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 2019

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 54
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 2019 and the audited consolidated financial statements of the Company and its subsidiaries (together the "Group") for the year ended 31 March 2019.

In 2019, the national economy in the People's Republic of China (the "PRC") is facing downward pressure amid external uncertainties. At present, the coal industry's de-capacity measures in the PRC are steadily advancing, and the industry is transiting into a new phase of structural de-capacity and systematic high-quality capacity. The concentration of the coal industry is expected to further increase, improving the economic benefits of the coal enterprises. During the year under review, we achieved an approximately 6% and 10% increase in the average daily traffic volume and average daily revenue from the 265-kilometre heavy-haul toll expressway in Inner Mongolia ("Zhunxing Expressway"), respectively.

Looking back at 2018, the staffs at all levels of the Group have strived together and continue to take actions to improve the liquidity position of the Group. Despite the proposed reorganization involving a very substantial acquisition being a reverse takeover, subscription and placing ceased on 13 November 2018, the Company continued to implement various measures including but not limited to the financial arrangements through the proposed disposals and buy-backs 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) ("Zhunxing") and debt restructuring with the Group's creditors. The implementation of the above measures is still in progress. If the above measures materialize before the next financial year end, it will represent a strategic move of the Group toward our next step. In the future, the Chinese and global economy may still be affected by external uncertainties brought about by the Sino-US trade war, but the Group will take up challenges with confidence and move forward to achieve sustainable growth of the Group and maximize the benefits of the shareholders of the Company (the "Shareholders") as a whole.

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, 28 June 2019

MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended 31 March 2019, the Group was principally engaged in expressway operations, 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 Zhunxing Expressway operated by Zhunxing which is indirectly held as to 86.87% by the Company.

Following the slow recovery of the national economy, coal prices in general were relatively high in 2018, and the coal demand has risen steadily, driving an upturn in the transportation industry. By the end of 2018, the number of trucks using Zhunxing Expressway has gradually increased, leading to a steady increase in the overall traffic volume of Zhunxing Expressway.

For the year ended 31 March 2019, Zhunxing Expressway recorded an accumulated toll income of approximately RMB706.05 million (approximately HK$815.92 million), i.e. an average daily toll income of approximately RMB1.93 million (approximately HK$2.24 million) and an average daily traffic volume of approximately 6,222 vehicles (for the year ended 31 March 2018, was approximately RMB1.75 million (approximately HK$2.07 million) and the average daily traffic volume was approximately 5,863 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) promoting the resolution of excess coal capacity and guiding enterprises to merge and reorganize, a number of coal mines were shut down in Inner Mongolia to strictly control the excess production from coal mines; and

(2) some original road users of Zhunxing Expressway transferred to other new or renovated national highways or expressways to reduce their overall transportation costs.

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) foster a market orientation and service orientation culture, implement road maintenance as protection and deliver smooth road services. Zhunxing continues to strengthen the tracking of its competitors to cope with any new market changes and fine-tune its business strategies to seek revenue growth in this competitive market environment:

    (i) promoting certain advantageous features of Zhunxing Expressway including its tunnel-free nature and the absence of hazardous chemical transport restrictions to explore new customers while maintaining existing customers;

    (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 four 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;

BUSINESS REVIEW *(Continued)*

Operation of Zhunxing Expressway *(Continued)*

(1) (Continued)

(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) strengthen the internal management of the toll stations to ensure efficiency of the tolling function. Zhunxing continuously implements control measures to support the maintenance of equipment and facilities and reduce the incidence of equipment failures at the toll stations, optimizes the staff scheduling method and tightens cost control of daily supplies and utilities at the toll stations for the purpose of reducing operating costs and enhancing on-site work efficiency;

(3) bring the advantage of toll station windows service into full play. To optimize the service level at the toll station windows, the operation department and monitoring centre of Zhunxing jointly monitor the performance of toll collectors from time to time, and joint meetings are arranged between toll collectors and operation department to resolve any problems that affect the on-site service level of the toll stations. In order to better serve the drivers and customers, toll collectors help to resolve payment problems of some drivers by offering mobile payment channels in addition to cash payment, to win the praise of customers;

(4) continue to follow up on new changes of relevant competitive routes to maintain Zhunxing Expressway's competitive edge; and

(5) focus on marketing activities to grow customer base. Zhunxing will explore the cooperation with the neighboring logistic base and coal chemical enterprises and promote Zhunxing Expressway's advantageous position in bringing together a coal transport process that reinforces traffic fluency, cost-saving and high efficiency.

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 2019, the final production of sorghum silage amounted to approximately 32,000 tons (2018: approximately 74,000 tons) with a sales income of approximately RMB12.09 million (approximately HK$14.09 million) (2018: RMB27.05 million (approximately HK$32.06 million)).

The approximately 55% decline in sales revenue under the forage and agricultural product sector during the year was mainly attributed to climate changes in recent years, especially in the second half of 2018 to the first quarter of 2019, the national temperature has changed drastically and being affected by multiple cold currents. The amount of local precipitation has dropped significantly which reduced the yield of the forage by approximately 57% during the year. The decline in sales revenue was also attributed to the drop in products price due to the domestic economic situation. Under the growing momentum of the agriculture and animal husbandry industry in Inner Mongolia Autonomous Region, Xinze has implemented cattle breeding which is less influenced by climate changes, to diversify the source of revenue of the Group in 2019.

BUSINESS REVIEW *(Continued)*

Petroleum and Related Products Business

For the year ended 31 March 2019, 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.

For the year ended 31 March 2019, Leshan realised sales of CNG of approximately 10,576 km^3 in total (2018: 9,265 km^3), amounted to approximately HK$32.37 million (2018: HK$28.87 million).

Forest Operation

With an aim to increase the cashflows of the Group, the Company will continue to look for opportunity to dispose its forestry related businesses in the PRC.

FINANCIAL REVIEW

Revenue

The Group's revenue for the year ended 31 March 2019 was approximately HK$867.38 million, representing an increase of about 5.5% from approximately HK$822.09 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$815.92 million (94.07%), HK$32.37 million (3.73%) and HK$19.09 million (2.20%) (2018: HK$756.64 million (92.04%), HK$28.87 million (3.51%) and HK$36.58 million (4.45%)) respectively to the Group's consolidated revenue.

Toll income from expressway operations of approximately HK$815.92 million (2018: HK$755.61 million) constituted the main stream of the Group's revenue for the year ended 31 March 2019. The toll income from the expressway operations increased by about 8.0% as the coal prices slightly increased during 2018 and traffic volume of Zhunxing Expressway improved steadily.

Cost of sales

The Group's cost of sales for the year ended 31 March 2019 was approximately HK$769.08 million, representing a reduction of about 18.4% from approximately HK$942.19 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$602.54 million (2018: HK$763.18 million), (ii) the depreciation of fixed assets arising from the expressway operations of approximately HK$77.44 million (2018: HK$79.43 million), and (iii) the operating costs arising from the expressway operations of approximately HK$39.03 million (2018: HK$43.29 million).

Gross profit/loss

For the year ended 31 March 2019, the Group recorded a gross profit amounted to approximately HK$98.30 million as compared to a gross loss of approximately HK$120.11 million for the last financial year.

EBITDA

For the year ended 31 March 2019, 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$709.31 million compared to the EBITDA of approximately HK$582.52 million for the last financial year. The 21.8% increase in EBITDA was primarily driven by the increased revenue from the expressway operations of the Group and reduction in the Group's cost of sales as discussed above. Detailed segment revenue and contribution to loss before income tax credit/expense of the Group are shown in Note 6 to the consolidated financial statements.

FINANCIAL REVIEW *(Continued)*

Concession Intangible Asset

For the purpose of impairment testing, the concession intangible asset under the Group's expressway operations sector is allocated to a cash-generating unit ("Expressway CGU"), and during the years ended 31 March 2019 and 2018, the recoverable amounts of the Expressway CGU were assessed by an independent valuation firm using value in use ("VIU") calculation.

Details of the VIU calculation and its key assumptions are set out in Note 15(b) to the consolidated financial statements. Among the key assumptions involved, toll revenue growth rates of various annum during the remaining exclusive operating period were estimated based on the traffic forecast data determined by an independent traffic consultant, in which the expected annual GDP growth rate in the PRC is a major driver of the expected traffic volume in the VIU calculation. In view of the slowdown of global economic growth due to the growing external uncertainties in 2019, the management of the Company considered it is reasonable to adopt conservative toll revenue growth rates in the VIU calculation for the year ended 31 March 2019 as compared with those of the year ended 31 March 2018 to align with the market expectation. In addition to the toll revenue growth rates, other factors considered by the management of the Company include but not limited to discount rate, vehicle types, existing road network, future transportation plan, potential environmental policies, proposed forthcoming development of Zhunxing Expressway and the actual operating results of Zhunxing Expressway during the respective year.

Although there were segment losses for the last three years of the expressway operation sector (the "Segment Loss"), the Segment Loss was mainly attributable to the amortization, depreciation and impairment of Zhunxing Expressway incurred which were non-cash in nature and had no effects on the cash flow discounting in the VIU calculation. As detailed in Note 6(a) to the consolidated financial statements, the adjusted EBITDA of the Group's expressway operations was approximately HK$732.44 million for the year ended 31 March 2019 (2018: HK$645.14 million).

As at 31 March 2019, the recoverable amount of the Expressway CGU assessed by the independent valuation firm was not materially different from the carrying amount of the Expressway CGU, thus no impairment on the concession intangible asset and related property, plant and equipment of the Expressway CGU was considered necessary. Details on the proforma sensitivity analysis on the potential downside effects on the carrying amount of the Expressway CGU are set out in Note 5(b) to the consolidated financial statements.

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 2019, 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 2019, the Group recorded a gain on the change in fair value less costs to sell of biological assets amounted to approximately HK$4.46 million (2018: a loss of approximately HK$1.76 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.

FINANCIAL REVIEW *(Continued)*

Loss for the year

The Group's net loss for the year ended 31 March 2019 was approximately HK$1,190.57 million, representing a drop of 15.1% from approximately HK$1,401.63 million. The Group's net loss for the year was primarily contributed by the finance costs of the Group amounted to approximately HK$1,094.99 million (2018: HK$940.72 million). The 16.4% increase in finance costs of the Group was mainly due to a default interest arising from a borrowing of the Group's expressway operations. The demand notices received from a PRC creditor on 29 October 2018 are discussed under the "Material Events" section below. The Group's selling and administrative expenses for the year ended 31 March 2019 of approximately HK$121.27 million (2018: HK$216.97 million) were primarily attributed to staff costs and benefits of approximately HK$40.18 million (2018: HK$50.62 million), rent and management fees of approximately HK$15.87 million (2018: HK$17.85 million) and legal and professional fees of approximately HK$22.95 million (2018: HK$43.50 million).

The loss attributable to owners of the Company for the year ended 31 March 2019 was approximately HK$1,072.41 million (2018: HK$1,284.93 million). The basic loss per share attributable to owners of the Company for the year was HK$0.14 as compared with HK$0.17 for the last financial year. No diluted loss per share is presented for the year ended 31 March 2019 (2018: diluted loss per share of HK$0.17) as all share options of the Company, which were brought forward from last year, expired and accordingly there were no potential ordinary shares in issue during the 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 long term. The Group's assets portfolio is mainly financed by its borrowings and debt securities.

As at 31 March 2019, the Group was in a net liabilities position of approximately HK$3,912.83 million as compared to a net liabilities position of approximately HK$2,576.62 million as at 31 March 2018.

As at 31 March 2019, contractual maturities based on contractual undiscounted cash flows of approximately HK$9,751.03 million, HK$919.67 million, HK$3,348.53 million and HK$11,412.46 million (2018: HK$9,707.71 million, HK$962.92 million, HK$3,515.38 million and HK$13,187.97 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 123.80% as at 31 March 2019 (2018: 114.01%).

As at 31 March 2019, the Group had cash and bank balances of approximately HK$38.91 million (2018: HK$39.47 million) and its available banking facilities were amounted to approximately HK$11,781.45 million (2018: HK$12,652.62 million), which have been fully utilized (2018: HK$12,652.62 million).

Borrowings

The Group's outstanding borrowings, all being denominated in RMB, amounted to approximately HK$11,781.45 million (2018: HK$12,652.62 million), represented approximately 58% of the Group's total liabilities as at 31 March 2019 (2018: 60%). Approximately HK$469.15 million (2018: HK$499.04 million) of the Group's outstanding borrowings were charged at fixed rates. Approximately 5% of the Group's outstanding borrowings were repayable within one year (2018: 6%).

LIQUIDITY REVIEW *(Continued)*

Borrowings *(Continued)*

As the expressway operation is a capital intensive industry, the Group's outstanding borrowings amounted to approximately RMB10,073.59 million (approximately HK$11,779.45 million), were obtained and drawn down primarily for the construction of Zhunxing Expressway as at 31 March 2019. The syndicated loan facilities of approximately RMB8,729.27 million (approximately HK$10,207.48 million) granted by several PRC banks in December 2012, including short term loans of approximately RMB16.98 million (approximately HK$19.86 million) and long term loans of approximately RMB8,712.29 million (approximately HK$10,187.63 million), were secured by Zhunxing's receivables of toll income. Furthermore, Zhunxing obtained and drawn down short term loans of approximately RMB526.43 million (approximately HK$615.58 million) and long term loans of approximately RMB817.89 million (approximately HK$956.39 million) from several authorized financial institutions in the PRC, of which approximately RMB944.82 million (approximately HK$1,104.82 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

The Group's capital commitments outstanding as at 31 March 2019 increased by approximately 2.1% to approximately HK$22.90 million (2018: HK$22.42 million), representing the capital expenditure primarily arising from the acquisition of property, plant and equipment under the expressway operations sector.

Going Concern

During the year ended 31 March 2019, the Group suffered a loss of approximately HK$1,190.57 million (2018: HK$1,401.63 million), and as at 31 March 2019, the Group had net current liabilities of approximately HK$8,996.02 million (2018: HK$8,802.91 million) and net liabilities of approximately HK$3,912.83 million (2018: HK$2,576.62 million). As at 31 March 2019, the Company was in default in the repayment of the promissory note of approximately HK$315.00 million (2018: HK$315.00 million) and non-convertible bonds with aggregate carrying amounts of approximately HK$4,395.65 million (2018: HK$4,395.65 million) and other borrowings of approximately HK$469.15 million (2018: Nil). These debts, together with the outstanding default interests accrued thereon of approximately HK$1,186.18 million (2018: HK$655.93 million), totaling approximately HK$6,365.98 million (2018: HK$5,366.58 million) are classified under current liabilities as at 31 March 2019. These conditions indicate the existence of material uncertainties 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.

In view of the circumstances, the Board has undertaken and/or is in the progress of implementing various measures (the "Measures") to improve the Group's liquidity position as set out in Note 3(b) to the consolidated financial statements. As at the date of this annual report, the Board is not aware of any indication that any of the Measures cannot be completed, and therefore a cash flow forecast of the Group prepared covering not less than twelve months from the date of approval of the consolidated financial statements (the "Approval Date") has assumed the successful implementation of the Measures (the "Cash Flow Forecast"). With reference to the Cash Flow Forecast, 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 Approval Date. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

Due to the potential interaction of the multiple uncertainties relating to going concern and their possible cumulative effect on the consolidated financial statements as described under the "Basis for Disclaimer of Opinion" section in the Independent Auditor's Report, the auditor of the Company (the "Auditor") was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the consolidated financial statements. Accordingly, the Auditor issued a disclaimer of opinion in relation to the consolidated financial statements of the Group for the year ended 31 March 2019 (the "Audit Qualification").

Further discussions in relation to the Audit Qualification and the Company's proposed remedial measures on going concern to address the Audit Qualification are set out on pages 15 to 16 of this annual report.

LIQUIDITY REVIEW *(Continued)*

Treasury Policy

The Group's business operations, assets and liabilities are dominated 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 foreign 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

Replacement of Promissory Note

On 9 February 2010, the Company issued the promissory note with principal amount of HK$280,000,000 (the "Promissory Note") to China Alliance International Holding Group Limited (中聚國際控股集團有限公司) ("China Alliance"). The Promissory Note bore interests at 1.5% per annum payable quarterly commencing from the date of the issue by 14 installments of HK$20,000,000 each with the interest accrued thereon. On 23 May 2012, the Company and China Alliance signed a supplemental agreement pursuant to which the repayment terms of the Promissory Note were extended and the Company is required to pay a default interests at 18.25% per annum.

The Promissory Note was due and payable and on 16 April 2019, the Company and China Alliance agreed to issue new promissory notes (the "New Promissory Notes") on a dollar-for-dollar basis to replace and supersede the outstanding principal amount of the Promissory Note and the relevant accrued and default interests. The New Promissory Notes has an aggregate principal amount of approximately HK$683 million and bears coupon interests at 5% per annum payable on the maturity date, being the fifth anniversary from the issue date.

Further details on the issue of the Promissory Note and the New Promissory Notes are set out in the announcement of the Company dated 21 May 2009 and 16 April 2019, respectively.

Very Substantial Acquisition being a Reverse Takeover involving a New Listing Application, Proposed Subscription of New Shares, and Proposed Placing of New Shares

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, the "Sale and Purchase Agreement") 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), its subsidiaries and branch companies, through structured contracts (the "Proposed Acquisition"). The Proposed Acquisition constitutes a reverse takeover for the Company under Rule 14.06(6)(a) of Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") and a connected transaction of the Company under Rule 14A.28 of the Listing Rules.

On 29 June 2018, the Company entered into a second supplemental agreement with the Vendors to amend the Sale and Purchase Agreement.

On 13 November 2018, the Company entered into a termination agreement with the Vendors to terminate the Sale and Purchase Agreement, thus the Proposed Acquisition will not proceed.

MATERIAL EVENTS *(Continued)*

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

Subscription Agreement

On 11 July 2017, the Company and certain independent third party subscribers entered into a subscription agreement (the "Subscription Agreement"), pursuant to which the subscribers have conditionally agreed to subscribe for 3,521,738,478 new shares of the Company 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").

On 29 June 2018, the Subscription Agreement was amended by a supplemental subscription agreement for extending the long stop date to 31 December 2018, or such later date as may be agreed between the parties.

On 13 November 2018, the Company entered into a termination agreement with the subscribers to terminate the Subscription Agreement, thus the Proposed Subscription will not proceed.

Placing Agreement

The Company proposed to conduct a placing of 3,478,260,869 new shares at the issue price of HK$0.23 per share (the "Proposed Placing") which will be completed at completion of the Sale and Purchase Agreement to raise funds to repay part of the existing Outstanding Bonds (defined herein below).

As the Sale and Purchase Agreement and the Subscription Agreement were terminated, the Proposed Placing, which was conditional upon the completion of the Proposed Acquisition, will not proceed.

Further details on the transactions contemplated under the Proposed Acquisition, the Proposed Subscription and the Proposed Placing 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, 27 February 2018, 23 March 2018, 23 April 2018, 24 May 2018, 27 June 2018, 4 July 2018, 3 August 2018, 3 September 2018, 27 September 2018, 29 October 2018 and 13 November 2018.

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	5.125%
China Life Insurance (Overseas) Company Limited	700,000,000	24 January 2017	5.125%
Cross-Strait Capital Limited	32,000,000	10 February 2016	5.125%
Dr. Lo Ka Shui	36,000,000	3 March 2016	5.125%
Dr. Lo Ka Shui	35,000,000	3 September 2016	5.125%
Li Ka Shing (Canada) Foundation	464,000,000	3 March 2016	5.125%
Li Ka Shing (Canada) Foundation	465,000,000	3 September 2016	5.125%
Strait Capital Service Limited	800,000,000	24 January 2017	5.125%
Strait CRTG Fund, L.P.	700,000,000	24 January 2017	5.125%
Total	4,032,000,000		

MATERIAL EVENTS *(Continued)*

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

Outstanding Non-convertible Bonds *(Continued)*

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.

As the Sale and Purchase Agreement was terminated on 13 November 2018, the Standstill Agreements have ceased to have any effect.

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

Disposal Agreement A

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

Pursuant to the Disposal Agreement A, Cheer Luck agreed to buy back all equity interest transferred to Purchaser A within five years after the registration of Purchaser A as a shareholder of Zhunxing at the relevant PRC authorities, at a consideration which equals the actual Consideration A paid by Purchaser A (the "Buy-back Obligation").

On 18 December 2017, Cheer Luck 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. A fund company, Wulanchabu Zhongshi Yuanheng Logistics Management Centre (Limited Partnership)* (烏蘭察布市中實源恒物流產業管理中心（有限合夥）) (the "Fund Company"), was established by Purchaser A at its sole discretion to facilitate its internal funding arrangement and 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.

The directors of the Company (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 payments from Purchaser A are delayed and remained outstanding as the Fund Company requires additional time to facilitate the internal funding arrangement for settlement of Consideration A.

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.

MATERIAL EVENTS *(Continued)*

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

Disposal Agreement B, C and D

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

(i) Hohhot Economic and Technological Development Zone Investment and Development Group Co. Ltd.*（呼和浩特經濟技術開發區投資開發集團有限責任公司）("Purchaser B"), for the sale and purchase of 18% equity interests of Zhunxing at a consideration equals to 18% of the net asset value of Zhunxing as at 31 December 2016 ("Disposal Agreement B");

(ii) Hohhot Huizeheng Investment Co. Ltd.*（呼和浩特惠則恒投資有限責任公司）("Purchaser C"), for the sale and purchase of 18% equity interests of Zhunxing at a consideration equals to 18% of the net asset value of Zhunxing as at 31 December 2016 ("Disposal Agreement C"); and

(iii) Deyuan Xingsheng Industrial Co. Ltd.*（德源興盛實業有限公司）("Purchaser D"), for the sale and purchase of 10% equity interests of Zhunxing at a consideration equals to 10% of the net asset value of Zhunxing as at 31 December 2016 ("Disposal Agreement D").

Up to the date of this annual report, an aggregate of RMB225,000,000 (equivalent to approximately HK$273,579,000) refundable earnest monies were paid by Purchaser C to facilitate further negotiation in respect of the disposal of 18% equity interests in Zhunxing. The earnest monies will be settled as part of the consideration of the aforesaid disposal when the transaction is completed. The earnest monies were applied to pay the Group's borrowings and related interest.

As at the date of this annual report, due to recent personnel changes at Purchaser B, Purchaser C and Purchaser D, Cheer Luck and the Company are awaiting updates from these purchasers to further discuss on the progress of the proposed disposals 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.

MATERIAL EVENTS *(Continued)*

Demand notices from a PRC Creditor

On 29 October 2018, the Company received six demand notices all dated 26 October 2018 addressed to the Company and Cheer Luck from a PRC creditor (the "Creditor") of Zhunxing. On 2 October 2017, certain borrowing of Zhunxing has fallen due and Zhunxing is unable to pay the aforesaid borrowing by the due date. The Company and Cheer Luck acted as guarantors for Zhunxing in respect of the said debt.

As a result, the Creditor issued the demand notices to each of the Company and Cheer Luck, claiming for immediate repayment of an aggregate sum of approximately RMB606.11 million, being the total amount of the outstanding principal, accrued interests and default interests owed by Zhunxing to the Creditor, within 3 weeks from the date of service of such demand notices.

The Company has been negotiating with the Creditor with a view to reach a consensus on the repayment proposal.

PROSPECTS

In 2019, the global economy is overcast by mounting external uncertainties and downward pressures. Faced with the slowdown of global economic growth, China's economy is striving to maintain an overall stable trend.

Going forward, certain environmental protection measures being imposed by the relevant state departments in the PRC are expected to have positive impact on the growth of both traffic volume and toll income of Zhunxing Expressway. Due to the enhancement of environmental protection requirements around Beijing, Tianjin and Hebei, some coal operators in Tianjin and Zhangjiakou have settled in Xinghe Miaoliang Logistics Park of Wulanchabu (the "Miaoliang Logistics Park"), and the transportation volume of railway in the Miaoliang Logistics Park has gradually increased. As an important transportation channel of the Wulanchabu Integrated Logistics Industrial Park, Zhunxing Expressway will also play an important role in the development of the Miaoliang Logistics Park and it is expected that the traffic volume of the Miaoliang Logistics Park will continue to rise. Moreover, with the proximity of the 2022 Beijing-Zhangjiakou Winter Olympics, the relevant state departments will inevitably strengthen the control of the trucks travelling between the Inner Mongolia and Hebei section of the G6 Beijing–Lhasa Expressway, so that the trucks travelling on the newly opened road section of G7 Beijing–Ürümqi Expressway to the ports around Bohai Bay will be more convenient and efficient, which are expected to indirectly boost the traffic volume of Zhunxing Expressway.

At present, the coal industry's market-oriented de-capacity measures imposed in the PRC are steadily advancing and the industry is transiting into a new phase of structural de-capacity and systematic high-quality capacity. Following the effective implementation of the coal de-capacity policy in the PRC, energy consumption is expected to remain stable, and along with the aforementioned environmental protection measures and the forthcoming development of Zhunxing Expressway, especially the interconnection with the Zhangjiakou city road section to facilitate the direct passage to Hebei province, the traffic volume and toll income of Zhunxing Expressway are expected to grow, bringing a turnaround to profit in the long run.

In respect to the growing and sales of forage and agriculture products sector of the Group, due to climate changes and the reduction of local water resources, silage cultivation under existing natural conditions is bound to weaken the growth of operating income. To diversify the source of revenue under this business sector of the Group in 2019, in view of the growing momentum of the agriculture and animal husbandry industry in Inner Mongolia Autonomous Region, Xinze has implemented cattle breeding which is less influenced by climate changes.

Given the Company's imminent funding needs to meet its short-term financial obligations, the Company will strive to explore all possible avenues, including but not limited to rights issue, open offer, placing of new shares and issuance of other convertible bonds, disposing assets of the Group and identifying other purchasers to dispose the unsold interest in Zhunxing, to generate capitals to repay the Outstanding Bonds and other outstanding borrowings. The Board will continue to look out for opportunities to strengthen the Group's financial position, and therefore maximizing the benefits of the shareholders of the Company as a whole.

REMEDIAL MEASURES ON GOING CONCERN TO ADDRESS THE AUDIT QUALIFICATION

As disclosed in the "Material Events" section above, before 13 November 2018, the Board was implementing several measures in parallel to improve the Group's liquidity position, particularly (a) the financial arrangements through the proposed disposals and buy-backs of 71% equity interests in Zhunxing, (b) the reorganization involving a very substantial acquisition being a reverse takeover, subscription and placing and (c) the fulfilment of conditions under the Standstill Agreement(s) entered into between the Company and each of the holder of the non-convertible bonds. As announced on 13 November 2018 by the Company, due to commercial reasons, the Company entered into termination agreements to terminate the Sale and Purchase Agreement and Subscription Agreement, and consequently, the reorganization mentioned in (b) did not proceed and the Standstill Agreement(s) mentioned in (c) also ceased to have any effect.

Up to the date of this annual report, the Board continued to focus on the Measures as set out in Note 3(b) to the consolidated financial statements for the year ended 31 March 2019, including the financing arrangements through disposals and buy backs of 71% equity interests in Zhunxing mentioned in (a) above and debt restructuring, to improve the Group's financial position.

Proposed financing arrangement through disposals and buy-backs of 71% equity interest in Zhunxing

In late December 2016, the Company as guarantor and its wholly-owned subsidiary Cheer Luck acting as vendor, entered into a disposal agreement with each of four purchasers in relation to the disposals and buy-backs of 71% equity interest in Zhunxing. Details on the arrangement for the disposals and buy-backs are set out in the section headed "Material Events" in this annual report.

All payments from Purchaser A in relation to the disposals of 25% equity interests in Zhunxing under the Disposal Agreement A are delayed and remained outstanding as the Fund Company, which is established by Purchaser A to facilitate the internal funding arrangement, requires additional time to arrange funding for settlement of the Consideration A. The Company has discussed with the management of the Fund Company periodically and understands that the Fund Company will settle the Consideration A once the required funding is available.

With regards to the financing arrangements through disposals with option to buy back 46% equity interests in Zhunxing under the Disposal Agreement B, Disposal Agreement C and Disposal Agreement D, Purchaser C had paid an aggregate of approximately RMB225 million (approximately HK$274 million) refundable earnest monies to facilitate further negotiation in respect of the disposal of 18% equity interests in Zhunxing up to the date of this annual report. Due to recent personnel changes at Purchaser B, Purchaser C and Purchaser D, the Company are awaiting updates from these purchasers to further discuss on the progress of the proposed disposals under the above disposal agreements. Further announcement(s) on the disposals of equity interests in Zhunxing will be made by the Company as and when appropriate.

The disposals, if successfully implemented, will generate capitals for the Group and the entire 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.

Up to the date of this annual report, the disposals have not yet been completed. The Board considers that the financing arrangement through disposals and buy-backs of the 71% equity interests in Zhunxing will help to reduce the indebtedness level of the Group and help the management to re-focus on strategy formulation, resource allocation and operation management to enhance the performances and financial position of the Group.

REMEDIAL MEASURES ON GOING CONCERN TO ADDRESS THE AUDIT QUALIFICATION

(Continued)

Debt Restructuring

(i) On 16 April 2019, the Company issued the New Promissory Note to replace and supersede the outstanding principal amount of the Promissory Note and the relevant accrued and default interests on a dollar-for-dollar basis as disclosed under the "Material Events" section in this annual report. The Board considers that the replacement of the Promissory Note is beneficial to the Company's financial position as the New Promissory Note bears a lower coupon interest that reduces the Company's finance costs and the extended time for repayment by five years alleviates the pressure on the Company's cash flows.

(ii) The Group is still in negotiation with its creditors, including but not limited to the holders of the Outstanding Bonds, for possible standstill or potential rescheduling of the repayment of debts owing by the Group. Up to the date of this annual report, no agreement has been reached.

As the Measures involve on-going negotiations and communications with various potential purchasers and creditors, it is difficult to ascertain an exact timetable on the completion of the Measures, but the Board will strive to complete the Measures before the next financial year end.

Should the disposal agreements in relation to the proposed financing arrangements through disposals and buy-backs of the 71% equity interests in Zhunxing cannot be completed and/or the creditors do not agree on standstill or potential rescheduling of the repayment of debts owing by the Company, the Company will strive to explore other avenues including but not limited to identifying other purchasers to dispose the Company's interests in Zhunxing, disposing other assets of the Group and carrying out fund raising activities including but not limited to rights issue, open offer, placing of new shares and issuance of other convertible bonds to repay the Outstanding Bonds and other outstanding borrowings.

IMPACT OF THE AUDIT QUALIFICATION ON THE GROUP'S FINANCIAL POSITION

Should the Group fail to implement the above remedial measures, it might not be able 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 non-current liabilities as current assets and current liabilities respectively, and to provide for any further liabilities that may arise. The effects of these potential adjustments have not been reflected in the consolidated financial statements of the Group for the year ended 31 March 2019.

REMOVAL OF THE AUDIT QUALIFICATION

Based on the Company's discussion with the Auditor, as the Audit Qualification relates to the Company's ability to continue as a going concern, in preparing the financial statements for the year ending 31 March 2020, the Board will be responsible for assessing the Company's ability to continue as a going concern and the appropriateness of preparing the Group's consolidated financial statements on a going concern basis with reference to the conditions and circumstances as at 31 March 2020. The Auditor will need to obtain sufficient appropriate audit evidence to assess the appropriateness of the Board's application of going concern basis in the preparing the Group's consolidated financial statements, and based on the audit evidence obtained, to determine whether multiple uncertainties exist in relation to the Company's going concern issue.

The Board's assessment of the Company's ability to carry on as a going concern as at 31 March 2020 will need to take into consideration of the relevant conditions and circumstances, and also the cash flow forecast of the Group for a period covering not less than twelve months from the date of approval of the consolidated financial statement for the year ending 31 March 2020. Accordingly, the Auditor is unable to confirm whether the Audit Qualification can be removed on the annual results for the year ending 31 March 2020 solely based on the Company's representation for these Measures, as sufficient appropriate audit evidence is yet to be obtained for the successful outcome of these Measures in the next financial year.

Assuming all the Company's Measures are successfully implemented as planned, together with sufficient and appropriate audit evidence being obtained and the satisfactory review of the Board's assessment of the Company's ability to continue as a going concern, barring any unforeseen circumstances, the Audit Qualification is expected to be removed on the consolidated annual results for the year ending 31 March 2020.

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:

Financial Risks

The Group's exposure to financial risks arising from the Group's business and financial instruments include the interest rate risk, foreign currency risk, credit risk, liquidity risk and equity price risk, details of which are set out in Note 43 to the consolidated financial statements.

In view of the Group's short and long term liquidity requirements as detailed in Note 43 to the consolidated financial statements, the Group has been implementing various Measures to improve its liquidity position. The ability of the Group to meet its liquidity requirements and continue as a going concern is highly dependent on the future outcomes of the proposed Measures.

Business Risk

The expressway operations business, the CNG gas stations operation and the growing and sales of forage and agricultural products operation are closely related to the changes in business, competitive, regulatory, political or economic environment in which the Group operates, which may have significant impact to the Group's financial performance and conditions.

Legal and Compliance Risk

The Group is exposed to the risk of loss resulting from non-compliance with applicable laws, regulations or contractual obligation. External legal advices are sought on potential business transactions or projects where appropriate to limit such risk.

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 2019 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 conversation 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 2019 and up to the date of this annual report, the Group's environmental performance has been monitored on a regular basis. The Group's environmental policies and performance for the year ended 31 March 2019 are set out on pages 41 to 51 in this annual report.

KEY RELATIONSHIP WITH STAKEHOLDERS

The Group recognizes that employees, customers, suppliers, creditors and Shareholders are keys to the sustainable development and success of the Group. The Group maintains regular communications with its Shareholders and other stakeholders through various channels including but not limited to telephone hotlines, general meetings and the publication of corporate communications in the form of announcements, reports or circulars.

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.

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.

The Group also establishes long-term relationship with its professional service providers and appreciates the expertise and strengths offered in the past which enable the Group to consistently maintain quality standards.

The Group recognizes the importance in building up and maintaining good relationship with its creditors. The Group continues to place its efforts 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 2019.

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 2019 are set out in Note 23 to the consolidated financial statements. During the year under review, the Group was principally engaged in expressway operations, 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 2019, 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.

At no time during the year have the Directors, their associates or any Shareholder (which to the knowledge of the Directors owns more than 5% of the number of issued shares of the Company (the "Shares") had any interest in those major customers and suppliers.

RESULTS AND DIVIDENDS

The results of the Group are set out in the consolidated statement of profit or loss on page 55 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 2019 (2018: Nil).

DIVIDEND POLICY

The Group's dividend policy (the "Dividend Policy") does not have any pre-determined dividend distribution ratio. The Board has the discretion to declare and distribute dividends to the Shareholders in accordance with the Company's Memorandum and Articles of the Association, the Companies Law of the Cayman Islands and all applicable laws, rules and regulations. In considering whether to propose a dividend and in determining the dividend amount, the Board will take into account factors such as the Group's general financial condition, profitability, business performance, debt level and liquidity position for the financial year, the Group's expected working capital requirements and future expansion plans, any restrictions on dividend distribution that may be imposed by the Group's creditors, the general economic conditions and any other factors which the Board considers appropriate. The Board will review the Dividend Policy from time to time and there can be no assurance that a dividend will be distributed in any particular form or amount for any given period.

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 59 to 60 of this annual report and Note 36 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 2019, the Company had no reserves available for distribution to Shareholders (2018: 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 2019 are set out on page 158 of this annual report.

SUBSIDIARIES

Particulars of the principal subsidiaries of the Group as at 31 March 2019 are set out in Note 23 to the consolidated financial statements.

CHARGES ON ASSETS

As at 31 March 2019, 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.

BORROWINGS

Particulars of borrowings of the Group as at 31 March 2019 are set out in Note 30 to the consolidated financial statements.

CONTINGENT LIABILITIES

Save as disclosed in Note 46 to the consolidated financial statements, the Group had no material contingent liabilities as at 31 March 2019.

SHARE CAPITAL

Details of the Company's share capital are set out in Note 33 to the consolidated financial statements. There were no movements in the share capital of the Company during the year ended 31 March 2019.

NON-CONVERTIBLE BONDS

As at 31 March 2019, 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 11 of this annual report and Note 32 to the consolidated financial statements.

PROMISSORY NOTES

Details of the Promissory Notes are set out in the "Material Events" section on page 10 of this annual report and Note 29 of 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 157 of this annual report. The summary does not form part of the consolidated financial statements.

RELATED PARTY TRANSACTIONS

The related party transactions in Note 41 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 of Hong Kong Limited ("Stock Exchange") (the "Listing Rules").

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

There were no purchases, sales or redemptions of the Company's listed securities by the Company or any of its subsidiaries during the year ended 31 March 2019.

DIRECTORS

The Directors 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 are subject to retirement by rotation and, being eligible, may offer themselves for re-election. Accordingly, Messrs Tsang Kam Ching, David, Gao Zhiping, Suo Suo Stephen and Bao Liang Ming shall retire at the forthcoming annual general meeting, and being eligible, shall offer themselves for re-election. Moreover, Mr. Bao Liang Ming has 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 59, 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 59, has been appointed as an executive Director since 22 September 2004. Mr. Fung has over 30 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 39, 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 PRC 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 PRC.

Mr. Tsang Kam Ching, David, aged 62, has been appointed as an executive Director since 17 February 2004. Mr. Tsang has extensive financial management experience over the past 30 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.

Mr. Gao Zhiping, aged 57, 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 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 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.

BIOGRAPHICAL DETAILS OF DIRECTORS *(Continued)*

Executive Directors *(Continued)*

Mr. Duan Jingquan, aged 63, 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.

Non-executive Director

Mr. Suo Suo Stephen, aged 47, 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 72, 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 54, 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.

BIOGRAPHICAL DETAILS OF DIRECTORS *(Continued)*

Independent Non-executive Directors *(Continued)*

Mr. Bao Liang Ming, aged 63, 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 PRC.

Mr. Xue Baozhong, aged 64, 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 PRC, 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 2019, 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.

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

Long positions in issued Shares and underlying Shares of the Company

		As at 31 March 2019	
Name of Directors	**Capacity**	**Number of Shares and/or underlying Shares**	**Approximate % of total issued Shares** *(Note 3)*
Cao Zhong ("Mr. Cao")	Beneficial owner	33,800,000	0.45
	Interest in controlled corporation	348,325,000 *(Note 1)*	4.68
Fung Tsun Pong ("Mr. Fung")	Beneficial owner	303,940,610	4.08
	Interest in controlled corporation	499,295,000 *(Note 2)*	6.70
Tsang Kam Ching, David	Beneficial owner	7,581,224	0.10

Notes:

1. Champion Rise International Limited ("Champion Rise") being wholly-owned by Mr. Cao was interested in 348,325,000 Shares, representing approximately 4.68% in the issued Shares. Mr. Cao is a substantial Shareholder of the Company and his shareholding in the Company is also set out in the section headed "Substantial Shareholders".

2. Ocean Gain Limited ("Ocean Gain") being wholly-owned by Mr. Fung was interested in 499,295,000 Shares, representing approximately 6.70% in the issued share capital of the Company. Mr. Fung is a substantial Shareholder of the Company and his shareholding in the Company is also set out in the section headed "Substantial Shareholders".

3. Based on 7,442,395,970 Shares of HK$0.20 each in issue as at 31 March 2019.

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 2019, 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.

Long Position in issued Shares and underlying Shares of the Company

		As at 31 March 2019	
Name of substantial shareholders	**Capacity**	**Number of Shares and/or underlying Shares**	**Approximate % of total issued Shares** *(Note 8)*
Mak Siu Hang Viola *(Notes 1 and 2)*	Interest in controlled corporation	1,652,670,000	22.21
VMS Investment Group Limited *(Note 1)*	Interest in controlled corporation	974,215,000	13.09
	Beneficial owner	78,455,000	1.05
Focal Sunshine Limited *(Note 1)*	Beneficial owner	600,000,000	8.06
	Person having a security interest in shares	374,215,000	5.03
VMS Finance Group Limited *(Note 2)*	Interest in controlled corporation	600,000,000	8.06
Keywood Group Limited *(Note 2)*	Beneficial owner	600,000,000	8.06
Mr. Fung *(Note 3)*	Beneficial owner	303,940,610	4.08
	Interest in controlled corporation	499,295,000	6.70
Ocean Gain *(Note 3)*	Beneficial owner	499,295,000	6.70
Epoch Luck Investments Limited *(Note 4)*	Beneficial owner	690,000,000	9.27
Chan Wun Lun *(Note 4)*	Interest in controlled corporation	690,000,000	9.27
Bondic International Holdings Limited *(Note 5)*	Beneficial owner	590,100,000	7.92
Cheung Chung Kiu *(Note 5)*	Interest in controlled corporation	590,100,000	7.92
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
Mr. Cao *(Note 7)*	Beneficial owner	33,800,000	0.45
	Interest in controlled corporation	348,325,000	4.68

Notes:

1. Each of Ms. 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).

2. Each of Ms. Mak Siu Hang Viola and VMS Finance Group Limited is interested in the 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).

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

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

SUBSTANTIAL SHAREHOLDERS *(Continued)*

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

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

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

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

8. Based on 7,442,395,970 Shares of HK$0.20 each in issue as at 31 March 2019.

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 remained exercisable until 15 October 2018.

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 2019 was 135,249,419 Shares which represented 1.81% of the ordinary shares of the Company in issue at 31 March 2019. 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. During the year ended 31 March 2019, no option was issued and outstanding under the New Scheme.

As at 31 March 2019, no options were valid, outstanding and exercisable under the Old Scheme after the options to subscribe for 34,833,324 Shares were lapsed on 16 October 2018. No options under the Old Scheme were exercised and thus no securities were issued during the year ended 31 March 2019.

SHARE OPTION SCHEME *(Continued)*

At 31 March 2019, 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 01/04/2018	No. of options granted during the year	No. of options exercised	No. of options cancelled/ lapsed *(Note 2)*	No. of options outstanding as of 31/03/2019	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	23,833,326	–	–	(23,833,326)	–	23 May 2014 to 15 October 2018	4.05	8.40
		34,833,324	–	–	(34,833,324)	–			

Note:

1. Each option entitled a grantee to subscribe for one ordinary share of HK$0.20 each of the Company at the subscription price of HK$4.05 per Share. The options were unlisted. There were no options under the Old Scheme outstanding as at 31 March 2019 following the expiration of options on 16 October 2018.

2. Options to subscribe for 34,833,324 Shares of HK$0.20 each of the Company under the Old Scheme were lapsed on 16 October 2018.

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 2019.

Particulars of the above share options offered are set out in Note 34 to the consolidated financial statements.

EMPLOYEES AND RETIREMENT BENEFIT SCHEMES

The Group had approximately 458 employees in Hong Kong and PRC as at 31 March 2019. 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.

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.

During the period of 60 days immediately preceding and including the date of this annual report, certain shares of the Company held by Ocean Gain, a company wholly-owned by Mr. Fung, were sold on the market as a result of forced sale by the stockbroker of Ocean Gain due to the failure in meeting the issued margin call, and the percentage interest of Mr. Fung and Ocean Gain in the Company has been reduced to approximately 10.25% and 6.17% respectively of the total issued share capital of the Company as of the date of this annual report. The Directors (except Mr. Fung) satisfied that the disposals by Mr. Fung since 29 April 2019 are forced sales occurred under exceptional circumstances within the meaning of paragraph C.14 of Appendix 10 to the Listing Rules.

AUDITOR

Crowe (HK) CPA Limited ("Crowe") was first appointed as the Auditor 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 financial years ended 31 March 2019, 2018 and 2017.

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

On behalf of the Board

Mr. Cao Zhong
Chairman

Hong Kong, 28 June 2019

CORPORATE GOVERNANCE REPORT

The Board hereby presents to the Shareholders the Corporate Governance Report of the Group for the year ended 31 March 2019.

CORPORATE GOVERNANCE PRACTICES

The Board is committed to uphold good 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 Codes and Corporate Governance Report in Appendix 14 of the Listing Rules (the "CG Code").

The Board is of the view that throughout the year ended 31 March 2019, the Company has complied with all the code provisions prescribed in the CG Code except for the deviations from (i) code provision A.1.1 as detailed in the paragraphs headed "Attendance Record of Directors" and (ii) code provision A.1.8 as detailed in the paragraph headed "Directors and Officers Liability Insurance" of this report.

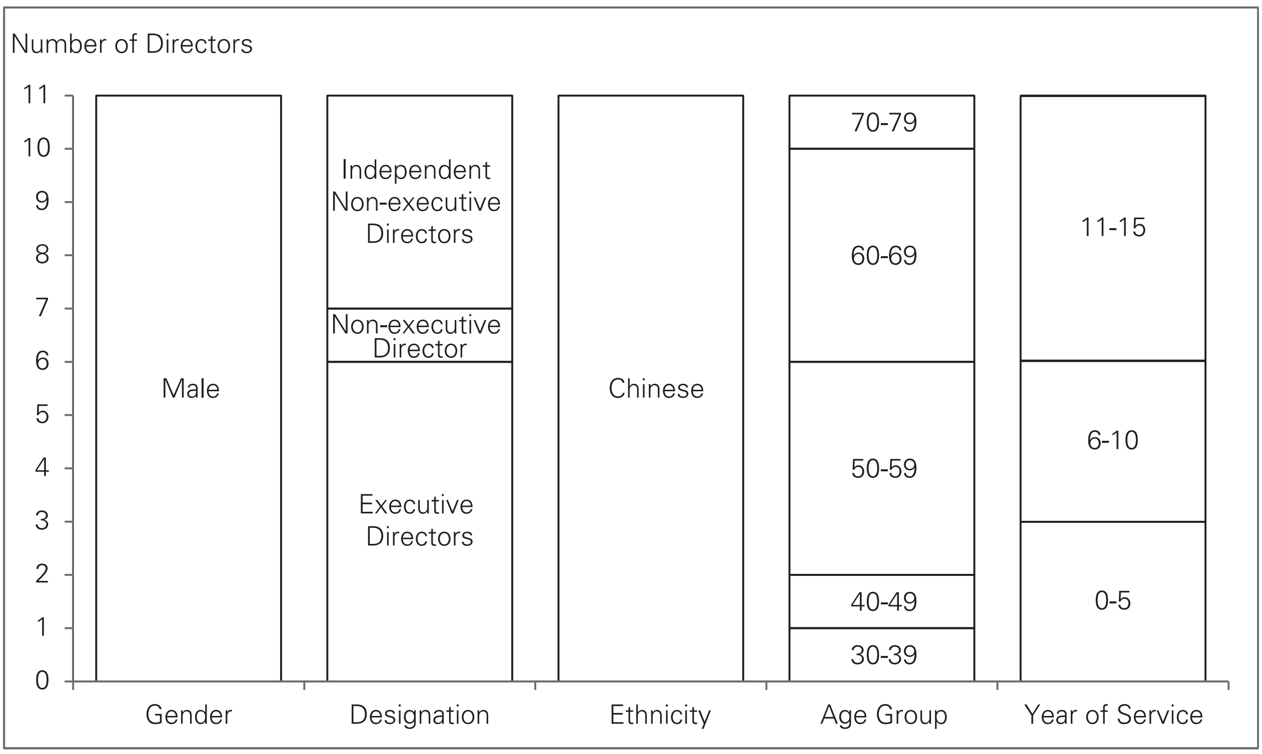
THE BOARD OF DIRECTORS

The Company is headed by an effective Board which assumes responsibility for setting strategic objectives with appropriate focus on value creation and risk management, leading, directing, and supervising the Company's affairs to enable long term success of the Company and enhancing return for Shareholders by seizing opportunities and overcoming market challenge. 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 2019, the Board comprised six executive Directors, one non-executive Director and four INEDs. INEDs represent more than 1/3 of the Board. The names and brief biographies of the Directors are set out on pages 21 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 2019 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 and governance of the Board to ensure that the Board acts in the best interests of the Group and discusses 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 formulating the long term strategy and development plans, deciding major financial and capital projects, and reviewing internal control and risks 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 staffs, 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 and monitored the Group's policies on risk management and internal control;

– reviewed the Group's environmental protection measures and approved the Group's environmental, social and governance report;

– 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, is primarily responsible for overseeing the day-to-day management, administration and operations of the Group and the implementation of policies decided by the Board during the year under review. The functions and tasks delegated to the CEO are 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, environmental protection, 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 Rule 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 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. Bao Liang Ming has served more than nine years in the Company, his further appointment will be subject to Shareholders' approval at the forthcoming annual general meeting of the Company as required under the code provision A.4.3.

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 and non-executive Director 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 meetings of the Company held during the financial year ended 31 March 2019 is set forth below:

	Attendance/Number of Meetings		
Name of Directors	**Board Meeting**	**Annual General Meeting**	**Extraordinary General Meeting**
Executive Directors			
Cao Zhong	2/2	1/1	1/1
Fung Tsun Pong	1/2	1/1	1/1
Jiang Tao	1/2	1/1	1/1
Tsang Kam Ching, David	2/2	1/1	0/1
Gao Zhiping	2/2	1/1	1/1
Duan Jingquan	2/2	1/1	0/1
Non-executive Director			
Suo Suo Stephen	2/2	0/1	1/1
Independent non-executive Directors			
Yip Tak On	2/2	0/1	1/1
Jing Baoli	2/2	1/1	1/1
Bao Liang Ming	2/2	1/1	1/1
Xue Baozhong	1/2	0/1	1/1

Notes:

(1) The annual general meeting of the Company was held on 27 August 2018 (the "AGM").

(2) The extraordinary general meeting of the Company was held on 16 April 2018 (the "EGM").

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 A.1.1 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 were convened during the year and ad hoc matters were effectively dealt with by way of written resolutions, 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 and non-executive Director 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 received confirmation from all Directors upon their completion of e-trainings on the role of listed companies' directors on corporate governance. 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 A.1.8 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 directors and officers ("D&O") liability insurance policy were unfavorable to the Company, the D&O insurance cover was ceased in the second half of the last financial year under review. The Board will consider the terms and conditions of any new D&O liability insurance cover that are offered 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 auditor including (but not limited to) making recommendations to the Board on their appointment, re-appointment and removal, 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 2019 is set out below:

– recommended to the Board on the re-appointment of the external auditor;

– reviewed and approved the remuneration and terms of engagement of the external auditor 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 auditor on 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 2019 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 approximately HK$1,190.57 million during the year, and as at 31 March 2019, the Group had net current liabilities of approximately HK$8,996.02 million and net liabilities of approximately HK$3,912.83 million. As at 31 March 2019, the Group was due to repay the promissory note, all outstanding non-convertible bonds and other borrowings together with the accrued default interests which are immediately repayable totaling approximately HK$6,365.98 million. These conditions indicate the existence of material uncertainties 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 management's discussions in relation to the Group's going concern and the Audit Qualification are set out on pages 9, 15 and 16 of this annual report.

In addition to the judgement that the financial statements can be prepared on a going concern basis, the other major judgmental areas in relation to the preparation of the financial statements include the application of the Group's accounting policies on (i) the impairment assessment of the Group's concession intangible asset and related property, plant and equipment allocated to expressway operations; (ii) the estimates of construction costs for concession intangible asset; (iii) the impairment assessment of trade and other receivables; and (iv) the fair value hierarchy measurement. Details of major judgmental areas are set out in Note 5 to the consolidated financial statements. There were no disagreement between the Auditor and the management regarding the management's judgements in preparing the consolidated financial statements.

Audit Committee's view on the Audit Qualification

The Audit Committee had reviewed and agreed with the views and concerns of the Auditor with respect to the Audit Qualification issued in relation to the consolidated financial statements of the Group for the year ended 31 March 2019. Based on the Audit Committee's review of (i) the management's basis on major judgmental areas in applying the Group's accounting policies in the preparation of the Group's consolidated financial statements; (ii) the management's proposed Measures to address the Audit Qualification and their status; and (iii) the Group's Cash Flow Forecast, and the discussions between the Audit Committee, the Auditor and the management regarding the significant audit matters and the Audit Qualification, the Audit Committee concurred with the management in respect of the Audit Qualification, the management's proposed Measures to address the Audit Qualification, and the management's position on the preparation of the financial statements on going concern basis and other major judgmental areas. The Audit Committee is also of the view that the Board should continue its efforts in implementing the Measures for enhancing the Group's liquidity position and removing the Audit Qualification in the next financial year.

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 to the Board 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.

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 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 (1/1).

A summary of the work performed by the Nomination Committee for the financial year ended 31 March 2019 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, and

– ensured that all nominations were fair and transparent.

BOARD COMMITTEES *(Continued)*

Nomination Policy

The nomination policy (the "Nomination Policy") sets out the key selection criteria and procedure for the appointment of any proposed candidate to the Board or re-appointment of any existing member of the Board.

Key selection criteria

The Nomination Committee shall consider the following factors when assessing the suitability of a proposed candidate:

(i) character and integrity;

(ii) professional qualifications, skills, knowledge and relevant experience or accomplishment appropriate to the nature of the Company's business;

(iii) commitment in respect of available time, interest and attention to the Company's business;

(iv) diversity perspectives, including but not limited to educational background, professional experience, industry expertise, knowledge and skills;

(v) compliance with the criteria of independence under Rule 3.13 of the Listing Rules, where the candidate is proposed to be appointed as an INED; and

(vi) any relevant factors deemed appropriate by the Nomination Committee from time to time.

Nomination procedures

The procedure of appointing and re-appointing a Director is summarized as below:

– The Nomination Committee shall invite nominations of suitable candidate(s) by any member of the Nomination Committee or the Board, for consideration by the Nomination Committee.

– For the appointment of any proposed candidate to the Board, the Nomination Committee shall evaluate the proposed candidate(s) based on the selection criteria of this policy and undertake adequate due diligence in respect of such proposed candidate(s), and make recommendation for the Board's consideration and approval.

– For the re-appointment of retiring Directors, the Nomination Committee shall review the Director's overall contribution and performance and consider the selection criteria of this policy, and make recommendation to the Board and/or the Shareholders for their consideration in connection with the re-election of retiring Directors at general meetings.

– The Board will convene a meeting to consider the appointment or re-appointment of the proposed candidate as a Director.

The Nomination Committee shall review the Nomination Policy and assess its effectiveness on a regular basis or as required.

BOARD COMMITTEES *(Continued)*

Board Diversity Policy

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 responsible 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.

The Company does not have an internal audit function for the year ended 31 March 2019. The Board has discussed and reviewed the need for an internal audit function and is of the view that in light of the Group's current internal resources and the costs of setting up an in-house internal audit team or engaging an external service provider, 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.

RISK MANAGEMENT AND INTERNAL CONTROL *(Continued)*

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's company secretarial department works closely with the management, Directors and/or external professional advisors 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 designated employees within the Group;
- designate specific employees as the major representatives to respond 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 ended 31 March 2019.

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 2019 in the shares of the Company and its associated corporations (within the meaning of Part XV of the SFO) are set out on pages 24 and 25 of this annual report.

EXTERNAL AUDITOR

The external auditor is 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 payable to the external auditor was approximately HK$2.30 million for the audit service performed.

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, compressed natural gas ("CNG") gas stations operations, growing and sales of forage and agricultural products and timber operations, 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, labor practices, product quality, corporate integrity and community engagement to carry out the objectives of corporate social responsibilities.

This report summarizes the Group's efforts in carrying out corporate social responsibilities for the year ended 31 March 2019 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

The reporting period of this ESG report is from 1 April 2018 to 31 March 2019 (the "Reporting Period").

This ESG report covers the Group's principal places of business include the Hong Kong office and the Inner Mongolia and the Shenzhen operating units in the People's Republic of China (the "PRC"). The scope in this report is consistent with those included in the previous ESG reports published by the Group.

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 reporting period from 1 April 2017 to 31 March 2018.

1.4 Stakeholder Engagement

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 and maintain close relationship with customers and suppliers, in collecting views and identifying the Group's material ESG issues.

1.5 Materiality Assessment

The opinions collected during the stakeholder engagement process were assessed and summarized to formulate the content and scope of our material ESG aspects as set out in Chapter 2 of this report.

1.6 Endorsement and Approval

This report is approved by the board of directors of the Company (the "Board").

CHAPTER 2 OVERVIEW OF MATERIAL ESG ASPECTS

The material ESG aspects of the Group for the year ended 31 March 2019 and their respective relevance to our business operations are set out as follows:

Category	Aspect	Relevance To Our Business Operations
Environmental	Emissions	The Group complies with the environmental laws and regulations in Hong Kong and the PRC to monitor the level of air emissions and greenhouse gas emissions, discharges into waters and lands and wastes arising from our business operations.
	Use of Resources	The main types of energy essential to our business operations include electricity, town gas and water.
	Environment and Natural Resources	Paper usage during operations is identified as one activity that has significant environmental impact.
Social – Employment and Labour Practices	Employment and Labour Standards	Employees are recognized as valuable assets of the Group and are foundation to our success. The Group fully protects and respects employees' rights and commits to create a favorable workplace for our employees.
	Health and Safety	Occupational safety is a key concern to our business operations.
	Development and Training	Career development and training programs are provided to employees to maintain the standards of our employees and sustainable development of the Group.
Social – Operating Practices	Supply Chain Management	The Group has established long-term and stable business relations with the major suppliers and maintained collaboration with them to manage the ESG risks of the supply chain.
	Product Responsibility	The ability to consistently deliver high-quality expressway management services and products to our customers is crucial for our business growth.
	Anti-corruption	The Group is committed to ensure that our business processes are in compliance with major local and international laws and regulations relating to the prevention of bribery, extortion, fraud and money laundering.
Social – Community	Community Investment	Committed to be a supportive member of the community, we encourage our employees to make positive contribution to the sustainable development in the local communities.

CHAPTER 3 ENVIRONMENTAL

3.1 Emission Control

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

We adopt 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;

– minimize carbon emissions; and

– provide training to employees to enhance their awareness of environmental protection.

In daily operations, we encourage our employees and visitors to conserve water usage by displaying water reserve messages close to water sources. Employees and visitors may share reusable utensils at the office pantries to minimize the use of plastic cutleries and products. Smoke-free workplaces with maintenance of indoor plants and air purifiers are set up to improve indoor air quality. We avoid holding meetings requiring long-distance business trips or road travels by adopting teleconferences or video conferences in order to cut down carbon emissions generated from travelling. During the Reporting Period, the sulphur oxide emission from vehicles has reduced by approximately 16%. However, the total greenhouse gas emissions during the Reporting Period has increased by approximately 10% as the emission from heat supply in the Inner Mongolia operating unit was increased as there was higher demand in heat supply in face of the cold currents in the past winter.

Table 3.1 – Annual vehicle emissions

Year	**Sulphur oxide (SOx) (g)**
2019	2,959
2018	3,541

CHAPTER 3 ENVIRONMENTAL *(Continued)*

3.1 Emission Control *(Continued)*

Table 3.2 – Total greenhouse gas emissions (unit: tonnes of carbon dioxide equivalent)

Year	Scope 1	Scope 2	Total	Intensity (tonnes per employee)
2019	461.73	2,168.21	2,629.94	5.74
2018	552.02	1,842.15	2,394.17	5.24

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.

To handle the wastes arising from the Inner Mongolia operating unit, we first classify the wastes by type and recycle any glasses and cans. We separate hazardous waste from non-hazardous ones, group the waste in different garbage bags and affix labels thereto to identify whether they are hazardous or non-hazardous. Lastly, we would arrange the collection of hazardous waste and non-hazardous waste. Any re-usable non-hazardous wastes are donated to charitable organizations. The amount of non-hazardous waste generated during the Reporting Period was reduced by approximately 61% as compared to the previous year.

Table 3.3 – Total waste generated

Type of waste	Hazardous waste		Non-hazardous waste	
Year	2019	2018	2019	2018
Tonnes	0	0	82	208
Intensity (tonnes per employee)	0	0	0.23	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, discharges 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.

CHAPTER 3 ENVIRONMENTAL *(Continued)*

3.2 Efficient Use of Resources

The Group has developed rigorous policies for the use of resources to monitor the conservation of energy, water and raw materials, in order to improve the efficiency of resource, 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 develop good habits of water saving 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 continue to encourage various departments to implement our advised energy-saving measures for the use of air-conditioning, lighting, computers, photocopiers, printers and electricity as below:

– keep the indoor air conditioning temperature at 25.5°C or a reasonable temperature;

– use low-energy lamps to save electricity;

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

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

– purchase electrical appliances with high energy-efficiency label, and

– distribute tips for energy saving internally through displays.

Table 3.4 - Total energy consumption

Year	Electricity ('000 KWh)	Towngas ('000 KWh)	Total ('000 KWh)	Intensity ('000 KWh per employee)
2019	2,090.68	216.62	2,307.30	6.55
2018	1,753.37	205.84	1,959.21	5.61

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

CHAPTER 3 ENVIRONMENTAL *(Continued)*

3.2 Efficient Use of Resources *(Continued)*

The total energy consumption during the Reporting Period has increased by approximately 18% as there was higher demand in heat supply in the Inner Mongolia operating unit due to the cold currents in the past winter.

The total water consumption arising from the Inner Mongolia operating unit for the last reporting period amounted to approximately 3,980.00 tonnes or 11.40 tonnes per employee. During the Reporting Period, water used in the Inner Mongolia operating unit was primarily sourced from pumping wells available in the areas of operation, and the total water consumption was not measured as water meters were not installed.

Nonetheless, we continue to prioritise effective management of water resources for office and domestic use, and adopt various measures to ensure water is effectively utilized and recycled. Such measures include:

– display water conservation labels in washrooms, staff canteens and dormitories;

– replace bottled water with reusable water containers during meetings to reduce water waste;

– flush toilets with collected waste water; and

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

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

3.3 Environment and Natural Resources

In order to reduce the impact of our daily operations on the environment and natural resources, the Group identifies the sources of emissions and waste generation in the operation process and the environmental impact of its use of resources, and introduces specific measures to reduce the environmental impact. Meanwhile, the Group's energy policy reveals that the Group implements energy conservation and supports the purchase of energy-saving equipment, which would further 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 archive system 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 develop 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 favorable workplace for employees.

We follow 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.

Our corporate culture embraces the importance of attracting talents regardless of backgrounds. We treat all employees equally in employment, remuneration, training opportunities and work arrangements, and ensure our workplace is free of any unfair discrimination. We provide employees with competitive salary, benefits and welfare. The salary package of our employees mainly includes salary, discretionary bonus and share option scheme, in which the combination is 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, 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. Our employees are entitled to take the holidays stipulated in their employment contracts, and each of the employees may resign by giving a reasonable period's notice.

We strictly prohibit child labour and forced labour and are firmly against imposing any illegal or inhuman penalties on our employees. We have implemented comprehensive measures to review employment practices including those regarding child labour and forced labour and to eliminate any flawed practices once identified.

During the Reporting Period, the Group complied with applicable local laws and regulations on compensation and dismissal, recruitment and promotion, working hours, holidays, equal opportunities, diversity, anti-discrimination, benefits and welfare, child labour and forced labour. There was no material labour dispute that disrupted our normal business operations, nor were we subject to any punishment for violating applicable laws and regulations.

CHAPTER 4 EMPLOYMENT *(Continued)*

4.1 Respect for Labour Rights *(Continued)*

Table 4.1 – Total number of employees in the Group

	Place of Business							
	Hong Kong		Inner Mongolia		Shenzhen		Total	
Year	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
By gender								
Male	15	17	181	177	49	51	245	245
Female	8	9	171	172	34	31	213	212
By employment type								
Full time	23	26	352	349	83	82	458	457
Part time	0	0	0	0	0	0	0	0
By age group								
18 – 30	0	3	200	262	18	18	218	283
31 – 45	12	12	115	66	59	58	186	136
46 – 60	7	10	34	18	5	6	46	34
= 61/>61	4	1	3	3	1	0	8	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 working incident. To protect the safety of employees, we distribute protective equipment, and provide training on health and safety to raise their awareness on the relevant high-risk areas in the workplace, and become familiar with our internal 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 offers employees training courses on construction safety, and conducts performance evaluation on a semi-annual basis to ensure that the safety awareness of employees is maintained. The Hong Kong office allocates its employees to take part in regular health and safety meetings for discussion of safety and health issues with reference to materials on occupational health and safety, so as to build a culture of occupational health and safety in the workplace.

Table 4.2 – Statistics on work-related injuries

Year	**2019**	**2018**
Work-related fatality		
No. of people	0	0
Percentage (%)	0	0
Work-related injuries		
Lost days due to work injury	0	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.

CHAPTER 4 EMPLOYMENT *(Continued)*

4.3 Education, Training and Career Development

To ensure the quality of our employees and prepare future management personnel, the Group has a comprehensive career development and training program in place to expand our employees' knowledge of operational and safety standards, and provides on-the-job training for them based on specific job requirements. Senior management staff and personnel with professional qualifications are further arranged to participate in training sessions organized by professional organizations to update any professional knowledge relevant to their positions.

We are committed to provide adequate career development opportunities. To this end, we would review the work capability and performance of any employees meeting the conditions for promotion or job transfer, and subsequently make reasonable allocations according to the Group's latest business development and the employees' personal interest, so as to support our 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 place top priority on quality and safety control and adopt stringent quality and safety standards to eliminate any 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 prescribed in the laws and regulations of the PRC. To ensure reliable management services as well as product quality and safety, our operating team closely monitors all critical 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 of the Inner Mongolia operating unit 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 at the toll stations to ensure premium service quality. We also set up a customer service hotline for customers to voice their opinions. Whenever a complaint is received, the customer service department shall give the customer a proper reply within 24 hours. We would not use any 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 did not receive customer complaints 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 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 regard 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 regularly supervises the operation of software.

During the Reporting Period, the Group complied with all applicable local laws and regulations in the places that we have business on advertising and labelling of products and services.

CHAPTER 5 OPERATING PRACTICES *(Continued)*

5.2 Supply Chain Management

We have established long-term and stable business relations with our major suppliers, and maintained 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 products and services, with a view to minimizing 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 suppliers code of conduct. Suppliers that fail to meet our requirements will be removed from our list of approved suppliers. When a project is launched, we would ensure 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 fully considers 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 accidents associated with major environmental and social risks 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 regularly review 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 constantly require employees to declare any conflicts of interest and avoid 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 authority.

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 for or conviction of corruption.

CHAPTER 6 COMMUNITY ENGAGEMENT

As a good corporate citizen, we support various charitable activities through participation in volunteer services. We strongly encourage our employees to pursue their personal passions and dedicate their time and skills to supporting local communities. During the Reporting Period, our community participation continues to focus on health. The Hong Kong office supported local blood donation activities in which employees and their family members participated to raise their awareness on the importance in maintaining good health while helping those in need.

The administrative department of the Company obtains feedback from community groups through emails, the Company's website and annual reports to learn about our community concerns and subsequently review the Group's sustainability goals.

Please share your feedback with us!

We value your feedback on this Environmental, Social and Governance Report 2019. 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)

DISCLAIMER OF OPINION

We were engaged to audit the consolidated financial statements of China Resources and Transportation Group Limited (the "Company") and its subsidiaries (the "Group") set out on pages 55 to 156, which comprise the consolidated statement of financial position as at 31 March 2019, 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.

We do not express an opinion on the consolidated financial statements of the Group. Because of the potential interaction of the multiple uncertainties relating to going concern and their possible cumulative effect on the consolidated financial statements as described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been properly prepared in compliance with disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR DISCLAIMER OF OPINION

Multiple uncertainties relating to going concern

As described in Note 3(b) to the consolidated financial statements, the Group incurred a loss of HK$1,190,566,000 during the year ended 31 March 2019 and as at that date, the Group had net current liabilities and net liabilities of approximately HK$8,996,021,000 and HK$3,912,827,000, respectively. The Company was in default in the repayment of the promissory note HK$315,003,000 (Note 29) and non-convertible bonds with aggregate carrying amount of approximately HK$4,395,648,000 (Note 32) and other borrowings of HK$469,151,000 (Note 30). These debts, together with the outstanding default interests accrued thereon of approximately HK$1,186,181,000 (Note 28(a)), totalling approximately HK$6,365,983,000 have become immediately repayable and are classified under current liabilities at 31 March 2019. On 29 October 2018, as disclosed in Note 30(b)(iv) to the consolidated financial statements, an independent third party lender commenced legal actions against the Group for immediate repayment of a total outstanding balance of other borrowing, accrued interests and accrued default interests totalling approximately RMB606,108,000 (equivalent to approximately HK$694,237,000) at 20 September 2018, which was accumulated to approximately RMB652,888,000 (equivalent to approximately HK$763,448,000) at 31 March 2019. All these conditions indicate the existence of multiple uncertainties which may cast significant doubt about the Group's ability to continue as a going concern.

The directors of the Company have been undertaking a number of measures as disclosed in Note 3(b) to the consolidated financial statements to improve the Group's liquidity position. Subsequent to the reporting period end and on 16 April 2019, as disclosed in Note 48 to the consolidated financial statements, the Company and the holder of the then existing promissory note, entered into an agreement, pursuant to which, 60 new transferable promissory notes with an aggregate principal value of approximately HK$683 million with maturity falling on 15 April 2024 were issued to replace the existing promissory note together with accrued interest totalling approximately HK$683 million owing by the Company. The consolidated financial statements have been prepared on a going concern basis, the validity of which depends on the outcome of these measures, which is subject to multiple uncertainties, including the following:

BASIS FOR DISCLAIMER OF OPINION *(Continued)*

Multiple uncertainties relating to going concern *(Continued)*

(i) Financing arrangements through disposals (with mandatory obligation or options to buy back) of interests in Inner Mongolia Zhunxing Heavy Haul Expressway Company Limited ("Zhunxing")

On 28 December 2016, the Company, Cheer Luck Technology Limited ("Cheer Luck"), a wholly-owned subsidiary, 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 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 together 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 of the Company held on 16 April 2018. Up to the date of approval of these consolidated financial statements, payment from Purchaser A remained outstanding as Purchaser A requires additional time to facilitate the funding arrangement for the settlement of the consideration.

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. 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 being the same as the proceeds of each of these disposals to be received by Cheer Luck together 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. Up to 31 March 2019, Purchaser C has paid refundable earnest monies of RMB225 million (equivalent to approximately HK$274 million) 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. Due to personnel changes at Purchaser B, Purchaser C and Purchaser D, management of the Company is awaiting updates from these purchasers to further discuss on the progress of the proposed disposals under the above disposal agreements.

(ii) The Group is still in negotiations with its creditors other than the holder of promissory note, including but not limited to the bondholders, for the possible standstill or rescheduling of the repayment of their debts owing by the Group. No agreement has been reached with any of these creditors other than the holder of promissory note up to the date of the approval of the consolidated financial statements.

BASIS FOR DISCLAIMER OF OPINION *(Continued)*

Multiple uncertainties relating to going concern *(Continued)*

Up to the date of approval of the consolidated financial statements, the Group's measures described above have not yet been completed. There were material uncertainties on the Group's ability to obtain adequate working capital to meet its debts as and when they fall due in the foreseeable future. We were unable to obtain sufficient audit evidence on the appropriateness of the going concern basis adopted for the preparation of the consolidated financial statements for the year ended 31 March 2019.

Should the Group fail to achieve all of the above-mentioned measures on a timely basis, it may not be able to continue as a going concern, and adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities to current assets and current liabilities respectively. The effects of these adjustments have not been reflected in the consolidated financial statements.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("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 of the Company either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

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

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

Our responsibility is to conduct an audit of the Group's consolidated financial statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA and to issue an auditor's report. The 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. However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

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.

Crowe (HK) CPA Limited
Certified Public Accountants
Hong Kong, 28 June 2019

Leung Chun Wa
Practising Certificate Number P04963

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2019

	Notes	2019 HK$'000	2018 HK$'000
Revenue	*7*	**867,377**	822,086
Cost of sales and other direct operating costs		**(769,077)**	(942,192)
Gross profit/(loss)		**98,300**	(120,106)
Other income and other gains or losses	*8*	**49,608**	(24,791)
Impairment loss of property, plant and equipment	*16*	**(15,612)**	(5,376)
Impairment loss of trade and other receivables, net	*25*	**(74,383)**	(92,258)
Impairment loss of long-term deposits and prepayments	*47(a)(ii)*	**(34,958)**	–
(Loss)/gain on change in fair value of investment properties	*21*	**(1,807)**	1,121
Gain/(loss) on change in fair value less costs to sell of biological assets	*19*	**4,456**	(1,758)
Selling and administrative expenses		**(121,267)**	(216,971)
Finance costs	*9*	**(1,094,988)**	(940,719)
Loss before taxation	*10*	**(1,190,651)**	(1,400,858)
Income tax credit/(expense)	*11*	**85**	(774)
Loss for the year		**(1,190,566)**	(1,401,632)
Loss for the year attributable to:			
Owners of the Company		**(1,072,414)**	(1,284,931)
Non-controlling interests		**(118,152)**	(116,701)
		(1,190,566)	(1,401,632)
		HK$	HK$
Loss per share attributable to owners of the Company			
– Basic	*14*	**(0.14)**	(0.17)
– Diluted	*14*	**N/A**	(0.17)

The notes on pages 63 to 156 form part of these financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2019

	2019 HK$'000	2018 HK$'000
Loss for the year	**(1,190,566)**	(1,401,632)
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss:		
– Exchange differences on translation of financial statements of foreign operations	**(137,535)**	224,970
– Release of translation reserve		
– upon disposal of a subsidiary	**–**	8,858
– upon disposal of assets of a disposal group classified as held for sale	**–**	5,624
– upon dissolution of subsidiaries	**–**	231
Other comprehensive income for the year, net of tax	**(137,535)**	239,683
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**(1,328,101)**	(1,161,949)
Total comprehensive income attributable to:		
– Owners of the Company	**(1,204,090)**	(1,076,084)
– Non-controlling interests	**(124,011)**	(85,865)
	(1,328,101)	(1,161,949)

The notes on pages 63 to 156 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2019

	Notes	2019 HK$'000	2018 HK$'000
NON-CURRENT ASSETS			
Concession intangible asset	*15*	**14,994,668**	16,624,822
Property, plant and equipment	*16*	**837,681**	1,063,974
Prepaid lease payments	*17*	**161,584**	204,718
Goodwill and other intangible assets	*18*	**48,815**	52,147
Biological assets	*19*	**62,914**	64,282
Forest concession rights	*20*	**–**	–
Investment properties	*21*	**25,620**	28,230
Long-term deposits and prepayments		**–**	37,475
Financial assets at fair value through profit or loss	*22*	**97,219**	–
Available-for-sale investments	*22*	**–**	82,918
TOTAL NON-CURRENT ASSETS		**16,228,501**	18,158,566
CURRENT ASSETS			
Inventories	*24*	**23,887**	26,647
Trade and other receivables	*25*	**113,109**	141,474
Financial assets at fair value through profit or loss	*22*	**5,573**	–
Prepaid lease payments	*17*	**14,174**	2,825
Amount due from non-controlling shareholder of a subsidiary	*26*	**15,201**	16,239
Cash and cash equivalents	*27*	**38,905**	39,471
TOTAL CURRENT ASSETS		**210,849**	226,656
TOTAL ASSETS		**16,439,350**	18,385,222
CURRENT LIABILITIES			
Trade and other payables	*28*	**3,858,788**	3,596,578
Promissory note	*29*	**315,003**	315,003
Borrowings	*30*	**637,431**	722,332
Non-convertible bonds	*32*	**4,395,648**	4,395,648
TOTAL CURRENT LIABILITIES		**9,206,870**	9,029,561
NET CURRENT LIABILITIES		**(8,996,021)**	(8,802,905)
TOTAL ASSETS LESS CURRENT LIABILITIES		**7,232,480**	9,355,661

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2019

	Notes	2019 HK$'000	2018 HK$'000
NON-CURRENT LIABILITIES			
Borrowings	*30*	**11,144,021**	11,930,290
Deferred tax liabilities	*31*	**1,286**	1,995
TOTAL NON-CURRENT LIABILITIES		**11,145,307**	11,932,285
TOTAL LIABILITIES		**20,352,177**	20,961,846
NET LIABILITIES		**(3,912,827)**	(2,576,624)
CAPITAL AND RESERVES			
Share capital	*33*	**1,488,479**	1,488,479
Reserves		**(5,431,831)**	(4,224,141)
Equity attributable to owners of the Company		**(3,943,352)**	(2,735,662)
Non-controlling interests		**30,525**	159,038
DEFICIENCY IN EQUITY		**(3,912,827)**	(2,576,624)

Approved and authorised for issue by the board of directors on 28 June 2019.

Mr. Cao Zhong
Director

Mr. Tsang Kam Ching, David
Director

The notes on pages 63 to 156 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2019

	Share capital HK$'000	Share premium HK$'000 *(Note 36 (i))*	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$'000 *(Note (iv))*	Translation reserve HK$'000 *(Note (v))*	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 a subsidiary *(Note 38)(b)*	–	–	–	–	–	–	–	8,858	–	8,858	–	8,858
– upon disposal of assets of a disposal group classified as held for sale	–	–	–	–	–	–	–	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 a subsidiary *(Note 38)(b)*	–	–	–	–	–	–	–	–	–	–	(9)	(9)
Transfer of statutory reserve	–	–	–	–	–	–	248	–	(248)	–	–	–
Acquisition of subsidiaries *(Note 37)*	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)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2019

	Share capital	Share premium	Share options reserve	Capital redemption reserve	Capital reserve	Assets revaluation reserve	Statutory reserve	Translation reserve	Accumulated losses	Sub-total	Non-controlling interests	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
		(Note 36 (i))	*(Note (i))*		*(Note (ii))*	*(Note (iii))*	*(Note (iv))*	*(Note (v))*				
At 1 April 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)**
Adjustments upon adoption of HKFRS 9 *(Note 2(a))*	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(3,600)**	**(3,600)**	**(4,502)**	**(8,102)**
Loss for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(1,072,414)**	**(1,072,414)**	**(118,152)**	**(1,190,566)**
Exchange differences on translation of financial statements of foreign operations	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(131,676)**	**-**	**(131,676)**	**(5,859)**	**(137,535)**
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(131,676)**	**(1,072,414)**	**(1,204,090)**	**(124,011)**	**(1,328,101)**
Transfer upon lapse of share options	**-**	**-**	**(28,058)**	**-**	**-**	**-**	**-**	**-**	**28,058**	**-**	**-**	**-**
Transfer of statutory reserve	**-**	**-**	**-**	**-**	**-**	**-**	**272**	**-**	**(272)**	**-**	**-**	**-**
At 31 March 2019	**1,488,479**	**1,880,939**	**-**	**3,800**	**795,363**	**15,903**	**766**	**9,149**	**(8,137,751)**	**(3,943,352)**	**30,525**	**(3,912,827)**

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 in Australia which was occupied and operated by the Group as a cold warehouse prior to the year ended 31 March 2007 but was reclassified to investment properties on 31 March 2007.

(iv) 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.

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

The notes on pages 63 to 156 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2019

	Notes	**2019 HK$'000**	2018 HK$'000
Cash flows from operating activities			
Loss before taxation		**(1,190,651)**	(1,400,858)
Adjustments for:			
Interest income	*8*	**(5,499)**	(5,271)
Finance costs	*9*	**1,094,988**	940,719
Impairment loss of property, plant and equipment		**15,612**	5,376
Depreciation of property, plant and equipment	*10*	**93,397**	100,097
Loss/(gain) on change in fair value of investment properties	*21*	**1,807**	(1,121)
(Gain)/loss on change in fair value less costs to sell of biological assets	*19*	**(4,456)**	1,758
Fair value gain on financial assets at fair value through profit or loss	*8*	**(33,000)**	–
Impairment loss of trade and other receivables, net	*25*	**74,383**	92,258
Impairment loss on long-term deposits and prepayments	*47(a)(ii)*	**34,958**	–
Write-off of inventories	*10*	**1,281**	36,692
Amortisation of prepaid lease payments	*10*	**18,458**	17,273
Amortisation of concession intangible asset	*10*	**602,538**	763,183
Loss on disposal of subsidiaries	*8*	**8**	8,849
Net realised gain on disposal of financial assets at fair value through profit or loss	*8*	**(3,447)**	–
Loss on disposal of prepaid lease payments and biological assets	*8*	**–**	62
Gain on disposal of property, plant and equipment	*8*	**(5,757)**	(78)
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		**694,620**	563,936
Decrease in inventories		**1,479**	8,913
Increase in trade and other receivables		**(34,711)**	(23,997)
(Decrease)/increase in trade and other payables		**(27,690)**	35,949
Decrease of biological assets		**2,619**	134
Cash generated from operations		**636,317**	584,935
PRC tax paid		**(546)**	(529)
Net cash generated from operating activities		**635,771**	584,406

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2019

	Notes	2019 HK$'000	2018 HK$'000
Cash flows from investing activities			
Net cash inflow arising from acquisition of subsidiaries	37	–	156
Payment for acquisition of property, plant and equipment		**(541)**	(9,123)
Proceeds from disposal of property, plant and equipment		**18,684**	1,611
Payment for acquisition of financial assets at fair value through profit or loss		**(11,748)**	–
Proceeds from disposal of financial assets at fair value through profit or loss		**9,952**	–
Proceeds from disposal of prepaid lease payments and biological assets	19(a)	–	1,862
Net proceeds from disposal of assets of a disposal group classified as held for sale		–	215,956
Receipt in advance from the disposal of available-for-sale investment		–	6,000
Payment for expressway construction costs		**(108,691)**	(68,815)
Payment for plantation of biological assets	19	**(893)**	(5,387)
Interest received		**184**	525
Net cash (used in)/generated from investing activities		**(93,053)**	142,785
Cash flows from financing activities			
Proceeds from borrowings	47(b)	**2,000**	93,173
Repayment of borrowings	47(b)	**(66,129)**	(300,476)
Refundable earnest money received for disposal of partial interest in a subsidiary	28(d)	**176,307**	97,272
Interest paid	47(b)	**(658,229)**	(640,762)
Net cash used in financing activities		**(546,051)**	(750,793)
Net decrease in cash and cash equivalents		**(3,333)**	(23,602)
Effect of foreign exchange rate changes		**2,767**	9,338
Cash and cash equivalents at beginning of year		**39,471**	53,735
Cash and cash equivalents at end of year		**38,905**	39,471
Analysis of balances of cash and cash equivalents at end of year			
Bank and cash balances		**38,905**	39,471

The notes on pages 63 to 156 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:

HKFRS 9	Financial instruments
HKFRS 15	Revenue from contracts with customers
HK(IFRIC) 22	Foreign currency transactions and advance consideration

The Group has not applied any new standard, amendment or interpretation that is not yet effective for the current accounting period (Note 2 (b)).

HKFRS 9 Financial instruments

HKFRS 9 replaces HKAS 39, Financial instruments: recognition and measurement, it sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items.

The Group has applied HKFRS 9, Financial instruments, to items that existed at 1 April 2018 in accordance with the transition requirements. The Group has concluded that there is no material impact for the initial application of the new impairment requirement, no adjustment is made to the opening equity at 1 April 2018. Therefore, comparative information continues to be reported under HKAS 39.

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

(Continued)

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

The following table summarises the impact of transition to HKFRS 9 on accumulated losses and non-controlling interests at 1 April 2018.

	Available-for-sale investments HK$'000	**Financial assets at fair value through profit or loss** HK$'000	**Consolidated accumulated losses** HK$'000	**Non-controlling interests** HK$'000
Impact on consolidated statement of financial position				
Closing balance at 31 March 2018	82,918	–	(7,089,523)	159,038
Effect arising from initial application of HKFRS 9				
Reclassification from:				
Available-for-sale investments	(82,918)	82,918	–	–
Remeasurement from cost to fair value	–	(8,102)	(3,600)	(4,502)
Opening balance at 1 April 2018	–	74,816	(7,093,123)	154,536

At the date of initial application of HKFRS 9, the Group's unlisted equity investments of HK$82,918,000 were reclassified from available-for-sale investments to financial assets at FVTPL. The fair value loss of HK$8,102,000 relating to those unlisted equity investments previously carried at cost less impairment were adjusted to financial assets at FVTPL as at 1 April 2018.

Further details of the nature and effect the changes to previous accounting policies and the transition approach are set out below:

a. *Classification of financial assets and liabilities*

HKFRS 9 categorizes financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income (FVTOCI) and at fair value through profit or loss (FVTPL). These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVTPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

The measurement categories and carrying amounts for all financial liabilities at 1 April 2018 have not been impacted by the initial application of HKFRS 9.

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

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

b. Credit losses

HKFRS 9 replaces the "incurred loss" model in HKAS 39 with the "expected credit loss" (ECL) model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in HKAS 39.

The Group applies the new ECL model to financial assets measured at amortised cost (including cash and cash equivalents, trade and other receivables);

For further details on the Group's accounting policy for accounting for credit losses, see Note 4(m).

The Group has concluded that there is no material impact for the initial application of the new impairment requirements.

c. Transition

Change in accounting policies resulting from the adoption of HKFRS 9 have been applied retrospectively, except as described below:

– Information relating to comparative periods has not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of HKFRS 9 are recognised in accumulated losses and reserves as at 1 April 2018. Accordingly, the information presented for 2018 continues to be reported under HKAS 39 and thus may not be comparable with the current period.

– The assessments have been made on the basis of the fact and circumstances that existed at 1 April 2018 (the date of initial application of HKFRS 9 by the Group) for the determination of the business model within which a financial asset is held.

– If, at the date of initial application, the assessment of whether there has been a significant increase in credit risk since initial recognition would have involved undue cost or effort, a lifetime ECL has been recognised for that financial instrument.

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

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

HKFRS 15 Revenue from contracts with customers

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18, Revenue, which covered revenue arising from sale of goods and rendering of services, and HKAS 11, Construction contracts, which specified the accounting for construction contracts.

HKFRS 15 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, timing and uncertainty of revenue and cash flows arising from contracts with customers.

The Group has elected to use the cumulative effect transition method and has recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 April 2018. Therefore, comparative information has not been restated and continues to be reported under HKASs 11 and 18. As allowed by HKFRS 15, the Group has applied the new requirements only to contracts that were not completed before 1 April 2018 (if any).

There is no impact of transition to HKFRS 15 on accumulated losses at 1 April 2018.

a. Timing of revenue recognition

Prior to adoption of HKFRS 15, revenue arising from provision of services and revenue from sale of goods were generally recognised at a point of time when services were provided and the risks and rewards of ownership of the goods had passed to the customers.

Upon adoption of HKFRS 15 from 1 April 2018, revenue is recognised when the customer obtains control of the promised goods or services in the contract. This may be at a single point of time or over time. HKFRS 15 identifies the following three situations in which control of the promised goods or services is regarded as being transferred over time:

(i) When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

(ii) When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

(iii) When the entity's performance does not create as asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs.

The adoption of HKFRS 15 does not have a significant impact on when the Group recognises revenue from sale of goods and this change in accounting policy had no material impact on opening balances as at 1 April 2018.

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

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

HKFRS 15 Revenue from contracts with customers *(Continued)*

b. Significant financing component

HKFRS 15 requires an entity to adjust the transaction price for the time value of money when the contract contains a significant financing component, regardless of whether the payments from customers are received significantly in advance of revenue recognition or significantly deferred. There has been no impact on the Group as a result of this change in policy.

c. Presentation of contract liabilities

Under HKFRS 15, a contract liability, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. To reflect this change in presentation, contract liabilities, including receipts in advance from customers, with amount of HK$1,655,000, which was previously included in trade and other payables are now included under contract liabilities at 1 April 2018, as a result of the adoption of HKFRS 15.

HK(IFRIC) 22 Foreign currency transactions and advance consideration

This interpretation provides guidance on determining "the date of the transaction" for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) arising from a transaction in which an entity receives or pays advance consideration in a foreign currency.

The interpretation clarifies that "the date of the transaction" is the date on initial recognition of the non-monetary asset or liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the date of the transaction for each payment or receipt should be determined in this way. The adoption of HK(IFRIC) 22 does not have any material impact on the financial position and the financial results of the Group.

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

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

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[3]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 3	Definition of a Business[2]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKAS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKAS 1 and HKAS 8	Definition of Material[2]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Annual Improvements to HKFRSs 2015-2017 cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2020
3 Effective for annual periods beginning on or after 1 January 2021
4 Effective for annual periods beginning on or after a date to be determined

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far the Group has identified some aspects of HKFRS 16 which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below.

HKFRS 16 – Leases

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

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

The 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) 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. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

(b) Going concern basis

During the year, the Group incurred a loss of HK$1,190,566,000 (2018: HK$1,401,632,000) and as at 31 March 2019, the Group had net current liabilities and net liabilities of HK$8,996,021,000 and HK$3,912,827,000, respectively. The Company was in default in the repayment of the promissory note HK$315,003,000 (Note 29) and non-convertible bonds with aggregate carrying amount of approximately HK$4,395,648,000 (Note 32) and other borrowings of HK$469,151,000 (Note 30). These debts, together with the outstanding default interests accrued thereon of approximately HK$1,186,181,000 (Note 28(a)), totalling approximately HK$6,365,983,000 have become immediately repayable and are classified under current liabilities at 31 March 2019. On 29 October 2018, an independent third party lender commenced legal actions against the Group for immediate repayment of a total outstanding balance of other borrowing, accrued interests and accrued default interests totalling approximately RMB606,108,000 (equivalent to approximately HK$694,273,000) at 20 September 2018, which was accumulated to approximately RMB652,888,000 (equivalent to approximately HK$763,448,000) at 31 March 2019. These conditions indicate the existence of material multiple uncertainties 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 such circumstances, 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, Cheer Luck Technology Limited ("Cheer Luck"), being a wholly-owned subsidiary, 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 together 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. Up to the date of approval of these consolidated financial statements, payment from Purchaser A remained outstanding as Purchaser A requires additional time to facilitate the funding arrangement for the settlement of the consideration.

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. 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 being the same as the proceeds of each of these disposals to be received by Cheer Luck together 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. Up to 31 March 2019, Purchaser C has paid refundable earnest monies of RMB225 million (equivalent to approximately HK$274 million) 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. Due to personnel changes at Purchaser B, Purchaser C and Purchaser D, management of the Company is awaiting updates from these purchasers to further discuss on the progress of the proposed disposals under the above disposal agreements.

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

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.

(ii) Restructuring of an outstanding promissory note

Subsequent to the reporting period end and on 16 April 2019, the Company and the promissory note holder entered into a supplementary agreement, pursuant to which, the existing promissory note, together with the accrued and default interests, totalling approximately HK$683,348,000 was replaced by 60 new transferable promissory notes (the "New Promissory Notes") with principal amount totalling HK$683,348,000 (which is equal to the sum of the outstanding principal amount of the existing promissory note and accrued and default interests). The New Promissory Notes are unsecured, bear coupon interest at 5% per annum, repayable on 15 April 2024.

(iii) The Group is still in negotiations with its creditors other than the holder of the promissory note, including but not limited to the bondholders, for the possible standstill or rescheduling of the repayment of the debts owing by the Group. No agreement has been reached with any of these creditors other than the holder of promissory note up to the date of approval of the consolidated financial statements.

3. BASIS OF PREPARATION *(Continued)*

(b) Going concern basis *(Continued)*

Notwithstanding the above, multiple material uncertainties exist as to whether the Group will be able to continue as a going concern will depend on the following:

(i) Successful completion of the financing arrangements through disposals (with mandatory obligation or options to buy back) of interests in Zhunxing; and

(ii) Successful negotiations with the non-convertible bondholders and other creditors for the possible standstill or rescheduling of repayment of outstanding debts (including those with overdue principals and accrued and default interests) owing by the Group.

Should the disposal agreements in relation to the proposed financing arrangements through disposals (with mandatory obligation or options to buy back) of interests in Zhunxing cannot be completed and/or the creditors other than the holder of promissory note do not agree on standstill or potential rescheduling of the repayment of debts owing by the Group, the Company will strive to explore other avenues including but not limited to identifying other purchasers to dispose the interests in Zhunxing, disposing other assets of the Group and carrying out fund raising activities including but not limited to rights issue, open offer, placing of new shares and issuance of other convertible bonds to repay the outstanding non-convertible bonds and other borrowings.

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 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 the date of approval for the consolidated financial statements. Accordingly, the consolidated 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 non-current liabilities as current assets and current liabilities respectively, and to provide for any further liabilities that may arise. The effects of these potential adjustments have not been reflected in these consolidated financial statements.

(c) Basis of measurement

The consolidated financial statements have been prepared under historical cost basis except for investment properties, biological assets and non-current assets 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 consolidated 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.

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.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(b) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity holders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity holders of the Company. Total comprehensive income of subsidiaries is attributed to the equity holders of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (Note 4(m)(ii)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(c) 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.

(d) 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.

(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;

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(d) Foreign currency *(Continued)*

(ii) On consolidation *(Continued)*

(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.

(e) 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.

(f) 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)*

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

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.

(g) 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.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(h) 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 consolidated statement of profit or loss.

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

(i) Forest concession rights

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

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

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

(j) Concession intangible asset

Concession intangible asset 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.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(j) Concession intangible asset *(Continued)*

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.

(k) Impairment of tangible and intangible assets excluding goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. 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). Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

The recoverable amount of tangible and intangible assets are estimated individually, when it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When 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.

Recoverable amount is the higher of fair value less costs of disposal 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 (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs to dispose (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to other assets of the unit. An impairment loss is recognised immediately in profit or loss.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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

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, but so 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 a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

(l) 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(h)).

(m) Credit losses and impairment of assets

(i) Credit losses from financial instruments

(A) Policy application from 1 April 2018

The Group recognises a loss allowance for expected credit losses (ECLs) on financial assets measured at amortised cost (including cash and cash equivalents and trade and other receivables).

Financial assets measured at fair value including other financial assets are not subject to ECL assessment.

Measurement of ECLs

ECLs are probably-weighted estimate of credit loss. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

– fixed-rate financial assets, trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof; and

– variable-rate financial assets: current effective interest rate.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(m) Credit losses and impairment of assets *(Continued)*

(i) Credit losses from financial instruments *(Continued)*

(A) Policy application from 1 April 2018 *(Continued)*

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past event, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting period date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments (including pledged deposits and cash and cash equivalents), the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk
In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition. The Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 360 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

– failure to make payments of principal or interest on their contractually due dates;

– an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(m) Credit losses and impairment of assets *(Continued)*

(i) Credit losses from financial instruments *(Continued)*

(A) Policy application from 1 April 2018 *(Continued)*

– an actual or expected significant deterioration in the operating results of the debtor; and

– existing or forecast changes in the technological, market, economic or legal environmental that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on share credit risk characteristics, such as past due status and credit risk ratings.

ECLs are measured at the end of each reporting period to reflect the changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVTOCI (recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

Basis of calculation of interest income
Interest income recognised in accordance with Note 4(x) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At the end of each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the debtor;

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

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

– significant changes in the technological, market, economic or legal environmental that have an adverse effect on the debtor; or

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(m) Credit losses and impairment of assets *(Continued)*

(i) Credit losses from financial instruments *(Continued)*

(A) Policy application from 1 April 2018 *(Continued)*

– the disappearance of an active market for a security because of financial difficulties of the issuer.

Write off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amount subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(B) Policy application prior to 1 April 2018

Prior to 1 April 2018, an "incurred loss" model was used to measure impairment losses on financial assets not classified as at FVTPL (e.g. trade and other receivables). Under the "incurred loss" model, an impairment loss was recognised only when there was objective evidence of impairment. Objective evidence of impairment included:

– significant financial difficulty of the debtor;

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

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

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence existed, the impairment loss was determined and recognised as follows:

For trade and other receivables and other financial assets carried at amortised cost, the impairment loss was measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting was material. This assessment was made collectively where these financial assets shared similar risk characteristics, such as similar past due status, and had not been individually assessed as impaired. Future cash flows for financial assets which were assessed for impairment collectively were based on historical loss experience for assets with credit risk characteristics similar to the collective group.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(m) Credit losses and impairment of assets *(Continued)*

(i) Credit losses from financial instruments *(Continued)*

(B) Policy application prior to 1 April 2018 *(Continued)*

If in a subsequent period the amount of an impairment loss decreased and the decrease could be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss was reversed through profit or loss. A reversal of an impairment loss was only recognised to the extent that it did not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

When the recovery of a trade debtor or other financial assets carried at amortised cost was considered doubtful but not remote, associated impairment losses were recorded using an allowance account. When the Group was satisfied that recovery was remote, the amount considered irrecoverable was written off against the gross carrying amount of those assets directly. Subsequent recoveries of amounts previously charged to the allowance account were reversed. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly were recognised in profit or loss.

(ii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- pre-paid interests in leasehold land classified as being held under an operating lease;
- intangible assets;
- construction in progress;
- goodwill; and
- investments in subsidiaries in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

- Calculation of recoverable amount

  The recoverable amount of an asset is the greater of its fair value less costs of disposal 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. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(m) Credit losses and impairment of assets *(Continued)*

(ii) Impairment of other non-current assets *(Continued)*

– Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable), or value in use, (if determinable).

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange, the Group is required to prepare an interim financial report in compliance with HKAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (Notes 4(m)(i) and (ii)).

Impairment losses recognised in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

(n) Other investments in equity securities

The Group's policies for investments in equity securities, other than investments in subsidiaries and associates, are as follows:

Investments in equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss (FVPL) for which transaction costs are recognised directly in profit or loss. These investments are subsequently accounted for as follows, depending on their classification.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(n) Other investments in equity securities *(Continued)*

(a) Policy applicable from 1 April 2018:

Equity investments

An investment in equity securities is classified as fair value at profit or loss (FVPL) unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at fair value through other comprehensive income (FVOCI) (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained profits. It is not recycled through profit or loss.

(b) Policy applicable prior to 1 April 2018:

Investments in securities held for trading were classified as financial assets measured at FVPL. Any attributable transaction costs were recognised in profit or loss as incurred. At the end of each reporting period the fair value was remeasured, with any resultant gain or loss being recognised in profit or loss.

Investments which did not fall into the above categories were classified as available-for-sale financial assets. At the end of each reporting period the fair value was remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve (recycling). When the investments were derecognised or impaired (see Note 4(m)(i) - policy applicable prior to 1 April 2018), the cumulative gain or loss recognised in equity was reclassified to profit or loss.

(o) 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.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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

(ii) Financial liabilities *(Continued)*

Financial liabilities at fair value through profit or loss *(Continued)*

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.

(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.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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

(iv) Effective interest method

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

(v) Derecognition of financial liabilities

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

(p) 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.

(q) 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.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(r) 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.

(s) 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.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(s) Employee benefits *(Continued)*

(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)*

(t) Non-current assets held for sale

Non-current assets are classified as held for sale if it is highly probable that its carrying amount will be recovered through a sale transaction rather than through continuing use and the asset is available for sale in its present condition.

Immediately before classification as held for sale, the measurement of the non-current assets is brought up-to-date in accordance with the accounting policies before the reclassification. Then, on initial classification as held for sale and until disposal, the non-current assets are recognised at the lower of their carrying amount and fair value less costs to sell. The principal exceptions to this measurement policy so far as the financial statements of the Group and the Company are concerned are deferred tax assets, assets arising from employee benefits, financial assets (other than investments in subsidiaries, associates and joint ventures) and investment properties. These assets, even if held for sale, would continue to be measured in accordance with the policies set out elsewhere in Note 4.

Impairment losses on initial reclassification as held for sale, and on subsequent remeasurement while held for sale, are recognised in profit or loss. As long as a non-current asset is classified as held for sale, the non-current asset is not depreciated or amortised.

(u) Contract liabilities

A contract liabilities is recognised when the customer pays consideration before the Group recognises the related revenue. A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised.

(v) 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.

(w) Financial guarantees issued, provisions and liabilities

(i) Financial guarantees issued

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts issued by the Group are initially measured at their fair values and are subsequently measured at the higher of:

(i) the amount of obligation under the contract, as determined in accordance with HKFRS 9 (since 1 April, 2018); and

(ii) the amount initially recognised less, where appropriate, cumulative amortisation recognised over the guarantee period.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(w) Financial guarantees issued, provisions and liabilities *(Continued)*

(i) Financial guarantees issued (Continued)

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.

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) 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.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(x) Revenue recognition

Income is classified by the Group as revenue when it arises from the sale of goods or the provision of services in the ordinary course of the Group's business.

Revenue is recognised when control over a product or service is transferred to the customer, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue is measured at the fair value of the consideration received or receivable. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Depending on the terms of the contract, control of the goods or services may be transferred over time or at a point in time. Control of the goods or services is transferred over time if the Group's performance:

(i) provides the benefits received and consumed simultaneously by the customer;

(ii) creates or enhances an asset that the customer controls as the Group performs; or

(iii) does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation, which is measured based on direct measurements of the value of individual goods or services transferred by the Group to the customer. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or services.

(i) Revenue arising from toll operation is recognised at a point in time when the vehicles exit the toll expressway, of which the Group operates part or all of it. The revenue from toll operation is based on the toll rates determined by government authorities. It is settled by government agencies on a monthly basis.

(ii) Revenue from sales of goods is recognised when the control of the goods is transferred to the customer, which is taken to be the point in time when the customer has accepted the goods that are delivered by the Group.

(iii) Revenue from sales of electricity is earned and recognised upon transmission of electricity to the customers or the power grid owned by the respective regional or provincial grid companies.

(iv) 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)*

(x) Revenue recognition *(Continued)*

(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) Government grant 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.

(y) Leases

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

(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.

(z) 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.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(aa) 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 Group or to the Group's parent.

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.

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.

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

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, 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 were recognised and capitalized to 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. Management of the Group considered that adequate provision for construction costs has been made at 31 March 2019.

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.

(b) Impairment of concession intangible asset and relevant property, plant and equipment of Expressway CGU

The Group's expressway operations are identified as a cash generating unit ("Expressway CGU") to which concession intangible assets of approximately HK$14,994,668,000 (2018: HK$16,624,822,000) and relevant property, plant and equipment of approximately HK$686,460,000 (2018: HK$870,942,000) are allocated, as disclosed in Notes 15 and 16 respectively. Management assesses the recoverable amount of the Expressway CGU, to which concession intangible asset and relevant property, plant and equipment are allocated, based on value-in-use calculations which require the use of estimates and significant judgement by management on the growth rates on the revenue of the Expressway CGU during the remaining concession period and discount rate which are disclosed in Note 15(b).

Based on the impairment assessment as disclosed in Note 15(b), no additional provision for impairment on the carrying amounts of the Expressway CGU, to which the concession intangible asset and relevant property, plant and equipment are allocated, are required at 31 March 2019.

The proforma sensitivity analysis on the potential downside effects on the carrying amounts of concession intangible asset and relevant property, plant and equipment, which are allocated to the Expressway CGU, is set out below:

(a) If the discount rate was increased by 5% and all other parameters remain unchanged, the value-in-use of the concession intangible asset and relevant property, plant and equipment, which are allocated to the Expressway CGU, would decrease by approximately HK$754 million and HK$35 million respectively, and additional impairment of approximately HK$714 million and HK$33 million on the carrying amounts of the concession intangible asset and relevant property, plant and equipment, which are allocated to the Expressway CGU, would be required at 31 March 2019, respectively.

(b) If the average long-term growth rates during the remaining concession period was decreased by 5% and all other parameters remain unchanged, the value-in-use of the concession intangible asset and relevant property, plant and equipment, which are allocated to the Expressway CGU, would decrease by approximately HK$603 million and HK$28 million respectively, and additional impairment of approximately HK$562 million and HK$26 million on the carrying amounts of the concession intangible asset and relevant property, plant and equipment, which are allocated to the Expressway CGU, would be required at 31 March 2019, respectively.

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

(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
- Financial instruments (Note 22).

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.

(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 their present value.

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

(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. To the extent that un-anticipated factors affecting harvestable agricultural products may result in re-measurement of harvest losses in future accounting periods.

(g) Net realisable value of inventories

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

(h) 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.

(i) Impairment assessment of trade and other receivables

In the previous years, the Group made allowance for impairment of 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.

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

(i) Impairment assessment of trade and other receivables *(Continued)*

Upon adoption of HKFRS 9 for the current year, the Group determines the provision for impairment of trade and other receivables on a forward looking basis. Lifetime ECLs on trade receivables are recognised from initial recognition of the assets. The provision matrix is determined based on the Group's historical observed default rates over the expected life of the trade receivables with similar credit risk characteristics and is adjusted for forward looking estimates. Other receivables are considered for 12-month expected credit losses unless there has been a significant increase in credit risk of the financial instruments, in which case the loss allowance is measured at an amount equal to lifetime ECLs. In making the judgement, management considers available reasonable and supportive forward-looking information such as actual or expected significant changes in operating results and financial positions of the customers, past payment history of the customers, and actual or expected adverse changes in business, financial or economic conditions that are expected to cause a significant change in the customers' ability to settle their trade debts. At each reporting period end, the historical observed default rates are updated and changes in the forward-looking economic conditions and estimates are analysed by the Group's management.

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 (2018: 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 unallocated finance costs and taxation. During the year ended 31 March 2019, management of the Group changed its policy and redefined the measure used for reportable segment profit or loss by including interests attributable to the reportable segment borrowings. Accordingly, certain interests on the reportable segment borrowings are allocated to the reportable segment profit or loss for the years ended 31 March 2019 and 2018.

Segment assets exclude investment property in Australia, financial assets at fair value through profit or loss, available-for-sale investments, amounts due from non-controlling shareholder of a subsidiary, 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, interest payable on promissory note and 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 *(Continued)*

(a) Reportable Segment
For the year ended 31 March 2019

	Expressway operations HK$'000	Petroleum business HK$'000	Others HK$'000	Total HK$'000
REVENUE				
Revenue from external customers	**815,915**	**32,371**	**19,091**	**867,377**
Inter-segment revenue	**–**	**–**	**–**	**–**
Reportable segment revenue	**815,915**	**32,371**	**19,091**	**867,377**
Reportable segment (loss)/profit	**(812,312)**	**303**	**(60,011)**	**(872,020)**
Adjusted EBITDA *(Note (i))*	**732,443**	**2,833**	**5,805**	**741,081**
Reportable segment assets	**15,789,372**	**72,779**	**388,565**	**16,250,716**
Reportable segment liabilities	**(14,310,737)**	**(738)**	**(119,025)**	**(14,430,500)**
Other segment information				
Additions of property, plant and equipment	**444**	**69**	**28**	**541**
Additions of biological assets	**–**	**–**	**893**	**893**
Interest income	**71**	**7**	**99**	**177**
Unallocated interest income				**5,322**
Total interest income				**5,499**
Depreciation of property, plant and equipment	**80,621**	**1,737**	**10,939**	**93,297**
Unallocated depreciation of property, plant and equipment				**100**
Total depreciation of property, plant and equipment				**93,397**

6. SEGMENT INFORMATION *(Continued)*

(a) Reportable Segment *(Continued)*

For the year ended 31 March 2019 *(Continued)*

	Expressway operations HK$'000	Petroleum business HK$'000	Others HK$'000	Total HK$'000
Amortisation of prepaid lease payments	–	436	18,022	18,458
Amortisation of concession intangible asset	602,538	–	–	602,538
Impairment loss on property, plant and equipment	–	–	15,612	15,612
Impairment loss of trade and other receivables	–	357	24,418	24,775
Unallocated impairment loss of trade and other receivables				49,608
Total impairment loss of trade and other receivables				74,383
Impairment loss of long-term deposits and prepayments	34,958	–	–	34,958
Written-down of inventories	–	–	1,281	1,281
Finance costs	826,638	–	–	826,638
Unallocated finance costs				268,350
Total finance costs				1,094,988

6. SEGMENT INFORMATION *(Continued)*

(a) Reportable Segment *(Continued)*

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	(894,089)	(48,343)	(105,849)	(1,048,281)
Adjusted EBITDA *(Note (i))*	645,135	1,365	9,459	655,959
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
Interest income	258	74	95	427
Unallocated interest income				4,844
Total interest income				5,271

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
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 loss on property, plant and equipment	–	5,376	–	5,376
Impairment loss of trade and other receivables, net	5,424	39,034	47,800	92,258
Written-down of inventories	–	–	36,692	36,692
Provision for legal claims	27,150	–	–	27,150
Finance costs	658,884	1,690	–	660,574
Unallocated finance costs				280,145
Total finance costs				940,719

Note:

(i) Adjusted EBITDA is defined as earnings before finance costs, taxation, depreciation, amortisation and non-cash changes in values of assets and liabilities.

6. SEGMENT INFORMATION *(Continued)*

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

	2019	2018
	HK$'000	HK$'000
Reportable segment loss	**(872,020)**	(1,048,281)
(Loss)/gain on change in fair value of investment properties	**(1,807)**	1,121
Net realised gain on disposal of financial assets at fair value through profit or loss	**3,447**	–
Fair value gain on financial assets at fair value through profit or loss	**33,000**	–
Net loss on disposal assets of a disposal group classified as held for sale	**–**	(4,997)
Loss on disposal of subsidiaries	**(8)**	(8,849)
Other income and other gains or losses	**3,491**	4,416
Unallocated finance costs	**(268,350)**	(280,145)
Unallocated corporate expenses	**(88,404)**	(64,123)
Consolidated loss before taxation	**(1,190,651)**	(1,400,858)
Assets		
Reportable segment assets	**16,250,716**	18,152,146
Investment properties	**25,620**	28,230
Cash and cash equivalents	**38,905**	39,471
Available-for-sale investments	**–**	82,918
Financial assets at fair value through profit or loss	**102,792**	–
Amounts due from non-controlling shareholder of a subsidiary	**15,201**	16,239
Unallocated corporate assets	**6,116**	66,218
Consolidated total assets	**16,439,350**	18,385,222
Liabilities		
Reportable segment liabilities	**14,430,500**	15,592,978
Deferred tax liabilities	**1,286**	1,995
Promissory note	**315,003**	315,003
Non-convertible bonds	**4,395,648**	4,395,648
Interest payable on promissory note and non-convertible bonds	**889,775**	655,932
Unallocated corporate liabilities	**319,965**	290
Consolidated total liabilities	**20,352,177**	20,961,846

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**	
	2019	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000
PRC	**867,377**	822,086	**16,105,620**	18,046,951
Hong Kong	**–**	–	**42**	467
Australia	**–**	–	**25,620**	28,230
	867,377	822,086	**16,131,282**	18,075,648

(d) Information about major customers

There was no customer contributing 10% or more of the Group's revenue for the years ended 31 March 2019 and 2018.

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 at point in time during the year are as follows:

	2019	2018
	HK$'000	HK$'000
Revenue from toll road and related operations	**815,915**	756,639
CNG gas station service income	**32,371**	28,870
Sales of agricultural and forage products	**14,089**	32,056
Income from supply of solar electricity	**4,599**	2,566
Sales of seedlings	**403**	1,596
Sales of plant-oil	**–**	359
	867,377	822,086

8. OTHER INCOME AND OTHER GAINS OR LOSSES

Other income and other gains or losses comprises:

	2019 **HK$'000**	2018 HK$'000
Interest income	**5,499**	5,271
Exchange (loss)/gain, net	**(2,809)**	108
Rental income	**457**	380
Loss on disposal of subsidiaries *(Note 38)*	**(8)**	(8,849)
Net loss on disposal of assets of a disposal group classified as held for sale	**–**	(4,997)
Gain on disposal of property, plant and equipment	**5,757**	78
Loss on disposal of prepaid lease payments and biological assets *(Note 19(a))*	**–**	(62)
Net realised gain on disposal of financial assets at fair value through profit or loss	**3,447**	–
Fair value gain on financial assets at fair value through profit or loss	**33,000**	–
Government subsidies *(Note)*	**2,205**	3,972
Reversal of over accrued expenses	**–**	3,663
Provision for legal claims	**–**	(27,150)
Others	**2,060**	2,795
	49,608	(24,791)

Note:

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

	2019 **HK$'000**	2018 HK$'000
Interest and finance costs on bank and other borrowings	**636,672**	660,574
Default interest on other borrowings	**190,076**	–
Default interest on non-convertible bonds	**222,567**	219,782
Default interest on promissory note	**45,673**	56,843
Interest expenses on promissory note	**–**	3,520
	1,094,988	940,719

10. LOSS BEFORE TAXATION

Loss before taxation is stated after charging:

	2019 HK$'000	2018 HK$'000
Auditor's remuneration		
– Audit services	**2,300**	2,300
– Non-audit services	**–**	1,460
Depreciation of property, plant and equipment *(Note a)*	**93,397**	100,097
Amortisation of prepaid lease payments *(Note b)*	**18,458**	17,273
Amortisation of concession intangible asset included in cost of sales *(Note 15)*	**602,538**	763,183
Write-off of inventories *(Note 24(b))*	**1,281**	36,692
Operating lease payments recognised as expenses	**13,314**	15,190
Cost of inventories sold *(Note 24(b))*	**23,875**	52,675
Staff costs (excluding directors' emoluments):		
– Salaries and allowances *(Note c)*	**53,733**	59,802
– Defined contributions pension costs	**10,164**	9,200
	63,897	69,002

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

	2019 HK$'000	2018 HK$'000
Amounts included in cost of sales	**85,288**	84,213
Amounts included in selling and administrative expenses	**8,109**	15,884
	93,397	100,097

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

	2019 HK$'000	2018 HK$'000
Amounts included in selling and administrative expenses	**436**	1,884
Amounts included in cost of sales and other direct operating costs	**18,022**	15,389
	18,458	17,273

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

	2019 HK$'000	2018 HK$'000
Amounts included in cost of sales	**20,802**	27,679
Amounts included in selling and administrative expenses	**32,931**	32,123
	53,733	59,802

11. INCOME TAX (CREDIT)/EXPENSE

The income tax (credit)/expense comprises:

	2019 HK$'000	2018 HK$'000
PRC enterprise income tax		
– Current tax expense	**542**	536
– Under/(over) provision in respect of prior years	**4**	(7)
	546	529
Deferred tax *(Note 31)*		
– (Reversal)/recognition of temporary differences	**(631)**	245
Income tax (credit)/expense	**(85)**	774

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

	2019 HK$'000	2018 HK$'000
Loss before taxation	**(1,190,651)**	(1,400,858)
Tax calculated at 25% (2018: 25%)	**(297,663)**	(350,215)
Net effect of non-taxable/deductible items	**263,660**	289,203
Under/(over) provision in respect of prior years	**4**	(7)
Net effect of tax losses and temporary differences not recognised	**4,591**	32,849
Effect of different tax rates of subsidiaries operating in other jurisdictions	**29,323**	28,944
Income tax (credit)/expense	**(85)**	774

The PRC State Council released the Implementation Rules to the Corporate Income Tax Law on 6 December 2007 (the "Implementation Rules"). According to the Implementation Rules, an entity engaged in forestry business is entitled to full exemption from PRC enterprise income tax commencing from 1 January 2008.樹人木業（大埔）有限公司, 樹人苗木組培（大埔）有限公司 and Xinze (as defined in Note 37), subsidiaries of the Company, are qualified as forestry operation enterprise by the local tax authorities and so they are fully exempted from PRC enterprise income tax.

Zhunxing, a subsidiary of the Company, is entitled to a three-year exemption from PRC enterprise income tax followed by a 50% reduction in PRC enterprise income tax for subsequent three years (the "Tax Holiday"). As Zhunxing has started operations during the year ended 31 March 2014, the Tax Holiday 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.

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

For the year ended 31 March 2019, the statutory PRC enterprise income tax rate applicable to all other subsidiaries established and operating in the PRC is 25% (2018: 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.

On 21 March 2018, the Inland Revenue (Amendment) (No. 7) Bill 2017, which introduces a two-tiered profits tax regime for qualifying corporations, was substantively enacted with effect from the year assessment 2018/2019. Under the two-tiered profit tax regime, the first HK$2 million of assessable profits of qualifying corporations will be taxed at the rate of 8.25% and assessable profits above HK$2 million continued to be subject to the tax rate of 16.5%. Such tax regime is applicable to the Company and the subsidiaries in Hong Kong during the year ended 31 March 2019. The statutory tax rate for Hong Kong profits tax was 16.5% on the estimated assessable profits arising in Hong Kong during the year ended 31 March 2018. 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 2019 and 2018.

The subsidiaries in Guyana are liable to Guyana income tax at a rate of 45% (2018: 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 2019 and 2018.

The subsidiaries in Australia are liable to Australian income tax at a rate of 30% (2018: 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 2019 and 2018.

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 2019

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)*	–	50	18	–	68
Fung Tsun Pong	–	1,250	18	–	1,268
Tsang Kam Ching, David	–	2,760	18	–	2,778
Duan Jingquan	–	–	18	–	18
Gao Zhiping	–	690	96	–	786
Jiang Tao	–	–	18	–	18
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	4,750	186	–	5,536

12. DIRECTORS' EMOLUMENTS *(Continued)*

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)*

Note:

During the years ended 31 March 2019 and 2018, no emoluments were paid by the Group to the directors as an inducement to join, or upon joining the Group, or as compensation for loss of office. There were no arrangements under which a director waived or agreed to waive any remuneration during the current and prior years.

During the year, the five highest paid individuals included three (2018: five) directors, details of whose emoluments are set out above. The aggregate of the emoluments in respect of the other two (2018: nil) individuals during the year are as follow:

	2019 **HK$'000**	2018 HK$'000
Salaries and allowances	**1,924**	–
Defined contributions pension costs	**36**	–
	1,960	–

The emoluments of the two (2018: nil) individuals with the highest emoluments fell within the followings bands:

	2019 **Number of individuals**	2018 Number of individuals
Emolument bands		
Nil to HK$1,000,000	**1**	–
HK$1,000,001 to HK$1,500,000	**1**	–
HK$1,500,001 to HK$2,000,000	**–**	–
HK$2,000,001 to HK$2,500,000	**–**	–
HK$2,500,001 to HK$3,000,000	**–**	–
	2	–

13. DIVIDEND

The directors of the Company do not recommend the payment of a dividend for the year ended 31 March 2019 (2018: 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:

	2019 **HK$'000**	2018 HK$'000
Loss for the purposes of basic and diluted loss per share	**(1,072,414)**	(1,284,931)

Number of shares:	**'000**	'000
Ordinary shares in issue at 1 April	**7,442,396**	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	**7,442,396**	7,368,670

No diluted loss per share is presented for the year ended 31 March 2019 as all share options of the Company, which were brought forward from last year, lapsed and accordingly, there were no potential ordinary shares in issue during the year.

The computation of diluted loss per share for the year ended 31 March 2018 did not assume the exercise of the Company's outstanding share options as the exercise prices of those options were higher than the average market price for the Company's shares for the year ended in March 2018.

15. CONCESSION INTANGIBLE ASSET

	2019 **HK$'000**	2018 HK$'000
Cost:		
At 1 April	**21,079,783**	18,081,888
Additions	**–**	1,374,122
Exchange differences	**(1,278,796)**	1,623,773
At 31 March	**19,800,987**	21,079,783
Accumulated amortisation and impairment:		
At 1 April	**4,454,961**	3,580,621
Amortisation for the year	**602,538**	763,183
Exchange differences	**(251,180)**	111,157
At 31 March	**4,806,319**	4,454,961
Net carrying amount:		
At 31 March	**14,994,668**	16,624,822

(a) Description 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".

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 2019 and 2018.

15. CONCESSION INTANGIBLE ASSETS *(Continued)*

(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.

As disclosed in Note 6(a), revenue and adjusted EBITDA of Expressway CGU for the year ended 31 March 2019 and 2018 are as follows:

	Year ended 31 March	
	2019	2018
	HK$'000	HK$'000
Revenue	**815,915**	756,639
Adjusted EBITDA	**732,443**	645,135

During the years ended 31 March 2019 and 2018, 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:

	2019	2018
Remaining exclusive operating period	**26 years**	27 years
Discount rate	**10.42%**	10.46%
Toll rate per kilometre per ton	**RMB0.09**	RMB0.09
Average long-term toll revenue growth rate over the whole remaining exclusive operating period	**6.24%**	8.48%
Average toll revenue growth rate for next two years from 2020 to 2021 (2018: 2019 to 2020)	**7.82-7.74%**	8.99-9%
Average toll revenue growth rate for the period from 2022 (2018: 2021) to end of exclusive operating period	**6.11%**	8.44%

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 2019 and 2018, 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 years ended 31 March 2019 and 2018.

At 31 March 2019, the proforma sensitivity analysis on the potential downside effects arising from 5% increase in the discount rate and 5% decrease in the average long-term toll revenue growth rate of Expressway CGU is disclosed in Note 5(b).

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$'000	Camellia trees HK$'000	Construction in progress HK$'000	Total HK$'000
Cost												
At 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 37)*	–	–	–	18,378	–	–	–	–	–	–	–	18,378
Disposal	–	–	(587)	(5,009)	(1,526)	–	–	–	–	–	–	(7,122)
Disposal of subsidiaries *(Note 38(b))*	–	–	(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 and 1 April 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
Additions	–	–	–	541	–	–	–	–	–	–	–	541
Disposal	(67,400)	–	–	(48)	(791)	–	–	–	–	–	–	(68,239)
Exchange difference	(31,731)	(6,982)	(1,152)	(7,483)	(2,360)	–	(34,135)	(6,942)	(3,834)	(1,703)	(509)	(96,831)
At 31 March 2019	394,509	102,274	14,116	127,882	37,633	61,952	500,000	101,679	56,156	24,946	141,798	1,562,945
Accumulated depreciation and impairment:												
At 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 38(b))*	–	–	(5,060)	(5,153)	(2,998)	–	–	–	–	–	–	(13,211)
Impairment	–	–	–	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 and 1 April 2018	111,010	2,738	14,619	94,140	29,536	61,952	263,120	53,508	29,198	3,679	–	663,500
Charge for the year	12,136	5,068	390	12,253	3,708	–	44,614	9,073	5,011	1,144	–	93,397
Disposal	(10,978)	–	–	(46)	(723)	–	–	–	–	–	–	(11,747)
Impairment	–	–	–	98	–	–	–	–	–	15,514	–	15,612
Exchange difference	(7,032)	(157)	(1,092)	(3,506)	(1,639)	–	(16,659)	(3,388)	(1,848)	(177)	–	(35,498)
At 31 March 2019	105,136	7,649	13,917	102,939	30,882	61,952	291,075	59,193	32,361	20,160	–	725,264
Net carrying amount:												
At 31 March 2019	289,373	94,625	199	24,943	6,751	–	208,925	42,486	23,795	4,786	141,798	837,681
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

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 2019, the Group owned and obtained all the forestry ownership certificates for approximately 10,278 (2018: 10,278) 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 net carrying amounts of property, plant and equipment of the following operations at the reporting period end were as follows:

	2019 HK$'000	2018 HK$'000
Zhunxing Expressway	**686,460**	870,942
Petroleum business	**23,014**	26,374
Other operations	**128,207**	166,658
	837,681	1,063,974

Impairment testing of property, plant and equipment

At the end of each reporting period, relevant 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 years ended 31 March 2019 and 2018. During the year ended 31 March 2019, management of the Group conducted an assessment of the camellia trees, taking into account of the circumstances of these camellia trees of which some were withered and accordingly, an impairment of approximately RMB13,314,000 (equivalent to approximately HK$15,514,000) (2018: HK$Nil) was made in the consolidated financial statements. At 31 March 2019, accumulated impairment losses of HK$135,540,000 (2018: HK$135,540,000) and HK$15,514,000 (2018: HK$Nil) recognised on the property, plant and equipment were related to the Zhunxing Expressway and camellia trees, respectively.

17. PREPAID LEASE PAYMENTS

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

	2019 HK$'000	2018 HK$'000
At 1 April	**207,543**	34,377
Acquisition of subsidiaries *(Note 37)*	**–**	169,787
Disposal during the year *(Note 19(a))*	**–**	(506)
Amortisation for the year	**(18,458)**	(17,273)
Exchange difference	**(13,327)**	21,158
At 31 March	**175,758**	207,543
Represented by:		
Current portion	**14,174**	2,825
Non-current portion	**161,584**	204,718
	175,758	207,543

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 2017	64,616	31,232	95,848
Disposal of subsidiaries	(17,547)	(31,232)	(48,779)
Exchange difference	5,078	–	5,078
At 31 March 2018	52,147	–	52,147
Exchange difference	(3,332)	–	(3,332)
At 31 March 2019	**48,815**	**–**	**48,815**
Accumulated amortisation and impairment loss:			
At 1 April 2017	17,547	31,232	48,779
Disposal of subsidiaries	(17,547)	(31,232)	(48,779)
Exchange difference	–	–	–
At 31 March 2018 and 31 March 2019	**–**	**–**	**–**
Net book value:			
At 31 March 2019	**48,815**	**–**	**48,815**
At 31 March 2018	52,147	–	52,147

During the last year ended 31 March 2018, as disclosed in Note 38(b), the Group disposed of 100% equity interests of Shenzhen Shi Qianhai Zitong Energy Company Limited ("Qianhai Zitong") which 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") of which the goodwill of HK$17,547,000 and other intangible assets – customer relationships of HK$31,232,000 arising from business combinations in the previous year ended 31 March 2014 had been fully impaired at 31 March 2017.

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 during the year ended 31 March 2014. The following is a summary of goodwill allocation to the Group's cash-generating units as at 31 March 2019 and 2018:

	2019 **HK$'000**	2018 HK$'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 business segment ("CNG gas stations CGU")	**48,815**	52,147

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 2019 and 31 March 2018 are as follows:

	As at **31 March 2019** **CNG gas** **stations CGU**	As at 31 March 2018 CNG gas stations CGU
EBITDA margin (average of next five years)	**14.1%**	15.8%
Long-term growth rate	**5%**	5%
Discount rate	**11.31%**	11.31%

Management determined the earnings 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 in the PRC in which CNG gas stations CGU currently operates. The discount rate used is pre-tax and reflects specific risks relating to CNG gas stations CGU. The recoverable amount of the CNG gas stations CGU based on the estimated value in use calculations was higher than its carrying amount at 31 March 2019. 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 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 and 1 April 2018	1,057	63,225	64,282
Plantation expenditure incurred	312	581	893
Cost of direct sales	(1,294)	(1,325)	(2,619)
Change in fair value less costs to sell	–	4,456	4,456
Exchange difference	(71)	(4,027)	(4,098)
At 31 March 2019	**4**	**62,910**	**62,914**

(a) Description of the Group's biological assets

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

For standing trees, at 31 March 2019, the Group owned and obtained all the forestry ownership certificates for approximately 82,817 (2018: 82,817) 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 2019 and 2018.

During the year ended 31 March 2018, the Group disposed of the prepaid lease payments for approximately 2,093 Chinese Mu with carrying amount of HK$506,000 (Note 17) together with the standing trees with carrying amount of HK$1,418,000 to an independent third party at a consideration of HK$1,862,000. A loss of disposal of HK$62,000 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 2019 and 2018 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 the 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 2019 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**	
	2019	2018
Price of round logs per cubic meter	**RMB435 to RMB885**	RMB435 to RMB835
Growth rate	**5.1%**	5.1%
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 2019

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	11,979	(10,488)

Changes on the recovery rate	**Increased by 5%** HK$'000	**Decreased by 5%** HK$'000
Increase/(decrease) in fair value	4,476	(4,475)

(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 2019 to verify the physical existence and quality of the biological assets.

20. FOREST CONCESSION RIGHTS

On 11 January 2017, the Group 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 since 31 March 2016, with effect from 10 January 2017.

During the year ended 31 March 2019, the forest concession rights with zero carrying value had been written off.

21. INVESTMENT PROPERTIES

	2019 **HK$'000**	2018 HK$'000
At valuation:		
At 1 April	**28,230**	26,975
(Loss)/gain on change of fair value of investment properties	**(1,807)**	1,121
Exchange difference	**(803)**	134
At 31 March	**25,620**	28,230

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 2019 and 2018.

The Group's investment properties were revalued at 31 March 2019 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 loss from the change in fair value of the Group's investment properties estimated by LCH on 31 March 2019 amounted to HK$1,807,000 (2018: gain of HK$1,121,000) has been recognised in profit or loss for the year ended 31 March 2019.

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 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**	
	2019	2018
Unit price of land (Australian Dollars ("AUD") per sq. meter)	**AUD225 to AUD615**	AUD217 to AUD615
Replacement cost of new building of similar characteristics (AUD per sq. meter)	**AUD1,265**	AUD1,240

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. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS/AVAILABLE-FOR-SALE INVESTMENTS

	31 March 2019 HK$'000	1 April 2018 HK$'000	31 March 2018 HK$'000
Under non-current assets			
Financial assets at FVTPL:			
Unlisted equity securities, at fair value *(Note (a) and (c))*	**97,219**	74,816	–
Available-for-sale investments:			
Unlisted equity securities, at cost *(Note (a) and (c))*	**–**	–	82,918
Under current assets			
Financial assets at FVTPL:			
Listed securities listed outside Hong Kong, at fair value *(Note (b))*	**5,573**	–	–
	102,792	74,816	82,918

Notes:

(a) The unlisted equity securities represent investment in equity securities issued by private entities established and operate in the PRC. As at 31 March 2018, they were classified as available-for-sale investments and stated at cost less impairment. Upon the application of HKFRS 9, they were reclassified to financial assets at FVTPL as disclosed in Note 2.

At 1 April 2018 and 31 March 2019, the fair values of these unlisted equity investments were determined by the directors of the Company with reference to the valuations carried out by LCH (Asia-Pacific) Surveyors Limited, an independent firm of professional valuers, using the market approach model based on the sales multiple of enterprise value to sales ("EV/Sales") and the average of EV/Sales and P/E (i.e. Price to Earnings) of comparable listed companies in the same industry, after taking into account of discount for lack of marketability of 31% for these unlisted equity investments. Further details are disclosed in Note 43(f).

(b) The equity securities listed in the PRC are held for trading purpose and are carried at fair value at the reporting period end, which was determined by reference to the closing price of the respective listed securities.

(c) At 31 March 2019, the Group's 15.2% equity investment in 內蒙古博源新型能源有限公司 with a fair value of HK$15,073,000 (1 April 2018: HK$13,179,000) was pledged to a bank as security for the Group's borrowings as referred to in Note 30(b)(i).

23. PRINCIPAL SUBSIDIARIES

Particulars of principal subsidiaries as at 31 March 2019 are set out below.

Name	Place of incorporation and operation	Registered capital	Proportion of ownership interest: Held by the Company %	Held by a subsidiary %	Attributable to the Group %	Principal activity
Zhunxing *(defined in Note 3(b)(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有限責任公司	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 37 and Note (b) below)*	The PRC	RMB68,000,000	–	100	60	Growing and sales of forage and agricultural products
內蒙古准興新能源有限公司	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 and Xinze is disclosed in Note 42 to the consolidated financial statements.

24. INVENTORIES

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

	2019 **HK$'000**	2018 HK$'000
Raw materials	**4,820**	6,634
Work in progress	**13,626**	13,939
Finished goods	**5,441**	6,074
	23,887	26,647

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

	2019 **HK$'000**	2018 HK$'000
Woods and timber	**23,351**	24,855
Plant oils	**496**	1,519
Forage products	**26**	28
Others	**14**	245
	23,887	26,647

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

	2019 **HK$'000**	2018 HK$'000
Cost of inventories sold	**23,875**	52,675
Write-down of inventories in the normal course of business	**1,281**	36,692
	25,156	89,367

25. TRADE AND OTHER RECEIVABLES

	2019 **HK$'000**	2018 HK$'000
Trade receivables	**52,788**	47,922
Less: Provision for impairment loss	**(30,186)**	(5,939)
Trade receivables, net	**22,602**	41,983
Other receivables	**171,821**	133,672
Less: Provision for impairment loss	**(89,024)**	(40,485)
Other receivables, net	**82,797**	93,187
Other loan receivable	**62,914**	67,210
Less: Provision for impairment loss	**(62,914)**	(67,210)
Other loan receivable, net	**–**	–
Loan and other receivables, net	**105,399**	135,170
Deposits paid	**3,454**	3,601
Less: Provision for impairment loss	**(6)**	(6)
Deposits paid, net	**3,448**	3,595
Prepayments	**15,528**	14,744
Less: Provision for impairment loss	**(11,266)**	(12,035)
Prepayments, net	**4,262**	2,709
	113,109	141,474

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 of the Group.

25. TRADE AND OTHER RECEIVABLES *(Continued)*

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

	2019 HK$'000	2018 HK$'000
At 1 April	**125,675**	135,530
Add: Impairment loss recognised	**74,383**	96,518
Less: Reversal of impairment	**–**	(4,260)
Less: Release upon disposal of subsidiaries	**–**	(113,245)
Exchange differences	**(6,662)**	11,132
At 31 March	**193,396**	125,675

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

	2019 HK$'000	2018 HK$'000
Outstanding balances aged:		
0 to 30 days	**16,209**	16,488
31 to 60 days	**250**	1,105
61 to 180 days	**6,143**	24,390
Over 180 days	**–**	–
	22,602	41,983

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

	2019 HK$'000	2018 HK$'000
Neither past due nor impaired	**16,209**	16,488
30 to 90 days past due	**6,393**	25,495
	22,602	41,983

Details of analysis of credit risks and provision for expected credit losses on receivables are disclosed in Note 43(c).

At 31 March 2019, other loan receivable represented the balance of an unsecured advance of RMB50,000,000 (2018: RMB50,000,000) made to a third party in August 2015 and the interest accrued thereon, totaling approximately HK$62,914,000 (2018: HK$67,210,000) which had been overdue since 2016 and accordingly, full impairment on the carrying balance of approximately HK$62,914,000 (2018: HK$67,210,000) was recognised.

At 31 March 2019, included in the other receivables (net of provision for impairment loss) were security deposits of approximately HK$54,551,000 (2018: HK$28,544,000) made to courts in the PRC in relation to certain litigations instituted by certain third party contractors, subcontractors or suppliers for which, in the opinion of the Directors of the Company, construction costs were adequately accrued as referred to in Note 28(a).

26. 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.

27. CASH AND CASH EQUIVALENTS

	2019	2018
	HK$'000	HK$'000
Cash and bank balances	**38,905**	39,471

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.

28. TRADE AND OTHER PAYABLES

	31 March 2019	1 April 2018	31 March 2018
	HK$'000	HK$'000	HK$'000
Trade payables *(Note c)*	**–**	2,236	2,236
Other payables and accruals *(Note a)*	**3,566,753**	3,495,415	3,495,415
Deposits received from customers *(Note e)*	**–**	–	1,655
Contract liabilities *(Note e)*	**18,456**	1,655	–
Refundable earnest monies received from the Purchaser C *(Note d)*	**273,579**	97,272	97,272
	3,858,788	3,596,578	3,596,578

28. TRADE AND OTHER PAYABLES *(Continued)*

Notes:

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

	2019 **HK$'000**	2018 HK$'000
Construction costs payable	**2,052,680**	2,349,940
Retention and guarantee deposits	**182,939**	201,508
Accrued and default interest on the bank and other borrowings	**306,586**	98,188
Accrued and default interests on promissory note *(Note 29)*	**368,345**	322,672
Accrued default interest on non-convertible bonds *(Note 32)*	**521,430**	333,260
Other deposits and accruals	**134,773**	189,847
	3,566,753	3,495,415

At 31 March 2019, the Group was in default in the repayment of outstanding accrued and default interests totalling approximately HK$1,186,181,000 (2018: HK$655,932,000) which comprises overdue amounts of approximately HK$368,345,000 (2018: HK$322,672,000),HK$521,430,000 (2018: HK$333,260,000) and HK$296,406,000 (2018: HK$Nil) payable on the promissory note, non-convertible bonds and other borrowings respectively.

(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:

	2019 **HK$'000**	2018 HK$'000
Outstanding balances aged:		
Over 61 days	**–**	2,236

(d) During the year ended 31 March 2018, the Group and Purchaser C entered into an agreement, pursuant to which Purchaser C agreed to pay RMB80,000,000 (equivalent to HK$97,272,000) to the Group as refundable earnest monies for the disposal of 18% equity interest in Zhunxing (Note 3(b)(i)). During the year ended 31 March 2019, additional refundable earnest monies of RMB145,000,000 (equivalent to HK$176,307,000) was paid by Purchaser C to the Group. These refundable earnest monies of approximately HK$273,579,000 (2018: HK$97,272,000) will be applied towards the settlement of consideration of the disposal when the disposal transaction is completed.

(e) The movements of the contract liabilities during the year are as follows:

	HK$'000
At 1 April 2018	
– Reclassified from deposits received from customers upon adoption of HKFRS 15	**1,655**
Amount recognised as revenue during the year	**(1,655)**
Deposits received from customers during the year	**18,456**
At 31 March 2019	**18,456**

29. PROMISSORY NOTE

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 was 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 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 interest. At 31 March 2019, the cumulative default interest of HK$368,345,000 (2018: HK$322,672,000) was accrued and separately presented under other payables and accruals (Note 28).

Subsequent to 31 March 2019 and on 16 April 2019, the promissory note, together with the accrued and default interests, was extinguished and replaced by new promissory notes, which are unsecured, bearing coupon interest at 5% per annum and repayable on 15 April 2024, as referred to in Note 48 to the consolidated financial statements.

30. BORROWINGS

	2019 **HK$'000**	2018 HK$'000
Bank borrowings	**11,312,301**	12,153,580
Other borrowings	**469,151**	499,042
	11,781,452	12,652,622

30. BORROWINGS *(Continued)*

(a) At 31 March 2019, borrowings of the Group were repayable as follows:

	2019 **HK$'000**	2018 HK$'000
Within 1 year or on demand	**637,431**	722,332
After 1 year but within 2 years	**366,869**	297,365
After 2 years but within 5 years	**1,768,358**	1,675,562
After 5 years	**9,008,794**	9,957,363
	11,144,021	11,930,290
	11,781,452	12,652,622

(b) At 31 March 2019, borrowings of the Group were secured as follows:

	Notes	**2019** **HK$'000**	2018 HK$'000
Secured	*(i)*	**11,312,301**	12,153,580
Unsecured	*(ii)*	**469,151**	499,042
		11,781,452	12,652,622

Notes:

(i) At 31 March 2019 and 2018, 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 fair value of HK$15,073,000 (1 April 2018: HK$13,179,000) (Note 22); (c) the equity interests in 內蒙古准興高速服務區管理有限責任公司; (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; and (d) Zhunxing.

(ii) At 31 March 2019 and 2018, the unsecured borrowings of the Group were guaranteed by (a) the Company and (b) certain wholly-owned subsidiaries of the Company.

(iii) The Group's available banking facilities as at 31 March 2019 amounted to approximately HK$11,781,452,000 (2018: HK$12,652,622,000), all of which HK$11,781,452,000 (2018: HK$12,652,622,000) has been utilised.

(iv) All the other borrowings were overdue at 31 March 2019. On 29 October 2018, an independent third party lender commenced legal actions against the Company and the Group for immediate repayment of a total outstanding balance of other borrowing, accrued interests and accrued default interests of approximately RMB606,108,000 at 20 September 2018 (equivalent to approximately HK$694,237,000), which was accumulated to approximately RMB652,888,000 (equivalent to approximately HK$763,448,000) at 31 March 2019, for which a corporate guarantee has been issued by the Company. Details are set out in the Company's announcement dated 29 October 2018.

31. DEFERRED TAX LIABILITIES

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

	Revaluation of property, plant and equipment HK$'000	**Revaluation of investment properties** HK$'000	**Total** HK$'000
At 1 April 2017	1,178	458	1,636
Exchange difference	122	(8)	114
Credited to profit or loss *(Note 11)*	(91)	336	245
At 31 March 2018 and 1 April 2018	1,209	786	1,995
Exchange difference	(78)	–	(78)
Charged to profit or loss *(Note 11)*	(89)	(542)	(631)
At 31 March 2019	1,042	244	1,286

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$193,113,000 (2018: HK$192,526,000) to be carried forward for offset against future taxable income which included tax losses of HK$164,174,000 (2018: HK$162,465,000) 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.

32. NON-CONVERTIBLE BONDS

As at 31 March 2019 and 2018, 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$'000	**Default interest** HK$'000 *(Note 28(a))*
31 March 2019				
Bond A	500,000	19,295	519,295	72,905
Bond B	500,000	45,083	545,083	63,986
Bond C	832,000	2,468	834,468	120,396
Bond D	1,500,000	182,556	1,682,556	184,492
Bond E	700,000	114,246	814,246	79,651
	4,032,000	363,648	4,395,648	521,430
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

(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.

33. SHARE CAPITAL

		Number of shares '000	Amount HK$'000
Ordinary shares of HK$0.20 each			
Authorised:			
As at 1 April 2017, 31 March 2018, 1 April 2018 and 31 March 2019		20,000,000	4,000,000
Issued and fully paid:			
As at 1 April 2017		6,752,396	1,350,479
Issue of new shares as the consideration	*(Note)*	690,000	138,000
As at 31 March 2018, 1 April 2018 and 31 March 2019		7,442,396	1,488,479

Note:

On 10 May 2017, as disclosed in Note 37, 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 the 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.

34. 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.

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.

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

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

For the year ended 31 March 2019

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

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

The exercise price of the above equity-settled share options was 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 prior to their expiry during the year (2018: Nil). All these outstanding share options lapsed during the year.

35. STATEMENT OF FINANCIAL POSITION OF THE COMPANY
As at 31 March 2019

	Notes	2019 HK$'000	2018 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**21**	32
Interests in subsidiaries, net		**1,739,555**	2,835,671
TOTAL NON-CURRENT ASSETS		**1,739,576**	2,835,703
CURRENT ASSETS			
Amount due from a subsidiary, net		**594,546**	–
Trade and other receivables		**3,139**	47,431
Cash and cash equivalents		**408**	3,069
TOTAL CURRENT ASSETS		**598,093**	50,500
CURRENT LIABILITIES			
Trade and other payables		**1,003,753**	769,428
Promissory note		**315,003**	315,003
Non-convertible bonds		**4,395,648**	4,395,648
Obligation under a financial guarantee for a subsidiary's other borrowings		**763,448**	–
TOTAL CURRENT LIABILITIES		**6,477,852**	5,480,079
NET CURRENT LIABILITIES		**(5,879,759)**	(5,429,579)
TOTAL ASSETS LESS CURRENT LIABILITIES		**(4,140,183)**	(2,593,876)
NET LIABILITIES		**(4,140,183)**	(2,593,876)
CAPITAL AND RESERVES			
Share capital	33	**1,488,479**	1,488,479
Reserves	36	**(5,628,662)**	(4,082,355)
DEFICIENCY IN EQUITY		**(4,140,183)**	(2,593,876)

Approved and authorised for issue by the board of directors on 28 June 2019.

Mr. Cao Zhong
Director

Mr. Tsang Kam Ching, David
Director

36. COMPANY'S RESERVES

	Share premium HK$'000 *(Note (i))*	**Share options reserve** HK$'000 *(Note (ii))*	**Capital redemption reserve** HK$'000	**Contributed surplus** HK$'000 *(Note (iii))*	**Accumulated losses** HK$'000	**Total** HK$'000
At 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 37)*	(15,180)	–	–	–	–	(15,180)
At 31 March 2018 and 1 April 2018	1,880,939	28,058	3,800	64,314	(6,059,466)	(4,082,355)
Loss for the year	–	–	–	–	(1,546,307)	(1,546,307)
Total comprehensive income for the year	–	–	–	–	(1,546,307)	(1,546,307)
Transfer upon lapse of share options	–	(28,058)	–	–	28,058	–
At 31 March 2019	1,880,939	–	3,800	64,314	(7,577,715)	(5,628,662)

Notes:

(i) Under the Cayman Islands Companies Law, the funds in share premium account are distributable to shareholders of the Company provided 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.

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

(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) At 31 March 2019 and 2018, the Company did not have distributable reserve.

37. 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 Group was acquired 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 year ended 31 March 2018 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.

37. 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	(34,401)
Net assets	147,365
Non-controlling interests, 40% thereon	(58,946)
Fair value of net assets acquired	88,419
Assignment of shareholder loan 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.

38. DISPOSAL OF SUBSIDIARIES

(a) Sunshine Focus – 2019

In April 2018, 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 100% equity interests in Sunshine Focus Limited ("Sunshine Focus") and shareholder loan owed by Sunshine Focus to a shareholder ("Shareholder Loan") to the independent third party buyer at a consideration of HK$6,000,000. Sunshine Focus owned 100% equity interests in Cheer Luck Investment Limited (collectively referred to as "Sunshine Focus Group"). The disposal was completed on 9 April 2018.

The net liabilities of Sunshine Focus Group at the date of the disposal were as follows:

	2019 **HK$'000**
Financial assets at fair value through profit or loss	**6,000**
Cash and cash equivalents	**8**
Shareholder Loan	**(10,063)**
Net liabilities	**(4,055)**
Net liabilities	**(4,055)**
Assignment of Shareholder Loan	**10,063**
Loss on disposal of the subsidiaries	**(8)**
Total consideration	**6,000**
Satisfied by:	
Cash	**6,000**
Net cash inflow arising on the disposal:	
Cash consideration received	**6,000**
Cash and bank balances disposed of	**(8)**
Net cash inflow	**5,992**

38. DISPOSAL OF SUBSIDIARIES *(Continued)*

(b) 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 year ended 31 March 2018 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	–
Goodwill and other intangible assets	–
Prepayment and other receivables	–
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	–

39. OPERATING LEASES

Operating lease commitments – as a lessee

As at 31 March 2019, the Group had total future minimum lease payments under non-cancellable operating leases due at the end of reporting period as follows:

	2019 **HK$'000**	2018 HK$'000
Within one year	**11,832**	13,277
In the second to fifth year, inclusive	**29,560**	39,998
Over five years	**4,651**	8,261
	46,043	61,536

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 2019 was HK$457,000 (2018: HK$380,000).

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

	2019 **HK$'000**	2018 HK$'000
Within one year	**259**	136
In the second to fifth year, inclusive	**1,066**	544
Over five years	**4,714**	1,914
	6,039	2,594

40. CAPITAL COMMITMENTS

Apart from those disclosed in Note 3(b)(i) and (ii), capital commitments outstanding at 31 March 2019 not provided for in the consolidated financial statements were as follows:

	2019 **HK$'000**	2018 HK$'000
Contracted but not provided for		
– acquisition of property, plant and equipment	**22,897**	22,418

41. 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 2019 and 2018:

Related party relationship	**Type of transactions**	*Notes*	**For the year ended 31 March 2019 HK$'000**	For the year ended 31 March 2018 HK$'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	*30*	**700,224**	792,711
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	*32(a)*	**1,064,378**	1,064,378

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

42. NON-CONTROLLING INTERESTS

The following tables summarized the financial information relating to each of the Group's subsidiaries that has material non-controlling interests ("NCI") at the end of the reporting period. The summarized financial information presented below represents the amounts before any inter-company elimination.

For the year ended 31 March 2019

	Zhunxing Group HK$'000	Red Sino Group HK$'000
NCI percentage	13.13%	40%
Revenue	815,915	14,089
Loss for the year	(810,957)	(28,230)
Total comprehensive income	(920,663)	(41,308)
Loss allocated to NCI	(106,479)	(11,292)
Total comprehensive income allocate to NCI	(120,883)	(16,523)
Cash flows from operating activities	657,999	(68)
Cash flows from investing activities	(78,974)	–
Cash flows from financing activities	(559,398)	5
Net cash inflows/(outflows)	19,627	(63)
As at 31 March 2019		
Current assets	181,948	19,771
Non-current assets	15,696,426	142,495
Current liabilities	(4,049,511)	(729)
Non-current liabilities	(11,997,765)	–
Net (liabilities)/assets	(168,902)	161,537
Accumulated NCI	(22,177)	64,615

42. NON-CONTROLLING INTERESTS *(Continued)*

For the year ended 31 March 2018

	Zhunxing Group HK$'000	Red Sino Group HK$'000
NCI percentage	13.13%	40%
Revenue	756,559	32,056*
(Loss)/profit for the year/period	(889,861)	1,287*
Total comprehensive income	(714,821)	19,534*
(Loss)/profit allocated to NCI	(116,839)	515*
Total comprehensive income allocate to NCI	(93,856)	7,814*
Cash flows from operating activities	639,577	(1,852)*
Cash flows from investing activities	(57,693)	1*
Cash flows from financing activities	(581,958)	259*
Net cash outflows	(74)	(1,592)
As at 31 March 2018		
Current assets	85,714	27,037
Non-current assets	17,580,752	185,074
Current liabilities	(4,096,383)	(43,667)
Non-current liabilities	(12,784,034)	–
Net assets	786,049	168,444
Accumulated NCI	103,208	67,378

* Figures related to post-acquisition period.

43. 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.

	2019		2018	
	Effective interest rate per annum	**HK$'000**	Effective interest rate per annum	HK$'000
Floating-rate on bank deposits	**0.59%**	**34,892**	0.98%	35,254
Floating-rate on borrowings	**5.17%**	**11,312,301**	5.64%	12,153,580
Fixed-rate on borrowings	**10.99%**	**469,151**	11.00%	499,042
Floating-rate on non-convertible bonds	**5.06%**	**4,395,648**	5%	4,395,648
Fixed-rate on promissory note	**–**	**–**	1.5%	280,000
Fixed-rate on promissory note and accrued coupon interest	**18.25%**	**315,003**	18.25%	315,003

At 31 March 2019, 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$149,548,000 (2018: increase the Group's loss and accumulated losses by approximately HK$157,959,000). Other components of consolidated equity would not have any impact.

43. 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.

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 54% (2018: 28%) and 96% (2018: 72%) 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.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are generally due within 60 days, extending up to over 90 days or more for major customers. The Group does not obtain collateral from customers.

Upon adoption of HKFRS 9 for the current year, the Group determines the provision for impairment of trade and other receivables on a forward looking basis. Lifetime ECLs on trade receivables are recognised from initial recognition of the assets. The provision matrix is determined based on the Group's historical observed default rates over the expected life of the trade receivables with similar credit risk characteristics and is adjusted for forward looking estimates. Other receivables are considered for 12-month expected credit losses unless there has been a significant increase in credit risk of the financial instruments, in which case the loss allowance is measured at an amount equal to lifetime ECLs. In making the judgement, management considers available reasonable and supportive forward-looking information such as actual or expected significant changes in operating results and financial positions of the customers, past payment history of the customers, and actual or expected adverse changes in business, financial or economic conditions that are expected to cause a significant change in the customers' ability to settle their trade debts. At each reporting period end, the historical observed default rates are updated and changes in the forward-looking economic conditions and estimates are analysed by the Group's management.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

43. FINANCIAL RISK MANAGEMENT *(Continued)*

(c) Credit risk *(Continued)*

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables (based on due date) as at 31 March 2019:

	Expected loss rate	Gross carrying amount HK$'000	Loss allowance HK$'000	Net HK$'000
Within 30 days	0%	16,209	–	16,209
More than 30 days but within 90 days	58.92%	15,562	9,169	6,393
Over 90 days	100%	21,017	21,017	–
		52,788	30,186	22,602

Expected loss rates are based on actual loss over the past 3 years. These rates are adjusted to reflect differences between economics conditions during the period over which the historic data has been collected, current conditions and the Group's view of economics conditions over the expected lives of the receivables.

Prior to 1 April 2018, an impairment loss was recognised only when there was objective evidence of impairment. At 31 March 2018, trade receivables of HK$5,939,000 was determined to be impaired. Impairment loss in respect of trade debtors was recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade debtors directly.

As at 31 March 2018, the Group performed an individual credit evaluation on all debtors. These evaluations considered the debtor's background, financial strengths, repayment status during and after 2018, and other specific circumstances with the debtors. As a result of the evaluation exercise based on the information available and current circumstances at 31 March 2018, the Group recorded impairment provision of HK$5,939,000 against the gross receivables balance from customers which were overdue for more than 90 days and brought forward from previous years. Allowance for doubtful debts of HK$5,939,000 was recognised against the gross receivable balance of HK$47,922,000 as at 31 March 2018 and a reversal of previous specific provision for impairment of trade receivables of HK$4,260,000 which was received by the Group during the year ended 31 March 2018.

43. FINANCIAL RISK MANAGEMENT *(Continued)*

(c) Credit risk *(Continued)*

As at 31 March 2018, the Group's trade debtors of HK$5,939,000 were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and management assessed that only a portion of the receivables is expected to be recovered. The aging analysis of trade debtors that were not considered to be impaired at 31 March 2018 was as follows:

	2018 HK$'000
Neither past due nor impaired	16,488
30 to 90 days past due	25,495
	41,983

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired related to a number of independent customers that had a good track record with the Group. Based on past experience, management believes that no impairment allowance was necessary in respect of these balances as there had been no significant change in their credit quality and the balances were still considered fully recoverable.

Further quantitative disclosures in respect of the Group's exposures to credit risk arising from trade and other receivables are set out in Note 25.

43. 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	Total contractual undiscounted cash flows	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2019						
Trade and other payables	**3,840,332**	**3,840,332**	**3,840,332**	**–**	**–**	**–**
Promissory note	**315,003**	**315,003**	**315,003**	**–**	**–**	**–**
Borrowings	**11,781,452**	**16,880,696**	**1,200,043**	**919,667**	**3,348,526**	**11,412,460**
Non-convertible bonds	**4,395,648**	**4,395,648**	**4,395,648**	**–**	**–**	**–**
	20,332,435	**25,431,679**	**9,751,026**	**919,667**	**3,348,526**	**11,412,460**
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

(e) Equity price risk

The Group is exposed to equity price changes arising from equity investments classified as financial assets at fair value through profit or loss (Note 22).

Equity price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment (stock-specific) or its issuer, or factor affecting all instruments (generic risks) trade in the market.

The fair value of the Group's unlisted investments designated and carried at fair value through profit or loss are determined by reference to the sales multiple of enterprise value to sales ("EV/Sales") or the average of EV/Sales and P/E (i.e. Price to Earnings) of comparable listed companies in the same industry, after taking into account of discount for lack of marketability of 31% for the respective unlisted equity investments. The performance is assessed at least bi-annually based on the information made available to the Group.

43. FINANCIAL RISK MANAGEMENT *(Continued)*

(e) Equity price risk *(Continued)*

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

At 31 March 2019, it is estimated that an increase/(decrease) of 5% in the relevant share market price, with all other variables held constant, would have (decreased)/increased the Group's loss for the year ended 31 March 2019 and accumulated losses by approximately HK$279,000, respectively.

(f) Fair value hierarchy

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

- Level 1 valuations: Fair value measured using only Level 1 inputs, that is, unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

- Level 2 valuations: Fair value measured using Level 2 inputs, that is, observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

- Level 3 valuations: Fair value measured using significant unobservable inputs.

An external independent valuation company, with appropriate recognised professional qualifications, is engaged to value the unlisted equity securities classified as financial assets at fair value though profit of loss at the end of each financial reporting period. Appropriate valuation methods and assumptions with reference to market conditions existing at the end of each financial reporting period to determine the fair value of the unlisted equity securities are adopted. The basis for determining the fair value is disclosed in Note 22.

The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised into Level 1, 2 and 3, based on the degree to which the inputs to the fair value measurements are observable.

At 31 March 2019

	Fair value HK$'000	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000
Unlisted equity securities at fair value through profit or loss	**97,219**	–	–	**97,219**
Listed securities held for trading	**5,573**	**5,573**	–	–

43. FINANCIAL RISK MANAGEMENT *(Continued)*

(f) Fair value hierarchy *(Continued)*

At 1 April 2018 (upon adoption of HKFRS 9)

	Fair value HK$'000	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000
Unlisted equity securities at fair value through profit or loss	74,816	–	–	74,816

At 31 March 2018, the Group's unlisted equity securities are classified as "Available-for-sale investment" and carried at cost less impairment.

Information about the Level 3 fair value measurements of the unlisted equity investments carried at fair value through profit or loss at 31 March 2019 and 1 April 2018 are set out below:

	Valuation techniques	**Significant unobservable inputs**	**Key data applied**	
			31 March 2019	**1 April 2018**
Unlisted equity securities at fair value through profit or loss:	Market comparable companies in the relevant industries	Discount for lack of marketability	31%	31%
4% equity interests in 內蒙古西北煤炭交易中心股份有限公司		EV/Sales	5.82	6.5
15.2% equity interests in 內蒙古博源新型能源有限公司		Average of EV/sales and P/E		
		– EV/Sales	0.62	0.62
		– P/E	10.62	–

In April 2018, as disclosed in Note 38(a), an unlisted equity investment with cost of approximately HK$10,000,000 at and brought forward from 31 March 2018 was derecognised upon disposal of 100% equity interests in Sunshine Focus Limited and shareholder loan to the independent third party at a consideration of HK$6,000,000 and the fair value of this unlisted equity investment was determined by the Directors of the Company to be approximately HK$6,000,000 at 1 April 2018, upon adoption of HKFRS 9, by reference to the disposal consideration in April 2018. As disclosed in Note 2(a), the remeasurement loss of approximately HK$4,000,000, upon adoption of HKFRS 9, for this unlisted investment was charged to the opening consolidated accumulated losses at 1 April 2018.

44. 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 2019 and 2018 are as follows:

	2019 **HK$'000**	2018 HK$'000
Total liabilities	**20,352,177**	20,961,846
Total assets	**16,439,350**	18,385,222
Gearing ratio	**123.8%**	114.01%

45. 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 2019 and 2018 may be categorised as follows:

	Notes	**31 March 2019 HK$'000**	1 April 2018 HK$'000	31 March 2018 HK$'000
Financial assets				
Loans and receivables at amortised cost *(Notes 25, 26 and 27)*	*(a)*	**159,505**	190,880	190,880
Financial assets at fair value through profit or loss *(Note 22)*		**102,792**	74,816	–
Available-for-sale investments *(Note 22)*				
– Unlisted investments, at cost	*(a)*	**–**	–	82,918
Financial liabilities				
Financial liabilities measured at amortised cost	*(a)*	**20,332,435**	20,958,196	20,958,196

(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 2019 and 2018.

(b) Financial assets and liabilities measured at fair value

As at 31 March 2018, prior to adoption of HKFRS 9, the Group did not have any financial assets and liabilities measured at fair value.

46. 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 at 31 March 2019 and 2018.

(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 RMB603.8 million (2018: RMB603.8 million) at 31 March 2019. The Group considered, after having sought legal advices, that Zhunxing has valid grounds to defend against those unrecognized counterclaims for additional construction costs and accordingly, no additional provision is required at 31 March 2019 and 2018.

47. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Material non-cash flow transactions

(i) During the year ended 31 March 2019, certain property, plant and equipment with a net carrying value of approximately HK$40,785,000 was applied to settle with certain outstanding construction costs payable of approximately HK$43,550,000 and a gain on derecognition of these property, plant and equipment of approximately HK$2,765,000 was credited to consolidated profit or loss for the year ended 31 March 2019.

(ii) During the year ended 31 March 2019, a long-term deposit of RMB30,000,000 (equivalent to approximately HK$34,958,000) paid for purchase of a property under development located in the PRC in the previous years was fully impaired and written off.

(iii) 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 in other payables and accruals.

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

(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	**Non-convertible bonds**	**Promissory note**	**Interest payable**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
	(Note 30)	*(Note 32)*	*(Note 29)*	*(Note 28(a))*	
At 1 April 2018	12,652,622	4,395,648	315,003	754,120	18,117,393
Changes from financing cash flows:					
Proceeds from new borrowings	2,000	–	–	–	2,000
Repayment of borrowings	(66,129)	–	–	–	(66,129)
Interest paid	–	–	–	(658,229)	(658,229)
Total changes from financing cash flows	(64,129)	–	–	(658,229)	(722,358)
Exchange adjustments	(807,041)	–	–	5,482	(801,559)
Other non-cash changes:					
Interest expenses on borrowings	–	–	–	826,748	826,748
Interest expenses	–	–	–	268,240	268,240
Total other changes	–	–	–	1,094,988	1,094,988
At 31 March 2019	11,781,452	4,395,648	315,003	1,196,361	17,688,464

47. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

(b) Reconciliation of liabilities arising from financing activities *(Continued)*

	Borrowings	**Non-convertible bonds**	**Promissory note**	**Interest payable**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
	(Note 30)	*(Note 32)*	*(Note 29)*	*(Note 28(a))*	
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

48. EVENTS AFTER THE REPORTING PERIOD END

Subsequent to the reporting period end and on 16 April 2019, the Company and the promissory note holder entered into a supplementary agreement, pursuant to which, the existing promissory note together with the accrued and default interests, totalling approximately HK$683,348,000 were replaced by 60 new transferable promissory notes (the "New Promissory Notes") with principal amount totalling HK$683,348,000 (which is equal to the sum of the outstanding principal amount of the existing promissory note and accrued and default interests). The New Promissory Notes are unsecured, bear coupon interest at 5% per annum, repayable on 15 April 2024.

49. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to current year's presentation.

50. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors of the Company on 28 June 2019.

SUMMARY OF FINANCIAL INFORMATION

For the year ended 31 March 2019

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				
	2015 HK$'000	2016 HK$'000	2017 HK$'000	2018 HK$'000	**2019** **HK$'000**
RESULTS					
Revenue	5,016,547	2,221,556	727,616	822,086	**867,377**
Loss before taxation	(1,887,466)	(3,869,899)	(1,792,677)	(1,400,858)	**(1,190,651)**
Income tax credit/(expense)	2,325	593	8,234	(774)	**85**
Loss for the year	(1,885,141)	(3,869,306)	(1,784,443)	(1,401,632)	**(1,190,566)**
Attributable to:					
Owners of the Company	(1,765,794)	(3,456,008)	(1,676,202)	(1,284,931)	**(1,072,414)**
Non-controlling interests	(119,347)	(413,298)	(108,241)	(116,701)	**(118,152)**
	(1,885,141)	(3,869,306)	(1,784,443)	(1,401,632)	**(1,190,566)**
ASSETS AND LIABILITIES					
Total assets	24,070,708	18,702,229	16,292,532	18,385,222	**16,439,350**
Total liabilities	(20,947,823)	(18,492,446)	(17,888,964)	(20,961,846)	**(20,352,177)**
Non-controlling interests	(654,549)	(313,414)	(185,966)	(159,038)	**(30,525)**
Shareholders' funds attributable to owners of the Company	2,468,336	(103,631)	(1,782,398)	(2,735,662)	**(3,943,352)**

PARTICULARS OF THE GROUP'S MAJOR PROPERTIES

For the year ended 31 March 2019

1. 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