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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 2019

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 2019 together with comparative figures for the last year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2019

	Notes	**2019** *HK$'000*	2018 *HK$'000*
Revenue	*5*	**867,377**	822,086
Cost of sales and other direct operating costs		**(769,077)**	(942,192)
Gross profit/(loss)		**98,300**	(120,106)
Other income and other gains or losses	*6*	**49,608**	(24,791)
Impairment loss of property, plant and equipment		**(15,612)**	(5,376)
Impairment loss of trade and other receivables, net		**(74,383)**	(92,258)
Impairment loss of long-term deposits and prepayments		**(34,958)**	–
(Loss)/gain on change in fair value of investment properties		**(1,807)**	1,121
Gain/(loss) on change in fair value less costs to sell of biological assets		**4,456**	(1,758)
Selling and administrative expenses		**(121,267)**	(216,971)
Finance costs	*7*	**(1,094,988)**	(940,719)

	Notes	**2019** HK$'000	2018 HK$'000
Loss before taxation	*8*	**(1,190,651)**	(1,400,858)
Income tax credit/(expense)	*9*	**85**	(774)
Loss for the year		**(1,190,566)**	(1,401,632)
Loss for the year attributable to:			
Owners of the Company		**(1,072,414)**	(1,284,931)
Non-controlling interests		**(118,152)**	(116,701)
		(1,190,566)	(1,401,632)
		HK$	*HK$*
Loss per share attributable to owners of the Company			
– Basic	*11*	**(0.14)**	(0.17)
– Diluted	*11*	**N/A**	(0.17)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2019

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2019

	Notes	**2019** HK$'000	2018 HK$'000
NON-CURRENT ASSETS			
Concession intangible asset		**14,994,668**	16,624,822
Property, plant and equipment		**837,681**	1,063,974
Prepaid lease payments		**161,584**	204,718
Goodwill and other intangible assets		**48,815**	52,147
Biological assets		**62,914**	64,282
Forest concession rights		**–**	–
Investment properties		**25,620**	28,230
Long-term deposits and prepayments		**–**	37,475
Financial assets at fair value through profit or loss		**97,219**	–
Available-for-sale investments		**–**	82,918
TOTAL NON-CURRENT ASSETS		**16,228,501**	18,158,566
CURRENT ASSETS			
Inventories		**23,887**	26,647
Trade and other receivables	*12*	**113,109**	141,474
Financial assets at fair value through profit or loss		**5,573**	–
Prepaid lease payments		**14,174**	2,825
Amount due from non-controlling shareholder of a subsidiary		**15,201**	16,239
Cash and cash equivalents		**38,905**	39,471
TOTAL CURRENT ASSETS		**210,849**	226,656
TOTAL ASSETS		**16,439,350**	18,385,222

	Notes	**2019** HK$'000	2018 HK$'000
CURRENT LIABILITIES			
Trade and other payables	*13*	**3,858,788**	3,596,578
Promissory note		**315,003**	315,003
Borrowings		**637,431**	722,332
Non-convertible bonds		**4,395,648**	4,395,648
TOTAL CURRENT LIABILITIES		**9,206,870**	9,029,561
NET CURRENT LIABILITIES		**(8,996,021)**	(8,802,905)
TOTAL ASSETS LESS CURRENT LIABILITIES		**7,232,480**	9,355,661
NON-CURRENT LIABILITIES			
Borrowings		**11,144,021**	11,930,290
Deferred tax liabilities		**1,286**	1,995
TOTAL NON-CURRENT LIABILITIES		**11,145,307**	11,932,285
TOTAL LIABILITIES		**20,352,177**	20,961,846
NET LIABILITIES		**(3,912,827)**	(2,576,624)
CAPITAL AND RESERVES			
Share capital		**1,488,479**	1,488,479
Reserves		**(5,431,831)**	(4,224,141)
Equity attributable to owners of the Company		**(3,943,352)**	(2,735,662)
Non-controlling interests		**30,525**	159,038
DEFICIENCY IN EQUITY		**(3,912,827)**	(2,576,624)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

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:

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

HKFRS 9 Financial instruments

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

The Group has applied HKFRS 9 retrospectively to items that existed at 1 April 2018 in accordance with the transition requirements. The Group has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 April 2018. Therefore, comparative information continues to be reported under HKAS 39.

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

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

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

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

a. Classification of financial assets and liabilities

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

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

b. Credit losses

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

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

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

c. Transition

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

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

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

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

HKFRS 15 Revenue from contracts with customers

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

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

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

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

a. Timing of revenue recognition

Previously, revenue arising from provision of services was recognised over time, whereas revenue from sale of goods was generally recognised at a point of time when the risks and rewards of ownership of the goods had passed to the customers.

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

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

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

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

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

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

b. Significant financing component

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

c. Presentation of contract liabilities

Under HKFRS 15, a contract liability, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. To reflect this change in presentation, contract liabilities, including receipts in advance from customers, with amount of HK$18,456,000, which was previously included in trade and other payables are now included under contract liabilities at 1 April 2018, as a result of the adoption of HKFRS 15.

HK(IFRIC) 22 Foreign currency transactions and advance consideration

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

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

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

The Group is in the process of making an assessment of the potential impact of new standards and amendments to existing standards that have been issued but are not yet effective. The directors of the Company so far concluded that the application of these new/revised HKFRSs will have no material impact on the Group's financial statements.

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$1,190,566,000 (2018: HK$1,401,632,000) and as at 31 March 2019, the Group had net current liabilities and net liabilities of HK$8,996,021,000 and HK$3,912,827,000, respectively. The Company was in default in the repayment of the promissory note of HK$315,003,000 (2018: HK$315,003,000) and non-convertible bonds with an aggregate carrying amount of approximately HK$4,395,648,000 (2018: HK$4,395,648,000) and other borrowing of HK$467,151,000 (2018: Nil). These debts, together with the outstanding default interests accrued thereon of approximately HK$1,080,445,000 (2018: HK$655,932,000) (Note 13(a)), totalling approximately HK$6,258,247,000 (2018: HK$5,366,583,000) are classified under current liabilities at 31 March 2019. On 29 October 2018, an independent lender commenced legal actions against the Group for immediate repayment of a total outstanding balance of other borrowing, accrued interest and accrued default interest of approximately RMB606,108,000. Details are set out in the Company's announcement dated 29 October 2018. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and, in consequence, the Group may not be able to realise its assets and discharge its liabilities in the normal course of business.

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

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

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

On 30 December 2016, Cheer Luck and 3 other independent third party parties, Purchaser B, Purchaser C and Purchaser D, entered into conditional disposal agreements pursuant to which Cheer Luck conditionally agreed to sell and each of Purchaser B, Purchaser C and Purchaser D conditionally agreed to acquire 18%, 18% and 10% equity interest of Zhunxing, at Consideration B, Consideration C and Consideration D, respectively, each of which will be determined with reference to the respective share of net assets of Zhunxing at 31 December 2016 based on another valuation to be prepared by another independent valuer jointly appointed by Purchaser B, Purchaser C and Purchaser D. At 31 March 2019, Purchaser C had already paid refundable earnest money of RMB225 million (equivalent to approximately HK$274 million) which will be applied towards the settlement of the consideration for the disposal of 18% equity interest of Zhunxing when the relevant disposal agreement is completed. At 31 March 2019 and up to the date of approval of the consolidated financial statements of the Company, Purchaser B, Purchaser C and Purchaser D have not yet finalised another valuation report for the purpose of determining the considerations under the respective disposal agreements. Based on the terms of each of the above disposal agreements, Cheer Luck shall have an option to buy back from each of Purchaser B, Purchaser C and Purchaser D, within five years after the completion of the respective disposals, at a consideration same as the proceeds of each of these disposals to be received by Cheer Luck with a guaranteed return to each of these purchasers of 4.5% per annum for the period commencing from the date of completion of each of these disposals to the date when each of the buy-back options is exercised by Cheer Luck.

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

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

(ii) Restructuring of an outstanding promissory note

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

(iii) The Group is still in negotiations with its creditors, including but not limited to the bondholders, for the possible standstill or rescheduling of the repayment of the debts owing by the Group.

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

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

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

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

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

(c) Basis of measurement

The consolidated financial statements have been prepared under historical cost basis except for investment properties, biological assets and 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 (2018: 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 unallocated finance costs and taxation.

Segment assets exclude investment property in Australia, financial assets at fair value through profit or loss, available-for-sale investments, amounts due from non-controlling shareholder of a subsidiary, cash and cash equivalents and other unallocated head office and corporate assets as these assets are managed on a group basis.

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

(a) Reportable Segment

For the year ended 31 March 2019

	Expressway operations *HK$'000*	Petroleum business *HK$'000*	Others *HK$'000*	Total *HK$'000*
REVENUE				
Revenue from external customers	**815,915**	**32,371**	**19,091**	**867,377**
Inter-segment revenue	**–**	**–**	**–**	**–**
Reportable segment revenue	**815,915**	**32,371**	**19,091**	**867,377**
Reportable segment (loss)/profit	**(812,312)**	**303**	**(60,011)**	**(872,020)**
Adjusted EBITDA *(note (i))*	**732,443**	**2,833**	**5,805**	**741,081**
Reportable segment assets	**15,789,372**	**72,779**	**388,565**	**16,250,716**
Reportable segment liabilities	**(14,310,737)**	**(738)**	**(119,025)**	**(14,430,500)**

	Expressway operations *HK$'000*	Petroleum business *HK$'000*	Others *HK$'000*	Total *HK$'000*
Other segment information				
Additions of property, plant and equipment	**444**	**69**	**28**	**541**
Additions of biological assets	**–**	**–**	**893**	**893**
Depreciation of property, plant and equipment	**80,621**	**1,737**	**10,939**	**93,297**
Unallocated depreciation of property, plant and equipment				**100**
Total depreciation of property, plant and equipment				**93,397**
Amortisation of prepaid lease payments	**–**	**436**	**18,022**	**18,458**
Amortisation of concession intangible asset	**602,538**	**–**	**–**	**602,538**
Impairment loss on property, plant and equipment	**–**	**–**	**15,612**	**15,612**
Impairment loss of trade and other receivables	**–**	**357**	**24,418**	**24,775**
Unallocated impairment loss of trade and other receivables				**49,608**
Total impairment loss of trade and other receivables				**74,383**
Impairment loss of long-term deposits and prepayments	**34,958**	**–**	**–**	**34,958**
Write-down of inventories	**–**	**–**	**1,281**	**1,281**
Interest income	**71**	**7**	**99**	**177**
Unallocated interest income				**5,322**
Total interest income				**5,499**
Finance costs	**826,638**	**–**	**–**	**826,638**
Unallocated finance costs				**268,350**
Total finance costs				**1,094,988**

For the year ended 31 March 2018

	Expressway operations *HK$'000*	Petroleum business *HK$'000*	Others *HK$'000*	Total *HK$'000*
REVENUE				
Revenue from external customers	756,639	28,870	36,577	822,086
Inter-segment revenue	–	–	–	–
Reportable segment revenue	756,639	28,870	36,577	822,086
Reportable segment loss	(894,089)	(48,343)	(105,849)	(1,048,281)
Adjusted EBITDA *(note (i))*	645,135	1,365	9,459	655,959
Reportable segment assets	17,590,394	71,496	490,256	18,152,146
Reportable segment liabilities	(15,417,283)	(857)	(174,838)	(15,592,978)

	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	–	124,805	127,588
Unallocated additions of property, plant and equipment				30
Total additions of property, plant and equipment				127,618
Additions of prepaid lease payments	–	–	169,787	169,787
Additions of biological assets	–	–	5,387	5,387
Depreciation of property, plant and equipment	84,583	3,164	12,229	99,976
Unallocated depreciation of property, plant and equipment				121
Total depreciation of property, plant and equipment				100,097
Amortisation of prepaid lease payments	–	444	16,829	17,273
Amortisation of concession intangible asset	763,183	–	–	763,183
Impairment of property, plant and equipment	–	5,376	–	5,376
Impairment of trade and other receivables, net	5,424	39,034	47,800	92,258
Write-down of inventories	–	–	36,692	36,692
Provision for legal claims	27,150	–	–	27,150
Interest income	258	74	95	427
Unallocated interest income				4,844
Total interest income				5,271
Finance costs	658,884	1,690	–	660,574
Unallocated finance costs				280,145
Total finance costs				940,719

Note:

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

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

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

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

(d) Information about major customers

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

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:

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

6. OTHER INCOME AND OTHER GAINS OR LOSSES

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

Note:

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

7. FINANCE COSTS

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

8. LOSS BEFORE TAXATION

Loss before taxation is stated after charging:

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

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

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

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

	2019	2018
	HK$'000	*HK$'000*
Amounts included in selling and administrative expenses	**438**	1,884
Amounts included in cost of sales and other direct operating costs	**18,020**	15,389
	18,458	17,273

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

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

9. INCOME TAX (CREDIT)/EXPENSE

The income tax (credit)/expense comprises:

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

The PRC State Council released the Implementation Rules to the Corporate Income Tax Law on 6 December 2007 (the "**Implementation Rules**"). According to the Implementation Rules, an entity engaged in forestry business is entitled to full exemption from PRC enterprise income tax commencing from 1 January 2008. 樹人木業(大埔)有限公司, 樹人苗木組培(大埔)有限公司 and 阿魯科爾沁旗鑫澤農牧業有限公司("**Xinze**"), 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 2019, the statutory PRC enterprise income tax rate applicable to all other subsidiaries established and operating in the PRC is 25% (2018: 25%).

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

On 21 March 2018, the Inland Revenue (Amendment) (No. 7) Bill 2017, which introduces a two-tiered profits tax regime for qualifying corporations, was substantively enacted with effect from the year assessment 2018/2019. Under the two-tiered profit tax regime, the first HK$2 million of assessable profits of qualifying corporations will be taxed at the rate of 8.25% and assessable profits above HK$2 million continued to be subject to the tax rate of 16.5%. Such tax regime is applicable to the Company and the subsidiaries in Hong Kong during the year ended 31 March 2019. The statutory tax rate for Hong Kong profits tax was 16.5% on the estimated assessable profits arising in Hong Kong during the year ended 31 March 2018. No provision for the Hong Kong profits tax has been made as the Group did not earn any income subject to Hong Kong profits tax during the years ended 31 March 2019 and 2018.

The subsidiaries in Guyana are liable to Guyana income tax at a rate of 45% (2018: 45%). No provision for Guyana income tax has been made as the subsidiaries in Guyana sustained losses for taxation purposes for the years ended 31 March 2019 and 2018.

The subsidiaries in Australia are liable to Australian income tax at a rate of 30% (2018: 30%). No provision for Australian income tax has been made as the subsidiaries in Australia sustained losses for taxation purposes for the years ended 31 March 2019 and 2018.

10. DIVIDEND

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

	2019	2018
	HK$'000	*HK$'000*
Loss for the purpose of basic and diluted loss per share	**(1,072,414)**	(1,284,931)
Number of shares:	***'000***	*'000*
Weighted average number of ordinary shares as at 31 March For the purposes of basic and diluted loss per share	**7,442,396**	7,368,670

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

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

12. TRADE AND OTHER RECEIVABLES

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

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

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

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

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

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

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

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

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.

13. TRADE AND OTHER PAYABLES

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

Notes:

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

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

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

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

	2019	2018
	HK$'000	*HK$'000*
Outstanding balances aged:		
Within 30 days	**–**	–
31 to 60 days	**–**	–
Over 61 days	**–**	2,236
	–	2,236

(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. During the year ended 31 March 2019, an additional refundable earnest money of RMB145,000,000 (equivalent to HK$176,307,000) was paid by the Purchaser C to the Group. These refundable earnest money will be applied to settle as part of the consideration of the disposal when the disposal transaction is completed.

14. CONTINGENT LIABILITIES

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

(b) During the year ended 31 March 2018, the PRC Supreme Court issued an order to set aside an earlier judgement in favour of Zhunxing by a local court, in relation to the proceeding first taken by Zhunxing against an independent third party contractor who subsequently counterclaimed against Zhunxing for additional construction costs and various damages under two construction contracts (as varied by supplemental agreements in 2011), against which, the Group has recognised approximately RMB603.8 million (2018: RMB603.8 million) at 31 March 2019. The Group considered, after having sought legal advices, that Zhunxing has valid grounds to defend those unrecognized counterclaims for additional construction costs and accordingly, no additional provision is required at 31 March 2019.

15. EVENTS AFTER THE REPORTING PERIOD END

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

16. COMPARATIVE FIGURES

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

MANAGEMENT DISCUSSION AND ANALYSIS FOR THE YEAR ENDED 31 MARCH 2019

For the year ended 31 March 2019, the Group was principally engaged in expressway operations, compressed natural gas ("**CNG**") gas stations operations, growing and sales of forage and agricultural products and timber operations.

BUSINESS REVIEW

Operation of Zhunxing Expressway

During the year, the Group's revenue was mainly contributed by toll income from 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 in general were relatively high in 2018, and the coal demand has risen steadily, driving an upturn in the transportation industry. By the end of 2018, the number of trucks using Zhunxing Expressway has gradually increased, leading to a steady increase in the overall traffic volume of Zhunxing Expressway.

For the year ended 31 March 2019, Zhunxing Expressway recorded an accumulated toll income of approximately RMB706.05 million (approximately HK$815.92 million), i.e. an average daily toll income of approximately RMB1.93 million (approximately HK$2.24 million) and an average daily traffic volume of approximately 6,222 vehicles (for the year ended 31 March 2018, was approximately RMB1.75 million (approximately HK$2.07 million) and the average daily traffic volume was approximately 5,863 vehicles).

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

(1) promoting the resolution of excess coal capacity and guiding enterprises to merge and reorganize, a number of coal mines were shut down in Inner Mongolia to strictly control the excess production from coal mines; and

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

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

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

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

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

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

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

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

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

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

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

Forage and Agricultural Product Business

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

For the year ended 31 March 2019, the final production of sorghum silage amounted to approximately 32,000 tons (2018: approximately 74,000 tons) with a sales income of approximately RMB12.09 million (approximately HK$14.09 million) (2018: RMB27.05 million (approximately HK$32.06 million)).

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

Petroleum and Related Products Business

For the year ended 31 March 2019, the Group through its wholly-owned subsidiary, Leshan Zhongshun Oil and Gas Company Limited* (樂山中順油汽有限公司) ("**Leshan**") focused on the development of the new energy business sector based on CNG.

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

Forest Operation

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

FINANCIAL REVIEW

Revenue

The Group's revenue for the year ended 31 March 2019 was approximately HK$867.38 million, representing an increase of about 5.5% from approximately HK$822.09 million for the last financial year. The Group's income was recognized under three reportable segments of the Group, namely expressway operations, petroleum business, and others including timber operations and forage and agricultural business, contributed approximately HK$815.92 million (94.07%), HK$32.37 million (3.73%) and HK$19.09 million (2.20%) (2018: HK$756.64 million (92.04%), HK$28.87 million (3.51%) and HK$36.58 million (4.45%)) respectively to the Group's consolidated revenue.

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

Cost of sales

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

Gross profit/loss

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

EBITDA

For the year ended 31 March 2019, the Group recorded an increased EBITDA (defined as earnings before interest, tax, depreciation, amortization and non-cash changes in values of assets and liabilities) amounted to approximately HK$709.31 million compared to the EBITDA of approximately HK$582.52 million for the last financial year. The 21.8% increase in EBITDA was primarily driven by the increased revenue from the expressway operations of the Group and reduction in the Group's cost of sales as discussed above. Detailed segment revenue and contribution to loss before income tax credit/expense of the Group are shown in Note 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 2019, an independent valuation was performed by LCH (Asia-Pacific) Surveyors Limited (the "**Valuer**"), a firm of qualified professional surveyors and international valuation consultants with over 20 years of valuation experience. The Board is satisfied that the Valuer is independent and competent to conduct the valuation. As at 31 March 2019, the Group recorded a gain on the change in fair value less costs to sell of biological assets amounted to approximately HK$4.46 million (2018: a loss of approximately HK$1.76 million).

Loss for the year

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

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

LIQUIDITY REVIEW

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

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

As at 31 March 2019, contractual maturities based on contractual undiscounted cash flows of approximately HK$9,866.27 million, HK$1,024.74 million, HK$3,651.14 million and HK$12,320.82 million (2018: HK$9,707.71 million, HK$962.92 million, HK$3,515.38 million and HK$13,187.97 million) were required to be repaid within 1 year or on demand, after 1 year but within 2 years, after 2 years but within 5 years and after 5 years, respectively.

The gearing ratio of the Group, measured as total liabilities to total assets, was 123.80% as at 31 March 2019 (2018: 114.01%).

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

Borrowings

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

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

Capital Commitments

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

Going Concern

During the year ended 31 March 2019, the Group suffered a loss of approximately HK$1,190.57 million (2018: HK$1,401.63 million), and as at 31 March 2019, the Group had net current liabilities of approximately HK$8,996.02 million (2018: HK$8,802.91 million) and net liabilities of approximately HK$3,912.83 million (2018: HK$2,576.62 million). As at 31 March 2019, the Company was in default in the repayment of the promissory note of approximately HK$315.00 million (2018: HK$315.00 million) and non-convertible bonds with aggregate carrying amounts of approximately HK$4,395.65 million (2018: HK$4,395.65 million) and other borrowing of approximately HK$467.15 million (2018: Nil). These debts, together with the outstanding default interests accrued thereon of approximately HK$1,080.45 million (2018: HK$655.93 million), totaling approximately HK$6,258.25 million (2018: HK$5,366.58 million) are classified under current liabilities as at 31 March 2019. These conditions indicate the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern and therefore, the Group may not be able to realize its assets and discharge its liabilities in the normal course of business.

However, the Board has undertaken and/or is in the progress of 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 "Remedial Measures on Going Concern" section below. Assuming 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 dominated mainly in Hong Kong dollars, Renminbi, Australian dollars and US dollars. There was no significant foreign exchange gain or loss recognized during the year. The management will review from time to time of potential foreign exchange exposure and will take appropriate measures to minimize the risk of foreign exchange exposure in the future.

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

MATERIAL EVENTS

Replacement of Promissory Note

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

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

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

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

Sale and Purchase Agreement

On 11 July 2017, the Company entered into a sale and purchase agreement (as amended by a supplemental agreement on 23 February 2018, the "**Sale and Purchase Agreement**") with CITIC Asset Management Corporation Ltd.* (中信資產管理有限公司) ("**CITIC AMC**") and 10 other vendors (the "**Vendors**") for the acquisition of rights and power to control over, and the right to enjoy the economic benefits in, the pawn loan business operated by ZhongAn XinBang Asset Management Corporation Ltd* (中安信邦資產管理有限公司), its subsidiaries and branch companies, through structured contracts (the "**Proposed Acquisition**"). The Proposed Acquisition constitutes a reverse takeover for the Company under Rule 14.06(6)(a) of Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") and a connected transaction of the Company under Rule 14A.28 of the Listing Rules.

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

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

Subscription Agreement

On 11 July 2017, the Company and certain independent third party subscribers entered into a subscription agreement (the "**Subscription Agreement**"), pursuant to which the subscribers have conditionally agreed to subscribe for 3,521,738,478 new shares of the Company at the issue price of HK$0.23 per share of the Company with an aggregate consideration of HK$809,999,850 (the "**Proposed Subscription**").

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

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

Placing Agreement

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

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

Further details on the transactions contemplated under the Proposed Acquisition, the Proposed Subscription and the Proposed Placing are set out in the announcements of the Company dated 1 August 2017, 22 August 2017, 22 September 2017, 20 October 2017, 20 November 2017, 20 December 2017, 22 January 2018, 23 February 2018, 27 February 2018, 23 March 2018, 23 April 2018, 24 May 2018, 27 June 2018, 4 July 2018, 3 August 2018, 3 September 2018, 27 September 2018, 29 October 2018 and 13 November 2018.

Outstanding Non-convertible Bonds

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

By 15 February 2018, the Company and each of the Bondholders have entered into conditional standstill agreement in relation to, among other things, the rescheduling of the repayment of the Outstanding Bonds (the "**Standstill Agreement(s)**"). Pursuant to the Standstill Agreements, the Bondholders will not demand for, or take any action in respect of, repayment of the Outstanding Bonds for a period of 365 days from the date of completion of the Proposed Acquisition.

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

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

Disposal Agreement A

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

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

On 18 December 2017, Cheer Luck and Purchaser A entered into a supplemental agreement to Disposal Agreement A ("**Supplemental Agreement A**"), pursuant to which Consideration A has been adjusted from RMB1,125.00 million (equivalent to approximately HK$1,260.00 million) to RMB1,145.00 million (equivalent to approximately HK$1,282.40 million) pursuant to a valuation report. A fund company, Wulanchabu Zhongshi Yuanheng Logistics Management Centre (Limited Partnership)* (烏蘭察布市中實源恒物流產業管理中心（有限合夥）) (the "**Fund Company**"), was established by Purchaser A at its sole discretion to facilitate its internal funding arrangement and the settlement of Consideration A.

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

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

Upon completion of Disposal A, Zhunxing will be held as to 61.87% by the Company, and upon the fulfillment of the Buy-back Obligation, Zhunxing will be held as to 86.87% by the Company.

Disposal Agreement B, C and D

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

(i) 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**"), for the sale and purchase of 18% equity interests of Zhunxing at a consideration equals to 18% of the net asset value of Zhunxing as at 31 December 2016 ("**Disposal Agreement B**");

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

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

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

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

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

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

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

Demand notices from a PRC Creditor

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

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

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

PROSPECTS

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

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

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

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

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

CHARGES ON ASSETS

As at 31 March 2019, the Group has pledged the equity interests in (i) Inner Mongolia Berun New Energy Company Limited* (內蒙古博源新型能源有限公司); (ii) Inner Mongolia Zhunxing Expressway Service Areas Management Company Limited* (內蒙古准興高速服務區管理有限責任公司); and (iii) Zhunxing to secure part of the Group's borrowings.

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 2019.

DIVIDENDS

The Directors do not recommend any payment of final dividend for the year ended 31 March 2019 (2018: 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 2019 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

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

BASIS FOR DISCLAIMER OF OPINION

Multiple uncertainties relating to going concern

As described in Note 3(b) to the consolidated financial statements, the Group incurred a loss of HK$1,190,566,000 during the year ended 31 March 2019 and as at that date, the Group had net current liabilities and net liabilities of approximately HK$8,996,021,000 and HK$3,912,827,000, respectively. All these conditions indicate the existence of multiple material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern.

The directors of the Company have been undertaking a number of measures as disclosed in Note 3(b) to the consolidated financial statements to improve the Group's liquidity position. The consolidated financial statements have been prepared on a going concern basis, the validity of which depends on the outcome of these measures, which is subject to multiple material uncertainties, including the following:

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

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

The Disposal Agreement A and the transactions contemplated thereunder were approved by a resolution at the extraordinary general meeting of the Company held on 16 April 2018.

On 30 December 2016, Cheer Luck and 3 other independent third party parties, Purchaser B, Purchaser C and Purchaser D, entered into conditional disposal agreements pursuant to which Cheer Luck conditionally agreed to sell and each of Purchaser B, Purchaser C and Purchaser D conditionally agreed to acquire 18%, 18% and 10% equity interest of Zhunxing, at Consideration B, Consideration C and Consideration D, respectively, each of which will be determined with reference to the respective share of net assets of Zhunxing at 31 December 2016 based on another valuation to be prepared by another independent valuer jointly appointed by Purchaser B, Purchaser C and Purchaser D. At 31 March 2019, Purchaser C paid refundable earnest money of RMB225 million (equivalent to approximately HK$274 million) which will be applied towards the settlement of the consideration for the disposal of 18% equity interest of Zhunxing when the relevant disposal agreement is completed. At 31 March 2019 and up to the date of approval of the consolidated financial statements of the Company, the valuation report has not yet been finalised for the purpose of determining the considerations under the respective disposal agreements.

Based on the terms of each of the above disposal agreements, Cheer Luck shall have an option to buy back, from each of Purchaser B, Purchaser C and Purchaser D, within five years after the completion of the respective disposals, at a consideration same as the proceeds of each of these disposals to be received by Cheer Luck, together 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.

(ii) The Group is still in negotiations with its creditors, including but not limited to the bondholders, for the possible standstill or rescheduling of the repayment of their debts owing by the Group. No agreement(s) has/have been reached up to the date of the approval of the consolidated financial statements. Subsequent to the reporting period end and on 16 April 2019, as disclosed in Note 3(b)(ii) to the consolidated financial statements, the Group entered into an agreement with the holder of the then existing promissory note under which 60 new promissory notes with an aggregate principal value of approximately HK$683 million have been issued to replace the existing promissory note with accrued interest of approximately HK$683 million owing by the Group.

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

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

REMEDIAL MEASURES ON GOING CONCERN

The Company wishes to highlight the relevant remedial measures taken or to be taken by the Board up to the date of this announcement to improve the Company's financial position.

Debt Restructuring

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

(ii) The Group is still in negotiation with its creditors, including but not limited to the holders of the Outstanding Bonds, for possible standstill or potential rescheduling of the repayment of debts owing by the Group.

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

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

The disposals, if successfully implemented, will generate capitals for the Group and the entire proceeds from the disposals of 71% equity interests in Zhunxing will be used to repay partially the principal amount of the Outstanding Bonds. In case there is any surplus, it will be used as general working capital of the Group.

Up to the date of this announcement, the disposals have not yet been completed. Should the Company fail to proceed further with any of the disposals, the Company will explore other avenues (including but not limited to disposing other assets of the Group and locating other purchasers to dispose the unsold interests in Zhunxing) to generate funds to repay the Outstanding Bonds.

The Board considers that the financing arrangement through disposals and buy-backs of the 71% equity interests in Zhunxing will help to reduce the indebtedness level of the Group and help the management to re-focus on strategy formulation, resource allocation and operation management to enhance the performances and financial position of the Group.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

SHARE OPTION SCHEME

The share option scheme adopted by the Company on 16 July 2004 (the "**Old Scheme**") expired on 15 July 2014. No further options could be granted under the Old Scheme; howsoever, the options granted under the Old Scheme before 15 July 2014 were exercisable till 15 October 2018.

A new share option scheme of the Company was adopted on 28 August 2014 (the "**New Scheme**") pursuant to the approval by the shareholders of the Company at the annual general meeting held on 28 August 2014. The New Scheme shall remain in force for a period of 10 years ending on 27 August 2024, unless otherwise terminated or amended.

On 16 October 2018, the options to subscribe 34,833,324 ordinary shares of HK$0.20 each of the Company were lapsed. As at 31 March 2019, no options under the Old Scheme are valid, outstanding and exercisable. No options under the Old Scheme were exercised and thus no securities were issued during the year ended 31 March 2019.

During the year ended 31 March 2019, no share option has been granted, exercised, cancelled or lapsed under the New Scheme.

EMPLOYEES AND RETIREMENT BENEFIT SCHEMES

The Group had approximately 458 employees in Hong Kong and the PRC as at 31 March 2019. The Group implements remuneration policy, discretionary bonus and share options scheme 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.

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

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 A.1.1 and A.1.8 as detailed below.

The Directors note that the code provision A.1.1 requires the Board to hold at least four regular meetings a year at approximately quarterly intervals. However, in view of the fact that two regular meetings were convened during the year and ad hoc matters were effectively dealt with by way of written resolutions, the Directors considered holding four regular meetings at quarterly intervals to be unnecessary.

The Directors further note that the code provision A.1.8 stipulates that an issuer should arrange appropriate insurance cover in respect of legal action against its directors. However, as the terms and conditions offered by the insurer in relation to the extension of the directors and officers ("**D&O**") liability insurance policy were unfavorable to the Company, the D&O insurance cover was ceased in the second half of the last financial year under review. The Board will consider the terms and conditions of any new D&O liability insurance policy 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 2019 ("**Annual Report 2019**").

REVIEW OF ANNUAL RESULTS

The Group's annual results for the year ended 31 March 2019 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 2019 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, 28 June 2019

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*