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## 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)**

**(the “Company”)**

### ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 MARCH 2012

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 2012 together with comparative figures for the last year as follows:

#### CONSOLIDATED INCOME STATEMENT

*For the year ended 31 March 2012*

|                                                                      | <i>Notes</i> | <b>2012</b><br><b>HK\$'000</b> | <b>2011</b><br><b>HK\$'000</b> |
|----------------------------------------------------------------------|--------------|--------------------------------|--------------------------------|
| Turnover                                                             | 5            | <b>139,002</b>                 | 13,332                         |
| Cost of sales                                                        |              | <b>(148,340)</b>               | (16,485)                       |
| Gross loss                                                           |              | <b>(9,338)</b>                 | (3,153)                        |
| (Loss)/gain on change in fair value of investment property           |              | <b>(5,870)</b>                 | 1,157                          |
| Loss on change in fair value less costs to sell of biological assets |              | <b>(37,033)</b>                | (22,458)                       |
| Change in fair value of derivative financial instrument              |              | <b>(191,331)</b>               | (67,726)                       |
| Other income and other gains or losses                               | 6            | <b>(5,320)</b>                 | 6,054                          |
| Selling and administrative expenses                                  |              | <b>(200,549)</b>               | (71,208)                       |
| Finance costs                                                        | 7            | <b>—</b>                       | (184)                          |
| Loss before income tax expense                                       | 8            | <b>(449,441)</b>               | (157,518)                      |
| Income tax expense                                                   | 9            | <b>—</b>                       | (12)                           |
| Loss for the year                                                    |              | <b>(449,441)</b>               | (157,530)                      |
| Loss attributable to:                                                |              |                                |                                |
| Owners of the Company                                                |              | <b>(419,404)</b>               | (153,670)                      |
| Non-controlling interests                                            |              | <b>(30,037)</b>                | (3,860)                        |
|                                                                      |              | <b>(449,441)</b>               | (157,530)                      |
|                                                                      |              | <b>HK cents</b>                | <b>HK cents</b>                |
| Loss per share attributable to owners of the Company                 | 11           |                                |                                |
| — Basic                                                              |              | <b>(2.081)</b>                 | (1.026)                        |
| — Diluted                                                            |              | <b>(2.081)</b>                 | (1.026)                        |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the year ended 31 March 2012*

|                                                                                   | 2012<br><i>HK\$'000</i> | 2011<br><i>HK\$'000</i> |
|-----------------------------------------------------------------------------------|-------------------------|-------------------------|
| Loss for the year                                                                 | (449,441)               | (157,530)               |
| Other comprehensive income:                                                       |                         |                         |
| Gain on change in fair value of property occupied by the Group, net of tax        | 10,746                  | —                       |
| Exchange differences on translation of financial statements of foreign operations | <u>60,585</u>           | <u>49,245</u>           |
| Other comprehensive income for the year, net of tax                               | <u>71,331</u>           | <u>49,245</u>           |
| <b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>                                    | <b><u>(378,110)</u></b> | <b><u>(108,285)</u></b> |
| Total comprehensive income attributable to                                        |                         |                         |
| Owners of the Company                                                             | (351,650)               | (103,599)               |
| Non-controlling interests                                                         | <u>(26,460)</u>         | <u>(4,686)</u>          |
|                                                                                   | <b><u>(378,110)</u></b> | <b><u>(108,285)</u></b> |

# **CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

*As at 31 March 2012*

|                                               | <i>Notes</i> | <b>2012</b><br><i>HK\$'000</i> | <b>2011</b><br><i>HK\$'000</i> |
|-----------------------------------------------|--------------|--------------------------------|--------------------------------|
| <b>Non-current assets</b>                     |              |                                |                                |
| Investment property                           |              | 44,200                         | 49,800                         |
| Property, plant and equipment                 |              | 160,098                        | 134,260                        |
| Other properties under development            |              | 206,530                        | 194,341                        |
| Prepaid lease payments                        |              | 30,334                         | 32,977                         |
| Biological assets                             |              | 78,421                         | 95,781                         |
| Forest concession rights                      |              | 494,058                        | 521,643                        |
| Concession intangible asset                   |              | 5,185,307                      | —                              |
| Long term deposit and prepayments             |              | 1,537,688                      | 9,004                          |
| Derivative financial instrument               |              | —                              | 213,094                        |
| <b>Total non-current assets</b>               |              | <b>7,736,636</b>               | <b>1,250,900</b>               |
| <b>Current assets</b>                         |              |                                |                                |
| Derivative financial instrument               |              | 21,763                         | —                              |
| Properties under development for sale         |              | 1,329,353                      | 1,077,653                      |
| Inventories                                   |              | 127,451                        | 135,232                        |
| Trade and other receivables                   | 12           | 53,646                         | 51,908                         |
| Prepaid lease payments                        |              | 746                            | 657                            |
| Amount due from a non-controlling shareholder |              | 64,363                         | —                              |
| Prepaid taxes                                 |              | 11,031                         | —                              |
| Pledged deposit and restricted cash           |              | 14,834                         | —                              |
| Cash and cash equivalents                     |              | 196,293                        | 591,575                        |
| <b>Total current assets</b>                   |              | <b>1,819,480</b>               | <b>1,857,025</b>               |
| <b>Total assets</b>                           |              | <b>9,556,116</b>               | <b>3,107,925</b>               |
| <b>Current liabilities</b>                    |              |                                |                                |
| Trade and other payables                      | 13           | 1,173,883                      | 92,722                         |
| Deposits from sales of properties             |              | 122,996                        | —                              |
| Promissory note                               |              | 289,105                        | 284,797                        |
| Deferred government grants                    |              | 7,436                          | 9,277                          |
| Amount due to a joint operator                |              | 61,505                         | 59,270                         |
| Amount due to a director                      |              | —                              | 12,446                         |
| Borrowings                                    |              | 107,264                        | 6,164                          |
| Tax payable                                   |              | 241                            | —                              |
| Convertible bonds                             |              | 288,890                        | —                              |
| <b>Total current liabilities</b>              |              | <b>2,051,320</b>               | <b>464,676</b>                 |
| <b>Net current (liabilities)/assets</b>       |              | <b>(231,840)</b>               | <b>1,392,349</b>               |
| <b>Total assets less current liabilities</b>  |              | <b>7,504,796</b>               | <b>2,643,249</b>               |

|                                                                   | <i>Notes</i> | <b>2012</b><br><b><i>HK\$'000</i></b> | 2011<br><i>HK\$'000</i> |
|-------------------------------------------------------------------|--------------|---------------------------------------|-------------------------|
| <b>Non-current liabilities</b>                                    |              |                                       |                         |
| Deferred tax liabilities                                          |              | <b>3,697</b>                          | 1,574                   |
| Deferred government grants                                        |              | <b>122,987</b>                        | 116,407                 |
| Convertible bonds                                                 |              | <b>1,698,276</b>                      | 263,112                 |
| Borrowings                                                        |              | <b>609,209</b>                        | —                       |
| Acreage fees payable                                              |              | <b>11,020</b>                         | 11,020                  |
| Total non-current liabilities                                     |              | <b><u>2,445,189</u></b>               | <u>392,113</u>          |
| <b>Total liabilities</b>                                          |              | <b><u>4,496,509</u></b>               | <u>856,789</u>          |
| <b>Net assets</b>                                                 |              | <b><u><u>5,059,607</u></u></b>        | <u><u>2,251,136</u></u> |
| <b>Capital and reserves attributable to owners of the Company</b> |              |                                       |                         |
| Share capital                                                     |              | <b>201,908</b>                        | 198,429                 |
| Reserves                                                          |              | <b><u>2,441,263</u></b>               | <u>2,037,509</u>        |
| Equity attributable to owners of the Company                      |              | <b>2,643,171</b>                      | 2,235,938               |
| Non-controlling interests                                         |              | <b><u>2,416,436</u></b>               | <u>15,198</u>           |
| <b>Total equity</b>                                               |              | <b><u><u>5,059,607</u></u></b>        | <u><u>2,251,136</u></u> |

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

## 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 “SEHK”). The address of the registered office is the office of Caledonian Bank & Trust Limited, Caledonian House, George Town, Grand Cayman, Cayman Islands. Its principle place of business is located at Room 1801-07, 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 and auxiliary facility investment, expressway operation, management and maintenance, property development and asset management, forest operation and management, timber logging and trading, sale of timber products, plantation and trading of seedlings, and cold storage warehouse rental.

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

### (a) Adoption of new/revised HKFRSs — effective 1 April 2011

|                               |                                                             |
|-------------------------------|-------------------------------------------------------------|
| HKFRSs (Amendments)           | Improvements to HKFRSs 2010                                 |
| Amendments to HK(IFRIC)       | Prepayments of a Minimum Funding Requirement                |
| — Interpretation 14           |                                                             |
| HK(IFRIC) — Interpretation 19 | Extinguishing Financial Liabilities with Equity Instruments |
| HKAS 24 (Revised)             | Related Party Disclosures                                   |

Except as explained below, the adoption of these new/revised standards and interpretations has no significant impact on the Group’s financial statements.

#### ***HKFRS 3 (Amendments) – Business Combinations***

As part of the Improvements to HKFRSs issued in 2010, HKFRS 3 has been amended to clarify that the option to measure non-controlling interests (“NCI”) at either fair value or the NCI’s proportionate share in the recognised amounts of the acquiree’s identifiable net assets is limited to instruments that are present ownership interests and entitle their holders to a proportionate share of the acquiree’s net assets in the event of liquidation. Other components of NCI are measured at their acquisition date fair value unless another measurement basis is required by HKFRSs. The Group has amended its accounting policies for measuring NCI but the adoption of the amendment has had no impact on the Group’s financial statements.

## ***HKFRS 7 (Amendments) — Financial Instruments: Disclosures***

As part of the Improvements to HKFRSs issued in 2010, HKFRS 7 has been amended to enhance the interaction between quantitative and qualitative disclosures. If the carrying amount of a financial asset best represents the maximum exposure to credit risk, the standard does not require a positive statement to this effect in the financial statements. This amended disclosure requirement has been applied retrospectively. The carrying amount of the Group's trade receivables represents the Group's maximum exposure to credit risk in respect of these financial assets as at 31 March 2012 and 2011. The prior year financial statements included a positive statement to this effect which is removed in the 2012 financial statements following the amendments. The adoption of the amendments has no impact on the Group's reported profit or loss, total comprehensive income or equity for any period presented.

## ***HKAS 24 (Revised) — Related Party Disclosures***

HKAS 24 (Revised) amends the definition of related party and clarifies its meaning. This may result in changes to those parties who are identified as being related parties of the reporting entity. The Group has reassessed the identification of its related parties in accordance with the revised definition and no material impact has been noted for current and comparative period. The adoption of HKAS 24 (Revised) has no impact on the Group's reported profit or loss, total comprehensive income or equity for any period presented.

HKAS 24 (Revised) also introduces simplified disclosure requirements applicable to related party transactions where the Group and the counterparty are under the common control, joint control or significant influence of a government, government agency or similar body. These new disclosures are not relevant to the Group because the Group is not a government related entity.

### **(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.

|                      |                                                                                   |
|----------------------|-----------------------------------------------------------------------------------|
| HKAS 1 (Amendments)  | Presentation of Items of Other Comprehensive Income <sup>3</sup>                  |
| HKAS 12 (Amendments) | Deferred Tax — Recovery of Underlying Assets <sup>2</sup>                         |
| HKAS 19 (2011)       | Employee Benefits <sup>4</sup>                                                    |
| HKAS 27 (2011)       | Separate Financial Statements <sup>4</sup>                                        |
| HKAS 28 (2011)       | Investments in Associates and Joint Ventures <sup>4</sup>                         |
| HKAS 32 (Amendments) | Presentation — Offsetting Financial Assets and Financial Liabilities <sup>5</sup> |
| HKFRSs (Amendments)  | Annual Improvements to HKFRSs 2009-2011 Cycle <sup>4</sup>                        |
| HKFRS 7 (Amendments) | Disclosures — Transfers of Financial Assets <sup>1</sup>                          |
|                      | Disclosures — Offsetting Financial Assets and Financial Liabilities <sup>4</sup>  |
|                      | Mandatory Effective Date of HKFRS 9 and Transition Disclosures <sup>6</sup>       |
| HKFRS 9              | Financial Instruments <sup>6</sup>                                                |
| HKFRS 10             | Consolidated Financial Statements <sup>4</sup>                                    |
| HKFRS 11             | Joint Arrangements <sup>4</sup>                                                   |
| HKFRS 12             | Disclosure of Interests in Other Entities <sup>4</sup>                            |
| HKFRS 13             | Fair Value Measurement <sup>4</sup>                                               |

- <sup>1</sup> Effective for annual periods beginning on or after 1 July 2011
- <sup>2</sup> Effective for annual periods beginning on or after 1 January 2012
- <sup>3</sup> Effective for annual periods beginning on or after 1 July 2012
- <sup>4</sup> Effective for annual periods beginning on or after 1 January 2013
- <sup>5</sup> Effective for annual periods beginning on or after 1 January 2014
- <sup>6</sup> Effective for annual periods beginning on or after 1 January 2015

#### ***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 (e.g. revaluations of available-for-sale financial assets) and those that may not (e.g. revaluations of property, plant and equipment). Tax on items of other comprehensive income is allocated and disclosed on the same basis. The amendments will be applied retrospectively.

#### ***Amendments to HKAS 12 — Deferred Tax — Recovery of Underlying Assets***

The amendments to HKAS 12 introduce a rebuttable presumption that an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. The amendments will be applied retrospectively.

#### ***Amendments to HKFRS 7 — Disclosures — Transfers of Financial Assets***

The amendments to HKFRS 7 improve the disclosure requirements for transfer transactions of financial assets and allow users of financial statements to better understand the possible effects of any risks that may remain with the entity on transferred assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.

#### ***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.

## ***HKFRS 10 — Consolidated Financial Statements***

HKFRS 10 introduces a single control model for consolidation of all investee entities. An investor has control when it has power over the investee (whether or not that power is used in practice), exposure or rights to variable returns from the investee and the ability to use the power over the investee to affect those returns. HKFRS 10 contains extensive guidance on the assessment of control. For example, the standard introduces the concept of “de facto” control where an investor can control an investee while holding less than 50% of the investee’s voting rights in circumstances where its voting interest is of sufficiently dominant size relative to the size and dispersion of those of other individual shareholders to give it power over the investee. Potential voting rights are considered in the analysis of control only when these are substantive, i.e. the holder has the practical ability to exercise them. The standard explicitly requires an assessment of whether an investor with decision making rights is acting as principal or agent and also whether other parties with decision making rights are acting as agents of the investor. An agent is engaged to act on behalf of and for the benefit of another party and therefore does not control the investee when it exercises its decision making authority. The implementation of HKFRS 10 may result in changes in those entities which are regarded as being controlled by the Group and are therefore consolidated in the financial statements. The accounting requirements in the existing HKAS 27 on other consolidation related matters are carried forward unchanged. HKFRS 10 is applied retrospectively subject to certain transitional provisions.

## ***HKFRS 11 — Joint Arrangements***

The standard is effective for accounting periods beginning on or after 1 January 2013. Joint arrangements under HKFRS 11 have the same basic characteristics as joint ventures under HKAS 31. Joint arrangements are classified as either joint operations or joint ventures. Where the Group has rights to the assets and obligations for the liabilities of the joint arrangement, it is regarded as a joint operator and will recognise its interests in the assets, liabilities, income and expenses arising from the joint arrangement. Where the Group has rights to the net assets of the joint arrangement as a whole, it is regarded as having an interest in a joint venture and will apply equity method of accounting. HKFRS 11 does not allow proportionate consolidation. In an arrangement structured through a separate vehicle, all relevant facts and circumstances should be considered to determine whether the parties to the arrangement have rights to the net assets of the arrangement. Previously, the existence of a separate legal entity was the key factor in determining the existence of a jointly controlled entity under HKAS 31. HKFRS 11 will be applied retrospectively with specific restatement requirements for a joint venture which changes from proportionate consolidation to the equity method and a joint operation which changes from equity method to accounting for assets and liabilities.

## ***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.

## ***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 can be adopted early and is applied prospectively.

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

### **3. PRINCIPAL ACCOUNTING POLICIES**

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

#### **(a) Statement of compliance**

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

#### **(b) Basis of measurement**

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

The Group suffered a loss of HK\$449,441,000 (2011: HK\$157,530,000) for the year and had a net operating cash outflow of approximately HK\$1,944,689,000 during the year ended 31 March 2012 and, as of that date, the Group’s current liabilities exceeded its current assets by approximately HK\$231,840,000. (2011: net current assets of HK\$1,392,349,000) as at 31 March 2012. 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 obtained new short term bank facilities of approximately HK\$2,460 million (RMB2,000 million) granted from China Development Bank after the end of reporting date;
- (ii) The Group entered into a loan agreement with an independent third party to borrow HK\$300 million for a period of 6 months with interest rate at 20% per annum;
- (iii) The Group is in negotiation with financial institutions to obtain new borrowings and in the process of finalising the corporate guarantee requested by a bank; and
- (iv) The Group is actively considering to raise 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 note.

In addition, the Group has planned to continue the pre-sale of properties under development for sale and is expected to bring operating cash inflows to the Group in the second quarter of 2012.

The directors are of the opinion that, taking into account the above-mentioned measures, 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 2012. Accordingly, the consolidated 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 the financial statements.

#### 4. SEGMENT INFORMATION

The Group has five reportable segments. The segments are managed separately as each business offers different products and requires different business strategies. The following summary describes the operations in each of the Group's reportable segments:

- 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 tea oil
- Property development and asset management
- Cold storage warehouse leasing
- Construction and operation of expressway

Segment assets exclude derivative financial instrument, pledged deposit 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 and convertible bonds and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

##### **(a) Reportable Segment**

There was no inter-segment sale or transfer during the year (2011: HK\$Nil). Central revenue and expenses are not allocated to the operating segments as they are not included in the measure of the segments' loss that is used by the chief operating decision makers for assessment of segment performance.

**For the year ended 31 March 2012**

|                                                              | Timber<br>logging<br>and trading<br><i>HK\$'000</i> | Other timber<br>operation<br><i>HK\$'000</i> | Property<br>development<br>and asset<br>management<br><i>HK\$'000</i> | Cold storage<br>warehouse<br>leasing<br><i>HK\$'000</i> | Construction<br>and<br>operation of<br>expressway<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
|--------------------------------------------------------------|-----------------------------------------------------|----------------------------------------------|-----------------------------------------------------------------------|---------------------------------------------------------|----------------------------------------------------------------------|--------------------------|
| REVENUE                                                      |                                                     |                                              |                                                                       |                                                         |                                                                      |                          |
| Revenue from external<br>customers                           | 1,142                                               | 8,826                                        | —                                                                     | 376                                                     | 128,658                                                              | 139,002                  |
| Inter-segment revenue                                        | —                                                   | —                                            | —                                                                     | —                                                       | —                                                                    | —                        |
| Reportable segment revenue                                   | <u>1,142</u>                                        | <u>8,826</u>                                 | <u>—</u>                                                              | <u>376</u>                                              | <u>128,658</u>                                                       | <u>139,002</u>           |
| Reportable segment loss                                      | <u>(40,515)</u>                                     | <u>(26,781)</u>                              | <u>(14,664)</u>                                                       | <u>(300)</u>                                            | <u>(61,786)</u>                                                      | <u>(144,046)</u>         |
| Reportable segment assets                                    | <u>616,252</u>                                      | <u>200,408</u>                               | <u>1,543,366</u>                                                      | <u>63,026</u>                                           | <u>6,802,058</u>                                                     | <u>9,225,110</u>         |
| Reportable segment liabilities                               | <u>(16,312)</u>                                     | <u>(30,220)</u>                              | <u>(461,630)</u>                                                      | <u>(230)</u>                                            | <u>(1,693,705)</u>                                                   | <u>(2,202,097)</u>       |
| <b>Other segment information</b>                             |                                                     |                                              |                                                                       |                                                         |                                                                      |                          |
| Additions of property,<br>plant and equipment                | 2,603                                               | 7,307                                        | 6,353                                                                 | —                                                       | 3,234                                                                | 19,497                   |
| Unallocated additions<br>of property, plant and<br>equipment |                                                     |                                              |                                                                       |                                                         |                                                                      | <u>6,298</u>             |
| Total additions of property,<br>plant and equipment          |                                                     |                                              |                                                                       |                                                         |                                                                      | <u>25,795</u>            |
| Additions of other properties<br>under development           | —                                                   | —                                            | 5,420                                                                 | —                                                       | —                                                                    | <u>5,420</u>             |
| Additions of biological assets                               | 17,807                                              | 2,600                                        | —                                                                     | —                                                       | —                                                                    | <u>20,407</u>            |
| Additions of prepaid lease<br>payments                       | 139                                                 | —                                            | —                                                                     | —                                                       | —                                                                    | <u>139</u>               |
| Addition of concession<br>intangible asset                   | —                                                   | —                                            | —                                                                     | —                                                       | 284,521                                                              | <u>284,521</u>           |

|                                                                                      | Timber<br>logging<br>and trading<br><i>HK\$'000</i> | Other timber<br>operation<br><i>HK\$'000</i> | Property<br>development<br>and asset<br>management<br><i>HK\$'000</i> | Cold storage<br>warehouse<br>leasing<br><i>HK\$'000</i> | Construction<br>and<br>operation of<br>expressway<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
|--------------------------------------------------------------------------------------|-----------------------------------------------------|----------------------------------------------|-----------------------------------------------------------------------|---------------------------------------------------------|----------------------------------------------------------------------|--------------------------|
| Depreciation of property,<br>plant and equipment                                     | 3,214                                               | 3,705                                        | 953                                                                   | 1,033                                                   | 372                                                                  | 9,277                    |
| Unallocated depreciation<br>of property, plant and<br>equipment                      |                                                     |                                              |                                                                       |                                                         |                                                                      | 9,098                    |
| Total depreciation of property,<br>plant and equipment                               |                                                     |                                              |                                                                       |                                                         |                                                                      | 18,375                   |
| Impairment loss of property,<br>plant and equipment                                  | —                                                   | 1,088                                        | —                                                                     | —                                                       | —                                                                    | 1,088                    |
| Amortisation of prepaid lease<br>payments                                            | 716                                                 | —                                            | —                                                                     | —                                                       | —                                                                    | 716                      |
| Unallocated amortisation of<br>prepaid lease payments                                |                                                     |                                              |                                                                       |                                                         |                                                                      | 81                       |
| Total amortisation of prepaid<br>lease payments                                      |                                                     |                                              |                                                                       |                                                         |                                                                      | 797                      |
| Amortisation of forest<br>concession rights                                          | 27,585                                              | —                                            | —                                                                     | —                                                       | —                                                                    | 27,585                   |
| Impairment loss of other<br>receivables                                              | —                                                   | —                                            | —                                                                     | —                                                       | 36,903                                                               | 36,903                   |
| Write down of inventories                                                            | —                                                   | 10,845                                       | —                                                                     | —                                                       | —                                                                    | 10,845                   |
| Impairment loss of inventories<br>included in selling and<br>administrative expenses | 1,336                                               | —                                            | —                                                                     | —                                                       | —                                                                    | 1,336                    |
| Interest income                                                                      | 3                                                   | 294                                          | 163                                                                   | —                                                       | —                                                                    | 460                      |
| Unallocated interest income                                                          |                                                     |                                              |                                                                       |                                                         |                                                                      | 1,442                    |
| Total interest income                                                                |                                                     |                                              |                                                                       |                                                         |                                                                      | 1,902                    |

**For the year ended 31 March 2011**

|                                                                                | Timber<br>logging<br>and trading<br><i>HK\$'000</i> | Other timber<br>operation<br><i>HK\$'000</i> | Property<br>development<br>and asset<br>management<br><i>HK\$'000</i> | Cold storage<br>warehouse<br>leasing<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
|--------------------------------------------------------------------------------|-----------------------------------------------------|----------------------------------------------|-----------------------------------------------------------------------|---------------------------------------------------------|--------------------------|
| REVENUE                                                                        |                                                     |                                              |                                                                       |                                                         |                          |
| Revenue from external customers                                                | 3,224                                               | 9,349                                        | —                                                                     | 759                                                     | 13,332                   |
| Inter-segment revenue                                                          | —                                                   | —                                            | —                                                                     | —                                                       | —                        |
| Reportable segment revenue                                                     | <u>3,224</u>                                        | <u>9,349</u>                                 | <u>—</u>                                                              | <u>759</u>                                              | <u>13,332</u>            |
| Reportable segment (loss)/profit                                               | <u>(15,506)</u>                                     | <u>(26,221)</u>                              | <u>(1,911)</u>                                                        | <u>15</u>                                               | <u>(43,623)</u>          |
| Reportable segment assets                                                      | <u>582,035</u>                                      | <u>307,811</u>                               | <u>1,259,518</u>                                                      | <u>68,734</u>                                           | <u>2,218,098</u>         |
| Reportable segment liabilities                                                 | <u>(12,042)</u>                                     | <u>(61,726)</u>                              | <u>(211,091)</u>                                                      | <u>(230)</u>                                            | <u>(285,089)</u>         |
| <b>Other segment information</b>                                               |                                                     |                                              |                                                                       |                                                         |                          |
| Additions of property,<br>plant and equipment                                  | —                                                   | 5,620                                        | 365                                                                   | —                                                       | 5,985                    |
| Unallocated additions of property,<br>plant and equipment                      |                                                     |                                              |                                                                       |                                                         | <u>6,774</u>             |
| Total additions of property,<br>plant and equipment                            |                                                     |                                              |                                                                       |                                                         | <u>12,759</u>            |
| Additions of other properties under<br>development                             | —                                                   | —                                            | 16,739                                                                | —                                                       | <u>16,739</u>            |
| Additions of biological assets                                                 | 21,269                                              | 1,757                                        | —                                                                     | —                                                       | <u>23,026</u>            |
| Depreciation and impairment loss of<br>property, plant and equipment           | 2,532                                               | 3,817                                        | 54                                                                    | —                                                       | 6,403                    |
| Unallocated depreciation and<br>impairment of property,<br>plant and equipment |                                                     |                                              |                                                                       |                                                         | <u>4,866</u>             |
| Total depreciation and impairment loss<br>of property, plant and equipment     |                                                     |                                              |                                                                       |                                                         | <u>11,269</u>            |
| Amortisation of prepaid lease payments                                         | —                                                   | 577                                          | —                                                                     | —                                                       | 577                      |
| Unallocated amortisation of prepaid<br>lease payments                          |                                                     |                                              |                                                                       |                                                         | <u>80</u>                |
| Total amortisation of prepaid lease<br>payments                                |                                                     |                                              |                                                                       |                                                         | <u>657</u>               |
| Amortisation of forest concession rights                                       | 6,896                                               | —                                            | —                                                                     | —                                                       | <u>6,896</u>             |
| Write down of inventories                                                      | —                                                   | 5,293                                        | —                                                                     | —                                                       | <u>5,293</u>             |
| Interest income                                                                | 1                                                   | 34                                           | 123                                                                   | —                                                       | 158                      |
| Unallocated interest income                                                    |                                                     |                                              |                                                                       |                                                         | <u>3</u>                 |
| Total interest income                                                          |                                                     |                                              |                                                                       |                                                         | <u>161</u>               |

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

|                                                                      | <b>2012</b><br><b>HK\$'000</b> | <b>2011</b><br><b>HK\$'000</b> |
|----------------------------------------------------------------------|--------------------------------|--------------------------------|
| Reportable segment loss before income tax expense                    | <b>(144,046)</b>               | (43,623)                       |
| (Loss)/gain on change in fair value of investment property           | <b>(5,870)</b>                 | 1,157                          |
| Loss on change in fair value less costs to sell of biological assets | <b>(37,033)</b>                | (22,458)                       |
| Change in fair value of derivative financial instrument              | <b>(191,331)</b>               | (67,726)                       |
| Other income and other gains or losses                               | <b>1,738</b>                   | 5,511                          |
| Unallocated corporate expenses                                       | <b>(72,899)</b>                | (30,195)                       |
| Finance costs                                                        | <b>—</b>                       | (184)                          |
|                                                                      | <hr/>                          | <hr/>                          |
| Consolidated loss before income tax expense                          | <b><u>(449,441)</u></b>        | <b><u>(157,518)</u></b>        |
| Assets                                                               |                                |                                |
| Reportable segment assets                                            | <b>9,225,110</b>               | 2,218,098                      |
| Derivative financial instrument                                      | <b>21,763</b>                  | 213,094                        |
| Pledged deposit and restricted cash                                  | <b>14,834</b>                  | —                              |
| Cash and cash equivalents                                            | <b>196,293</b>                 | 591,575                        |
| Unallocated corporate assets                                         | <b>98,116</b>                  | 85,158                         |
|                                                                      | <hr/>                          | <hr/>                          |
| Consolidated total assets                                            | <b><u>9,556,116</u></b>        | <b><u>3,107,925</u></b>        |
| Liabilities                                                          |                                |                                |
| Reportable segment liabilities                                       | <b>2,202,097</b>               | 285,089                        |
| Deferred tax liabilities                                             | <b>3,697</b>                   | 1,574                          |
| Promissory note                                                      | <b>289,105</b>                 | 284,797                        |
| Convertible bonds                                                    | <b>1,987,166</b>               | 263,112                        |
| Unallocated corporate liabilities                                    | <b>14,444</b>                  | 22,217                         |
|                                                                      | <hr/>                          | <hr/>                          |
| Consolidated total liabilities                                       | <b><u>4,496,509</u></b>        | <b><u>856,789</u></b>          |

**(c) Geographical information**

The Group operates in four principal geographical areas — the People's Republic of China (excluding Hong Kong) (the "PRC"), Hong Kong, Australia 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<br>external customers |                  | Specified non-current<br>assets |                  |
|-----------|------------------------------------|------------------|---------------------------------|------------------|
|           | 2012<br>HK\$'000                   | 2011<br>HK\$'000 | 2012<br>HK\$'000                | 2011<br>HK\$'000 |
| PRC       | 138,626                            | 11,966           | 7,099,693                       | 435,510          |
| Hong Kong | —                                  | —                | 32,874                          | 13,369           |
| Australia | 376                                | 759              | 44,200                          | 49,800           |
| Guyana    | —                                  | 607              | 559,869                         | 539,127          |
|           | <u>139,002</u>                     | <u>13,332</u>    | <u>7,736,636</u>                | <u>1,037,806</u> |

**(d) Information about major customers**

During the year ended 31 March 2012, revenue of approximately HK\$128,658,000 (2011: HK\$Nil) was derived from the operation of the toll under a service concession arrangement under the construction and operation of expressway segment, which amounted to 90% or more of the total revenue.

During the year ended 31 March 2011, four customers with whom transactions had exceeded 10% of the Group's revenues in other segments. Revenues from one customer in the timber logging and trading segment was approximately HK\$1,702,000 and three customers from other timber operation segment was approximately HK\$2,777,000, HK\$1,812,000 and HK\$1,604,000 respectively during the year ended 31 March 2011. During the year ended 31 March 2012, none of the customers have transactions exceeded 10% of the Group's revenues in other segments.

**5. TURNOVER**

Turnover represents the revenue from the principal activities of the Group. The amounts of each significant category of revenue recognised during the year are as follows:

|                                                                                                               | 2012<br>HK\$'000 | 2011<br>HK\$'000 |
|---------------------------------------------------------------------------------------------------------------|------------------|------------------|
| Income from timber logging and trading                                                                        | —                | 607              |
| Sales of seedlings                                                                                            | 1,142            | 2,617            |
| Sales of furniture and handicrafts                                                                            | 7,307            | 7,552            |
| Sales of tea oil                                                                                              | 1,519            | 1,797            |
| Construction revenue in respect of service concession arrangement                                             | 128,658          | —                |
| Gross rental income from cold storage warehouse<br>(before direct outgoings of HK\$26,000 (2011: HK\$98,000)) | <u>376</u>       | <u>759</u>       |
|                                                                                                               | <u>139,002</u>   | <u>13,332</u>    |

## 6. OTHER INCOME AND OTHER GAINS OR LOSSES

Other income and other gains or losses comprises:

|                                                    | 2012<br><i>HK\$'000</i> | 2011<br><i>HK\$'000</i> |
|----------------------------------------------------|-------------------------|-------------------------|
| Interest income                                    | 1,902                   | 161                     |
| Exchange (loss)/gain, net                          | (7,671)                 | 5,041                   |
| Loss on deregistration of a subsidiary             | —                       | (27)                    |
| Gain on disposals of property, plant and equipment | 3                       | 163                     |
| Impairment loss of property, plant and equipment   | (1,088)                 | —                       |
| Others                                             | 1,534                   | 716                     |
|                                                    | <u>(5,320)</u>          | <u>6,054</u>            |

## 7. FINANCE COSTS

|                                                                                                                      | 2012<br><i>HK\$'000</i> | 2011<br><i>HK\$'000</i> |
|----------------------------------------------------------------------------------------------------------------------|-------------------------|-------------------------|
| Interest and finance costs on short term borrowings wholly repayable within five years                               | 16,689                  | 184                     |
| Interest expenses on convertible bonds maturing within five years                                                    | 181,641                 | 47,839                  |
| Interest expenses on promissory note maturing within five years<br>(note i)                                          | 4,308                   | 47,535                  |
| Total finance costs                                                                                                  | 202,638                 | 95,558                  |
| Less: Interest capitalised in properties under development for sale and other properties under development (note ii) | (36,296)                | (95,374)                |
| Interest capitalised in concession intangible asset (note ii)                                                        | (166,342)               | —                       |
|                                                                                                                      | <u>—</u>                | <u>184</u>              |

Notes:

- i. During the year ended 31 March 2011, the Group defaulted on payment of the principal and interest of the promissory note. Interest expense for 2011 comprised of imputed interest up to the date of default, coupon interest thereafter and early recognition of remaining imputed interest to maturity date resulting from default of payment. Interest expense for the current year comprised of coupon interest at 1.5% per annum only.
- ii. 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:

|                                                                                          | 2012<br><i>HK\$'000</i> | 2011<br><i>HK\$'000</i> |
|------------------------------------------------------------------------------------------|-------------------------|-------------------------|
| Auditor's remuneration                                                                   | 1,837                   | 1,230                   |
| Depreciation of property, plant and equipment ( <i>Note i</i> )                          | 18,375                  | 11,269                  |
| Amortisation of forest concession rights included in selling and administrative expenses | 27,585                  | 6,896                   |
| Amortisation of prepaid lease payments ( <i>Note ii</i> )                                | 797                     | 657                     |
| Operating lease payments recognised as expenses                                          | 11,048                  | 4,852                   |
| Construction costs in respect of concession intangible asset                             | 126,757                 | —                       |
| Cost of inventories and timber harvested:                                                |                         |                         |
| — Upon sales                                                                             | 10,738                  | 11,192                  |
| — Write down of inventories                                                              | 10,845                  | 5,293                   |
| Impairment loss of inventories included in selling and administrative expenses           | 1,336                   | —                       |
| Impairment loss of other receivables                                                     | 36,903                  | —                       |
| Staff cost (excluding directors' remuneration):                                          |                         |                         |
| — Salaries and allowances ( <i>Note iii</i> )                                            | 20,856                  | 15,648                  |
| — Defined contributions pension costs                                                    | 943                     | 286                     |
|                                                                                          | <u>18,375</u>           | <u>11,269</u>           |

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

|                                                         |               |               |
|---------------------------------------------------------|---------------|---------------|
| Amounts included in biological assets                   | 320           | 180           |
| Amounts included in cost of sales                       | 851           | 506           |
| Amounts included in selling and administrative expenses | 17,204        | 10,583        |
|                                                         | <u>18,375</u> | <u>11,269</u> |

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

|                                                         |            |            |
|---------------------------------------------------------|------------|------------|
| Amounts included in biological assets                   | 574        | 536        |
| Amounts included in selling and administrative expenses | 223        | 121        |
|                                                         | <u>797</u> | <u>657</u> |

*Note (iii):* Salaries and allowances of HK\$1,039,000 (2011: HK\$1,032,000) has been included in the cost of sales on the face of the consolidated income statement.

## 9. INCOME TAX EXPENSE

The income tax expense comprises:

|                           | 2012<br><i>HK\$'000</i> | 2011<br><i>HK\$'000</i> |
|---------------------------|-------------------------|-------------------------|
| PRC enterprise income tax |                         |                         |
| — current year            | <u>—</u>                | <u>12</u>               |

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

|                                                                                | 2012<br><i>HK\$'000</i> | 2011<br><i>HK\$'000</i> |
|--------------------------------------------------------------------------------|-------------------------|-------------------------|
| Loss before income tax expense                                                 | <u>(449,441)</u>        | <u>(157,518)</u>        |
| Tax calculated at 16.5%                                                        | (74,158)                | (25,990)                |
| Net effect of non-taxable/deductible items                                     | 72,375                  | 21,085                  |
| Net effect of tax losses and temporary differences not recognised              | 1,042                   | 8,165                   |
| Tax effect on tax exemption granted by PRC tax authority                       | (1,176)                 | (260)                   |
| Effect of different tax rates of subsidiaries operating in other jurisdictions | <u>1,917</u>            | <u>(2,988)</u>          |
| Income tax expense                                                             | <u>—</u>                | <u>12</u>               |

The statutory tax rate for Hong Kong profits tax is 16.5% (2011: 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 2012 and 2011.

The subsidiaries in Guyana are liable to Guyana income tax at a rate of 45% (2011: 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 2012 and 2011.

The subsidiaries in Australia are liable to Australian income tax at a rate of 30% (2011: 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 2012 and 2011.

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 enterprise income tax.

Inner Mongolia Zhunxing Heavy Haul Expressway Company Limited (“Zhunxing”), a subsidiary of the Group, is entitled to a two-year exemption from corporate income tax followed by a 50% reduction in corporate income tax for subsequent three years. As Zhunxing is still in the preparation stage, the exemption period has not commenced.

For the year ended 31 March 2012, the statutory corporate income tax rates applicable to the subsidiaries established and operating in the PRC is 25% (2011: 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. DIVIDEND

The Directors of the Company do not recommend the payment of a dividend for the year ended 31 March 2012 (2011: HK\$Nil).

## 11. 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

|                                                                                                 | 2012<br><i>HK\$'000</i> | 2011<br><i>HK\$'000</i> |
|-------------------------------------------------------------------------------------------------|-------------------------|-------------------------|
| Loss for the purposes of basic and diluted loss per share                                       | <u>(419,404)</u>        | <u>(153,670)</u>        |
| <b>Number of shares</b>                                                                         | <b>'000</b>             | <b>'000</b>             |
| Weighted average number of ordinary shares for the purposes of basic and diluted loss per share | <u>20,155,899</u>       | <u>14,971,055</u>       |
|                                                                                                 | <i>HK cents</i>         | <i>HK cents</i>         |
| Loss per share attributable to owners of the Company                                            |                         |                         |
| — Basic and diluted                                                                             | <u>(2.081)</u>          | <u>(1.026)</u>          |

For the years ended 31 March 2012 and 2011, the computation of diluted loss per share does not assume the exercise of the Company’s outstanding warrants as they had an anti-dilutive effect on the loss per share calculation.

For the years ended 31 March 2012 and 2011, the computation of diluted loss per share does not assume the conversion of the Company’s outstanding convertible bonds as they had an anti-dilutive effect on the loss per share calculation.

## 12. TRADE AND OTHER RECEIVABLES

|                   | 2012<br><i>HK\$'000</i> | 2011<br><i>HK\$'000</i> |
|-------------------|-------------------------|-------------------------|
| Trade receivables | 7,182                   | 2,796                   |
| Other receivables | 13,441                  | 18,378                  |
| Deposits paid     | 8,362                   | 6,568                   |
| Prepayments       | 24,661                  | 24,166                  |
|                   | <u>53,646</u>           | <u>51,908</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.

At 31 March 2012, the Group's trade and other receivables of HK\$36,903,000 were determined to be impaired. It related to a former shareholder of a subsidiary which was bankrupted and management assessed that the receivable is not expected to be recovered.

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

|                            | 2012<br><i>HK\$'000</i> | 2011<br><i>HK\$'000</i> |
|----------------------------|-------------------------|-------------------------|
| Outstanding balances aged: |                         |                         |
| 0 to 30 days               | —                       | 794                     |
| 31 to 60 days              | 3,945                   | 14                      |
| 61 to 180 days             | 59                      | 659                     |
| Over 180 days              | 3,178                   | 1,329                   |
|                            | <u>7,182</u>            | <u>2,796</u>            |

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

|                               | 2012<br><i>HK\$'000</i> | 2011<br><i>HK\$'000</i> |
|-------------------------------|-------------------------|-------------------------|
| Neither past due nor impaired | 3,945                   | 808                     |
| 30 to 90 days past due        | 59                      | 659                     |
| Over 90 days                  | 3,178                   | 1,329                   |
|                               | <u>7,182</u>            | <u>2,796</u>            |

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

Included in trade receivables are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

|                               | <b>2012</b><br><b>HK\$'000</b> | 2011<br>HK\$'000    |
|-------------------------------|--------------------------------|---------------------|
| Renminbi ("RMB")              | <b>7,182</b>                   | 1,550               |
| United States Dollars ("USD") | <u>—</u>                       | <u>1,246</u>        |
|                               | <b><u>7,182</u></b>            | <b><u>2,796</u></b> |

### 13. TRADE AND OTHER PAYABLES

|                                             | <b>2012</b><br><b>HK\$'000</b> | 2011<br>HK\$'000     |
|---------------------------------------------|--------------------------------|----------------------|
| Trade payables                              | <b>153</b>                     | 3,402                |
| Other payables and accruals ( <i>Note</i> ) | <b>1,163,734</b>               | 75,505               |
| Deposit received from customers             | <b>4,888</b>                   | 8,707                |
| Purchase consideration payable              | <b><u>5,108</u></b>            | <u>5,108</u>         |
|                                             | <b><u>1,173,883</u></b>        | <b><u>92,722</u></b> |

*Note:*

As at 31 March 2012, other payables mainly comprised construction cost payable of HK\$233,930,000 (2011: HK\$Nil), retention and guarantee deposit of HK\$731,492,000 (2011: HK\$28,700,000), and compensation payable of HK\$27,937,000 (2011: HK\$Nil) relating to litigation claims from certain contracts arising from suspension of construction of expressway.

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:

|                            | <b>2012</b><br><b><i>HK\$'000</i></b> | 2011<br><i>HK\$'000</i> |
|----------------------------|---------------------------------------|-------------------------|
| Outstanding balances aged: |                                       |                         |
| 0 to 30 days               | —                                     | 302                     |
| 31 to 60 days              | —                                     | 450                     |
| 61 to 180 days             | —                                     | 507                     |
| Over 180 days              | <u>153</u>                            | <u>2,143</u>            |
|                            | <b><u>153</u></b>                     | <b><u>3,402</u></b>     |

Trade and other payables of the Group were denominated in the following currencies:

|                    | <b>2012</b><br><b><i>HK\$'000</i></b> | 2011<br><i>HK\$'000</i> |
|--------------------|---------------------------------------|-------------------------|
| HKD                | <b>12,664</b>                         | 23,411                  |
| RMB                | <b>1,160,637</b>                      | 67,003                  |
| USD                | <b>351</b>                            | 2,079                   |
| Australian Dollars | <u>231</u>                            | <u>229</u>              |
|                    | <b><u>1,173,883</u></b>               | <b><u>92,722</u></b>    |

## MANAGEMENT DISCUSSION AND ANALYSIS FOR THE YEAR ENDED 31 MARCH 2012

For the year ended 31 March 2012, the Group was principally engaged in expressway and auxiliary facility investment, expressway operation, management and maintenance, property development and asset management, forest operation and management, timber logging and trading, sale of timber products, plantation and trading of seedlings, and cold storage warehouse rental.

In April and November 2011, the Company through its wholly-owned subsidiary, Cheer Luck Technology Limited (“Cheer Luck”), completed the respective subscription of an 11% and 40% 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”). On 29 November 2011, 樹人木業(深圳)有限公司 (Shu Ren Wood (Shenzhen) Limited) (“Shuren Shenzhen”), a wholly-owned subsidiary of the Company, acquired 4.9% equity interest from a former equity holder of Zhunxing through public tender. As a result, the Company now indirectly held an aggregate 55.9% equity interest in Zhunxing through Cheer Luck and Shuren Shenzhen. Zhunxing has been granted an exclusive right to build and operate the first PRC heavy-duty toll expressway specifically designed for coal transportation in Inner Mongolia for 30 years (excluding the construction period). The expressway will run 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 “Expressway”).

## FINANCIAL REVIEW

For the year ended 31 March 2012, turnover of the Group recorded a substantial increase of 943% to approximately HK\$139.00 million (2011: HK\$13.33 million) which is mainly attributable to a significant increase of income generated from construction revenue in respect of service concession arrangement amounting to HK\$128.66 million (2011: HK\$Nil). The turnover comprised five business segments, namely income from construction and operation of expressway, timber logging and trading, other timber operation, property development and asset management and cold storage warehouse leasing which respectively contributed approximately HK\$128.66 million, HK\$1.14 million, HK\$8.83 million, HK\$0 and HK\$0.38 million (2011: HK\$0, HK\$3.22 million, HK\$9.35 million, HK\$0 and HK\$0.76 million) to the Group’s consolidated income.

Detailed segment turnover and contribution to loss before income tax expense of the Group are shown in note 4 of the Notes to the Financial Information herein. Cost of sales for the year was approximately HK\$148.34 million (2011: HK\$16.49 million) which was mainly contributed by service cost for the construction of expressway. As a result, the Group recorded a gross loss of approximately HK\$9.34 million (2011: HK\$3.15 million) in this year.

Net loss for the year was approximately HK\$449.44 million (2011: HK\$157.53 million) and loss per share attributable to shareholders of the Company (“Shareholders”) was HK2.081 cents per basic share (2011: HK1.026 cents) and HK2.081 cents per diluted share (2011: HK1.026 cents). The loss was mainly attributable to the losses recorded on a loss on change in fair value less costs to sell of biological assets in China which was approximately HK\$37.03 million (2011: loss of

HK\$22.46 million) and a loss on change in fair value of the derivative financial instrument which was approximately HK\$191.33 million (2011: loss of HK\$67.73 million) i.e. a total of approximately HK\$228.36 million loss in book value. The selling and administrative expenses was HK\$200.55 million, significantly increased from that of previous year (2011: HK\$71.21 million) mainly due to consolidation of Zhunxing this year.

The Board considers that the changes in fair value of the derivative financial instrument and the biological assets in China are non-cash items which do not have any impact on the operating cash flows of the Group.

Further, the Group's cash and cash equivalents stood at approximately HK\$196.29 million as at 31 March 2012 (2011: HK\$591.58 million). The decrease in cash and cash equivalents was mainly attributable to Zhunxing's prepaid construction costs, supervision fee and demolition fee, payment of compensation payable relating to litigation claims from certain construction contractors arising from suspended construction of expressway from October 2007 and payment of construction payable.

As at 31 March 2012, gearing ratio of the Group was 47.1% (2011: 27.6%).

The Board did not recommend any final dividend for the year ended 31 March 2012 (2011: NIL).

## **LIQUIDITY REVIEW**

As at 31 March 2012, the Group's total assets less current liabilities amounted to approximately HK\$7,505 million compared to approximately HK\$2,643 million as at 31 March 2011, representing an increase of about 184%. Total assets were approximately HK\$9,556 million (2011: HK\$3,108 million) which comprised total non-current assets of approximately HK\$7,737 million (2011: HK\$1,251 million) and total current assets of approximately HK\$1,819 million (2011: HK\$1,857 million). The significant increase in the total non-current assets was due to the consolidation of assets of Zhunxing to the Group. The current assets of the Company include properties under development for sale which were valued at approximately HK\$1,329 million (2011: HK\$1,077 million).

The Group's current liabilities increased from HK\$464.68 million in 2011 to HK\$2,051 million in 2012, mainly attributable to deposits from sales of properties of approximately HK\$123 million, trade and other payables of approximately HK\$1,174 million, borrowings of approximately HK\$107 million and convertible bonds of approximately HK\$289 million.

A promissory note with a principal amount of HK\$280 million was issued to China Alliance International Holding Group Limited, a substantial shareholder of the Company, in connection with the acquisition of Yichang Xinshougang Property Development Company Limited (宜昌新首鋼房地產開發有限公司) ("Yichang Xinshougang") in 2009. With the accrual of interest, a total of approximately HK\$289.10 million was recorded under current liabilities as at 31 March 2012 (2011: HK\$284.80 million).

The Group's capital commitments outstanding as at 31 March 2012 was approximately HK\$7,784 million (2011: HK\$189 million), of which HK\$7,553 million, representing almost 97%, was the investment on concession intangible asset representing the construction cost of the Expressway.

As at 31 March 2012, the Group had an outstanding borrowings of HK\$716.47 million (2011: HK\$6.16 million), of which RMB495.3 million (approximately HK\$609.21 million), representing almost 85%, was an unsecured loan owing by Zhunxing to an authorized financial institution with interest bearing at 0.0288% per day and repayable within two years. The said loan was unconditionally assigned by one of the non-controlling equity holder of Zhunxing to the authorised financial institution on 6 February 2012 which was also agreed by the Group.

The Group's business operations, assets and liabilities are denominated mainly in Hong Kong dollars, Renminbi and US dollars except its cold storage warehouse in Australia, thus appreciation in Australian dollars has resulted in a net exchange gain. Save as aforesaid, the Board considered foreign exchange risk is minimal. The management will review from time to time the potential foreign exchange exposure and will take appropriate actions to minimise any potential foreign exchange exposure risk to be arisen in the future.

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

Details of the Group's financial risk management are set out in note 51 of the Notes to the Financial Statements of the 2012 Annual Report.

## **MATERIAL EVENTS AND PROSPECT**

### ***Change of Company Name***

The name of the Company was changed from "China Timber Resources Group Limited" to "China Resources and Transportation Group Limited" and the Company adopted the Chinese name "中國資源交通集團有限公司" to be part of its registered name with effect from 30 August 2011.

### ***Completion of issue of the 9% coupon convertible bonds***

On 28 September 2011, the Company issued the convertible bonds with an aggregate amount of HK\$2,000,000,000 to several subscribers. The convertible bonds carry an interest rate of 9% per annum which shall be payable by the Company annually in arrears, upon conversion or redemption.

The bondholders are entitled to convert the convertible bonds into ordinary shares of the Company at an initial conversion price of HK\$0.4 per conversion share (subject to the normal adjustments pursuant to the terms and conditions of the convertible bonds) at any time during the period commencing from the date of issuance of the convertible bonds.

The Company shall redeem any outstanding convertible bonds at the principal amount together with accrued interest on the maturity date which is on the third anniversary of the date of issuance. The Company has the right to require the bondholder(s) to convert the convertible bonds into ordinary shares of the Company when the share price is higher than HK\$1.00 for 60 consecutive trading days.

### ***Transportation and Expressway Operation in Inner Mongolia***

On 21 April and 18 November 2011, the Company through Cheer Luck completed the subscription of 11% and 40% increased capital of Zhunxing respectively. In addition, the Company through Shuren Shenzhen acquired another 4.9% equity interest of Zhunxing from a former equity holder of Zhunxing by public tender on 29 November 2011. The Company is now indirectly interested in an aggregate 55.9% equity interest in Zhunxing.

Zhunxing has been granted an exclusive right to build and operate the Expressway for 30 years (excluding the construction period). The Expressway is designed to sustain 100 ton trucks, which will save time and cost for coal producers and distributors as it raises the transportation capacity of coal trucks, whereas most other expressways in the PRC can only allow a maximum of 55 ton trucks. In view of the current traffic congestion, increasing demand for coal transportation in Inner Mongolia and the existing coal transportation capacity of other expressways, there would be significant market demand of our Expressways for coal transportation.

The proposed toll fee for the Expressway is RMB0.15 per ton per km which is subject to the formal approval by the traffic bureau and the development and reform commission of Inner Mongolia. As the Expressway is a priority project under the “Eleventh Five-Year Plan” of the PRC, and is of strategic importance for energy logistics in northern PRC, the Board is of the view that the Expressway will generate significant turnover to the Group upon its opening for traffic.

The Group has also been granted an option but not obliged to subscribe a total of 66% equity interest in Zhunxing. On 17 December 2011, Cheer Luck and Zhunxing agreed to extend the option period for the unexercised portion of the subscription right from 31 December 2011 to 30 June 2012 in order to better align the said subscription right with the progress of the construction of the heavy haul toll expressway in Inner Mongolia. Depending on the progress of the construction of the Expressway by Zhunxing, the Group may further invest in Zhunxing in the future in order to capture the economic benefits of the Expressway.

The construction of the Expressway has been in steady progress and the Company estimates that 60km to 100km out of the total 265km of the Expressway could be open for traffic in January 2013 which will generate stable and significant turnover to the Group.

### ***Construction of comprehensive logistics base***

On 5 December 2011, the Company entered into an investment cooperation agreement (the “Cooperation Agreement”) with the local people’s government of 清水河縣 (Qingshuihe County) in the Inner Mongolia Autonomous Region of the PRC (the “Qingshuihe Government”) in relation to a coal processing large scale comprehensive logistics base proposed to be built close to the 營盤梁 (Yingpanliang) exit of the Expressway (the “Comprehensive Logistics Base”).

The Cooperation Agreement sets out certain specific terms for this project. Pursuant to the Cooperation Agreement, the Company and the Qingshuihe Government have agreed that the site area of the Comprehensive Logistics Base will be 15 square kilometers in total. The Qingshuihe Government will be responsible for the relocation of the current residents but the Company will be responsible for bearing the RMB5,000 per mu (equivalent to RMB7,500,000 per square kilometer) relocation compensation. The land will be made available to the Company in accordance with the PRC laws on a land grant, and the land use right will be granted to the Company for 50 years. In addition, all of the land grant fee will be invested in the construction of supplementary facilities of the coal logistics center.

The Comprehensive Logistics Base is expected to comprise a fully enclosed coal processing facility that includes bunkering, washing, selection, processing, storage and despatch facilities, including five production lines processing up to 10 million tons of coal per annum and a 3 million ton coal storage facility, as well as supplementary facilities such as vehicle servicing areas, and a gas station, transportation center and information services center. It is expected that the timetable for this project will be coordinated with the construction progress of the Expressway. When the project is completed, it will be a new material contributor to the Company’s revenue.

### ***Property Development Operation***

The Group’s property development arm in Yichang City of Hubei Province, Yichang Xinshougang commenced the first phase pre-sale of residential properties in June 2011. During the year under review, Yichang Xinshougang pre-sold approximately 23,000m<sup>2</sup> out of approximately 53,000m<sup>2</sup> salable area of residential property at the price of about RMB4,700 per square metre. These properties are expected to be delivered to purchasers in December 2012. Revenue from sales of properties is recognised when Yichang Xinshougang has delivered titles of the relevant properties to the purchaser and collectability of related receivable is reasonably assured. At the end of the Yichang Project, distributable profit from sales of the residential properties is to be shared by the Group and Dafang Properties Development Co. Ltd, (湖北省大方房地產綜合開發公司), the strategic property development partner of the Group, on a 60:40 basis.

## ***Forest Operation and Management***

The Group started to shift its business focus to expressway operation, management and maintenance, expressway and auxiliary facility investment and property development during the last two financial years, thus the Group does not intend to further invest in but will continue its existing operations in relation to forest operation and management, timber logging and trading, sale of timber products, and plantation and trading of seedlings.

The Board is of the view that the performance of Guyana forestry concessions fell below the expectation of the Company and has become loss-making. As such, The Board has considered countermeasures such as improving the efficacy of the management of the business, restructuring, downsizing or (where it is no longer optimal for the Group to continue operating the business) sale or other methods of disposal.

## **CAPITAL RAISING AND EXPENDITURE**

During the year under review, the Company has issued 347,858,523 shares pursuant to various exercises of warrants issued by the Company on 8 February 2010 at the exercise price of HK\$0.23 per share. As at 31 March 2012, there are HK\$83,950,000 outstanding warrants which are exercisable at the price of HK\$0.23 per share and are convertible to 365,000,000 shares on or before 7 February 2013.

## **EMPLOYEES AND RETIREMENT BENEFIT SCHEME**

The Group had approximately 260 employees in Hong Kong, the PRC, Australia and Guyana as at 31 March 2012. 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.

## **CONTINGENT LIABILITIES**

The Group's operations are regulated by various laws and regulations in Guyana. Guyana laws and regulations for the protection of the environment and wild life have generally become more stringent in recent years. Some of these laws and regulations could impose significant costs, expenses, penalties and liabilities on the Group. The Directors are not aware of any environmental liabilities as at the end of the reporting period and up to the date of this Announcement. The Directors are also not aware of any violation to existing conditions attached to the Group's timber concession rights, or subject to any significant costs, expenses, penalties and liabilities.

## **DIVIDENDS**

The Directors do not recommend the payment of any dividend for the year ended 31 March 2012 (2011: Nil).

## **AUDIT OPINION**

The auditor of the Group will issue an opinion with emphasis of matter on the consolidated financial statements 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 2012 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**

We draw attention to note 3(b) to the financial statements, which states that the Group incurred a net loss of approximately HK\$449,441,000 and had a net operating cash outflow of approximately HK\$1,944,689,000 during the year ended 31 March 2012 and, as of that date, the Group's current liabilities exceeded its current assets by approximately HK\$231,840,000. Notwithstanding the above, the consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the Group's ability to obtain sufficient new borrowings, raise capital from existing and new investors, and derive adequate operating cash flows from its operations. These conditions, along with other matters as described in note 3(b), indicate the existence of a material uncertainty which may cast significant doubt about the ability of the Group to continue as a going concern. Our opinion is not qualified in respect of this matter.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

There was no purchase, sale or redemption of listed securities of the Company by the Company or any of its subsidiaries during the year.

## **THE MODEL CODE**

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less than the required standard set out in the Model Code in Appendix 10 of the 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, 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 2012 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, Mr. Yip Tak On, Mr. Jing Baoli and Mr. Bao Liang Ming and an executive Director, Mr. Cao Zhong.

## **NOMINATION COMMITTEE**

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

## **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 deviations.

The CG Code requires that the roles of chairman and chief executive should not be performed by the same individual. However, not until the appointment of Mr. Duan Jingquan as the chief executive of the Company on 7 November 2011, the roles of chairman and chief executive were performed by Mr. Cao Zhong due to difficulties of recruiting a suitable chief executive and the size of business operation of the Company.

The CG Code also 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 four regular meetings to be unnecessary in view of the size and activities of the Group. Further details of the Company's corporate governance practices will be set out in the Corporate Governance Report to be contained in the 2012 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 2012 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 2012

*As at the date of this announcement, the Board comprises four executive Directors, namely Mr. Cao Zhong, Mr. Fung Tsun Pong, Mr. Duan Jingquan and Mr. Tsang Kam Ching, David; a non-executive Director, namely Mr. Neil Bush and three independent non-executive Directors, namely Mr. Yip Tak On, Mr. Jing Baoli and Mr. Bao Liang Ming.*