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

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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 269)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 MARCH 2018

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 2018 together with comparative figures for the last year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended 31 March 2018

	Notes	**2018** *HK$'000*	2017 *HK$'000*
Revenue	*5*	**822,086**	727,616
Cost of sales and other direct operating costs		**(942,192)**	(878,435)
Gross loss		**(120,106)**	(150,819)
Other income and other gains or losses	*6*	**(24,791)**	9,884
Gain/(loss) on change in fair value of investment properties		**1,121**	(4,750)
(Loss)/gain on change in fair value less costs to sell of biological assets		**(1,758)**	11,489
Impairment loss on goodwill and other intangible assets		**–**	(45,511)
Impairment loss on interests in associates recognised immediately prior to reclassification as assets of a disposal group held for sale		**–**	(362,078)
Selling and administrative expenses		**(314,605)**	(265,030)
Finance costs	*7*	**(940,719)**	(977,207)
Share of results of associates		**–**	(8,655)

	Notes	**2018** *HK$'000*	2017 *HK$'000*
Loss before income tax (expense)/credit	*8*	**(1,400,858)**	(1,792,677)
Income tax (expense)/credit	*9*	**(774)**	8,234
Loss for the year		**(1,401,632)**	(1,784,443)
Loss for the year attributable to:			
Owners of the Company		**(1,284,931)**	(1,676,202)
Non-controlling interests		**(116,701)**	(108,241)
		(1,401,632)	(1,784,443)
		HK$	*HK$*
Loss per share attributable to owners of the Company			
– Basic and diluted	*11*	**(0.17)**	(0.25)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2018

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2018

	Notes	2018 HK$'000	2017 HK$'000
NON-CURRENT ASSETS			
Concession intangible asset		**16,624,822**	14,501,267
Property, plant and equipment		**1,063,974**	952,245
Prepaid lease payments		**204,718**	33,520
Goodwill and other intangible assets		**52,147**	47,069
Biological assets		**64,282**	55,818
Forest concession rights		**–**	–
Investment properties		**28,230**	26,975
Long-term deposits and prepayments		**37,475**	44,680
Interests in associates		**–**	–
Available-for-sale investments		**82,918**	78,296
TOTAL NON-CURRENT ASSETS		**18,158,566**	15,739,870
CURRENT ASSETS			
Inventories		**26,647**	63,556
Trade and other receivables	*12*	**141,474**	205,625
Prepaid lease payments		**2,825**	857
Amount due from non-controlling shareholders of a subsidiary		**16,239**	14,658
Cash and cash equivalents		**39,471**	53,735
		226,656	338,431
Assets of a disposal group classified as held for sale		**–**	214,231
TOTAL CURRENT ASSETS		**226,656**	552,662
TOTAL ASSETS		**18,385,222**	16,292,532

	Notes	2018 HK$'000	2017 HK$'000
CURRENT LIABILITIES			
Trade and other payables	13	**3,596,578**	1,553,668
Promissory note		**315,003**	311,483
Borrowings		**722,332**	744,581
Non-convertible bonds		**4,395,648**	4,395,648
TOTAL CURRENT LIABILITIES		**9,029,561**	7,005,380
NET CURRENT LIABILITIES		**(8,802,905)**	(6,452,718)
TOTAL ASSETS LESS CURRENT LIABILITIES		**9,355,661**	9,287,152
NON-CURRENT LIABILITIES			
Borrowings		**11,930,290**	10,871,494
Deferred tax liabilities		**1,995**	1,636
Acreage fees payable		**–**	10,454
TOTAL NON-CURRENT LIABILITIES		**11,932,285**	10,883,584
TOTAL LIABILITIES		**20,961,846**	17,888,964
NET LIABILITIES		**(2,576,624)**	(1,596,432)
CAPITAL AND RESERVES			
Share capital		**1,488,479**	1,350,479
Reserves		**(4,224,141)**	(3,132,877)
Equity attributable to owners of the Company		**(2,735,662)**	(1,782,398)
Non-controlling interests		**159,038**	185,966
DEFICIENCY IN EQUITY		**(2,576,624)**	(1,596,432)

1. CORPORATE INFORMATION

China Resources and Transportation Group Limited (the "**Company**") is an exempted Company incorporated in the Cayman Islands with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The address of the registered office is the office of Sterling Trust (Cayman) Limited, Whitehall House, 238 North Church Street, P.O. Box 1043, George Town, Grand Cayman, KY1-1102, Cayman Islands. Its principal place of business is located at Room 1801-05, 18/F, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong.

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

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

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

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

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

Amendments to HKAS 7 – Disclosure Initiative

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

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

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

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

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

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

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

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

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

1 Effective for annual periods beginning on or after 1 January 2018

2 Effective for annual periods beginning on or after 1 January 2019

3 Effective for annual periods beginning on or after 1 January 2021

4 Effective date to be determined

5 Effective for annual periods beginning on or after 1 January 2018 or when the entity first applies HKFRS 9

HKFRS 9 – Financial Instruments

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

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

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

HKFRS 15 – Revenue from Contracts with Customers

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

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

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

HKFRS 16 – Leases

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

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

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

3. BASIS OF PREPARATION

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

(a) Statement of compliance

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

(b) Going concern basis

During the year, the Group incurred a loss of HK$1,401,632,000 (2017: HK$1,784,443,000) and as at 31 March 2018, the Group had net current liabilities and net liabilities of HK$8,802,905,000 and HK$2,576,624,000, respectively. The Company was in default in the repayment of the promissory note of HK$315,003,000 (2017: HK$311,483,000) and non-convertible bonds with an aggregate carrying amount of approximately HK$4,395,648,000 (2017: HK$4,395,648,000). These debts, together with the outstanding default interests accrued thereon of approximately HK$655,932,000 (2017: HK$379,307,000) (Note 13(a)), totalling approximately HK$5,366,583,000 (2017: HK$5,086,438,000) are classified under current liabilities at 31 March 2018. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and, in consequence, the Group may not be able to realise its assets and discharge its liabilities in the normal course of business.

In view of the above, the directors of the Company have undertaken and/or are in the progress of implementing the following measures to improve its liquidity position:

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

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

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

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

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

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

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

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

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

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

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

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

The completion of the Acquisition, the Subscription and the Placing are inter-conditional.

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

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

(iii) By 15 February 2018, the Group has entered into a conditional standstill agreement with all the bondholders, pursuant to which, on the conditions that:

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

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

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

The bondholders have agreed not to take any action to enforce the repayment of the remaining principals and interests of the bonds from the completion of the Acquisition (as referred to in (ii) above) to the expiration of the Moratorium Period or the termination of the SPA for the Acquisition as referred to (ii) above), whichever is earlier.

Up to the date of approval of the consolidated financial statements, the above measures have not yet been completed. The directors of the Company have prepared a cash flow forecast of the Group for a period covered not less than twelve months from the date of approval for the consolidated financial statements. Based on the forecast which has assumed the successful implementation of the above measures, the directors of the Company are of the opinion that the Group will have sufficient working capital to meet its financial obligations as and when they fall due in the next twelve months from the date of approval for the consolidated financial statements. Accordingly, the financial statements have been prepared on a going concern basis.

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

(c) Basis of measurement

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

(d) Functional and presentation currency

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

4. SEGMENT

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

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

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

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

Petroleum business – trading of petroleum and related products and operations of CNG gas stations; and

Others – sales of timber logs from tree plantation and outside suppliers, sales of seedlings and refined plant oil, sales of agricultural and forage products and electricity supply by solar power stations.

There was no inter-segment sale or transfer during the year (2017: HK$Nil). Central revenue and expenses are not allocated to the operating segments as they are not included in the measure of the segments' results that is used by the chief operating decision makers for assessment of segment performance.

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

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

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

(a) Reportable Segment

For the year ended 31 March 2018

	Expressway operations *HK$'000*	**Petroleum business** *HK$'000*	**Others** *HK$'000*	**Total** *HK$'000*
REVENUE				
Revenue from external customers	**756,639**	**28,870**	**36,577**	**822,086**
Inter-segment revenue	**–**	**–**	**–**	**–**
Reportable segment revenue	**756,639**	**28,870**	**36,577**	**822,086**
Reportable segment loss	**(235,205)**	**(46,653)**	**(105,849)**	**(387,707)**
Reportable segment assets	**17,590,394**	**71,496**	**490,256**	**18,152,146**
Reportable segment liabilities	**(15,417,283)**	**(857)**	**(174,838)**	**(15,592,978)**

	Expressway operations HK$'000	Petroleum business HK$'000	Others HK$'000	Total HK$'000
Other segment information				
Additions of costs for concession intangible asset	**1,374,122**	**–**	–	**1,374,122**
Additions of property, plant and equipment	**2,783**	**–**	**2,032**	**4,815**
Unallocated additions of property, plant and equipment				**122,803**
Total additions of property, plant and equipment				**127,618**
Additions of prepaid lease payments	**–**	**–**	**169,787**	**169,787**
Additions of biological assets	**–**	**–**	**5,387**	**5,387**
Depreciation of property, plant and equipment	**84,583**	**3,164**	**4,665**	**92,412**
Unallocated depreciation of property, plant and equipment				**7,685**
Total depreciation of property, plant and equipment				**100,097**
Amortisation of prepaid lease payments	**–**	**444**	**488**	**932**
Unallocated amortisation of prepaid lease payments				**16,341**
Total amortisation of prepaid lease payments				**17,273**
Amortisation of concession intangible asset	**763,183**	**–**	**–**	**763,183**
Impairment of property, plant and equipment	**–**	**5,376**	**–**	**5,376**
Interest income	**258**	**74**	**95**	**427**
Unallocated interest income				**4,844**
Total interest income				**5,271**

For the year ended 31 March 2017

	Expressway operations *HK$'000*	Petroleum business *HK$'000*	Others *HK$'000*	Total *HK$'000*
REVENUE				
Revenue from external customers	535,637	188,340	3,639	727,616
Inter-segment revenue	–	–	–	–
Reportable segment revenue	535,637	188,340	3,639	727,616
Reportable segment loss	(193,828)	(140,442)	(38,184)	(372,454)
Reportable segment assets	15,471,337	136,912	236,350	15,844,599
Reportable segment liabilities	(12,575,758)	(189,834)	(22,373)	(12,787,965)

	Expressway operations *HK$'000*	Petroleum business *HK$'000*	Others *HK$'000*	Total *HK$'000*
Other segment information				
Additions of property, plant and equipment	49,293	130	85	49,508
Unallocated additions of property, plant and equipment				26
Total additions of property, plant and equipment				49,534
Additions of biological assets	–	–	2,505	2,505
Depreciation of property, plant and equipment	80,611	3,712	4,939	89,262
Unallocated depreciation of property, plant and equipment				415
Total depreciation of property, plant and equipment				89,677
Amortisation of prepaid lease payments	–	431	514	945
Unallocated amortisation of prepaid lease payments				–
Total amortisation of prepaid lease payments				945
Amortisation of customer relationship	–	1,593	–	1,593
Amortisation of concession intangible asset	552,023	–	–	552,023
Impairment loss on goodwill and other intangible assets	–	45,511	–	45,511
Interest income	9,792	29	48	9,869
Unallocated interest income				4,903
Total interest income				14,772

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

	2018 *HK$'000*	2017 *HK$'000*
Reportable segment loss before interest and income tax (expense)/credit	**(387,707)**	(372,454)
Impairment loss recognised on interests in associates immediately prior to reclassification as disposal group held for sale	**–**	(362,078)
Gain/(loss) on change in fair value of investment properties	**1,121**	(4,750)
Net loss on disposal of assets of a disposal group classified as held for sale	**(4,997)**	–
Loss on disposal of subsidiaries	**(8,849)**	(627)
Other income and other gains or losses	**4,416**	(3,211)
Finance costs	**(940,719)**	(977,207)
Share of results of associates	**–**	(10,234)
Unallocated corporate expenses	**(64,123)**	(62,116)
Consolidated loss before income tax (expense)/credit	**(1,400,858)**	(1,792,677)
Assets		
Reportable segment assets	**18,152,146**	15,844,599
Assets of a disposal group classified as held for sale	**–**	214,231
Investment properties	**28,230**	26,975
Cash and cash equivalents	**39,471**	53,735
Available-for-sale investments	**82,918**	78,296
Amounts due from non-controlling shareholders of subsidiaries	**16,239**	14,658
Unallocated corporate assets	**66,218**	60,038
Consolidated total assets	**18,385,222**	16,292,532
Liabilities		
Reportable segment liabilities	**15,592,978**	12,787,965
Deferred tax liabilities	**1,995**	1,636
Promissory note	**315,003**	311,483
Non-convertible bonds	**4,395,648**	4,395,648
Unallocated corporate liabilities	**656,222**	392,232
Consolidated total liabilities	**20,961,846**	17,888,964

(c) Geographical information

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

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

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

(d) Information about major customers

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

5. REVENUE

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

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

6. OTHER INCOME AND OTHER GAINS OR LOSSES

Other income and other gains or losses comprises:

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

Note:

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

7. FINANCE COSTS

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

8. LOSS BEFORE INCOME TAX (EXPENSE)/CREDIT

Loss before income tax (expense)/credit is stated after charging:

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

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

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

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

	2018	2017
	HK$'000	*HK$'000*
Amounts included in biological assets	**486**	514
Amounts included in selling and administrative expenses	**1,884**	431
Amounts included in cost of sales and other direct operating costs	**14,903**	–
	17,273	945

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

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

9. INCOME TAX EXPENSE/(CREDIT)

The income tax expense/(credit) comprises:

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

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

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

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

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

The statutory tax rate for Hong Kong profits tax is 16.5% (2017: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. No provision for the Hong Kong profits tax has been made as the Group did not earn any income subject to Hong Kong profits tax during the years ended 31 March 2018 and 2017.

The subsidiaries in Guyana are liable to Guyana income tax at a rate of 45% (2017: 45%). No provision for Guyana income tax has been made as the subsidiaries in Guyana sustained losses for taxation purposes for the years ended 31 March 2018 and 2017.

The subsidiaries in Australia are liable to Australian income tax at a rate of 30% (2017: 30%). No provision for Australian income tax has been made as the subsidiaries in Australia sustained losses for taxation purposes for the years ended 31 March 2018 and 2017.

10. DIVIDEND

The directors of the Company do not recommend the payment of a dividend for the year ended 31 March 2018 (2017: 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 for the year attributable to owners of the Company:

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

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

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

12. TRADE AND OTHER RECEIVABLES

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

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

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

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

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

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

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

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

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

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

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

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

13. TRADE AND OTHER PAYABLES

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

Notes:

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

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

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

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

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

(d) During the year ended 31 March 2018, the Group and the Purchaser C entered into the agreement, pursuant to which the Purchaser C has agreed to pay of RMB80,000,000 (equivalent to HK$97,272,000) to the Group as refundable earnest money for the disposal of 18% equity interests of Zhunxing. The refundable earnest money will be settled as part of the consideration of the disposal when the disposal transaction is to be completed.

14. CONTINGENT LIABILITIES

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

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

15. EVENTS AFTER THE REPORTING PERIOD END

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

MANAGEMENT DISCUSSION AND ANALYSIS FOR THE YEAR ENDED 31 MARCH 2018

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

BUSINESS REVIEW

Operation of Zhunxing Expressway

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Forage and Agricultural Product Business

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

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

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

Petroleum and Related Products Business

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

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

Forest Operation

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

FINANCIAL REVIEW

Revenue

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

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

Cost of Sales

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

Gross loss

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

EBITDA

For the year ended 31 March 2018, the Group recorded an increased EBITDA (defined as earnings before interest, tax, depreciation, amortization and non-cash changes in values of assets and liabilities) amounted to approximately HK$513.66 million compared to the EBITDA of approximately HK$185.21 million for the last financial year. The 177.3% increase in EBITDA was primarily driven by the increased revenue from the expressway operations of the Group as discussed above. Detailed segment revenue and contribution to loss before income tax expense of the Group as shown in Note 4 to the consolidated financial statements in this announcement.

Change in fair value of the biological assets

For the purpose of estimating the fair value of the Group's biological assets in the PRC as at 31 March 2018, an independent valuation was performed by LCH (Asia-Pacific) Surveyors Limited (the "**Valuer**"), a firm of qualified professional surveyors and international valuation consultants with over 20 years of valuation experience. The Board is satisfied that the Valuer is independent and competent to conduct the valuation. As at 31 March 2018, the Group recorded a loss on the change in fair value less costs to sell of biological assets amounted to approximately HK$1.76 million (2017: a gain of approximately HK$11.49 million).

Loss for the year

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

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

LIQUIDITY REVIEW

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

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

As at 31 March 2018, contractual maturities based on contractual undiscounted cash flows of approximately HK$9,610.43 million, HK$962.92 million, HK$3,515.38 million and HK$13,187.97 million (2017: HK$7,594.49 million, HK$741.49 million, HK$2,845.28 million and HK$12,476.81 million) were required to be repaid within 1 year or on demand, after 1 year but within 2 years, after 2 years but within 5 years and after 5 years, respectively.

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

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

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

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

Borrowings

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

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

Capital Commitments

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

Going Concern Basis

During the year, the Group incurred a loss of HK$1,401.63 million (2017: HK$1,784.44 million), and as at 31 March 2018, the Group had net current liabilities and net liabilities of HK$8,802.91 million (2017: HK$6,452.72 million) and HK$2,576.62 million (2017: HK$1,596.43 million), respectively. The Company was in default in the repayment of the promissory note of HK$315.00 million (2017: HK$311.48 million) and non-convertible bonds with aggregate carrying amounts of approximately HK$4,395.65 million (2017: HK$4,395.65 million). These debts, together with the outstanding interests and default interests accrued thereon of approximately HK$655.93 million (2017: HK$379.31 million), totalling approximately HK$5,366.58 million (2017: HK$5,086.44 million) are classified under current labilities at 31 March 2018. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and therefore, the Group may not be able to realise its assets and discharge its liabilities in the normal course of business.

However, the Board has been implementing various measures to improve the Group's liquidity position as set out in Note 3(b) to the consolidated financial statements in this announcement and the "Material Events" section below, including (i) the financial arrangements through the proposed disposal of 71% equity interests in Zhunxing and the related buy-back obligation or options; (ii) the reorganization involving a very substantial acquisition being a reverse takeover, subscription and placing; and (iii) the fulfillment of conditions under the standstill agreement(s) entered into between the Company and each of the holder of the non-convertible bonds. Up to the date of this announcement, the above measures have not been completed. Based on the cash flow forecast of the Group for a period covered not less than twelve months from the date of approval for the consolidated financial statements which has assumed the successful implementation of the above measures, the Board is of the opinion that the Group will have sufficient working capital to meet its financial obligation as and when they fall due in the next twelve months from the date of approval for the consolidated financial statements.

Treasury Policy

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

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

MATERIAL EVENTS

Disposal of 45% Interest in Associates

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

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

Bank Borrowings

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

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

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

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

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

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

Sale and Purchase Agreement

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

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

On 23 February 2018, the Company and the Vendors entered into a supplemental sale and purchase agreement (the "**Supplemental SPA**"), pursuant to which additional structured contracts shall be entered into by a PRC subsidiary of the Company, the Target Company, the shareholders of certain subsidiaries of the Target Company and 16 operating subsidiaries of the Target Group, which will form part of the series of the structured contracts under the Proposed Acquisition.

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

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

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

Subscription Agreement

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

Placing Agreement

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

Potential Issue of Convertible Bonds

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

Increase of Authorised Share Capital

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

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

Outstanding Non-convertible Bonds

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

Holders of non-convertible bonds	**Principal amount** *(HK$)*	**Maturity date**	**Interest rate** *(per annum)*	**Default interest rate** *(per annum)*
China Life Insurance (Overseas) Company Limited	800,000,000	10 February 2016	9%	5%
China Life Insurance (Overseas) Company Limited	700,000,000	24 January 2017	9%	5%
Cross-Strait Capital Limited	32,000,000	10 February 2016	9%	5%
Dr. Lo Ka Shui	36,000,000	3 March 2016	9%	5%
Dr. Lo Ka Shui	35,000,000	3 September 2016	9%	5%
Li Ka Shing (Canada) Foundation	464,000,000	3 March 2016	9%	5%
Li Ka Shing (Canada) Foundation	465,000,000	3 September 2016	9%	5%
Strait Capital Service Limited	800,000,000	24 January 2017	9%	5%
Strait CRTG Fund, L.P.	700,000,000	24 January 2017	9%	5%
Total	4,032,000,000			

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

PROSPECTS

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

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

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

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

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

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

CHARGES ON ASSETS

As at 31 March 2018, the Group has pledged the equity interests in (i) Inner Mongolia Berun New Energy Company Limited* (內蒙古博源新型能源有限公司); (ii) Inner Mongolia Zhunxing Expressway Service Areas Management Company Limited* (內蒙古准興高速服務區管理有限責任公司); and (iii) Zhunxing to secure part of the Group's borrowings.

CONTINGENT LIABILITIES

Save as disclosed in Note 14 to the consolidated financial statements in this announcement, the Group had no material contingent liabilities as at 31 March 2018.

DIVIDENDS

The Directors do not recommend any payment of final dividend for the year ended 31 March 2018 (2017: HK$Nil).

SCOPE OF WORK OF CROWE (HK) CPA LIMITED

The figures in respect of the preliminary announcement of the Group's result for the year ended 31 March 2018 have been agreed by the Group's auditors, Crowe (HK) CPA Limited ("**Crowe**"), to the amounts set out in the Group's consolidated financial statements for the year. The work performed by Crowe in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Crowe on the preliminary announcement.

EXTRACT OF THE AUDITOR'S REPORT

Opinion

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

Basis of opinion

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

Material uncertainty related to going concern basis

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

There were no purchases, sales or redemptions of the Company's listed securities by the Company or any of its subsidiaries during the year ended 31 March 2018.

EMPLOYEES AND RETIREMENT BENEFIT SCHEMES

The Group had approximately 457 employees in Hong Kong and the PRC as at 31 March 2018. The Group implements remuneration policy, discretionary bonus and share options schemes to ensure that the pay scales of its employees are rewarded on performance-related basis within the general framework of the Group's remuneration policy. The Group participates in the state-managed retirement benefits schemes in the PRC and Mandatory Provident Fund Scheme in Hong Kong.

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.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Board is of the view that throughout the financial year under review, the Company has complied with all the code provisions set out in the Corporate Governance Code in Appendix 14 of the Listing Rules (the "**CG Code**") except for the deviations from the code provision A1.1 and A1.8 as detailed below.

The Directors note that the code provision A1.1 requires the Board to hold at least four regular meetings a year at approximately quarterly intervals. However, in view of the fact that two regular meetings and four ad hoc meetings were convened during the year and the ad hoc meetings have achieved an average participation rate constituting about two-thirds of the Board, the Directors considered holding four regular meetings at quarterly intervals to be unnecessary.

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

Further details of the Company's corporate governance practices will be set out in the Corporate Governance Report to be contained in the Company's annual report for the year ended 31 March 2018 ("**Annual Report 2018**").

REVIEW OF ANNUAL RESULTS

The Group's annual results for the year ended 31 March 2018 have been reviewed by the audit committee of the Company.

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 Annual Report 2018 containing all the information required by the Listing Rules will be dispatched 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, 29 June 2018

As at the date of this announcement, the Board comprises six executive Directors, namely Messrs Cao Zhong, Fung Tsun Pong, Duan Jingquan, Tsang Kam Ching, David, Gao Zhiping and Jiang Tao; a non-executive Director namely Mr. Suo Suo Stephen; and four independent non-executive Directors, namely Messrs Yip Tak On, Jing Baoli, Bao Liang Ming and Xue Baozhong.

* *For identification purpose only*