–	–	–
Promissory note	293,458	293,458	293,458	–	–	–
Borrowings	7,495,492	8,925,802	6,258,377	114,745	291,127	2,261,553
Convertible bonds	1,836,870	2,360,000	180,000	2,180,000	–	–
Acreage fees payable	10,867	10,867	403	403	1,613	8,448
	11,825,597	13,779,037	8,921,148	2,295,148	292,740	2,270,001

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

48. 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
2014						
Trade and other payables	**191,642**	**191,642**	**191,642**	**–**	**–**	**–**
Promissory note	**297,876**	**297,876**	**297,876**	**–**	**–**	**–**
Convertible bonds	**4,505,464**	**5,577,199**	**990,639**	**2,951,560**	**1,635,000**	**–**
	4,994,982	**6,066,717**	**1,480,157**	**2,951,560**	**1,635,000**	**–**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2013						
Trade and other payables	55,818	55,818	55,818	–	–	–
Promissory note	293,458	293,458	293,458	–	–	–
Convertible bonds	1,836,870	2,360,000	180,000	2,180,000	–	–
	2,186,146	2,709,276	529,276	2,180,000	–	–

49. 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 2014 and 2013 are as follows:

	2014	2013
	HK$'000	HK$'000
Total liabilities	**20,105,371**	12,552,734
Total assets	**25,216,246**	17,667,131
Gearing ratio	**79.7%**	71.1%

50. 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.

51. FAIR VALUE MEASUREMENT OF FINANCIAL ASSETS AND LIABILITIES

The carrying amounts of the Group's financial assets and financial liabilities as recognised at 31 March 2014 and 2013 may be categorised as follows:

		2014 HK$'000	2013 HK$'000
Financial assets			
Investment held for trading	(i)	–	6,179
Loans and receivables (including cash and bank balances)	(i)	2,137,683	2,175,614
Available-for-sale investments			
– Listed investments	(ii)	313,500	–
– Unlisted investments	(i)	146,187	108,756
Financial liabilities			
Financial liabilities measured at amortised cost	(i)	19,970,779	11,833,068
Financial liabilities measured at fair value	(ii)	124,896	–

(i) Financial assets and liabilities not measured at fair value

The carrying amounts of the Group's and the Company's financial instruments carried at cost or amortised cost are not materially different from their fair values at 31 March 2014 and 2013.

(ii) Financial assets and liabilities measured at fair value

The fair value of financial assets and liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.

The valuation techniques and significant unobservable inputs used in determining the fair value measurement of level 3 financial instruments, as well as the relationship between key observable inputs and fair value are set out below.

Information about level 3 fair value measurements

The fair value of the derivative financial instrument under CB2016 is estimated using Monte Carlo model. The fair value of the derivative financial instrument under CB2013 of early redemption option was estimated using Binomial Option Pricing Model, Tree Model and Black Scholes model.

Significant unobservable inputs of CB2016	
Expected volatility	40%

The higher the expected volatility of the share price, the higher the fair value of the derivative financial instrument.

Increase expected volatility by 20% point percentage would increase the fair value of the derivative financial instrument by HK$97,408,000.

There were no changes in valuation techniques during the year.

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For the year ended 31 March 2014

51. FAIR VALUE MEASUREMENT OF FINANCIAL ASSETS AND LIABILITIES *(Continued)*

(ii) Financial assets and liabilities measured at fair value *(Continued)*

Information about level 3 fair value measurements *(Continued)*

The following table presents the fair value of the Group's and the Company's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique which is disclosed in Note 4(j):

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).

Group and Company

Recurring fair value measurements	Fair value at 31 March 2014 HK$'000	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000
Assets:				
Available-for-sale investment, listed equity securities	313,500	313,500	–	–
Liabilities:				
Derivative financial instrument	124,896	–	–	124,896

Recurring fair value measurements	Fair value at 31 March 2013 HK$'000	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000
Assets:				
Available-for-sale investment, listed equity securities	–	–	–	–

There were no transfers between levels during the year.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

51. FAIR VALUE MEASUREMENT OF FINANCIAL ASSETS AND LIABILITIES *(Continued)*

The movements of the balance of financial assets/(liabilities) measured at fair value based on level 3 are as follows:

	2014 **HK$'000**	2013 HK$'000
At 1 April	**–**	21,763
Issue of convertible bond	**(154,663)**	–
Total gain/(loss) recognised in income statement	**29,767**	(21,763)
At 31 March	**(124,896)**	–
Gain recognised in income statement relating to those financial assets and financial liabilities held at the end of the reporting period	**29,767**	–

52. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 27 June 2014.

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				
	2010 HK$'000	2011 HK$'000	2012 HK$'000	2013 HK$'000	**2014** **HK$'000**
RESULTS					
Turnover					
– Continuing operations	20,489	12,573	138,626	4,569,568	**8,585,715**
– Discontinued operations	–	–	–	89,680	**83,309**
	20,489	12,573	138,626	4,659,248	**8,669,024**
Profit/(loss) before income tax expense					
– Continuing operations	(36,919)	(155,607)	(434,768)	(221,601)	**(714,041)**
– Discontinued operations	–	(1,911)	(14,673)	731	**6,691**
	(36,919)	(157,518)	(449,441)	(220,870)	**(707,350)**
Income tax (expense)/credit					
– Continuing operations	248	(12)	–	(2,712)	**522**
– Discontinued operations	–	–	–	(36,957)	**(7,493)**
	248	(12)	–	(39,669)	**(6,971)**
Profit/(loss) for the year					
– Continuing operations	(36,671)	(155,619)	(434,768)	(224,313)	**(713,519)**
– Discontinued operations	–	(1,911)	(14,673)	(36,226)	**81,865**
	(36,671)	(157,530)	(449,441)	(260,539)	**(631,654)**
Attributable to:					
Owners of the Company	(33,119)	(153,670)	(419,404)	(271,660)	**(590,485)**
Non-controlling interests	(3,552)	(3,860)	(30,037)	11,121	**(41,169)**
	(36,671)	(157,530)	(449,441)	(260,539)	**(631,654)**
ASSETS AND LIABILITIES					
Total assets	2,538,348	3,107,925	9,556,116	17,667,131	**25,216,246**
Total liabilities	(790,384)	(856,789)	(4,496,509)	(12,552,734)	**(20,105,371)**
Non-controlling interests	(19,884)	(15,198)	(2,416,436)	(2,430,548)	**(822,694)**
Shareholders' funds	1,728,080	2,235,938	2,643,171	2,683,849	**4,288,181**

PARTICULARS OF THE GROUP'S MAJOR PROPERTIES

1. PROPERTIES HELD FOR THE GROUP'S OWN USE

Leasehold building and prepaid lease payments

Location	Lease expiry	Approximate gross floor area (sq. m)	Main usage	Attributable interest to the Group %
Level 7, Xinruike Building Futian Trade Zone Futian District Shenzhen PRC	2051	2,737	O	100
No. 96 Minjian Road Wulanchabu City Inner Mongolia Autonomous Region PRC	2051	4,792	O	86.87

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 for main usage:

O = Office C = Commercial