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

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

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 269

ANNUAL REPORT 2016

CONTENTS

Pages

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Cao Zhong *(Chairman)*
Mr. Fung Tsun Pong *(Vice-Chairman)*
Mr. Duan Jingquan
Mr. Tsang Kam Ching, David *(Finance Director)*
Mr. Gao Zhiping

Non-executive Director

Mr. Suo Suo Stephen

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

Sterling Trust (Cayman) Limited
Whitehall House
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P.O. Box 1043
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Grand Cayman
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PRINCIPAL PLACE OF BUSINESS

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26 Harbour Road
Wanchai
Hong Kong

SHARE REGISTRARS & 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

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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 2016 and the audited financial statements of the Company and its subsidiaries (together the "Group") for the year ended 31 March 2016.

The year 2015 saw the global economic slump and the slower growth of the domestic economy. Supply in the energy market exceeded demand, coal and oil prices continued to decline and the exposure to losses in related enterprises expanded. As the Group has been dedicatedly investing in the resources and transportation industry, it was a difficult year for all the stakeholders of the Company.

Looking back at 2015, the staff at all levels of the Group have worked together and the Company has been committed to creating value as its key target, focusing on minimizing the adverse impact on the Company from the downturn of the energy industry. The Group has proactively taken measures to improve the capital and debt structure of the Group including, but not limited to, the implementation of rights issue and the restructuring of certain outstanding convertible bonds and non-convertible debt securities.

The Company has recently entered into a letter of intent with a potential purchaser to sell the Group's entire equity interest in Zhunxing, to strengthen the Group's cash flows. If the potential disposal of the Group's interest in its toll expressway operation is successfully materialised during the next financial year, the liquidity requirement of the Group will be fulfilled in both short- and long-term.

The Group will continue to look out for opportunities to work with the current holders of convertible bonds and non-convertible debt securities on constructive restructure of the capital and debt structure of the Company and to push forward the expansion on petroleum business to achieve sustainable growth of the Group and maximise the benefits of the shareholders as a whole.

With the economy and energy market getting slowly recovered, I am of the view that the Group will achieve its long-term development objective as the profitability of the Group is improved in the foreseeable future.

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, 30 June 2016

MANAGEMENT DISCUSSION AND ANALYSIS

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

BUSINESS REVIEW

Operation of Zhunxing Expressway

During the year, the Company's turnover was partly contributed by toll income from the 265-kilometre heavy-haul toll expressway ("Zhunxing Expressway") operated by Inner Mongolia Zhunxing Heavy Haul Expressway Company Limited (內蒙古准興重載高速公路有限責任公司) ("Zhunxing") which is indirectly held as to 86.87% by the Company.

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

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

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

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

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

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

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

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

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

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

BUSINESS REVIEW *(Continued)*

Operation of Zhunxing Expressway *(Continued)*

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

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

Petroleum and Related Products Business

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

(1) Refined Petroleum Trading business:

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

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

(2) Clean Energy Business:

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

(3) New Energy Business:

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

BUSINESS REVIEW *(Continued)*

Forest Operation

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

FINANCIAL REVIEW

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

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

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

For the year ended 31 March 2016, the Group recorded a decreased EBITDA (defined as earnings before interest, tax, depreciation, amortization and non-cash changes in values of assets and liabilities) amounted to approximately HK$396.47 million compared to the EBITDA of approximately HK$740.53 million for the last financial year. The 46% decline in EBITDA was primarily driven by the reduced revenue from the two core businesses as previously discussed. Detailed segment turnover and contribution to loss before tax credit of the Group are shown in Note 6 to the financial statements.

The loss before income tax credit was approximately HK$3,869.48 million (2015: HK$1,887.57 million) and net loss was approximately HK$3,868.89 million (2015: HK$1,885.25 million) for the year ended 31 March 2016. The 105% increase in net loss during the year was mainly attributable to the significant increase in impairment loss amounted to HK$1,877.03 million on the concession intangible asset and HK$97.85 million on related property, plant and equipment under the expressway operations of the Group due to the current poor market conditions of the coal market. No impairment loss on the concession intangible asset and related property, plant and equipment under the expressway operations was recognised for the year ended 31 March 2015.

The Company has engaged an independent valuer to assess the recoverable amount of the concession intangible asset under the expressway operations segment, in which the calculation uses the traffic forecast data determined by an independent traffic consultant and cash flow projections provided by the management of the Company, taking into account the actual operating results of Zhunxing Expressway during the year (the "Valuation"). The key assumptions used in the Valuation are set out in Note 21 to the financial statements. Based on the Valuation, the directors of the Company (the "Directors") have assessed the recoverable amount of the concession intangible asset under the expressway operations segment is lower than its carrying value as at 31 March 2016, resulting in the recognition of impairment loss under the expressway business. The impairment loss is non-cash in nature and the Board is of the view that it does not have any impact on the cash flow of the Group.

FINANCIAL REVIEW *(Continued)*

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

For the purpose of estimating the fair value of the Group's biological assets in the People's Republic of China ("PRC") and any impairment on the forest concession rights in Guyana as at 31 March 2016, independent valuations were performed by LCH (Asia-Pacific) Surveyors Limited (the "Valuer"), a firm of qualified professional surveyors and international valuation consultants with over 20 years of valuation experience. The Board is satisfied that the Valuer is independent and competent to conduct the valuations. As at 31 March 2016, the Group has recorded a loss on the change in fair value less costs to sell of biological assets amounted to approximately HK$1.23 million (2015: a gain of HK$3.09 million) and an impairment loss on forest concession rights of approximately HK$110.83 million (2015: HK$112.57 million). 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 19 and 20 to the financial statements.

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

LIQUIDITY REVIEW

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

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

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

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

LIQUIDITY REVIEW *(Continued)*

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

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

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

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

As at 31 March 2016, the gearing ratio of the Group, measured as total liabilities to total assets, was 98.9% (2015: 87.0%). The increase in gearing ratio was mainly due to the significant decrease in non-current assets of the Group resulting from the recognition of impairment loss under the expressway business.

During the year, the Group suffered a loss of HK$3,868.89 million and at the end of the reporting period, the Group's current liabilities exceeded its current assets by approximately HK$6,452.17 million. In addition, during the year the settlement of convertible bonds and non-convertible debt securities of HK$832.00 million and HK$500.00 million respectively were overdue. In aggregate, the carrying amount of these convertible bonds and non-convertible debt securities which are immediately repayable on demand was approximately HK$4,238.26 million. These conditions indicate the existence of a material uncertainty which may cast doubt on the Group's ability to continue as a going concern and therefore, the Group may not be able to realise its assets and discharge its liabilities in the normal course of business. However, having considered the measures set out in Note 3(b) to the financial statements and a cash flow forecast of the Group for a period covered not less than twelve months from 31 March 2016, the Board is of the view that the Group will have sufficient working capital to meet its financial obligations as and when they fall due in the next twelve months from 31 March 2016.

The Group's business operations, assets and liabilities are denominated mainly in Hong Kong dollars, Renminbi and US dollars. There was no significant foreign exchange gain or loss recognised during the year. The Board considered foreign exchange risk of the Group is minimal. The management will review from time to time of the potential foreign exchange exposure and will take appropriate measures to minimise the risk of foreign exchange exposure in the future.

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

MATERIAL EVENTS

Repayment dates extension of the convertible bonds due 2015

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

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

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

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

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

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

Waiver of conversion rights of the convertible bonds due 2016

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

MATERIAL EVENTS *(Continued)*

Other outstanding convertible bonds

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

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

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

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

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

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

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

Proposed disposal of 86.87% equity interest in Zhunxing

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

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

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

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

MATERIAL EVENTS *(Continued)*

Share consolidation

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

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

Increase in authorised share capital

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

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

Change in board lot size

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

Rights issue

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

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

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

MATERIAL EVENTS *(Continued)*

Rights issue *(Continued)*

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

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

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

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

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

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

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

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

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

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

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

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

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

MATERIAL EVENTS *(Continued)*

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

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

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

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

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

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

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

PROSPECTS

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

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

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

Refined Petroleum Trading business

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

Clean Energy Business

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

New Energy Business

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

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

REMEDIAL MEASURES ON GOING CONCERN

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

Repayment dates extension of the convertible bonds due 2015

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

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

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

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

Rights Issue

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

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

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

Proposed amendments of the convertible bonds due 2016

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

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

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

REMEDIAL MEASURES ON GOING CONCERN *(Continued)*

Proposed disposal of 86.87% equity interest in Zhunxing

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

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

Potential restructuring of convertible bonds and non-convertible debt securities

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

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

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties facing the Group include but not limited to the followings:

Business Risk

As the global economic downturn persists, the coal and oil prices are struggling to recover. The expressway operations business and petroleum business are closely related to the macroeconomy. Growth in the traffic volume and toll revenue of Zhunxing Expressway and the sales volume and revenue arising from the trading of petroleum remain uncertain as they are dependent on the macroeconomic performance.

Liquidity Risk

The Group's short and long term liquidity requirements are detailed in Note 50 to the financial statements. The Group has been implementing various measures as set out in the above section headed "Remedial Measures on Going Concern" to improve its financial position. The ability of the Group to meet its short and long term liquidity requirements is dependent on the future outcome of the remedial measures.

Interest Rate Risk

The Group's interest rate risk mainly arises from borrowings issued at variable rates and fixed rates, exposing the Group to cash flow interest rate risk and fair value interest risk respectively. As at 31 March 2016, it is estimated that a general increase of 100 basis point in interest rate, with all other variables held constant, would increase the Group's loss and accumulated loss for the year by approximately HK$108.15 million.

COMPLIANCE WITH LAWS AND REGULATIONS

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

ENVIRONMENTAL POLICIES AND PERFORMANCE

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

KEY RELATIONSHIP WITH STAKEHOLDERS

Employees

The Group is committed to build strong connection with its employees. To enhance employee engagement, the Group provides positive working environment and competitive remuneration to ensure its employees are rewarded on performance-related basis.

Customers

The Group is dedicated to build long lasting relationship with its customers by focusing on their needs and preference with a view to strengthen business growth and profitability in the long run.

Creditors

The Group recognises the importance in maintaining good relationship with its creditors. The Group continues to work with its creditors on restructuring the outstanding debts of the Group.

DIRECTORS' REPORT

The Directors present herewith their annual report together with the audited financial statements for the year ended 31 March 2016.

CHANGE OF ADDRESS OF REGISTERED OFFICE

The Company is an exempted company incorporated in the Cayman Islands with limited liability. During the year, the address of its registered office was the office of Sterling Trust (Cayman) Limited, Caledonian House, 69 Dr. Roy's Drive, P.O. Box 1043, Grand Cayman, KY1-1102, Cayman Islands. On 16 June 2016, the address of its registered office has been changed to the office of Sterling Trust (Cayman) Limited, Whitehall House, 238 North Church Street, P.O. Box 1043, George Town, Grand Cayman, KY1-1102, Cayman Islands. Its principal place of business is located at Room 1801-07, 18/F, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

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

The activities of the Company's subsidiaries as at 31 March 2016 are set out in Note 23 to the financial statements. During the year under review, the Group was principally engaged in expressway operations, trading and storage of petroleum and related products, CNG gas stations operations and timber operations.

Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including a discussion of the principal risks and uncertainties facing the Group and an indication of likely future developments in the Group's business, are set out on pages 4 to 17 of this annual report. This discussion forms part of this Directors' report.

SEGMENT INFORMATION

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

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of purchases and sales for the year attributable to the Group's major customers and suppliers are as follows:

Purchases	
– the largest supplier	25.0%
– five largest suppliers in aggregate	57.0%
Sales	
– the largest customer	24.4%
– five largest customers in aggregate	58.3%

The Group's five largest customers and suppliers are originated from the petroleum business segment.

At no time during the year have the Directors, their associates or any shareholder of the company (which to the knowledge of the Directors owns more than 5% of the company's issued shares) had any interest in these major customers and suppliers.

RESULTS AND DIVIDENDS

The results of the Group are set out in the consolidated income statement on page 40 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 2016 (2015: HK$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 44 to 45 of this annual report and in Note 43 to the financial statements respectively.

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 16 to the financial statements.

PROPERTIES
Particulars of properties of the Group as at 31 March 2016 are set out on page 150 of this annual report.

SUBSIDIARIES
Particulars of the principal subsidiaries of the Group as at 31 March 2016 are set out in Note 23 to the financial statements.

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

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

BORROWINGS
Particulars of borrowings of the Group as at 31 March 2016 are set out in Note 34 to the financial statements.

SHARE CAPITAL
Particulars of the Share Consolidation and Rights Issue are set out on pages 11 to 12 of this annual report. Details of the movements in the Company's share capital are set out in Note 39 to the financial statements.

CONVERTIBLE BONDS
There was no conversion of convertible bonds during the year. Details of convertible bonds of the Group are shown in Note 36 to the financial statements.

NON-CONVERTIBLE DEBT SECURITIES
Details of non-convertible debt securities of the Group are shown in Note 37 to the financial statements.

WARRANTS
The exercise period of the conditional warrants expired on 20 December 2015. No conditional warrants were exercised during the year. Details of conditional warrants of the Group are shown in Note 41 to the financial statements.

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 149 of this annual report. This summary does not form part of the financial statements.

RELATED PARTY TRANSACTIONS
The related party transactions as set out in Note 48 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") (the "Listing Rules").

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

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

Non-executive Director:
Mr. Suo Suo Stephen

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, are subject to retirement by rotation and, being eligible, may offer themselves for re-election. Accordingly, Mr. Tsang Kam Ching, David, Mr. Gao Zhiping and Mr. Suo Suo Stephen shall retire at the forthcoming annual general meeting, and being eligible, shall offer themselves for re-election.

CONFIRMATION OF INDEPENDENCE

The Company has received annual confirmation from each of the independent non-executive Director ("INED") 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 56, 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), and an executive director and chairman of FDG Kinetic Limited (formerly known as CIAM Group Limited) (Stock Code: 378), both being companies whose shares are listed on the Hong Kong Stock Exchange. From May 2010 to December 2012, Mr. Cao was a non-executive director and the vice-chairman of Shougang Concord International Enterprises Company Limited (Stock Code: 697), a company listed on the Hong Kong Stock Exchange.

BIOGRAPHICAL DETAILS OF DIRECTORS *(Continued)*

Executive Directors *(Continued)*

Mr. Fung Tsun Pong, aged 56, has been appointed as an executive Director since 22 September 2004. Mr. Fung has over 20 years of 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 60, has been appointed as an executive Director since 7 November 2011. He was the managing director of the Accounting Society of China, a member of the Specialist Advisory Committee of the China Association of Actuaries, an adjunct professor of The Peking University HSBC Business School and a member of the Steering and Consultation Committee for Innovative Development of Shenzhen Insurance Industry. Mr. Duan graduated from Dongbei University of Finance and Economics (formerly known as Liaoning Institute of Finance and Economics) in 1982. He served the Ministry of Finance for around 20 years and assumed different positions, including as the chief officer of the Commerce Bureau of the Finance Department, the deputy head and the head of the Central Planning Office from 1982 to 1994, the deputy head of the Supervision Department from 1994 to 1998, the head of the Finance Supervision Department and the Supervision and Inspection Department from 1998 to 2002. Between 2002 and 2005, he was positioned as the deputy general manager of China Export and Credit Insurance Corporation.

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

Mr. Tsang Kam Ching, David, aged 59, 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 54, 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. From October 2010 to February 2014, 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. Since the end of February 2014, he has been appointed as the chairman of the board of directors of Zhunxing, and has made great contribution to the management of Zhunxing and construction of the expressway of Zhunxing.

BIOGRAPHICAL DETAILS OF DIRECTORS *(Continued)*

Non-executive Director

Mr. Suo Suo Stephen, aged 44, has been appointed as a non-executive Director since 2 July 2014. He is a CFA charterholder and an asset manager with over 18 years' experience in banking, private equity and asset management sectors. Mr. Suo received his Master in Business Administration from University of Rochester in the United States in March 2000. During the period from June 2011 to 2014, he was the Asia Head and Executive Director of EIG Global Energy Partners ("EIG"), a global private equity fund. Before joining EIG, Mr. Suo was a portfolio manager of Trust Company of the West from 2005 to 2011. From late 1999 to 2005, Mr. Suo worked for Fortis Capital Corp. in the United States and had served as Group Head of its United States Leveraged Finance team.

Independent Non-executive Directors

Mr. Yip Tak On, aged 69, 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 51, 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 60, has been appointed as an INED 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 Note 12 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 2016, 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 of 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.

(i) Long positions in issued shares and underlying shares of the Company

Name of Director	Number of Shares		Number of underlying Shares		Total number of Shares and underlying Shares held	Approximate percentage (%) of issued Shares *(Note 5)*	Approximate percentage (%) of issued Shares upon full conversion of outstanding convertible bonds *(Note 6)*
	Personal interests	Corporate interests	Personal interests	Corporate interests			
Mr. Cao Zhong ("Mr. Cao")	33,800,000	948,325,000 *(Note 1)*	NIL	373,831,775 *(Note 2)*	1,355,956,775	20.08	14.14
Mr. Fung Tsun Pong ("Mr. Fung")	310,590,610	647,755,000 *(Note 3)*	NIL	NIL	958,345,610	14.19	9.99
Mr. Tsang Kam Ching, David	7,581,224	NIL	3,111,111 *(Note 4)*	NIL	10,692,335	0.15	0.11
Mr. Duan Jingquan	NIL	NIL	3,111,111 *(Note 4)*	NIL	3,111,111	0.04	0.03
Mr. Gao Zhiping	NIL	NIL	3,111,111 *(Note 4)*	NIL	3,111,111	0.04	0.03
Mr. Yip Tak On	NIL	NIL	555,555 *(Note 4)*	NIL	555,555	0.01	–
Mr. Jing Baoli	NIL	NIL	555,555 *(Note 4)*	NIL	555,555	0.01	–
Mr. Bao Liang Ming	NIL	NIL	555,555 *(Note 4)*	NIL	555,555	0.01	–

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

(i) Long positions in issued shares and underlying shares of the Company *(Continued)*

Notes:

1. Champion Rise International Limited ("Champion Rise") being wholly owned by Mr. Cao was interested in 948,325,000 Shares, representing approximately 14.04% in the issued share capital of the Company. Champion Rise is a substantial shareholder of the Company and its shareholding in the Company is set out in the section headed "Substantial Shareholders".

2. On 25 January 2016, Cottonfield Enterprises Limited ("Cottonfield") as the lender entered into a loan agreement with Leftover Most Holdings Limited ("Leftover Most") and Strait Capital Service Limited ("Strait Capital") as the borrowers (the "Loan"). To secure the Loan, Strait Capital has charged an aggregate principal amount of HK$400 million convertible bonds due 24 October 2016 issued by the Company which are convertible into 373,831,775 Shares at HK$1.07 per Share (the "Charged Convertible Bonds") in favour of Cottonfield and Leftover Most.

   Mr. Cao being the sole shareholder of Leftover Most was deemed to be interested in the Charged Convertible Bonds.

   Leftover Most, Cottonfield and Strait Capital are substantial shareholders of the Company and their shareholdings in the Company are set out in the section headed "Substantial Shareholders".

3. Ocean Gain Limited ("Ocean Gain") being wholly owned by Mr. Fung was interested in 647,755,000 Shares, representing approximately 9.59% in the issued share capital of the Company. Ocean Gain is a substantial shareholder of the Company and its shareholding in the Company is set out in the section headed "Substantial Shareholders".

4. The interests in underlying shares of the Company represent interests in options granted to the Directors to subscribe for ordinary shares of HK$0.20 each of the Company at the subscription price of HK$4.05 per Share, further details of which are set out in the section headed "Share Option Scheme".

5. Based on 6,752,395,970 shares of HK$0.20 each in issue as at 31 March 2016.

6. The outstanding convertible bonds as at 31 March 2016 included HK$3,032 million of the convertible bonds issued on 10 February 2015. Full conversion of the outstanding convertible bonds at HK$1.07 per Share would result in the issue of 2,833,644,858 Shares, equivalent to 41.9% of the existing shares in issue as at 31 March 2016. It is only for illustrative purpose and has not taken into account the effect of the exercise of share options issued by the Company.

(ii) Long Position in debentures of the Company

Name of director	Capacity	Amount of debentures held *(HK$)*
Mr. Cao	Corporate interest	400,000,000 of the Charged Convertible Bonds

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, subsisted 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 2016, according to the register of interest kept by the Company, under section 336 of the SFO and so far as was known to the Directors, no other person or companies had an interest or short positions in the Shares or underling Shares which fall to be disclosed to the Company under the provision of Divisions 2 and 3 of part XV of the SFO or who were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other members of the Group.

Long Position in Shares

	Number of Shares		Number of underlying Shares		Total number of Shares and underlying Shares held	Approximate percentage (%) of issued Shares *(Note k)*	Approximate percentage (%) of issued Shares upon full conversion of outstanding convertible (%) of issued bonds *(Note l)*
Name of shareholder	Personal interests	Corporate interests	Personal interests	Corporate interests			
Champion Rise *(Note a)*	NIL	948,325,000	NIL	NIL	948,325,000	14.04	9.89
Mr. Miao Zhenguo ("Mr. Miao") *(Note b)*	693,000,000	24,500,000	NIL	NIL	717,500,000	10.62	7.48
Bondic International Holdings Limited *(Note c)*	NIL	650,000,000	NIL	NIL	650,000,000	9.62	6.78
Ocean Gain *(Note d)*	NIL	647,755,000	NIL	NIL	647,755,000	9.59	6.75
Turbo View Investment Limited *(Note e)*	NIL	375,000,000	NIL	NIL	375,000,000	5.55	3.91
China Life Insurance (Overseas) Company Ltd. *(Note f)*	NIL	50,000,000	NIL	1,401,869,158	1,451,869,158	21.50	15.14
Strait Capital *(Note g, h)*	NIL	NIL	NIL	1,401,869,158	1,401,869,158	20.76	14.62
Cottonfield *(Note h, i)*	NIL	NIL	NIL	373,831,775	373,831,775	5.53	3.89
Leftover Most *(Note h, j)*	NIL	NIL	NIL	373,831,775	373,831,775	5.53	3.89

SUBSTANTIAL SHAREHOLDERS *(Continued)*

Long Position in Shares *(Continued)*

Notes:

a. Champion Rise is wholly owned by Mr. Cao, 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' Interests and Short Positions in Shares, Underlying Shares and Debentures".

b. The 24,500,000 Shares, representing 0.36% in the issued share capital of the Company was owned by Goldtex Group Limited which is wholly owned by Mr. Miao.

c. Bondic International Holdings Limited is wholly owned by Mr. Cheung Chung Kiu.

d. Ocean Gain is wholly owned by Mr. Fung, 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. China Life Insurance (Overseas) Company Ltd. ("CLIOC") was interested in an aggregate of HK$1,500,000,000 convertible bonds issued by the Company on 10 February 2015 which are convertible into 1,401,869,158 Shares at HK$1.07 per Share. China Life Insurance (Group) Company is the holding company of CLIOC and is deemed to be interested in the Shares and underlying Shares held by CLIOC.

g. Strait Capital was interested in HK$1,500,000,000 convertible bonds issued on 10 February 2015 by the Company which are convertible into 1,401,869,158 Shares at HK$1.07 per Share. Strait Capital is the general partner of Strait CRTG Fund, L.P. ("Strait Fund") and is deemed to be interested in the HK$700,000,000 convertible bonds issued on 10 February 2015 by the Company to Strait Fund which are convertible into 654,205,607 Shares at HK$1.07 per Share, representing approximately 9.68% in the issued share capital of the Company.

h. On 25 January 2016, Strait Capital charged the Charged Convertible Bonds (as defined in Notes 2 of the above section headed "Directors' Interests and Short Positions in Shares, Underlying Shares, and Debentures") to Cottonfield and Leftover Most.

i. Cottonfield was deemed to be interested in the Charged Convertible Bonds. Cottonfield is wholly owned by Linewear Assets Limited ("Linewear"), which is a wholly-owned subsidiary of Huarong International Financial Holdings Limited ("HIFHL"). HIFHL is owned as to 51.0% by Camellia Pacific Investment Holding Limited ("Camellia"), which is 100% held by China Huarong International Holdings Limited ("CHIFL"). CHIFL is owned as to 88.1% by Huarong Real Estate Co., Ltd ("HRECL"), which is in turn wholly owned by China Huarong Asset Management Co., Ltd ("CHAMCL"). Therefore, Linewear, HIFHL, Camellia, CHIFL, HRECL and CHAMCL were deemed to be interested in 373,831,775 Shares held by or deemed to be interested by Cottonfield.

j. Leftover Most was deemed to be interested in the Charged Convertible Bonds. Leftover Most is wholly owned by Mr. Cao, 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' Interests and Short Positions in Shares, Underlying Shares and Debentures".

k. Based on 6,752,395,970 shares of HK$0.20 each in issue as at 31 March 2016.

l. The outstanding convertible bonds as at 31 March 2016 included HK$3,032 million of the convertible bonds issued on 10 February 2015. Full conversion of the outstanding convertible bonds at HK$1.07 per Share would result in the issue of 2,833,644,858 Shares, equivalent to 41.9% of the existing shares in issue as at 31 March 2016. It is only for illustrative purpose and has not taken into account the effect of the exercise of share options issued by the Company.

SHARE OPTION SCHEME

The share option scheme adopted by the Company on 16 July 2004 (the "Old Scheme") expired on 15 July 2014. No further options can be granted under the Old Scheme; however, the options granted under the Old Scheme before 15 July 2014 remains exercisable.

A new share option scheme of the Company was adopted on 28 August 2014 (the "New Scheme"). Directors of the Company are authorised, at their discretion, to invite employees of the Group, including directors of any company in the Group, to take up options to subscribe for a maximum number of 135,249,419 shares of HK$0.20 each of the Company, which represents 10% of the issued shares of the Company as at the date of adoption after taking into account the effect of the Share Consolidation (as defined in Note 39(b)(i) to the financial statements) implemented on 5 November 2015. The purpose of the scheme is to provide the Company with a flexible means of giving 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 New Scheme shall be valid and effective for a period of 10 years ending on 27 August 2024, unless otherwise terminated or amended.

The subscription price in respect of each share issued pursuant to the exercise of options granted is at least the highest of (a) the nominal value of a share, (b) the closing price of the shares on Stock Exchange on the date of grant, and (c) the average closing price of the shares on the Stock Exchange for the five business days immediately preceding the date of grant.

After accounting for the implementation of Share Consolidation on 5 November 2015 and the completion of Rights Issue (as defined in Note 39(b)(iii) to the financial statements) on 9 December 2015, the maximum number of securities available for issue under the New Scheme and any other share option scheme of the Company as at 31 March 2016 was 173,749,409 shares (including options for 38,499,990 shares that have been granted under the Old Scheme but not yet lapsed or exercised).

Pursuant to the terms and conditions of the Old Scheme, following the implementation of the Share Consolidation on 5 November 2015, the exercise price of the outstanding share options was adjusted from HK$0.45 per share of HK$0.01 each to HK$9.0 per share of HK$0.20 each and the total number of outstanding share options was adjusted from 346,500,000 to 17,325,000. Upon completion of Rights Issue on 9 December 2015, the exercise price of the outstanding share options was further adjusted to HK$4.05 per share of HK$0.20 each and the total number of outstanding share options was adjusted from 17,325,000 to 38,499,990.

As at 31 March 2016, the options to subscribe for 38,499,990 shares are valid, outstanding and exercisable till 15 October 2018 under the Old Scheme. No options under the Old Scheme were exercised and thus no securities were issued during the year ended 31 March 2016.

SHARE OPTION SCHEME *(Continued)*

Details of the options granted under the Old Scheme for the year ended 31 March 2016 are as follows:

	Date of grant being approved	No. of otions outstanding as of 01/04/2015	No. of options granted during the period	No. of options exercised	No. of options cancelled/ lapsed *(Note 2)*	No. of options outstanding as of 31/03/2016	Exercise period	Exercise price per share of HK$0.20 each (HK$) *(Note 1)*	Market value per share of HK$0.20 each at date of approval of grant (HK$) *(Note 1)*
Directors									
Duan Jingquan	16 October 2013	28,000,000	–	–	(24,888,889)	3,111,111	23 May 2014 to 15 October 2018	4.05	8.40
Tsang Kam Ching, David	16 October 2013	28,000,000	–	–	(24,888,889)	3,111,111	23 May 2014 to 15 October 2018	4.05	8.40
Gao Zhiping	16 October 2013	28,000,000	–	–	(24,888,889)	3,111,111	23 May 2014 to 15 October 2018	4.05	8.40
Jing Baoli	16 October 2013	5,000,000	–	–	(4,444,445)	555,555	23 May 2014 to 15 October 2018	4.05	8.40
Yip Tak On	16 October 2013	5,000,000	–	–	(4,444,445)	555,555	23 May 2014 to 15 October 2018	4.05	8.40
Bao Liang Ming	16 October 2013	5,000,000	–	–	(4,444,445)	555,555	23 May 2014 to 15 October 2018	4.05	8.40
Employees	16 October 2013	247,500,000	–	–	(220,000,008)	27,499,992	23 May 2014 to 15 October 2018	4.05	8.40
		346,500,000	–	–	(308,000,010)	38,499,990			

Notes:

1. Each option entitles a grantee to subscribe for one ordinary share of HK$0.20 each of the Company (market value per share as at 31 March 2016 was HK$0.113) at the subscription price of HK$4.05 per share. The options are unlisted.

2. The movements in the number of share options represented the adjustments arising from the implementation of Share Consolidation and completion of Rights Issue during the year ended 31 March 2016.

Save as aforesaid, no share option has been granted, exercised, cancelled or lapsed under the Old Scheme and the New Scheme as at 31 March 2016.

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

EMPLOYEES AND RETIREMENT BENEFIT SCHEME

The Group had approximately 552 employees in Hong Kong, the PRC and Guyana as at 31 March 2016. The Group implements remuneration policy, bonus and share options schemes to ensure that pay scales of its employees are rewarded on performance-related basis within the general framework of the Group's remuneration strategy.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

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.

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.

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, 30 June 2016

CORPORATE GOVERNANCE REPORT

The Board hereby presents to the Shareholders the Corporate Governance Report of the Group for the year ended 31 March 2016.

CORPORATE GOVERNANCE PRACTICES

The Board recognises the importance of maintaining good corporate governance with emphasis on enhancing accountability and transparency of the management of the Company to safeguard the long-term interest of the Shareholders as a whole. The Company has adopted the principles of good corporate governance set out in the Corporate Governance Code in Appendix 14 of the Listing Rules (the "CG Code").

The Board is of the view that throughout the year under review, the Company has complied with all the code provisions as set out in the CG Code except for the deviations from code provision A1.1 and A6.7 as detailed in the section headed "Attendance Record of Directors" below.

The Board reviews the Company's corporate governance practices from time to time and seeks to improve the effectiveness of the Company's corporate governance structure.

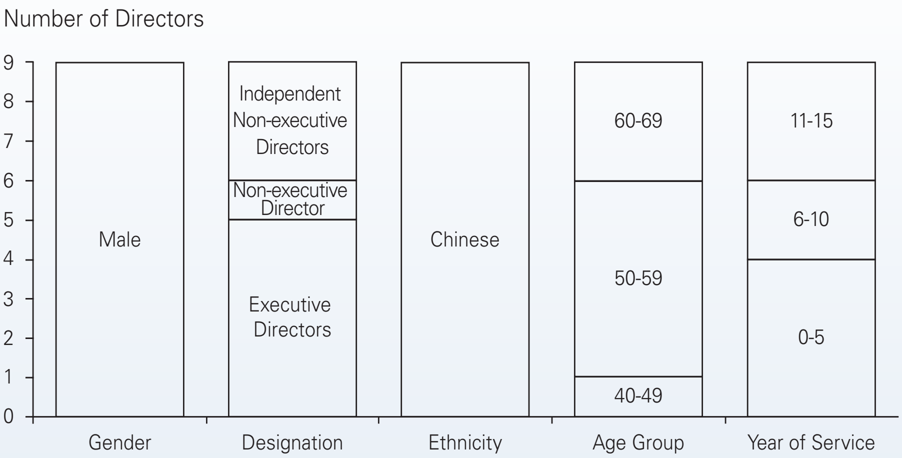
THE BOARD

The Company is headed by an effective Board which assumes responsibility for shaping and guiding corporate strategy over the long term, risk management, monitoring the performance of management and optimizing return for Shareholders by seizing opportunity and overcoming market challenges. Directors, as members of the Board, jointly share responsibility for the proper direction and management of the Company in the best interest of the Shareholders.

Board Composition

As at 31 March 2016, the Board comprised five executive Directors, one non-executive Director and three INEDs. The names and brief biographies of the Directors are set out on pages 20 to 22 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.

The diversity profile of the Board as at 31 March 2016 is as follows:



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

THE BOARD *(Continued)*

The Roles of the Chairman and the Board

The Chairman, Mr. Cao Zhong, is responsible for providing leadership for the Board to ensure that the Board acts in the best interests of the Company and addresses all key and appropriate issues in a timely manner. During the year, the role of the Chairman is segregated from the chief executive officer ("CEO") and performed by different individual 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, risk management, material contracts, dividend policy, financial statements, environmental policy 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 align with the requirements of the Group's business. 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.

The Board performed the following functions during the regular Board meetings:

– reviewed the Group's internal control policies;

– reviewed the Group's overall development direction;

– reviewed and monitored the training and continuous professional development of Directors and senior management;

– reviewed and monitored the Group's policies and practices on compliance with the CG Code, legal and regulatory requirements; and

– reviewed the code of conduct for employees and Directors.

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 CEO, Mr. Duan Jingquan ("Mr. Duan"), was responsible for overseeing the day-to-day management, administration and operation of the Company and the implementation of policies decided by the Board during the financial year. The functions and tasks delegated to the CEO were supervised and periodically reviewed by the Board to ensure efficiency of management.

With effect from 12 May 2016, Mr. Jiang Tao ("Mr. Jiang") was appointed as the CEO following the resignation of Mr. Duan from the position. Mr. Duan remains as an executive Director. Further details on the change of CEO, including the biographical details of Mr. Jiang, are set out in the announcement of the Company dated 12 May 2016.

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 management 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 who has appropriate professional qualifications or accounting or related financial management expertise.

The Company has received, from each of the INEDs, an annual confirmation of his independence and the Board considers that the three INEDs are independent in character and judgment and they also meet the independence criteria set out in Rule 3.13 of the Listing Rules. All the INEDs are appointed for a specific term of two years and all Directors are required to submit themselves for re-election at least once every three years under the Company's Articles of Association. In view of the fact that all three INEDs have served more than nine years in the Company, their renewal of appointments after expiry of service contract will be subject to Shareholders' approval as required under the code provision A4.3.

In addition, the Chairman is a member and the chairman of the Remuneration Committee and 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.

Attendance Record of Directors

The attendance record of each Director at the Board meetings and general meetings of the Company held during the financial year is set forth below:

	Attendance/Number of Meetings		
Name of Directors	**Board Meeting**	**Annual General Meeting** *(Note 1)*	**Extraordinary General Meeting** *(Note 2)*
Executive Directors			
Cao Zhong	8/9	1/1	1/1
Fung Tsun Pong	6/9	1/1	1/1
Duan Jingquan	7/9	1/1	1/1
Tsang Kam Ching, David	9/9	1/1	1/1
Gao Zhiping	6/9	1/1	1/1
Non-executive Director			
Suo Suo Stephen	7/9	1/1	1/1
Independent non-executive Directors			
Yip Tak On	8/9	0/1	1/1
Jing Baoli	6/9	1/1	1/1
Bao Liang Ming	5/9	1/1	0/1

Notes:

1. The annual general meeting was held on 18 August 2015 (the "AGM").

2. The extraordinary general meeting was held on 4 November 2015 (the "EGM").

THE BOARD *(Continued)*

Attendance Record of Directors *(Continued)*

The procedures for convening all Board meetings were in compliance with the Company's Articles of Association. Amongst the Board meetings held during the financial year, two were regular Board meetings with written notice of the meeting dispatched to all Directors at least fourteen days before the meeting and an agenda with all supporting documents at least three days in advance of the meeting. The regular Board meetings had achieved active participation of the Directors. The Directors note that the code provision A1.1 requires the Board to hold at least four regular meetings a year at approximately quarterly intervals. However, in view of the fact that two regular meetings and seven ad hoc meetings were convened during the year and the ad hoc meetings had achieved an average participation rate of over 70%, the Directors considered holding four regular meetings to be unnecessary.

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

Save for the aforesaid deviations from the CG Code, 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.

During this financial year, 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 professionals to all the Directors and relevant staff. The training materials covered areas such as updates on good corporate governance practices. The Company has received confirmation from all Directors upon their completion of 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 and 30 June 2016 to bring them in line with the revised CG Code. The Audit Committee is accountable to the Board and consists of all the three INEDs namely of Messrs Yip Tak On (the chairman), Jing Baoli and Bao Liang Ming.

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

The Audit Committee held 3 meetings during the financial year, the attendances of which were as follows: Mr. Yip Tak On (3/3), Mr. Jing Baoli (2/3) and Mr. Bao Liang Ming (3/3).

A summary of the work performed by the Audit Committee for the financial year ended 31 March 2016 is set out below:

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

– make recommendation to the Board on the re-appointment of external auditors;

– 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;

– review the external audit findings and audit plan;

– review the effectiveness of the financial control, internal control and risk management systems of the Group; and

– review the Group's financial and accounting policies and practices.

The Group's annual results for the year ended 31 March 2016 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 had net current liabilities of HK$6,452.17 million and incurred net loss of HK$3,868.89 million. In addition, during the year the partial settlement of convertible bonds and non-convertible debt securities of HK$832.00 million and HK$500.00 million respectively were overdue. In aggregate, the carrying amount of these convertible bonds and non-convertible debt securities which are immediately repayable on demand was approximately HK$4,238.26 million. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the ability of the Group to continue as a going concern.

The Audit Committee noted that the Board has been implementing various measures as described in Note 3(b) and pages 15 to 16 to improve the Group's financial position. Based on the cash flow forecast of the Group for the twelve months period ending 31 March 2017 which has taken account of the above measures, the Board is of the opinion that the Group will have sufficient working capital to meet its financial obligation as and when they fall due in the next twelve months from 31 March 2016.

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 (with Mr. Yip Tak On as the chairman) 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, determining, with delegated responsibility, the remuneration packages of the all 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 non-executive Director and INEDs is determined by the Board in consideration of their responsibility involved. Each of the non-executive Director and INEDs is appointed for a fixed term of service and entitled to an annual director's fee of HK$120,000.

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

NOMINATION COMMITTEE

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

During the year, the Nomination Committee has reviewed the size, composition and diversity policy of the Board, 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 is of the view that the educational background, expertise and experience of the current Board members are well diversified to serve the requirements of the Company's business and safeguard the interests of the Shareholders.

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

NOMINATION COMMITTEE *(Continued)*

The Company recognises 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. Since 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.

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 in Appendix 10 of the Listing Rules. 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 2016 in the shares of the Company and its associated corporations (within the meaning of Part XV of the SFO) are set out on pages 23 and 24 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$3.315 million, of which HK$2.70 million and HK$0.615 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.

Amendments to the Memorandum and Articles of Association

At the AGM, amendments on the Memorandum and Articles of Association of the Company (the "M&A") to reflect (a) the change of name of the registered agent of the Company in the Cayman Islands (as set out in the announcement of the Company dated 31 March 2015) and (b) the change of the authorised share capital of the Company (which was approved by Shareholders at the extraordinary general meeting held on 28 January 2015), were approved and passed by Shareholders. An updated version of the M&A is available on the Company's and the Stock Exchange's respective websites.

Save as disclosed above, no change on the constitution documents has been made by the Company during the financial year.

Procedures for sending enquiries to the Board

In order to maintain an on-going dialogue with Shareholders, all Shareholders are encouraged to attend the general meetings 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, email or facsimile. The details of contact are as follows:

Company Secretarial Department of China Resources and Transportation Group Limited

Address:	Rooms 1801-07, 18/F., China Resources Building, 26 Harbour Road, Wanchai, Hong Kong
Fax:	(852) 3176-7122
Email:	info@crtg.com.hk

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 were engaged to audit 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 40 to 148, which comprise the consolidated statement of financial position as at 31 March 2016, 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.

Except for the inability to obtain sufficient appropriate audit evidence as explained below, 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. Because of the matter described in the Basis for Disclaimer of Opinion paragraphs, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

BASIS FOR DISCLAIMER OF OPINION

Material uncertainties related to going concern

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

BASIS FOR DISCLAIMER OF OPINION *(Continued)*

Material uncertainties related to going concern *(Continued)*

Notwithstanding the foregoing, the directors of the Company have prepared the consolidated financial statements on a going concern basis, the appropriateness of which depends upon the outcomes of a number of measures undertaken by the directors of the Company as detailed in Note 3(b) to the financial statements which include: (i) whether the Group could obtain agreement from the holders of the convertible bonds and non-convertible debt securities (the "Notes Holders") to rectify the default on partial settlement and to agree on the repayment schedule of the Repayable Amount; and (ii) whether the Group can dispose of one of its subsidiaries, Inner Mongolia Zhunxing Heavy Haul Expressway Company Limited ("Zhunxing"), which is the legal owner of the Group's property, plant and equipment and concession intangible asset with carrying amounts of HK$821,721,000 and HK$15,763,277,000, as set out in Notes 16 and 21 in these consolidated financial statements (collectively referred to the "Expressway Assets"), such that sales proceeds would be available before the Notes Holders would demand for repayment on the borrowings in default above.

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

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

DISCLAIMER OF OPINION

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

BDO Limited
Certified Public Accountants
Alfred Lee
Practising Certificate no. P04960

Hong Kong, 30 June 2016

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2016

	Notes	2016 HK$'000	2015 HK$'000
Turnover	7	**2,221,556**	5,016,547
Cost of sales and other direct operating costs		**(2,462,304)**	(4,816,021)
Gross (loss)/profit		**(240,748)**	200,526
Gain/(loss) on change in fair value of investment properties	15	**338**	(3,562)
(Loss)/gain on change in fair value less costs to sell of biological assets	19	**(1,226)**	3,088
Gain/(loss) on settling convertible bonds and non-convertible debt securities	36, 37	**37,690**	(105,437)
Change in fair value of derivative financial instrument	36	**26,423**	142,083
Impairment loss on forest concession rights	20	**(110,831)**	(112,567)
Impairment loss on concession intangible asset	21	**(1,877,027)**	–
Impairment loss on property, plant and equipment	16	**(103,237)**	(32,303)
Other income and other gains or losses	8	**131,433**	25,925
Selling and administrative expenses		**(270,477)**	(256,919)
Finance costs	9	**(1,462,207)**	(1,748,754)
Share of results of associates		**390**	348
Loss before income tax credit	10	**(3,869,479)**	(1,887,572)
Income tax credit	11	**593**	2,325
Loss for the year		**(3,868,886)**	(1,885,247)
Loss for the year attributable to:			
Owners of the Company		**(3,455,588)**	(1,765,900)
Non-controlling interests		**(413,298)**	(119,347)
		(3,868,886)	(1,885,247)
		HK$	HK$ (Restated)
Loss per share attributable to owners of the Company			
– Basic and diluted	14	**(1.15)**	(1.31)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2016

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2016

	Notes	2016 HK$'000	2015 HK$'000
NON-CURRENT ASSETS			
Investment properties	15	31,689	155,671
Property, plant and equipment	16	1,023,891	1,420,561
Prepaid lease payments	17	38,513	44,451
Goodwill and other intangible assets	18	99,158	400,782
Biological assets	19	74,684	79,710
Forest concession rights	20	–	138,417
Concession intangible asset	21	15,763,277	19,001,931
Long-term deposits and prepayments	22	291,247	661,127
Interests in associates	24	480,551	480,907
Available-for-sale investments	25	109,750	405,229
TOTAL NON-CURRENT ASSETS		17,912,760	22,788,786
CURRENT ASSETS			
Inventories	26	87,465	288,858
Trade and other receivables	27	366,677	351,567
Prepaid lease payments	17	912	1,042
Amounts due from non-controlling shareholders of subsidiaries	28	15,588	28,705
Amounts due from associates	28	145,098	116,156
Available-for-sale investments	25	–	63,227
Pledged deposits and restricted cash	29	–	134,040
Cash and cash equivalents	30	116,225	298,458
		731,965	1,282,053
Assets of a disposal group classified as held for sale	38	58,042	–
TOTAL CURRENT ASSETS		790,007	1,282,053
TOTAL ASSETS		18,702,767	24,070,839
CURRENT LIABILITIES			
Trade and other payables	31	1,813,083	2,183,225
Promissory note	32	306,892	302,345
Deferred government grants	33	–	2,548
Borrowings	34	843,578	1,865,877
Convertible bonds	36	3,189,853	2,630,099
Non-convertible debt securities	37	1,048,403	–
		7,201,809	6,984,094
Liabilities of a disposal group classified as held for sale	38	40,364	–
TOTAL CURRENT LIABILITIES		7,242,173	6,984,094
NET CURRENT LIABILITIES		(6,452,166)	(5,702,041)
TOTAL ASSETS LESS CURRENT LIABILITIES		11,460,594	17,086,745

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2016

	Notes	2016 HK$'000	2015 HK$'000
NON-CURRENT LIABILITIES			
Borrowings	34	**11,229,008**	11,734,712
Deferred tax liabilities	35	**10,811**	58,119
Convertible bonds	36	**–**	2,160,444
Acreage fees payable		**10,454**	10,454
TOTAL NON-CURRENT LIABILITIES		**11,250,273**	13,963,729
TOTAL LIABILITIES		**18,492,446**	20,947,823
NET ASSETS		**210,321**	3,123,016
CAPITAL AND RESERVES			
Share capital	39	**1,350,479**	270,096
Reserves		**(1,453,572)**	2,198,371
Equity attributable to owners of the Company		**(103,093)**	2,468,467
Non-controlling interests		**313,414**	654,549
TOTAL EQUITY		**210,321**	3,123,016

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 2016

	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 (iii))*	Assets revaluation reserve HK$'000 *(Note (iv))*	Available-for-sale financial assets reserve HK$'000 *(Note (v))*	Convertible bonds reserve HK$'000 *(Note (vi))*	Translation reserve HK$'000 *(Note (vii))*	Retained profits/ (accumulated losses) HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 April 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
Loss for the year	–	–	–	–	–	–	–	–	–	–	(1,765,900)	(1,765,900)	(119,347)	(1,885,247)
Exchange differences on translation of financial statements of foreign operations	–	–	–	–	–	–	–	–	–	41,933	–	41,933	1,429	43,362
Share of other comprehensive income of associates	–	–	–	–	–	–	–	–	–	(93)	–	(93)	–	(93)
Net movements in fair value for available-for-sale investments	–	–	–	–	–	–	–	(55,000)	–	–	–	(55,000)	–	(55,000)
Revaluation surplus, net of tax	–	–	–	–	–	–	5,175	–	–	–	–	5,175	–	5,175
Total comprehensive income for the year	–	–	–	–	–	–	5,175	(55,000)	–	41,840	(1,765,900)	(1,773,885)	(117,918)	(1,891,803)
Purchase of own shares for cancellation *(Note 39)*	(1,652)	(51,035)	–	–	–	–	–	–	–	–	–	(52,687)	–	(52,687)
Expense for purchase of own shares for cancellation	–	(96)	–	–	–	–	–	–	–	–	–	(96)	–	(96)
Lapse of share options *(Note 40)*	–	–	–	(358)	–	–	–	–	–	–	358	–	–	–
Acquisition of subsidiaries *(Note 44)*	–	–	–	–	–	–	–	–	–	–	–	–	(51,169)	(51,169)
Non-controlling interest of a newly incorporated subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	942	942
Issue of convertible bonds *(Note 36)*	–	–	–	–	–	–	–	–	6,954	–	–	6,954	–	6,954
Changes in equity component arising from exchange in convertible bonds *(Note 36)*	–	–	–	–	–	–	–	–	54,805	–	(54,805)	–	–	–
At 31 March 2015	270,096	1,929,475	21,630	31,012	3,800	795,363	41,752	(19,272)	617,363	115,618	(1,338,370)	2,468,467	654,549	3,123,016

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2016

	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 (iii))*	Assets revaluation reserve HK$'000 *(Note (iv))*	Available-for-sale financial assets reserve HK$'000 *(Note (v))*	Convertible bonds reserve HK$'000 *(Note (vi))*	Translation reserve HK$'000 *(Note (vii))*	Accumulated losses HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 April 2015	270,096	1,929,475	21,630	31,012	3,800	795,363	41,752	(19,272)	617,363	115,618	(1,338,370)	2,468,467	654,549	3,123,016
Loss for the year	-	-	-	-	-	-	-	-	-	-	(3,455,588)	(3,455,588)	(413,298)	(3,868,886)
Exchange differences on translation of financial statements of foreign operations	-	-	-	-	-	-	-	-	-	(174,004)	-	(174,004)	(7,499)	(181,503)
Share of other comprehensive income of associates	-	-	-	-	-	-	-	-	-	(381)	-	(381)	-	(381)
Release of translation reserve upon disposal of equity interests in subsidiaries *(Note 45)*	-	-	-	-	-	-	-	-	-	(789)	-	(789)	-	(789)
Release of assets revaluation reserve upon disposal of equity interests in subsidiaries *(Note 45)*	-	-	-	-	-	-	(25,849)	-	-	-	25,849	-	-	-
Net movements in fair value for available-for-sale investments	-	-	-	-	-	-	-	11,822	-	-	-	11,822	-	11,822
Total comprehensive income for the year	-	-	-	-	-	-	(25,849)	11,822	-	(175,174)	(3,429,739)	(3,618,940)	(420,797)	(4,039,737)
Rights issue *(Note 39)*	1,080,383	(33,356)	-	-	-	-	-	-	-	-	-	1,047,027	-	1,047,027
Lapse of warrant *(Note 41)*	-	-	(21,630)	-	-	-	-	-	-	-	21,630	-	-	-
Disposal of subsidiaries *(Note 45)*	-	-	-	-	-	-	-	-	-	-	-	-	92,490	92,490
Settlement of convertible bonds *(Note 36)*	-	-	-	-	-	-	-	-	(221,817)	-	221,817	-	-	-
Share of non-controlling interests transferred to the Group *(Note 49)*	-	-	-	-	-	-	-	-	-	-	353	353	(12,828)	(12,475)
At 31 March 2016	1,350,479	1,896,119	-	31,012	3,800	795,363	15,903	(7,450)	395,546	(59,556)	(4,524,309)	(103,093)	313,414	210,321

Notes:

(i) The warrants reserve represents the conditional warrants issued in relation to the Financing Arrangement (as defined in Note 34(iii)) as detailed in Note 41.

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

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

(iv) The assets revaluation reserve represents gains/losses arising on the revaluation of property.

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

(vi) 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 4(r)(iii).

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2016

	Notes	2016 HK$'000	2015 HK$'000
Cash flows from operating activities			
Loss before income tax credit		**(3,869,479)**	(1,887,572)
Adjustments for:			
Interest income		**(17,904)**	(13,385)
Dividend income		**–**	(1,915)
Finance costs		**1,462,207**	1,748,754
Impairment loss of forest concession rights		**110,831**	112,567
Impairment loss of property, plant and equipment		**103,237**	32,303
Impairment loss on concession intangible asset		**1,877,027**	–
Depreciation of property, plant and equipment		**110,351**	121,481
Change in fair value of derivative financial instrument		**(26,423)**	(142,083)
(Gain)/loss on change in fair value of investment properties		**(338)**	3,562
Loss/(gain) on change in fair value less costs to sell of biological assets		**1,226**	(3,088)
Impairment loss of trade and other receivables		**20,760**	9,221
Impairment loss on assets of a disposal group classified as held for sale		**89**	–
Write-off of inventories		**526**	–
Amortisation of prepaid lease payments		**1,026**	732
Amortisation of forest concession rights		**27,586**	27,586
Amortisation of concession intangible asset		**617,143**	617,143
Amortisation of customer relationships		**3,687**	5,193
Amortisation of deferred government grants		**(2,463)**	(2,538)
Share of results of associates		**(390)**	(348)
(Gain)/loss on settling convertible bonds and non-convertible debt securities		**(37,690)**	105,437
Gain on disposal of subsidiaries		**(64,670)**	–
Gain on disposal of available-for-sale investments		**(39,485)**	–
Operating profit before changes in working capital		**276,854**	733,050
Decrease/(increase) in inventories		**160,908**	(165,529)
Increase in trade and other receivables		**(81,281)**	(165,375)
Increase/(decrease) in trade and other payables		**95,043**	(866,751)
Decrease in acreage fees payable		**–**	(91)
Increase of biological assets		**(412)**	(1,131)
Effect of foreign exchange differences		**7,138**	35,131
Cash generated from/(used in) operations		**458,250**	(430,696)
PRC tax paid		**(492)**	(485)
Net cash generated from/(used in) operating activities		**457,758**	(431,181)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2016

	Notes	2016 HK$'000	2015 HK$'000
Cash flows from investing activities			
Net increase in long-term deposits and prepayments		**(18,469)**	(17,891)
Proceeds from disposal of subsidiaries, net of cash disposed	45	**40,922**	47,308
Acquisition of subsidiaries, net of cash acquired	44	**–**	(113,314)
Increase in loan receivables		**(26,417)**	–
Acquisition of additional interests in a subsidiary		**(12,475)**	–
Acquisition of an associate		**–**	(31,588)
Decrease/(increase) in pledged deposits and restricted cash		**134,040**	(134,040)
Acquisition of property, plant and equipment		**(3,033)**	(23,352)
(Increase)/decrease in amounts due from associates		**(28,942)**	69,060
Proceeds from disposal of prepaid lease payments		**–**	24
Proceeds from disposal of property, plant and equipment		**520**	–
Proceeds from disposal of available-for-sale investments		**369,918**	–
Interest received		**15,958**	13,385
Dividends received from available-for-sale investments		**–**	1,915
Net cash generated from/(used in) investing activities		**472,022**	(188,493)
Cash flows from financing activities			
Proceeds from borrowings		**2,151,909**	1,277,176
Proceeds from issue of convertible bonds		**–**	100,000
Proceeds from rights issue, net		**1,047,027**	–
Repayment of borrowings		**(2,423,638)**	(657,557)
Payment for repurchase of own shares		**–**	(52,783)
Repayment of convertible bonds and non-convertible debt securities		**(749,833)**	–
Capital injection by a non-controlling shareholder of a subsidiary		**–**	942
Interest paid		**(1,126,134)**	(1,459,116)
Net cash used in financing activities		**(1,100,669)**	(791,338)
Net decrease in cash and cash equivalents		**(170,889)**	(1,411,012)
Effect of foreign exchange rate changes on cash and cash equivalents		**(11,040)**	6,960
Cash and cash equivalents at beginning of year		**298,458**	1,702,510
Cash and cash equivalents at end of year representing cash and bank balances		**116,529**	298,458
Analysis of balances of cash and cash equivalents at end of year			
Bank and cash balances		**116,225**	298,458
Bank and cash balances included in assets of a disposal group classified as held for sale		**304**	–
		116,529	298,458

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"). During the year, the address of registered office was the office of Sterling Trust (Cayman) Limited, Caledonian House, 69 Dr. Roy's Drive, P.O. Box 1043, Grand Cayman, KY1-1102, Cayman Islands. On 16 June 2016, the address of the registered office has been changed to the office of Sterling Trust (Cayman) Limited, Whitehall House, 238 North Church Street, P.O. Box 1043, George Town, Grand Cayman, KY1-1102, Cayman Islands. Its principal place of business is located at Room 1801-07, 18/F, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong.

The principal activities of the Company and its subsidiaries (collectively refer to as the "Group") are expressway operations, trading and storage of petroleum and related products, compressed natural gas ("CNG") gas stations operations and timber operations.

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

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

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

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

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

Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle

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

The adoption of the amendments to HKAS16 has no impact on these financial statements as the latter treatment is consistent with the manner in which the Group has previously dealt with revaluations of its property, plant and equipment.

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

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

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.

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

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

Amendments to HKAS 1 – Disclosure Initiative

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

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

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

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

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

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

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

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

Amendments to HKAS 27 – Equity Method in Separate Financial Statements

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

HKFRS 9 (2014) – Financial Instruments

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

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

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

HKFRS 15 – Revenue from Contracts with Customers

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

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

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

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

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

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

HKFRS 16 – Leases

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

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

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

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

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

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

3. BASIS OF PREPARATION

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

(a) Statement of compliance

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

3. BASIS OF PREPARATION *(Continued)*

(b) Basis of measurement and going concern assumption

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

As at 31 March 2016, the Group had net current liabilities of HK$6,452,166,000 and incurred a loss of HK$3,868,886,000 for the year ended 31 March 2016. In addition, during the year the partial settlement of convertible bonds and non-convertible debt securities of HK$832,000,000 and HK$500,000,000 respectively were overdue. The Company's default on settlement is a breach of the relevant loan covenants which caused the remaining balances of the convertible bonds and non-convertible debt securities to become also repayable on demand. In aggregate, the carrying amount of these convertible bonds and non-convertible debt securities which are immediately repayable was HK$4,238,256,000 (the "Repayable Amount"). These conditions indicate the existence of material uncertainties which may cast doubt on the Group's ability to continue as a going concern and therefore, the Group may not be able to realise its assets and discharge its liabilities in the normal course of business.

In view of the above, the directors of the Company have undertaken the following measures to improve its financial position which include:

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

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

3. BASIS OF PREPARATION *(Continued)*

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

The directors of the Company have prepared a cash flow forecast of the Group for a period covered not less than twelve months from 31 March 2016. Based on the forecast which has taken into account of the above measures, the directors of the Company are of the opinion that the Group will have sufficient working capital to meet its financial obligations as and when they fall due in the next twelve months from 31 March 2016. Accordingly, the directors of the Company are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

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

(c) Functional and presentation currency

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

4. PRINCIPAL ACCOUNTING POLICIES

(a) Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. 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.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(a) Business combination and basis of consolidation *(Continued)*

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

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

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

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

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

(b) 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: (1) power over the investee, (2) exposure, or rights, to variable returns from the investee, and (3) 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, interests 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.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(c) 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.

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 as goodwill 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.

(d) Goodwill

Goodwill is initially recognised at cost being the excess of the aggregate of consideration transferred and the amount recognised for non-controlling interests over the fair value of identifiable assets, liabilities and contingent liabilities acquired.

Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is recognised in profit or loss on the acquisition date, after reassessment.

Goodwill is measured at cost less impairment losses. For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired.

For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro-rata on the basis of the carrying amount to each asset in the unit. Any impairment loss for goodwill is recognised in profit or loss and is not reversed in subsequent periods.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(e) Foreign currency

(i) 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 arerecognised 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.

(ii) 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.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(f) Investment properties

Investment properties are properties 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 properties are 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.

(g) Property, plant and equipment

Property, plant and equipment, other 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.

Office 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 assets revaluation reserve per consolidated statement of changes in equity. Decreases in value arising on revaluation are first offset against increases on earlier valuations in respect of the same property and thereafter recognised in profit or loss. Any subsequent increases are recognised in profit or loss up to the amount previously charged and thereafter to the asset revaluation reserve.

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

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

Buildings	
– Office building	Over the remaining term of the relevant lease but not exceeding 25 years
– Other buildings	Over the remaining term of the relevant lease but not exceeding 30 years
Leasehold improvements	Over the remaining life of the leases but not exceeding 5 years
Furniture, machinery and equipment	5 to 20 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

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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

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.

(h) Prepaid lease payments

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 4(n)) or and other properties under development (Note 4(o)).

(i) Intangible assets (other than goodwill)

Intangible assets acquired separately are initially recognised at cost. The cost of intangible assets acquired in a business combination is fair value at the date of acquisition. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is provided on a straight-line basis over their useful lives as follows. Intangible assets with indefinite useful lives are carried at cost less any accumulated impairment losses. The amortisation expense is recognised in profit or loss.

Customer relationships	20 years

(j) 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.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(k) 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.

(l) Concession intangible asset

Concession intangible asset represents 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 increases the future economic benefits embodied in the concession intangible asset. All other expenditures are recognised in profit or loss as incurred.

(m) Impairment of tangible and intangible assets excluding goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets and intangible assets with finite lives 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.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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

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.

Value in use is based on the estimated future cash flows expected to be derived from the asset (or cash generating unit), 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 (or cash generating unit).

(n) Properties under development for sale

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

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

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

(o) Other properties under development

Other properties under development are stated at cost less accumulated impairment losses, if any. Development cost of 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.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(p) Inventories

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

Cost of inventories 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 4(j)).

(q) Financial assets

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

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

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

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

(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.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(q) Financial assets *(Continued)*

(iii) Available-for-sale financial assets *(Continued)*

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

(iv) Impairment loss on financial assets

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

Objective evidence of impairment could include:

– significant financial difficulty of the debtor;

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

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

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

For loans and receivables

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

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.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(q) 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.

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

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

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

(i) Equity instruments

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

(ii) Financial liabilities

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities 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. Gains or losses on liabilities held for trading are recognised in profit or loss.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial liability at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial liabilities may be designated upon initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising gains or losses on them on a different basis; (ii) the liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial liability contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, financial liabilities 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.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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

(ii) Financial liabilities (Continued)

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade and other payables, borrowings, debt element of convertible bonds issued by the Group, deferred government grants and promissory note are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

(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 re-measured.

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.

(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.

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

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(s) Cash and cash equivalents

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

(t) Borrowings

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

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

(u) Taxation

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

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

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.

An exception to the general requirement on determining the appropriate tax rate used in measuring deferred tax amount is when an investment property is carried at fair value under HKAS 40 "Investment Property". Unless the presumption is rebutted, the deferred tax amounts on these investment properties are measured using the tax rates that would apply on sale of these investment properties at their carrying amounts at the reporting date. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all the economic benefits embodied in the property over time, rather than through sale.

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.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(v) Employee benefits

(i) Employee leave entitlements

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

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

(ii) Defined contribution retirement benefits schemes

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

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

(iii) Share-based payments

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

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

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

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

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(w) 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.

(x) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within trade and other payables. The fair value of financial guarantees issued at the time of issuance is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(x) Financial guarantees issued, provisions and contingent liabilities *(Continued)*

(i) Financial guarantees issued *(Continued)*

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with Note 4(x)(ii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

(ii) Other provisions 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.

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

(iii) 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 time 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.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(y) Revenue recognition *(Continued)*

(iv) Service income is recognised when services are provided.

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

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

(vii) 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.

(z) 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.

(i) 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.

(ii) 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.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(aa) Government grants

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

(bb) Segment reporting

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

(cc) Capitalisation of borrowing costs

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

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

(dd) Related parties

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

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of key management personnel of the Group or the Company's parent.

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

- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(dd) Related parties *(Continued)*

(b) *(Continued)*

(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).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

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

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

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

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

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the directors of the Company 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) 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"):

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

(a) Fair value measurement *(Continued)*

- 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:

- Investment properties (Note 15);
- Revalued buildings – property, plant and equipment (Note 16);
- Biological assets (Note 19); and
- Financial instruments (Note 52).

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

(b) 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 depreciation charges where useful lives are less than previously technically obsolete or non-strategic assets that have been abandoned or sold.

(c) Impairment of goodwill and intangible asset acquired through acquisitions

Determining whether goodwill and intangible asset acquired through acquisitions is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value-in-use calculation requires the directors of the Company 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. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

(d) 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.

(e) Impairment of forest concession rights

Determining whether forest concession right is impaired requires an estimation of the fair value of the cash-generating units. The fair value calculation requires the directors of the Company 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.

(f) Impairment of concession intangible asset

Concession intangible asset is the key operating asset for the Group's business operation (the "Key Operating Asset"). Management tests whether the Key Operating Asset has suffered any impairment in accordance with the accounting policy as stated in Note 4(l). Management has assessed the recoverable amounts of the Key Operating Asset 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 Asset and discount rate.

(g) 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.

(h) Net realisable value of inventories

Management reviews the conditions of timber and other inventories at the end of each reporting period, and makes 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.

6. SEGMENT INFORMATION

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

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

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

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

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

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

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

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

Segment assets exclude investment property in Australia, assets of a disposal group classified as held for sale, interest in associates – Yichang Group (as defined in Note 24), available-for-sale investments, amounts due from non-controlling shareholders of subsidiaries, amounts due from associates, pledged deposits and restricted cash, cash and cash equivalents and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude promissory note, convertible bonds, non-convertible debt securities, liabilities of a disposal group classified as held for sale, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

6. SEGMENT INFORMATION *(Continued)*

(a) Reportable Segment

For the year ended 31 March 2016

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

6. SEGMENT INFORMATION *(Continued)*

(a) Reportable Segment *(Continued)*

For the year ended 31 March 2016 *(Continued)*

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

6. SEGMENT INFORMATION *(Continued)*

(a) Reportable Segment *(Continued)*

For the year ended 31 March 2015

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

6. SEGMENT INFORMATION *(Continued)*

(a) Reportable Segment *(Continued)*

For the year ended 31 March 2015 *(Continued)*

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

6. SEGMENT INFORMATION *(Continued)*

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

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

6. SEGMENT INFORMATION *(Continued)*

(c) Geographical information

The Group operates in three principal geographical areas – the PRC, Hong Kong and Guyana.

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

	Revenue from external customers		Specified non-current assets	
	2016 HK$'000	2015 HK$'000	**2016 HK$'000**	2015 HK$'000
PRC	**2,172,054**	5,006,239	**17,769,966**	22,172,372
Hong Kong	**49,502**	–	**1,355**	33,556
Australia	**–**	–	**31,689**	31,400
Guyana	**–**	10,308	**–**	146,229
	2,221,556	5,016,547	**17,803,010**	22,383,557

(d) Information about major customers

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

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

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

Details of concentrations of credit risk are set out in Note 50(c).

7. TURNOVER

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

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

8. OTHER INCOME AND OTHER GAINS OR LOSSES

Other income and other gains or losses comprises:

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

9. FINANCE COSTS

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

10. LOSS BEFORE INCOME TAX CREDIT

Loss before income tax credit is stated after charging:

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

10. LOSS BEFORE INCOME TAX CREDIT *(Continued)*

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

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

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

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

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

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

11. INCOME TAX CREDIT

The income tax credit comprises:

	2016 HK$'000	2015 HK$'000
PRC enterprise income tax		
– Current tax expense	**594**	485
– Deferred tax credit *(Note 35)*	**(1,187)**	(2,810)
Total	**(593)**	(2,325)

11. INCOME TAX CREDIT *(Continued)*

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

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

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

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

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

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

The statutory tax rate for Hong Kong profits tax is 16.5% (2015: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. No provision for the Hong Kong profits tax has been made as the Group did not earn any income subject to Hong Kong profits tax during the years ended 31 March 2016 and 2015.

The subsidiaries in Guyana are liable to Guyana income tax at a rate of 45% (2015: 45%). No provision for Guyana income tax has been made as the subsidiaries in Guyana sustained losses for taxation purposes for the years ended 31 March 2016 and 2015.

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

12. DIRECTORS' REMUNERATION

Details of remuneration of each director are shown below:

Year ended 31 March 2016

Name of directors	Fees HK$'000	Basic salaries, allowances and other benefits HK$'000	Defined contribution retirement benefits scheme HK$'000	Share-based payments HK$'000	Total HK$'000
Executive directors					
Cao Zhong	–	3,600	18	–	3,618
Fung Tsun Pong	–	4,163	18	–	4,181
Tsang Kam Ching, David	–	2,760	18	–	2,778
Duan Jingquan	–	2,760	18	–	2,778
Gao Zhiping	–	2,822	80	–	2,902
Non-executive director					
Suo Suo Stephen	120	–	–	–	120
Independent non-executive directors					
Yip Tak On	120	–	–	–	120
Jing Baoli	120	–	–	–	120
Bao Liang Ming	120	–	–	–	120
	480	16,105	152	–	16,737

Year ended 31 March 2015

Name of directors	Fees HK$'000	Basic salaries, allowances and other benefits HK$'000	Defined contribution retirement benefits scheme HK$'000	Share-based payments HK$'000	Total HK$'000
Executive directors					
Cao Zhong	–	3,600	17	–	3,617
Fung Tsun Pong	–	3,700	17	–	3,717
Tsang Kam Ching, David	–	3,549	17	–	3,566
Duan Jingquan	–	2,760	17	–	2,777
Gao Zhiping	–	2,826	74	–	2,900
Non-executive director					
Suo Suo Stephen (appointed on 2 July 2014)	90	–	–	–	90
Independent non-executive directors					
Yip Tak On	120	–	–	–	120
Jing Baoli	120	–	–	–	120
Bao Liang Ming	120	–	–	–	120
	450	16,435	142	–	17,027

12. DIRECTORS' REMUNERATION *(Continued)*

Note:

During the years ended 31 March 2016 and 2015, 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.

During the year, the five highest paid individuals included five (2015: five) directors, details of whose emoluments are set out above.

13. DIVIDEND

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

14. LOSS PER SHARE

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

Loss for the year attributable to owners of the Company:

	2016 **HK$'000**	2015 HK$'000
Loss for the purposes of basic and diluted loss per share	**(3,455,588)**	(1,765,900)
Number of shares:	**'000**	'000 (Restated)
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	**3,018,284**	1,353,432

For the years ended 31 March 2016 and 2015, the computation of diluted loss per share does not assume the conversion of the Company's outstanding convertible bonds as they had an anti-dilutive effect on the loss per share calculation.

For the year ended 31 March 2015, the weighted average number of ordinary shares in issue was restated, after adjusting for share consolidation and bonus elements in the rights issue (Note 39(b)(i) & 39(b)(iii)).

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

15. INVESTMENT PROPERTIES

	2016 HK$'000	2015 HK$'000
At valuation:		
At 1 April	155,671	38,700
Acquired through business combinations *(Note 44)*	–	121,857
Disposal of subsidiaries *(Note 45)*	(122,511)	–
Gain/(loss) on change of fair value of investment properties	338	(3,562)
Exchange difference	(1,809)	(1,324)
At 31 March	31,689	155,671

The Group's investment properties include a cold storage warehouse situated on a freehold land in Australia (2015: a cold storage warehouse situated on a freehold land in Australia and an office premise in the PRC).

The Group's investment properties were revalued at 31 March 2016 by an independent firm of chartered surveyors, LCH (Asia-Pacific) Surveyors Limited (the "Valuer"), who has among its staff members of the Hong Kong Institute of Surveyors with recent experience in the category of properties being valued.

The gain from the change in fair value of the Group's investment properties estimated by the Valuer on 31 March 2016 amounted to HK$338,000 (2015: loss of HK$3,562,000) has been recognised in profit or loss for the year ended 31 March 2016.

(a) Fair value measurement of the cold storage warehouse situated on a freehold land in Australia

Due to the lack of an established market upon which to base on comparable transactions of actual sales of comparable properties, the cold storage warehouse 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 this 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 2016	 2015
Unit price of land (Australian Dollars ("AUD") per sq. meter)	AUD180 to AUD553	AUD253 to AUD530
Replacement cost of new building of similar characteristics (AUD per sq. meter)	AUD1,125	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.

15. INVESTMENT PROPERTIES *(Continued)*

(b) Fair value measurement of the office premise in the PRC

The office premise investment property was sold through the disposal of entire equity interest in 湛江大鵬石化有限公司 ("Dapeng") during the year ended 31 March 2016 (Note 45(b)).

During the year ended 31 March 2015, the office premise investment property was valued by using the income approach by taking into account the current rent receivable from the existing tenancy agreements and the reversionary potential of the property interest.

The fair value measurement of this 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 2015**
Unit price of the property (RMB per sq. meter)	RMB34,100 to RMB48,430
Rental value (per se meter and per month)	RMB136
Yield	5%

The higher the unit price of the property, the higher the fair value of the investment property. The higher the yield, the lower the fair value of the investment property.

At 31 March 2015, the office premise in the PRC with a carrying amount of HK$124,271,000 was pledged as security for the Group's borrowings (Note 34(i)).

16. PROPERTY, PLANT AND EQUIPMENT

	Other buildings HK$'000	Office building HK$'000	Leasehold improvements HK$'000	Furniture, machinery and equipment HK$'000	Motor vehicles HK$'000	Vessels HK$'000	Safety equipment HK$'000	Communication and signalling systems HK$'000	Toll collection equipment HK$'000	Construction in progress HK$'000	Total HK$'000
Cost or valuation:											
At 1 April 2014	441,796	28,111	13,151	99,416	47,171	61,909	538,069	109,421	60,432	134,338	1,533,814
Additions	–	–	6,648	5,351	1,225	–	–	–	–	10,128	23,352
Acquired through business combinations *(Note 44)*	29,010	–	–	98,281	339	–	–	–	–	–	127,630
Surplus on revaluation	–	4,881	–	–	–	–	–	–	–	–	4,881
Disposal	–	–	–	–	(150)	–	–	–	–	–	(150)
Exchange difference	2,248	–	118	(1,999)	70	43	2,634	534	296	41	3,985
At 31 March 2015 and 1 April 2015	473,054	32,992	19,917	201,049	48,655	61,952	540,703	109,955	60,728	144,507	1,693,512
Additions	172	–	1,620	1,241	–	–	–	–	–	–	3,033
Disposal of subsidiaries *(Note 45)*	(20,397)	(32,992)	–	(88,327)	–	–	–	–	–	–	(141,716)
Transfer in/(out)	–	–	–	10,053	–	–	–	–	–	(10,053)	–
Disposal	–	–	–	–	(2,039)	–	–	–	–	–	(2,039)
Transfer to assets as held for sale *(Note 38)*	(104)	–	–	–	–	–	–	–	–	–	(104)
Exchange difference	(23,643)	–	(1,345)	(5,453)	(2,205)	–	(28,007)	(5,694)	(3,146)	(116)	(69,609)
At 31 March 2016	429,082	–	20,192	118,563	44,411	61,952	512,696	104,261	57,582	134,338	1,483,077
Analysis of cost or valuation											
At 31 March 2016											
At cost	429,082	–	20,192	118,563	44,411	61,952	512,696	104,261	57,582	134,338	1,483,077
At valuation	–	–	–	–	–	–	–	–	–	–	–
	429,082	–	20,192	118,563	44,411	61,952	512,696	104,261	57,582	134,338	1,483,077
At 31 March 2015											
At cost	473,054	–	19,917	201,049	48,655	61,952	540,703	109,955	60,728	144,507	1,660,520
At valuation	–	32,992	–	–	–	–	–	–	–	–	32,992
	473,054	32,992	19,917	201,049	48,655	61,952	540,703	109,955	60,728	144,507	1,693,512
Accumulated depreciation and impairment:											
At 1 April 2014	11,517	–	10,520	37,966	12,745	23,423	17,935	3,648	2,015	–	119,769
Charge for the year	15,283	1,124	1,751	20,491	5,785	6,195	53,853	10,951	6,048	–	121,481
Elimination on revaluation	–	(1,124)	–	–	–	–	–	–	–	–	(1,124)
Disposal	–	–	–	–	(150)	–	–	–	–	–	(150)
Impairment loss *(Note 20)*	–	–	–	–	–	32,303	–	–	–	–	32,303
Exchange difference	116	–	75	121	(72)	31	305	62	34	–	672
At 31 March 2015 and 1 April 2015	26,916	–	12,346	58,578	18,308	61,952	72,093	14,661	8,097	–	272,951
Charge for the year	15,779	550	3,936	16,210	5,510	–	52,257	10,627	5,482	–	110,351
Disposal of subsidiaries *(Note 45)*	(1,323)	(550)	–	(11,284)	–	–	–	–	–	–	(13,157)
Disposal	–	–	–	–	(1,519)	–	–	–	–	–	(1,519)
Impairment loss *(Note 20 and 21)*	38,826	–	170	7,240	1,822	–	41,909	8,523	4,747	–	103,237
Transfer to assets as held for sale *(Note 38)*	(15)	–	–	–	–	–	–	–	–	–	(15)
Exchange difference	(2,365)	–	(875)	(1,313)	(861)	–	(5,514)	(1,121)	(613)	–	(12,662)
At 31 March 2016	77,818	–	15,577	69,431	23,260	61,952	160,745	32,690	17,713	–	459,186
Net carrying amount:											
At 31 March 2016	351,264	–	4,615	49,132	21,151	–	351,951	71,571	39,869	134,338	1,023,891
At 31 March 2015	446,138	32,992	7,571	142,471	30,347	–	468,610	95,294	52,631	144,507	1,420,561

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

Office building was sold through the disposal of entire equity interest in Triumph Kind Investment Limited ("Triumph Kind") during the year ended 31 March 2016 (Note 45(a)).

During the year ended 31 March 2015, office building was revalued as at 31 March 2015 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 the Valuer who has among its 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$5,175,000 net of applicable deferred tax was credited to assets revaluation reserve.

Further information about this level 2 fair value measurement is as below:

Significant unobservable inputs	Input value/range 2015
Unit price of the property (RMB per sq. meter)	RMB8,550 to RMB13,800

The higher the unit price of the building, the higher the fair value of the building.

Had this building been carried at cost less accumulated depreciation and accumulated impairment losses, its carrying amount would have been HK$2,768,000 as at 31 March 2015.

Petroleum storage tanks of Dapeng (defined in Note 15(b)) classified under furniture, machinery and equipment was sold through the disposal of Dapeng during the year ended 31 March 2016 (Note 45(b)). At 31 March 2015, the petroleum storage tanks of Dapeng with a carrying amount of HK$62,932,000 were pledged as security for the Group's borrowings (Note 34(i)).

Construction in progress mainly 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 34(iii).

There was no transfer between level 1, 2 and 3 during the year.

17. PREPAID LEASE PAYMENTS

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

	2016 **HK$'000**	2015 HK$'000
At 1 April	**45,493**	29,559
Acquired through business combinations *(Note 44(b))*	**–**	16,554
Disposal of subsidiaries *(Note 45(a))*	**(2,875)**	–
Disposal	**–**	(24)
Amortisation for the year	**(1,026)**	(732)
Exchange difference	**(2,167)**	136
At 31 March	**39,425**	45,493
Represented by:		
Current portion	**912**	1,042
Non-current portion	**38,513**	44,451
	39,425	45,493

The prepaid lease payments mainly represented lands located in the PRC, on which the Group builds its buildings, CNG gas stations or for plantation purposes. The leases will expire between the year 2050 and 2057.

18. GOODWILL AND OTHER INTANGIBLE ASSETS

	Goodwill HK$'000	Other intangible assets – Customer relationships HK$'000	Total HK$'000
Cost:			
At 1 April 2014	–	–	–
Acquired through business combinations *(Note 44)*	248,251	155,399	403,650
Exchange difference	1,323	1,023	2,346
At 31 March 2015	249,574	156,422	405,996
Disposal of subsidiaries *(Note 45(b))*	(174,554)	(119,645)	(294,199)
Exchange difference	(6,307)	(3,564)	(9,871)
At 31 March 2016	68,713	33,213	101,926
Accumulated amortisation and impairment loss:			
At 1 April 2014	–	–	–
Amortisation during the year	–	5,193	5,193
Exchange difference	–	21	21
At 31 March 2015	–	5,214	5,214
Amortisation during the year	–	3,687	3,687
Disposal of subsidiaries *(Note 45(b))*	–	(5,982)	(5,982)
Exchange difference	–	(151)	(151)
At 31 March 2016	–	2,768	2,768
Net book value:			
At 31 March 2016	**68,713**	**30,445**	**99,158**
At 31 March 2015	249,574	151,208	400,782

Amortisation of customer relationships amounting to HK$3,687,000 (2015: HK$5,193,000) is included in the "selling and administrative expenses" in the consolidated income statement.

18. GOODWILL AND OTHER INTANGIBLE ASSETS *(Continued)*

Impairment tests for cash generating units containing goodwill

Goodwill is allocated to the Group's cash-generating units that is expected to benefit from synergies of business combinations. The following is a summary of goodwill allocation to the Group's cash-generating units as at 31 March 2016:

	2016 HK$'000	2015 HK$'000
Petroleum and related products trading and storage unit in the PRC within the petroleum and related products business segment ("Petroleum trading CGU")	–	196,786
Petroleum and related products trading unit in the PRC within the petroleum and related products business segment after disposal of Dapeng ("Petroleum trading Jinjing CGU")	18,659	–
CNG gas stations operations unit located in Leshan, Sichuan Province, the PRC, held by 樂山中順油汽有限公司 ("Leshan Zhongshun"), within the petroleum and related products business segment ("CNG gas stations CGU")	50,054	52,788
At 31 March	68,713	249,574

The recoverable amounts of the cash-generating units are determined based on value-in-use calculations. These calculations use cash flow projections based on financial forecasts approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rate stated below. The key assumptions used for value-in-use calculations at 31 March 2016 and 31 March 2015 are as follows:

	As at 31 March 2016		As at 31 March 2015	
	Petroleum trading Jinjing CGU	CNG gas stations CGU	Petroleum trading CGU	CNG gas stations CGU
EBITDA margin (average of next five years)	0.37%	22.3%	0.9%	22.1%
Long-term growth rate	2%	5%	4%	5%
Discount rate	13.9%	13.14%	13.3%	11.7%

Management determined the earning before income tax, depreciation and amortisation ("EBITDA") margin based on past performance and its expectations regarding market development. The long-term growth rate does not exceed the long-term average growth rate for the industry and the country in which each of the cash-generating units currently operates. The discount rate used is pre-tax and reflects specific risks relating to each cash-generating unit. The recoverable amounts of the cash-generating units (including goodwill) based on the estimated value-in-use calculations were higher than their carrying amounts at 31 March 2016. Accordingly, no provision for impairment loss for goodwill is considered necessary.

19. BIOLOGICAL ASSETS

	Seedlings HK$'000	Camellia trees HK$'000	Standing trees HK$'000	Total HK$'000
At 1 April 2014	1,369	23,279	50,336	74,984
Plantation expenditure incurred	1,257	484	707	2,448
Cost of direct sales	(443)	–	–	(443)
Harvested timber transferred to inventory	–	–	(874)	(874)
Change in fair value less costs to sell	–	(106)	3,194	3,088
Exchange difference	11	115	381	507
At 31 March 2015 and 1 April 2015	2,194	23,772	53,744	79,710
Plantation expenditure incurred	2,249	1,144	1,932	5,325
Cost of direct sales	(2,092)	–	(1,019)	(3,111)
Harvested timber transferred to inventory	(1,802)	–	–	(1,802)
Change in fair value less costs to sell	–	(780)	(446)	(1,226)
Exchange difference	(85)	(1,236)	(2,891)	(4,212)
At 31 March 2016	464	22,900	51,320	74,684

(a) Description of the Group's biological assets

Camellia trees are located in Xingning, the PRC and standing trees and seedlings are located in Dabu, the PRC.

For camellia trees, at 31 March 2016, the Group owned and obtained all the forestry ownership certificates for approximately 10,200 (2015: 10,200) Chinese Mu of forests of camellia trees in Xingning with a 50-year term, expiring in 2058. Camellia trees for refined plant oil were planted in previous years and had little biological transformation. They were stated at fair value less costs to sell at both 31 March 2016 and 2015.

For standing trees, at 31 March 2016, the Group owned and obtained all the forestry ownership certificates for approximately 92,553 (2015: 92,553) Chinese Mu of forests of standing trees in Dabu with 50 years term, expiring in 2057. The standing trees were stated at fair value less costs to sell at both 31 March 2016 and 2015.

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 2016 and 2015 as determined by the directors of the Company.

19. BIOLOGICAL ASSETS *(Continued)*

(b) Measurement of fair values

The fair value of the Group's camellia trees and standing trees were independently valued by 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. The directors are of the opinion 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 therefore 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.

Significant unobservable inputs	**Input value**	
	2016	2015
Number of saplings per mu	**89**	89
Unit cost of sapling	**RMB2.5**	RMB2.5
Unit cost of planting	**RMB3.5**	RMB3.5
Cost of fertiliser per mu	**RMB82**	RMB82
Cost of tending per mu	**RMB60**	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.

19. BIOLOGICAL ASSETS *(Continued)*

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

(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 2016 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	Input value/range 2016	2015
Price of round logs per cubic meter	**RMB310 to RMB800**	RMB430 to RMB780
Growth rate	**5.6%**	6.2%
Recovery rate	**70%**	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.

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

(i) Camellia trees as at 31 March 2016

Changes on the number of saplings per mu	**Increased by 10%** HK$'000	**Decreased by 10%** HK$'000
Increase/(decrease) in fair value	654	(654)

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	272	(272)
– Unit cost of planting	381	(381)
– Cost of fertiliser per mu	502	(502)
– Cost of tending per mu	455	(455)

19. BIOLOGICAL ASSETS *(Continued)*

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

(ii) Standing trees as at 31 March 2016

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	9,952	(10,072)

Changes on the recovery rate	**Increased by 5%** HK$'000	**Decreased by 5%** HK$'000
Increase/(decrease) in fair value	7,314	(7,314)

(d) Work done by the Valuer

In respect of the camellia trees in Xingning and standing trees in Dabu, the Valuer conducted physical field inspections to the respective forest sites in April 2016 to verify the physical existence and quality of the biological assets.

20. 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.

	2016 **HK$'000**	2015 HK$'000
Cost:		
At 1 April and 31 March	**534,429**	534,429
Accumulated impairment and amortisation:		
At 1 April	**396,012**	255,859
Impairment loss	**110,831**	112,567
Amortisation for the year	**27,586**	27,586
At 31 March	**534,429**	396,012
Net carrying amount:		
At 31 March	**–**	138,417

20. FOREST CONCESSION RIGHTS *(Continued)*

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

On 22 August 2003, Jaling Forest Industries Inc. ("Jaling"), a subsidiary of the Company, 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 timbers from an area of approximately 136,900 hectares (approximately 338,000 acres) in the State Forest of Guyana, South America, which includes 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. The logging operation in Block B was completed during the year ended 31 March 2010.

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

On 18 August 2004, Garner Forest Industries Inc. ("Garner"), a subsidiary of the Company, 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 timbers 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.

20. 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 timber logging cash-generating unit ("Timber logging CGU") under the timber operations segment. The recoverable amount of the Timber logging CGU has been determined by the directors of the Company with reference to the valuation of forest concession rights performed by the Valuer. The recoverable amount of the Timber logging CGU are shown as follows:

	2016	2015
	HK$'000	HK$'000
Timber logging CGU	**–**	146,259

The Valuer has among its 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.

During the year ended 31 March 2016, the Group decided to cease the business operation of timber logging. Therefore, the Group does not expect any future cash inflow and outflow to be derived from continuing use of the Timber Logging CGU and from its ultimate disposal. The recoverable amount of the Timber Logging CGU is determined based on fair value less costs of disposal of the forest concession rights for the year ended 31 March 2016. The key assumptions are based upon the discount rate, budgeted profit margins and revenue during the forecast period with reference to the industrial information. The projections (including profit margins, revenue and the growth rates) are based on anticipation of the most likely actions which will be taken in the operation of the business with reference to sustainable annual allowable cut and expectations of future market development. The fair value on which the recoverable amount is based on is categorised as a Level 3 measurement.

Key assumptions used for the fair value calculation are as follows:

	2016
Beta	**0.58**
Risk free rate	**1.77%**
Market return	**13%**
Discount rate	**19%**
Working capital to sales ratio	**16%**
Tax rate	**35%**
Revenue growth rate	**-3%**

In estimating the discount rate in the valuation, the Valuer has adopted the market-derived discount rate by capital asset pricing model. During the year ended 31 March 2016, the directors of the Company have assessed the recoverable amount of the forest concession rights which is lower than its carrying value as at 31 March 2016. Based on the valuation, impairment losses of HK$110,831,000 and HK$5,391,000 were recognised in profit or loss for the year ended 31 March 2016 in respect of forest concession rights and related property, plant and equipment (Note 16) respectively. Impairment losses were recognised because of the current poor market conditions for the timber product industry.

20. FOREST CONCESSION RIGHTS *(Continued)*

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

During the year ended 31 March 2015, the Valuer has adopted the income approach in the valuation of both the Jaling Concession Rights and the Garner Concession Rights as there were limited comparable transactions available in the public domain which results in the inapplicability of adopting the comparable market approach in the valuation. By using this method, the expected cash flows (after deducting from net income, the capital expenditures and net changes in working capital and the addition of depreciation) generated are set out year by year and brought to a present value by use of present value factors at the appropriate rate. In constructing the cumulative present value table, positive present values are netted off against negative present values so as to arrive at the "net present value".

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.

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

	2015
Beta	0.65
Risk free rate	1.92%
Market return	13%
Discount rate	20%
Working capital to sales ratio	17%
Tax rate	35%
Sales volume growth rate	-2%

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 Timber logging CGU which is lower than its carrying value as at 31 March 2015. Based on the valuation, impairment losses of HK$112,567,000 and HK$32,303,000 were recognised in profit or loss for the year ended 31 March 2015 in respect of forest concession rights and vessels included in property, plant and equipment (Note 16) respectively. Impairment losses were recognised because of the poor market conditions for the timber product industry and the log price growth rate. Under this circumstance, management reduced sales volume projections for the expected cash flows from the operation of the forest concession rights by management plan for the year ended 31 March 2015.

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.

20. FOREST CONCESSION RIGHTS *(Continued)*

(d) Sensitivity analysis on changes in material inputs used in the valuation techniques

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

Changes on revenue growth rate	**Increased by 2%** HK$'000	**Decreased by 2%** HK$'000
Increase/(decrease) in recoverable amounts	–	–

21. CONCESSION INTANGIBLE ASSET

	2016 **HK$'000**	2015 HK$'000
Cost:		
At 1 April	**19,827,031**	19,748,563
Exchange differences	**(834,356)**	78,468
At 31 March	**18,992,675**	19,827,031
Accumulated amortisation:		
At 1 April	**825,100**	205,464
Amortisation for the year	**617,143**	617,143
Impairment loss	**1,877,027**	–
Exchange differences	**(89,872)**	2,493
At 31 March	**3,229,398**	825,100
Net Carrying amount:		
At 31 March	**15,763,277**	19,001,931

21. CONCESSION INTANGIBLE ASSET *(Continued)*

(a) Descriptions of the concession intangible asset

Zhunxing entered into a service concession arrangement with the local government whereby Zhunxing is required to build the infrastructure of Zhunxing Expressway and is granted an exclusive operating right for collecting tolls from vehicles 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 exclusive operating period. Zhunxing is entitled to operate the toll road upon completion for an exclusive operating 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 exclusive operating period expires 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 Arrangements".

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.

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

No interest was capitalised to concession intangible asset during the year ended 31 March 2016 and 2015.

(b) Impairment testing of the concession intangible asset

For the purpose of the impairment testing, the concession intangible asset is allocated to the expressway cash-generating unit ("Expressway CGU") under the expressway operations segment.

During the year ended 31 March 2016, the recoverable amount of the Expressway CGU has been determined independently by Jones Lang LaSalle Corporate Appraisal and Advisory Limited (2015: Jones Lang LaSalle Corporate Appraisal and Advisory Limited) by value-in-use calculation. This calculation uses traffic forecast data determined by Samuel Wong Consultancy Limited (2015: Parsons Brinckerhoff (Asia) Limited), an independent traffic consultant, and cash flow projections based on financial forecasts approved by management up to the end of the exclusive operating period, taking into account the actual operating results of the Zhunxing Expressway during the year.

21. CONCESSION INTANGIBLE ASSET *(Continued)*

(b) Impairment testing of the concession intangible asset *(Continued)*

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

	2016	2015
Exclusive operating period (include trial run period of 2 years)	**30 years**	31 years
Discount rate	**9.58%**	9.11%
Toll rate per kilometer per ton	**RMB0.09**	RMB0.09
Long-term toll revenue growth rate over the concession period	**5.7%**	1.8%
Average toll revenue growth rate for first two years	**15.9%**	33.7%
Average toll revenue growth rate after second year to end of exclusive operating period	**8.16%**	1.8%

The discount rate is a pre-tax measure estimated using the capital asset pricing model based on the industry average ratios and the Expressway CGU's specific risks. The average toll revenue growth rate was determined based on the forecast of traffic volume growth.

Based on the above review, the directors of the Company have assessed the recoverable amount of the Expressway CGU which is lower than its carrying value as at 31 March 2016. Based on the valuation, impairment losses of HK$1,877,027,000 and HK$97,846,000 were recognised in profit or loss for the year ended 31 March 2016 in respect of intangible concession asset and related property, plant and equipment (Note 16) respectively (2015: impairment losses HK$Nil). Impairment losses were recognised because of the current poor market conditions for the coal industry.

22. LONG-TERM DEPOSITS AND PREPAYMENTS

	2016 **HK$'000**	2015 HK$'000
Prepayments for construction of expressway and related facilities	**197,687**	594,102
Deposits paid for acquisition of property, plant and equipment	**93,560**	67,025
	291,247	661,127

23. PRINCIPAL SUBSIDIARIES

Particulars of principal subsidiaries as at 31 March 2016 are set out below.

Name	Place of incorporation and operation	Registered capital	Proportion of ownership interest: Held by the Company %	Held by a subsidiary %	Attributable to the Group %	Principal activity
Zhunxing *(defined in Note 3(b))*	The PRC	RMB2,513,920,600	–	86.87	86.87	Zhunxing Expressway and auxiliary facility investment, operation, management and maintenance
北京准興隆博投資有限公司	The PRC	RMB20,000,000	–	100	86.87	Provision of management consulting services
The Project Company *(defined in Note 41)*	The PRC	RMB10,000,000	–	100	86.87	Construction and operation of petrol and gas stations in the service areas of Zhunxing Expressway
深圳市前海資通能源有限公司	The PRC	RMB100,000,000	–	100	100	Trading of petroleum and related products
Jinjing *(defined in Note 44(a))*	The PRC	RMB49,500,000	–	100	100	Trading of petroleum and related products
Ningbo Zhongyou *(defined in Note 38)*	The PRC	RMB30,000,000	–	51	51	Trading of petroleum and related products
Leshan Zhongshun *(defined in Note 18)*	The PRC	RMB32,800,000	–	100	100	Construction and operation of CNG gas stations
深圳市前海潤宏投資有限公司	The PRC	RMB10,000,000	–	100	100	Investment and asset management
樹人木業(深圳)有限公司	The PRC	RMB43,773,025	–	100	100	Timber log trading and sale of furniture and handicrafts
樹人木業(大埔)有限公司	The PRC	RMB102,175,000	–	100	100	Forest operation, timber logging and tree plantation

23. PRINCIPAL SUBSIDIARIES *(Continued)*

Name	Place of incorporation and operation	Registered capital	Proportion of ownership interest: Held by the Company %	Held by a subsidiary %	Attributable to the Group %	Principal activity
樹人苗木組培(大埔)有限公司	The PRC	RMB4,721,500	–	100	100	Plantation and trading of seedlings
興寧樹人木業有限公司	The PRC	RMB30,000,000	–	100	100	Production and sale of plant-oil
Jaling *(defined in Note 20(a))*	Guyana	GYD500,000	–	100	100	Timber logging
Garner *(defined in Note 20(b))*	Guyana	GYD100,000	–	100	100	Timber logging
Seapower Resources Gosford Pty Ltd.	Australia	AUD4,200,002	–	100	100	Cold storage warehouse leasing

Note 1: 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 year 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.

24. INTERESTS IN ASSOCIATES

	2016 HK$'000	2015 HK$'000
Share of net assets	**461,556**	460,891
Goodwill	**18,995**	20,016
	480,551	480,907

24. INTERESTS IN ASSOCIATES *(Continued)*

Details of the Group's associates at 31 March 2016 are as follows:

Name	Place of incorporation and operation	Issued and fully paid share capital	Proportion of ownership interest: Held by a subsidiary %	Proportion of ownership interest: Held by an associate %	Proportion of ownership interest: Group's effective interest %	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) ("Beijing Kaiyuan") *(Note 1)*	The PRC	RMB4,444,445	45%	–	45%	Investment holding
宜昌新首鋼房地產開發有限公司 ("Yichang Xinshougang") *(Note 1)*	The PRC	RMB120,000,000	–	100%	45%	Property development and asset management
宜昌中翔物業管理有限公司 ("Yichang Zhongxiang") *(Note 1)*	The PRC	RMB500,000	–	100%	45%	Building management
惠州市大亞灣中油實業發展有限公司 ("Dayawan Zhongyou") *(Note 2)*	The PRC	RMB3,000,000	30%	–	30%	Operation of gas stations

Notes:

1. Yichang Xinshougang and Yichang Zhongxiang are subsidiaries of Beijing Kaiyuan (collectively the "Yichang Group").

2. In November 2014, the Group acquired 30% equity interest in Dayawan Zhongyou from an independent third party with a cash consideration of HK$31,588,000. Upon acquisition, Dayawan Zhongyou has been accounted for as an associate of the Group.

3. All of the above associates are accounted for using the equity method in the consolidated financial statements.

24. INTERESTS IN ASSOCIATES *(Continued)*

(a) Summarised financial information of material associates:

Yichang Group	2016 HK$'000	2015 HK$'000
As at 31 March		
Current assets	**1,857,650**	1,590,332
Non-current assets	**307,455**	276,735
Current liabilities	**(1,047,630)**	(743,417)
Non-current liabilities	**(119,882)**	(126,431)
Included in the above amounts are:		
Cash and cash equivalents	**15,035**	8,193
Current financial liabilities (excluding trade and other payables)	**(607,658)**	(662,273)

Year ended 31 March	2016 HK$'000	2015 HK$'000
Revenue	**51,446**	100,529
Loss for the year	**(1,381)**	(655)
Other comprehensive income	**1,939**	(232)
Total comprehensive income	**558**	(887)
Included in the above amounts are:		
Depreciation and amortisation	**(676)**	(675)
Interest income	**31**	35
Finance costs	**(408)**	(353)
Income tax expense	**(94)**	(12,570)

Reconciliation of the above summarised financial information to the Group's interests in associates:

	2016 HK$'000	2015 HK$'000
Gross amount of net assets of associates	**997,593**	997,035
Group's share of net assets of associates at 45%	**448,916**	448,665
Carrying amount of the Group's interests in associates at 31 March	**448,916**	448,665

24. INTEREST IN ASSOCIATES *(Continued)*

(b) Summarised financial information of immaterial associate:

Dayawan Zhongyou	2016 HK$'000	2015 HK$'000
Aggregate carrying amount	**31,635**	32,242
Aggregate amount of the Group's share of the associate:		
– Profit for the year	**1,011**	643
– Other comprehensive income	**(1,618)**	11
– Total comprehensive income	**(607)**	654

25. AVAILABLE-FOR-SALE INVESTMENTS

	2016 HK$'000	2015 HK$'000
Non-current		
Equity shares listed in Hong Kong, at fair value	**28,737**	258,500
Unlisted equity shares, at cost *(Note (i), (iii))*	**81,013**	146,729
	109,750	405,229
Current		
Unlisted money market fund, at fair value *(Note ii)*	**–**	63,227

Notes:

(i) 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. In addition, the directors have no intention to dispose such investments.

(ii) The Group regards the money market fund as short-term investments. They are stated at fair value. The fair value measurement of the investments are categorised as level 2.

(iii) The investment in 內蒙古博源新型能源有限公司 with carrying amount of HK$45,563,000 as at 31 March 2016 (2015: The investment in 國開瑞明(北京)投資基金有限公司 and 內蒙古博源新型能源有限公司 with aggregate carrying amount of HK$111,279,000) which are classified as non-current unlisted equity shares were pledged to a bank to secure for the Group's borrowing. Details please refer to Note 34(i).

26. INVENTORIES

	2016 **HK$'000**	2015 HK$'000
Raw materials	**40,626**	62,101
Work in progress	**17,076**	39,759
Finished goods	**29,763**	186,998
	87,465	288,858

Included in raw materials are precious woods of HK$38,588,000 (2015: HK$59,080,000) which are ready for trading.

27. TRADE AND OTHER RECEIVABLES

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

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

27. TRADE AND OTHER RECEIVABLES *(Continued)*

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

	2016 HK$'000	2015 HK$'000
At 1 April	**13,527**	41,510
Add: Impairment loss recognised *(Note 10)*	**20,760**	9,221
Less: Written off	**–**	(37,251)
Exchange differences	**(483)**	47
At 31 March	**33,804**	13,527

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

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

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

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

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

27. TRADE AND OTHER RECEIVABLES *(Continued)*

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

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

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

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

An advance to a third party of HK$65,754,000 was included in the loan receivables, and was made on 1 August 2015. It is unsecured, bearing interest at the rate of 14% per annum and is repayable on or before 31 August 2016.

28. AMOUNTS DUE FROM NON-CONTROLLING SHAREHOLDERS OF SUBSIDIARIES AND AMOUNTS DUE FROM ASSOCIATES

Amounts due from non-controlling shareholders of subsidiaries and amounts due from associates are unsecured, interest-free and repayable on demand.

29. PLEDGED DEPOSITS AND RESTRICTED CASH

	2016 HK$'000	2015 HK$'000
Pledged deposits for banking facilities	**–**	134,040

The amounts represented cash deposited in bank as pledged deposits for the borrowings granted by the bank (Note 34(i)).

30. CASH AND CASH EQUIVALENTS

	2016 HK$'000	2015 HK$'000
Cash and bank balances	**116,225**	298,458

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 earned interest at the respective short-term time deposit rates.

31. TRADE AND OTHER PAYABLES

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

Note:

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

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

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

31. TRADE AND OTHER PAYABLES *(Continued)*

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

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

32. PROMISSORY NOTE

The movement on the promissory note during the years ended 31 March 2016 and 2015 are as follows:

	2016 HK$'000	2015 HK$'000
Carrying value as at 1 April	302,345	297,876
Interest expense *(Note 9)*	4,547	4,469
Carrying value as at 31 March	306,892	302,345

On 9 February 2010, the Company issued HK$280,000,000 promissory note to China Alliance International Holding Group Limited ("China Alliance") in connection with the acquisition of 100% equity interest of the Yichang Group pursuant to the shares purchase agreement dated 9 May 2009 (the "SPA").

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 note was HK$233,482,000 as at the issue date, based on the professional valuation performed by the Valuer. The effective interest rate of the promissory note is determined to be 11.82% per annum.

During the year ended 31 March 2011, the Group defaulted on repayment of the principal and interest. Pursuant to the promissory note agreement, the promissory note holder is entitled to demand immediate repayment of any outstanding principal and accrued interest. As a result, the carrying amount of promissory note plus accrued interest of HK$285 million was classified under current liabilities since 31 March 2011.

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 2016, the cumulative default interest of HK$209,822,000 (2015: HK$154,496,000) was accrued under other payables and accruals (Note 31).

33. DEFERRED GOVERNMENT GRANTS

	2016 HK$'000	2015 HK$'000
At 1 April	2,548	5,071
Credited to other income and other gains or losses	(2,463)	(2,538)
Exchange difference	(85)	15
At 31 March	–	2,548

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 was commenced during the year ended 31 March 2014 as production has commenced.

34. BORROWINGS

	2016 HK$'000	2015 HK$'000
Bank borrowing	11,429,309	12,399,285
Other borrowing	643,277	1,201,304
	12,072,586	13,600,589

At 31 March 2016, borrowings of the Group were repayable as follows:

	2016 HK$'000	2015 HK$'000
Within 1 year or on demand	843,578	1,865,877
After 1 year but within 2 years	626,157	558,353
After 2 years but within 5 years	573,952	476,677
After 5 years	10,028,899	10,699,682
	11,229,008	11,734,712
	12,072,586	13,600,589

34. BORROWINGS *(Continued)*

At 31 March 2016, borrowings of the Group were secured as follows:

	Notes	2016 HK$'000	2015 HK$'000
Secured	*(i)*	**11,137,942**	12,475,157
Unsecured	*(ii), (iii)*	**934,644**	1,125,432
		12,072,586	13,600,589

Notes:

(i) At 31 March 2016, the secured borrowings of the Group were secured by (a) Zhunxing's receivables rights of toll income of the Zhunxing Expressway; (b) the Group's equity interests in 內蒙古博源新型能源有限公司 with the carrying amount of HK$45,563,000 (recognised as available-for-sale investments of the Group (Note 25)); (c) the equity interests of the Project Company as defined in Note 41 and (d) the equity interests of Zhunxing.

The borrowings of the Group were also guaranteed by (a) the Company; (b) a non-controlling shareholder of Zhunxing and (c) a director of the Company and his spouse.

At 31 March 2015, the secured borrowings of the Group were secured by (a) Zhunxing's receivables rights of toll income of the Zhunxing Expressway; (b) the Group's equity interests in 國開瑞明(北京)投資基金有限公司 and 內蒙古博源新型能源有限公司 with the aggregate carrying amount of HK$111,279,000 (both recognised as available-for-sale investments of the Group (Note 25)); (c) the equity interests of the Project Company; (d) petroleum storage tanks with a capacity of 80,000 m^3 of Dapeng (defined in Note 15(b)) located in Zhanjiang, the Guangdong Province, the PRC, with a carrying amount of HK$62,932,000 under furniture, machinery and equipment (Note 16); (e) Dapeng's investment property located in Guangzhou, the Guangdong Province, the PRC, with a carrying amount of HK$124,271,000 (Note 15) and (f) pledged deposits of HK$134,040,000 (Note 29).

The borrowings of the Group were guaranteed by (a) the Company and (b) a non-controlling shareholder of Zhunxing.

(ii) At 31 March 2016, unsecured borrowings of the Group were guaranteed by (a) the Company; (b) a director of the Company; (c) the wholly-owned subsidiaries of the Company and (d) the director of the wholly-owned subsidiary.

At 31 March 2015, unsecured borrowings of the Group were guaranteed by (a) the Company and (b) a director of the Company.

(iii) At 31 March 2014, unsecured borrowings of the Group 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 the Zhunxing Expressway (the "Financing Arrangement") (see Note 41 for details). Details of the Financing Arrangement are also 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 was measured at amortised cost at an imputed interest rate of 11.7% per annum. The loan liability has been settled upon the reacquisition of the Project Company during the year ended 31 March 2015.

(iv) The Group's available banking facilities as at 31 March 2016 amounted to approximately HK$12,769,821,000 (2015: HK$17,172,317,000), out of which HK$12,072,586,000 (2015: HK$13,600,589,000) has been utilised.

35. DEFERRED TAX LIABILITIES

The components of deferred tax liabilities recognised in the consolidated statement of financial position and the movements during the current and prior years were as follows:

	Revaluation of property, plant and equipment HK$'000	**Revaluation of investment properties** HK$'000	**Customer relationships** HK$'000	**Total** HK$'000
At 1 April 2014	6,553	3,143	–	9,696
Recognised in business combinations *(Note 44)*	10,313	1,240	38,850	50,403
Charged to other comprehensive income	830	–	–	830
Credited to profit or loss	(546)	(966)	(1,298)	(2,810)
At 31 March 2015	17,150	3,417	37,552	58,119
Disposal of subsidiaries *(Note 45)*	(15,314)	(1,635)	(28,416)	(45,365)
Exchange difference	(139)	(14)	(603)	(756)
Credited to profit or loss	(352)	87	(922)	(1,187)
At 31 March 2016	1,345	1,855	7,611	10,811

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$171,115,000 (2015: HK$384,945,000) to be carried forward for offset against future taxable income which included tax losses of HK$141,054,000 (2015: HK$348,495,000) 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.

36. CONVERTIBLE BONDS

(a) Description of convertible bonds

	CB2014	CB2015	CB2016A	CB2016B	CB2016C	CB2017	CB2018
Issue dates	28 September 2011	3 September 2013 and 12 February 2014	22 October 2013, 26 November 2013 and 28 November 2013	10 February 2015	10 February 2015	3 October 2014	10 February 2015
Principal amounts as at 1 April 2014	HK$600,000,000	HK$2,584,000,000	HK$1,500,000,000	–	–	–	–
Principal amounts issued during the year	–	–	–	HK$992,000,000	HK$1,500,000,000	HK$600,000,000	HK$700,000,000
Principal amounts settled during the year	HK$600,000,000, set-off with the issue of CB2017 of the same principal amount	HK$992,000,000, set-off with the issue of CB2016B of the same principal amount	HK$1,500,000,000, set-off with the issue of CB2016C of the same principal amount	–	–	HK$600,000,000, set-off with the issue of CB2018 of the same principal amount	–
Principal amounts as at 31 March 2015 and 1 April 2015	–	HK$1,592,000,000	–	HK$992,000,000	HK$1,500,000,000	–	HK$700,000,000
Principal amounts settled during the year	–	HK$1,592,000,000, set-off with the issue of non-convertible debt securities of the same principal amount	–	HK$160,000,000 settled by consideration of HK$159,795,000	–	–	–
Principal amounts as at 31 March 2016	–	–	–	HK$832,000,000	HK$1,500,000,000	–	HK$700,000,000
Maturity date	29 September 2014	3 September 2015	24 October 2016	10 February 2016	24 October 2016	3 October 2017	12 February 2018
Interest rates *(Note (i))*	9%	9%	9%	9%	9%	9%	9%
Conversion price per share *(Note (ii))*	HK$0.40	HK$0.30 *(Note (iii))*	HK$0.37	HK$1.07 *(Note (vi) & (vii))*	HK$1.07 *(Note (vi) & (vii))*	HK$0.40	HK$1.07 *(Note (vi) & (vii))*
Mandatory conversion option	The Company can require the bondholders to convert at HK$0.40 per 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.	The Company can require the bondholders to convert at HK$0.30 per share when the share price is higher than HK$0.60 for 60 consecutive trading days. The embedded mandatory conversion option is included in the equity component.	N/A	N/A	N/A	The Company can require the bondholders to convert at HK$0.40 per 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.	N/A

36. CONVERTIBLE BONDS *(Continued)*

(a) Description of convertible bonds *(Continued)*

	CB2014	CB2015	CB2016A	CB2016B	CB2016C	CB2017	CB2018
Embedded derivative financial instruments *(Note (iv))*	N/A	N/A	If 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 CB2016A as at the maturity date will be payable by the Company on the maturity date (the "Repayment Adjustment 2016A").	N/A	If the market price of the Company's shares is higher than HK$2.14 for 15 consecutive trading days, a repayment premium of 100% of the outstanding principal amount of CB2016C as at the maturity date will be payable by the Company on the maturity date (the "Repayment Adjustment 2016C").	N/A	N/A
Effective interest rate at initial recognition *(Note (v))*	19.83%	17%	17%	10.99%	11.3%	11.66%	11.89%

Notes:

(i) Interests are payable by the Company annually in arrears, upon conversion or redemption.

(ii) Conversion prices are subject to normal adjustments pursuant to the terms and conditions of the convertible bonds. The bondholders can convert at the respective conversion price at any time from issuance of the convertible bonds until maturity.

(iii) As a result of the issuance of CB2016B, CB2016C and CB2018, the conversion price of the remaining outstanding CB2015 has be adjusted from HK$0.32 per share to HK$0.30 per share pursuant to the terms and conditions of CB2015 with effect from 10 February 2015.

(iv) Repayment Adjustment 2016A and Repayment Adjustment 2016C (collectively the "Repayment Adjustments") are embedded derivatives and are recognised as derivative financial instruments at fair value by Monte Carlo model at the time of issue of the respective convertible bonds and subsequently measured at fair value at the end of each of the reporting periods in accordance with the Group's accounting policy on embedded derivatives (Note 4(r)(iii)). All valuations of fair values of Repayment Adjustments are performed independently by the Valuer.

The market price mentioned herein represented the closing prices published in the Stock Exchange Daily Quotations Sheet for one share for 60 consecutive trading days.

(v) At issuing dates, the Company determined the fair value of liability component based on the valuation performed by the Valuer using discounted cash flow approach. The residual amount was assigned as the equity component and was included in the convertible bonds reserve of the Company and the Group. The liability component is carried at amortised cost until extinguished on conversion or redemption.

(vi) Subject to and forthwith upon the Share Consolidation (as defined in Note 39(b)(i)) taking effect, the conversion price of the CB2016B, CB2016C and CB2018 has been adjusted from HK$0.20 per share to HK$4.00 per share with effect from 5 November 2015.

(vii) Subject to and forthwith upon the Rights Issue (as defined in Note 39(b)(iii)) taking effect, the conversion price of the CB2016B, CB2016C and CB2018 has been adjusted from HK$4.00 per share to HK$1.07 per share with effect from 9 December 2015.

36. CONVERTIBLE BONDS *(Continued)*

(b) Movement of convertible bonds

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

	Liability component HK$'000	Derivative financial instrument HK$'000	Equity component HK$'000	Total HK$'000
CB2014				
At 1 April 2014	606,337	–	137,276	743,613
Interest expense	60,942	–	–	60,942
Interest paid	(55,036)	–	–	(55,036)
Settlement of convertible bond *(Note (i))*	(612,243)	–	(137,276)	(749,519)
At 31 March 2015 and 2016	–	–	–	–
CB2015				
At 1 April 2014	2,453,583	–	311,925	2,765,508
Interest expense	394,799	–	–	394,799
Interest paid	(247,730)	–	–	(247,730)
Settlement of convertible bonds *(Note (ii))*	(959,140)	–	(110,032)	(1,069,172)
At 31 March 2015 and 1 April 2015	1,641,512	–	201,893	1,843,405
Interest expense	118,504	–	–	118,504
Interest paid	(143,280)	–	–	(143,280)
Settlement of convertible bond *(Note (ii))*	(1,616,736)	–	(201,893)	(1,818,629)
At 31 March 2016	–	–	–	–
CB2016A				
At 1 April 2014	1,320,648	124,896	106,403	1,551,947
Interest expense	193,755	–	–	193,755
Interest paid	(168,903)	–	–	(168,903)
Changes in fair value of derivative financial instruments	–	(118,996)	–	(118,996)
Settlement of convertible bond *(Note (iii))*	(1,345,500)	(5,900)	(106,403)	(1,457,803)
At 31 March 2015 and 2016	–	–	–	–

36. CONVERTIBLE BONDS *(Continued)*

(b) Movement of convertible bonds *(Continued)*

	Liability component HK$'000	**Derivative financial instrument** HK$'000	**Equity component** HK$'000	**Total** HK$'000
CB2016B				
At 1 April 2014	–	–	–	–
Issue of convertible bond	974,214	–	123,532	1,097,746
Interest expense	14,373	–	–	14,373
At 31 March 2015	988,587	–	123,532	1,112,119
Interest expense	90,611	–	–	90,611
Interest paid	(84,869)	–	–	(84,869)
Settlement of convertible bonds *(Note (iv))*	(159,449)	–	(19,924)	(179,373)
At 31 March 2016	834,880	–	103,608	938,488
CB2016C				
At 1 April 2014	–	–	–	–
Issue of convertible bond	1,450,305	49,510	243,257	1,743,072
Interest expense	22,001	–	–	22,001
Changes in fair value of derivative financial instruments	–	(23,087)	–	(23,087)
At 31 March 2015	1,472,306	26,423	243,257	1,741,986
Interest expense	183,085	–	–	183,085
Interest paid	(72,197)	–	–	(72,197)
Changes in fair value of derivative financial instruments	–	(26,423)	–	(26,423)
At 31 March 2016	1,583,194	–	243,257	1,826,451
CB2017				
At 1 April 2014	–	–	–	–
Issue of convertible bond	561,442	–	40,997	602,439
Interest expense	23,316	–	–	23,316
Interest paid	(19,233)	–	–	(19,233)
Settlement of convertible bond *(Note (v))*	(565,525)	–	(40,997)	(606,522)
At 31 March 2015 and 2016	–	–	–	–

36. CONVERTIBLE BONDS *(Continued)*

(b) Movement of convertible bonds *(Continued)*

	Liability component HK$'000	Derivative financial instrument HK$'000	Equity component HK$'000	Total HK$'000
CB2018				
At 1 April 2014	–	–	–	–
Issue of convertible bond	651,319	–	48,681	700,000
Interest expense	10,396	–	–	10,396
At 31 March 2015	661,715	–	48,681	710,396
Interest expense	110,064	–	–	110,064
At 31 March 2016	771,779	–	48,681	820,460
Total				
At 31 March 2016	3,189,853	–	395,546	3,585,399
At 31 March 2015	4,764,120	26,423	617,363	5,407,906
Represented by:				
At 31 March 2016				
Current portion	3,189,853	–		3,189,853
Non-current portion	–	–		–
	3,189,853	–		3,189,853
At 31 March 2015				
Current portion	2,630,099	–		2,630,099
Non-current portion	2,134,021	26,423		2,160,444
	4,764,120	26,423		4,790,543

36. CONVERTIBLE BONDS *(Continued)*

(b) Movement of convertible bonds *(Continued)*

Notes:

(i) Settlement of CB2014

In October 2014, CB2017 issued to a subscriber (which is bondholder of CB2014) with aggregate principal amount of HK$600 million were used to set off their CB2014 of the same principal amount. This settlement of the outstanding CB2014 resulted in the settlement of equity component of HK$137,276,000, settlement of debt component of HK$612,243,000 and a gain on settlement of debt component of HK$50,801,000 which had been recognised in profit or loss during the year ended 31 March 2015.

(ii) Settlement of CB2015

On 10 February 2015, CB2016B issued to several subscribers (which are bondholders of CB2015) with aggregate principal amount of HK$992 million were used to set off their CB2015 of the same principal amount. This partial settlement of CB2015 resulted in the settlement of equity component of HK$110,032,000, settlement of debt component of HK$959,140,000 and a loss on settlement of debt component of HK$15,074,000 which had been recognised in profit or loss during the year ended 31 March 2015.

During the year ended 31 March 2016, the entire CB2015 with principal amount of HK$1,592,000,000 has been derecognised, as a result of the below convertible bonds deferral arrangements:

(a) HK$1,400,000,000 was deferred pursuant to the extension letters dated 14 August 2015 entered into between the Company and the relevant bondholders that HK$400,000,000 of which will become due on 3 December 2015, HK$500,000,000 of which will become due on 3 March 2016, and HK$500,000,000 of which will become due on 3 September 2016; and

(b) HK$192,000,000 was deferred pursuant to the extension letters dated 28 August 2015 entered into between the Company and the relevant bondholder that the entire principal amount of HK$192,000,000 will become due on 31 December 2015.

All of the above bondholders in (a) and (b) have unconditionally and irrevocably waived their conversion rights attached to their respective bonds with effect from the original maturity date (i.e. 3 September 2015) (the defer of maturity dates and waive of conversion rights mentioned above are collectively referred to as the "CB2015 Extension Arrangement"). Save for the changes above mentioned, the terms and conditions of such bonds remain unchanged. The directors of the Company determine that the CB2015 Extension Arrangement is a substantial modification to the terms of the original CB2015 and thus derecognised such CB2015 and recognised the non-convertible debt securities as a new financial liability on 3 September 2015 (Note 37).

The above CB2015 Extension Arrangement resulted in the settlement of equity component of HK$201,893,000, settlement of debt component of HK$1,616,736,000 and a gain on settlement of debt component of HK$38,182,000 which was recognised in profit or loss during the year ended 31 March 2016.

(iii) Settlement of CB2016A

On 10 February 2015, CB2016C issued to two subscribers (which are bondholders of CB2016A) with aggregate principal amount of HK$1,500 million were used to set off their CB2016A of the same principal amount. This settlement of CB2016A resulted in the settlement of equity component of HK$106,403,000, settlement of debt component of HK$1,351,400,000 and a loss on settlement of debt component of HK$104,805,000 and a loss on settlement of derivative of HK$43,610,000 which had been recognised in profit or loss during the year ended 31 March 2015.

(iv) Partial settlement of CB2016B

On 28 December 2015, the Company redeemed partial of CB2016B with principal amount of HK$160,000,000 with a consideration of HK$159,795,000. As a result, a loss of HK$346,000 was recognised in the profit or loss during the year ended 31 March 2016. Upon the redemption of partial of CB2016B, the value of the equity component of HK$19,924,000 was released to accumulated losses.

36. CONVERTIBLE BONDS *(Continued)*

(b) Movement of convertible bonds *(Continued)*

Notes: (Continued)

(v) Settlement of CB2017

On 10 February 2015, out of the aggregate principal amount of HK$700 million, HK$600 million of the principal amount of CB2018 issued to the subscriber (which is bondholder of CB2017) were used to set off their CB2017 of the same principal amount (i.e. HK$600 million). This settlement of CB2017 resulted in the settlement of equity component of HK$40,997,000, settlement of debt component of HK$565,525,000 and a gain on settlement of debt component of HK$7,251,000 which had been recognised in profit or loss during the year ended 31 March 2015.

(vi) Event of default

The Group is due to repay CB2016B with a principal amount of HK$832 million on 10 February 2016 and the aggregate interests amounted to HK$65.8 million due under CB2016B and CB2018 on 10 February 2016 and 19 February 2016 respectively. Accordingly, an accrued default interest of HK$5,816,000 was charged during the year ended 31 March 2016. Prior to 10 February 2016, the Group and the relevant bondholders entered into discussions regarding the re-borrowing of the principal amount under CB2016B and the rescheduling of all interest payments on CB2016B and CB2018 (the "Discussions"). On 25 April 2016, the Company made partial interest payments amounted to HK$9.4 million to the relevant bondholders based on the Discussions. The Company continues to maintain regular and constructive Discussions with the relevant bondholders.

The Group is also due to pay an aggregate interests amounted to HK$63.0 million due under CB2016C on 19 February 2016. On 25 April 2016, the Company made partial interest payments amounted to HK$9.0 million to the holders of CB2016C. The Company is in discussion with the two holders of CB2016C on the potential restructuring of the said bonds. Pursuant to the amendment agreement dated 13 June 2016 entered by the Company and a bondholder of CB2016C in respect of the HK$700 million convertible bonds, the maturity date and the conversion right were extended from 24 October 2016 to 24 January 2017 and the conversion price was reset at HK$ 0.20 per share, subject to the approvals by the Shareholders and the Stock Exchange as set out in the circular dated 29 June 2016 of the Company.

As stipulated in the terms and conditions of CB2016C and CB2018, with principal amounts of HK$1,500,000,000 and HK$700,000,000 which have maturity dated 24 October 2016 and 10 February 2018 respectively, failure to repay any debts and/or relevant interest leading to default or giving rise to an event of default of the Group's debts may result in cross-default of CB2016C and CB2018. As a result of the above potential cross-default events, the carrying amount of debt component of CB2018 of HK$771,779,000 have been reclassified as current liabilities as at 31 March 2016. CB2016C are all due for repayment within one year as at 31 March 2016 and therefore no reclassification is necessary. CB2016C and CB2018 would be immediately repayable if requested by the respective holders.

As at 31 March 2016, the carrying amount of debt component of the convertible bonds after the default event and/or the cross-default event taking effect are as below:

	Principal amounts HK$'000	**Interests** HK$'000	**Carrying amounts** HK$'000
CB2016B	832,000	2,880	834,880
CB2016C	1,500,000	83,194	1,583,194
CB2018	700,000	71,779	771,779

(vii) Conversion of convertible bonds

There were no conversions of convertible bonds during the years ended 31 March 2016 and 2015.

37. NON-CONVERTIBLE DEBT SECURITIES

(a) Description of non-convertible debt securities

Non-convertible debt securities were recognised as a result of the CB2015 Extension Arrangement (Note 36 (b)(ii)). Details of the non-convertible debt securities are as below.

Definition	Debt 1a	Debt 1b	Debt 1c	Debt 2a	Debt 2b
Issue dates	3 September 2015	3 September 2015	3 September 2015	3 September 2015	3 September 2015
Principal amounts as at 31 March 2016	HK$400,000,000	HK$500,000,000	HK$500,000,000	HK$160,000,000	HK$32,000,000
Maturity date	3 December 2015	3 March 2016	3 September 2016	31 December 2015	31 December 2015
Interest rates *(Note (i))*	9%	9%	9%	9%	9%
Effective interest rate at initial recognition	10.74%	10.74%	10.74%	10.69%	10.69%

Notes:

(i) Interests are payable by the Company annually in arrears.

(ii) At initial recognition date, the Company determined the fair value of the non-convertible debt securities based on the valuation performed by the Valuer using discounted cash flow approach.

(iii) Mr. Cao Zhong has provided the holders of Debt 1a, Debt 1b, Debt 1c and Debt 2a his personal guarantee as to the due performance of all the obligations of the respective debt securities.

(b) The movement of non-convertible debt securities

The movement on the non-convertible debt securities during the year is as follows:

	Debt 1a HK$'000	Debt 1b HK$'000	Debt 1c HK$'000	Debt 2a HK$'000	Debt 2b HK$'000	Total HK$'000
At 1 April 2014 and 31 March 2015	–	–	–	–	–	–
Recognised from convertible bonds	398,701	496,517	492,144	159,327	31,865	1,578,554
Interest expense	10,282	25,983	33,759	4,433	1,073	75,530
Early redemption *(Note i)*	–	–	–	(163,760)	–	(163,760)
Settlement on maturity date *(Note ii)*	(408,983)	–	–	–	(32,938)	(441,921)
At 31 March 2016	–	522,500	525,903	–	–	1,048,403

37. NON-CONVERTIBLE DEBT SECURITIES *(Continued)*

(b) The movement of non-convertible debt securities *(Continued)*

Notes:

(i) On 10 December 2015, the Company redeemed Debt 2a with principal amount of HK$160,000,000 with a consideration of HK$163,906,000. As a result, a loss of HK$146,000 was recognised to the profit or loss during the year ended 31 March 2016.

(ii) The Company redeemed Debt 1a and Debt 2b with principal amount of HK$400,000,000 and HK$32,000,000 on respective mature date, respectively.

(iii) The Group is due to repay debt 1b with a principle amount of HK$500 million and the interest of HK$22.5 million on 3 March 2016. Accordingly, an accrued default interest of HK$1,981,000 was charged during the year ended 31 March 2016. Since 1 March 2016, the Group and the relevant debt holders have entered into initial negotiations regarding the restructuring of outstanding debts (the "Negotiations"). On 25 April 2016, the Company made partial interest payments amounted to HK$3.2 million to the relevant debt holders based on the Negotiations. The Company continues to maintain regular and constructive Negotiations with the relevant debt holders.

As stipulated in the terms and conditions of debt 1c, with principal amounts of HK$500,000,000 which have maturity dated 3 September 2016, failure to repay any debts and/or relevant interest leading to default or giving rise to an event of default of the Group's debts may result in cross-default of debt 1c. Debt 1c are all due for repayment within one year as at 31 March 2016 and therefore no reclassification is necessary. Debt 1c would be immediately repayable if requested by the respective holders.

As at 31 March 2016, the carrying amount of the non-convertible debt securities after the default event and/or the cross-default event taking effect are as below:

	Principal amounts HK$'000	**Interests** HK$'000	**Carrying amounts** HK$'000
Debt 1b	500,000	22,500	522,500
Debt 1c	500,000	25,903	525,903

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

In March 2016, the Group entered into sale and purchase agreement for the disposal of the entire interest in 寧波中油石油銷售有限公司 ("Ningbo Zhongyou"). The disposal is expected to be completed within twelve months after the end of reporting period. The following major classes of assets and liabilities relating to this operation have been classified as held for sale in the consolidated statement of financial position.

	HK$'000
Property, plant and equipment	89
Trade and other receivables	46,107
Amount due from a non-controlling shareholder of a subsidiary	11,631
Cash and bank balances	304
	58,131
Less: Impairment	(89)
	58,042
Trade and other payables	(40,364)

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

In accordance with HKFRS 5 the assets and liabilities of the disposal group have been written down to their fair value less costs to sell of HK$Nil. This is a non-recurring fair value measurement.

An impairment loss of HK$89,000 has been recognised in other income and other gains and losses on the measurement of the disposal group to fair value less costs to sell. Impairment losses of HK$89,000 have been fully allocated to the property, plant and equipment of the disposal group.

The division does not constitute a discontinued operation as it does not represent a major line of business or geographical area of operation.

39. SHARE CAPITAL

	Notes	**Number of shares** '000	**Amount** HK$'000
Authorised:			
As at 1 April 2014, ordinary shares of HK$0.01 each		50,000,000	500,000
Increased in Authorised Share Capital 2015	*(a)*	20,000,000	200,000
As at 31 March 2015 and 1 April 2015, ordinary shares of HK$0.01 each		70,000,000	700,000
Share Consolidation	*(b)(i)*	(66,500,000)	–
Increased in Authorised Share Capital 2016	*(b)(ii)*	11,500,000	2,300,000
As at 31 March 2016, ordinary shares of HK$0.20 each		15,000,000	3,000,000
Issued and fully paid:			
As at 1 April 2014, ordinary shares of HK$0.01 each		27,174,784	271,748
Purchase of own shares for cancellation	*(c)*	(165,200)	(1,652)
As at 31 March 2015 and 1 April 2015, ordinary shares of HK$0.01 each		27,009,584	270,096
Share Consolidation	*(b)(i)*	(25,659,105)	–
Issue of shares upon Rights Issue	*(b)(iii)*	5,401,917	1,080,383
As at 31 March 2016, ordinary shares of HK$0.20 each		6,752,396	1,350,479

39. SHARE CAPITAL *(Continued)*

Notes:

(a) Pursuant to an ordinary resolution passed at the extraordinary general meeting of the Company held on 28 January 2015, the authorised share capital of the Company was increased from HK$500,000,000 divided into 50,000,000,000 shares of HK$0.01 each, to HK$700,000,000 by the creation of an additional 20,000,000,000 new shares (the "Increase in Authorised Share Capital 2015").

(b) A ordinary resolution was passed at the extraordinary general meeting of the Company held on 4 November 2015 approving the capital reorganisation on the basis that:

(i) Every twenty issued and unissued share of HK$0.01 each in the share capital of the Company be consolidated into one share of HK$0.20 (the "Share Consolidation") which effected on 5 November 2015. Following the implementation of the Share Consolidation, the Company's authorised share capital becomes HK$700,000,000 divided into 3,500,000,000 shares of HK$0.20 each, and its issued share capital becomes HK$270,095,839 divided into 1,350,479,194 shares of HK$0.20 each.

(ii) Subject to and forthwith upon the Share Consolidation taking effect, the authorised share capital of the Company was increased from HK$700,000,000 divided into 3,500,000,000 shares of HK$0.20 each, to HK$3,000,000,000 by the creation of an additional 11,500,000,000 new shares (the "Increase in Authorised Share Capital 2016).

(iii) Subject to and forthwith upon the Share Consolidation and Increase in Authorised Share Capital 2016 taking effect, the Company issued 5,401,916,776 new ordinary shares under rights issue at an issue price of HK$0.20 per share on the basis of four shares for every one ordinary share (the "Rights Issue"). The rights issue was completed on 9 December 2015 and the Company raised gross proceeds of approximately HK$1,080,383,000 before deduction of incidental share issuance expenses.

(c) During the year ended 31 March 2015, 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
July 2014	36,000	0.325	0.320	11,545
August 2014	129,200	0.325	0.310	41,142
	165,200			52,687

The repurchased shares were cancelled during the year ended 31 March 2015 and accordingly the issued share capital of the Company was reduced by the nominal value of the ordinary shares repurchased.

40. EQUITY-SETTLED SHARE-BASED PAYMENT

The Share Option Scheme adopted on 16 July 2004 (the "Old Scheme") shall remain in force for 10 years from the adoption date unless otherwise terminated or amended. No further options can be granted under the Old Scheme; howsoever, the options granted under the Old Scheme before 15 July 2014 remains exercisable.

A new share option scheme of the Company was adopted on 28 August 2014 (the "New Scheme") pursuant to the approval by the shareholders of the Company at the annual general meeting held on 28 August 2014. The New Scheme shall remain in force for 10 years from the adoption date unless otherwise terminated or amended.

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

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

Movements in the number of share options outstanding and their exercise prices are as follows:

For the year ended 31 March 2016

	Weighted average exercise price HK$	**Directors '000**	**Employees '000**	**Total '000**
Outstanding at the beginning of the year	**0.45**	**99,000**	**247,500**	**346,500**
Adjustments arising from Share Consolidation and Rights Issue	**3.60**	**(88,000)**	**(220,000)**	**(308,000)**
Outstanding at the end of the year	**4.05**	**11,000**	**27,500**	**38,500**

For the year ended 31 March 2015

	Weighted average exercise price HK$	Directors '000	Employees '000	Total '000
Outstanding at the beginning of the year	0.45	99,000	251,500	350,500
Lapsed during the year	0.45	–	(4,000)	(4,000)
Outstanding at the end of the year	0.45	99,000	247,500	346,500

The exercise price of the above equity-settled share options during the year is HK$4.05 (2015: HK$0.45) per share. These share options vested immediately at the date of grant and are valid up to 15 October 2018. No share options were exercised during the year (2015: Nil). No share options were lapsed during the year. The share options lapsed during the year ended 31 March 2015 were attributable to the resignation of the relevant employees in that year.

41. 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 equity interests of 內蒙古准興高速服務區管理責任有限公司 (the "Project Company") which holds the development and operating rights to the petrol and gas stations in the service areas of the Zhunxing Expressway 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.

The arrangement was accounted as financing from Join Gain for the construction of petrol and gas stations in the service areas of Zhunxing Expressway and it is not a disposal of the operating rights as the repurchase of the Project Company is almost certain to be exercised. Zhunxing will operate the petrol and gas stations together with the expressway under the terms of the service concession arrangements with the local government.

The conditional warrants issued was considered as the return to Joint Gain on the financing and recognised approximately HK$21.6 million as warrant reserve at 31 March 2014 accordingly.

In addition, Zhunxing repurchased the Project Company during the year ended 31 March 2015 and construction costs incurred for petrol and gas stations in the services areas of Zhunxing Expressway of HK$134 million (2015: HK$134 million) was included under constructions in progress (Note 16) as at 31 March 2016.

Details of conditional warrants 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

Subject to and forthwith upon the Share Consolidation taking effect, the subscription price of the warrants has been adjusted from HK$0.48 per share to HK$9.60 per share with effect from 5 November 2015. There is no change of subscription price upon Rights Issue.

Movement of the conditional warrants during the year ended 31 March 2016 is as follow:

	2016	2015
	'000	'000
At 1 April	**2,000,000**	2,000,000
Expired during the year	**(2,000,000)**	–
At 31 March	**–**	2,000,000

No conditional warrants were exercised during the years ended 31 March 2016 and 2015.

42. STATEMENT OF FINANCIAL POSITION

As at 31 March 2016

	Notes	2016 HK$'000	2015 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		288	1,399
Interests in subsidiaries		4,993,918	6,365,044
Available-for-sale investments		28,737	258,500
TOTAL NON-CURRENT ASSETS		5,022,943	6,624,943
CURRENT ASSETS			
Trade and other receivables		43,404	3,551
Cash and cash equivalents		55,306	2,535
TOTAL CURRENT ASSETS		98,710	6,086
CURRENT LIABILITIES			
Trade and other payables		309,828	246,086
Promissory note		306,892	302,345
Convertible bonds		3,189,853	2,630,099
Non-convertible debt securities		1,048,403	–
TOTAL CURRENT LIABILITIES		4,854,976	3,178,530
NET CURRENT LIABILITIES		(4,756,266)	(3,172,444)
TOTAL ASSETS LESS CURRENT LIABILITIES		266,677	3,452,499
NON-CURRENT LIABILITY			
Convertible bonds		–	2,160,444
TOTAL NON-CURRENT LIABILITY		–	2,160,444
NET ASSETS		266,677	1,292,055
CAPITAL AND RESERVES			
Share capital	39	1,350,479	270,096
Reserves	43	(1,083,802)	1,021,959
TOTAL EQUITY		266,677	1,292,055

On behalf of the Board

Mr. Cao Zhong
Director

Mr. Tsang Kam Ching, David
Director

43. COMPANY'S RESERVE

	Share premium HK$'000	Share options reserve HK$'000 *(Note (i))*	Capital redemption reserve HK$'000	Available for-sale financial assets reserve HK$'000 *(Note (ii))*	Contributed surplus HK$'000 *(Note (iii))*	Convertible bonds reserve HK$'000 *(Note (iv))*	Accumulated losses HK$'000	Total HK$'000
At 1 April 2014	1,980,606	31,370	3,800	35,728	64,314	555,604	(706,770)	1,964,652
Loss for the year	–	–	–	–	–	–	(843,516)	(843,516)
Net movements in fair value for available-for-sale investments	–	–	–	(55,000)	–	–	–	(55,000)
Total comprehensive income for the year	–	–	–	(55,000)	–	–	(843,516)	(898,516)
Purchase of own shares for cancellation *(Note 39)*	(51,035)	–	–	–	–	–	–	(51,035)
Expense for purchase of own shares for cancellation	(96)	–	–	–	–	–	–	(96)
Lapse of share options *(Note 40)*	–	(358)	–	–	–	–	358	–
Issue of convertible bonds *(Note 36)*	–	–	–	–	–	6,954	–	6,954
Change in equity component arising from exchange in convertible bonds *(Note 36)*	–	–	–	–	–	54,805	(54,805)	–
At 31 March 2015 and 1 April 2015	1,929,475	31,012	3,800	(19,272)	64,314	617,363	(1,604,733)	1,021,959
Loss for the year	–	–	–	–	–	–	(2,084,227)	(2,084,227)
Net movements in fair value for available-for-sale investments	–	–	–	11,822	–	–	–	11,822
Total comprehensive income for the year	–	–	–	11,822	–	–	(2,084,227)	(2,072,405)
Rights issue *(Note 39)*	(33,356)	–	–	–	–	–	–	(33,356)
Settlement of convertible bonds *(Note 36)*	–	–	–	–	–	(221,817)	221,817	–
At 31 March 2016	1,896,119	31,012	3,800	(7,450)	64,314	395,546	(3,467,143)	(1,083,802)

43. COMPANY'S RESERVE *(Continued)*

Notes:

(i) The share options reserve represents the cumulative expenses recognised on the granting of share options during the reporting period.

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

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

(iv) 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 4(r)(iii).

44. BUSINESS COMBINATIONS

(a) Dapeng and 廣東金晶能源股份有限公司 ("Jinjing")

On 31 July 2014, the Group acquired petroleum and related products trading and storage business in the PRC through the acquisitions of (i) 70% of the equity interests of Dapeng and (ii) 65% of the equity interests of Jinjing together with an investment property. These acquisitions were made with the aims to expand the Group's existing scale of operations and enlarge the Group's market presence in the petroleum and related products business segment.

The fair values of identifiable assets and liabilities of Dapeng and Jinjing as at the date of acquisitions were:

	HK$'000
The fair value of consideration paid:	
– Cash	24,497
Less: Fair value of identifiable assets and liabilities of Dapeng and Jinjing as at the date of acquisitions:	
– Property, plant and equipment	96,904
– Investment property	121,857
– Amount due from a group company	24,497
– Customer relationships intangible assets	155,399
– Borrowing	(590,440)
– Deferred tax liabilities	(48,863)
	(240,646)
Add: Non-controlling interests	(69,644)
Goodwill	195,499

44. BUSINESS COMBINATIONS *(Continued)*

(a) Dapeng and 廣東金晶能源股份有限公司 ("Jinjing") *(Continued)*

Cash flows in the acquisitions of Dapeng and Jinjing:

	HK$'000
Cash consideration paid	(24,497)
Less: cash and cash equivalents acquired	–
Net cash outflows on acquisitions	(24,497)

The fair values of Dapeng's and Jinjing's identifiable assets and liabilities were determined by the directors of the Company with reference to professional valuations performed by the Valuer, who has among their staff members of the Hong Kong Institute of Surveyors with recent experience in the category of assets and liabilities being valued.

The fair value and gross amount of amount due from a group company amounted to HK$24,497,000. It was not impaired and it was expected that the full contractual amount can be collected.

The goodwill of HK$195,499,000, which was not deductible for tax purposes, comprised the acquired workforce and the value of expected synergies arising from the combination of the acquired business with the existing operations of the Group in the petroleum and related products business segment.

The Group elected to measure the non-controlling interests in Dapeng and Jinjing at the proportionate share of Dapeng's and Jinjing's identifiable net assets at the date of acquisition.

Since the acquisition date, Dapeng and Jinjing had contributed an aggregate of HK$2,315,341,000 and HK$4,572,000 to the Group's revenue and profit, respectively, for the year ended 31 March 2015. If the acquisition had occurred on 1 April 2014, the Group's revenue and loss would have been HK$5,285,648,000 and HK$1,907,149,000 respectively for the year ended 31 March 2015. This pro forma information was for illustrative purposes only and was not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisitions been completed on 1 April 2014, nor is it intended to be a projection of future performance.

The acquisition-related costs of Dapeng and Jinjing amounted to approximately HK$523,000. The amount has been expensed and is included in selling and administrative expenses in the consolidated income statement for the year ended 31 March 2015.

44. BUSINESS COMBINATIONS *(Continued)*

(b) Leshan Zhongshun

On 31 October 2014, the Group acquired a CNG gas stations operations business in the PRC through the acquisition of 100% of the equity interests of Leshan Zhongshun. The acquisition was made by the Group to develop and expand into a new petroleum related business, the CNG gas stations operations, which further diversifies and strengthens the market position of the Group's petroleum and related products business segment.

The fair values of identifiable assets and liabilities of Leshan Zhongshun as at the date of acquisition were:

	HK$'000
The fair value of consideration paid:	
– Cash	95,151
Less: Fair value of identifiable assets and liabilities of Leshan Zhongshun as at the date of acquisitions:	
– Property, plant and equipment	30,617
– Prepaid lease payments	16,554
– Cash and cash equivalents	160
– Prepayments	21
– Other payables	(3,413)
– Deferred tax liabilities	(1,540)
	42,399
Goodwill	52,752

Cash flows in the acquisition of Leshan Zhongshun:

	HK$'000
Cash consideration paid	(95,151)
Less: cash and cash equivalents acquired	160
Net cash outflows on acquisition	(94,991)

The fair values of Leshan Zhongshun's identifiable assets and liabilities were determined by the directors of the Company with reference to professional valuations performed by the Valuer, who has among its staff members of the Hong Kong Institute of Surveyors with recent experience in the category of assets and liabilities being valued.

The goodwill of HK$52,752,000, which was not deductible for tax purposes, comprises the acquired workforce of Leshan Zhongshun.

44. BUSINESS COMBINATIONS *(Continued)*

(b) Leshan Zhongshun *(Continued)*

Since the acquisition date, Leshan Zhongshun had contributed an aggregate of HK$2,106,000 and HK$193,000 to the Group's revenue and profit, respectively, for the year ended 31 March 2015. If the acquisition had occurred on 1 April 2014, the Group's revenue and loss would have been HK$ 5,016,547,000 and HK$1,886,495,000 respectively for the year ended 31 March 2015. This pro forma information was for illustrative purposes only and was not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 April 2014, nor is it intended to be a projection of future performance.

The acquisition-related costs of Leshan Zhongshun amounted to approximately HK$189,000. The amount has been expensed and is included in selling and administrative expenses in the consolidated income statement for the year ended 31 March 2015.

(c) Ningbo Zhongyou

On 15 January 2015, the Group acquired a petroleum and related products trading business in the PRC through the acquisition of 51% of the equity interests of Ningbo Zhongyou by way of capital injection into Ningbo Zhongyou. This acquisition was made with the aims to expand the Group's existing scale of operations and enlarge the Group's market presence in the petroleum and related products business segment.

The fair values of identifiable assets and liabilities of Ningbo Zhongyou as at the date of acquisition were:

	HK$'000
The fair value of consideration:	
– Cash	19,231
Less: Fair value of identifiable assets and liabilities of Ningbo Zhongyou as at the date of acquisition:	
– Property, plant and equipment	109
– Amount due from a group company	19,231
– Amount due from a non-controlling shareholder	12,193
– Other receivables	8
– Cash and cash equivalents	6,174
– Other payables	(9)
	37,706
Add: Non-controlling interests	18,475
Goodwill	–

44. BUSINESS COMBINATIONS *(Continued)*

(c) Ningbo Zhongyou *(Continued)*

Cash flows in the acquisition of Ningbo Zhongyou:

	HK$'000
Cash consideration paid	–
Less: cash and cash equivalents acquired	(6,174)
Net cash inflows on acquisition	6,174

The fair values of Ningbo Zhongyou's identifiable assets and liabilities were determined by the directors and were not materially different from their book values at the acquisition date.

The Group elected to measure the non-controlling interest in Ningbo Zhongyou at the proportionate share of Ningbo Zhongyou's identifiable net assets at the date of acquisition.

The fair value of other receivables, amount due from a group company and amount due from a non-controlling shareholder amounted to HK$8,000, HK$19,231,000 and HK$12,193,000 respectively. The gross amount of these receivables is HK$31,432,000. None of these receivables have been impaired and it is expected that the full contractual amounts can be collected.

Since the acquisition date, Ningbo Zhongyou had not contributed any revenue and contributed HK$26,000 net loss to the Group for the year ended 31 March 2015. If the acquisition had occurred on 1 April 2014, the Group's revenue and loss would have been HK$5,173,539,000 and HK$1,885,086,000 respectively for the year ended 31 March 2015. This pro forma information was for illustrative purposes only and was not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 April 2014, nor is it intended to be a projection of future performance.

The acquisition-related costs of Ningbo Zhongyou amounted to approximately HK$101,000. The amount has been expensed and is included in selling and administrative expenses in the consolidated income statement.

45. DISPOSAL OF SUBSIDIARIES

(a) Triumph Kind

On 9 July 2015, the Company entered into a share transfer agreement with an independent third party (the "Purchaser 1"), pursuant to which the Company conditionally agreed to sell, and the Purchaser 1 conditionally agreed to purchase, 100% equity interests in Triumph Kind, a subsidiary which is engaged in property investment, at a consideration of RMB41,419,625 (equivalent to approximately HK$50,559,000). The share transfer was completed on 14 September 2015.

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

	HK$'000
Property, plant and equipment	32,442
Prepaid lease payments	2,875
Deferred tax liabilities	(7,383)
Net assets	27,934
Net assets	27,934
Gain on disposal of the subsidiary	22,625
Total consideration	50,559
Satisfied by:	
Cash	45,523
Deferred consideration	5,036
	50,559
Net cash inflows arising on disposal:	
Cash consideration received	45,523
Cash and bank balances disposed of	–
Net cash inflow	45,523

The deferred consideration will be settled in cash by the Purchaser 1 on or before the end of 2016.

45. DISPOSAL OF SUBSIDIARIES *(Continued)*

(b) Dapeng

As a result of business strategy adjustment, the Group entered into a share transfer agreement with the non-controlling shareholder of Dapeng (the "Purchaser 2"), pursuant to which the Group agreed to sell, and the Purchaser 2 agreed to purchase, the Group's 70% equity interests in Dapeng, a subsidiary which is engaged in trading and storage of petroleum and related products, at a consideration of RMB1 (equivalent to approximately HK$1), which is equal to the cost the Group acquired Dapeng during the year ended 31 March 2015. The disposal was effected on 31 July 2015.

The net liabilities of Dapeng at the date of disposal were as follows:

	HK$'000
Property, plant and equipment	96,117
Investment property	122,511
Customer relationships intangible assets	113,663
Goodwill	174,554
Cash and cash equivalents	4,601
Trade and other receivables	60,321
Inventories	39,959
Trade and other payables	(121,730)
Bank borrowings	(585,760)
Deferred tax liabilities	(37,982)
Net liabilities	(133,746)
Net liabilities	(133,746)
Release of translation reserve upon disposal	(789)
Release of non-controlling interests upon disposal	92,490
Gain on disposal of the subsidiary	42,045
Total consideration	–
Satisfied by:	
Cash	–
Net cash outflows arising on disposal:	
Cash consideration received	–
Cash and bank balances disposed of	(4,601)
Net cash outflow	(4,601)

46. OPERATING LEASES

Operating lease commitments – as a lessee

During the year ended 31 March 2016, the Group leased part of its properties with lease terms from 1 to 2 years under operating lease arrangements.

During the year ended 31 March 2015, the Group leases part of its properties, plantation sites and the land where the Group's petroleum storage tanks and facilities situated in Zhanjiang, the PRC, under operating lease arrangements. Leases for properties are negotiated for terms from 1 to 10 years. Leases for plantation sites are negotiated for term of 1 year. Leases for the land is negotiated for a term of 26 years.

As at 31 March 2016, the Group had total future minimum lease payments under non-cancellable operating leases due at the end of reporting period as follows:

	2016 HK$'000	2015 HK$'000
Within one year	11,111	14,846
In the second to fifth year, inclusive	303	17,114
Over five years	–	21,115
	11,414	53,075

Operating lease receivables – as a lessor

The Group's investment properties are leased to tenants for varying terms. The rental income during the year ended 31 March 2016 was HK$2,044,000 (2015: HK$4,104,000).

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

	2016 HK$'000	2015 HK$'000
Within one year	21	5,429
In the second to fifth year, inclusive	–	20,736
Over five years	–	19,420
	21	45,585

47. CAPITAL COMMITMENTS

Capital commitments outstanding at 31 March 2016 and 2015 not provided for in the financial statements were as follows:

	2016 HK$'000	2015 HK$'000
Contracted but not provided for		
– acquisition of property, plant and equipment	25,044	60,229

48. RELATED PARTY TRANSACTIONS

(a) Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note.

(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 2016 and 2015:

Related party relationship	Type of transactions	*Notes*	For the year ended 31 March **2016** **HK$'000**	 2015 HK$'000
Active Way International Limited (Mr. Cao Zhong is the common director)	Sales of timber and related products		**49,502**	–
China Alliance International Holding Group Limited (a substantial shareholder of the Company)	Interest expense on promissory note	*9*	**4,547**	4,469
	Default interest expense on promissory note	*9*	**55,326**	54,358
Mr. Cao Zhong (a substantial shareholder of the Company)	Guarantee given to banks in respect of credit facilities granted to subsidiaries of the Company	*34*	**623,496**	505,812
Mr. Cao Zhong (a substantial shareholder of the Company)	Guarantee given to outstanding non-convertible debt securities	*37*	**1,048,403**	–

	Type of balances		As at 31 March **2016** **HK$'000**	 2015 HK$'000
China Alliance International Holding Group Limited (a substantial shareholder of the Company)	Promissory note and accrued default interest	*32*	**516,714**	456,841

(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.

49. NON-CONTROLLING INTERESTS

Zhunxing, an 86.87% owned subsidiary of the Company, has material non-controlling interests ("NCI") as at 31 March 2016 and 2015. 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 and its subsidiaries, before intra-group eliminations, is presented below:

For the year ended 31 March	**2016** **HK$'000**	2015 HK$'000
Revenue	**518,897**	905,789
Loss for the year	**(3,042,984)**	(868,969)
Total comprehensive income	**(3,097,862)**	(858,810)
Loss allocated to NCI	**(399,544)**	(113,160)
Cash flows from operating activities	**313,100**	(124,663)
Cash flows from investing activities	**136,711**	(67,745)
Cash flows from financing activities	**(638,509)**	(639,110)
Net cash outflows	**(188,698)**	(831,518)

As at 31 March	**2016** **HK$'000**	2015 HK$'000
Current assets	**130,083**	375,982
Non-current assets	**17,056,901**	20,974,636
Current liabilities	**(2,811,599)**	(3,964,234)
Non-current liabilities	**(11,229,008)**	(11,734,712)
Net assets	**3,146,377**	5,651,672
Accumulated NCI	**304,103**	710,852

On 31 July 2015, the Group acquired the remaining 35% equity interests of JinJing. Following the acquisition, Jinjing has became a wholly-owned subsidiary of the Group. The transaction had been accounted for as equity transaction with the NCI during the year ended 31 March 2016 as follows:

	2016 **HK$'000**
Consideration paid for 35% equity interests	**(12,475)**
Net assets attributable to 35% equity interests	**12,828**
Increase in equity attributable to owners of the Company (included in accumulated losses)	**353**

50. 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 equity price risk. These risks are limited by the Group's financial management policies and practices described below.

(a) Interest rate risk

The Group's interest rate risk mainly arises from borrowings. Borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest risk respectively. The Group's interest rate profile as monitored by management is set out below.

	2016		2015	
	Effective interest rate per annum	**HK$'000**	Effective interest rate per annum	HK$'000
Fixed-rate bank deposits	**–**	**–**	3.41%	134,040
Fixed-rate loan receivables	**14.00%**	**65,754**	–	–
Floating-rate bank deposits	**1.89%**	**115,664**	1.79%	294,413
		181,418		428,453
Fixed-rate borrowings	**7.86%**	**1,151,668**	8.40%	2,447,434
Floating-rate borrowings	**5.71%**	**10,920,918**	6.88%	11,153,155
		12,072,586		13,600,589

At 31 March 2016, it is estimated that a general increase of 100 basis points in interest rates, with all other variables held constant, would increase the Group's loss for the year and accumulated losses by approximately HK$108,149,000 (2015: increase the Group's loss and increase accumulated losses by approximately HK$109,772,000). Other components of consolidated equity would not have any impact.

(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.

50. FINANCIAL RISK MANAGEMENT *(Continued)*

(c) Credit risk *(Continued)*

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry in which customers operate also has an influence on credit risk but to a lesser extent. At the end of reporting period, the Group has a certain concentration of credit risk as 25% (2015: 54%) and 75% (2015: 90%) of the total trade receivables was due from the Group's largest trade debtor and the three largest trade debtors, respectively.

The Group does not provide any guarantee which would expose the Group to credit risk.

As at 31 March 2016, the Company has issued several corporate guarantees in respect of banking facilities obtained by the Group's subsidiaries, details of which have been disclosed in Note 34. The directors of the Company do not consider it is probable that a claim will be made against the Company under the corporate guarantee issued by the Company in respect of such bank loans. The maximum liability of the Company at 31 March 2016 under the above guarantees issued in aggregate amounted to approximately HK$12,101,962,000 (2015: HK$15,439,911,000). The directors have assessed the fair value of the guarantees to be immaterial to the Company.

Further quantitative disclosures in respect of the Group's exposures to credit risk arising from trade and other receivables are set out in Note 27.

(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 long term.

The following table details the remaining contractual maturities at the end of reporting period of the Group'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 can be required to pay:

50. FINANCIAL RISK MANAGEMENT *(Continued)*

(d) Liquidity risk *(Continued)*

	Carrying amount HK$'000	Total contractual undiscounted cash flows HK$'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
2016						
Trade and other payables	**1,778,096**	**1,778,096**	**1,778,096**	**–**	**–**	**–**
Promissory note	**306,892**	**306,892**	**306,892**	**–**	**–**	**–**
Borrowings	**12,072,586**	**19,158,922**	**1,528,383**	**1,254,922**	**2,329,123**	**14,046,494**
Convertible bonds	**3,189,853**	**3,417,477**	**3,417,477**	**–**	**–**	**–**
Non-convertible debt securities	**1,048,403**	**1,090,342**	**1,090,342**	**–**	**–**	**–**
Acreage fees payable	**10,454**	**10,454**	**403**	**403**	**1,613**	**8,035**
	18,406,284	**25,762,183**	**8,121,593**	**1,255,325**	**2,330,736**	**14,054,529**

	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2015						
Trade and other payables	2,183,225	2,183,225	2,183,225	–	–	–
Promissory note	302,345	302,345	302,345	–	–	–
Borrowings	13,600,589	23,474,491	2,775,745	1,363,642	2,748,325	16,586,779
Convertible bonds	4,790,543	5,436,132	3,014,560	1,658,227	763,345	–
Acreage fees payable	10,454	10,454	403	403	1,613	8,035
	20,887,156	31,406,647	8,276,278	3,022,272	3,513,283	16,594,814

(e) Equity price risk

The Group are exposed to equity price changes arising from listed equity instruments classified as available-for-sale investments.

The Group's listed equity investments are listed on the Stock Exchange. Decisions to buy and sell trading securities are based on daily monitoring of the performance of individual securities and other industry indicators, as well as the Group's liquidity needs.

All of the Group's unquoted investments are held for long term strategic purposes. Their performance is assessed regularly based on information available to the Group, together with an assessment of their relevance to the Group's long term strategic plans.

The sensitivity analysis on equity price risk includes the Group's listed equity available-for-sale investments, which fair value or future cash flows will fluctuate because of changes in their corresponding asset's equity price. If the price of the listed equity available-for-sale investments had been 10% higher/lower, other component of equity would increase/decrease by HK$2,874,000 (2015: HK$25,850,000). Profit or loss will remain unchanged.

51. 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 2016 and 2015 are as follows:

	2016 **HK$'000**	2015 HK$'000
Total liabilities	**18,492,446**	20,947,823
Total assets	**18,702,767**	24,070,839
Gearing ratio	**98.9%**	87.0%

52. 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 2016 and 2015 may be categorised as follows:

	Notes	**2016** **HK$'000**	2015 HK$'000
Financial assets			
Loans and receivables	*(i)*	**603,950**	866,965
Available-for-sale investments			
– Listed investments	*(ii)*	**28,737**	258,500
– Unlisted investments			
– Unlisted equity shares, at cost	*(i)*	**81,013**	146,729
– Unlisted money market fund, at fair value	*(ii)*	**–**	63,227
Financial liabilities			
Financial liabilities measured at amortised cost	*(i)*	**18,406,284**	20,860,733
Financial liabilities at fair value through profit or loss			
– Held for trading	*(ii)*	**–**	26,423

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

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values at 31 March 2016 and 2015.

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

(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 2 and level 3 financial instruments, as well as the relationship between key observable inputs and fair value are set out below.

(a) Information about level 2 fair value measurements

Level 2 fair values of money market fund has been determined based on quotes from market makers or alternative pricing sources supported by observable inputs. The most significant input are market interest rates.

(b) Information about level 3 fair value measurements

The fair values of the derivative financial instrument under CB2016C are estimated using Monte Carlo model.

Significant unobservable inputs:

	2016	2015
Expected volatility		
– 2016C	–	47%

The higher the expected volatility of the share price, the higher the fair value (in absolute amount) of the derivative financial instrument. As at 31 March 2015, increase in expected volatility by 20% in CB2016C would increase the fair value (in absolute amount) of the derivative financial instrument embedded in CB2016C by HK$55,615,000.

There were no changes in valuation techniques during the year ended 31 March 2016.

(c) Summary of fair value of financial instruments

The following table presents the fair value of the Group'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 5(a):

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).

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

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

(c) Summary of fair value of financial instruments *(Continued)*

Recurring fair value measurements	**Fair value at 31 March 2016 HK$'000**	**Level 1 HK$'000**	**Level 2 HK$'000**	**Level 3 HK$'000**
Assets:				
Available-for-sale investment, listed equity securities	**28,737**	**28,737**	**–**	**–**
Liabilities:				
Derivative financial instrument	**–**	**–**	**–**	**–**

Recurring fair value measurements	Fair value at 31 March 2015 HK$'000	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000
Assets:				
Available-for-sale investment, listed equity securities	258,500	258,500	–	–
Available-for-sale investment, unlisted money market fund	63,227	–	63,227	–
	321,727	258,500	63,227	–
Liabilities:				
Derivative financial instrument	26,423	–	–	26,423

There were no transfers between levels during the years ended 31 March 2016 and 2015.

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

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

(d) Movements of financial liabilities at fair value through profit or loss based on level 3

The movements of the balance of financial liabilities at fair value through profit or loss based on level 3 are as follows:

	2016 **HK$'000**	2015 HK$'000
At 1 April	**(26,423)**	(124,896)
Issue of convertible bond	**–**	(49,510)
Settlement of convertible bond	**–**	5,900
Total gain recognised in profit or loss during the year	**26,423**	142,083
At 31 March	**–**	(26,423)
Gain recognised in consolidated income statement relating to those financial liabilities held at the end of the reporting period	**26,423**	142,083

53. NON CASH TRANSACTIONS

As disclosed in Note 36(b)(ii) to the financial statements, CB2015 with principal amount of HK$1,592,000,000 was settled by the issuing of non-convertible debt securities of the same principal amount during the year ended 31 March 2016.

54. EVENTS AFTER THE REPORTING DATE

Proposed amendments of the convertible bonds due 2016

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

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

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

54. EVENTS AFTER THE REPORTING DATE *(Continued)*

Proposed disposal of 86.87% equity interests in Zhunxing

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

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

55. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 30 June 2016.

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				
	2012 HK$'000	2013 HK$'000	2014 HK$'000	2015 HK$'000	**2016** **HK$'000**
RESULTS					
Turnover					
– Continuing operations	138,626	4,569,568	8,585,715	5,016,547	**2,221,556**
– Discontinued operations	–	89,680	83,309	–	**–**
	138,626	4,659,248	8,669,024	5,016,547	**2,221,556**
Profit/(loss) before income tax expense/credit					
– Continuing operations	(434,768)	(221,601)	(714,041)	(1,887,572)	**(3,869,479)**
– Discontinued operations	(14,673)	731	6,691	–	**–**
	(449,441)	(220,870)	(707,350)	(1,887,572)	**(3,869,479)**
Income tax (expense)/credit					
– Continuing operations	–	(2,712)	522	2,325	**593**
– Discontinued operations	–	(36,957)	(7,493)	–	**–**
	–	(39,669)	(6,971)	2,325	**593**
Profit/(loss) for the year					
– Continuing operations	(434,768)	(224,313)	(713,519)	(1,885,247)	**(3,868,886)**
– Discontinued operations	(14,673)	(36,226)	81,865	–	**–**
	(449,441)	(260,539)	(631,654)	(1,885,247)	**(3,868,886)**
Attributable to:					
Owners of the Company	(419,404)	(271,660)	(590,485)	(1,765,900)	**(3,455,588)**
Non-controlling interests	(30,037)	11,121	(41,169)	(119,347)	**(413,298)**
	(449,441)	(260,539)	(631,654)	(1,885,247)	**(3,868,886)**
ASSETS AND LIABILITIES					
Total assets	9,556,116	17,667,131	25,216,246	24,070,839	**18,702,767**
Total liabilities	(4,496,509)	(12,552,734)	(20,105,371)	(20,947,823)	**(18,492,446)**
Non-controlling interests	(2,416,436)	(2,430,548)	(822,694)	(654,549)	**(313,414)**
Shareholders' funds	2,643,171	2,683,849	4,288,181	2,468,467	**(103,093)**

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 %
No. 96 Minjian Road Wulanchabu City, Inner Mongolia Autonomous Region, the PRC	2051	4,792	O	86.87

2. PROPERTIES HELD FOR RENTAL PURPOSE

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