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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)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 MARCH 2014

The board of directors (the “Board”) of China Resources and Transportation Group Limited (the “Company”) announces the annual consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 March 2014 together with comparative figures for the last year as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2014

| | <i>Notes</i> | 2014 <i>HK\$'000</i> | 2013 <i>HK\$'000</i> |
|---|--------------|--------------------------------|-------------------------|
| Continuing operations: | | | |
| Turnover | 4 | 8,585,715 | 4,569,568 |
| Cost of sales and other direct operating costs | | (8,402,754) | (4,491,442) |
| Gross profit | | 182,961 | 78,126 |
| Loss on change in fair value of investment property | | (3,814) | (92) |
| Loss on change in fair value less costs to sell of biological assets | | (5,465) | (15,477) |
| Gain on settling debt component of old convertible bonds by issuing new convertible bonds | | 54,261 | – |
| Change in fair value of derivative financial instrument | | 29,767 | (21,763) |
| Other income and other gains or losses | 6 | (57,976) | (42,093) |
| Selling and administrative expenses | | (263,371) | (164,279) |
| Finance costs | 7 | (648,567) | (56,023) |
| Share of results of associates | | (1,837) | – |
| Loss before income tax expense | 8 | (714,041) | (221,601) |
| Income tax credit/(expense) | 9 | 522 | (2,712) |

| | <i>Notes</i> | 2014 <i>HK\$'000</i> | 2013 <i>HK\$'000</i> |
|--|--------------|--------------------------------|-------------------------|
| Loss for the year from continuing operations | | (713,519) | (224,313) |
| Discontinued operations: | | | |
| Profit/(loss) for the year from discontinued operations | <i>10</i> | <u>81,865</u> | <u>(36,226)</u> |
| Loss for the year | | <u>(631,654)</u> | <u>(260,539)</u> |
| Loss attributable to: | | | |
| Owners of the Company | | | |
| Loss for the year from continuing operations | | (672,629) | (235,402) |
| Profit/(loss) for the year from discontinued operations | | <u>82,144</u> | <u>(36,258)</u> |
| Loss for the year attributable to owners of the Company | | (590,485) | (271,660) |
| Non-controlling interests | | | |
| (Loss)/profit for the year from continuing operations | | (40,890) | 11,089 |
| (Loss)/profit for the year from discontinued operations | | <u>(279)</u> | <u>32</u> |
| (Loss)/profit for the year attributable to non-controlling interests | | <u>(41,169)</u> | <u>11,121</u> |
| | | <u>(631,654)</u> | <u>(260,539)</u> |
| | | <i>HK cents</i> | <i>HK cents</i> |
| Loss per share attributable to owners of the Company | | | |
| From continuing and discontinued operations – Basic and diluted | <i>12</i> | <u>(2.19)</u> | <u>(1.26)</u> |
| From continuing operations – Basic and diluted | <i>12</i> | <u>(2.50)</u> | <u>(1.09)</u> |

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2014

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2014

| | <i>Notes</i> | 2014 <i>HK\$'000</i> | 2013 <i>HK\$'000</i> |
|--|--------------|--------------------------------|-------------------------|
| NON-CURRENT ASSETS | | | |
| Investment property | | 38,700 | 44,100 |
| Property, plant and equipment | | 1,414,045 | 137,872 |
| Prepaid lease payments | | 28,894 | 29,806 |
| Biological assets | | 74,984 | 76,745 |
| Forest concession rights | | 278,570 | 361,456 |
| Concession intangible asset | | 19,543,099 | 10,546,874 |
| Long term deposits and prepayments | | 640,103 | 2,209,418 |
| Interests in associates | | 449,064 | – |
| Available-for-sale investments | | 459,687 | 108,756 |
| TOTAL NON-CURRENT ASSETS | | 22,927,146 | 13,515,027 |
| CURRENT ASSETS | | | |
| Investments held for trading | | – | 6,179 |
| Inventories | | 123,329 | 120,806 |
| Trade and other receivables | <i>13</i> | 198,102 | 34,251 |
| Prepaid lease payments | | 665 | 665 |
| Amount due from a non-controlling shareholder of a subsidiary | | 16,359 | 16,066 |
| Amount due from associates | | 185,216 | – |
| Pledged deposits and restricted cash | | 62,919 | 117,407 |
| Cash and cash equivalents | | 1,702,510 | 2,033,045 |
| | | 2,289,100 | 2,328,419 |
| Assets of a disposal group classified as held for sale | | – | 1,823,685 |
| TOTAL CURRENT ASSETS | | 2,289,100 | 4,152,104 |
| TOTAL ASSETS | | 25,216,246 | 17,667,131 |

| | <i>Notes</i> | 2014 <i>HK\$'000</i> | 2013 <i>HK\$'000</i> |
|---|--------------|--------------------------------|-------------------------|
| CURRENT LIABILITIES | | | |
| Trade and other payables | <i>14</i> | 2,876,336 | 2,188,910 |
| Promissory note | | 297,876 | 293,458 |
| Deferred government grants | | 5,071 | 7,471 |
| Borrowings | | 2,635,516 | 5,827,081 |
| Convertible bonds | | 731,233 | – |
| | | 6,546,032 | 8,316,920 |
| Liabilities of a disposal group classified as held for sale | | – | 710,105 |
| TOTAL CURRENT LIABILITIES | | 6,546,032 | 9,027,025 |
| NET CURRENT LIABILITIES | | (4,256,932) | (4,874,921) |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 18,670,214 | 8,640,106 |
| NON-CURRENT LIABILITIES | | | |
| Deferred tax liabilities | | 9,696 | 9,561 |
| Convertible bonds | | 3,774,231 | 1,836,870 |
| Borrowings | | 9,764,867 | 1,668,411 |
| Acreage fees payable | | 10,545 | 10,867 |
| TOTAL NON-CURRENT LIABILITIES | | 13,559,339 | 3,525,709 |
| TOTAL LIABILITIES | | 20,105,371 | 12,552,734 |
| NET ASSETS | | 5,110,875 | 5,114,397 |
| CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE COMPANY | | | |
| Share capital | | 271,748 | 256,058 |
| Reserves | | 4,016,433 | 2,427,791 |
| Equity attributable to owners of the Company | | 4,288,181 | 2,683,849 |
| Non-controlling interests | | 822,694 | 2,430,548 |
| TOTAL EQUITY | | 5,110,875 | 5,114,397 |

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

1. CORPORATE INFORMATION

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

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

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

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

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

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

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

The amendments to HKAS 1 (Revised) require the Group to separate items presented in other comprehensive income into those that may be reclassified to profit and loss in the future and those that may not. Tax on items of other comprehensive income is allocated and disclosed on the same basis.

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

HKFRS 10 – Consolidated Financial Statements

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

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

HKFRS 12 – Disclosure of Interests in Other Entities

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

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

HKFRS 13 – Fair Value Measurement

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

HKFRS 13 did not materially affect any fair value measurements of the Group's assets and liabilities and therefore has no effect on the Group's financial position and performance.

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

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

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

¹ Effective for annual periods beginning on or after 1 January 2014

² Effective for annual periods beginning on or after 1 July 2014

³ Effective for annual periods beginning, or transactions occurring, on or after 1 July 2014

⁴ Effective for annual periods beginning, or transactions occurring, on or after 1 January 2015

HKFRS 9 – Financial Instruments

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

3. PRINCIPAL ACCOUNTING POLICIES

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

(a) Statement of compliance

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

(b) Basis of measurement and going concern assumption

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

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

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

- (i) The Group’s subsidiary, Inner Mongolia Zhunxing Heavy Haul Expressway Company Limited (“Zhunxing”), obtained bank facility of RMB8,820 million from China Development Bank Corporation which has been fully utilised at 31 March 2014. The bank loans obtained under this banking facility included short term loans of RMB1,800 million and long term loans of RMB7,020 million. However, the Company obtained a declaration from China Development Bank Corporation which confirmed that long term loans will be granted to Zhunxing to replace the short term loans when they fall due.
- (ii) The Group is in active negotiation with financial institutions to obtain new borrowings.
- (iii) The Group is actively considering raising new capital by carrying out fund raising activities including but not limited to rights issue, open offer, placing of new shares and issuance of convertible bond.

- (iv) On 21 November 2013, the Group's major investment project Zhunxing Expressway, the heavy duty toll expressway of 265 km designed for coal transportation in the Inner Mongolia Autonomous Region, has started its operation. The daily toll income during the operation of Zhunxing Expressway will contribute to a major source of operating cash flow to the Group for a term of 30 years.

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

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

4. TURNOVER

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

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

5. SEGMENT INFORMATION

The Group has five reportable segments. The segments are managed separately as each business offers different products and requires different business strategies. During the year, the property development and asset management segments were intended to be disposed of and were presented as discontinued operations which details were set out in Note 10 to this financial information. The following summary describes the operations in each of the Group's reportable segments:

Continuing operations:

- Timber logging and trading – sales of timber logs from forest concession, tree plantation area and outside suppliers, and sales of seedlings;
- Other timber operation – the manufacture and sale of furniture and handicrafts and sales of refined plant oil;
- Petroleum and related products trading; and
- Construction and operation of expressway.

Discontinued operations:

- Property development and asset management.

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

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

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

(a) **Reportable Segment**

For the year ended 31 March 2014

| | Continuing operations | | | | Discontinued operations | Total HK\$'000 |
|---|--|------------------------------------|--|--|---|---------------------|
| | Timber logging and trading HK\$'000 | Other timber operation HK\$'000 | Petroleum and related products trading HK\$'000 | Construction and operation of expressway HK\$'000 | Property development and asset management HK\$'000 | |
| REVENUE | | | | | | |
| Revenue from external customers | 5,702 | 6,620 | 117,089 | 8,456,304 | 83,309 | 8,669,024 |
| Inter-segment revenue | - | - | - | - | - | - |
| Reportable segment revenue | <u>5,702</u> | <u>6,620</u> | <u>117,089</u> | <u>8,456,304</u> | <u>83,309</u> | <u>8,669,024</u> |
| Reportable segment (loss)/profit | <u>(95,322)</u> | <u>(13,348)</u> | <u>(19)</u> | <u>60,563</u> | <u>6,691</u> | <u>(41,435)</u> |
| Reportable segment assets | <u>480,343</u> | <u>191,324</u> | <u>77,749</u> | <u>21,700,106</u> | <u>-</u> | <u>22,449,522</u> |
| Reportable segment liabilities | <u>(16,941)</u> | <u>(64,137)</u> | <u>(285)</u> | <u>(15,099,007)</u> | <u>-</u> | <u>(15,180,370)</u> |
| Other segment information | | | | | | |
| Additions of property, plant and equipment | 291 | 2,386 | 2,829 | 1,319,829 | - | 1,325,335 |
| Unallocated additions of property, plant and equipment | | | | | | <u>808</u> |
| Total additions of property, plant and equipment | | | | | | <u>1,326,143</u> |
| Additions of biological assets | 5,611 | 462 | - | - | - | <u>6,073</u> |
| Addition of concession intangible asset | - | - | - | 9,080,261 | - | <u>9,080,261</u> |
| Depreciation of property, plant and equipment | 12,044 | 3,627 | 2 | 36,325 | - | 51,998 |
| Unallocated depreciation of property, plant and equipment | | | | | | <u>1,213</u> |
| Total depreciation of property, plant and equipment | | | | | | <u>53,211</u> |

| | Continuing operations | | | | Discontinued operations | Total HK\$'000 |
|--|--|------------------------------------|--|--|---|-------------------|
| | Timber logging and trading HK\$'000 | Other timber operation HK\$'000 | Petroleum and related products trading HK\$'000 | Construction and operation of expressway HK\$'000 | Property development and asset management HK\$'000 | |
| Amortisation of prepaid lease payments | 583 | - | - | - | - | 583 |
| Unallocated amortisation of prepaid lease payments | | | | | | 81 |
| Total amortisation of prepaid lease payments | | | | | | <u>664</u> |
| Amortisation of forest concession rights | 27,586 | - | - | - | - | <u>27,586</u> |
| Amortisation of concession intangible asset | - | - | - | 205,714 | - | <u>205,714</u> |
| Impairment loss of forest concession rights included in other income and other gains or losses | 55,300 | - | - | - | - | <u>55,300</u> |
| Interest income | 2 | 1,957 | 222 | 5,162 | - | 7,343 |
| Unallocated interest income | | | | | | <u>848</u> |
| Total interest income | | | | | | <u>8,191</u> |

For the year ended 31 March 2013

| | Continuing operations | | | | Discontinued operations | Total HK\$'000 |
|--|--|------------------------------------|--|--|---|---------------------|
| | Timber logging and trading HK\$'000 | Other timber operation HK\$'000 | Petroleum and related products trading HK\$'000 | Construction and operation of expressway HK\$'000 | Property development and asset management HK\$'000 | |
| REVENUE | | | | | | |
| Revenue from external customers | 2,685 | 4,845 | – | 4,562,038 | 89,680 | 4,659,248 |
| Inter-segment revenue | – | – | – | – | – | – |
| Reportable segment revenue | <u>2,685</u> | <u>4,845</u> | <u>–</u> | <u>4,562,038</u> | <u>89,680</u> | <u>4,659,248</u> |
| Reportable segment (loss)/profit | <u>(46,267)</u> | <u>(12,491)</u> | <u>–</u> | <u>14,133</u> | <u>731</u> | <u>(43,894)</u> |
| Reportable segment assets | <u>512,600</u> | <u>190,480</u> | <u>–</u> | <u>14,911,313</u> | <u>1,773,988</u> | <u>17,388,381</u> |
| Reportable segment liabilities | <u>(18,366)</u> | <u>(23,221)</u> | <u>–</u> | <u>(9,362,425)</u> | <u>(710,105)</u> | <u>(10,114,117)</u> |
| Other segment information | | | | | | |
| Additions of property, plant and equipment | 340 | 89 | – | 2,526 | 7,468 | 10,423 |
| Unallocated additions of property, plant and equipment | | | | | | <u>1,295</u> |
| Total additions of property, plant and equipment | | | | | | <u>11,718</u> |
| Additions of other properties under development | – | – | – | – | 16,623 | <u>16,623</u> |
| Additions of biological assets | 13,460 | 1,951 | – | – | – | <u>15,411</u> |
| Additions of prepaid lease payments | 16 | – | – | – | – | <u>16</u> |
| Addition of concession intangible asset | – | – | – | 5,333,086 | – | <u>5,333,086</u> |

| | Continuing operations | | | | Discontinued operations | Total HK\$'000 |
|--|--|------------------------------------|--|--|---|-------------------|
| | Timber logging and trading HK\$'000 | Other timber operation HK\$'000 | Petroleum and related products trading HK\$'000 | Construction and operation of expressway HK\$'000 | Property development and asset management HK\$'000 | |
| Depreciation of property, plant and equipment | 3,099 | 6,398 | – | 1,387 | 405 | 11,289 |
| Unallocated depreciation of property, plant and equipment | | | | | | <u>10,781</u> |
| Total depreciation of property, plant and equipment | | | | | | <u>22,070</u> |
| Amortisation of prepaid lease payments | 676 | – | – | – | – | 676 |
| Unallocated amortisation of prepaid lease payments | | | | | | <u>81</u> |
| Total amortisation of prepaid lease payments | | | | | | <u>757</u> |
| Amortisation of forest concession rights | 27,586 | – | – | – | – | <u>27,586</u> |
| Impairment loss of forest concession rights included in other income and other gains or losses | 28,787 | – | – | – | – | <u>28,787</u> |
| Interest income | 6 | 402 | – | 1,906 | 87 | 2,401 |
| Unallocated interest income | | | | | | <u>108</u> |
| Total interest income | | | | | | <u>2,509</u> |

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

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

(c) **Geographical information**

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

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

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

(d) **Information about major customers**

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

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

6. OTHER INCOME AND OTHER GAINS OR LOSSES

Other income and other gains or losses comprises:

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

Note:

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

7. FINANCE COSTS

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

Note:

- (i) Borrowing costs capitalised during the year arose on specific borrowings to expenditure on qualifying assets.

8. LOSS BEFORE INCOME TAX EXPENSE

Loss before income tax expense is stated after charging:

| | 2014 <i>HK\$'000</i> | 2013 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Continuing operations: | | |
| Auditor's remuneration | 2,619 | 2,223 |
| Depreciation of property, plant and equipment (<i>Note i</i>) | 53,039 | 20,794 |
| Amortisation of forest concession rights included in selling and administrative expenses | 27,586 | 27,586 |
| Amortisation of prepaid lease payments (<i>Note ii</i>) | 664 | 757 |
| Compensation claims | – | 22,039 |
| Amortisation of concession intangible asset included in cost of sales | 205,714 | – |
| Operating lease payments recognised as expenses | 14,706 | 14,662 |
| Cost of inventories sold | 123,774 | 7,605 |
| Impairment loss of trade and other receivables | 3,793 | 814 |
| Staff costs (excluding directors' remuneration): | | |
| – Salaries and allowances (<i>Note iii</i>) | 58,738 | 32,715 |
| – Defined contributions pension costs | 3,559 | 820 |
| – Equity-settled share-based payment expense | 31,370 | – |
| | <u> </u> | <u> </u> |
| Discontinued operations: | | |
| Depreciation of property, plant and equipment (<i>Note i</i>) | 172 | 1,276 |
| Staff costs (excluding directors' remuneration) | 1,300 | 1,458 |
| | <u> </u> | <u> </u> |

Note:

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

| | 2014 <i>HK\$'000</i> | 2013 <i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Amounts included in biological assets | – | 1,150 |
| Amounts included in cost of sales | 27,881 | 416 |
| Amounts included in selling and administrative expenses | 25,330 | 20,504 |
| | <u> </u> | <u> </u> |
| | <u>53,211</u> | <u>22,070</u> |

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

| | 2014 <i>HK\$'000</i> | 2013 <i>HK\$'000</i> |
|---|--------------------------------|-------------------------|
| Amounts included in biological assets | 583 | 584 |
| Amounts included in selling and administrative expenses | 81 | 173 |
| | 664 | 757 |

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

9. INCOME TAX (CREDIT)/EXPENSE

The income tax (credit)/expense comprises:

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

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

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

The statutory tax rate for Hong Kong profits tax is 16.5% (2013: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. No provision for the Hong Kong profits tax has been made as the Group did not earn any income subject to Hong Kong profits tax during the years ended 31 March 2014 and 2013.

The subsidiaries in Guyana are liable to Guyana income tax at a rate of 45% (2013: 45%). No provision for Guyana income tax has been made as the subsidiaries in Guyana sustained losses for taxation purposes for the years ended 31 March 2014 and 2013.

The subsidiaries in Australia are liable to Australian income tax at a rate of 30% (2013: 30%). No provision for Australian income tax has been made as the subsidiaries in Australian sustained losses for taxation purposes for the years ended 31 March 2014 and 2013.

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

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

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

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

10. DISCONTINUED OPERATIONS

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

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

| | <i>Note</i> | 2014 <i>HK\$'000</i> | 2013 <i>HK\$'000</i> |
|---|-------------|--------------------------------|-------------------------|
| Turnover | 4 | 83,309 | 89,680 |
| Cost of sales | | (69,509) | (80,352) |
| Gross profit | | 13,800 | 9,328 |
| Other income and other gains and losses | 6 | 269 | 370 |
| Selling and administrative expenses | | (7,378) | (8,967) |
| Profit before income tax expense | | 6,691 | 731 |
| Income tax expenses | 9 | (7,493) | (36,957) |
| Gain on loss of control of subsidiaries | | 82,667 | – |
| Profit/(loss) for the period from discontinued operations | | 81,865 | (36,226) |

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

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

Earnings/(loss) per share from discontinued operations:

| | 2014 <i>HK cents</i> | 2013 <i>HK cents</i> |
|---------------------|--------------------------------|-------------------------|
| – Basic and diluted | <u>0.30</u> | <u>(0.17)</u> |

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

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

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

11. DIVIDEND

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

12. LOSS PER SHARE

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

Loss attributable to owners of the Company:

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

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

13. TRADE AND OTHER RECEIVABLES

| | 2014 <i>HK\$'000</i> | 2013 <i>HK\$'000</i> |
|-------------------------------------|-------------------------|-------------------------|
| Trade receivables | 86,736 | 4,827 |
| Less: Provision for impairment loss | <u>(1,288)</u> | <u>(466)</u> |
| Trade receivable, net | <u>85,448</u> | <u>4,361</u> |
| Other receivables | 138,611 | 56,003 |
| Less: Provision for impairment loss | <u>(40,222)</u> | <u>(37,251)</u> |
| Other receivable, net | <u>98,389</u> | <u>18,752</u> |
| Deposits paid | 3,201 | 2,049 |
| Prepayments | <u>11,064</u> | <u>9,089</u> |
| | <u>198,102</u> | <u>34,251</u> |

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

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

| | 2014 <i>HK\$'000</i> | 2013 <i>HK\$'000</i> |
|---------------------------------|-------------------------|-------------------------|
| At 1 April | 37,717 | 36,903 |
| Add: Impairment loss recognised | <u>3,793</u> | <u>814</u> |
| At 31 March | <u>41,510</u> | <u>37,717</u> |

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

| | 2014 <i>HK\$'000</i> | 2013 <i>HK\$'000</i> |
|----------------------------|-------------------------|-------------------------|
| Outstanding balances aged: | | |
| 0 to 30 days | 80,005 | – |
| 31 to 60 days | 11 | 1,157 |
| 61 to 180 days | 3,057 | 2 |
| Over 180 days | <u>2,375</u> | <u>3,202</u> |
| | <u>85,448</u> | <u>4,361</u> |

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

| | 2014 <i>HK\$'000</i> | 2013 <i>HK\$'000</i> |
|-------------------------------|--------------------------------|-------------------------|
| Neither past due nor impaired | 80,016 | 1,159 |
| 30 to 90 days past due | 3,057 | – |
| Over 90 days | 2,375 | 3,202 |
| | <u>85,448</u> | <u>4,361</u> |

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

Trade and other receivables were denominated in the following currencies :

| | 2014 <i>HK\$'000</i> | 2013 <i>HK\$'000</i> |
|-------------------------------|--------------------------------|-------------------------|
| Hong Kong Dollars (“HKD”) | 3,663 | 2,834 |
| Renminbi (“RMB”) | 185,940 | 25,680 |
| United States Dollars (“USD”) | 8,215 | 5,417 |
| Australian Dollars (“AUD”) | 284 | 320 |
| | <u>198,102</u> | <u>34,251</u> |

14. TRADE AND OTHER PAYABLES

| | 2014 <i>HK\$'000</i> | 2013 <i>HK\$'000</i> |
|---|--------------------------------|-------------------------|
| Trade payables | 69 | 1,840 |
| Other payables and accruals (<i>Note i</i>) | 2,821,879 | 1,970,604 |
| Deposit received from customers | 54,388 | 6,466 |
| Receipt in advance | – | 210,000 |
| | <u>2,876,336</u> | <u>2,188,910</u> |

Note:

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

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

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

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

| | 2014 <i>HK\$'000</i> | 2013 <i>HK\$'000</i> |
|----------------------------|--------------------------------|-------------------------|
| Outstanding balances aged: | | |
| Over 180 days | <u>69</u> | <u>1,840</u> |

Trade and other payables were denominated in the following currencies :

| | 2014 <i>HK\$'000</i> | 2013 <i>HK\$'000</i> |
|-----|--------------------------------|-------------------------|
| HKD | 116,397 | 300,567 |
| RMB | 2,759,198 | 1,887,655 |
| USD | 536 | 457 |
| AUD | <u>205</u> | <u>231</u> |
| | <u>2,876,336</u> | <u>2,188,910</u> |

MANAGEMENT DISCUSSION AND ANALYSIS FOR THE YEAR ENDED 31 MARCH 2014

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

Business Review

Operation of Zhunxing Expressway

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

about RMB15 billion (approximately HK\$19 billion) which had been mainly funded by equity and loan financing. The most significant loan financing for the construction of Zhunxing Expressway is the syndicated loan facility of RMB8.82 billion (approximately HK\$11 billion) granted by a few PRC banks in December 2012.

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

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

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

- (1) firmly implement the interconnection with Beijing-Tibet Highway (京藏高速公路) (“G6”) and Er-Guang Expressway (二廣高速公路) (“G55”);
- (2) improve road surface and enhance driver comfort level;
- (3) push forward the construction and operation of service areas, and petrol and gas stations; and
- (4) pro-actively spur the construction of logistics bases at both ends of the Zhunxing Expressway.

From Zhunxing Expressway's commission in late November 2013 to 31 March 2014, it recorded an accumulated toll fee of RMB0.25 billion, i.e. an average daily income of RMB2.11 million and an average daily traffic volume of 4,400 vehicles. During this period, Zhunxing has encountered the following major constraints in its operation:

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

- (2) snowy weather is common in the winter in Inner Mongolia, therefore road closures is sometimes unavoidable in order to clear the snow timely;
- (3) auxiliary facilities (such as service areas and petrol and gas stations) are still under construction by service operators, it may bring inconvenience to some expressway travelers;
- (4) Interconnection with G6 and G55 has not been implemented.

Development of Zhunxing Expressway Auxiliary Facilities

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

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

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

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

Trading of Petroleum and Related Products

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

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

Property Development and Forest Operation

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

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

FINANCIAL REVIEW

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

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

- (ii) the toll income of HK\$307.67 million (2013: HK\$Nil) since the operation of Zhunxing Expressway on 21 November 2013; and
- (iii) the trading revenue of petroleum and related products of HK\$117.09 million (2013: HK\$Nil) from a new subsidiary.

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

Detailed segment turnover and contribution to loss before tax of the Group are shown in Note 5 to the financial statements. Cost of sales under continuing operations for the year was approximately HK\$8,402.75 million (2013: HK\$4,491.44 million) which was mainly contributed by the service cost for the construction of Zhunxing Expressway amounted to approximately HK\$8,026.88 million (2013: HK\$4,483.84 million), the amortization of the concession intangible asset of approximately HK\$205.71 million (2013: HK\$Nil) upon the commencement of toll collection of Zhunxing Expressway on 21 November 2013 and the cost of sales of petroleum and related products amounted to HK\$116.68 million (2013: HK\$Nil). Cost of sales under discontinued operations for the year was approximately HK\$69.51 million (2013: HK\$80.35 million), resulting in a gross profit of approximately HK\$13.80 million (2013: HK\$9.33 million).

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

The loss before income tax expense from continuing operations was approximately HK\$714.04 million (2013: HK\$221.60 million) and net loss from continuing and discontinued operations was approximately HK\$631.65 million (2013: HK\$260.54 million). Apart from the amortization of concession intangible asset mentioned under cost of sales, the substantial

increase in net loss was mainly attributable to the significant increase in finance costs of approximately HK\$648.57 million (2013: HK\$56.02 million), primarily arising from bank borrowings and convertible bonds issued by the Company (collectively the “Specific Borrowings”) to finance the construction of Zhunxing Expressway. During the construction phase of Zhunxing Expressway, all finance costs arising from these Specific Borrowings were capitalized to the Group’s concession intangible assets. Upon the traffic opening and commencement of toll collection of Zhunxing Expressway on 21 November 2013, the Group ceased capitalizing such finance costs and recognized them directly in the Group’s consolidated income statement pursuant to HKAS 23, Borrowing Costs. In addition, the increase in net loss was also contributed by an increase in selling and administrative expenses to approximately HK\$263.37 million (2013: HK\$164.28 million) which was mainly due to the operating costs of Zhunxing Expressway amounted to approximately HK\$49 million and the share options expenses of HK\$31.37 million during the year.

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

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

LIQUIDITY REVIEW

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

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

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

Apart from the secured bank loan granted during the year, Zhunxing further obtained an unsecured loan of RMB500 million (approximately HK\$629.19 million) from an authorized financial institution for a term of 30 months with interest bearing at a fixed rate of 11% per annum. The remaining outstanding borrowings consisted of an unsecured short term loan

liability of approximately HK\$81 million arising from the Cooperative Agreement entered into between the Company and Joint Gain for the construction of petrol and gas stations in the service areas of Zhunxing Expressway. No actual interest is payable by the Company and the loan liability is expected to be settled within one year upon the reacquisition of the Project Company.

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

The Group's capital commitments (apart from the disposal group) outstanding as at 31 March 2014 was approximately HK\$1,374.24 million (2013: HK\$5,733.39 million), of which HK\$1,232.67 million, representing almost 89.7%, was the investment on concession intangible asset representing the construction cost of the Zhunxing Expressway.

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

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

Details of the Group's financial risk management are set out in Note 48 of the Notes to the Financial Statements of the 2014 Annual Report.

MATERIAL EVENTS

Capital Increase in Zhunxing

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

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

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

Issue of the 2015 Convertible Bonds

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

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

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

Issue of 2,500,000,000 Subscription Shares

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

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

Issue of the 2016 Convertible Bonds

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

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

PROSPECTS

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

(1) Interconnection with G6

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

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

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

Qingshuihe Logistics Base is being established jointly by the Company via its wholly-owned subsidiary Beijing Zhongzi Zhunxing Technology Company Limited (北京中資准興科技有限公司) ("Zhongzi Zhunxing") and another independent third party company. As of 31 March 2014, the Company invested RMB10 million via Zhongzi Zhunxing for an indirect 55% equity interest. The feasibility report of Qingshuihe Logistics Base has been completed and the design and survey works have been commenced. The expected

construction area of the first phase and the second phase will be 6,000 mu and 9,000 mu respectively, i.e. a total of 15,000 mu.

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

(3) Service Areas of Zhunxing Expressway

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

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

EMPLOYEES AND RETIREMENT BENEFIT SCHEME

The Group had approximately 819 employees in Hong Kong, the PRC and Guyana as at 31 March 2014. The Group implements remuneration policy, bonus and share options schemes to ensure that pay scales of its employees are rewarded on performance-related basis within the general framework of the Group's remuneration strategy.

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

CAPITAL RAISING AND EXPENDITURE

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

CHARGES ON ASSETS

As at 31 March 2014, the Group had a loan facility of RMB500 million (approximately HK\$629.19 million) provided by a PRC bank for a term of 30 months with interest bearing at a fixed rate of 12% per annum. The loan was secured by the Group's equity interests in Guo Kai Rui Ming (Beijing) Investment Fund Co., Limited (國開瑞明(北京)投資基金有限公司) and Inner Mongolia Berun New Energy Company Limited (內蒙古博源新型能源有限公司).

CONTINGENT LIABILITIES

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

DIVIDENDS

The Directors do not recommend any payment of final dividend for the year ended 31 March 2014 (2013: Nil).

SCOPE OF WORK OF BDO LIMITED

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 March 2014 have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on the preliminary announcement.

AUDIT OPINION

The auditor of the Group will issue an opinion with emphasis of matter on the consolidated financial statement of the Group for the year under audit. An extract of the auditor's report is set out in the section headed "EXTRACT OF THE AUDITOR'S REPORT" below.

EXTRACT OF THE AUDITOR'S REPORT

OPINION

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

EMPHASIS OF MATTER

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

Particulars of the repurchases are as follows:

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

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

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

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

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 Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited ("Stock Exchange") and the Directors have confirmed that they have complied with the required standard set out in the Model Code and the Company's code of conduct regarding Directors' securities transactions.

AUDIT COMMITTEE

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

The Group's annual results for the year ended 31 March 2014 have been reviewed by the Audit Committee.

REMUNERATION COMMITTEE

The Remuneration Committee of the Company was established with specific written terms of reference which deal clearly with its authority and duties.

The Remuneration Committee comprises all independent non-executive Directors, namely Mr. Yip Tak On (Chairman), Mr. Jing Baoli and Mr. Bao Liang Ming and an executive Director, Mr. Cao Zhong.

NOMINATION COMMITTEE

The Nomination Committee of the Company was established on 28 November 2011 with written terms of reference and it is chaired by the Chairman of the Board, Mr. Cao Zhong (Chairman) and the three independent non-executive Directors, namely Mr. Yip Tak On, Mr. Jing Baoli and Mr. Bao Liang Ming.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

During the financial period under review, the Company has complied with all those code provisions set out in the Corporate Governance Code contained in Appendix 14 of the Listing Rules (the “CG Code”), except the following deviation.

The CG Code stipulates that the Board shall meet at least four times a year at approximately quarterly intervals. During the year, the Board only held two regular board meetings instead of at least four as the Board considered holding four regular meetings is not in the best interest of the Company due to the tight schedule for construction of Zhunxing Expressway during the year and some directors have had to visit Inner Mongolia for on-site inspections regularly. Further details of the Company’s corporate governance practices will be set out in the Corporate Governance Report to be contained in the 2014 Annual Report.

PUBLICATION OF RESULTS ON THE STOCK EXCHANGE’S WEBSITE

All the information required by paragraph 45 of Appendix 16 of the Listing Rules will be published on the website of the Stock Exchange in due course and at the website of the Company at <http://www.crtg.com.hk>. Our 2014 Annual Report containing all the information required by the Listing Rules will be despatched to the Shareholders and available on the above websites in due course.

By order of the Board
China Resources and Transportation Group Limited
Cao Zhong
Chairman

Hong Kong, 27 June 2014

As at the date of this announcement, the Board comprises five executive Directors, namely Mr. Cao Zhong, Mr. Fung Tsun Pong, Mr. Duan Jingquan, Mr. Tsang Kam Ching, David and Mr. Gao Zhiping and three independent non-executive Directors, namely Mr. Yip Tak On, Mr. Jing Baoli and Mr. Bao Liang Ming.