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 2018

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Director

Mr. Suo Suo Stephen

Independent Non-executive Directors

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

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

COMPANY SECRETARY

Miss Ngan Wai Kam, Sharon

AUDITOR

Crowe (HK) CPA 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
238 North Church Street
P.O. Box 1043
George Town
Grand Cayman
KY1-1102
Cayman Islands

PRINCIPAL PLACE OF BUSINESS

Room 1801-05, 18/F
China Resources Building
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

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

COMPANY WEBSITE

http://www.crtg.com.hk

STATEMENT OF CHAIRMAN

To all Shareholders,

On behalf of the board of directors (the "Board") of China Resources and Transportation Group Limited 中國資源交通集團有限公司 (the "Company"), I am delighted to present the Annual Report 2018 and the audited consolidated financial statements of the Company and its subsidiaries (together the "Group") for the year ended 31 March 2018.

In 2017, the national economy in the People's Republic of China (the "PRC") appeared stable and improved. Along with the continuous progression of the supply-side structural reforms of the coal industry in the PRC, the severely imbalance between the supply and demand of coal was reversed. The coal production and consumption was subsequently increased with the fluctuation of coal prices remained within a reasonable range, therefore resulting in a distinct improvement in the economic benefits of the coal enterprises. During the year under review, we achieved a 36% and 37% increase in the average daily traffic volume and average daily revenue from the 265-kilometre heavy-haul toll expressway in Inner Mongolia, respectively.

Looking back at 2017, the staff at all levels of the Group have strived together and the Company has proactively taken measures to improve the liquidity position of the Group including, but not limited to, the financial arrangements through the proposed disposal of 71% equity interests in Inner Mongolia Zhunxing Heavy Haul Expressway Company Limited (內蒙古准興重載高速公路有限責任公司) and the related buy-back obligation or options, the reorganization involving a very substantial acquisition being a reverse takeover, subscription and placing, and the fulfillment of conditions under the standstill agreement (s) entered into between the Company and each of the non-convertible bondholder. The implementation of the above measures is still in progress. If each of the above measures materializes, it will represent a strategic move of the Group toward our next step. The Board has full confidence that these transformations, if materialize, will help on the sustainable growth of the Group and maximize the benefits of the shareholders of the Company (the "Shareholders") as a whole.

With the national economy and market in the PRC continue to advance steadily and along with our new initiatives, I am of the view that the Group will achieve its long-term development objective as the financial position 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 continued 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, 29 June 2018

MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended 31 March 2018, the Group was principally engaged in expressway operations, trading of petroleum and related products, compressed natural gas ("CNG") gas stations operations, growing and sales of forage and agricultural products and timber operations.

BUSINESS REVIEW

Operation of Zhunxing Expressway

During the year, the Group's revenue was mainly contributed by toll income from the 265-kilometre heavy-haul toll expressway in Inner Mongolia ("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.

Following the slow recovery of the national economy, coal prices have gradually resurged since the end of April 2017, leading to an upturn in the transportation industry. As the Zhunxing Expressway is free of tunnels and culverts, the number of hazardous chemical transporters using Zhunxing Expressway increased since the second half of 2017, triggering a steady rise in traffic volume of Zhunxing Expressway. For the year ended 31 March 2018, Zhunxing Expressway recorded an accumulated toll income of approximately RMB637.59 million (approximately HK$755.61 million), i.e. an average daily toll income of approximately RMB1.75 million (approximately HK$2.07 million) and an average daily traffic volume of approximately 5,863 vehicles (for the year ended 31 March 2017, was approximately RMB1.27 million (approximately HK$1.46 million) and the average daily traffic volume was approximately 4,293 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 restrained the growth of both traffic volume and toll income of Zhunxing Expressway during the year:

(1) under the influence of the national macroeconomic environment and environmental policy, new measures to control air pollution in the Beijing-Tianjin-Hebei region were introduced in early 2017. Before the end of September 2017, coals from all the distribution ports in Tianjin and Hebei must be transported by rail, prohibiting any coal transport by means of expressway;

(2) in preparation for the forthcoming 2022 Winter Olympics in Beijing and Zhangjiakou, the requirements for environmental protection in the surrounding areas of Beijing-Tianjin-Hebei are elevated. Since October 2017, the generation and provision of heat supply for most enterprises and institutions have been converted from consuming coal to gas, and hence the number of utilized coal units has further declined; and

(3) most coal mines previously under operation without completing the basic construction procedures (such as obtaining the state approval) were shut down.

In order to accelerate the growth in traffic volume and toll income of Zhunxing Expressway, Zhunxing is actively implementing a number of measures to promote and attract more coal transport vehicles and hazardous chemical transporters to utilize Zhunxing Expressway on a regular basis:

(1) strengthen the tracking of its competitors to cope with any new market changes brought by the toll collection network. Zhunxing continues to fine-tune its business strategies to seek revenue growth in this difficult market environment:

    (i) promoting certain advantageous features of Zhunxing Expressway including the absence of tunnels, culverts and traffic control on hazardous chemical transporters to explore new customers while maintaining existing customers;

BUSINESS REVIEW *(Continued)*

Operation of Zhunxing Expressway *(Continued)*

(1) (Continued)

(ii) executing a road maintenance program that is comprehensively planned and deployed under Zhunxing's policy to "normalize, standardize, and ensure the road conditions of Zhunxing Expressway preserve its best state". During the past three years, Zhunxing Expressway maintained good standards on road appearance and road condition, and thus fully realised the maintenance management objectives of "smooth, safe, comfortable and splendid" for an expressway;

(iii) brand building with optimized qualitative auxiliary services in catering and vehicle maintenance while taking advantage of the distance and toll of Zhunxing Expressway, with the objective to enhance customer loyalty with high-quality service, building a route with customer recognition; and

(iv) reinforcing a safe and expedient driving environment by implementing 24-hour patrol system to improve the service level and emergency response capability of the maintenance, road administration and traffic police personnel, with an aim to swiftly resolve spontaneous traffic incidents and minimise the time to restore traffic fluency on Zhunxing Expressway;

(2) continue to conduct market research to explore new customers on the basis of maintaining existing customers. Zhunxing proactively liaises with the neighboring logistic bases and coal trading companies to understand their developments and promotes Zhunxing Expressway's advantageous position in contributing to a coal transport process that reinforces traffic fluency, cost-saving and high efficiency;

(3) give full play to the advantages of the scenic spots along the Zhunxing Expressway to strengthen the cooperation with the relevant units of the tourism bureau along the route, aiming to increase the flow of passenger cars; and

(4) keep track on the construction progress of the power plant operation near the Qingshuihe area and initiate preliminary cooperative negotiation as appropriate.

Forage and Agricultural Product Business

The Group has commenced its business in the growing and sales of forage and agricultural products in May 2017 upon Ar Horqin Banner Xinze Agricultural & Animal Husbandry Company Limited* (阿魯科爾沁旗鑫澤農牧業有限公司) ("Xinze") becoming a 60% owned subsidiary of the Group after the acquisition was completed on 10 May 2017.

For the year ended 31 March 2018, approximately 18,000 mu of sorghum silage was cultivated, and the final production amounted to approximately 74,000 tons with a sales income of approximately RMB27.05 million (approximately HK$32.06 million) (for the period from 26 May 2016 (being the inception date of Xinze) to 31 March 2017: RMB30.06 million (approximately HK$33.87 million)).

The major factor attributed to the decline in sales revenue is the reduction in local precipitation that affects the yield of the forage. In view of the change in precipitation, the management of Xinze placed their focus on the cultivation of sorghum silage which is relatively drought-tolerant as compared to the more profitable oats.

BUSINESS REVIEW *(Continued)*

Petroleum and Related Products Business

For the year ended 31 March 2018, the Group through its wholly-owned subsidiary, Leshan Zhongshun Oil and Gas Company Limited* (樂山中順油汽有限公司) ("Leshan") focused on the development of the new energy business sector based on CNG.

During the year, Leshan realised sales of CNG of approximately 9,265 km^3 in total (2017: 8,223 km^3), amounted to approximately HK$28.87 million (2017: HK$24.99 million).

Forest Operation

With an aim to increase the cashflows of the Group, the Company will look for opportunity to dispose its forestry related businesses in the People's Republic of China (the "PRC").

FINANCIAL REVIEW

Revenue

The Group's revenue for the year ended 31 March 2018 was approximately HK$822.09 million, representing an increase of about 13.0% from approximately HK$727.62 million for the last financial year. The Group's income was recognized under three reportable segments of the Group, namely expressway operations, petroleum business, and others including timber operations and forage and agricultural business, contributed approximately HK$756.64 million (92.04%), HK$28.87 million (3.51%) and HK$36.58 million (4.45%) (2017: HK$535.64 million (73.62%), HK$188.34 million (25.88%) and HK$3.64 million (0.50%)) respectively to the Group's consolidated revenue.

Toll income from expressway operations of approximately HK$755.61 million (2017: HK$534.00 million) constituted the major stream of the Group's revenue for the year ended 31 March 2018. The income recorded under the Group's petroleum business sector dropped by about 85% during the year as the Group's petroleum trading business was ceased as part of the Group's business strategy subsequent to 31 March 2017 to improve its liquidity. Nonetheless, the toll income from the expressway operations increased by about 41.5% during the year as coal prices gradually recovered.

Cost of Sales

The Group's cost of sales for the year ended 31 March 2018 was approximately HK$942.19 million, representing an increase of about 7.3% from approximately HK$878.44 million for the last financial year. The Group's cost of sales during the year was mainly attributable to (i) the amortization of concession intangible assets arising from the expressway operations of approximately HK$763.18 million (2017: HK$552.02 million), (ii) the depreciation of fixed assets arising from the expressway operations of approximately HK$79.43 million (2017: HK$77.41 million), (iii) the operating costs arising from the expressway operations of approximately HK$43.29 million (2017: HK$64.87 million) and (iv) the cost of forage and agricultural products of approximately HK$24.90 million (2017: HK$Nil).

Gross loss

For the year ended 31 March 2018, the Group recorded a gross loss decreased by about 20.4% from approximately HK$150.82 million for the previous financial year to approximately HK$120.11 million for the year ended 31 March 2018.

FINANCIAL REVIEW *(Continued)*

EBITDA

For the year ended 31 March 2018, the Group recorded an increased EBITDA (defined as earnings before interest, tax, depreciation, amortization and non-cash changes in values of assets and liabilities) amounted to approximately HK$582.52 million compared to the EBITDA of approximately HK$185.21 million for the last financial year. The 214.5% increase in EBITDA was primarily driven by the increased revenue from the expressway operations of the Group as discussed above. Detailed segment revenue and contribution to loss before income tax expense of the Group as shown in Note 6 to the consolidated financial statements.

Change in fair value of the biological assets

For the purpose of estimating the fair value of the Group's biological assets in the PRC as at 31 March 2018, an independent valuation was 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 valuation. As at 31 March 2018, the Group recorded a loss on the change in fair value less costs to sell of biological assets amounted to approximately HK$1.76 million (2017: a gain of approximately HK$11.49 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 are set out in Note 19 to the consolidated financial statements.

Loss for the year

The Group's net loss for the year ended 31 March 2018 was approximately HK$1,401.63 million, representing a drop of about 21.5% from approximately HK$1,784.44 million for the year ended 31 March 2017. The Group's net loss for the year was primarily contributed by (i) the reduced finance cost of the Group amounted to approximately HK$940.72 million (2017: HK$977.21 million) mainly due to the interest expense on the outstanding non-convertible bonds being accrued at default rate after the respective contractual maturity, and (ii) the increased Group's selling and administrative expenses amounted to approximately HK$314.61 million (2017: HK$265.03 million). The 18.7% increase in selling and administrative expenses was mainly due to the increase in legal and professional fees incurred under the reverse takeover transaction.

The loss attributable to owners of the Company for the year ended 31 March 2018 was approximately HK$1,284.93 million (2017: HK$1,676.20 million). Both the basic and diluted loss per share attributable to owners of the Company for the year were HK$0.17 as compared with HK$0.25 for the last financial year.

LIQUIDITY REVIEW

The Group's policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term. The Group's assets portfolio is mainly financed by its borrowings and debt securities.

As at 31 March 2018, the Group was in a net liabilities position of approximately HK$2,576.62 million as compared to a net liabilities position of approximately HK$1,596.43 million as at 31 March 2017.

As at 31 March 2018, contractual maturities based on contractual undiscounted cash flows of approximately HK$9,707.71 million, HK$962.92 million, HK$3,515.38 million and HK$13,187.97 million (2017: HK$7,594.49 million, HK$741.49 million, HK$2,845.28 million and HK$12,476.81 million) were required to be repaid within 1 year or on demand, after 1 year but within 2 years, after 2 years but within 5 years and after 5 years, respectively.

The gearing ratio of the Group, measured as total liabilities to total assets, was 114.01% as at 31 March 2018 (2017: 109.80%).

LIQUIDITY REVIEW *(Continued)*

As at 31 March 2018, the Group's total assets was approximately HK$18,385.22 million (2017: HK$16,292.53 million), representing a 12.8% increase mainly due to the increase in concession intangible asset from HK$14,501.27 million for the last financial year to HK$16,624.82 million. During the year, additional construction costs arising from the expressway operations of approximately HK$1,374.12 million were recognised and capitalized to the cost of concession intangible asset in the course of Zhunxing's finalization of the respective statement of accounts with each of the contractors, based on latest status of negotiations and/or supplemental settlements with the relevant contractors and/or subcontractors, results of arbitrations, and/or judgements of settled litigations, during the year ended 31 March 2018.

As at 31 March 2018, the Group's total liabilities was approximately HK$20,961.85 million (2017: HK$17,888.96 million), representing a 17.2% increase mainly due to the increase in trade and other payables from HK$1,553.67 million for the last financial year to HK$3,596.58 million. The 131.5% increase in trade and other payables was mainly contributed by the increase in construction costs arising from the expressway operations.

As at 31 March 2018, the Group had cash and bank balances of approximately HK$39.47 million (2017: HK$53.74 million) and its available banking facilities were amounted to approximately HK$12,652.62 million (2017: HK$11,704.72 million), out of which approximately HK$12,652.62 million (2017: HK$11,616.08 million) has been utilized.

Borrowings

The Group's outstanding borrowings, all being denominated in RMB, amounted to approximately HK$12,652.62 million (2017: HK$11,616.08 million), represented approximately 60% of the Group's total liabilities as at 31 March 2018 (2017: 65%). Approximately HK$499.04 million (2017: HK$614.64 million) of the Group's outstanding borrowings were charged at fixed rates. Approximately 6% of the Group's outstanding borrowings were repayable within one year (2017: 6%).

As the expressway operation is a capital intensive industry, all of the Group's outstanding borrowings amounted to RMB10,128.82 million (approximately HK$12,652.62 million), were obtained and drawn down primarily for the construction of Zhunxing Expressway as at 31 March 2018. The syndicated loan facilities of RMB8,730.73 million (approximately HK$10,906.17 million) granted by several PRC banks in December 2012, including short term loans of RMB102.98 million (approximately HK$128.64 million) and long term loans of RMB8,627.75 million (approximately HK$10,777.53 million), were secured by Zhunxing's receivables of toll income. Furthermore, Zhunxing obtained and drawn down short term loans of RMB475.27 million (approximately HK$593.69 million) and long term loans of RMB922.82 million (approximately HK$1,152.76 million) from several authorized financial institutions in the PRC, of which RMB998.59 million (approximately HK$1,247.41 million) was secured by a combination of (i) Zhunxing's receivables of toll income, (ii) the Group's equity interests in Zhunxing and/or (iii) certain Zhunxing's investments.

Capital Commitments

Apart from the proposed acquisition of the pawn loan business as discussed in the "Material Events" section below, the Group's capital commitments outstanding as at 31 March 2018 dropped by approximately 91% to approximately HK$22.42 million (2017: HK$236.69 million), representing the capital expenditure arising from the acquisition of property, plant and equipment under the expressway operations sector.

LIQUIDITY REVIEW *(Continued)*

Going Concern Basis

During the year, the Group incurred a loss of HK$1,401.63 million (2017: HK$1,784.44 million), and as at 31 March 2018, the Group had net current liabilities and net liabilities of HK$8,802.91 million (2017: HK$6,452.72 million) and HK$2,576.62 million (2017: HK$1,596.43 million), respectively. The Company was in default in the repayment of the promissory note of HK$315.00 million (2017: HK$311.48 million) and non-convertible bonds with aggregate carrying amounts of approximately HK$4,395.65 million (2017: HK$4,395.65 million). These debts, together with the outstanding interests and default interests accrued thereon of approximately HK$655.93 million (2017: HK$379.31 million), totalling approximately HK$5,366.58 million (2017: HK$5,086.44 million) are classified under current labilities at 31 March 2018. These conditions indicate the existence of a material uncertainty which may cast significant 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, the Board has been implementing various measures to improve the Group's liquidity position as set out in Note 3(b) to the consolidated financial statements and the "Material Events" section below, including (i) the financial arrangements through the proposed disposal of 71% equity interests in Zhunxing and the related buy-back obligation or options; (ii) the reorganization involving a very substantial acquisition being a reverse takeover, subscription and placing; and (iii) the fulfillment of conditions under the standstill agreement(s) entered into between the Company and each of the holder of the non-convertible bonds. Up to the date of this annual report, the above measures have not been completed. Based on the cash flow forecast of the Group for a period covered not less than twelve months from the date of approval for the consolidated financial statements which has assumed the successful implementation 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 the date of approval for the consolidated financial statements.

Treasury Policy

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

Disposal of 45% Interest in Associates

On 28 April 2017, the Company and Shuren Wood (Shenzhen) Company Limited* (樹人木業(深圳)有限公司), a wholly-owned subsidiary of the Company, as vendors and Zhongxiang Zhengxing (Beijing) Technology Development Company Limited* (中翔正興(北京)科技發展有限公司), as a purchaser, entered into a sale and purchase agreement in relation to the disposal of 45% of the issued share capital of Beijing Kaiyuanwanjia Management Consulting Company Limited* (北京開元萬嘉管理諮詢有限公司) ("Beijing KMCC") and its subsidiaries together with any shareholder's loan at the total consideration of RMB200.0 million (equivalent to HK$226.0 million).

MATERIAL EVENTS *(Continued)*

Disposal of 45% Interest in Associates *(Continued)*

Beijing KMCC and its subsidiaries are principally engaged in property development, asset management and building management. The primary assets of Beijing KMCC is its 100% equity interests in Yichang Xinshougang Property Development Company Limited* (宜昌新首鋼房地產開發有限公司) and 70% equity interests in Yichang Zhongxiang Building Management Company Limited* (宜昌中翔物業管理有限公司). The said disposal was completed on 1 June 2017 with the sale proceeds being fully settled. The net proceeds from the said disposal, after deducting the expenses directly attributable thereto, was approximately RMB190.0 million (equivalent to approximately HK$214.7 million) and approximately HK$164 million of the net proceeds was applied for repaying the Group's bank borrowings, and the remaining net proceeds has been applied for general working capital of the Group. Details on the disposal are set out in the announcement of the Company dated 28 April 2017.

Bank Borrowings

On 27 January 2017, the Company and the Company's wholly-owned subsidiary Guangdong Jinjing Energy Company Limited* (廣東金晶能源股份有限公司) ("Jinjing"), each received a demand notice from a commercial bank in the PRC, claiming for the immediate repayment for an outstanding amount borrowed and owed by Jinjing, where the Company acted as guarantor. The Company subsequently received a statutory demand under Section 327(4)(a) of the Companies (Winding up and Miscellaneous Provisions Ordinance (Cap 32)) from the commercial bank in relation to an aggregate sum of outstanding principal of RMB145.62 million and interest of approximately RMB0.54 million. On 31 March 2017, the Company, Shenzhenshi Qianhai Zitong Energy Company Limited* (深圳市前海資通能源有限公司), Jinjing and the aforesaid bank entered into a settlement agreement in relation to the restructuring and settlement of the outstanding amount and the subsequent arrangement thereunder.

On 1 June 2017, the outstanding amounts were fully settled by part of the proceed arising from disposal of Beijing KMCC which was completed on 1 June 2017.

Completion of Acquisition of 60% Interest in Red Sino Investments Limited

On 10 May 2017, the Company allotted and issued 690,000,000 consideration shares at the issue price of HK$0.20 per share to Epoch Luck Investments Limited ("Epoch") for settlement of the consideration payable pursuant to a sale and purchase agreement dated 16 March 2017 entered into between Cheer Luck Innovest Limited, a wholly-owned subsidiary of the Company as purchaser ("Cheer Luck") and Epoch as vendor in relation to the acquisition of 60% issued share capital of Red Sino Investments Limited ("Red Sino") by Cheer Luck from Epoch.

The operating subsidiary of Red Sino is Xinze, which is principally engaged in growing and sales of forage and agricultural products. Details on the acquisition are set out in the announcements of the Company dated 16 March 2017 and 10 May 2017.

MATERIAL EVENTS *(Continued)*

Very Substantial Acquisition being a Reverse Takeover involving a New Listing Application, Issue of Consideration Shares and Subscription Shares, and Proposed Placing of Shares under Specific Mandate

Sale and Purchase Agreement

On 11 July 2017, the Company entered into a sale and purchase agreement (as amended by a supplemental agreement on 23 February 2018 and a second supplemental agreement on 29 June 2018, together the "SPA") with CITIC Asset Management Corporation Ltd.* (中信資產管理有限公司) ("CITIC AMC") and 10 other vendors (the "Vendors") for the acquisition of rights and power to control over, and the right to enjoy the economic benefits in, the pawn loan business operated by ZhongAn XinBang Asset Management Corporation Ltd* (中安信邦資產管理有限公司) (the "Target Company"), its subsidiaries and branch companies (the "Target Group"), through structured contracts (the "Proposed Acquisition"). CITIC AMC has been the controlling shareholder of the Target Company since 2008 whom holds approximately 60.03% equity interest in the Target Company as at the date of this annual report.

The consideration for the Proposed Acquisition is HK$3,281,768,760 which shall be satisfied by the allotment and issue of the 14,268,559,826 new shares (the "Consideration Shares") at the issue price of HK$0.23 per Share to the Vendors, representing approximately 191.72% of the issued share capital of the Company as at the date of this annual report.

The Proposed Acquisition constitutes a reverse takeover for the Company under Rule 14.06(6)(a) of the Listing Rules, on the basis that the Proposed Acquisition (i) constitutes a very substantial acquisition for the Company under Chapter 14 of the Listing Rules; and (ii) results in a change in control (as defined under the Takeovers Code) of the Company. The Proposed Acquisition is subject to the approval by the Listing Committee of the Stock Exchange of Hong Kong Limited (the"Stock Exchange") (the "Listing Committee") of a new listing application to be made by the Company (the "New Listing Application"). The Company has submitted the New Listing Application on 27 February 2018. In the event that the approval for the New Listing Application is not granted by the Listing Committee, the SPA will not become unconditional and the Proposed Acquisition will not proceed.

The Proposed Acquisition also constitutes a connected transaction of the Company under Rule 14A.28 of the Listing Rules, as CITIC AMC, being one of the Vendors and a substantial shareholder of the Target Company, proposes to nominate 7 Directors of the Company out of a total of 12 Directors in the Board upon completion.

The Vendors, being shareholders of the Target Company and the holders of the Consideration Shares upon completion of the Proposed Acquisition (the "Completion"), are acting in concert under the Takeovers Code. Immediately following the allotment and issue of the Consideration Shares, the shareholding of the Vendors and parties acting in concert with any of them will be approximately 49.70% of the shares of the Company upon Completion. Under Rule 26.1 of the Takeovers Code, the Vendors and parties acting in concert with any of them would be required to make an unconditional mandatory general offer for all the issued shares not already owned or agreed to be acquired by the Vendors and parties acting in concert with any of them, unless a waiver from strict compliance with Rule 26.1 of the Takeovers Code has been obtained from the Executive Director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong or any delegate of the Executive Director (the "Executive"). An application has been made by CITIC AMC for and on behalf of the Vendors to the Executive for a waiver pursuant to Note 1 on dispensation from Rule 26 of the Takeovers Code (the "Whitewash Waiver"). The Whitewash Waiver, if granted, will be subject to the approval of the independent shareholders of the Company. In the event that the Whitewash Waiver is not granted by the Executive or the Whitewash Waiver is not approved by the independent shareholders of the Company, CITIC AMC will consider whether to waive the condition precedent and complete the Proposed Acquisition by making a general offer for the shares of the Company under the Takeovers Code.

MATERIAL EVENTS *(Continued)*

Very Substantial Acquisition being a Reverse Takeover involving a New Listing Application, Issue of Consideration Shares and Subscription Shares, and Proposed Placing of Shares under Specific Mandate *(Continued)*

Subscription Agreement

On 11 July 2017, the Company and certain independent third party subscribers entered into a subscription agreement (as amended by a supplemental subscription agreement on 29 June 2018, together the "Subscription Agreement"), pursuant to which the subscribers have conditionally agreed to subscribe for (on a several but not joint basis) 3,521,738,478 new shares of the Company (the "Subscription Shares") at the issue price of HK$0.23 per share of the Company with an aggregate consideration of HK$809,999,850 (the "Proposed Subscription"). The Subscription Shares represents (i) approximately 47.32% of the issued share capital of the Company as at the date of this annual report; and (ii) approximately 12.25% of the total shares in issue as enlarged by the allotment and issue of the Consideration Shares, the Subscription Shares, the Placing Shares (defined herein below) and after conversion or exercise in full of all convertible securities, share options and warrants or other derivatives in issue as at the date of this annual report. The Company intends to apply all of the net proceeds from the issue of Subscription Shares to expand the pawn loan business to be operated by the Target Group or to be used in the ordinary business operation of the Group.

Placing Agreement

The Company further proposed to conduct a placing of 3,478,260,869 new shares (the "Placing Shares") at the issue price of HK$0.23 per share (the "Proposed Placing") which will be completed at Completion to raise funds to repay part of the existing Outstanding Bonds (defined herein below). The Placing Shares will be issued under specific mandate and the aggregate proceeds from the Proposed Placing would amount to approximately HK$800,000,000. The Company intends to enter into a placing agreement (the "Placing Agreement") before the despatch of the circular to the Shareholders in respect of the SPA. Further details about the Proposed Placing will be contained in the announcement to be issued by the Company upon the signing of the placing agreement in compliance with the Listing Rules. The Proposed Placing would be inter-conditional with the completion of the Proposed Acquisition and the Proposed Subscription. Completion of the Proposed Placing would be conditional upon all the conditions precedent in relation to the SPA and the Subscription Agreement having been fulfilled or otherwise waived.

Potential Issue of Convertible Bonds

The Company is contemplating the issue of convertible bonds with a principal amount of HK$1,200 million to the existing holders of the Outstanding Bonds (defined herein below) (the "Bondholders") and/or institutional investors at the conversion price of HK$0.25 per share of the Company for a term of two years (the "Proposed Convertible Bonds"). Assuming full conversion of the Proposed Convertible Bonds, an aggregate of 4,800,000,000 new shares would be allotted and issued by the Company (the "Conversion Shares"). The Proposed Convertible Bonds is expected to bear interest from its issue date at the rate of 9.0% per annum of the principal amount of the Proposed Convertible Bonds outstanding. The net proceeds from the issue of the Proposed Convertible Bonds will be applied to repay the remaining Outstanding Bonds (defined herein below).

Increase of Authorised Share Capital

The Board proposes to increase the authorised share capital of the Company from HK$4,000,000,000 divided into 20,000,000,000 shares to HK$8,000,000,000 divided into 40,000,000,000 shares in order to satisfy the issue of the Consideration Shares, the Subscription Shares, the Placing Shares and the Conversion Shares.

Further details on the transactions contemplated under the SPA, the Placing Agreement and the Subscription Agreement are set out in the announcements of the Company dated 1 August 2017, 22 August 2017, 22 September 2017, 20 October 2017, 20 November 2017, 20 December 2017, 22 January 2018, 23 February 2018, 28 February 2018, 23 March 2018, 23 April 2018, 24 May 2018 and 27 June 2018.

MATERIAL EVENTS *(Continued)*

Outstanding Non-convertible Bonds

As at the date of this annual report, details of the non-convertible bonds of the Company in the aggregate principal amount of HK$4,032.00 million (the "Outstanding Bonds") are as follows:

Holders of non-convertible bonds	Principal amount *(HK$)*	Maturity date	Default interest rate *(per annum)*
China Life Insurance (Overseas) Company Limited	800,000,000	10 February 2016	5%
China Life Insurance (Overseas) Company Limited	700,000,000	24 January 2017	5%
Cross-Strait Capital Limited	32,000,000	10 February 2016	5%
Dr. Lo Ka Shui	36,000,000	3 March 2016	5%
Dr. Lo Ka Shui	35,000,000	3 September 2016	5%
Li Ka Shing (Canada) Foundation	464,000,000	3 March 2016	5%
Li Ka Shing (Canada) Foundation	465,000,000	3 September 2016	5%
Strait Capital Service Limited	800,000,000	24 January 2017	5%
Strait CRTG Fund, L.P.	700,000,000	24 January 2017	5%
Total	4,032,000,000		

By 15 February 2018, the Company and each of the Bondholders have entered into conditional standstill agreement in relation to, among other things, the rescheduling of the repayment of the Outstanding Bonds (the "Standstill Agreement(s)"). Pursuant to the Standstill Agreements, the Bondholders will not demand for, or take any action in respect of, repayment of the Outstanding Bonds for a period of 365 days from the date of Completion of the Proposed Acquisition after the Company (i) apply the entire amount of net proceeds from Disposal A (defined herein below) to partially repay the outstanding principal amount of the Outstanding Bonds to each of the Bondholders on pro-rata basis after the completion of Disposal A; and (ii) apply the net proceeds from the Proposed Placing and the issue of the Proposed Convertible Bonds to repay not less than HK$1,800.00 million of the principal amount of the Outstanding Bonds after the Completion.

The Standstill Agreement(s), as one of the conditions to the Completion of the Proposed Acquisition, are set out in the Company's announcement dated 27 February 2018.

Proposed Disposal of 71% Equity Interests in Zhunxing and the Undertaking of the Buy-back Obligation or Options

On 28 December 2016, the Company as guarantor and its wholly-owned subsidiary Cheer Luck Technology Limited acting as vendor (the "Vendor"), entered into a disposal agreement ("Disposal Agreement A") with 內蒙古源恒投資有限公司 (Inner Mongolia Yuanheng Investment Co. Ltd.*) ("Purchaser A"), pursuant to which the Vendor has conditionally agreed to sell, and Purchaser A has conditionally agreed to acquire 25% equity interest of Zhunxing at RMB1,125.00 million (equivalent to HK$1,260.00 million) (subject to adjustment according to a valuation report on Zhunxing to be prepared by an independent valuer) ("Consideration A") (the "Disposal A"). The actual Consideration A will be equivalent to 25% of the net asset value of Zhunxing as at 31 December 2016 as assessed in such valuation report and will be satisfied in cash.

MATERIAL EVENTS *(Continued)*

Proposed Disposal of 71% Equity Interests in Zhunxing and the Undertaking of the Buy-back Obligation or Options *(Continued)*

On 30 December 2016, the Company as guarantor and the Vendor entered into a disposal agreement with each of the following purchasers:

(i) 呼和浩特經濟技術開發區投資開發集團有限責任公司 (Hohhot Economic and Technological Development Zone Investment and Development Group Co. Ltd.*) ("Purchaser B"), pursuant to which the Vendor has conditionally agreed to sell, and Purchaser B has conditionally agreed to acquire 18% equity interest of Zhunxing at a consideration equals to 18% of the net asset value of Zhunxing as at 31 December 2016 as assessed in a valuation report to be prepared by an independent valuer and will be satisfied in cash ("Disposal Agreement B");

(ii) 呼和浩特惠則恒投資有限責任公司 (Hohhot Huizeheng Investment Co. Ltd.*) ("Purchaser C"), pursuant to which the Vendor has conditionally agreed to sell, and Purchaser C has conditionally agreed to acquire 18% equity interest of Zhunxing at a consideration equals to 18% of the net asset value of Zhunxing as at 31 December 2016 as assessed in such valuation report to be prepared by an independent valuer and will be satisfied in cash ("Disposal Agreement C"); and

(iii) 德源興盛實業有限公司 (Deyuan Xingsheng Industrial Co. Ltd.*) ("Purchaser D"), pursuant to which the Vendor was conditionally agreed to sell, and Purchaser D has conditionally agreed to acquire 10% equity interest of Zhunxing at a consideration equals to 10% of the net asset value of Zhunxing as at 31 December 2016 as assessed in such valuation report to be prepared by an independent valuer and will be satisfied in cash ("Disposal Agreement D").

As one of the applicable percentage ratios calculated under the Listing Rules in respect of the disposal of a total of 71% equity interests of Zhunxing is more than 75%, the disposal constitutes a very substantial disposal of the Company.

Pursuant to the Disposal Agreement A, the Vendor agreed to buy back all equity interest transferred to Purchaser A within five years after the Registration (defined herein below), at a consideration which equals the actual Consideration A paid by Purchaser A ("Buy-back Obligation"). As one of the applicable percentage ratios in respect of the Buy-back Obligation is more than 100%, the undertaking of the Buy-back Obligation will constitute a very substantial acquisition of the Company under the Listing Rules.

Purchaser A will be entitled to a guaranteed return of 4.5% per annum of Consideration A, from the day immediately following the Registration till the fifth anniversary of the Registration or the date when the Vendor fulfilling the Buy-back Obligation, whichever is earlier.

MATERIAL EVENTS *(Continued)*

Proposed Disposal of 71% Equity Interests in Zhunxing and the Undertaking of the Buy-back Obligation or Options *(Continued)*

On 18 December 2017, the Vendor and Purchaser A entered into a supplemental agreement to Disposal Agreement A ("Supplemental Agreement A"), pursuant to which Consideration A has been adjusted from RMB1,125.00 million (equivalent to approximately HK$1,260.00 million) to RMB1,145.00 million (equivalent to approximately HK$1,282.40 million) pursuant to a valuation report. Consideration A shall be satisfied in full in cash by Purchaser A in the following manners, subject to the notification and confirmation from the fund company, Ulanqab Zhongshi Yuanheng Logistics Management Centre (Limited Partnership)* (烏蘭察布市中實源恆物流產業管理中心(有限合夥)) (the "Fund Company"):

(i) a deposit of RMB50.00 million within five PRC business days upon entry into of Supplemental Agreement A;

(ii) 90% of the remaining balance (amounted to RMB985.50 million) within fifteen PRC business days following the registration of Purchaser A as a shareholder of Zhunxing at the Administration for Industry and Commerce of Inner Mongolia Autonomous Region and the Bureau of Commerce of Inner Mongolia Autonomous Region (the "Registration"); and

(iii) the remaining balance (amounted to RMB109.50 million) within ten PRC business days following the appointment of a director and a supervisor to the board of Zhunxing by Purchaser A.

The Fund Company was established by Purchaser A at its sole discretion to facilitate its internal funding arrangement and the settlement of Consideration A. By a letter dated 18 December 2017, the Fund Company notified the Company that considering the time needed for Purchaser A to make its internal funding arrangement, based on the best estimate of the Fund Company, the aforesaid milestone payments are expected to take place on or before 28 February 2018, 31 March 2018 and 30 April 2018, respectively.

The Directors expect that the net proceeds from Disposal A, after deducting the expenses directly attributable thereto, will be approximately RMB1,139.64 million (equivalent to approximately HK$1,276.40 million). As at the date of this annual report, all of the aforesaid milestone payments from Purchaser A are delayed and remained outstanding as the Fund Company requires further time to facilitate the internal funding arrangement for the settlement of Consideration A.

On 16 April 2018, the Disposal Agreement A and all the transactions contemplated thereunder (including but not limited to Disposal A and the undertaking of the Buy-back Obligation) were approved at the extraordinary general meeting of the Company.

Upon completion of Disposal A, Zhunxing will be held as to 61.87% by the Company, and upon the fulfillment of the Buy-back Obligation, Zhunxing will be held as to 86.87% by the Company. Zhunxing and its subsidiaries will continue to be subsidiaries of the Group and the financial results of Zhunxing and its subsidiaries will continue to be consolidated into the consolidated financial statements of the Group.

During the year ended 31 March 2018, Purchaser C paid a refundable earnest money of RMB80 million (equivalent to approximately HK$97.27 million) in order to facilitate further negotiation in respect of the disposal of 18% equity interests in Zhunxing. The earnest money will be settled as part of the consideration of the aforesaid disposal when the transaction is completed. The said earnest money was applied to pay the interest of Zhunxing's syndicated bank loans during the year.

MATERIAL EVENTS *(Continued)*

Proposed Disposal of 71% Equity Interests in Zhunxing and the Undertaking of the Buy-back Obligation or Options *(Continued)*

As at the date of this annual report, Purchaser B, Purchaser C and Purchaser D are still in the progress of appointing their designated independent valuer to prepare a valuation report for the purpose of determining the considerations under Disposal Agreement B, Disposal Agreement C and Disposal Agreement D.

Each of the above disposal agreements is not inter-conditional and shall be completed separately. The proceeds from the disposals of 71% equity interests in Zhunxing will be used to repay partially the principal amount of the Outstanding Bonds. In case there is any surplus, it will be used as general working capital of the Group.

Should the Company fail to proceed further with any of the above disposals, the Company will explore other avenues (including but not limited to disposing other assets of the Group and identifying other purchasers to dispose the unsold interests in Zhunxing) to generate funds to repay the Outstanding Bonds.

Details on the arrangement of proposed disposals and buy-backs of the 71% equity interests in Zhunxing are set out in the announcements of the Company dated 9 January 2017, 30 March 2017, 30 June 2017, 29 September 2017, 18 December 2017, 16 April 2018 and the circular of the Company dated 26 March 2018.

PROSPECTS

At present, measures on coal production capacity cut are imposed in the PRC to resolve overcapacity in the industry. A number of proposed forthcoming developments of Zhunxing Expressway, including the new interconnection with other expressway to reduce the road users' travelling time and cost targeting to commence in late 2018, and the interconnection with Zhangjiakou city facilitating direct passage from Zhunxing Expressway to Hebei province targeting to commence in late 2019, are expected to boost the growth of both traffic volume and toll income of Zhunxing Expressway. Furthermore, the future commencement of power plant operations near the Qingshuihe and Helingeer areas is also expected to lift the traffic flow of Zhunxing Expressway. Following the economic recovery and the initial effective implementation of the coal capacity reduction policy in the PRC, energy consumption has gradually increased, leading to a steady rise in coal prices, and along with the above forthcoming developments of Zhunxing Expressway, the traffic volume and toll income of the Zhunxing Expressway are expected to grow, bringing a turnaround to profit in the long run.

Given the Company's imminent funding needs to meet its short-term financial obligations, the Company entered into the financing arrangement of the proposed disposals and buy-backs of its 71% equity interest in Zhunxing in late December 2016. Upon completion of the disposal of its 25% equity interest in Zhunxing, the Company is expected to realise cash to partially repay the Outstanding Bonds. The Board will continue to work on the disposal of the 46% equity interest in Zhunxing, which, if materialise, will provide additional funds to the Company to further repay the Outstanding Bonds, and hence improve the financial and cash flow position of the Group. Should the Company fail to proceed with any of the above disposals, the Company will explore other avenues (including but not limited to disposing other assets of the Group and identifying other purchasers to dispose the unsold interest in Zhunxing) to generate funds to repay the Outstanding Bonds.

The Group has commenced its business in the growing and sales of forage and agriculture products in May 2017 upon Xinze becoming a non-wholly-owned subsidiary of the Group. Under the growing momentum of the agriculture and animal husbandry industry in Inner Mongolia Autonomous Region, Xinze will continue to focus its main business on silage cultivation and will explore the business of cattle breeding.

PROSPECTS *(Continued)*

During the year, the Company has identified the Proposed Acquisition and will conduct the Proposed Subscription to raise funds for the expansion of the pawn loan business to be acquired. The Company also intends to conduct the Proposed Placing and is contemplating the issue of the Proposed Convertible Bonds to raise additional funds to further repay the Outstanding Bonds. Upon completion of the above transactions, it is expected that the asset position of the Company will be substantially enhanced and the indebtedness level of the Company will be reduced substantially. Furthermore, it is expected that, upon completion of the Proposed Acquisition, the introduction of CITIC AMC as a substantial shareholder of the Company will not only broaden the Company's shareholding base, but also create opportunities in other new sectors to be explored in the future.

The New Listing Application in relation the Proposed Acquisition has been submitted to the Stock Exchange on 27 February 2018. Since the completion of the Proposed Acquisition is subject to, among other things, the approval of the aforementioned New Listing Application by the Stock Exchange, as at the date of this annual report, no concrete timetable has been formalized in relation to the Proposed Acquisition, the Proposed Subscription, the Proposed Placing and the issue of Proposed Convertible Bonds. Since the Proposed Acquisition, the Proposed Subscription and the Proposed Placing are inter-conditional with each other, failing to proceed with any one of them would result in the termination of the other two transactions. In that event, the Group will continue to focus on its expressway operation and renegotiate with the Bondholders in relation to the rescheduling of the repayment schedule of the Outstanding Bonds.

The Board will continue to look out for opportunities to make investments in any new business when suitable opportunities arise to diversify revenue streams of the Group and strengthen the Group's financial position, and therefore maximising the benefits of the Shareholders as a whole.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties that are considered to be of significance to affect the Group's businesses, operational performance and financial conditions include but not limited to the followings:

Liquidity Risk

The Group's short and long term liquidity requirements are detailed in Note 45 to the consolidated financial statements. The Group has been implementing various measures as set out in Note 3(b) to the consolidated financial statements to improve its liquidity position. The ability of the Group to meet its short and long term liquidity requirements is highly dependent on the future outcomes of the above proposed measures.

Business Risk

The expressway operations business and the petroleum and related products business are closely related to the national macroeconomic environment and environmental policy. Growth in the traffic volume and toll revenue of Zhunxing Expressway and the sales volume and revenue arising from sales of CNG remain uncertain as they are dependent on the macroeconomic performance. The sales volume and revenue arising from the trading of forage and agricultural products business also remain uncertain as climate and weather are significant factors affecting the agricultural production yield.

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. At 31 March 2018, 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 and accumulated loss for the year by approximately HK$157.96 million.

The above list is non-exhaustive as there may be other risks and uncertainties arise resulting from changes in the prevailing market conditions, laws and regulations and other conditions over time.

COMPLIANCE WITH LAWS AND REGULATIONS

While the Company is listed on the Stock Exchange, the Group's main operation, namely the expressway operations business, is conducted by the Company's subsidiaries in the PRC. Accordingly, the Group's main operation shall comply with the relevant laws and regulations in the PRC and Hong Kong. During the year ended 31 March 2018 and up to the date of this annual report, the Group was not aware of any non-compliance with any applicable 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's environmental policy encourages its employees to maintain green offices by means of conservation on energy and other natural resources, reduction in materials consumption, waste reduction, recycling and green procurement under reasonable circumstances. During the year ended 31 March 2018 and up to the date of this annual report, the Group's environmental performance has been monitored on a regular basis. Further details on the Group's environmental policies and performance are set out on pages 43 to 52 in this annual report.

KEY RELATIONSHIP WITH STAKEHOLDERS

Employees

The Group places significant emphasis on building strong connection with its employees. To strengthen employee engagement, the Group provides a fair workplace together with competitive remuneration and a range of opportunities for career advancement to ensure its employees are rewarded on performance-related basis.

Customers

With a view to strengthen business growth and profitability in the long run, the Group is dedicated to build long lasting relationship with its customers by addressing their needs and concern in a timely manner through a well-established mechanism on customer support and complaints.

Creditors

The Group recognises the importance in maintaining good relationship with its creditors. With the assistance of the legal counsel and financial advisor, the Group continues to work with its creditors on restructuring the Group's outstanding debts.

DIRECTORS' REPORT

The directors present herewith their annual report together with the audited consolidated financial statements for the year ended 31 March 2018.

PRINCIPAL PLACE OF BUSINESS

The Company is an exempted Company incorporated in the Cayman Islands with limited liability. The address of its registered office is the office of Sterling Trust (Cayman) Limited, Whitehall House, 238 North Church Street, P.O. Box 1043, George Town, Grand Cayman, KY1-1102, Cayman Islands. Its principal place of business is located at Room 1801-05, 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 2018 are set out in Note 23 to the consolidated financial statements. During the year under review, the Group was principally engaged in expressway operations, trading of petroleum and related products, CNG gas stations operations, growing and sales of forage and agricultural products 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 18 of this annual report. This discussion forms part of the Directors' report.

SEGMENT INFORMATION

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

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 March 2018, the aggregate amount of purchases attributable to the Group's five largest suppliers amounted to less than 30% of the total purchase of the Group.

The aggregate amount of revenue attributable to the Group's five largest customers amounted to less than 30% of the total revenue of the Group during the year.

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

RESULTS AND DIVIDENDS

The results of the Group are set out in the consolidated statement of profit or loss on page 58 of this annual report and in the accompanying notes to the consolidated financial statements.

The Directors do not recommend any payment of final dividend for the year ended 31 March 2018 (2017: 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 62 to 63 of this annual report and Note 38 to the consolidated financial statements respectively.

Under the Cayman Islands Companies Law, the funds in share premium account are distributable to Shareholders, subject to the condition that immediately following the date on which the distribution or dividend is proposed to be paid, the Company is able to pay its debts as they fall due in the ordinary course of business. As at 31 March 2018, the Company had no reserves available for distribution to Shareholders (2017: Nil).

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in Note 16 to the consolidated financial statements.

PROPERTIES

Particulars of properties of the Group as at 31 March 2018 are set out on page 150 of this annual report.

SUBSIDIARIES

Particulars of the principal subsidiaries of the Group as at 31 March 2018 are set out in Note 23 to the consolidated financial statements.

CHARGES ON ASSETS

As at 31 March 2018, the Group has pledged the equity interests in (i) Inner Mongolia Berun New Energy Company Limited* (內蒙古博源新型能源有限公司); (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

Save as disclosed in Note 48 to the consolidated financial statements, the Group did not have any material contingent liabilities as at 31 March 2018.

BORROWINGS

Particulars of borrowings of the Group as at 31 March 2018 are set out in Note 31 to the consolidated financial statements.

SHARE CAPITAL

Details of the Company's share capital are set out in Note 35 to the consolidated financial statements.

On 10 May 2017, the Company allotted and issued 690,000,000 consideration shares to Epoch Luck Investments Limited at the issue price of HK$0.20 per Share for settlement of the consideration which was payable pursuant to a sale and purchase agreement dated 16 March 2017 as set out in the "Material Events" section on page 10 of this annual report.

Save as disclosed above, there were no movements in the share capital of the Company during the year ended 31 March 2018.

Details on the proposed increase of authorized share capital of the Company and the proposed issue of Consideration Shares, Subscription Shares, Placing Shares and Proposed Convertible Bonds by the Company pursuant to the SPA and the Subscription Agreement are set out in the "Material Events" section on pages 11 to 12 of this annual report.

NON-CONVERTIBLE BONDS

As at 31 March 2018, the outstanding principal amounts of the non-convertible bonds of the Company amounted to HK$4,032 million. Details of the non-convertible bonds of the Company are set out in the "Material Events" section on page 13 of this annual report and Note 33 to the consolidated 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 consolidated financial statements and reclassified as appropriate, is set out on page 149 of this annual report. The summary does not form part of the consolidated financial statements.

RELATED PARTY TRANSACTIONS

The related party transactions in Note 43 to the consolidated 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 (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 2018.

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. Jiang Tao
Mr. Tsang Kam Ching, David
Mr. Gao Zhiping
Mr. Duan Jingquan

Non-executive Director:
Mr. Suo Suo Stephen

Independent Non-executive Directors:
Mr. Yip Tak On
Mr. Jing Baoli
Mr. Bao Liang Ming
Mr. Xue Baozhong

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, Messrs Jiang Tao, Duan Jingquan, Jing baoli and Xue Baozhong shall retire at the forthcoming annual general meeting, and being eligible, shall offer themselves for re-election. Moreover, Jing Baoli have served the Company as an independent non-executive Director ("INED") for more than 9 years, thus the Company is seeking approval from Shareholders for his reappointment.

CONFIRMATION OF INDEPENDENCE

The Company has received annual confirmation from each of the 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 58, 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 with a bachelor degree in engineering in July 1982 and the Graduate School of the Chinese Academy of Social Sciences with a master degree in economics in July 1988. 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 and Shougang Holding (Hong Kong) Limited.

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.

Mr. Fung Tsun Pong, aged 58, 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. Jiang Tao, aged 38, has been appointed as the chief executive officer of the Company since 12 May 2016 and an executive Director since 12 August 2016. Mr. Jiang graduated from the University of International Business and Economics (對外經濟貿易大學) in the People's Republic of China with a bachelor degree in economics. Prior to joining the Company, Mr. Jiang has over ten years' experience in the banking industry and was the president of a fund management company in the People's Republic of China.

Mr. Tsang Kam Ching, David, aged 61, 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 field. Mr. Tsang is also a fellow member of the Association of Chartered Certified Accountants and a member of the HKICPA.

BIOGRAPHICAL DETAILS OF DIRECTORS *(Continued)*

Executive Directors *(Continued)*

Mr. Gao Zhiping, aged 56, has been appointed as an executive Director since 17 June 2013. Mr. Gao graduated from China Europe International Business School (中歐國際工商學院) with a Master of Business Administration in November 2004 and was accredited as a senior economist by the Technology Committee of Henan Province (河南省科委) in December 1998 and by the State Grid Corporation of China (國家電網公司) in December 2005. He has received the awards of Distinctive Young Enterprise Management Personnel (河南省優秀青年企業經營管理者) from Henan Provincial Young Entrepreneurs Association (河南省青年企業家協會) in April 1999, Distinctive Pilot Project Construction Personnel of Henan Province (河南省重點項目建設先進工作者) and Model Worker of Henan Province (河南省勞動模範) from the People's Government of Henan Province (河南省人民政府) in February 2008 and April 2009, respectively.

From October 1980 to December 1994, he served various departments in the government, and took up various positions in local administrative office of Nanyang Prefecture in Henan Province (河南省南陽地區行政公署) and Nanyang city people's government (南陽市人民政府) as the government office clerk, secretary and chief officer.

From December 1994 to 2007, he was positioned as the deputy general manager, the secretary general of disciplinary committee, president of labour union of Nanyang Yahekou Electricity Company Limited (南陽鴨河口發電有限責任公司) and the vice general manager of Nanyang Tianyi Power Generation Co., Ltd. (南陽天益發電有限責任公司), both being subsidiaries of Henan Construction Investment Group (河南省建設投資集團公司). He was the deputy general manager from September 2008 to April 2010 and the secretary of party committee from October 2008 to March 2010 of Nanyang Yahekou Electricity Company Limited (南陽鴨河口發電有限責任公司).

From October 2009 to October 2010, Mr. Gao served 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 Nanyang WDX Expressway Construction Co., Ltd. (南陽宛達昕高速公路建設有限責任公司). 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 February 2014, he has served 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.

Mr. Duan Jingquan, aged 62, 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.

BIOGRAPHICAL DETAILS OF DIRECTORS *(Continued)*

Non-executive Director:

Mr. Suo Suo Stephen, aged 46, 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 71, has been appointed as an INED since 22 September 2004. Mr. Yip has accumulated over 30 years of experience in accounting and audit. Mr. Yip has founded his own Certified Public Accountants firm and has been the managing director of T. O. Yip & Co. Limited since its inception in September 2009. 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 and Investment Institute. 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 53, has been appointed as an INED since 28 February 2006. Mr. Jing has accumulated over 30 years of experience in the legal field. Mr. Jing was graduated from Beijing University Law School with a Bachelor's degree in Laws in July 1987 and acquired a Master's degree in Laws from Lanzhou University in December 1997. After graduation from Beijing University, he was assigned to the High Court of Gansu Province since July 1987 and worked in various positions till July 1997. In July 1997, Mr. Jing joined Gansu Tianhe Law Firm as a partner and in July 1999, he joined Beijing Shuang Cheng Law Firm as an attorney-at-laws. In August 2007, Mr. Jing worked as an attorney in China Commercial Law Company, Guangdong.

Mr. Bao Liang Ming, aged 62, 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.

Mr. Xue Baozhong, aged 63, has been appointed as an INED since 12 August 2016. Mr. Xue graduated from Lan Zhou Commerce School (蘭州商學院) in the People's Republic of China, majoring in corporate management. Mr. Xue was the chairman and general manager of Gansu Province Zhongbao Economic and Trade Co., Ltd. (甘肅省中寶經貿有限公司) and Shanghai Wanye Economic and Trade Co., Ltd. (上海萬野經貿有限公司) for the periods from 1996 to 1998 and from 1999 to 2012, respectively. During the period from 2013 to June 2016, he was the vice president of Copower Enterprise Group Limited (長和實業集團有限公司).

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 consolidated 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 2018, 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 the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executive were taken or deemed to have taken under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein; or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 of the Listing Rules, to be notified to the Company and Stock Exchange.

Long positions in issued Shares and underlying Shares of the Company

		As at 31 March 2018	
Name of Directors	**Capacity**	**Number of Shares and/or underlying Shares**	**Approximate % of total issued Shares** *(Note 4)*
Cao Zhong ("Mr. Cao")	Beneficial owner	33,800,000	0.45
	Interest in controlled corporation	948,325,000 *(Note 1)*	12.74
Fung Tsun Pong ("Mr. Fung")	Beneficial owner	310,590,610	4.17
	Interest in controlled corporation	647,755,000 *(Note 2)*	8.70
Tsang Kam Ching, David	Beneficial owner	7,851,224	0.10
	Beneficial owner	3,111,111 *(Note 3)*	0.04
Duan Jingquan	Beneficial owner	3,111,111 *(Note 3)*	0.04
Gao Zhiping	Beneficial owner	3,111,111 *(Note 3)*	0.04
Yip Tak On	Beneficial owner	555,555 *(Note 3)*	0.01
Jing Baoli	Beneficial owner	555,555 *(Note 3)*	0.01
Bao Liang Ming	Beneficial owner	555,555 *(Note 3)*	0.01

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

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 12.74% 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. Ocean Gain Limited ("Ocean Gain") being wholly-owned by Mr. Fung was interested in 647,755,000 Shares, representing approximately 8.70% 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".

3. 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 under the Company's share option scheme adopted on 16 July 2004, further details of which are set out in the section headed "Share Option Scheme".

4. Based on 7,442,395,970 Shares of HK$0.20 each in issue as at 31 March 2018.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No transaction, arrangement or 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 2018, 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 entities had interests or short positions in the Shares or underlying Shares which fall to be disclosed to the Company and the Stock Exchange 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 issued voting shares to vote in all circumstances at general meeting of any other members of the Group.

SUBSTANTIAL SHAREHOLDERS *(Continued)*

Long Position in issued Shares and underlying Shares of the Company

		As at 31 March 2018	
Name of substantial shareholders	**Capacity**	**Number of Shares and/or underlying Shares**	**Approximate % of total issued Shares** *(Note 13)*
Champion Rise *(Note 1)*	Beneficial owner	948,325,000	12.74
Epoch Luck Investments Limited *(Note 2)*	Beneficial owner	690,000,000	9.27
Chan Wun Lun *(Note 2)*	Interest in controlled corporation	690,000,000	9.27
Bondic International Holdings Limited *(Note 3)*	Beneficial owner	650,000,000	8.73
Cheung Chung Kiu *(Note 3)*	Interest in controlled corporation	650,000,000	8.73
Ocean Gain *(Note 4)*	Beneficial owner	647,755,000	8.70
Miao Zhenguo *(Note 5)*	Beneficial owner	593,000,000	7.97
	Interest in controlled corporation	24,500,000	0.33
Turbo View Investment Limited *(Note 6)*	Beneficial owner	375,000,000	5.04
Gao Xiao Rui *(Note 6)*	Interest in controlled corporation	375,000,000	5.04
Focal Sunshine Limited *(Note 7)*	Person having a security interest in shares	974,215,000	13.09
Mak Siu Hang Viola *(Notes 7 and 8)*	Interest in controlled corporation	1,652,670,000	22.21
VMS Investment Group Limited *(Note 7)*	Interest in controlled corporation	1,052,670,000	14.14
Keywood Group Limited *(Note 8)*	Person having a security interest in shares	600,000,000	8.06
VMS Finance Group Limited *(Note 8)*	Interest in controlled corporation	600,000,000	8.06
CITIC AMC *(Note 9)*	Beneficial owner	8,566,030,770	115.10
CITIC Group Corporation* (中國中信集團有限公司)*(Note 9)*	Interest in controlled corporation	8,566,030,770	115.10
Trendy Sky Limited ("Trendy Sky") *(Note 10)*	Beneficial owner	1,739,130,000	23.37
Chan Po Siu *(Note 10)*	Interest in controlled corporation	1,739,130,000	23.37
Tibet Junhe Investment Co., Ltd.* (西藏君合投資有限公司) ("Tibet Junhe") *(Note 11)*	Beneficial owner	1,492,936,791	20.06
Starry Wealth Holdings Limited ("Starry Wealth") *(Note 12)*	Beneficial owner	869,565,000	11.68
Chen Jiarong *(Note 12)*	Interest in controlled corporation	869,565,000	11.68

SUBSTANTIAL SHAREHOLDERS *(Continued)*

Long Position in issued Shares and underlying Shares of the Company *(Continued)*

Notes:

1. Champion Rise is wholly-owned by Mr. Cao, the chairman and an executive Director of the Company whose interest in Shares or underlying Shares is set out in the above section headed "Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures".

2. Epoch Luck Investments Limited is being wholly-owned by Mr. Chan Wun Lun.

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

4. 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 is set out in the above section headed "Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures".

5. Goldtex Group Limited being wholly-owned by Mr. Miao Zhenguo was interested in 24,500,000 Shares, representing 0.33% in the issued share capital of the Company.

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

7. Focal Sunshine Limited has a security interest in 974,215,000 Shares. Each of Mak Siu Hang Viola and VMS Investment Group Limited is interested in the 974,215,000 Shares held by Focal Sunshine Limited by reason of interests of controlled corporations within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of The Laws of Hong Kong).

8. Keywood Group Limited has a security interest in 600,000,000 Shares. Each of Mak Siu Hang Viola and VMS Finance Group Limited is interested in 600,000,000 Shares held by Keywood Group Limited by reason of interests of controlled corporations within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of The Laws of Hong Kong).

9. CITIC AMC was deemed to be interested in 8,566,030,770 Consideration Shares in relation to the Proposed Acquisition set out in the "Material Events" section of this annual report. CITIC AMC is wholly-owned by CITIC Group Corporation. Upon completion of the Proposed Acquisition, the Proposed Subscription and the Proposed Placing, both CITIC AMC and CITIC Group Corporation will become interested in or be deemed to be interested in 8,566,030,770 shares of HK$0.20 each, representing 29.80% of the Company's total Shares in issue as enlarged by the allotment and issue of the Consideration Shares, the Subscription Shares and the Placing Shares (assuming that all of the outstanding employee share options in issue as at 31 March 2018 are exercised).

10. Trendy Sky was deemed to be interested in 1,739,130,000 Subscription Shares in relation to the Proposed Subscription set out in the "Material Events" section of this annual report. Trendy Sky is wholly-owned by Mr. Chan Po Siu. Upon completion of the Proposed Acquisition, the Proposed Subscription and the Proposed Placing, both Trendy Sky and Mr. Chan Po Siu will become interested in or be deemed to be interested in 1,739,130,000 shares of HK$0.20 each, representing 6.05% of the Company's total Shares in issue as enlarged by the allotment and issue of the Consideration Shares, the Subscription Shares and the Placing Shares (assuming that all of the outstanding employee share options in issue as at 31 March 2018 are exercised).

11. Tibet Junhe was deemed to be interested in 1,492,936,791 Consideration Shares in relation to the Proposed Acquisition set out in the "Material Events" section of this annual report. Tibet Junhe is held as to 25%, 25%, 25% and 25% equity interest by Mr. Wang Jianping, Mr. Wu Jianzhong, Mr. Zhang Shenghua and Mr. Zhang Weichun. Upon completion of the Proposed Acquisition, the Proposed Subscription and the Proposed Placing, Tibet Junhe, Mr. Wang Jianping, Mr. Wu Jianzhong, Mr. Zhang Shenghua and Mr. Zhang Weichun will become interested in or be deemed to be interested in 1,492,936,791 shares of HK$0.20 each, representing 5.19% of the Company's total Shares in issue as enlarged by the allotment and issue of the Consideration Shares, the Subscription Shares and the Placing Shares (assuming that all of the outstanding employee share options in issue as at 31 March 2018 are exercised).

SUBSTANTIAL SHAREHOLDERS *(Continued)*

Long Position in issued Shares and underlying Shares of the Company *(Continued)*

Notes: (Continued)

12. Starry Wealth was deemed to be interested in 869,565,000 Subscription Shares in relation to the Proposed Subscription set out in the "Material Events" section of this annual report. Starry Wealth is wholly-owned by Mr. Chen Jiarong. Upon completion of the Proposed Acquisition, the Proposed Subscription and the Proposed Placing, both Starry Wealth and Mr. Chen Jiarong will become interested in or be deemed to be interested in 869,565,000 shares of HK$0.20 each, representing 3.02% of the Company's total Shares in issue as enlarged by the allotment and issue of the Consideration Shares, the Subscription Shares and the Placing Shares (assuming that all of the outstanding employee share options in issue as at 31 March 2018 are exercised).

13. Based on 7,442,395,970 Shares of HK$0.20 each in issue as at 31 March 2018.

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 authorized, at their discretion, to invite employees of the Group, including directors of any company in the Group, to take up options to subscribe for 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 share consolidation 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 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 2018 was 170,082,743 Shares (including options for 34,833,324 Shares that have been granted under the Old Scheme but not yet lapsed or exercised) which represented 2.29% of the ordinary shares of the Company in issue at 31 March 2018. The total number of Shares issued and to be issued upon exercise of the options granted to each participant in any 12-month period shall not exceed 1% of the Company's total ordinary shares in issue.

As at 31 March 2018, the options to subscribe for 34,833,324 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 2018.

SHARE OPTION SCHEME *(Continued)*

At 31 March 2018, the Directors and employees of the Company had the following interests in options to subscribe for Shares granted for HK$1.00 by way of consideration under the Old Scheme:

	Date of grant being approved	No. of options outstanding as of 01/04/2017	No. of options granted during the period	No. of options exercised	No. of options cancelled/ lapsed *(Note 2)*	No. of options outstanding as of 31/03/2018	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	3,111,111	–	–	–	3,111,111	23 May 2014 to 15 October 2018	4.05	8.40
Tsang Kam Ching, David	16 October 2013	3,111,111	–	–	–	3,111,111	23 May 2014 to 15 October 2018	4.05	8.40
Gao Zhiping	16 October 2013	3,111,111	–	–	–	3,111,111	23 May 2014 to 15 October 2018	4.05	8.40
Jing Baoli	16 October 2013	555,555	–	–	–	555,555	23 May 2014 to 15 October 2018	4.05	8.40
Yip Tak On	16 October 2013	555,555	–	–	–	555,555	23 May 2014 to 15 October 2018	4.05	8.40
Bao Liang Ming	16 October 2013	555,555	–	–	–	555,555	23 May 2014 to 15 October 2018	4.05	8.40
Employees	16 October 2013	26,944,437	–	–	(3,111,111)	23,833,326	23 May 2014 to 15 October 2018	4.05	8.40
		37,944,435	–	–	(3,111,111)	34,833,324			

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 29 March 2018 was HK$0.19) at the subscription price of HK$4.05 per Share. The options are unlisted. Assuming that all the options outstanding as at 31 March 2018 are exercised, the Company will receive proceeds, before expenses, of approximately HK$141.07 million.

2. Options to subscribe for 3,111,111 Shares of HK$0.20 each of the Company were lapsed during the year ended 31 March 2018 following the cessation of two grantees to be an employee of the Company.

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 2018.

Particulars of the above share options offered are set out in Note 36 to the consolidated financial statements.

EMPLOYEES AND RETIREMENT BENEFIT SCHEMES

The Group had approximately 457 employees in Hong Kong and PRC as at 31 March 2018. 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 policy.

The employees of the Company's subsidiaries in the PRC participate in defined contribution schemes operated by the local government authorities in the PRC. The Company's subsidiaries are required to make contributions to the schemes at a certain percentage of the basic salaries of their PRC employees and have no further obligation for post-retirement benefits.

The employees of the Company in Hong Kong are enrolled in a Mandatory Provident Fund ("MPF") scheme in accordance with the requirements of the Mandatory Provident Fund Scheme Ordinance (Chapter 485) and the Mandatory Provident Fund Schemes (General) Regulation (Chapter 485A). Contributions are made based on a percentage of the employee's basic salaries.

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.

PERMITTED INDEMNITY PROVISION

During the 1st half of this financial year, the Company maintained the directors and officers ("D&O") liability insurance policy for Directors to provide protection against claims arising from the lawful discharge of duties by the Directors (subject to policy terms and conditions). The said D&O insurance cover was ceased during the 2nd half of this financial year.

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.

AUDITOR

Crowe Horwath (HK) CPA Limited has changed its name to Crowe (HK) CPA Limited ("Crowe"). Accordingly, the independent auditor's report is now signed under the new name.

Crowe was first appointed as auditor of the Company with effect on 24 March 2017, following the resignation of BDO Limited as auditor of the Company on 23 March 2017, and audited the Group's consolidated financial statements for the two financial years ended 31 March 2018 and 2017. BDO Limited audited the Company's consolidated financial statements for the year ended 31 March 2016.

Save as disclosed above, there were no other changes in the auditors of the Company during the past three years.

Crowe will retire and being eligible, offer themselves for re-appointment. A resolution for the re-appointment of Crowe as auditor of the Company will be proposed at the forthcoming annual general meeting of the Company.

On behalf of the Board

Mr. Cao Zhong
Chairman

Hong Kong, 29 June 2018

CORPORATE GOVERNANCE REPORT

The Board hereby presents to the shareholders of the Company (the "Shareholders") the Corporate Governance Report of the Group for the year ended 31 March 2018.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintain a high standard of corporate governance practices 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's corporate governance practices are based on 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 ended 31 March 2018, the Company has complied with all the code provisions as set out in the CG Code except for the deviations from (i) code provision A1.1 as detailed in the paragraphs headed "Attendance Record of Directors" and (ii) code provision A1.8 as detailed in the paragraph headed "Directors and Officers Liability Insurance" of this report.

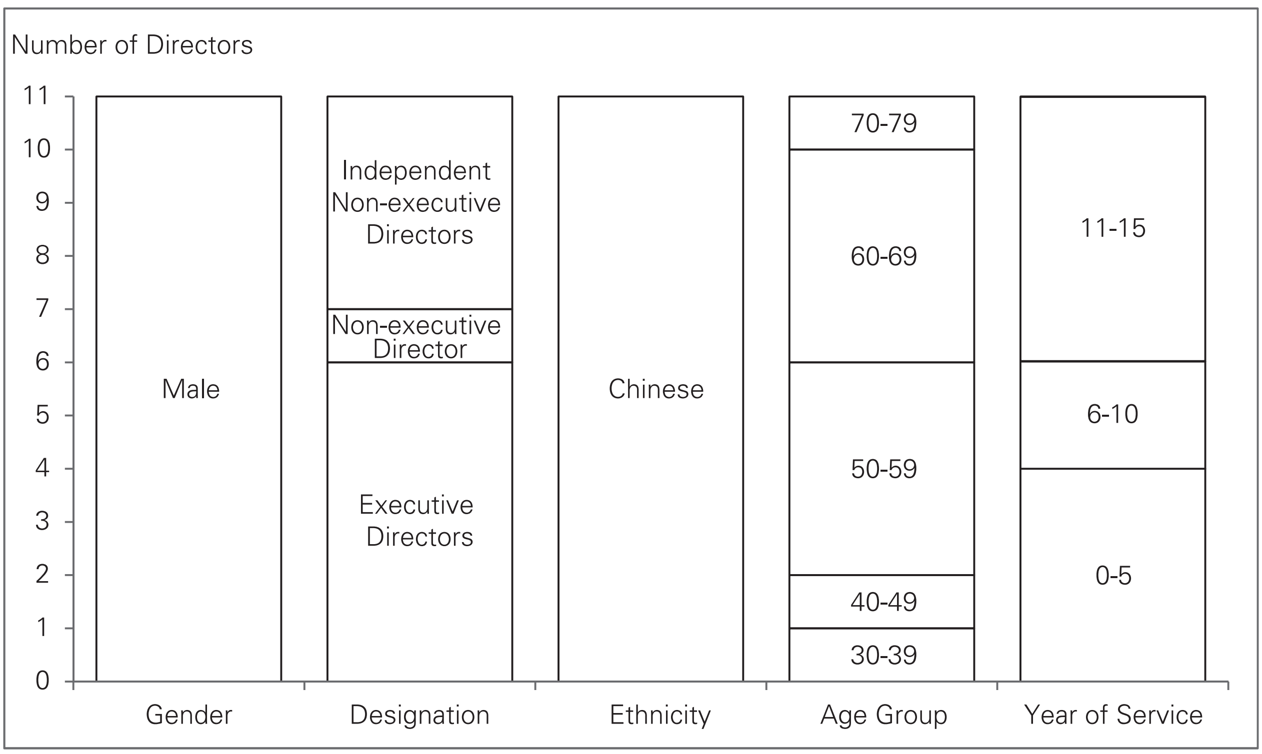
THE BOARD OF DIRECTORS

The Company is headed by an effective Board which assumes responsibility for shaping and guiding corporate strategy over the long term, risk management, oversight of the management of the businesses and enhancing return for Shareholders by seizing opportunities and overcoming market challenges. Directors, as members of the Board, collectively share responsibility for the proper direction and management of the Group in the best interest of the Shareholders.

Board Composition

As at 31 March 2018, the Board comprised six executive Directors, one non-executive Director and four INEDs. The names and brief biographies of the Directors are set out on pages 22 to 24 of this annual report. A list setting out the names of the Directors and their roles and functions is updated on the websites of the Company and the Stock Exchange from time to time.

The Board's composition under major diversified perspectives as at 31 March 2018 is summarized as follows:



THE BOARD OF DIRECTORS *(Continued)*

Board Composition *(Continued)*

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, including financial, operational, family or other relevant material relations.

The Roles of the Chairman and the Board

The Chairman of the Board ("Chairman"), Mr. Cao Zhong, is responsible for providing leadership for the Board to ensure that the Board acts in the best interests of the Group 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 is responsible for the formulation of overall business strategy, business development direction, investment policies, management objectives, and internal control policy of the Group. Matters reserved for the Board are those affecting the Group's overall strategic direction, management, finance, corporate governance, 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, corporate governance practices 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 regular Board meetings:

– 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;

– reviewed the Group's policies on risk management and internal control;

– reviewed the need for the Group to set up an internal audit function; 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 BOARD OF DIRECTORS *(Continued)*

The Roles of the Chief Executive Officer and its Management Team

The CEO, Mr. Jiang Tao, was responsible for overseeing the day-to-day management, administration and operation of the Group 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.

The management, under the leadership of the CEO, is responsible for implementing the strategies and policies established by the Board; and reporting on the Group's operations to the Board with timely information to ensure effective discharge of the Board's responsibilities.

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 strategy, performance, key appointments, 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 whom has appropriate professional qualifications or accounting or related financial management expertise.

The Company has received, from each of the INEDs, an annual confirmation of his independence and the Board considers that the four 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 Mr. Jing Baoli has served more than nine years in the Company, his further appointments will be subject to Shareholders' approval at the forthcoming annual general meeting of the Company 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.

THE BOARD OF DIRECTORS *(Continued)*

Attendance Record of Directors

The attendance record of each Director at the Board meetings and general meeting of the Company held during the financial year ended 31 March 2018 is set forth below:

	Attendance/Number of Meetings	
Name of Directors	**Board Meeting**	**Annual General Meeting**
Executive Directors		
Cao Zhong	6/6	1/1
Fung Tsun Pong	5/6	1/1
Jiang Tao	5/6	1/1
Tsang Kam Ching, David	6/6	1/1
Gao Zhiping	4/6	1/1
Duan Jingquan	2/6	1/1
Non-executive Director		
Suo Suo Stephen	5/6	1/1
Independent non-executive Directors		
Yip Tak On	4/6	1/1
Jing Baoli	5/6	1/1
Bao Liang Ming	4/6	1/1
Xue Baozhong	3/6	1/1

Notes:

1. The annual general meeting of the Company was held on 30 August 2017 (the "AGM").

2. No extraordinary general meetings of the Company were held during the year ended 31 March 2018.

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 have 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 four ad hoc meetings were convened during the financial year and the ad hoc meetings have achieved an average participation rate constituting about two-thirds of the Board, the Directors considered holding four regular meetings at quarterly intervals to be unnecessary.

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

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

THE BOARD OF DIRECTORS *(Continued)*

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 under the Listing Rules, the relevant laws and regulations applicable to the Directors, duty of disclosure of interest and the business and governance policies of the Group.

During this financial year, the Company has provided training materials prepared by qualified professions to all the Directors and relevant staff. The training materials covered areas such as an overview of directors' responsibilities of companies listed on the main board of the Stock Exchange. The Company has received confirmation from all Directors upon their completion of the training. In addition, Messrs Tsang Kam Ching, David and Yip Tak On also attended other external seminars or briefings and read relevant materials on regulatory updates.

Directors and Officers Liability Insurance

The Directors note that the code provision A1.8 stipulates that an issuer should arrange appropriate insurance cover in respect of legal action against its directors. However, as the terms and conditions offered by the insurer in relation to the extension of the existing directors and officers ("D&O") liability insurance policy were unfavorable to the Company, the D&O insurance cover was ceased during the 3rd quarter of the financial year under review. The Board will consider the terms and conditions of various D&O liability insurance cover proposed by the insurers from time to time.

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. The written terms of reference of the Board committees, which have been reviewed from time to time by the Board to keep them in line with the most up-to-date requirements, are available on the websites of the Company and the Stock Exchange.

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 four INEDs namely Messrs Yip Tak On (the chairman), Jing Baoli, Bao Liang Ming and Xue Baozhong.

The primary responsibilities of the Audit Committee are set out below:

– oversee the Company's relationship with the external auditors including (but not limited to) the approval of their remuneration and their terms of engagement, and assessing their independence and objectivity;

– review the Group's financial reports and accounts, and provide assurance to the Board that the reviewed documents comply with the respective accounting policies, the standards and practices, the Stock Exchange and legal requirements; and

– maintain oversight of the Group's financial reporting system, risk management and internal control systems.

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

BOARD COMMITTEES *(Continued)*

Audit Committee *(Continued)*

The scope of the work performed by the Audit Committee for the financial year ended 31 March 2018 is set out below:

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

– reviewed and approved the remuneration and terms of engagement of the external auditors on audit and non-audit services, reviewed their independence and the effectiveness of the audit process and recommended appropriate actions required;

– reviewed with the Finance Director and the external auditors the financial and accounting policies and practices adopted by the Group, the accuracy and fairness of the annual and interim financial statements before submission to the Board;

– reviewed the external audit findings and audit plan; and

– reviewed the effectiveness of the financial control, internal control and risk management functions of the Group.

The Group's annual results for the year ended 31 March 2018 have been reviewed by the Audit Committee.

Special attention of the Audit Committee was drawn to Note 3(b) to the consolidated financial statements that the Group suffered a loss of HK$1,401.63 million during the year, and as at 31 March 2018, the Group had net current liabilities of HK$8,802.91 million and net liabilities of HK$2,576.62 million. As at 31 March 2018, the Group was due to repay the promissory note and all the outstanding non-convertible bonds with the accrued default interests which are immediately repayable totalling approximately HK$5,366.58 million. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and therefore, the Group may not be able to realize its assets and discharge its liabilities in the normal course of business.

The Audit Committee noted that the Board has been implementing various measures as described in Note 3(b) to the consolidated financial statements to improve the Group's liquidity position. Based on the cash flow forecast of the Group for a period covered not less than twelve months from the date of approval for the consolidated financial statements which has assumed the successful implementation of the above measures, the Board is 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 the date of approval for the consolidated financial statements.

BOARD COMMITTEES *(Continued)*

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 four INEDs and Mr. Cao Zhong, i.e. a majority of the members are independent non-executive Directors.

The primary objectives of the Remuneration Committee are to make recommendations on the Company's remuneration policy and structure for all Directors and senior management, assess performance of executive directors and approve the terms of their service contracts, review and determine management's remuneration proposals, and to ensure that no Director or any of his associates is involved in determining his own remuneration.

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. Cao Zhong (1/1), Mr. Jing Baoli (1/1), Mr. Bao Liang Ming (1/1) and Mr. Xue Baozhong (0/1).

During the year, the Remuneration Committee was responsible for, among others, making recommendations to the Board on the remuneration packages of all Directors and 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.

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

Nomination Committee

The terms of reference of the Nomination Committee was revised on 29 November 2013 to bring them in line with the revised CG Code. The Nomination Committee is chaired by the Chairman of the Board, Mr. Cao Zhong, with all the four 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.

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), Mr. Bao Liang Ming (1/1) and Mr. Xue Baozhong (0/1).

A summary of the work performed by the Nomination Committee for the financial year ended 31 March 2018 is set out below:

– reviewed the size, composition and diversity policy of the Board;

– advised on the re-appointment of Directors;

– assessed the independence of INEDs;

BOARD COMMITTEES *(Continued)*

Nomination Committee *(Continued)*

– conducted interviews with qualified candidates; and

– ensured that all nominations were fair and transparent.

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. The Board has adopted a board diversity policy since November 2013. 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.

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.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its overall responsibility for overseeing the risk management and internal control systems of the Group on an ongoing basis and reviewing their effectiveness. The management has been delegated the responsibility of identifying and evaluating the risks faced by the Group and of designing, operating and monitoring an effective internal control system on material issues covering financial, operational and compliance controls and risk management functions.

The Group's system of risk management and internal control includes a defined management structure with limits of authority, and is designed to safeguard the Group's assets against unauthorised use or misappropriation, ensure the maintenance of proper accounts, and ensure compliance with applicable laws and regulations. The systems are designed to provide reasonable, but not absolute, assurance against material misstatement or loss, and to manage rather than eliminate the risk of failure to achieve the Group's business objectives.

The Company has a risk management process in place to identify, evaluate and manage significant risks and to resolve material internal control defects, if any. Risks are compiled, rated and mitigation plans are proposed and documented in a risk template by the departmental managers of the Company and its subsidiaries. The risk assessment is reviewed and evaluated by the management of the Company. The identified risks are managed by the Company through (i) implementing controls that eliminate the risk entirely, (ii) implementing mitigation plans to reduce the severity of the risk to an acceptable level, or (iii) taking no action if the risk is acceptable for the Company (as the case may be). The risk assessments are presented to the Audit Committee and the Board for their review semi-annually.

During this financial year, the Board have conducted two reviews on the effectiveness of the risk management and internal control systems of the Group, and considered such systems are effective and adequate to safeguard the interests of the stakeholders.

RISK MANAGEMENT AND INTERNAL CONTROL *(Continued)*

The Company does not have an internal audit function for the year ended 31 March 2018. The Board has reviewed the need for an internal audit function and is of the view that in light of the Group's internal resources and the required costs of setting up an internal audit function, the Board considers that there is no immediate need to set up an internal audit function as the existing supervision of the management could provide adequate risk management and internal control for the Group. However, the Board will regularly review the need to set up an internal audit function or engage an external service provider to review the Group's internal control and risk management system.

The Company has a policy on the principles and procedures for handling and disseminating the Company's inside information in compliance with the inside information provisions under Part XIVA of the SFO (Chapter 571, Laws of Hong Kong) and the Listing Rules. The company secretarial department of the Company works closely with the management and/or Directors in identifying potential inside information and assess the materiality thereof, and where appropriate, to escalate such information to the Board for further actions complying with the applicable laws and regulations.

The Company has applied reasonable measures from time to time to ensure all inside information is kept strictly confidential before it is fully disseminated to the general public:

– strictly prohibit unauthorised use of confidential or inside information;

– restrict access to inside information to a limited number of employees within the Group;

– implement procedures for responding to external enquiries about the Group's affairs; and

– ensure appropriate non-disclosure agreements in place before entering into any significant discussion with third parties.

SECURITIES TRANSACTIONS

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

Under the Securities Code, Directors are required to notify the Chairman and receive a dated written acknowledgement before dealing in any securities of the Company and, in the case of the Chairman himself, he must notify the Board at a Board meeting or alternatively, another executive Director and receive a dated written acknowledgement before any dealing. Directors' interests as at 31 March 2018 in the shares of the Company and its associated corporations (within the meaning of Part XV of the SFO) are set out on pages 25 and 26 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$3.76 million, of which HK$2.30 million and HK$1.46 million were respectively paid for audit service and advice and other non-audit services performed by the external auditors.

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

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 1801-05, 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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

CHAPTER 1 ABOUT THIS REPORT

1.1 Introduction

To live up to its corporate social responsibility (CSR), China Resources and Transportation Group Limited (the "Company", together with its subsidiaries, collectively the "Group" or "we") puts efforts in sustainable development, monitors the economic, environmental and social impacts of its business operations, and establishes positive relationships with all stakeholders to jointly build a sustainable future.

As a major service provider in expressway operations, trading of petroleum and related products, timber operations, growing and sales of forage and agricultural products, the Group has a continuous mission to protect the environment and social interests. The Group has developed action plans in the fields of environmental management, labour practices, product quality, corporate integrity and community engagement to carry out the objectives of corporate social responsibilities.

This report summarises the Group's efforts in carrying out corporate social responsibilities for the year ended 31 March 2018 and demonstrates its ongoing commitment to creating a better future.

1.2 Report Preparation Basis

This report is prepared with reference to the Environmental, Social and Governance (ESG) Reporting Guide set out in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The information disclosed in this report is derived from the Group's internal statistical results and the analysis of its internal management system.

1.3 Scope of Reporting

This is our second annual ESG report, which sets out the Group's environmental, social and governance aspects and how they are implemented. The reporting period is from 1 April 2017 to 31 March 2018.

During the reporting period, we have primarily conducted engagement with our senior management and employees, who have in-depth knowledge on the Group's operations, in collecting views and identifying the Group's material ESG issues. The opinions collected during the stakeholder engagement process were assessed and summarized to formulate the content and scope for this ESG report.

Scope of reporting:
The Group's principal places of business include: Hong Kong office, Inner Mongolia and Shenzhen operating units.

Unless otherwise indicated, all numbers herein are absolute. Personnel from contractors are not considered as employees of the Group.

Other ESG information, including financial data and corporate governance information, is published in the Group's annual report. For the convenience of comparison, some data are cited from the ESG report for the previous year (2017) where the reporting period is from 1 April 2016 to 31 March 2017.

This report is approved by the board of directors of the Company (the "Board"). The Group hereby expresses appreciation to all the staff and organizations involved in the preparation of this report.

CHAPTER 2 OVERVIEW OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE PERFORMANCE

The CSR policies of the Group for the year ended 31 March 2018 are set out as below:

Category	Aspect	Policy/Compliance with laws and regulations	Policy Overview
Environment	Emissions	✔	Reduce the use of plastic products and recycle glass waste
	Use of Resources	✔	Use products with higher energy-efficiency to reduce energy consumption
	Environment and Natural Resources	✔	Adopt electronic filing and encourage customers to use electronic payment methods
Social – Employment and Labour Practices	Employment	✔	We do not discriminate against persons with disabilities. Any candidate who meets our job requirements will be under consideration for employment
	Health and Safety	✔	Provide employees with appropriate training on occupational health and safety
	Development and Training	✔	Arrange experienced employees to coach junior employees at work
	Labour Standards	✔	We promise not to force employees to work overtime
Social – Operating Practices	Supply Chain Management	✔	Require suppliers to understand our supplier code of conduct
	Product Responsibility	✔	Set up a customer service hotline for customers to express their opinions
	Anti-corruption	✔	Our corporate governance policy stipulates that all senior management personnel are prohibited from engaging in bribery and corruption
Social – Community	Community Investment	✔	Review the opinions of community groups on us every year

CHAPTER 3 ENVIRONMENT

3.1 Emission Control

Under the global trend of advocating green development, circular development and low-carbon development, we believe that environmental protection is of great importance to the sustainable business development of the Group. As such, we have considered environmental factors from various aspects in making operational decisions. From planning, procurement to operation, we have combined the efforts of various departments, organizations and business partners to implement a series of measures for reducing environmental impacts, which include curbing exhaust gas and greenhouse gas emissions and discharge of pollutants into waters and land, and reducing the generation of hazardous and non-hazardous waste, transforming the environmental protection policy into actions.

We have adopted the following emission control and management methods for the operation of our offices:

– strengthen waste classification and recycling;

– reduce the use of plastic products;

– advocate water conservation;

– improve indoor air quality; and

– reduce carbon emissions.

We would first classify wastes and recycle glass waste. The amount of non-hazardous waste generated during the year was reduced by 46% as compared to the previous year. In daily operations, we have advised our employees and visitors to conserve water usage. Smoke-free workplaces have been set up to improve indoor air quality. We have avoided holding meetings requiring long-distance business trips by replacing such meetings with teleconferences or video conferences in order to reduce carbon emissions generated from transportation.

Annual vehicle emissions

Year	Sulphur oxide (SOx) (g)
2018	3,541
2017	3,236

Total greenhouse gas emissions (unit: tonnes of carbon dioxide equivalent)

Year	Scope 1	Scope 2	Total	Intensity (tonnes per employee)
2018	552.02	1,842.15	2,394.17	5.24
2017	591.88	1,916.07	2,507.95	5.19

Notes: Scope 1 includes emissions from mobile combustion sources; Scope 2 includes energy-related indirect emissions; Scope 3 includes emissions arising from the use of electricity for sewage treatment and business air travel of employees. Such emissions are insignificant and can be ignored in the calculation.

For hazardous waste, we would first classify hazardous waste and non-hazardous waste, and then use garbage bags to pack the waste and affix labels thereto to distinguish hazardous waste and non-hazardous waste. In the end, we would arrange the collection of hazardous waste and non-hazardous waste.

Total waste generated

	Hazardous waste		**Non-hazardous waste**	
Year	**2017**	**2018**	**2017**	**2018**
Tonnes	0	0	386	208
Intensity (tonnes per employee)	0	0	1.11	0.60

Note: The data is derived from the Inner Mongolia operating unit

During the reporting period, the Group complied with the environmental laws and regulations in Hong Kong and the PRC in all major environmental aspects, including the related laws and regulations of air emissions and greenhouse gas emissions, discharge of pollutants into waters and land, and hazardous and non-hazardous waste, and we were not subject to any punishment for violating applicable laws and regulations.

3.2 Efficient Use of Resources

The Group has developed rigorous policies for the use of resources to control the conservation of energy, water and raw materials, in order to improve the efficiency of resource utilisation, reduce waste and promote recycling.

In terms of energy conservation, we have used high energy-efficiency products to reduce energy consumption in order to meet the Company's energy-saving targets. In terms of water consumption, we have encouraged our employees and visitors to conserve water and avoid waste of water in daily operations.

In addition, our green office policy advocates paper conservation. To this end, we have adopted computer filing and double-sided printing, and reused one-sided printed waste paper; reused ink cartridges by replenishing powdered ink thereto; and provided office supplies for various departments on an old-for-new basis to promote recycling of used supplies.

We always encourage various departments to implement our advised energy-saving measures for the use of air-conditioning, lighting, computers, photocopiers, printers and electricity. Comparing with the previous reporting period, the electricity consumption of this reporting period is reduced by 17.65%.

Below is a summary of the relevant measures and the results achieved:

– set and maintain the indoor air conditioning temperature at 25.5 °C or the agreed temperature;

– use low-energy lamps to save electricity;

– clean the light bulbs more frequently to increase the luminous efficiency;

– turn off the computers after work or when leaving the workplace to reduce power consumption; and

– purchase electrical appliances with high energy-efficiency label.

Total energy consumption

Year	Electricity ('000 KWh)	Towngas ('000 KWh)	Total ('000 KWh)	Intensity ('000 KWh per employee)
2018	1,436.14	205.84	1,641.98	4.70
2017	1,743.89	339.61	2,083.50	5.99

Note: The data is derived from the Inner Mongolia operating unit.

We have prioritised effective management of water resources for office and domestic use, and adopted various water saving and recycling measures to ensure the effective utilisation and recycling of water. Such measures include:

– putting water conservation labels in toilets, staff canteens and dormitories, such as "Please turn off the faucet after washing your hands";

– replace bottled water with reusable water containers during meetings;

– flush toilets with waste water; and

– build a rainwater collection system to collect rainwater for irrigation purposes.

Total water consumption

Year	Total (tonnes)	Intensity (tonnes per employee)
2018	3,980.00	11.40
2017	3,560.50	10.23

Note: The data is derived from the Inner Mongolia operating unit.

As the Group's principal business is expressway operations, the total consumption of packaging materials is not considered as a material topic in the Group's use of resources.

3.3 Environment and Natural Resources

In order to reduce the impact of our daily operations on the environment and natural resources, the Group has identified the sources of emissions and waste generation in the operation process and the environmental impact of its use of resources, and introduced specific measures to reduce the environmental impact. Meanwhile, the Group's energy policy shows that the Group implements energy conservation and supports the purchase of energy-saving equipment, which would reduce greenhouse gas emissions caused by energy consumption.

Paper usage during operations is identified as an activity with significant environmental impact. We have taken measures to reduce paper consumption and protect forests, including using environmental-friendly paper, employing electronic archiving to process internal and external documents, and encouraging customers to use electronic payment methods.

CHAPTER 4 EMPLOYMENT

4.1 Respect for Labour Rights

Employees are valuable assets of the Group and are essential to the Group's success. We have developed management policies in accordance with the relevant local laws and regulations of the operating units in respect of employees' compensation and dismissal, recruitment and promotion, working hours, holidays, equal opportunities, diversity, anti-discrimination, benefits and welfare, so as to fully protect and respect employees' rights and create a favourable workplace for our employees.

We have followed the principles of fairness, impartiality and openness to recruit and promote the right employees and never discriminate against job applicants on the grounds of race, colour, social status, place of birth, nationality, religion, disability, gender, sexual orientation, labour union membership, political position or age.

We have provided employees with competitive salary, benefits and welfare. The salary package of our employees mainly includes salary, discretionary bonus and share option scheme. Generally speaking, the salaries of our employees are determined based on their respective qualifications, experience, job position and performance. In the Inner Mongolia and Shenzhen operating units, we make contributions to social welfare plans for our employees based on their actual salaries in accordance with applicable laws and regulations in the PRC. The plans provide our employees with pension insurance, medical insurance, work injury insurance, maternity insurance and unemployment insurance. In the Hong Kong office, all our human resources policies are established in accordance with Employment Ordinance (Chapter 57), Employee's Compensation Ordinance (Chapter 282), Personal Data (Privacy) Ordinance (Chapter 486), Sex Discrimination Ordinance (Chapter 480) and Disability Discrimination Ordinance (Chapter 487), and the employees can enjoy the benefits of the Company's medical plan. In addition, each employee may resign by giving a reasonable period's notice.

Understanding the importance of work-life balance, we have prohibited child labour and have been firmly against imposing any illegal or inhuman punishments on employees or engaging forced labour. We have implemented comprehensive measures to review employment practices including those regarding child labour and forced labour and to eliminate any flawed practices once found. We have regularly organised recreational activities for our employees to help them relieve work pressure, including activities such as badminton, squash, table tennis and yoga. Employees are also entitled to take holidays as stipulated in the employment contract.

To attract talents regardless of their backgrounds is our corporate culture. We have treated all employees equally in employment, salaries, remuneration, training opportunities and work arrangements, and made sure they are free of any unfair discrimination.

During the reporting period, the Group complied with applicable local laws and regulations of the operating units on compensation and dismissal, recruitment and promotion, working hours, holidays, equal opportunities, diversity, anti-discrimination, benefits and welfare, child labour and forced labour, and there were no major employee or labour disputes that disrupted our normal business operations, nor were we subject to any punishment for violating applicable laws and regulations.

Total number of employees

	Place of business							
	Hong Kong		Inner Mongolia		Shenzhen		Total	
Year	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**
By gender								
Male	18	17	182	177	65	51	265	245
Female	10	9	166	172	42	31	218	212
By employment type								
Full time	28	26	348	349	107	82	483	457
Part time	0	0	0	0	0	0	0	0
By age group								
18 – 30	4	3	263	262	26	18	293	283
31 – 45	13	12	62	66	67	58	142	136
46 – 60	10	10	20	18	14	6	44	34
= 61/>61	1	1	3	3	0	0	4	4

4.2 Health and Safety

The Group is committed to maintaining health and safety standards and complying with the related laws and regulations on labour, safety and work-related incident. To protect the safety of employees, we have distributed protective equipment to them, and provided trainings on health and safety to make them aware of the high-risk areas in the workplace and familiarize with our procedures and policies for health and safety, in an effort to achieve zero work-related accident.

To ensure construction safety, the safety and environmental department of the Inner Mongolia operating unit has offered employees training courses on construction safety, and conducted performance evaluation on a semi-annual basis to ensure the safety awareness of employees is maintained. The Hong Kong office has arranged for its employees to take part in regular health and safety meetings for discussion of safety and health issues and to make reference with materials on occupational health and safety, so as to build a culture of occupational health and safety in the workplace.

Statistics on work-related injuries

Year	2017	2018
Work-related fatality		
No. of person	0	0
Percentage (%)	0	0
Work-related injuries		
Lost days due to work injury	90	0

Note: The data is derived from the Inner Mongolia operating unit

During the reporting period, the Group complied with the regulatory requirements for workplace safety in Hong Kong and the PRC. We did not suffer any accident or receive any complaint that had a material adverse impact on our operations, nor were we punished for violating applicable laws and regulations.

4.3 Education, Training and Career Development

To ensure the quality of our employees and prepare management staff for the future, the Group has introduced a comprehensive career development and training program to expand employees' knowledge on operational and safety standards, and provided trainings for individual employees based on specific job requirements. Our internal training, which is to train employees and discover talents, is designed to provide promotion opportunities within the Group and increase employee loyalty, with a view to consolidating the foundation for the sustainable development of the Group.

During their service with the Company, employees would receive on-the-job training organised by their departments according to the needs of their jobs. Senior management staff and personnel with professional qualifications would be arranged to take training sessions organised by professional societies to enhance professional knowledge regarding their positions.

We are committed to provide adequate career development opportunities. To this end, we would examine the work capability and performance of the employees who meet the conditions for promotions and job transfer, and subsequently make reasonable job adjustments according to the Group's business development needs and the personal will of the employees, so as to facilitate employees' career development.

CHAPTER 5 OPERATING PRACTICES

5.1 Product Responsibility

Our ability to consistently deliver high-quality expressway management services and products to our customers is essential for our business. As such, we always give top priority to quality and safety control and adopt stringent quality and safety standards to eliminate the possibility of physical injuries or property losses caused by road defect to public consumers, so as to keep our management services and products up to the standards as prescribed in the laws and regulations of the PRC. To ensure reliable management services as well as product quality and safety, our operating team has been closely monitoring all crucial phases of our operations, from the selection of suppliers, the inspection of road safety to the provision of customer services.

The road administration department and the maintenance department are responsible for regularly inspecting road surface conditions, clearing up snow and waste on the road surface, and arranging maintenance and repair. We have established a four-staged process composed of security surveillance, construction, work completion verification and implementation to ensure that road conditions meet the standards for safe driving, so as to protect the safety of road users. In addition, the relevant departments regularly inspect the appearance, service language and job responsibilities of the staff of toll stations to ensure premium service quality. We also set up a customer service hotline for customers to express their opinions. Where a complaint is received, the staff of the customer service department shall give the customer a proper reply within 24 hours. We would not use the customer information collected in the process for other purposes without the customer's consent. The marketing department has regularly supervised the use of customer information. During the reporting period, we had no record of customer compliant and abided by all applicable local laws and regulations on privacy in the places where we operate.

In addition, during the reporting period, we had no record on product recalls due to health and safety reasons, and we did not have any major product quality problems that caused health and safety incidents nor subject to any fines, product recall orders or other penalties imposed by the PRC government or other regulatory authorities.

With regards to intellectual property rights, we promise not to purchase any pirated software. All our office softwares were provided by copyright holders. The information technology department has regularly supervised the operation of software.

During the reporting period, the Group complied with all applicable local laws and regulations in the places where we operate on the advertising and labelling of products and services.

5.2 Supply Chain Management

We have established long-term and stable business relations with our major suppliers, and maintain close communication and collaboration with them to strengthen the management of environmental and social risks of the supply chain. We believe that maintaining long-term and stable business relations with suppliers can help strengthen our business cooperation with customers and maintain our competitive edge.

We have well-established procedures for supplier evaluation and selection. Before adding potential suppliers to our list of approved suppliers, our procurement team would usually conduct a comprehensive background check on each of the potential supplier, covering their business scale, quality control, delivery time and reputation in the industry. Our procurement policy is that we only purchase products and services from approved suppliers to ensure the quality and safety of our products and services, with a view to minimising the environmental and social risks of the supply chain. We would also carry out assessments of our existing suppliers from time to time, and require them to understand our supplier code of conduct. Suppliers that fail to meet our requirements would be removed from our list of approved suppliers. When a project is launched, we would help suppliers understand our expectations through meetings, and maintain close communication with the suppliers during the project. We would monitor the progress of the project through regular meetings in order to make timely adjustments when needed. Currently, we follow the above-mentioned practices for our cooperation with suppliers.

During the reporting period, we did not experience any major difficulties in supply chain management, and we do not expect any such difficulties in the foreseeable future. During the same period, we did not have any major disputes with our suppliers, nor did we experience any interruption, shortage or delay in our service and product supply that might have a significant adverse impact on our operations.

The Group has fully considered the environmental and social risks of its supply chain. We believe that the existing measures for environmental and social risk control are adequate. During the reporting period, we did not involve in any accident associated with major environmental and social risk in our supply chain management.

5.3 Ethics and Anti-corruption

The Group is committed to ensuring that its business processes are in compliance with local and international laws and regulations relating to the prevention of bribery, extortion, fraud and money laundering. To this end, we have regularly reviewed our operational procedures and guidelines to enhance internal control and compliance audit.

Our employees are prohibited from seeking or accepting any benefit or bribe from suppliers. Our corporate governance policy stipulates that all senior management personnel are prohibited from engaging in any act of bribery and corruption. We have required employees to declare any conflicts of interest and avoided any potential conflicts of interest when doing business. We also have a code of business conduct that is binding on all employees for the prevention of misconduct. All our employees must abide by all local anti-bribery laws and regulations when handling business or corporate affairs of the Group.

As far as whistle-blowing procedures are concerned, according to our code of conduct, any complaints about possible violations of the code of conduct can be made to the Board by confidential fax or letter and will be handled promptly and fairly. In the case of any suspected corruption or any other criminal offense, it should be reported to the competent authorities.

During the reporting period, the Group abided by all relevant laws and regulations on the prevention of bribery, extortion, fraud and money laundering in the places that we operate. The Group or its employees was not subject to any prosecution or conviction of corruption.

CHAPTER 6 COMMUNITY ENGAGEMENT

As a good corporate citizen, we support various charitable activities through sponsorship and donation. The administrative department obtains feedback from community groups through emails and the Company's website to learn about community needs and review the Group's sustainability goals.

Our community participation is focused on labour practices and health. During the reporting period, the Hong Kong office organised blood donation activities in which five of our employees participated.

Please share your feedback with us!

We value your feedback on this Environmental, Social and Governance Report 2018. Your comments will help us achieve our vision of a sustainable future. We invite you to share your comments through the following channels:

China Resources and Transportation Group Limited

Principal place of business
1801-1805, 18/F
China Resources Building
26 Harbour Road
Wanchai
Hong Kong

Website
http://www.crtg.com.hk

Email
info@crtg.com.hk

INDEPENDENT AUDITOR'S REPORT

國富浩華(香港)會計師事務所有限公司
Crowe (HK) CPA Limited
Member Crowe Horwath International

9/F Leighton Centre,
77 Leighton Road,
Causeway Bay, Hong Kong

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)

OPINION

We have audited the consolidated financial statements of China Resources and Transportation Group Limited ("the Company") and its subsidiaries ("the Group") set out on pages 58 to 148, which comprise the consolidated statement of financial position as at 31 March 2018, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2018 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA")and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS OF OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code") and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern basis

During the year ended 31 March 2018, the Group incurred a loss attributable to the owners of the Company of HK$1,284,931,000 (2017: HK$1,676,202,000) and, as at 31 March 2018, the Group had net current liabilities of approximately HK$8,802,905,000 and net liabilities of approximately HK$2,576,624,000. These conditions, along with other matters as set forth in Note 3(b) to the consolidated financial statements, indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. As referred to in Note 3(b) to the consolidated financial statements, the Group is in the progress of implementing various measures to improve its liquidity. On the basis that all these measures could be successfully implemented, the directors are of the view that the Group will have sufficient working capital to meet its financial obligations as and when they fall due and, accordingly, the consolidated financial statements have been prepared on a going concern basis. Our opinion is not modified in respect of this matter.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the material uncertainty related to going concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

The Key Audit Matter	How the matter was addressed in our audit
(a) Recoverability of concession intangible assets and property, plant and equipment for the Zhunxing Expressway (Note 4(m), Note 5(b), Note 15 and Note 16 to the consolidated financial statements)	
As at 31 March 2018, total concession intangible asset and related property, plant and equipment for the Zhunxing Expressway, being identified as a cash generating unit ("CGU"), amounted to approximately HK$16,624,822,000 and HK$728,634,000, respectively, which together accounted for 94.4% of the Group's total assets. Where the aggregate carrying amounts of this CGU are greater than its estimated recoverable amount, the carrying amounts are written down immediately to their recoverable amount. The directors engaged an independent valuer to determine the recoverable amount of this CGU based on its value-in-use. This requires significant judgements and assumptions made during management's impairment assessment. We focused on impairment assessment on concession intangible asset and related property, plant and equipment because of their significance to the consolidated financial statements, and the involvement of significant management's judgements and assumptions applied in determining this CGU's value-in-use.	Our audit procedures in this area included: – Assessing the independence, competence, capabilities and objectivity of the external valuer and traffic volume expert. – Checking that valuation methodology is consistent year on year; – Reviewing and comparing the cash flows projections in the valuation model to detailed forecasts prepared by management; – Assessing and challenging the appropriateness of the key judgements and assumptions, primarily the assets' estimated future economic useful lives, discounted rate, revenue growth rates used, including whether they are reasonable in light of historic growth rates and agreeing that long-term growth rates to the forecasted traffic volume report prepared by an external expert, and future costs; We also evaluated the adequacy of disclosures in respect of the impairment review.

KEY AUDIT MATTERS *(Continued)*

The Key Audit Matter	How the matter was addressed in our audit
(b) Construction costs for concession intangible asset (Note 5(a), Note 29(a) and Note 48(b) to the consolidated financial statements)	
At 31 March 2018, accruals for construction costs for the Zhunxing Expressway amounted to approximately HK$2,349,940,000. In ascertaining the total construction costs for the Zhunxing Expressway which was opened to traffic in November 2013, directors made estimates based on information available such as budgeted project costs, actual project costs incurred/settled to date, and relevant third party evidence such as signed construction contracts and their supplements, the related variation orders placed and the underlying construction and design plans, and interim payment certificates approved by the surveyors, etc. Additional construction costs of approximately HK$1,374 million were recognised and capitalized to cost of concession intangible asset, based on latest status of negotiations and/or supplemental settlements with the relevant contractors and/or subcontractors, results of arbitrations, and/or judgements on settled litigations, during the year ended 31 March 2018. The directors considered that adequate provision has been made at 31 March 2018. The provision of total construction costs for the Zhunxing Expressway requires significant judgement and estimates by the directors on the outcome of continuing negotiations of claims and counter-claims with contractors and/or sub-contractors.	Our audit procedures in evaluating the adequacy of the provision of construction costs included: – Understanding the Group's internal control in estimating and recognizing the construction costs payable to the contractors and/or sub-contractors; – Reviewing the status of the accounts with major contractors and/or sub-contractors, contracts and supplemental agreements, approved interim payment certificates and records of interim payments made; – Reviewing the correspondence with the lawyers, contractors and sub-contractors and conducting legal searches for potential disputes with the contractors and/or sub-contractors; – Examining relevant documents for the conclusions of arbitrations and/or court judgements; – Assessing the adequacy of the directors' provision for the construction costs; and – Evaluating the adequacy of disclosures made in the consolidated financial statements.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA 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.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITY FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

AUDITOR'S RESPONSIBILITY FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Crowe (HK) CPA Limited
Certified Public Accountants
Hong Kong, 29 June 2018

Leung Chun Wa
Practising Certificate Number P04963

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2018

	Notes	2018 HK$'000	2017 HK$'000
Revenue	7	**822,086**	727,616
Cost of sales and other direct operating costs		**(942,192)**	(878,435)
Gross loss		**(120,106)**	(150,819)
Other income and other gains or losses	8	**(24,791)**	9,884
Gain/(loss) on change in fair value of investment properties	21	**1,121**	(4,750)
(Loss)/gain on change in fair value less costs to sell of biological assets	19	**(1,758)**	11,489
Impairment loss on goodwill and other intangible assets	18	**–**	(45,511)
Impairment loss on interests in associates recognised immediately prior to reclassification as assets of a disposal group held for sale	34	**–**	(362,078)
Selling and administrative expenses		**(314,605)**	(265,030)
Finance costs	9	**(940,719)**	(977,207)
Share of results of associates		**–**	(8,655)
Loss before income tax	10	**(1,400,858)**	(1,792,677)
Income tax (expense)/credit	11	**(774)**	8,234
Loss for the year		**(1,401,632)**	(1,784,443)
Loss for the year attributable to:			
Owners of the Company		**(1,284,931)**	(1,676,202)
Non-controlling interests		**(116,701)**	(108,241)
		(1,401,632)	(1,784,443)
		HK$	HK$
Loss per share attributable to owners of the Company			
– Basic and diluted	14	**(0.17)**	(0.25)

The notes on pages 66 to 148 form part of these financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2018

	2018 HK$'000	2017 HK$'000
Loss for the year	**(1,401,632)**	(1,784,443)
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss:		
– Exchange differences on translation of financial statements of foreign operations	**224,970**	(11,896)
– Share of other comprehensive income of associates	**–**	312
– Release of translation reserve		
– upon disposal of subsidiaries	**8,858**	901
– upon disposal of an associate	**–**	2,473
– upon disposal of assets of a disposal group classified as held for sale	**5,624**	–
– upon dissolution of subsidiaries	**231**	1,762
– Net movements in fair value reserve for available-for-sale investments	**–**	7,450
Other comprehensive income for the year, net of tax	**239,683**	1,002
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**(1,161,949)**	(1,783,441)
Total comprehensive income attributable to:		
– Owners of the Company	**(1,076,084)**	(1,677,231)
– Non-controlling interests	**(85,865)**	(106,210)
	(1,161,949)	(1,783,441)

The notes on pages 66 to 148 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2018

	Notes	2018 HK$'000	2017 HK$'000
NON-CURRENT ASSETS			
Concession intangible asset	15	**16,624,822**	14,501,267
Property, plant and equipment	16	**1,063,974**	952,245
Prepaid lease payments	17	**204,718**	33,520
Goodwill and other intangible assets	18	**52,147**	47,069
Biological assets	19	**64,282**	55,818
Forest concession rights	20	**–**	–
Investment properties	21	**28,230**	26,975
Long-term deposits and prepayments	22	**37,475**	44,680
Available-for-sale investments	24	**82,918**	78,296
TOTAL NON-CURRENT ASSETS		**18,158,566**	15,739,870
CURRENT ASSETS			
Inventories	25	**26,647**	63,556
Trade and other receivables	26	**141,474**	205,625
Prepaid lease payments	17	**2,825**	857
Amount due from non-controlling shareholder of a subsidiary	27	**16,239**	14,658
Cash and cash equivalents	28	**39,471**	53,735
		226,656	338,431
Assets of a disposal group classified as held for sale	34	**–**	214,231
TOTAL CURRENT ASSETS		**226,656**	552,662
TOTAL ASSETS		**18,385,222**	16,292,532
CURRENT LIABILITIES			
Trade and other payables	29	**3,596,578**	1,553,668
Promissory note	30	**315,003**	311,483
Borrowings	31	**722,332**	744,581
Non-convertible bonds	33	**4,395,648**	4,395,648
		9,029,561	7,005,380
Liabilities of a disposal group classified as held for sale	34	**–**	–
TOTAL CURRENT LIABILITIES		**9,029,561**	7,005,380
NET CURRENT LIABILITIES		**(8,802,905)**	(6,452,718)
TOTAL ASSETS LESS CURRENT LIABILITIES		**9,355,661**	9,287,152

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2018

	Notes	2018 HK$'000	2017 HK$'000
NON-CURRENT LIABILITIES			
Borrowings	*31*	**11,930,290**	10,871,494
Deferred tax liabilities	*32*	**1,995**	1,636
Acreage fees payable		**–**	10,454
TOTAL NON-CURRENT LIABILITIES		**11,932,285**	10,883,584
TOTAL LIABILITIES		**20,961,846**	17,888,964
NET LIABILITIES		**(2,576,624)**	(1,596,432)
CAPITAL AND RESERVES			
Share capital	*35*	**1,488,479**	1,350,479
Reserves		**(4,224,141)**	(3,132,877)
Equity attributable to owners of the Company		**(2,735,662)**	(1,782,398)
Non-controlling interests		**159,038**	185,966
DEFICIENCY IN EQUITY		**(2,576,624)**	(1,596,432)

Approved and authorised for issue by the board of directors on 29 June 2018.

Mr. Cao Zhong
Director

Mr. Tsang Kam Ching, David
Director

The notes on pages 66 to 148 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2018

	Share capital HK$'000	Share premium HK$'000	Share options reserve HK$'000 *(Note (i))*	Capital redemption reserve HK$'000	Capital reserve HK$'000 *(Note (ii))*	Assets revaluation reserve HK$'000 *(Note (iii))*	Available-for-sale financial assets reserve HK$'000 *(Note (iv))*	Convertible bonds reserve HK$'000 *(Note (v))*	Statutory 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 2016	1,350,479	1,896,119	31,012	3,800	795,363	15,903	(7,450)	395,546	–	(59,543)	(4,524,860)	(103,631)	313,414	209,783
Loss for the year	–	–	–	–	–	–	–	–	–	–	(1,676,202)	(1,676,202)	(108,241)	(1,784,443)
Exchange differences on translation of financial statements of foreign operations	–	–	–	–	–	–	–	–	–	(13,927)	–	(13,927)	2,031	(11,896)
Share of other comprehensive income of associates	–	–	–	–	–	–	–	–	–	312	–	312	–	312
Release of translation reserve														
– upon disposal of equity interests in subsidiaries *(Note 40(b))*	–	–	–	–	–	–	–	–	–	901	–	901	–	901
– upon disposal of an associate	–	–	–	–	–	–	–	–	–	2,473	–	2,473	–	2,473
– upon dissolution of subsidiaries	–	–	–	–	–	–	–	–	–	1,762	–	1,762	–	1,762
Net movements in fair value for available-for-sale investments	–	–	–	–	–	–	7,450	–	–	–	–	7,450	–	7,450
Total comprehensive income for the year	–	–	–	–	–	–	7,450	–	–	(8,479)	(1,676,202)	(1,677,231)	(106,210)	(1,783,441)
Contribution from non-controlling shareholders of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	1,982	1,982
Transfer upon lapse of share options	–	–	(448)	–	–	–	–	–	–	–	448	–	–	–
Transfer upon lapse of conversion rights of matured convertible bonds	–	–	–	–	–	–	–	(395,546)	–	–	395,546	–	–	–
Derecognition of non-controlling interest upon disposal of subsidiaries *(Note 40(b))*	–	–	–	–	–	–	–	–	–	–	–	–	(17,611)	(17,611)
Distribution to non-controlling interests upon dissolution of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	(7,145)	(7,145)
Transfer of statutory reserve	–	–	–	–	–	–	–	–	246	–	(246)	–	–	–
Deemed acquisition of additional interest in a subsidiary arising from an internal reorganisation *(Note 44(b))*	–	–	–	–	–	–	–	–	–	–	(1,536)	(1,536)	1,536	–
At 31 March 2017	1,350,479	1,896,119	30,564	3,800	795,363	15,903	–	–	246	(68,022)	(5,806,850)	(1,782,398)	185,966	(1,596,432)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2018

	Share capital HK$'000	Share premium HK$'000	Share options reserve HK$'000 *(Note (i))*	Capital redemption reserve HK$'000	Capital reserve HK$'000 *(Note (ii))*	Assets revaluation reserve HK$'000 *(Note (iii))*	Statutory 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 2017	1,350,479	1,896,119	30,564	3,800	795,363	15,903	246	(68,022)	(5,806,850)	(1,782,398)	185,966	(1,596,432)
Loss for the year	–	–	–	–	–	–	–	–	(1,284,931)	(1,284,931)	(116,701)	(1,401,632)
Exchange differences on translation of financial statements of foreign operations	–	–	–	–	–	–	–	194,134	–	194,134	30,836	224,970
Release of translation reserve												
– upon disposal of equity interests in subsidiaries *(Note 40(a))*	–	–	–	–	–	–	–	8,858	–	8,858	–	8,858
– upon disposal of assets of a disposal group classified as held for sale *(Note 34)*	–	–	–	–	–	–	–	5,624	–	5,624	–	5,624
– upon dissolution of a subsidiary	–	–	–	–	–	–	–	231	–	231	–	231
Total comprehensive income for the year	–	–	–	–	–	–	–	208,847	(1,284,931)	(1,076,084)	(85,865)	(1,161,949)
Transfer upon lapse of share options	–	–	(2,506)	–	–	–	–	–	2,506	–	–	–
Derecognition of non-controlling interest upon disposal of subsidiaries *(Note 40(a))*	–	–	–	–	–	–	–	–	–	–	(9)	(9)
Transfer of statutory reserve	–	–	–	–	–	–	248	–	(248)	–	–	–
Acquisition of subsidiaries *(Note 39)*	138,000	(15,180)	–	–	–	–	–	–	–	122,820	58,946	181,766
At 31 March 2018	1,488,479	1,880,939	28,058	3,800	795,363	15,903	494	140,825	(7,089,523)	(2,735,662)	159,038	(2,576,624)

Notes:

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

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

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

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

(v) The convertible bonds reserve represented 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(p)(iii).

(vi) In accordance with the relevant regulations in the PRC, the Company's subsidiary established in the PRC is required to transfer a certain percentage of its profits after tax to reserve funds. Subject to certain restrictions set out in the relevant PRC regulations and in the subsidiary's articles of association, the reserve funds may be used either to offset losses, or for capitalisation by way of paid-up capital.

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

The notes on pages 66 to 148 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2018

	Notes	2018 HK$'000	2017 HK$'000
Cash flows from operating activities			
Loss before income tax		**(1,400,858)**	(1,792,677)
Adjustments for:			
Interest income	*8*	**(5,271)**	(14,772)
Finance costs	*9*	**940,719**	977,207
Impairment loss of property, plant and equipment	*10*	**5,376**	–
Depreciation of property, plant and equipment	*10*	**100,097**	89,677
(Gain)/loss on change in fair value of investment properties	*21*	**(1,121)**	4,750
Loss/(gain) on change in fair value less costs to sell of biological assets	*19*	**1,758**	(11,489)
Impairment loss of trade and other receivables, net	*10*	**92,258**	104,323
Impairment loss recognised on interests in associates immediately prior to reclassification as disposal group held for sale	*34*	**–**	362,078
Impairment loss on goodwill and other intangible assets	*18*	**–**	45,511
Write-off of inventories	*10*	**36,692**	–
Amortisation of prepaid lease payments	*10*	**17,273**	945
Amortisation of concession intangible asset	*10*	**763,183**	552,023
Amortisation of customer relationships	*18*	**–**	1,593
Share of results of associates		**–**	8,655
Loss on disposal of subsidiaries	*8*	**8,849**	627
Loss on disposal of available-for-sale investments	*8*	**–**	6,166
Loss on disposal of an associate	*8*	**–**	1,629
Loss/(gain) on disposal of prepaid lease payments and biological assets	*8*	**62**	(442)
Gain on disposal of property, plant and equipment	*8*	**(78)**	(300)
Net loss on disposal of assets of a disposal group classified as held for sale	*8*	**4,997**	–
Operating profit before changes in working capital		**563,936**	335,504
Decrease in inventories		**8,913**	23,909
(Increase)/decrease in trade and other receivables		**(23,997)**	24,481
Increase in trade and other payables		**35,949**	18,251
Decrease of biological assets		**134**	159
Cash generated from operations		**584,935**	402,304
PRC tax paid	*11*	**(529)**	(560)
Net cash generated from operating activities		**584,406**	401,744

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2018

	Notes	2018 HK$'000	2017 HK$'000
Cash flows from investing activities			
Decrease in long-term deposits and prepayments		–	977
Net cash outflow arising from disposal of subsidiaries	40(b)	–	(176)
Net receipt of loan receivables		–	36,779
Net cash inflow arising from acquisition of subsidiaries	39	156	–
Payment for acquisition of property, plant and equipment		(9,123)	(6,577)
Proceeds from disposal of property, plant and equipment		1,611	371
Proceeds from disposal of available-for-sale investments		–	30,021
Proceeds from disposal of prepaid lease payments and biological assets	19(a)	1,862	6,313
Proceeds from disposal of an associate		–	29,418
Net proceeds from disposal of assets of a disposal group classified as held for sale	34	215,956	–
Receipt in advance from the disposal of available-for-sale investment	24(c)	6,000	–
Payment for expressway construction costs		(68,815)	(78,658)
Payment for plantation of biological assets	19	(5,387)	–
Interest received		525	10,454
Dividend received from an associate		–	3,771
Net cash generated from investing activities		142,785	32,693
Cash flows from financing activities			
Proceeds from borrowings	49(b)	93,173	1,261,420
Repayment of borrowings	49(b)	(300,476)	(995,434)
Capital injection by a non-controlling shareholder of a subsidiary		–	1,982
Distribution to non-controlling interests upon dissolution of subsidiaries		–	(7,145)
Refundable earnest money received for disposal of partial interest in a subsidiary	29(d)	97,272	–
Interest paid	49(b)	(640,762)	(742,718)
Net cash used in financing activities		(750,793)	(481,895)
Net decrease in cash and cash equivalents		(23,602)	(47,458)
Effect of foreign exchange rate changes		9,338	(15,336)
Cash and cash equivalents at beginning of year		53,735	116,529
Cash and cash equivalents at end of year		39,471	53,735
Analysis of balances of cash and cash equivalents at end of year			
Bank and cash balances		39,471	53,735

The notes on pages 66 to 148 form part of these financial statements.

1. CORPORATE INFORMATION

China Resources and Transportation Group Limited (the "Company") is an exempted Company incorporated in the Cayman Islands with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the registered office is the office of Sterling Trust (Cayman) Limited, Whitehall House, 238 North Church Street, P.O. Box 1043, George Town, Grand Cayman, KY1-1102, Cayman Islands. Its principal place of business is located at Room 1801-05, 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 of petroleum and related products, compressed natural gas ("CNG") gas stations operations, growing and sales of forage and agricultural products, and timber operations.

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

(a) New standards and amendments to standards adopted by the Group

The Group has adopted the following amendments to HKFRSs which are effective for the first time in the current year:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12 included in Annual Improvements to HKFRSs 2014 – 2016 Cycle	Disclosure of Interests in Other Entities: Clarification of the Scope of HKFRS 12

Amendments to HKAS 7 Disclosure Initiative

The amendments require an entity to provide disclosures that enable the users of financial statements to evaluate change in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. Apart from the additional disclosure in Note 49(b), the application of these amendments has had no impact on the Group's consolidated financial statements.

Amendments to HKAS 12 Recognition of Deferred Tax Assets for Unrealised Assets

The amendments provide guidance on how an entity determines, in accordance with HKAS 12 Income Taxes, whether to recognise a deferred tax asset in relation to unrealised losses of a debt instrument that is measured at fair value under certain specific facts and circumstances, such as it is probable that all the contracted cash flows of the debt instrument will be collected and any gains/losses on the debt instruments are taxable (deductible only when realised). The amendments have had no impact on the financial position or performance of the Group as the Group has no deductible temporary differences or assets that are in the scope of the amendments.

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

(a) New standards and amendments to standards adopted by the Group *(Continued)*

Amendments to HKFRS 12 Disclosure of Interests in Other Entities: Clarification of the Scope of HKFRS 12

The Group has applied the amendments to HKFRS 12 included in the Annual Improvements to HKFRs 2014–2016 Cycle for the first time in the current year. The amendments to HKAS 28 Investments in Associates and Joint Ventures included in the annual improvements are not yet mandatorily effective and they have not been early applied by the Group.

HKFRS 12 states that an entity need not provide summarised financial information for interests in subsidiaries, associates and joint ventures that are classified (or included in a disposal group that is classified) as held for sale. The amendments clarified that except for summarised financial information, all other disclosure requirements under HKFRS 12 are applicable. The amendments have had no impact on the Group's financial statements as the latter treatment is consistent with the manner in which the Group has previously dealt with disclosures relating to its interests in other entities classified as held for sale or discontinued operations in accordance with HKFRS 5.

(b) New Standards and amendments to existing standards that have been issued but are not yet effective

The Group has not early adopted the following new and amendments to existing standards that have been issued but are not yet effective:

Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[5]
HKFRS 9	Financial Instruments[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
HKFRS 15	Revenue from Contracts with Customers[1]
Amendments to HKFRS 15	Clarifications to HKFRS 15[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[3]
Amendments to HKAS 19	Employee Benefits[3]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to HKAS 40	Transfers of Investment Property[1]
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC) – Int 23	Uncertainty Over Income Tax Treatment[2]
Amendments to HKFRSs	Annual improvements to HKFRSs 2014–2016 Cycle[1]
Amendments to HKFRSs	Annual improvement to HKFRSs 2015–2017 Cycle[2]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after 1 January 2021
4 Effective date to be determined
5 Effective for annual periods beginning on or after 1 January 2018 or when the entity first applies HKFRS9

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

(b) New Standards and amendments to existing standards that have been issued but are not yet effective *(Continued)*

HKFRS 9 – 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.

Based on the Group's financial instruments and risk management policies as at 31 March 2018, the directors of the Company anticipate the following potential impact on initial application of HKFRS 9:

Equity investment classified as available-for-sale investments carried at cost less impairment as disclosed in Note 24: these securities qualified for designation as measured at FVTOCI under HKFRS 9, however, the Group plans not to elect the option for designating these securities to be measured at FVTOCI and will measure these securities at fair value with subsequent fair value gains or losses to be recognised in profit or loss. Upon initial application of HKFRS 9, fair value gains or losses relating to these securities, representing the difference between cost less impairment and fair value would be adjusted to accumulated losses as at 1 April 2018.

All other financial assets and liabilities will continue to be measured on the same basis as are currently measured under HKAS 39.

Based on the assessment by the directors of the Company, the directors of the Company do not anticipate that the application of HKFRS 9 in the future will have other material impact on the Group's future financial position and performance.

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

(b) New Standards and amendments to existing standards that have been issued but are not yet effective *(Continued)*

HKFRS 15 – Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and related interpretations. HKFRS 15 requires the application of a 5-step approach to revenue recognition:

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

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

HKFRS 16 – Leases

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

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

As at 31 March 2018, the Group has non-cancellable operating lease commitments of approximately HK$61.5 million as disclosed in Note 41. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

The application of new requirements may result changes in measurement, presentation and disclosure as indicated above.

The directors of the Company do not anticipate that the application of the new standards and amendments to existing standards will have material impact on the results and financial position of the Group.

3. BASIS OF PREPARATION

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

(a) Statement of compliance

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

(b) Going concern basis

During the year, the Group incurred a loss of HK$1,401,632,000 (2017: HK$1,784,443,000) and as at 31 March 2018, the Group had net current liabilities and net liabilities of HK$8,802,905,000 and HK$2,576,624,000, respectively. The Company was in default in the repayment of the promissory note of HK$315,003,000 (2017: HK$311,483,000) (Note 30) and non-convertible bonds with aggregate carrying amount of approximately HK$4,395,648,000 (Note 33). These debts, together with the outstanding default interests accrued thereon of approximately HK$655,932,000 (2017: HK$379,307,000) (Note 29(a)), totalling approximately HK$5,366,583,000 (2017: HK$5,086,438,000) are classified under current liabilities at 31 March 2018. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and, in consequence, 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 and/or are in the progress of implementing the following measures to improve its liquidity position:

(i) Financing arrangements through disposals (with mandatory obligation or options to buy back) of interests in Zhunxing

On 28 December 2016, the Company, its wholly-owned subsidiary, Cheer Luck Technology Limited ("Cheer Luck") and an independent third party Purchaser A entered into a disposal and buy-back agreement (as amended by a supplemental agreement dated 18 December 2017, together the "Disposal Agreement A"), pursuant to which, Cheer Luck conditionally agreed to sell and Purchaser A conditionally agreed to acquire 25% equity interests of Inner Mongolia Zhunxing Heavy Haul Expressway Company Limited ("Zhunxing") at a consideration of RMB1,145 million (equivalent to approximately HK$1,282.4 million) ("Disposal and Buy-back"), representing 25% of the market value of Zhunxing as at 31 December 2016 based on a valuation prepared by an independent valuer appointed by Purchaser A). The estimated net proceeds of the Disposal and Buy-back, after deducting the expenses directly attributable thereto, will be approximately RMB1,139.64 million (equivalent to approximately HK$1,276.4 million) which will be fully used to repay partially the outstanding non-convertible bonds. Cheer Luck has a mandatory obligation to buy back the equity interest at a consideration being the same as the amount of the disposal proceeds anytime within five years after the completion of the disposal and with a guaranteed return to the Purchaser A of 4.5% per annum for the period commencing from the date of completion of disposal to the date when the mandatory buy-back obligation is fulfilled. As such, the arrangement is considered as financing in nature and the disposal proceeds will be regarded as long-term borrowings. The Disposal Agreement A and the transactions contemplated thereunder were approved by a resolution at the extraordinary general meeting (the "EGM") of the Company held on 16 April 2018.

3. BASIS OF PREPARATION *(Continued)*

(b) Going concern basis *(Continued)*

(i) Financing arrangements through disposals (with mandatory obligation or options to buy back) of interests in Zhunxing *(Continued)*

On 30 December 2016, Cheer Luck and 3 other independent third party parties, Purchaser B, Purchaser C and Purchaser D, entered into conditional disposal agreements pursuant to which Cheer Luck conditionally agreed to sell and each of Purchaser B, Purchaser C and Purchaser D conditionally agreed to acquire 18%, 18% and 10% equity interest of Zhunxing, at Consideration B, Consideration C and Consideration D, respectively, each of which will be determined with reference to the respective share of net assets of Zhunxing at 31 December 2016 based on another valuation to be prepared by another independent valuer jointly appointed by Purchaser B, Purchaser C and Purchaser D. During the year ended 31 March 2018, Purchaser C paid a refundable earnest money of RMB80 million (equivalent to approximately HK$97,272,000) which will be applied towards the settlement of the consideration for the disposal of 18% equity interest of Zhunxing when the relevant disposal agreement is completed. At 31 March 2018 and up to the date of approval of the consolidated financial statements of the Company, Purchaser B, Purchaser C and Purchaser D are still in the progress of appointing their designated independent valuer to prepare another valuation report for the purpose of determining the considerations under the respective disposal agreements. Based on the terms of each of the above disposal agreements, Cheer Luck shall have an option to buy back, from each of Purchaser B, Purchaser C and Purchaser D, within five years after the completion of the respective disposals, at a consideration same as the proceeds of each of these disposals to be received by Cheer Luck with a guaranteed return to each of these purchasers of 4.5% per annum for the period commencing from the date of completion of each of these disposals to the date when each of the buy-back options is exercised by Cheer Luck.

The Group shall continue to exercise control over Zhunxing which will continue to be consolidated into the consolidated financial statements of the Group after the completion of these disposals.

Up to the date of approval for the consolidated financial statements of the Company, the disposals under Disposal Agreement A and the other disposal agreements entered into with Purchaser B, Purchaser C and Purchaser D have not yet been completed.

3. BASIS OF PREPARATION *(Continued)*

(b) Going concern basis *(Continued)*

(ii) Reorganisation involving reverse takeover acquisition, subscription and placing

On 11 July 2017, the Company entered into a conditional sale and purchase agreement (as amended by a supplemental agreement on 23 February 2018 and a second supplemental agreement on 29 June 2018, together the "SPA") with the independent third party vendors (the "Vendors"), pursuant to which the Company has conditionally agreed to acquire from the Vendors the right and power to control over, and the right to enjoy the economic benefits in, the pawn loan business operated by the Target Group through the structured contracts, at a total consideration of HK$3,281,768,760 which will be satisfied by the allotment and issue of 14,268,559,826 new shares of the Company (the "Consideration Shares") at HK$0.23 per Consideration Share (the "Acquisition").

The Acquisition constitutes a reverse takeover for the Company under Rule 14.06(6)(a) of the Listing Rules, on the basis that the Acquisition (i) constitutes a very substantial acquisition for the Company under Chapter 14 of the Listing Rules; and (ii) results in a change in control (as defined under the Takeovers Code) of the Company as the Vendors and parties acting in concert with any of them, will hold an aggregate of more than 30% of the voting rights of the Company upon completion, although none of the Vendors would be a controlling shareholder (as defined under the Listing Rules) entitled to exercise or control the exercise of 30% or more of the voting rights of the Company upon completion.

Under Rule 14.54 of the Listing Rules, the Company will be treated as if it were a new listing applicant. The Acquisition is subject to the approval by the Listing Committee of a new listing application made by the Company. Such new listing application is required to comply with all the requirements under the Listing Rules and, in particular, the requirements under Chapters 8 and 9 of the Listing Rules. On 27 February 2018, the new listing application has been submitted to the Stock Exchange. It is a condition precedent to completion that the approval of the new listing application by the Listing Committee has been obtained. In the event that the approval for the new listing application is not granted by the Listing Committee, the SPA will not become unconditional and the Acquisition will not proceed.

Further, the Acquisition constitutes a connected transaction of the Company under Rule 14A.28 of the Listing Rules, as CITIC Asset Management Corporation Ltd, being one of the Vendors and a substantial shareholder of the Target Company, proposes to nominate 7 Directors out of a total of 12 Directors in the Board of the Company upon completion of the SPA, subject to the retirement and rotation requirements under the Articles of Association of the Company. The Acquisition will be subject to the approval by the Company's independent shareholders at the EGM.

3. BASIS OF PREPARATION *(Continued)*

(b) Going concern basis *(Continued)*

(ii) Reorganisation involving reverse takeover acquisition, subscription and placing *(Continued)*

On 11 July 2017, the Company and five subscribers entered into a subscription agreement (as amended by a supplemental subscription agreement on 29 June 2018), pursuant to which the subscribers have conditionally agreed to subscribe for (on a several but not a joint basis) an aggregate of 3,521,738,478 new shares of the Company, at an issue price of HK$0.23 per Subscription share for an aggregate consideration of HK$809,999,850 (the "Subscription"), which will be used to expand the pawn loan business to be operated by the Target Group or to be used for the operation of the Company.

As part of the Reorganisation, the Company intends to issue 3,478,260,869 new shares by placing (the "Placing") to investors, who are independent third parties and not acting in concert with the Vendors or their concert parties, at an issue price of HK$0.23 per Placing share, with an aggregate proceed of approximately HK$800,000,000 which will be applied to repay partially the outstanding non-convertible bonds of the Company.

The completion of the Acquisition, the Subscription and the Placing are inter-conditional. The completion of the SPA is also conditional upon (a) there having been no outstanding liabilities which relate to Zhunxing (including but not limited to the guarantees related to the investment, construction and operation of the Zhunxing Expressway) on the consolidated financial statements of the Group, (b) the Group shall incur no further liabilities save for those incurred in its ordinary course of business, and (c) full settlement of outstanding principals and accrued interests of non-convertible bonds of the Company. The date for completion of the SPA will be on or before 31 December 2018, failing which the SPA will be terminated.

The Company is also contemplating the issue of convertible bonds to raise funds but at 31 March 2018 and up to the date of approval for the consolidated financial statements of the Company, no definite timetable has been set for the issue of any convertible bonds.

More details in relation to the Acquisition are disclosed in the Company's announcements dated 1 August 2017, 22 August 2017, 22 September 2017, 20 October 2017, 20 November 2017, 20 December 2017, 22 January 2018, 23 February 2018, 28 February 2018, 23 March 2018, 23 April 2018, 24 May 2018 and 27 June 2018. Up to the date of approval of the consolidated financial statements of the Group, the above transactions contemplated in the reorganisation have not yet been completed.

3. BASIS OF PREPARATION *(Continued)*

(b) Going concern basis *(Continued)*

(iii) By 15 February 2018, the Group has entered into a conditional standstill agreement with all the bondholders, pursuant to which the bondholders have agreed not to take any action to enforce the repayment of the remaining principals and interests of the bonds from the completion of the Acquisition (as referred to in (ii) above) to the expiration of the Moratorium Period (as defined below) or termination of the SPA for the Acquisition as referred to (ii) above whichever is earlier, on the conditions that:

– not less than HK$1,250,000,000 of the principal amount owed to the bondholders will be repaid to them (amongst themselves on a pro-rata basis according to the respective principal amount owed by the Company to each of them) using the net proceeds from the disposal of a 25% equity interest of Zhunxing, as referred to in (i) above;

– not less than HK$1,800,000,000 of the principal amount owed to the bondholders will be repaid to them (amongst themselves on a pro-rata basis according to the respective principal amount owed by the Company to each of them) using (a) the net proceeds from the Placing and (b) the net proceeds from issue of new convertible bonds, as referred to in (ii) above; and

– the remaining amount of the principal and interest owed to the bondholders will be repaid to the bondholders (amongst themselves on a pro-rata basis according to the respective principal amount owed by the Company to each of them) using the net proceeds from the disposals of the remaining equity interest in Zhunxing (as referred to in (i) above), failing which the Company shall pay and settle such remainder indebtedness owing to the bondholders out of other financial resources, within 365 calendar days after the date of completion of the Acquisition (the "Moratorium Period").

Up to the date of approval of the consolidated financial statements, the above measures have not yet been completed. The directors of the Company have prepared a cash flow forecast of the Group for a period covered not less than twelve months from the date of approval of the consolidated financial statements. Based on the cash flow forecast which has assumed the successful implementation 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 date of approval for the consolidated financial statement. Accordingly, the financial statements have been prepared on a going concern basis.

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

3. BASIS OF PREPARATION *(Continued)*

(c) Basis of measurement

The consolidated financial statements have been prepared under historical cost basis except for investment properties, biological assets and assets of a disposal group classified as held for sale, which are respectively measured at revalued amounts, fair values, fair value less costs to sell or lower of carrying amount as explained in the accounting policies.

(d) 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.

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.

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.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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

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.

(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.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(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.

(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 are recognised in profit or loss. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(e) Foreign currency *(Continued)*

(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.

(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 the 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.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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

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 – 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
Power generating equipment	20 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
Camellia trees	20 years

The gain or loss on the 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 its 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)*

(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.

(i) Intangible assets

Intangible assets acquired separately are initially recognised at cost. The cost of intangible assets acquired in a business combination is their 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. Intangible assets with indefinite useful lives are carried at cost less any accumulated impairment losses.

(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 that have little biological transformation taken place since initial cost incurrence are stated at cost less any impairment loss.

(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 the 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.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(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 the underlying concession intangible asset are recognised as part of 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.

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.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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

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) 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)).

(o) 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:

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(o) Financial assets *(Continued)*

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

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

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

(ii) Loans and receivables

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

(iii) Available-for-sale financial assets

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

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

(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 the debtor’s financial difficulty; and

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

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(o) Financial assets *(Continued)*

(iv) Impairment loss on financial assets (Continued)

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.

(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.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(p) 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.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade and other payables, borrowings, debt element of convertible bonds or non-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.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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

(iii) Convertible bonds

Convertible bonds issued by the Company that contain a liability component, an embedded derivative and an equity component are classified separately into the 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 expired.

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.

(q) 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.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(r) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or a 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.

(s) 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)*

(t) 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)*

(u) 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.

(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)*

(u) Non-current assets held for sale and disposal groups *(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(w)(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.

(v) 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 relevant services have been provided and 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)*

(v) 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 electricity is recognised in the accounting period when electricity generated and transmitted.

(viii) Government subsidy income that compensate the Group for expenses incurred is recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred.

(w) 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)*

(x) 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.

(y) 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.

(z) Related parties

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

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

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

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

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

(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.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(z) Related parties *(Continued)*

(b) *(Continued)*

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

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

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

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

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) Estimates of construction costs for concession intangible asset

In ascertaining the total construction costs for Zhunxing Expressway which was opened to traffic in November 2013, the directors made estimates based on information available such as budgeted project costs, actual project costs incurred/settled to date, and relevant third party evidence such as signed construction contracts and their supplements, the related variation orders placed and the underlying construction and design plans, etc. Additional construction costs of approximately HK$1,374,122,000 were recognised and capitalized to cost of concession intangible asset (Note 15) in the course of Zhunxing's finalization of the respective statement of accounts with each of the contractors, based on latest status of negotiations and/or supplemental settlements with the relevant contractors and/or subcontractors, results of arbitrations, and/or judgements of settled litigations, during the year ended 31 March 2018. These additional costs included approximately HK$715,604,000 against the additional construction costs claimed by a contractor, as disclosed in Note 48(b), and management of the Group considered that adequate provision has been made at 31 March 2018.

The management of the Group considers that these are the current best estimates on the magnitude of construction costs payable to the contractors and/or subcontractors of Zhunxing Expressway. If the magnitudes of the final construction costs were to differ from management's current estimates, the Group would account for the change in estimates prospectively.

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

(b) 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 assesses 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 continuing use of the Key Operating Asset during the concession period and discount rate.

(c) Fair value measurement

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

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

- Level 1: Quoted prices in active markets for identical items (unadjusted);
- Level 2: Observable direct or indirect inputs other than Level 1 inputs;
- Level 3: Unobservable inputs (i.e. not derived from market data).

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

The Group measures a number of items at fair value:

- Investment properties (Note 21);
- Biological assets (Note 19); and

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

(d) 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.

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

(e) Impairment of goodwill and other intangible asset acquired through acquisitions

Determining whether goodwill and other 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.

(f) Fair value of biological assets

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

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

(g) 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 each reporting period.

(i) Estimation of amortisation period of concession intangible asset

The Group amortises the concession intangible assets using the straight-line method over the concession period granted (Note 15(a)). The concession period is approved by the grantor and the Group does not have a renewal or termination option for the concession period.

If the grantor requires to extend or shorten the concession periods, management will revise the amortisation charges which are different to previously calculated, or recognise an impairment loss, if any.

(j) Impairment of loan and trade and other receivables

The Group makes allowance for impairment of loan and trade and other receivables based on the evaluation of collectability and ageing analysis of accounts and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness, the past collection history of each counterparty debtor and the subsequent settlement from the debtors. If the financial conditions of the counterparty debtors of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

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 the Zhunxing Expressway;
- Petroleum business – trading of petroleum and related products and operations of CNG gas stations; and
- Others – sales of timber logs from tree plantation and outside suppliers, sales of seedlings, refined plant oil, sales of agricultural and forage products and electricity supply by solar power stations.

There was no inter-segment sale or transfer during the year (2017: 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 loss is loss before finance costs and tax.

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

6. SEGMENT INFORMATION

(a) Reportable Segment

For the year ended 31 March 2018

	Expressway operations HK$'000	Petroleum business HK$'000	Others HK$'000	Total HK$'000
REVENUE				
Revenue from external customers	**756,639**	**28,870**	**36,577**	**822,086**
Inter-segment revenue	**–**	**–**	**–**	**–**
Reportable segment revenue	**756,639**	**28,870**	**36,577**	**822,086**
Reportable segment loss	**(235,205)**	**(46,653)**	**(105,849)**	**(387,707)**
Reportable segment assets	**17,590,394**	**71,496**	**490,256**	**18,152,146**
Reportable segment liabilities	**(15,417,283)**	**(857)**	**(174,838)**	**(15,592,978)**
Other segment information				
Additions of costs for concession intangible asset	**1,374,122**	**–**	**–**	**1,374,122**
Additions of property, plant and equipment	**2,783**	**–**	**124,805**	**127,588**
Unallocated additions of property, plant and equipment				**30**
Total additions of property, plant and equipment				**127,618**
Additions of prepaid lease payments	**–**	**–**	**169,787**	**169,787**
Additions of biological assets	**–**	**–**	**5,387**	**5,387**

6. SEGMENT INFORMATION *(Continued)*

(a) Reportable Segment *(Continued)*

For the year ended 31 March 2018 *(Continued)*

	Expressway operations HK$'000	Petroleum business HK$'000	Others HK$'000	Total HK$'000
Other segment information *(Continued)*				
Interest income	**258**	**74**	**95**	**427**
Unallocated interest income				**4,844**
Total interest income				**5,271**
Depreciation of property, plant and equipment	**84,583**	**3,164**	**12,229**	**99,976**
Unallocated depreciation of property, plant and equipment				**121**
Total depreciation of property, plant and equipment				**100,097**
Amortisation of prepaid lease payments	**–**	**444**	**16,829**	**17,273**
Amortisation of concession intangible asset	**763,183**	**–**	**–**	**763,183**
Impairment of property, plant and equipment	**–**	**5,376**	**–**	**5,376**
Impairment of trade and other receivables, net	**5,424**	**39,034**	**47,800**	**92,258**
Write-down of inventories	**–**	**–**	**36,692**	**36,692**
Provision for legal claims	**27,150**	**–**	**–**	**27,150**

6. SEGMENT INFORMATION *(Continued)*

(a) Reportable Segment *(Continued)*

For the year ended 31 March 2017

	Expressway operations HK$'000	Petroleum business HK$'000	Others HK$'000	Total HK$'000
REVENUE				
Revenue from external customers	535,637	188,340	3,639	727,616
Inter-segment revenue	–	–	–	–
Reportable segment revenue	535,637	188,340	3,639	727,616
Reportable segment loss	(193,828)	(140,442)	(38,184)	(372,454)
Reportable segment assets	15,471,337	136,912	236,350	15,844,599
Reportable segment liabilities	(12,575,758)	(189,834)	(22,373)	(12,787,965)
Other segment information				
Additions of property, plant and equipment	49,293	130	85	49,508
Unallocated additions of property, plant and equipment				26
Total additions of property, plant and equipment				49,534
Additions of biological assets	–	–	2,505	2,505
Interest income	9,792	29	48	9,869
Unallocated interest income				4,903
Total interest income				14,772

6. SEGMENT INFORMATION *(Continued)*

(a) Reportable Segment *(Continued)*

For the year ended 31 March 2017 *(Continued)*

	Expressway operations HK$'000	Petroleum business HK$'000	Others HK$'000	Total HK$'000
Other segment information *(Continued)*				
Depreciation of property, plant and equipment	80,611	3,712	4,939	89,262
Unallocated depreciation of property, plant and equipment				415
Total depreciation of property, plant and equipment				89,677
Amortisation of prepaid lease payments	–	431	514	945
Amortisation of customer relationship	–	1,593	–	1,593
Amortisation of concession intangible asset	552,023	–	–	552,023
Impairment loss on goodwill and other intangible assets	–	45,511	–	45,511
Impairment loss on trade and other receivables	–	72,585	31,738	104,323

6. SEGMENT INFORMATION *(Continued)*

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

	2018	2017
	HK$'000	HK$'000
Reportable segment loss	**(387,707)**	(372,454)
Impairment loss recognised on interests in associates immediately prior to reclassification as disposal group held for sale	**–**	(362,078)
Gain/(loss) on change in fair value of investment properties	**1,121**	(4,750)
Net loss on disposal of assets of a disposal group classified as held for sale	**(4,997)**	–
Loss on disposal of subsidiaries	**(8,849)**	(627)
Other income and other gains or losses	**4,416**	(3,211)
Finance costs	**(940,719)**	(977,207)
Share of results of associates	**–**	(10,234)
Unallocated corporate expenses	**(64,123)**	(62,116)
Consolidated loss before income tax	**(1,400,858)**	(1,792,677)
Assets		
Reportable segment assets	**18,152,146**	15,844,599
Assets of a disposal group classified as held for sale	**–**	214,231
Investment properties	**28,230**	26,975
Cash and cash equivalents	**39,471**	53,735
Available-for-sale investments	**82,918**	78,296
Amounts due from non-controlling shareholder of subsidiaries	**16,239**	14,658
Unallocated corporate assets	**66,218**	60,038
Consolidated total assets	**18,385,222**	16,292,532
Liabilities		
Reportable segment liabilities	**15,592,978**	12,787,965
Deferred tax liabilities	**1,995**	1,636
Promissory note	**315,003**	311,483
Non-convertible bonds	**4,395,648**	4,395,648
Interest payable on promissory note and non-convertible bonds	**655,932**	379,307
Unallocated corporate liabilities	**290**	12,925
Consolidated total liabilities	**20,961,846**	17,888,964

6. SEGMENT INFORMATION *(Continued)*

(c) Geographical information

The Group operates in two principal geographical areas – the PRC and Hong Kong.

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

	Revenue from external customers		**Specified non-current assets**	
	2018	2017	**2018**	2017
	HK$'000	HK$'000	**HK$'000**	HK$'000
PRC	**822,086**	727,616	**18,046,951**	15,633,898
Hong Kong	**–**	–	**467**	701
Australia	**–**	–	**28,230**	26,975
	822,086	727,616	**18,075,648**	15,661,574

(d) Information about major customers

There was no customer contributing 10% or more of the Group's revenue for the two years ended 31 March 2018 and 2017.

7. REVENUE

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

	2018	2017
	HK$'000	HK$'000
Income from toll road and related operations	**756,639**	535,637
CNG gas station service income	**28,870**	24,986
Trading of petroleum and related products	**–**	163,354
Sales of agricultural and forage products	**32,056**	–
Income from solar electricity supply	**2,566**	–
Sales of seedlings	**1,596**	2,003
Sales of plant-oil	**359**	1,636
	822,086	727,616

8. OTHER INCOME AND OTHER GAINS OR LOSSES

Other income and other gains or losses comprises:

	2018 **HK$'000**	2017 HK$'000
Interest income	**5,271**	14,772
Exchange gain, net	**108**	20
Rental income	**380**	270
Loss on disposal of subsidiaries *(Note 40(a))*	**(8,849)**	(627)
Loss on disposal of available-for-sale investments	**–**	(6,166)
Loss on disposal of an associate	**–**	(1,629)
Net loss on disposal of assets of a disposal group classified as held for sale *(Note 34)*	**(4,997)**	–
Gain on disposal of property, plant and equipment	**78**	300
(Loss)/gain on disposal of prepaid lease payments and biological assets *(Note 19(a))*	**(62)**	442
Government subsidies *(Note (a))*	**3,972**	–
Reversal of over accrued expenses	**3,663**	–
Provision for legal claims	**(27,150)**	–
Others	**2,795**	2,502
	(24,791)	9,884

Note:

(a) Government subsidies received by the Group from the PRC Government did not bear any unfulfilled conditions or contingencies for the relevant subsidies.

9. FINANCE COSTS

	2018 **HK$'000**	2017 HK$'000
Interest and finance costs on bank and other borrowings	**660,574**	631,919
Interest expenses on non-convertible bonds	**–**	179,009
Interest expenses on promissory note	**3,520**	4,591
Default interest on non-convertible bonds	**219,782**	105,681
Default interest on promissory note	**56,843**	56,007
	940,719	977,207

10. LOSS BEFORE INCOME TAX

Loss before income tax is stated after charging:

	2018 **HK$'000**	2017 HK$'000
Auditor's remuneration		
– Audit services	**2,300**	1,750
– Non-audit services	**1,460**	230
Depreciation of property, plant and equipment *(Note a)*	**100,097**	89,677
Amortisation of prepaid lease payments *(Note b)*	**17,273**	945
Amortisation of customer relationships	**–**	1,593
Amortisation of concession intangible asset included in cost of sales *(Note 15)*	**763,183**	552,023
Write-down of inventories *(Note 25(b))*	**36,692**	–
Operating lease payments recognised as expenses	**15,190**	17,027
Cost of inventories sold *(Note 25(b))*	**52,675**	184,020
Impairment loss of property, plant and equipment *(Note 16)*	**5,376**	–
Impairment loss of trade and other receivables, net *(Note 26)*	**92,258**	104,323
Staff costs (excluding directors' emoluments):		
– Salaries and allowances *(Note c)*	**64,615**	74,773
– Defined contributions pension costs	**4,387**	6,292

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

	2018 **HK$'000**	2017 HK$'000
Amounts included in cost of sales	**84,213**	77,406
Amounts included in selling and administrative expenses	**15,884**	12,271
	100,097	89,677

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

	2018 **HK$'000**	2017 HK$'000
Amounts included in selling and administrative expenses	**1,884**	431
Amounts included in cost of sales and other direct operating costs	**15,389**	514
	17,273	945

10. LOSS BEFORE INCOME TAX *(Continued)*

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

	2018 HK$'000	2017 HK$'000
Amounts included in cost of sales	**32,492**	28,109
Amounts included in selling and administrative expenses	**32,123**	46,664
	64,615	74,773

11. INCOME TAX EXPENSE/(CREDIT)

The income tax expense/(credit) comprises:

	2018 HK$'000	2017 HK$'000
PRC enterprise income tax		
– Current tax expense	**536**	560
– Over provision in respect of prior years	**(7)**	–
	529	560
Deferred tax *(Note 32)*		
– Recognition/(reversal) of temporary differences	**245**	(8,794)
Income tax expense/(credit)	**774**	(8,234)

The income tax expense/(credit) for the year can be reconciled to the loss per consolidated statement of profit or loss as follows:

	2018 HK$'000	2017 HK$'000
Loss before income tax	**(1,400,858)**	(1,792,677)
Tax calculated at 25% (2017: 25%)	**(350,215)**	(448,169)
Net effect of non-taxable/deductible items	**289,203**	394,738
Over-provision in respect of prior years	**(7)**	–
Net effect of tax losses and temporary differences not recognised	**32,849**	10,802
Effect of different tax rates of subsidiaries operating in other jurisdictions	**28,944**	34,395
Income tax expense/(credit)	**774**	(8,234)

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

Under the relevant applicable regulations and rules in the PRC, 樹人木業(大埔)有限公司, 樹人苗木組培(大埔)有限公司 and Xinze (as defined in Note 39), being indirect subsidiaries of the Company, are qualified as forestry and agricultural operation enterprises by the local tax authorities, respectively, and so they are fully exempted from PRC enterprise income tax.

Zhunxing 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 started in 2014. Consequently, Zhunxing is exempted from PRC enterprise income tax from 2014 to 2016 and is subject to 12.5% PRC enterprise income tax from 2017 to 2019.

For the year ended 31 March 2018, the statutory PRC enterprise income tax rate applicable to all other subsidiaries established and operating in the PRC is 25% (2017: 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% (2017: 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 2018 and 2017.

The subsidiaries in Guyana are liable to Guyana income tax at a rate of 45% (2017: 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 2018 and 2017.

The subsidiaries in Australia are liable to Australian income tax at a rate of 30% (2017: 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 2018 and 2017.

12. DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

Year ended 31 March 2018

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 *(the Chairman)*	–	2,650	18	–	2,668
Fung Tsun Pong	–	3,450	18	–	3,468
Tsang Kam Ching, David	–	2,760	18	–	2,778
Duan Jingquan	–	1,440	18	–	1,458
Gao Zhiping	–	2,300	90	–	2,390
Jiang Tao	–	800	12	–	812
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
Xue Baozhong	120	–	–	–	120
	600	13,400	174	–	14,174

12. DIRECTORS' EMOLUMENTS *(Continued)*

Year ended 31 March 2017

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 *(the Chairman)*	–	3,600	18	–	3,618
Fung Tsun Pong	–	4,200	18	–	4,218
Tsang Kam Ching, David	–	2,760	18	–	2,778
Duan Jingquan	–	2,228	60	–	2,288
Gao Zhiping	–	2,760	82	–	2,842
Jiang Tao (appointed as the Chief Executive Officer on 12 May 2016 and as the Executive Director on 12 August 2016)	–	1,065	–	–	1,065
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
Xue Baozhong (appointed on 12 August 2016)	76	–	–	–	76
	556	16,613	196	–	17,365

Note:

During the years ended 31 March 2018 and 2017, 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 (2017: 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 2018 (2017: 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:

	2018	2017
	HK$'000	HK$'000
Loss for the purposes of basic and diluted loss per share	**(1,284,931)**	(1,676,202)
Number of shares:	**'000**	'000
Ordinary shares in issue at 1 April	**6,752,396**	6,752,396
Effect of new shares issued	**616,274**	–
Weighted average number of ordinary shares as at 31 March for the purposes of basic and diluted loss per share	**7,368,670**	6,752,396

The computation of diluted loss per share for the years ended 31 March 2018 and 2017 does not assume the exercise of the Company's outstanding share options as the exercise prices of those options are higher than the average market price for shares.

For the year ended 31 March 2017, the computation of diluted loss per share did not assume the conversion of the Company's outstanding convertible bonds (prior to lapse of their conversion options) as they had an anti-dilutive effect on the loss per share calculation.

15. CONCESSION INTANGIBLE ASSET

	2018	2017
	HK$'000	HK$'000
Cost:		
At 1 April	**18,081,888**	18,992,675
Additions	**1,374,122**	–
Exchange differences	**1,623,773**	(910,787)
At 31 March	**21,079,783**	18,081,888
Accumulated amortisation and impairment:		
At 1 April	**3,580,621**	3,229,398
Amortisation for the year	**763,183**	552,023
Exchange differences	**111,157**	(200,800)
At 31 March	**4,454,961**	3,580,621
Net Carrying amount:		
At 31 March	**16,624,822**	14,501,267

(a) Descriptions of the concession intangible asset

Zhunxing entered into a service concession arrangement with a PRC local government authority 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 authority'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 road 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 compensation 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".

15. CONCESSION INTANGIBLE ASSET *(Continued)*

(a) Descriptions of the concession intangible asset *(Continued)*

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 market information in similar industry and management's experience.

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

No interest was capitalised to concession intangible asset during the years ended 31 March 2018 and 2017.

(b) Impairment testing of the concession intangible asset

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

During the years ended 31 March 2018 and 2017, the recoverable amount of the Expressway CGU has been determined independently by Jones Lang LaSalle Corporate Appraisal and Advisory Limited by the value in use calculation. This calculation uses traffic forecast data determined by Samuel Wong Consultancy 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.

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

	2018	2017
Remaining exclusive operating period	**27 years**	28 years
Discount rate	**10.46%**	10.13%
Toll rate per kilometre per ton	**RMB0.09**	RMB0.09
Long-term toll revenue growth rate over the remaining concession period	**8.48%**	8.1%
Average toll revenue growth rate for next two years	**8.99-9%**	12.9%
Average toll revenue growth rate for the remaining concession period from 2021 to end of exclusive operating period	**8.44%**	8.8%

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 assessment, the recoverable amount of the Expressway CGU was not materially different from its carrying value as at 31 March 2018 and no additional impairment loss was recognised on the concession intangible asset and related property, plant and equipment of the Expressway CGU in profit or loss for the year ended 31 March 2018 (2017: HK$Nil).

16. PROPERTY, PLANT AND EQUIPMENT

	Other buildings HK$'000	Power generating equipment HK$'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$'000	Camellia tree HK$'000	Construction in progress HK$'000	Total HK$'000
Cost												
At 1 April 2016	429,082	–	20,192	118,563	44,411	61,952	512,696	104,261	57,582	23,539	134,338	1,506,616
Additions	42,957	–	–	1,148	–	–	–	–	–	–	5,429	49,534
Disposal	–	–	–	(125)	(551)	–	–	–	–	–	–	(676)
Exchange difference	(26,391)	–	(1,529)	(4,881)	(2,323)	–	(30,573)	(6,217)	(3,434)	(1,403)	(107)	(76,858)
At 31 March 2017 and 1 April 2017	445,648	–	18,663	114,705	41,537	61,952	482,123	98,044	54,148	22,136	139,660	1,478,616
Additions	–	103,652	–	1,600	5	–	–	–	–	2,016	1,967	109,240
Acquisition of subsidiaries *(Note 39)*	–	–	–	18,378	–	–	–	–	–	–	–	18,378
Disposal	–	–	(587)	(5,009)	(1,526)	–	–	–	–	–	–	(7,122)
Disposal of subsidiaries *(Note 40(a))*	–	–	(5,060)	(5,153)	(2,998)	–	–	–	–	–	–	(13,211)
Exchange difference	47,992	5,604	2,252	10,351	3,766	–	52,012	10,577	5,842	2,497	680	141,573
At 31 March 2018	493,640	109,256	15,268	134,872	40,784	61,952	534,135	108,621	59,990	26,649	142,307	1,727,474
Accumulated depreciation and impairment:												
At 1 April 2016	77,818	–	15,577	69,431	23,260	61,952	160,745	32,690	17,713	1,177	–	460,363
Charge for the year	12,336	–	2,356	11,531	4,388	–	44,036	8,955	4,946	1,129	–	89,677
Disposal	–	–	–	(54)	(551)	–	–	–	–	–	–	(605)
Exchange difference	(4,835)	–	(1,128)	(2,079)	(1,199)	–	(10,452)	(2,126)	(1,153)	(92)	–	(23,064)
At 31 March 2017 and 1 April 2017	85,319	–	16,805	78,829	25,898	61,952	194,329	39,519	21,506	2,214	–	526,371
Charge for the year	15,735	2,598	1,519	14,950	4,436	–	45,373	9,227	5,096	1,163	–	100,097
Disposal	–	–	(587)	(3,229)	(1,773)	–	–	–	–	–	–	(5,589)
Disposal of subsidiaries *(Note 40(a))*	–	–	(5,060)	(5,153)	(2,998)	–	–	–	–	–	–	(13,211)
Impairment *(Note 10)*	–	–	–	3,815	1,561	–	–	–	–	–	–	5,376
Exchange difference	9,956	140	1,942	4,928	2,412	–	23,418	4,762	2,596	302	–	50,456
At 31 March 2018	111,010	2,738	14,619	94,140	29,536	61,952	263,120	53,508	29,198	3,679	–	663,500
Net carrying amount:												
At 31 March 2018	382,630	106,518	649	40,732	11,248	–	271,015	55,113	30,792	22,970	142,307	1,063,974
At 31 March 2017	360,329	–	1,858	35,876	15,639	–	287,794	58,525	32,642	19,922	139,660	952,245

Construction in progress mainly represented the construction costs incurred for petrol and gas stations in the service areas of Zhunxing Expressway which were not yet available for commercial use at the end of both reporting periods.

Camellia trees as bearer plant are located in Xingning, the PRC. For camellia trees as bearer plant, at 31 March 2018, the Group owned and obtained all the forestry ownership certificates for approximately 10,200 (2017: 10,200) Chinese Mu of forests of camellia trees in Xingning with a 50-year term, expiring in 2058. Camellia trees as bearer plant for refined plant oil were planted in previous years and had little biological transformation.

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

Analysis of the carrying amounts of property, plant and equipment of the following operations at the reporting period end were as follows:

	2018 HK$'000	2017 HK$'000
Zhunxing Expressway	**728,634**	738,266
Other operations	**335,340**	213,979
	1,063,974	952,245

Impairment testing of property, plant and equipment

During the year ended 31 March 2018, the Group ceased the trading of petroleum which was undertaken by 深圳市前海資通能源有限公司 ("Qianhai Zitong") and impairment on the relevant property, plant and equipment related to this business of approximately HK$5,376,000 was recognised prior to its disposal to an independent third party, as further disclosed in Note 40.

At the end of each reporting period, relevant assets of property, plant and equipment were allocated to the corresponding cash generating units for impairment testing, as further detailed in Notes 15(b) and 18. Based on the impairment assessment at the reporting period end, no additional impairment loss was recognised for the year ended 31 March 2018 and 2017. At 31 March 2018, accumulated impairment losses of HK$135,540,000 (2017: HK$135,540,000) on the property, plant and equipment related to the Zhunxing Expressway was recognised in the year ended 31 March 2016.

17. PREPAID LEASE PAYMENTS

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

	2018 HK$'000	2017 HK$'000
At 1 April	**34,377**	39,425
Acquisition of subsidiaries *(Note 39)*	**169,787**	–
Disposal during the year *(Note 19(a))*	**(506)**	(1,806)
Amortisation for the year	**(17,273)**	(945)
Exchange difference	**21,158**	(2,297)
At 31 March	**207,543**	34,377
Represented by:		
Current portion	**2,825**	857
Non-current portion	**204,718**	33,520
	207,543	34,377

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 2028 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 2016	68,713	33,213	101,926
Exchange difference	(4,097)	(1,981)	(6,078)
At 31 March 2017	64,616	31,232	95,848
Exchange difference	6,971	–	6,971
At 31 March 2018	**71,587**	**31,232**	**102,819**
Accumulated amortisation and impairment loss:			
At 1 April 2016	–	2,768	2,768
Amortisation during the year	–	1,593	1,593
Impairment	17,899	27,612	45,511
Exchange difference	(352)	(741)	(1,093)
At 31 March 2017	17,547	31,232	48,779
Impairment	–	–	–
Exchange difference	1,893	–	1,893
At 31 March 2018	**19,440**	**31,232**	**50,672**
Net book value:			
At 31 March 2018	**52,147**	**–**	**52,147**
At 31 March 2017	47,069	–	47,069

Amortisation of customer relationships amounting to HK$Nil (2017: HK$1,593,000) is included in the "selling and administrative expenses" in the consolidated statement of profit or loss.

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 2018 and 2017:

	2018 HK$'000	2017 HK$'000
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")	**52,147**	47,069

The recoverable amounts of the CNG gas stations CGU is 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 CNG gas stations CGU at 31 March 2018 and 31 March 2017 are as follows:

	As at 31 March 2018 CNG gas stations CGU	As at 31 March 2017 CNG gas stations CGU
EBITDA margin (average of next five years)	**15.8%**	20.9%
Long-term growth rate	**5%**	5%
Discount rate	**11.31%**	12.78%

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 amount of the cash-generating unit of the operations of CNG gas stations based on the estimated value in use calculations was higher than their carrying amounts at 31 March 2018. Accordingly, no provision for impairment loss for goodwill of the operations of CNG gas stations is considered necessary.

19. BIOLOGICAL ASSETS

	Seedlings	Standing trees	Total
	HK$'000	HK$'000	HK$'000
At 1 April 2016	464	51,320	51,784
Plantation expenditure incurred	655	1,850	2,505
Disposal during the year	–	(4,065)	(4,065)
Cost of direct sales	(116)	(2,144)	(2,260)
Harvested timber transferred to inventory	(404)	–	(404)
Change in fair value less costs to sell	–	11,489	11,489
Exchange difference	(30)	(3,201)	(3,231)
At 31 March 2017 and 1 April 2017	569	55,249	55,818
Plantation expenditure incurred	538	4,849	5,387
Disposal during the year	–	(1,418)	(1,418)
Cost of direct sales	(134)	–	(134)
Change in fair value less costs to sell	–	(1,758)	(1,758)
Exchange difference	84	6,303	6,387
At 31 March 2018	**1,057**	**63,225**	**64,282**

(a) Description of the Group's biological assets

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

For standing trees, at 31 March 2018, the Group owned and obtained all the forestry ownership certificates for approximately 82,817 (2017: 84,910) 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 2018 and 2017.

During the year, the Group disposed of prepaid lease payments for approximately 2,093 (2017: 7,643) Chinese Mu with carrying amount of HK$506,000 (2017: HK$1,806,000) (Note 17) together with the standing trees with carrying amount of HK$1,418,000 (2017: HK$4,065,000) to an independent third party at a consideration of HK$1,862,000 (2017: HK$6,313,000). A loss of disposal of HK$62,000 (2017: gain of HK$442,000) was recognised in profit or loss for the year ended 31 March 2018.

Seedlings are carried at cost less any impairment loss. 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 2018 and 2017 as determined by the directors of the Company.

19. BIOLOGICAL ASSETS *(Continued)*

(b) Measurement of fair value

The fair value of the Group's standing trees was independently valued by LCH (Asia-Pacific) Surveyors Limited ("LCH"), 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 LCH, the directors of the Company are satisfied that LCH is competent to determine the valuation of the Group's biological assets. The directors are of the opinion that LCH is independent from the directors of the Company.

The fair value of standing trees is categorised into level 3 of the fair value hierarchy.

Fair value measurement of standing trees

LCH 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 2018 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**	
	2018	2017
Price of round logs per cubic meter	**RMB435 to RMB835**	RMB350 to RMB800
Growth rate	**5.1%**	5.3%
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 was no change to the valuation techniques for standing trees during the year.

19. BIOLOGICAL ASSETS *(Continued)*

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

Standing trees as at 31 March 2018

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	11,720	(10,306)

Changes on the recovery rate	Increased by 5% HK$'000	Decreased by 5% HK$'000
Increase/(decrease) in fair value	4,264	(4,265)

(d) Work done by the valuer

In respect of the standing trees in Dabu, LCH conducted physical field inspections to the respective forest sites in April 2018 to verify the physical existence and quality of the biological assets.

20. FOREST CONCESSION RIGHTS

On 11 January 2017, Jaling (as defined in Note 23) and Garner (as defined in Note 23) received a letter dated 10 January 2017 from the Guyana Forestry Commission in relation to the suspension and revocation of forest concession rights in Guyana, which had been fully impaired at 31 March 2016, with effect from 10 January 2017.

At 31 March 2018 and 2017, the forest concession rights had zero carrying value.

21. INVESTMENT PROPERTIES

	2018 **HK$'000**	2017 HK$'000
At valuation:		
At 1 April	**26,975**	31,689
Gain/(loss) on change of fair value of investment properties	**1,121**	(4,750)
Exchange difference	**134**	36
At 31 March	**28,230**	26,975

21. INVESTMENT PROPERTIES *(Continued)*

The Group's investment properties include a cold storage warehouse situated on a freehold land in Australia for the years ended 2018 and 2017.

The Group's investment properties were revalued at 31 March 2018 by an independent firm of chartered surveyors, LCH, 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 LCH on 31 March 2018 amounted to HK$1,121,000 (2017: loss of HK$4,750,000) has been recognised in profit or loss for the year ended 31 March 2018.

(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**	
	2018	2017
Unit price of land (Australian Dollars ("AUD") per sq. meter)	**AUD217 to AUD615**	AUD217 to AUD615
Replacement cost of new building of similar characteristics (AUD per sq. meter)	**AUD1,240**	AUD1,165

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

22. LONG-TERM DEPOSITS AND PREPAYMENTS

	2018	2017
	HK$'000	HK$'000
Deposits paid for acquisition of property, plant and equipment	**37,475**	44,680

23. PRINCIPAL SUBSIDIARIES

Particulars of principal subsidiaries as at 31 March 2018 are set out below.

			Proportion of ownership interest			
Name	**Place of incorporation and operation**	**Registered capital**	**Held by the Company** %	**Held by a subsidiary** %	**Attributable to the Group** %	**Principal activity**
Zhunxing *(defined in Note 3(b)(i) and Note (b) below)*	The PRC	RMB2,513,920,600	–	86.87	86.87	Zhunxing Expressway and auxiliary facility investment, operation, management and maintenance
內蒙古准興高速服務區管理責任有限公司	The PRC	RMB10,000,000	–	100	86.87	Construction and operation of petrol and gas stations and service areas of Zhunxing Expressway
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
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
Xinze *(defined in Note 39)*	The PRC	RMB68,000,000	–	100	60	Growing and sales of forage and agricultural products
內蒙古准興新能源投資有限公司	The PRC	RMB100,000,000	–	100	100	Operation of solar power station
Jaling Forest Industries Inc. ("Jaling")	Guyana	GYD500,000	–	100	100	Dormant
Garner Forest Industries Inc. ("Garner")	Guyana	GYD100,000	–	100	100	Dormant
Seapower Resources Gosford Pty Ltd.	Australia	AUD4,200,002	–	100	100	Cold storage warehouse leasing

23. PRINCIPAL SUBSIDIARIES *(Continued)*

Notes:

(a) 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.

(b) The summary of financial information of Zhunxing is disclosed in Note 44 to the consolidated financial statements.

24. AVAILABLE-FOR-SALE INVESTMENTS

	2018 HK$'000	2017 HK$'000
Non-current		
Unlisted equity shares, at cost	**82,918**	78,296

Notes:

(a) 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. Base on the available information, the directors of the Company considered that there has been no impairment on these unlisted equity investments at both reporting period ends.

(b) Included in these unlisted equity shares is a 19% equity investment in 內蒙古博源新型能源有限公司 with a carrying amount of HK$47,468,000 as at 31 March 2018 (2017: HK$42,846,000) which was pledged to a bank as security for the Group's borrowing Note 31(i).

(c) Subsequent to the reporting period end and on 9 April 2018, as disclosed in Note 50 below, the Group disposed of an available-for-sale investment with a carrying value of HK$10,000,000 to an independent third party at a consideration of HK$6,000,000, which was received during the year, resulting in a loss on disposal of HK$4,000,000 which will be charged to the profit or loss for the next financial reporting period.

25. INVENTORIES

(a) Inventories in the consolidated statement of financial position comprise:

	2018 HK$'000	2017 HK$'000
Raw materials	**6,634**	39,860
Work in progress	**13,939**	13,767
Finished goods	**6,074**	9,929
	26,647	63,556

An analysis of the Group's inventories at the reporting period end was categorised as follows:

	2018 HK$'000	2017 HK$'000
Woods and timber	**24,855**	57,378
Plant oils	**1,519**	6,131
Forage products	**28**	–
Others	**245**	47
	26,647	63,556

25. INVENTORIES *(Continued)*

(b) The analysis of the amount of inventories recognised as an expense and included in consolidated statement of profit or loss is as follows:

	2018 **HK$'000**	2017 HK$'000
Cost of inventories sold	**52,675**	184,020
Write-down of inventories in the normal course of business	**36,692**	–
	89,367	184,020

26. TRADE AND OTHER RECEIVABLES

	2018 **HK$'000**	2017 HK$'000
Trade receivables	**47,922**	17,983
Less: Provision for impairment loss	**(5,939)**	(10,154)
Trade receivables, net	**41,983**	7,829
Other receivables	**133,672**	145,331
Loan to non-controlling shareholder of a subsidiary	**–**	99,331
Loan receivables	**67,210**	60,665
Less: Provision for impairment loss	**(107,695)**	(125,376)
Other receivables, net	**93,187**	179,951
Deposits paid	**3,601**	3,583
Less: Provision for impairment loss	**(6)**	–
Deposit paid, net	**3,595**	3,583
Prepayments	**14,744**	14,262
Less: Provision for impairment loss	**(12,035)**	–
Prepayments, net	**2,709**	14,262
	141,474	205,625

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.

26. TRADE AND OTHER RECEIVABLES *(Continued)*

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

	2018 **HK$'000**	2017 HK$'000
At 1 April	**135,530**	33,804
Add: Impairment loss recognised *(Note 10)*	**96,518**	104,323
Less: Reversal of impairment *(Note 10)*	**(4,260)**	–
Less: Release upon disposal of subsidiaries	**(113,245)**	–
Exchange differences	**11,132**	(2,597)
At 31 March	**125,675**	135,530

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

	2018 **HK$'000**	2017 HK$'000
Outstanding balances aged:		
0 to 30 days	**16,488**	6,654
31 to 60 days	**1,105**	1,077
61 to 180 days	**24,390**	98
	41,983	7,829

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

	2018 **HK$'000**	2017 HK$'000
Neither past due nor impaired	**16,488**	6,654
30 to 90 days past due	**25,495**	1,175
	41,983	7,829

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.

26. TRADE AND OTHER RECEIVABLES *(Continued)*

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

	2018 **HK$'000**	2017 HK$'000
Neither past due nor impaired	**93,187**	144,577
Over 90 days past due	**–**	35,374
	93,187	179,951

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.

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

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

28. CASH AND CASH EQUIVALENTS

	2018 **HK$'000**	2017 HK$'000
Cash and bank balances	**39,471**	53,735

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.

29. TRADE AND OTHER PAYABLES

	2018 **HK$'000**	2017 HK$'000
Trade payables *(Note c)*	**2,236**	130
Other payables and accruals *(Note a)*	**3,495,415**	1,551,896
Deposit received from customers	**1,655**	1,642
Refundable earnest money received from the Purchaser C *(Note d)*	**97,272**	–
	3,596,578	1,553,668

29. TRADE AND OTHER PAYABLES *(Continued)*

Notes:

(a) Analysis of other payables and accruals is as follows:

	2018 **HK$'000**	2017 HK$'000
Construction costs payable	**2,349,940**	765,299
Retention and guarantee deposit	**201,508**	181,423
Accrued interest on the bank borrowings	**98,188**	71,461
Accrued default interest on promissory note *(Note 30)*	**322,672**	265,829
Accrued default interest on non-convertible bonds *(Note 33)*	**333,260**	113,478
Interest payable	**754,120**	450,768
Other deposits and accruals	**189,847**	154,406
	3,495,415	1,551,896

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

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

	2018 **HK$'000**	2017 HK$'000
Outstanding balances aged:		
Within 30 days	**–**	–
31 to 60 days	**–**	–
Over 61 days	**2,236**	130
	2,236	130

(d) During the year ended 31 March 2018, the Group and Purchaser C entered into an agreement, pursuant to which Purchaser C paid RMB80,000,000 (equivalent to HK$97,272,000) to the Group as refundable earnest money for the disposal of 18% equity interest in Zhunxing (Note 3(b)(i)).

30. PROMISSORY NOTE

The movement in the promissory note during the years ended 31 March 2018 and 2017 are as follows:

	2018 **HK$'000**	2017 HK$'000
Carrying value as at 1 April	**311,483**	306,892
Interest expense *(Note 9)*	**3,520**	4,591
Carrying value as at 31 March	**315,003**	311,483

30. PROMISSORY NOTE *(Continued)*

On 9 February 2010, the Company issued promissory note, with principal value of HK$280,000,000, to China Alliance International Holding Group Limited ("China Alliance").

The promissory note is unsecured and repayable by 14 quarterly instalments of HK$20,000,000 each with 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 multiples of HK$20,000,000) at any time and from time to time after the date of issue of the promissory note.

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 coupon interest. As a result, the carrying amount of promissory note plus accrued coupon interest of approximately 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 pursuant to which the repayment terms of the promissory note were extended and 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 coupon interests. At 31 March 2018, the cumulative default interest of HK$322,672,000 (2017: HK$265,829,000) was accrued and separately presented under other payables and accruals (Note 29).

31. BORROWINGS

	2018 **HK$'000**	2017 HK$'000
Bank borrowings	**12,153,580**	11,165,627
Other borrowings	**499,042**	450,448
	12,652,622	11,616,075
Classified in consolidated statement of financial position:		
– Current liabilities	**722,332**	744,581
– Non-current liabilities	**11,930,290**	10,871,494
	12,652,622	11,616,075

31. BORROWINGS *(Continued)*

(a) At 31 March 2018, borrowings of the Group were repayable as follows:

	2018 **HK$'000**	2017 HK$'000
Within 1 year or on demand	**722,332**	744,581
After 1 year but within 2 years	**297,365**	187,249
After 2 years but within 5 years	**1,675,562**	1,274,718
After 5 years	**9,957,363**	9,409,527
	11,930,290	10,871,494
	12,652,622	11,616,075

(b) At 31 March 2018, borrowings of the Group were secured as follows:

	Notes	**2018** **HK$'000**	2017 HK$'000
Secured	*(i)*	**12,153,580**	10,991,429
Unsecured	*(ii) and (iii)*	**499,042**	624,646
		12,652,622	11,616,075

Notes:

(i) At 31 March 2018 and 2017, the secured borrowings of the Group, together with the interest accrued thereon, were secured by (a) Zhunxing's rights to receive 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 a carrying amount of HK$47,468,000 (2017: HK$42,846,000) (recognised as available-for-sale investments of the Group (Note 24)); (c) the equity interests of 內蒙古准興高速服務區管理責任有限公司; (d) the equity interests in Zhunxing; and (e) certain assets of Zhunxing.

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

(ii) At 31 March 2018 and 2017, the unsecured borrowings of the Group were guaranteed by (a) the Company; (b) a director of the Company; (c) certain wholly-owned subsidiaries of the Company and (d) the director of a wholly-owned subsidiary.

(iii) The Group's available banking facilities as at 31 March 2018 amounted to approximately HK$12,652,622,000 (2017: HK$11,704,722,000), all of which HK$12,652,622,000 (2017: HK$11,616,075,000) has been utilised.

32. 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	**Revaluation of investment properties**	**Customer relationships**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000
At 1 April 2016	1,345	1,855	7,611	10,811
Exchange difference	(79)	8	(310)	(381)
Credited to profit or loss	(88)	(1,405)	(7,301)	(8,794)
At 31 March 2017 and 1 April 2017	1,178	458	–	1,636
Exchange difference	122	(8)	–	114
Charged to profit or loss	(91)	336	–	245
At 31 March 2018	1,209	786	–	1,995

Deferred income tax assets were recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group has unrecognised tax losses of HK$192,526,000 (2017: HK$200,742,000) to be carried forward for offset against future taxable income which included tax losses of HK$162,465,000 (2017: HK$170,681,000) 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.

33. NON-CONVERTIBLE BONDS

As at 31 March 2018 and 2017, the carrying amounts of the non-convertible bonds (including the principals bonds and the accrued default interests), which remain in default and became immediately repayable, are as below:

	Principal amounts HK$'000	Coupon interests HK$'000	Carrying amounts HK$'000	Default interest payable *(Note 29(a))* HK$'000
As at 31 March 2018				
Bond A	500,000	19,295	519,295	53,940
Bond B	500,000	45,083	545,083	42,817
Bond C	832,000	2,468	834,468	89,151
Bond D	1,500,000	182,556	1,682,556	99,298
Bond E	700,000	114,246	814,246	48,054
	4,032,000	363,648	4,395,648	333,260
As at 31 March 2017				
Bond A	500,000	19,295	519,295	27,975
Bond B	500,000	45,083	545,083	15,563
Bond C	832,000	2,468	834,468	47,427
Bond D	1,500,000	182,556	1,682,556	15,171
Bond E	700,000	114,246	814,246	7,342
	4,032,000	363,648	4,395,648	113,478

(a) Mr. Cao Zhong has provided personal guarantees to the holders of Bond A and Bond B as to the due performance of all the obligations of the two bonds.

(b) In accordance with the bond instruments (as amended by their respective subsequent amendment agreements, as appropriate), in the events of defaults in the payment of any sum due and payable thereon these bonds, the Group shall be liable to pay default interest to these bondholders from due date to the date of actual payment in full calculated at the prime lending rate, as quoted by The Hongkong and Shanghai Banking Corporation Limited on a daily basis, accruing on these carrying amounts of HK$4,395,648,000 in default.

(c) Before the submission of the draft circular for the reverse takeover to the Stock Exchange on 27 February 2018, the Company received the signed standstill agreements from all bondholders of the non-convertible bonds with outstanding principals and accrued coupon interest of HK$4,395,648,000. All bondholders of the non-convertible bonds have agreed in writing that they will not demand for, or take any action in respect of, any additional repayment of the outstanding non-convertible bonds for a period of 365 days from the date of the completion of acquisition of the reverse takeover, after the partial repayment of not less than approximately HK$1,250 million by using the net proceeds obtained from the financing arrangement through the disposal and mandatory buy-back of 25% equity interest in Zhunxing and not less than approximately HK$1,800 million by using the net proceeds from the proposed placing or proposed the issue of new convertible bonds, on or before the date of the completion of acquisition of the reverse takeover by the Company, to the bondholders of the non-convertible bonds.

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

At 31 March 2017, the interests in associates and the amounts due from associates, amounted to approximately HK$214,231,000, were reclassified as assets of a disposal group held for sale and were presented separately in the consolidated statement of financial position. On 1 June 2017, the Group completed the disposal of a 45% equity interest in an associate, 北京開元萬嘉管理諮詢有限公司 which holds the entire issued capital of 宜昌新首鋼房地產開發有限公司 and 宜昌中翔物業管理有限公司, together with the amounts due from that associate and its subsidiaries amounted to approximately HK$136,446,000 for an aggregate consideration of RMB200 million (approximately of HK$226 million), based on a sale and purchase agreement made on 28 April 2017 between the Group and an independent third party. The net proceeds of disposal was lower than the aggregate net carrying amount of the interests in associates and the amounts due from associates and, accordingly, an impairment loss of approximately HK$362,078,000 was recognised on the interest in associates, immediately prior to the reclassification to assets of a disposal group held for sale, in the consolidated statement of profit or loss for the year ended 2017.

Loss on disposal was as follows:

	2018 **HK$'000**
Assets of a disposal group classified as held for sale	**215,329**
Liabilities of a disposal group classified as held for sale	**–**
Assets less liabilities of disposal group held for sale	**215,329**
Release of translation reserve upon disposal	**5,624**
Loss on sale of disposal group	**(4,997)**
Total consideration, net of transaction costs	**215,956**

35. SHARE CAPITAL

	Notes	Number of shares '000	Amount HK$'000
Ordinary shares of HK$0.20 each			
Authorised:			
As at 1 April 2016		15,000,000	3,000,000
Increased in Authorised Share Capital 2017	*(a)*	5,000,000	1,000,000
As at 31 March 2017, 1 April 2017 and 31 March 2018		20,000,000	4,000,000
Issued and fully paid:			
As at 1 April 2016, 31 March 2017 and 1 April 2017		6,752,396	1,350,479
Issue of new shares as the consideration	*(b)*	690,000	138,000
As at 31 March 2018		7,442,396	1,488,479

Notes:

(a) Prsuant to an ordinary resolution passed at the extraordinary general meeting of the Company held on 23 December 2016, the authorised share capital of the Company was increased from HK$3,000,000,000 divided into 15,000,000,000 shares of HK$0.20 each, to HK$4,000,000,000 by the creation of an additional 5,000,000,000 new shares (the "Increase in Authorised Share Capital 2017").

(b) On 10 May 2017, as disclosed in Note 39, the Company allotted and issued 690,000,000 new ordinary shares of HK$0.20 each to the vendor, upon the completion of a business combination, as the total consideration payable by the Company pursuant to a sale and purchase agreement and its supplemental agreement dated on 16 March 2017 and 25 April 2017, respectively. The aggregate nominal value of the 690,000,000 consideration shares at a par value of HK$0.2 per share was HK$138,000,000. The fair value of these 690,000,000 shares issued by the Company was HK$122,820,000 which was based on the closing price of the Company's shares on 10 May 2017 of HK$0.178 per share.

36. EQUITY-SETTLED SHARE-BASED PAYMENTS

A new share option scheme of the Company was adopted on 28 August 2014 (the "New Scheme") in place of the Share Option Scheme adopted on 16 July 2004 (the "Old 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.

36. EQUITY-SETTLED SHARE-BASED PAYMENTS *(Continued)*

The exercise price of the options shall be determined by the directors of the Company, but shall at least be 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 2018

	Weighted average exercise price HK$	**Directors '000**	**Employees '000**	**Total '000**
Outstanding at the beginning of the year	**4.05**	**11,000**	**26,945**	**37,945**
Lapsed during the year	**4.05**	**–**	**(3,111)**	**(3,111)**
Outstanding at the end of the year	**4.05**	**11,000**	**23,834**	**34,834**

For the year ended 31 March 2017

	Weighted average exercise price HK$	Directors '000	Employees '000	Total '000
Outstanding at the beginning of the year	4.05	11,000	27,500	38,500
Lapsed during the year	4.05	–	(555)	(555)
Outstanding at the end of the year	4.05	11,000	26,945	37,945

The fair value for total share options granted to directors and employees at 31 March 2018 amounted to HK$8,861,000 (2017: HK$8,861,000) and HK$19,197,000 (2017: HK$21,703,000), respectively, being calculated using the Binomial option pricing model by LCH.

The exercise price of the above equity-settled share options granted during the year is HK$4.05 (2017: HK$4.05) per share. These share options vested immediately at the date of grant and are valid up to 15 October 2018. None of these share options were exercised during the year (2017: Nil). The share options lapsed during the year were attributable to the resignations of the relevant employees during the year.

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

As at 31 March 2018

	Notes	**2018** **HK$'000**	2017 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**32**	32
Interests in subsidiaries, net	*23*	**2,835,671**	3,392,570
TOTAL NON-CURRENT ASSETS		**2,835,703**	3,392,602
CURRENT ASSETS			
Trade and other receivables		**47,431**	47,642
Cash and cash equivalents		**3,069**	8,540
TOTAL CURRENT ASSETS		**50,500**	56,182
CURRENT LIABILITIES			
Trade and other payables		**769,428**	471,282
Promissory note		**315,003**	311,483
Non-convertible bonds		**4,395,648**	4,395,648
TOTAL CURRENT LIABILITIES		**5,480,079**	5,178,413
NET CURRENT LIABILITIES		**(5,429,579)**	(5,122,231)
TOTAL ASSETS LESS CURRENT LIABILITIES		**(2,593,876)**	(1,729,629)
NET LIABILITIES		**(2,593,876)**	(1,729,629)
CAPITAL AND RESERVES			
Share capital	*35*	**1,488,479**	1,350,479
Reserves	*38*	**(4,082,355)**	(3,080,108)
DEFICIENCY IN EQUITY		**(2,593,876)**	(1,729,629)

Approved and authorised for issue by the board of directors on 29 June 2018.

Mr. Cao Zhong
Director

Mr. Tsang Kam Ching, David
Director

38. COMPANY'S RESERVES

	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 2016	1,896,119	31,012	3,800	(7,450)	64,314	395,546	(3,467,143)	(1,083,802)
Loss for the year	–	–	–	–	–	–	(2,003,756)	(2,003,756)
Net movements in fair value for available-for-sale investments	–	–	–	7,450	–	–	–	7,450
Total comprehensive income for the year	–	–	–	7,450	–	–	(2,003,756)	(1,996,306)
Transfer upon lapse of share options	–	(448)	–	–	–	–	448	–
Transfer upon lapse of conversion rights of matured convertible bonds	–	–	–	–	–	(395,546)	395,546	–
At 31 March 2017 and 1 April 2017	1,896,119	30,564	3,800	–	64,314	–	(5,074,905)	(3,080,108)
Loss for the year	–	–	–	–	–	–	(987,067)	(987,067)
Total comprehensive income for the year	–	–	–	–	–	–	(987,067)	(987,067)
Transfer upon lapse of share options	–	(2,506)	–	–	–	–	2,506	–
Acquisition of subsidiaries *(Note 39)*	(15,180)	–	–	–	–	–	–	(15,180)
At 31 March 2018	1,880,939	28,058	3,800	–	64,314	–	(6,059,466)	(4,082,355)

38. COMPANY'S RESERVES *(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(p)(iii) to the consolidated financial statements.

39. ACQUISITION OF SUBSIDIARIES – 2018

On 16 March 2017 and 25 April 2017, the Group and an independent third party vendor entered into a sale and purchase agreement and a supplemental agreement, respectively, pursuant to which the vendor conditionally agreed to sell and the Group conditionally agreed to acquire (i) 60% of the equity interests in Red Sino Investments Limited ("Red Sino"), a company incorporated in the British Virgin Islands, and (ii) shareholder loan owed by the Red Sino Group (as defined below) to a shareholder for a consideration of HK$138,000,000 which was satisfied by the allotment and issue of 690,000,000 ordinary shares of HK$0.20 each of the Company (the "Purchase Consideration Shares"). Red Sino owns the entire equity interest in Profit Great Development Limited which is a company incorporated in Hong Kong, which owns 100% equity interest in Ar Horqin Banner Xinze Agricultural & Animal Husbandry Company Limited (阿魯科爾沁旗鑫澤農牧業有限公司) ("Xinze") (collectively referred to as the "Red Sino Group") which is principally engaged in growing and sales of forage and agriculture products in the PRC. The Red Sino Acquisition was made by the Group to develop and expand into a new business, the forage and agriculture business, which diversifies its revenue streams and strengthen its financial position. The transaction was completed on 10 May 2017.

Since the date of the acquisition, Red Sino Group had contributed HK$32,056,000 and HK$1,287,000 to the Group's revenue and profit before taxation, respectively, for the year ended 31 March 2018. Had the acquisition occurred on 1 April 2017, Red Sino Group would have contributed revenue and profit before taxation for the current year of HK$32,078,000 and HK$1,242,000, respectively.

Acquisition-related costs of approximately HK$287,000 were recognised as selling and administrative expenses in the consolidated statement of profit or loss for the year ended 31 March 2018.

39. ACQUISITION OF SUBSIDIARIES – 2018 *(Continued)*

The fair value of identifiable assets and liabilities of Red Sino Group at the date of completion of acquisition are as follows:

	Fair value
	HK$'000
Prepaid lease payments for farmland	169,787
Property, plant and equipment	18,378
Inventories	8,696
Trade and other receivables	462
Cash and bank balances	156
Trade and other payables	(15,713)
Shareholder loan payable to the vendor	(34,401)
Net assets	147,365
Non-controlling interests, 40% thereon	(58,946)
Share of net assets acquired	88,419
Assignment of shareholder loan assigned to the Group	34,401
Net assets attributable to the Group	122,820
Satisfied by:	
– Purchase Consideration Shares	122,820
Net cash inflow arising from acquisition:	
Cash consideration paid on acquisition date	–
Less: Cash and cash equivalent acquired	156
	156

The fair value of 690,000,000 new shares of the Company amounted to HK$122,820,000 was determined with reference to the closing market share price of HK$0.178 each, which was below the nominal value of the Company's share of HK$0.20 each, of the Company's shares at the date of completion on 10 May 2017. A discount of HK$15,180,000 arose from the issue of the Company's 690,000,000 shares for the acquisition, as compared to the agreed price of HK$0.2 per share of the Company. The discount of HK$15,180,000 was debited to the share premium of the Company since the fair value of the Purchase Consideration Shares was lower than the par value of the share capital of the Company.

The fair value of the Red Sino Group's identifiable assets and liabilities were determined by the directors of the Company at the date of the acquisition. The fair value of the prepaid lease payments for the farmland was measured with reference to the market prices for similar farmland at the acquisition date.

The non-controlling interests in Red Sino Group at the acquisition date were measured by reference to the non-controlling interests' proportionate share of the fair value of the net assets of Red Sino Group on 10 May 2017 amounted to approximately of HK$58,946,000.

40. DISPOSAL OF SUBSIDIARIES

(a) Qianhai Zitong – 2018

On 21 December 2017, the Group and an independent third party as the buyer entered into a share transfer agreement pursuant to which the Group agreed to sell and the buyer agreed to purchase the Group's entire 100% equity interests in Qianhai Zitong at a consideration of RMB1 (equivalent to approximately HK$1) plus the return of the bank balance of HK$8,679,000 which was received after the disposal in January 2018. Qianhai Zitong owned 100% equity interest of 廣東金晶能源股份有限公司 and 深圳市前海資通新能源有限公司 and 85% equity interest of 深圳市前海資通清潔能源有限公司 (collectively referred to as the "Qianhai Zitong Group"). The principal business activities of the Qianhai Zitong Group were trading of petroleum and related products which incurred substantial losses in the prior years and was ceased in the current year prior to disposal. The disposal was completed on 18 January 2018.

The net assets of Qianhai Zitong Group at the date of the disposal were as follows:

	2018 HK$'000
Property, plant and equipment, net	–
Prepayment and other receivables, net	–
Cash and bank balances	8,679
Net assets	8,679
Net assets	8,679
Release of translation reserve upon disposal	8,858
Release of non-controlling interests upon disposal	(9)
Loss on disposal of the subsidiaries	(8,849)
Total consideration	8,679
Satisfied by:	
Cash	8,679
Net cash outflows arising on the disposal:	
Cash consideration received	8,679
Cash and bank balances disposed of	(8,679)
Net cash outflow	–

40. DISPOSAL OF SUBSIDIARIES *(Continued)*

(b) 寧波中油石油銷售有限公司 ("Ningbo Zhongyou") – 2017

In March 2016, the Group entered into a share transfer agreement for the disposal of its 51% equity interests in Ningbo Zhongyou and its aggregate advance owed by Ningbo Zhongyou (the "Ningbo Zhongyou's Loan") to an independent third party at HK$Nil consideration. The assets and liabilities of Ningbo Zhongyou were re-classified as assets and liabilities of a disposal group classified as held for sale during the year ended 31 March 2017. The disposal was completed on 24 May 2016.

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

	2017 HK$'000
Amount due from a non-controlling shareholder of a subsidiary	11,443
Ningbo Zhongyou's Loan	18,603
Cash and cash equivalents	176
Trade and other receivables	5,996
Trade and other payables	(278)
Net assets	35,940
Net assets	35,940
Release of translation reserve upon disposal	901
Release of non-controlling interests upon disposal	(17,611)
Assignment of Ningbo Zhongyou's Loan	(18,603)
Loss on disposal of the subsidiary	(627)
Total consideration	–
Satisfied by:	
Cash	–
Net cash outflows arising on the Disposal:	
Cash consideration received	–
Cash and bank balances disposed of	(176)
Net cash outflow	(176)

41. OPERATING LEASES

Operating lease commitments – as a lessee

During the year ended 31 March 2018, the Group leased part of its properties with lease terms from 1 to 6 years (2017: from 1 to 7 years) under operating lease arrangements.

As at 31 March 2018, the Group had total future minimum lease payments under non-cancellable operating leases due at the end of reporting period as follows:

	2018 **HK$'000**	2017 HK$'000
Within one year	**13,277**	12,279
In the second to fifth year, inclusive	**39,998**	33,392
Over five years	**8,261**	14,363
	61,536	60,034

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 2018 was HK$380,000 (2017: HK$270,000).

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

	2018 **HK$'000**	2017 HK$'000
Within one year	**136**	21
In the second to fifth year, inclusive	**544**	–
Over five years	**1,914**	–
	2,594	21

42. CAPITAL COMMITMENTS

Apart from those disclosed in Note 3(b)(i) and (ii), capital commitments outstanding at 31 March 2018 not provided for in the consolidated financial statements were as follows:

	2018 **HK$'000**	2017 HK$'000
Contracted but not provided for		
– acquisition of property, plant and equipment	**22,418**	98,687
– acquisition of 60% equity interest in Red Sino to be settled by consideration shares *(Note 39)*	**–**	138,000
	22,418	236,687

43. 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 2018 and 2017:

Related party relationship	**Type of transactions**	*Notes*	**For the year ended 31 March 2018 HK$'000**	For the year ended 31 March 2017 HK$'000
Mr. Cao Zhong (a substantial shareholder and director of the Company)	Guarantees given to banks in respect of credit facilities granted to subsidiaries of the Company	*31*	**792,711**	751,657
Mr. Cao Zhong (a substantial shareholder and director of the Company)	Guarantees given for due performance of all obligations of two outstanding non-convertible bonds	*33(a)*	**1,064,378**	1,064,378
Glory Era Limited (a related company of the Company under common control)	Purchase of property, plant and equipment		**–**	300

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

44. NON-CONTROLLING INTERESTS

(a) Zhunxing, an 86.87% owned subsidiary of the Company, has material non-controlling interests ("NCI") as at 31 March 2018 and 2017. 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	**2018** **HK$'000**	2017 HK$'000
Revenue	**756,559**	533,996
Loss for the year	**(889,861)**	(812,939)
Total comprehensive income	**(714,821)**	(793,509)
Loss allocated to NCI	**(116,839)**	(106,739)
Total comprehensive income allocate to NCI	**(93,856)**	(104,188)
Cash flows from operating activities	**639,577**	485,998
Cash flows from investing activities	**(57,693)**	(77,541)
Cash flows from financing activities	**(581,958)**	(437,038)
Net cash outflows	**(74)**	(28,581)

As at 31 March	**2018** **HK$'000**	2017 HK$'000
Current assets	**85,714**	85,588
Non-current assets	**17,580,752**	15,466,826
Current liabilities	**(4,096,383)**	(2,326,305)
Non-current liabilities	**(12,784,034)**	(11,692,522)
Net assets	**786,049**	1,533,587
Accumulated NCI	**103,208**	201,360

44. NON-CONTROLLING INTERESTS *(Continued)*

(b) During the year ended 31 March 2017, as part of an internal reorganisation, Zhunxing, in which the Company has indirectly held 86.87% equity interest, transferred its 100% equity interests in 北京准興隆博投資有限公司 to Beijing Zhongzi Zhunxing Technology Company Limited, another indirect and wholly-owned subsidiary of the Company. After the completion of this internal reorganisation transaction between the two subsidiaries, non-controlling interests in respect of 北京准興隆博投資有限公司 with a negative carrying amount of HK$1,536,000 was derecognised and transferred to the Group's accumulated loss during the year ended 31 March 2017.

45. 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.

	2018		2017	
	Effective interest rate per annum	**HK$'000**	Effective interest rate per annum	HK$'000
Floating-rate on bank deposits	**0.98%**	**35,254**	1.51%	53,530
Floating-rate on borrowings	**5.64%**	**12,153,580**	5.13%	11,001,436
Fixed-rate on borrowings	**11.00%**	**499,042**	9.28%	614,639
Floating-rate on non-convertible bonds	**5%**	**4,395,648**	5%	4,395,648
Fixed-rate on promissory note	**1.5%**	**280,000**	1.5%	280,000
Fixed-rate on promissory note and accrued coupon interest	**18.25%**	**315,003**	18.25%	311,483

At 31 March 2018, 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$157,959,000 (2017: increase the Group's loss and accumulated losses by approximately HK$146,260,000). Other components of consolidated equity would not have any impact.

45. FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Foreign currency risk

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

(c) Credit risk

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

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

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry in which customers operate also has an influence on credit risk but to a lesser extent. At the end of the reporting period, the Group has a certain concentration of credit risk as 28% (2017: 82%) and 72% (2017: 99%) 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 2018, the Company has issued several corporate guarantees in respect of banking facilities obtained by the Group's subsidiaries, details of which are disclosed in Note 31. 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 liabilities of the Company at 31 March 2018 under the above guarantees issued in aggregate amounted to approximately HK$12,652,622,000 (2017: HK$11,704,722,000). 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 26.

45. FINANCIAL RISK MANAGEMENT *(Continued)*

(d) Liquidity risk

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

	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
2018						
Trade and other payables	**3,594,923**	**3,594,923**	**3,594,923**	**–**	**–**	**–**
Promissory note	**315,003**	**315,003**	**315,003**	**–**	**–**	**–**
Borrowings	**12,652,622**	**19,068,403**	**1,402,133**	**962,920**	**3,515,382**	**13,187,968**
Non-convertible bonds	**4,395,648**	**4,395,648**	**4,395,648**	**–**	**–**	**–**
	20,958,196	**27,373,977**	**9,707,707**	**962,920**	**3,515,382**	**13,187,968**
2017						
Trade and other payables	1,552,026	1,552,026	1,552,026	–	–	–
Promissory note	311,483	311,483	311,483	–	–	–
Borrowings	11,616,075	17,388,461	1,335,335	741,087	2,843,668	12,468,371
Non-convertible bonds	4,395,648	4,395,648	4,395,648	–	–	–
Acreage fees payable	10,454	10,454	–	403	1,613	8,438
	17,885,686	23,658,072	7,594,492	741,490	2,845,281	12,476,809

(e) Equity price risk

The Group does not have listed equity instruments as at 31 March 2018 and 31 March 2017.

46. 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 2018 and 2017 are as follows:

	2018 **HK$'000**	2017 HK$'000
Total liabilities	**20,961,846**	17,888,964
Total assets	**18,385,222**	16,292,532
Gearing ratio	**114.01%**	109.8%

47. 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 2018 and 2017 may be categorised as follows:

	Notes	**2018 HK$'000**	2017 HK$'000
Financial assets			
Loans and receivables at amortised cost	*(a)*	**190,880**	256,173
Available-for-sale investments			
– Unlisted investments, at cost	*(a)*	**82,918**	78,296
Financial liabilities			
Financial liabilities measured at amortised cost	*(a)*	**20,958,196**	17,885,686

(a) 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 2018 and 2017.

(b) Financial assets and liabilities measured at fair value

As at 31 March 2018 and 2017, the Group does not have any financial assets and liabilities measured at fair value.

48. CONTINGENT LIABILITIES

(a) During the year ended 31 March 2018, a former shareholder of Zhunxing instituted a legal proceeding against Zhunxing to claim damage of approximately RMB250 million arising from the prior years' termination of an operating contract, which was purportedly made in 2008, for service areas of Zhunxing Expressway. The Group considered, after having sought legal advices, that Zhunxing shall has valid ground to set aside this claim and accordingly, no provision is required.

(b) During the year ended 31 March 2018, the PRC Supreme Court issued an order to set aside an earlier judgement in favour of Zhunxing by a local court, in relation to the proceeding first taken by Zhunxing against an independent third party contractor who subsequently counterclaimed against Zhunxing for additional construction costs and various damages under two construction contracts (as varied by supplemental agreements in 2011), against which, the Group has recognised approximately HK$715.6 million (equivalent to RMB603.8 million) at 31 March 2018. The Group considered, after having sought legal advices, that Zhunxing has valid grounds to defend those unrecognized counterclaims for additional construction costs and accordingly, no additional provision is required at 31 March 2018.

49. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Material non-cash flow transactions

(i) During the year ended 31 March 2018, included in the additions of costs of concession intangible asset and property, plant and machinery of approximately HK$1,374,122,000 and HK$100,117,000, respectively, were not yet settled and included on other payables and accruals.

(ii) During the year ended 31 March 2018, long-term prepayments for construction of expressway and related facilities of HK$11,408,000 (2017: HK$185,266,000) were applied to set off the related construction costs payable.

(iii) During the year ended 31 March 2018, long-term deposits and prepayments of approximately HK$Nil (2017:HK$42,957,000) were transferred to property, plant and equipment due to the commencement of the commercial uses of the office building.

(b) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities:

	Borrowings HK$'000 *(Note 31)*	**Non-convertible bonds** HK$'000 *(Note 33)*	**Promissory note** HK$'000 *(Note 30)*	**Interest payable** HK$'000 *(Note 29)*	**Total** HK$'000
At 1 April 2017	11,616,075	4,395,648	311,483	450,768	16,773,974
Changes from financing cash flows:					
Proceeds from new borrowings	93,173	–	–	–	93,173
Repayment of borrowings	(300,476)	–	–	–	(300,476)
Interest paid	–	–	–	(640,762)	(640,762)
Total changes from financing cash flows	(207,303)	–	–	(640,762)	(848,065)
Exchange adjustments	1,243,850	–	–	6,915	1,250,765
Other non-cash changes:					
Interest expenses on borrowings	–	–	–	660,574	660,574
Interest expenses	–	–	3,520	276,625	280,145
Total other changes	–	–	3,520	937,199	940,719
At 31 March 2018	12,652,622	4,395,648	315,003	754,120	18,117,393

Apart from the above, as disclosed in Note 29(d), during the year ended 31 March 2018, the Group received RMB80,000,000 (equivalent to approximately HK$97,272,000) as refundable earnest money for the disposal of 18% equity interest in Zhunxing.

50. EVENTS AFTER THE REPORTING PERIOD END

Subsequent to the reporting period end and on 9 April 2018, the Group disposed of all its equity interest in Sunshine Focus Limited, which beneficially owns an available-for-sale investment with a carrying value of HK$10,000,000, to an independent third party at a consideration of HK$6,000,000, resulting in a loss on disposal of HK$4,000,000 which will be charged to the profit or loss for the year ending 31 March 2019.

51. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors of the Company on 29 June 2018.

SUMMARY OF FINANCIAL INFORMATION

For the year ended 31 March 2018

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				
	2014 HK$'000	2015 HK$'000	2016 HK$'000	2017 HK$'000	**2018** **HK$'000**
RESULTS					
Revenue					
– Continuing operations	8,585,715	5,016,547	2,221,556	727,616	**822,086**
– Discontinued operations	83,309	–	–	–	**–**
	8,669,024	5,016,547	2,221,556	727,616	**822,086**
Profit/(loss) before income tax expense					
– Continuing operations	(715,334)	(1,887,466)	(3,869,899)	(1,792,677)	**(1,400,858)**
– Discontinued operations	89,358	–	–	–	**–**
	(625,976)	(1,887,466)	(3,869,899)	(1,792,677)	**(1,400,858)**
Income tax (expense)/credit					
– Continuing operations	522	2,325	593	8,234	**(774)**
– Discontinued operations	(7,493)	–	–	–	**–**
	(6,971)	2,325	593	8,234	**(774)**
Profit/(loss) for the year					
– Continuing operations	(714,812)	(1,885,141)	(3,869,306)	(1,784,443)	**(1,401,632)**
– Discontinued operations	81,865	–	–	–	**–**
	(632,947)	(1,885,141)	(3,869,306)	(1,784,443)	**(1,401,632)**
Attributable to:					
Owners of the Company	(591,778)	(1,765,794)	(3,456,008)	(1,676,202)	**(1,284,931)**
Non-controlling interests	(41,169)	(119,347)	(413,298)	(108,241)	**(116,701)**
	(632,947)	(1,885,141)	(3,869,306)	(1,784,443)	**(1,401,632)**
ASSETS AND LIABILITIES					
Total assets	25,216,009	24,070,708	18,702,229	16,292,532	**18,385,222**
Total liabilities	(20,105,371)	(20,947,823)	(18,492,446)	(17,888,964)	**(20,961,846)**
Non-controlling interests	(822,694)	(654,549)	(313,414)	(185,966)	**(159,038)**
Shareholders' funds attributable to owners of the Company	4,287,944	2,468,336	(103,631)	(1,782,398)	**(2,735,662)**

PARTICULARS OF THE GROUP'S MAJOR PROPERTIES

For the year ended 31 March 2018

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 gross floor 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