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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 269)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 MARCH 2021

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 2021 together with comparative figures for the last year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2021

	Notes	2021 HK$'000	2020 HK$'000
Revenue	5	**598,117**	567,562
Cost of sales and direct operating costs		**(794,179)**	(762,811)
Gross loss		**(196,062)**	(195,249)
Other income and other gains or losses	6	**39,967**	(34,175)
Impairment loss of concession intangible asset		**–**	(1,562,110)
Impairment loss of property, plant and equipment		**(1,353)**	(212,638)
Impairment loss of right-of-use assets		**(651)**	(55,791)
Impairment loss of goodwill		**–**	(45,592)
Impairment loss of trade receivables, net		**–**	(6,453)
Reversal of/(impairment loss) of prepayments, deposits and other receivables, net		**3,039**	(87,150)
Gain on change in fair value less costs to sell of biological assets		**10,405**	6,389
Selling and administrative expenses		**(74,268)**	(168,783)
Finance costs	7	**(1,282,007)**	(1,229,638)
Loss before taxation	8	**(1,500,930)**	(3,591,190)
Income tax credit	9	**–**	974
Loss for the year		**(1,500,930)**	(3,590,216)
Other comprehensive loss:			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of foreign operations		**(172,873)**	(11,658)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(1,673,803)**	(3,601,874)

	Notes	**2021**	2020
		HK$'000	*HK$'000*
Loss for the year attributable to:			
– Owners of the Company		**(1,332,463)**	(3,154,695)
– Non-controlling interests		**(168,467)**	(435,521)
		(1,500,930)	(3,590,216)
Total comprehensive loss for the year attributable to:			
– Owners of the Company		**(1,482,396)**	(3,164,009)
– Non-controlling interests		**(191,407)**	(437,865)
		(1,673,803)	(3,601,874)
		HK$	*HK$*
Loss per share attributable to owners of the Company			
– Basic	*11*	**(0.18)**	(0.42)
– Diluted	*11*	**N/A**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2021

	Notes	**2021** *HK$'000*	2020 *HK$'000*
NON-CURRENT ASSETS			
Concession intangible asset		**12,235,111**	11,936,494
Property, plant and equipment		**483,594**	513,780
Prepaid lease payments		**–**	–
Right-of-use assets		**93,303**	97,297
Goodwill		**–**	–
Biological assets		**79,840**	63,342
Investment properties		**–**	–
Financial assets at fair value through profit or loss		**88,319**	57,151
TOTAL NON-CURRENT ASSETS		**12,980,167**	12,668,064
CURRENT ASSETS			
Inventories		**82**	45
Trade receivables	*12*	**780,768**	250,208
Prepayments, deposits and other receivables	*13*	**46,172**	14,795
Financial assets at fair value through profit or loss		**1,297**	2,304
Prepaid lease payments		**–**	–
Amount due from non-controlling shareholder of a subsidiary		**15,378**	14,198
Cash and cash equivalents		**39,501**	32,312
TOTAL CURRENT ASSETS		**883,198**	313,862
TOTAL ASSETS		**13,863,365**	12,981,926

	Notes	**2021**	2020
		HK$'000	*HK$'000*
CURRENT LIABILITIES			
Other payables	*14*	**6,016,853**	4,408,650
Borrowings		**11,884,790**	10,970,946
Non-convertible bonds		**4,395,648**	4,395,648
Lease liabilities		**1,316**	1,186
TOTAL CURRENT LIABILITIES		**22,298,607**	19,776,430
NET CURRENT LIABILITIES		**(21,415,409)**	(19,462,568)
TOTAL ASSETS LESS CURRENT LIABILITIES		**(8,435,242)**	(6,794,504)
NON-CURRENT LIABILITIES			
Promissory notes		**750,372**	716,205
Lease liabilities		**2,890**	3,992
TOTAL NON-CURRENT LIABILITIES		**753,262**	720,197
TOTAL LIABILITIES		**23,051,869**	20,496,627
NET LIABILITIES		**(9,188,504)**	(7,514,701)
CAPITAL AND RESERVES			
Share capital		**1,488,479**	1,488,479
Reserves		**(10,078,236)**	(8,595,840)
Equity attributable to owners of the Company		**(8,589,757)**	(7,107,361)
Non-controlling interests		**(598,747)**	(407,340)
DEFICIENCY IN EQUITY		**(9,188,504)**	(7,514,701)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

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 Unit Nos. 11-12, Level 10, Tower 1, Millennium City 1, No. 388 Kwun Tong Road, Kwun Tong, Kowloon, Hong Kong.

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

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) New and amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the Amendments to the Conceptual Framework in Hong Kong Financial Reporting Standards ("**HKFRS**") adopted all the new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") that are relevant to its operations and effective for its accounting year beginning on 1 April 2020 as mentioned below. HKFRSs comprise HKFRS, Hong Kong Accounting Standards ("**HKAS**"), and Interpretations.

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

In addition, the Group has early applied Amendment to HKFRS 16, COVID-19-Related Rent Concessions, which is effective for annual periods beginning on or after 1 June 2020.

The Group has applied the amendment for the first time in the current year. The amendment introduces a new practical expedient for lessees to elect not to assess whether a COVID-19-related rent concession is a lease modification. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 that meets all of the following conditions:

– the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

– any reduction in lease payments affects only payments originally due on or before 30 June 2021; and

– there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 Leases if the changes were not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

The Group has elected to apply the practical expedient to all rent concessions. During the year ended 31 March 2021, no COVID-19-related rent concessions was recognised in the profit or loss.

The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current and prior years.

(b) New and amendments to HKFRSs issued but are not yet effective

The Group has not applied the new and revised HKFRSs that have been issued but are not yet effective. These new and revised HKFRSs include the following which may be relevant to the Group:

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and the related amendments to Hong Kong Interpretation 5 (2020)[1]
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use[2]
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020 cycle[2]
Amendments to HKFRS 3	Reference to Conceptual Framework[2]
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2[4]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]

[1] Effective for annual periods beginning on or after 1 January 2023.
[2] Effective for annual periods beginning on or after 1 January 2022.
[3] Effective for annual periods beginning on or after a date to be determined.
[4] Effective for annual periods beginning on or after 1 January 2021.

The Group has already commenced an assessment of the impact of these new and revised HKFRSs so far it has concluded that the adoption of them is unlikely to have a material impact on its results of operations and financial position.

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

The Group incurred a net loss of approximately HK$1,500,930,000 for the year ended 31 March 2021 and as of that date, the Group had net current liabilities and net liabilities of approximately HK$21,415,409,000 and HK$9,188,504,000, respectively. The Company was in default in the repayment of the bank borrowings of approximately HK$11,410,201,000 and other borrowings of approximately HK$474,589,000 and non-convertible bonds with aggregate carrying amount of approximately HK$4,395,648,000. These debts, together with the outstanding default interests accrued thereon of approximately HK$3,248,329,000, totaling approximately HK$19,528,767,000 are classified under current liabilities at 31 March 2021.

All of the above conditions indicate the existence of multiple material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern.

In view of the circumstances and conditions mentioned above, the directors have given careful consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern. Certain measures have been taken by the Group to mitigate the liquidity pressure and to improve its financial position, which include, but not limited to, the following:

(i) The Group has been actively negotiating with the PRC banks and other financial institutions in respect the debt restructuring and/or standstill of debt repayment;

(ii) The Group is actively negotiating with the Group's other lenders and non-convertible bond holders to seek for the extension of repayments of all borrowings, including principles and interests in default; and

(iii) The Group is actively negotiating with external parties to obtain new sources of financing to finance the Group's working capital and improve the liquidity position.

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 cash flow forecast which has assumed the successful implementation of the above measures, the directors of the Company are of the opinion that the Group will have sufficient working capital to meet its financial obligations as and when they fall due in the next twelve months from the date of approval for the consolidated financial statements. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

Notwithstanding the above, significant uncertainties exist as to whether management of the Company will be able to achieve its plans and measures as described above. Whether the Group will be able to continue as a going concern would depend upon the Group's ability to generate adequate financing and operating cash flows through the following:

(i) Successfully negotiating with the PRC banks and other financial institutions in respect the debt restructuring and/or standstill of debt repayment;

(ii) Successfully negotiating with the Group's other lenders and non-convertible bond holders for the renewal of or extension of repayment of outstanding borrowings, including those with overdue principals and interests; and

(iii) Successfully raising new funds for financing the working capital of the Group within the next twelve months.

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 financial assets at fair value through profit or loss and biological assets which are respectively measured at fair value and fair value less costs to sell.

(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 INFORMATION

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

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

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

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

CNG gas stations operation – 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 products and electricity supply by solar power stations.

There was no inter-segment sale or transfer during the year (2020: HK$Nil). Central revenue and expenses are not allocated to the operating segments as they are not included in the measure of the segments' results that is used by the chief operating decision makers for assessment of segment performance.

The measure used for reportable segment profit or loss is loss before unallocated finance costs and taxation.

Segment assets exclude financial assets at fair value through profit or loss, amounts due from non-controlling shareholder of a subsidiary, cash and cash equivalents, right-of-use asset and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude promissory notes, non-convertible bonds, interest payable on non-convertible bonds, lease 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 2021

	Expressway operations	**CNG gas stations operation**	**Others**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
REVENUE				
Revenue from external customers	**587,070**	**–**	**11,047**	**598,117**
Inter-segment revenue	**–**	**–**	**–**	**–**
Reportable segment revenue	**587,070**	**–**	**11,047**	**598,117**
Reportable segment loss	**(1,252,913)**	**(2,694)**	**(10,318)**	**(1,265,925)**
Adjusted EBITDA *(Note (i))*	**476,845**	**(224)**	**7,146**	**483,767**
Reportable segment assets	**13,399,275**	**16,863**	**284,841**	**13,700,979**
Reportable segment liabilities	**(16,496,524)**	**(1,032)**	**(123,822)**	**(16,621,378)**

For the year ended 31 March 2021

	Expressway operations *HK$'000*	CNG gas stations operation *HK$'000*	Others *HK$'000*	Total *HK$'000*
Other segment information				
Additions of property, plant and equipment	**651**	**–**	**6**	**657**
Additions of biological assets	**–**	**–**	**483**	**483**
Depreciation of property, plant and equipment	**63,087**	**466**	**7,779**	**71,332**
Unallocated depreciation of property, plant and equipment				**6**
Total depreciation of property, plant and equipment				**71,338**
Depreciation of right-of-use assets	**–**	**224**	**10,595**	**10,819**
Unallocated depreciation of right-of-use assets				**759**
Total depreciation of right-of-use assets				**11,578**
Amortisation of concession intangible asset	**650,969**	**–**	**–**	**650,969**
Impairment loss of property, plant and equipment	**–**	**1,353**	**–**	**1,353**
Impairment loss of right-of-use assets	**–**	**651**	**–**	**651**

For the year ended 31 March 2021

	Expressway operations *HK$'000*	**CNG gas stations operation** *HK$'000*	**Others** *HK$'000*	**Total** *HK$'000*
Reversal of/(impairment loss) of prepayment, deposits and other receivables, net	**2,686**	**–**	**(14)**	**2,672**
Unallocated reversal of impairment loss of prepayment, deposits and other receivables, net				**367**
Total reversal of/(impairment loss) of prepayment, deposits and other receivables, net				**3,039**
Rental income	**2,103**	**–**	**423**	**2,526**
Finance costs	**1,018,389**	**–**	**9,414**	**1,027,803**
Unallocated finance costs				**254,204**
Total finance costs				**1,282,007**
Interest income	**113**	**–**	**10**	**123**
Unallocated interest income				**5**
Total interest income				**128**

For the year ended 31 March 2020

	Expressway operations *HK$'000*	CNG gas stations operation *HK$'000*	Others *HK$'000*	Total *HK$'000*
REVENUE				
Revenue from external customers	514,356	33,385	19,821	567,562
Inter-segment revenue	–	–	–	–
Reportable segment revenue	514,356	33,385	19,821	567,562
Reportable segment loss	(3,093,285)	(69,039)	(94,518)	(3,256,842)
Adjusted EBITDA *(Note (i))*	366,477	3,723	(9,466)	360,734
Reportable segment assets	12,574,715	16,197	268,518	12,859,430
Reportable segment liabilities	(14,211,053)	(953)	(108,723)	(14,320,729)
Other segment information				
Additions of property, plant and equipment	529	5,256	33	5,818
Additions of biological assets	–	–	768	768
Additions of right-of-use assets	–	–	1,507	1,507
Unallocated additions of right-of-use assets				2,278
Total additions of right-of-use assets				3,785
Depreciation of property, plant and equipment	69,743	1,126	9,088	79,957
Unallocated depreciation of property, plant and equipment				28
Total depreciation of property, plant and equipment				79,985

For the year ended 31 March 2020

	Expressway operations *HK$'000*	CNG gas stations operation *HK$'000*	Others *HK$'000*	Total *HK$'000*
Depreciation of right-of-use assets	–	386	17,504	17,890
Unallocated depreciation of right-of-use assets				190
Total depreciation of right-of-use assets				18,080
Amortisation of concession intangible asset	584,176	–	–	584,176
Impairment loss of concession intangible asset	1,562,110	–	–	1,562,110
Impairment loss of property, plant and equipment	192,694	16,271	3,673	212,638
Impairment loss of right-of-use assets	–	7,826	47,965	55,791
Impairment loss of goodwill	–	45,592	–	45,592
Reversal of/(impairment loss) of trade receivables, net	–	(343)	6,796	6,453
Impairment loss of prepayments, deposits and other receivables	78,172	1,904	5,824	85,900
Unallocated impairment loss of prepayments, deposits and other receivables				1,250
Total impairment loss of prepayments, deposits and other receivables				87,150

For the year ended 31 March 2020

	Expressway operations *HK$'000*	CNG gas stations operation *HK$'000*	Others *HK$'000*	Total *HK$'000*
Written-down of inventories	–	–	475	475
Provision for legal claims	8,082	–	–	8,082
Finance costs	972,867	–	116	972,983
Unallocated finance costs				256,655
Total finance costs				1,229,638
Rental income	–	187	–	187
Unallocated rental income				239
Total rental income				426
Interest income	140	80	8	228
Unallocated interest income				1,217
Total interest income				1,445

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

	2021	2020
	HK$'000	*HK$'000*
Reportable segment loss before interest and taxation	**(1,265,925)**	(3,256,842)
Loss on disposal of investment properties	**–**	(477)
Fair value gain/(loss) on financial assets at fair value through profit or loss	**25,398**	(35,866)
Net realised gain on disposal of financial assets at fair value through profit or loss	**868**	9
Reversal of/(impairment loss) of prepayments, deposits and other receivables	**367**	(1,250)
Unallocated other income and other gains or losses	**5,460**	(3,111)
Unallocated finance costs	**(254,204)**	(256,655)
Unallocated corporate expenses	**(12,894)**	(36,998)
Consolidated loss before taxation	**(1,500,930)**	(3,591,190)
Assets		
Reportable segment assets	**13,700,979**	12,859,430
Cash and cash equivalents	**39,501**	32,312
Financial assets at fair value through profit or loss	**89,616**	59,455
Right-of-use assets	**1,329**	2,087
Amount due from non-controlling shareholder of a subsidiary	**15,378**	14,198
Unallocated corporate assets	**16,562**	14,444
Consolidated total assets	**13,863,365**	12,981,926
Liabilities		
Reportable segment liabilities	**16,621,378**	14,320,729
Promissory notes	**750,372**	716,205
Non-convertible bonds	**4,395,648**	4,395,648
Lease liabilities	**1,413**	2,167
Interest payable on non-convertible bonds	**964,818**	745,036
Unallocated corporate liabilities	**318,240**	316,842
Consolidated total liabilities	**23,051,869**	20,496,627

(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**	
	2021	2020	**2021**	2020
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
PRC	**598,117**	567,562	**12,882,165**	12,608,811
Hong Kong	**–**	–	**9,683**	2,102
	598,117	567,562	**12,891,848**	12,610,913

(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 2021 and 2020.

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 at point in time during the year are as follows:

	2021	2020
	HK$'000	*HK$'000*
Income from toll road and related operations	**587,070**	514,356
CNG gas station service income	**–**	33,385
Income from electricity supply by solar power stations	**11,013**	3,894
Sales of timber	**34**	15,927
	598,117	567,562

6. OTHER INCOME AND OTHER GAINS OR LOSSES

	2021	2020
	HK$'000	*HK$'000*
Interest income	**128**	1,445
Exchange gain/(loss), net	**5,061**	(4,716)
Rental income	**2,526**	426
Loss on disposal of investment properties	**–**	(477)
Gain on disposal of property, plant and equipment	**24**	31
Government subsidies *(Note)*	**811**	657
Fair value gain/(loss) on financial assets at fair value through profit or loss	**25,398**	(35,866)
Net realised gain on disposal of financial assets at fair value through profit or loss	**868**	9
Reversal of over accrued expenses	**1,452**	2,762
Others	**3,699**	1,554
	39,967	(34,175)

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

	2021	2020
	HK$'000	*HK$'000*
Interests and finance costs on bank and other borrowings	**9,422**	236,269
Interests on promissory notes	**34,167**	32,857
Default interests on bank and other borrowings	**1,018,389**	736,762
Default interests on non-convertible bonds	**219,782**	223,606
Interests on lease liabilities	**247**	144
	1,282,007	1,229,638

8. LOSS BEFORE TAXATION

Loss before taxation is stated after charging:

	2021	2020
	HK$'000	*HK$'000*
Auditor's remuneration		
– Audit services	**1,316**	2,300
Depreciation of property, plant and equipment	**71,338**	79,985
Depreciation of right-of-use assets	**11,578**	18,080
Amortisation of concession intangible asset included in cost of sales	**650,969**	584,176
Written-down of inventories	**–**	475
Provision for legal claims	**–**	8,082
Operating lease payments recognised as expenses	**494**	10,971
Cost of inventories sold	**660**	47,628
Staff costs (excluding directors' emoluments):		
– Salaries and allowances	**54,967**	59,837
– Defined contributions pension costs	**4,724**	8,563
	59,691	68,400

9. INCOME TAX CREDIT

The income tax credit comprises:

	2021	2020
	HK$'000	*HK$'000*
PRC enterprise income tax		
– Current tax expense	**–**	39
– Over provision in respect of prior years	**–**	(37)
	–	2
Deferred tax		
– Reversal of temporary differences	**–**	(976)
Income tax credit	**–**	(974)

No provision has been made for Hong Kong Profits Tax as the Group did not have assessable profits subject to Hong Kong Profits Tax during the years ended 31 March 2021 and 2020.

All of the Group's subsidiaries established and operating in the PRC are subject to PRC enterprise income tax of 25% (2020: 25%), except for those explained below.

Pursuant to the rules and regulations in the PRC and with approval from tax authorities in charge, subsidiaries including 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, 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, was exempted from PRC enterprise income tax from 2014 to 2016 and was subject to 12.5% PRC enterprise income tax from 2017 to 2019. Pursuant to the document "the Encouraged Industries in Catalogue of Industrial Structure Adjustment Guidance 2011 (revised)" issued by the National Development and Reform Commission on 27 July 2011, Zhunxing is entitled to the preferential tax rate of 15% for the years ended 31 March 2021 and 2020.

10. DIVIDEND

The directors of the Company do not recommend the payment of a dividend for the year ended 31 March 2021 (2020: HK$Nil).

11. LOSS PER SHARE

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

Loss for the year attributable to owners of the Company:

	2021	2020
	HK$'000	*HK$'000*
Loss for the purpose of basic and diluted loss per share	**(1,332,463)**	(3,154,695)
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**	7,442,396

Diluted loss per share is the same as basic loss per share as there was no dilutive potential ordinary share of the Company outstanding during both years.

12. TRADE RECEIVABLES

	2021	2020
	HK$'000	*HK$'000*
Trade receivables	**787,949**	256,838
Less: Provision for impairment loss	**(7,181)**	(6,630)
	780,768	250,208

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 six months 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. Trade receivables are non-interest bearing.

During the year ended 31 March 2020, the Intermediate People's Court of Beijing Municipality (the "**Beijing Court**") ordered the Ministry of Transport of the PRC to withhold the Group's toll road income receivables as security for the overdue bank borrowings together with accrued interests, up to a maximum amount of RMB353,000,000 for three years with effect from 21 June 2019. Pursuant to a court order issued by the Beijing Court on 22 April 2020, the Beijing Court ordered to release a sum of RMB12,000,000 and RMB170,000 daily to the Group.

On 15 April 2021, the Supreme People's Court of Inner Mongolia Municipality ordered the Ministry of Transport of the PRC to further withhold the Group's toll road income receivables as security for the other overdue bank borrowings together with accrued interests, up to a maximum amount of RMB8,838,000,000.

The Group considered that the toll road income receivables can be recovered in full, taking into consideration of the historical bad debt rate and the abilities of the Ministry of Transport of the PRC to settle the receivables and accordingly, no provision is required at 31 March 2021 and 2020.

An aging analysis of the trade receivables as at the end of the reporting period, based on the invoice date, and net of loss allowance, is as follows:

	2021	2020
	HK$'000	*HK$'000*
1-30 days	**32,288**	3,695
31-60 days	**15,905**	18,338
61-90 days	**226,638**	123,766
Over 90 days	**505,937**	104,409
	780,768	250,208

The movements in the loss allowance for impairment of trade receivables are as follow:

	2021	2020
	HK$'000	*HK$'000*
At beginning of year	**6,630**	30,186
Impairment loss	**–**	6,796
Reversal of impairment	**–**	(343)
Written off	**–**	(28,558)
Exchange difference	**551**	(1,451)
At the end of year	**7,181**	6,630

13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2021	2020
	HK$'000	*HK$'000*
Prepayments	**24,652**	14,897
Deposits	**1,860**	1,917
Other loan receivables	**63,647**	58,761
Other receivables	**208,839**	181,107
Impairment allowance	**(252,826)**	(241,887)
	46,172	14,795

Management assesses the expected loss allowance of prepayments, deposits and other receivables on an individual basis. The expected credit losses are assessed with reference to the credit status of the recipients and the past due status of doubtful debtors.

The movements in the loss allowance for impairment of prepayments, deposits and other receivables are as follow:

	2021	2020
	HK$'000	*HK$'000*
At beginning of year	**241,887**	163,210
Impairment loss	**17**	87,206
Reversal of impairment	**(3,056)**	(56)
Exchange difference	**13,978**	(8,473)
At the end of year	**252,826**	241,887

14. OTHER PAYABLES

	2021	2020
	HK$'000	*HK$'000*
Contract liabilities *(Note (i))*	**4,560**	4,510
Construction costs payable	**2,041,703**	1,874,291
Retention and guarantee deposits	**178,170**	164,309
Accrued and default interest on the bank and other borrowings	**2,283,511**	1,140,977
Accrued default interest on non-convertible bonds	**964,818**	745,036
Other deposits and accruals	**270,512**	205,948
Refundable earnest monies received from the Purchaser C *(Note (ii))*	**273,579**	273,579
	6,016,853	4,408,650

Notes:

(i) Details of contract liabilities are as follows:

	2021	2020
	HK$'000	*HK$'000*
At 1 April	**4,510**	18,456
Short-term advances received from customers	**–**	13
Sales of timber products	**–**	(13,959)
Exchange differences	**50**	–
At 31 March	**4,560**	4,510

Contract liabilities are short-term advances received for sales of timber.

The amount of billing in advance of performance received expected to be recognised as income after more than one year is approximately HK$4,560,000 (2020: HK$4,510,000).

(ii) On 30 December 2016, the Group and Purchaser C entered into a conditional agreement for the disposal of 18% equity interest in Zhunxing, pursuant to which, during the years ended 31 March 2018 and 2019, Purchaser C paid RMB80,000,000 (equivalent to HK$97,272,000) and RMB145,000,000 (equivalent to HK$176,307,000) to the Group as refundable earnest monies, respectively. These refundable earnest monies of approximately HK$273,579,000 (2020: HK$273,579,000) will be refundable by the Group to Purchaser C if the disposal transaction was not proceeded.

15. CONTINGENT LIABILITIES

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 (2020: RMB603.8 million) at 31 March 2021. The Group considered, after having sought legal advices, that Zhunxing has valid grounds to defend those unrecognised counterclaims for additional construction costs and accordingly, no additional provision is required at 31 March 2021 and 2020.

16. EVENT AFTER THE REPORTING PERIOD

On 1 April 2021, the Company received a winding-up petition (the "**Petition**") from one of the holders of the promissory note (the "**PN Holder**") in the principal amount of HK$400 million (the "**PN**") filed at the Grand Court of the Cayman Islands (the "**Cayman Court**") on 23 March 2021 pursuant to sections 92(d) and/or 92(e) of the Companies Act (2021 Revision) of the Cayman Islands on the basis that the Company was insolvent. The PN Holder also applied for the appointment of joint provisional liquidators to the Company which was dismissed by the Cayman Court on 23 April 2021 (Cayman Islands time). The Petition was later dismissed by the Cayman Court on 26 May 2021 (Cayman Island time).

On 1 June 2021, the Company and the PN Holder entered into the settlement deed in relation to certain settlement agreements with respect to the Petition, the PN and the subscription of new shares (the "**Settlement Deed**").

Pursuant to the Settlement Deed, the PN Holder agreed to irrevocably withdraw and terminate the Petition and all related legal procedures. The PN Holder also conditionally agreed to subscribe for, and the Company conditionally agreed to allot and issue, 1,480,000,000 new shares at the subscription price of HK$0.20 per subscription share, with an aggregate consideration of HK$296,000,000 (the "**Subscription Consideration**") (the "**Share Subscription**"). The Share Subscription was completed on 18 June 2021.

The Subscription Consideration was set off against part of the principal amounts of the PN amounting to HK$296,000,000 and the PN in the principal amount of HK$104,000,000 remains outstanding and will continue to be in force in accordance with the term and conditions of the PN.

MANAGEMENT DISCUSSION AND ANALYSIS FOR THE YEAR ENDED 31 MARCH 2021

For the year ended 31 March 2021, the Group was principally engaged in expressway operations, compressed gas stations operations, growing and sales of forage and agricultural products and timber operations.

BUSINESS REVIEW

Operation of Zhunxing Expressway

During the year ended 31 March 2021, 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. Zhunxing Expressway is strategically important to the energy resources logistics in the northern People's Republic of China (the "**PRC**") as it connects the major coal production area with distribution centers in the region in a convenient and economical way.

According to the National Bureau of Statistics, the national coal consumption and supply during 2020 exhibited an upward trend. The national coal consumption, coal production and coal imports were increased by 0.6%, 1.4% and 1.5% year-on-year, respectively. The 2020 Coal Industry Development Annual Report* (2020煤炭行業發展年度報告) published by the China Coal Industry Association* (中國煤炭工業協會) conveyed that as the epidemic prevention and control in the PRC achieved prominent results, the macroeconomy steadily resumed growth, coupled with the impact of various factors such as climate factors, hydropower output and the monthly imbalance of imported coal, resulting in phased market looseness or tightness in the relationship between coal supply and demand. Accordingly, coal prices fluctuated considerably. These economic factors of the coal market influenced the number of trucks using Zhunxing Expressway, and thus affecting the overall traffic volume of Zhunxing Expressway.

For the year ended 31 March 2021, Zhunxing Expressway recorded an accumulated toll income of approximately RMB511.92 million (approximately HK$587.07 million), representing an increase of approximately 11.43% from approximately RMB459.43 million (approximately HK$514.36 million) for the last reporting year. The average daily toll revenue of Zhunxing Expressway during the year are as follows:

	Average daily toll revenue					
	(RMB in million)			(HK$ in million)		
	2021	2020	Year-on-year change rate ("**YOY**")	**2021**	2020	YOY
Zhunxing Expressway	**1.55**	1.43	8.39%	**1.78**	1.60	11.25%

Note: The average daily toll revenue for the year ended 31 March 2021 is calculated based on 330 days excluding the Toll Fee Exemption period (as defined herein below) due to the Coronavirus disease 2019 (COVID-19) outbreak, i.e. 1 April 2020 to 5 May 2020.

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. Apart from the economic factors as discussed above, other factors which restrained the growth of both traffic volume and toll income of Zhunxing Expressway during the year include but not limited to the following:

(1) the toll fee exemption for toll roads during the period of prevention and control of the COVID-19 has an adverse impact on the toll income of the Zhunxing Expressway. Pursuant to the Notice on Toll Fee Exemption for Vehicles on Toll Roads during the Prevention and Control Period of the Novel Coronavirus Pneumonia Disease* (《關於新冠肺炎疫情防控期間免收收費公路車輛通行費的通知》) issued by the Ministry of Transport of the PRC on 15 February 2020, the tolls for all vehicles on all toll roads throughout the nations were waived from 17 February 2020 until 5 May 2020 (the "**Toll Fee Exemption**"). Accordingly, based on the average daily toll income for the year, the toll revenue of Zhunxing Expressway being exempted for the year ended 31 March 2021 (i.e. from 1 April 2020 to 5 May 2020) is estimated to be approximately RMB54 million, which is about 10.55% of the accumulated toll income for the year;

(2) affected by COVID-19, the local epidemic prevention department inspected all vehicles from 9 January 2021 to 20 February 2021, and vehicles that did not meet the requirements were advised to detour; and

(3) since mid-November 2020, the Inner Mongolia Autonomous Region has implemented a new rate charging standard which lowered the toll rates on certain types of vehicles.

Zhunxing will carry on a number of measures to boost the growth in traffic volume and toll income of Zhunxing Expressway and attract more coal transport vehicles to utilize Zhunxing Expressway on a regular basis:

(1) fine-tune its business strategies to seek revenue growth in this competitive market environment:

  i) 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 seven years, Zhunxing Expressway maintained good standards on road appearance and road condition, and thus fully realized the maintenance management objectives of "smooth, safe, comfortable and splendid" for an expressway; and

  ii) 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 minimize the time to restore traffic fluency on Zhunxing Expressway;

(2) strengthen daily management of Zhunxing Expressway by incorporating daily inspection, comprehensive inspection and special inspection to achieve a full coverage of vehicle inspection at the entrance and exit of toll stations, curbing the phenomenon of evasion and leakage of toll; and

(3) focus on marketing activities to grow customer base. Zhunxing will explore the cooperation opportunities 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.

The major factor attributes to the sales revenue of the forage is the level of local precipitation that affects the yield of the forage. Due to climate changes in recent years, especially affected by the multiple drastic changes in natural temperature and the effect of cold currents since the second half of 2018 till now, the production and sales of forage is difficult to maintain at a sustainable level.

For the year ended 31 March 2021, no sales income was recorded under the forage and agricultural product business (2020: HK$Nil) as the production of sorghum silage has ceased as a result of the significant drop in local precipitation since 2019 and the reduction in product price due to the domestic economic slowdown.

In light of the local climate condition and Xinze's current operation under the domestic economic slowdown, the management of Xinze considers that the forage production and cattle breeding implementation will require additional investment in extensive irrigation equipment and rebuild wells to recover and stabilize the productivity of the operation.

Forest Operation

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

FINANCIAL REVIEW

Revenue

The Group's revenue for the year ended 31 March 2021 was approximately HK$598.12 million, representing an increase of about 5.38% from approximately HK$567.56 million for the last financial year. The Group's income was recognized under three reportable segments of the Group, namely expressway operation, CNG gas stations operation business, and others including timber operations and forage and agricultural business, contributed approximately HK$587.07 million (98.15%), HK$Nil (0.00%) and HK$11.05 million (1.85%) (2020: HK$514.36 million (90.63%), HK$33.38 million (5.88%) and HK$19.82 million (3.49%)) respectively to the Group's consolidated revenue.

Toll income from expressway operation of approximately RMB511.92 million (approximately HK$587.07 million) (2020: approximately RMB459.43 million (approximately HK$514.36 million) constituted the mainstream of the Group's revenue for the year ended 31 March 2021. The increase of about 14.14% in the annual toll revenue from the expressway operation was mainly attributable to the economic factors of the coal market as discussed in the "Business Review" section and the rise in Chinese Yuan Renminbi to Hong Kong Dollar exchange rate.

Cost of sales

The Group's cost of sales for the year ended 31 March 2021 was approximately HK$794.18 million, representing an increase of about 4.11% from approximately HK$762.81 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 operation of approximately HK$650.97 million (2020: approximately HK$584.18 million), and (ii) the depreciation of property, plant and equipment of approximately HK$68.07 million (2020: approximately HK$73.61 million).

Gross loss

For the year ended 31 March 2021, the Group recorded a gross loss of approximately HK$196.06 million (2020: approximately HK$195.25 million), representing a slight increase of about 0.42%.

Adjusted EBITDA

For the year ended 31 March 2021, the Group recorded an increased adjusted EBITDA (defined as earnings before interest, tax, depreciation, amortization and non-cash changes in values of assets and liabilities) (the "**Adjusted EBITDA**") amounted to approximately HK$478.12 million compared to the Adjusted EBITDA of approximately HK$320.37 million for the last financial year. The approximately 49.24% increase in the Adjusted EBITDA was primarily driven by the improved revenue from the expressway operations of the Group as discussed above and the approximately 56.00% reduction in the Group's selling and administrative expenses during the year.

The Company is of the view that such non-HKFRS financial indicator facilitates comparisons of operating performance from period to period by eliminating potential impacts of items which the management considers non-indicative of the Group's operating performance. However, not all companies will adopt the same way in calculating such non-HKFRS financial indicator. Hence, similar measurements made by other companies may not be comparable.

The adjusting items are included in the reconciliation from the loss before taxation to the Adjusted EBITDA as follows:

	2021	2020
	HK$'000	*HK$'000*
Loss before taxation	**(1,500,930)**	(3,591,190)
Finance costs	**1,282,007**	1,229,638
Depreciation of property, plant and equipment	**71,338**	79,985
Depreciation of right-of-use assets	**11,578**	18,080
Amortisation of concession intangible asset	**650,969**	584,176
Impairment loss of concession intangible asset	**–**	1,562,110
Impairment loss of property, plant and equipment	**1,353**	212,638
Impairment loss of right-of-use assets	**651**	55,791
Impairment loss of trade receivables, net	**–**	6,453
Reversal of/(impairment loss) of prepayments, deposits and other receivables, net	**(3,039)**	87,150
Write-off of inventories	**–**	475
Impairment loss of goodwill	**–**	45,592
Fair value change in biological assets	**(10,405)**	(6,389)
Fair value (gain)/loss on financial assets at fair value through profit or loss	**(25,398)**	35,866
Adjusted EBITDA	**478,124**	320,375

The management of the Company is of the view that the (i) impairment loss of concession intangible asset, (ii) impairment loss of property, plant and equipment, (iii) impairment loss of right-of-use assets, (iv) impairment loss of trade receivables, net, (v) reversal of/impairment loss of of prepayments, deposits and other receivables, net, (vi) write-off of inventories, (vii) impairment loss of goodwill, (viii) fair value change in biological assets and (ix) fair value loss/gain on financial assets at fair value through profit or loss are non-cash items, which do not directly reflect the Group's business operations. Hence, through eliminating the effects of such items on calculation of the Adjusted EBITDA, relevant operating performance can be better reflected, and it would be more convenient to compare operating performance in different years.

Detailed segment revenue and contribution to loss before income tax credit of the Group is shown in Note 4 to the consolidated financial statements.

Concession intangible asset

For the purpose of impairment testing, the concession intangible asset under the Group's expressway operations section is allocated to a cash-generating unit of expressway operation ("**Expressway CGU**"), and during the years ended 31 March 2021 and 2020, the recoverable amounts of the Expressway CGU were determined using value in use calculation.

As at 31 March 2021, the recoverable amount of the Expressway CGU assessed by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, the independent valuation firm, was not materially different from the carrying amount of the Expressway CGU, thus no impairment on the concession intangible asset and related property, plant and equipment of the Expressway CGU was considered necessary (2020: impairment loss of approximately HK$1,562.11 million on the concession intangible asset and HK$51.18 million on related property, plant and equipment) for the year ended 31 March 2021.

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 2021, 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. During the year ended 31 March 2021, the Group recorded a gain on the change in fair value less costs to sell of biological assets amounted to approximately HK$10.41 million (2020: a gain of approximately HK$6.39 million).

Loss for the year

The Group's net loss for the year ended 31 March 2021 was approximately HK$1,500.93 million, representing a reduction of approximately 58.19% from approximately HK$3,590.22 million. The Group's net loss for the year was primarily contributed by the finance costs of the Group amounted to approximately HK$1,282.01 million (2020: approximately HK$1,229.64 million) and the selling and administrative expenses amounted to approximately HK$74.27 million (2020: approximately HK$168.78 million). The approximately 4.26% increase in finance costs of the Group was mainly due to the increase in default interest on bank borrowings. The Group's selling and administrative expenses for the year primarily attributed to staff costs and benefits of approximately HK$36.66 million (2020: approximately HK$46.08 million) and legal and professional fees of approximately HK$13.75 million (2020: approximately HK$54.73 million).

The loss attributable to owners of the Company for the year ended 31 March 2021 was approximately HK$1,332.46 million (2020: approximately HK$3,154.70 million). The basic loss per share attributable to owners of the Company for the year was HK$0.18 as compared with HK$0.42 for the last financial year. No diluted loss per share was presented for the years ended 31 March 2021 and 2020 as all share options of the Company were expired during the year ended 31 March 2019 and there were no potential ordinary shares of the Company in issue during the years ended 31 March 2021 and 2020.

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 2021, the Group was in a net liabilities position of approximately HK$9,188.50 million as compared to a net liabilities position of approximately HK$7,514.70 million as at 31 March 2020.

As at 31 March 2021, contractual maturities based on contractual undiscounted cash flows of approximately HK$23,265.60 million, HK$1.17 million, HK$854.64 million and HK$4.64 million (2020: approximately HK$20,653.16 million, HK$1.46 million, HK$849.01 million and HK$4.28 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 approximately 166.28% as at 31 March 2021 (2020: approximately 157.89%).

As at 31 March 2021, the Group had cash and bank balances of approximately HK$39.50 million (2020: approximately HK$32.31 million) and its available banking facilities were amounted to approximately HK$11,884.79 million (2020: approximately HK$10,970.95 million), which have been fully utilized (2020: approximately HK$10,970.95 million).

Borrowings

The Group's outstanding borrowings, all being denominated in RMB, amounted to approximately HK$11,884.79 million (2020: approximately HK$10,970.95 million), represented approximately 51.56% of the Group's total liabilities as at 31 March 2021 (2020: approximately 53.53%). Approximately HK$472.59 million (2020: approximately HK$438.31 million) of the Group's outstanding borrowings were charged at fixed rates.

As the expressway operation is a capital intensive industry, all of the Group's outstanding borrowings amounted to approximately RMB10,045.04 million (approximately HK$11,882.79 million), were obtained and drawn down primarily for the construction of Zhunxing Expressway as at 31 March 2021. The syndicated loan facilities of approximately RMB8,723.81 million (approximately HK$10,319.83 million) (the "**Syndicated Loans**") granted by several PRC banks (the "**Banks**") in December 2012 were secured by Zhunxing's receivables of toll income. Furthermore, Zhunxing obtained and drawn down loan facilities amounted to approximately RMB1,321.24 million (approximately HK$1,562.96 million) from several authorized financial institutions in the PRC, of which approximately RMB921.74 million (approximately HK$1,090.37 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.

As part of the asset restructuring process with the Banks (as set out in the "**Material Events**" section below), the Syndicated Loans were regarded as default before the derecognition of the Syndicated Loans by the Banks. Accordingly, the Group's outstanding borrowings were all classified under current liabilities as at 31 March 2021.

Significant investments, acquisitions and disposals

During the year ended 31 March 2021, the Group did not have any significant investments. Save as disclosed under the "Material Events" section below, the Group did not have any material acquisitions or disposals of subsidiaries, associates or joint ventures during the financial year.

Capital Commitments

The Group's capital commitments outstanding as at 31 March 2021 increased by approximately 8.34% to approximately HK$23.13 million (2020: approximately HK$21.35 million), representing the capital expenditure arising from the acquisition of property, plant and equipment under the expressway operations sector.

Going Concern

For the year ended 31 March 2021, certain conditions as set out in Note 3(b) to the consolidated financial statements in this announcement indicate the existence of multiple material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern and therefore, the Group may not be able to realize its assets and discharge its liabilities in the normal course of business.

In view of the circumstances, the Board has undertaken and/or is in the progress of implementing various measures (the "**Measures**") to improve the Group's liquidity position as set out in the below section headed "Action Plan to Address Audit Qualification". Up to the date of this announcement, the Measures have not been completed. Assuming the successful implementation of Measures, a cash flow forecast of the Group was prepared for a period covered not less than twelve months from the date of approval of the consolidated financial statements (the "**Approval Date**") (the "**Cash Flow Forecast**"). With reference to the Cash Flow Forecast, the Board is of the opinion that the Group will have sufficient working capital to meet its financial obligation as and when they fall due in the next twelve months from the Approval Date. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

Due to the potential interaction of multiple uncertainties relating to going concern and their possible cumulative effect on the consolidated financial statement as set out under the "Basis For Disclaimer Of Opinion" section in the Independent Auditor's Report, the auditor of the Company (the "**Auditor**") was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the consolidated financial statements. Accordingly, the Auditor issued a disclaimer of opinion in relation to the consolidated financial statements of the Group for the year ended 31 March 2021 (the "**Audit Qualification**").

Further discussions in relation to the Audit Qualification are set out on pages 43 to 46 of this announcement.

Had the Group failed to continue business as a going concern, adjustments would have been made to the consolidated financial statements for the year ended 31 March 2021 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 make provision for further liabilities that may arise. Nevertheless, there has not been any indication that the Group cannot continue business as a going concern up to the date of this announcement.

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

Settlement Deed in relation to the Winding-up Petition and the Issue of New Shares Under General Mandate

The Petition

On 1 April 2021, the Company received a winding-up petition from Mighty China International Limited (the "**Noteholder**") filed at the Grand Court of the Cayman Islands (the "**Cayman Court**") on 23 March 2021 pursuant to sections 92(d) and/or 92(e) of the Companies Act (2021 Revision) of the Cayman Islands on the basis that the Company was insolvent and the Noteholder considered that it was just and equitable for the Company to be wound up in the circumstances (the "**Petition**"). The Noteholder also applied for the appointment of joint provisional liquidators to the Company.

The Noteholder was a holder of the promissory notes in the amount of HK$400 million issued by the Company on 16 April 2019 with a maturity date of 15 April 2024 (the "**Promissory Note**").

On 23 April 2021 (Cayman Islands time), the application to appoint joint provisional liquidators to the Company was dismissed by the Cayman Court. The Petition was later dismissed by the Cayman Court on 26 May 2021 (Cayman Islands time).

The Settlement Deed and the Issue of New Shares Under General Mandate

On 1 June 2021, the Company and the Noteholder entered into the settlement deed in relation to certain settlement agreements with respect to the Petition and the Promissory Note, and the subscription of new shares (the "**Settlement Deed**").

Pursuant to the Settlement Deed, the Noteholder agreed to irrevocably withdraw and terminate the Petition and all related legal procedures. The Noteholder also conditionally agreed to subscribe for, and the Company conditionally agreed to allot and issue, 1,480,000,000 new Shares at the subscription price of HK$0.20 per subscription share (the "**Subscription Shares**"), with an aggregate consideration of HK$296,000,000 (the "**Subscription Consideration**") (the "**Share Subscription**").

Upon the completion of the Share Subscription, the Subscription Shares were allotted and issued to the Noteholder on 18 June 2021 pursuant to the general mandate granted to the directors of the Company (the "**Directors**") at the annual general meeting of the Company held on 3 November 2020. The Subscription Consideration was set off against part of the principal amounts of the Promissory Note amounting to HK$296,000,000. Accordingly, no cash proceeds were received by the Company from the Share Subscription. The Promissory Note in the principal amount of HK$104,000,000 remains outstanding and will continue to be in force in accordance with the term and conditions of the Promissory Note.

The Directors consider that the Group's business would be better financed by equity rather than short-term debts that will adversely affect the financial performance of the Group. Accordingly, the Directors believe that it will be beneficial to the Group to implement the Share Subscription and the set-off arrangement thereunder with a view to alleviating the impact on the Company's cash flow position upon repayment of the Promissory Note.

Details on the Petition, the Settlement Deed and the Share Subscription are set out in the announcements of the Company dated 16 April 2021, 21 April 2021, 25 April 2021, 29 April 2021, 27 May 2021, 1 June 2021 and 18 June 2021.

Update on Debt Restructuring

As at 31 March 2021, the Group has borrowings in the total amount of approximately HK$11,884.79 million. Such borrowings mainly consisted of Syndicated Loans of approximately RMB8,723.81 million (equivalent to approximately HK$10,319.83 million) granted by several PRC Banks in December 2012. As announced by the Company on 5 September 2019, the Company was informed that the Banks intended to optimise their loan portfolios by derecognising and reorganising the Syndicated Loans asset by legal process to other interested parties. However, the Banks must go through certain legal proceedings with the Group including filing of civil actions, court-directed mediations, entering into of settlement agreement(s), execution(s) of settlement agreement(s) and derecognition of the Syndicated Loans, which would be expected to take approximately six months to complete.

By the end of December 2019, settlement agreements have been entered into between the Banks and the Group. After several communication with the Banks, the Group is given to understand that the derecognition of the Syndicated Loans would initiate in June 2020. As at the date of this announcement, the Group continues to work with the Banks to facilitate their asset restructuring, which is expected to be concluded by 31 December 2021. Upon completing the derecognition of the Syndicated Loans, the Banks will coordinate with the Group's restructuring to resolve Zhunxing's non-performing loans and operating risks, which is conducive to the healthy development of the Group in the future.

During the process of asset restructuring with the Banks, the Banks and another PRC bank lender (the "**Lender**") applied to freeze Zhunxing's receivables of toll income, details of which are set out in Note 12 to the consolidated financial statements in this announcement. The Lender intends to enter into a settlement agreement with the Group and the negotiation on the settlement agreement is expected to commence following the Banks' derecognition of the Syndicated Loans.

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 Technology Limited ("**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.

As at the date of this announcement, the Company is still in negotiation with the Creditor with a view to reach a consensus on the repayment proposal.

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 Outstanding Bonds	Principal amount *(HK$)*	Maturity date	Default interest rate as at 31 March 2021 *(per annum)*
China Life Insurance (Overseas) Company Limited	800,000,000	10 February 2016	5.000%
China Life Insurance (Overseas) Company Limited	700,000,000	24 January 2017	5.000%
Cross- Strait Capital Limited	32,000,000	10 February 2016	5.000%
Dr. Lo Ka Shui	36,000,000	3 March 2016	5.000%
Dr. Lo Ka Shui	35,000,000	3 September 2016	5.000%
Li Ka Shing (Canada) Foundation	464,000,000	3 March 2016	5.000%
Li Ka Shing (Canada) Foundation	465,000,000	3 September 2016	5.000%
Strait Capital Service Limited	800,000,000	24 January 2017	5.000%
Strait CRTG Fund, L.P.	700,000,000	24 January 2017	5.000%
Total	4,032,000,000		

The Group is negotiating with its creditors, including but not limited to the holders of the Outstanding Bonds, for possible standstill or rescheduling of the repayment of debts owing by the Group. Up to the date of this announcement, no agreement has been reached.

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 acting as vendor, entered into a disposal agreement 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) ("**Disposal Agreement A**") with an option to buy back (the "**Disposal A**").

On 18 December 2017, Cheer Luck and Purchaser A entered into a supplemental agreement to amend the aforesaid consideration to RMB1,145.00 million (equivalent to approximately HK$1,282.40 million) pursuant to a valuation report (the "**Consideration A**"). 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. 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).

On 16 April 2018, the Disposal Agreement A and all the transactions contemplated thereunder were approved at the extraordinary general meeting of the Company. 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.

Disposal Agreement B, C and D

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

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

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

(iii) Deyuan Xingsheng Industrial Co. Ltd.* (德源興盛實業有限公司), 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, the three purchasers have not prepared the terms of the supplemental agreements and no revised timetable has been agreed. Each of the above disposal agreements is not inter-conditional and shall be completed separately. In face of the challenges brought about by the COVID-19 epidemic on economic recovery, the progress on the proposed disposals of the 71% equity interests in Zhunxing has been in a standstill position. Given the Company's imminent funding needs, the Board is of the view that continuing to pursue the above proposed disposals of Zhunxing may not be in the interest of the Company and its shareholders as a whole, and is considering to terminate the above disposal agreements. The Company will actively seek other potential purchasers to dispose the 71% equity interests in Zhunxing and the proceeds will be used to repay partially the principal amounts of the Outstanding Bonds. Further announcement(s) will be made by the Company as and when appropriate.

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 12 August 2019 and the circular of the Company dated 26 March 2018.

PROSPECTS

The PRC is among a few countries that is anticipating a robust economic rebound in 2021. Many developing economies as well as some advanced economies continue to strive with the COVID-19 epidemic and its aftermath. The economic recovery in many of these countries is being hindered by a resurgence of COVID-19 infections and lagging vaccination progress.

To encourage a steady and healthy development of the coal industry, the PRC will implement measures to amplify coal supply, stabilize coal prices, regulate the coal import rhythm and coordinate coal transportation, which in turn is expected to bring about an upturn in the transportation industry. Coupling with the forthcoming development of Zhunxing Expressway, especially the inter-connection 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.

Since the outbreak of the COVID-19 epidemic, a wide range of prevention and control measures have been adopted throughout the PRC to combat the disease. To mitigate the impact of the COVID-19 epidemic outbreak on the Group, the management of the Group will maintain appropriate workplace controls to protect the employees and cost control measures such as renegotiating contracts with suppliers or service providers to improve the Group's liquidity position.

Given the Company's imminent funding needs to meet its short-term financial obligations, the Company will prioritize on exploring all possible avenues, including but not limited to right issue, open offer, placing of new shares and issuance of new convertible bonds, disposing assets of the Group and identifying other purchasers to dispose the 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 strive to maximize the benefits of the shareholders of the Company (the "**Shareholders**") as a whole.

CHARGES ON ASSETS

As at 31 March 2021, 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 15 to the consolidated financial statements in this announcement, the Group had no material contingent liabilities as at 31 March 2021.

DIVIDENDS

The Directors do not recommend any payment of final dividend for the year ended 31 March 2021 (2020: HK$Nil).

SCOPE OF WORK OF McM (HK) CPA LIMITED ("McM")

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2021 as set out in the preliminary announcement have been agreed by the Auditor, McM, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by McM 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 McM on the preliminary announcement.

EXTRACT OF THE AUDITOR'S REPORT

Disclaimer of Opinion

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 the 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 net loss of approximately HK$1,500,930,000 during the year ended 31 March 2021 and as at that date, the Group had net current liabilities and net liabilities of approximately HK$21,415,409,000 and HK$9,188,504,000, respectively. The Company was in default in the repayment of the bank borrowings of approximately HK$11,410,201,000 and other borrowings of approximately HK$474,589,000 and non-convertible bonds with aggregate carrying amount of approximately HK$4,395,648,000. These debts, together with the outstanding default interests accrued thereon of approximately HK$3,248,329,000, totaling approximately HK$19,528,767,000 have become immediately repayable and are classified under current liabilities at 31 March 2021. At 31 March 2021, several lenders have demanded repayment of the overdue principals and default interests through commencing legal proceedings. All these conditions indicate the existence of multiple uncertainties which may cast significant doubt about the Group's ability to continue as a going concern.

The directors of the Company have been undertaking a number of measures to improve the Group's liquidity and financial position, to meet its liabilities as and when they fall due, which are set out in Note 3(b) to the consolidated financial statements. The consolidated financial statements have been prepared on a going concern basis, the validity of which depends on the outcome of these measures, which are subject to multiple uncertainties, including (i) successfully negotiating a debt restructuring and/or standstill of debt repayment with the PRC banks and other financial institutions; (ii) successfully negotiating with the Group's other lenders and non-convertible bond holders for the renewal of or extension of repayment of outstanding borrowings, including those with overdue principals and interests in default; and (iii) successfully raising new funds for financing the working capital of the Group as and when needed.

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. In view of the significance of the extent of the uncertainty relating to the ongoing availability of finance to the Group, we disclaim our opinion in respect of year ended 31 March 2021.

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

ACTION PLAN TO ADDRESS AUDIT QUALIFICATION

The auditors of the Company did not express opinion on the consolidated financial statements of the Group for the year ended 31 March 2021 and the two preceding financial years due to the potential interaction of the multiple uncertainties relating to going concern and their possible cumulative effect on the consolidated financial statements.

In order to address the issues, up to the date of this announcement, the Group has taken and will continue to implement the following Measures under the Group's action plan to improve the Group's liquidity position, including:

(i) negotiating with the PRC Banks and other financial institutions on debt restructuring and/or standstill of debt repayment.

As set out in the "Material Events" section on pages 36 and 37 of this announcement, the Group has been working with the Banks to facilitate a smooth completion of the Banks' asset restructuring by derecognizing and reorganizing the Syndicated Loans asset, which is expected to be concluded by 31 December 2021. The Banks will then coordinate with the Group's debt restructuring to resolve Zhunxing's non-performing loans and operating risks, which will be beneficial to the future development of the Group. Following the Banks' derecognition of the Syndicated Loans, the Company will negotiate with other financial institutions to enter into settlement agreement(s).

(ii) negotiating with its other creditors, including but not limited to holders of the Outstanding Bonds, for possible standstill or rescheduling of the repayment of debts owing by the Group, or entering into settlement agreements.

As set out in the "Material Events" section on pages 35 and 36 of this announcement, the Company and the Noteholder entered into a Settlement Deed on 1 June 2021, pursuant to which the Subscription Shares were issued to the Noteholder on 18 June 2021 and the Subscription Consideration was set off against part of the principal amounts of the Promissory Note amounting to HK$296.00 million.

Up to the date of this announcement, no other agreement has been reached with other creditors.

(iii) negotiating with external parties to raise funds for financing the Group's working capital and to partially repay the Outstanding Bonds and other outstanding borrowings.

As set out in the "Material Events" section on page 40 of this announcement, the progress on the proposed disposals, with arrangement to buy back, of the 71% equity interests in Zhunxing is in a standstill position due to the economic slowdown arising from the outbreak of COVID-19 epidemic. Given the Company's imminent funding needs, the Company is considering to terminate the disposal agreements and is actively identifying other potential investors to dispose, with arrangement to buy back, the 71% equity interests in Zhunxing to raise funds for working capital and repay partially the principal amounts of the Outstanding Bonds and other outstanding borrowings.

In addition, the Company will also continue to explore other avenues (including but not limited to disposing other assets of the Group, identifying purchasers to dispose the unsold interests in Zhunxing and carrying out fund raising activities such as rights issue, open offer, placing of new shares and issuance of convertible bonds) to finance the Group's working capital and to repay the Outstanding Bonds and other outstanding borrowings.

As at the date of this announcement, none of the above Measures has been completed. As the above Measures involve on-going negotiations and communications with various external parties, potential purchasers and creditors, it is difficult to define a definite timetable on the completion of Measures under the action plan. Notwithstanding, the Board will strive to complete the above Measures before the financial year ending 31 March 2022.

AUDIT COMMITTEE'S VIEW ON THE AUDIT QUALIFICATION

The Audit Committee of the Company (the "**Audit Committee**") has reviewed and agreed with the views and concerns of the Auditor with respect to the Audit Qualification on the consolidated financial statements of the Group for the year ended 31 March 2021. The Audit Committee noted that the Board has undertaken or in the progress of implementing the Measures to improve the Group's liquidity position. As at the date of this announcement, the Board is not aware of any indication that any of the Measures cannot be completed. With reference to the Cash Flow Forecast which is prepared upon the assumption that the Measures will be successfully implemented, the Board is of the view that the Group will have sufficient working capital to meet its financial obligations as and when they fall due in the next twelve months from the Approval Date. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

The Audit Committee has reviewed and agreed with the management's position and is of the view that the Board should continue its efforts in implementing necessary measures for enhancing the Group's liquidity position and removing the Audit Qualification in the next financial year.

OTHER AREAS OF MAJOR JUDGMENTAL AND KEY ESTIMATES FOR THE PREPARATION OF THE FINANCIAL STATEMENTS

In addition to the judgement that the financial statements shall be prepared on a going concern basis, other major judgmental areas in relation to the preparation of the financial statements include the application of the Group's accounting policies on (i) the impairment assessment of the Group's concession intangible asset and related property, plant and equipment allocated to expressway operations; (ii) the estimates of construction costs for concession intangible asset; (iii) the impairment assessment of trade and other receivables; and (iv) the fair value measurement of biological assets and financial assets at fair value through profit or loss.

The Auditor has not expressed disagreement over the abovementioned judgmental areas, whereas the Audit Committee has reviewed and agreed with the management's position on these judgmental areas.

NEXT FINANCIAL STATEMENTS

Based on the Company's discussion with the Auditor, as the Audit Qualification relates to the Company's ability to continue as a going concern, in preparing the financial statements for the year ending 31 March 2022, the Board will be responsible for assessing the Company's ability to continue as a going concern and the appropriateness of preparing the Group's consolidated financial statements on a going concern basis with reference to the conditions and circumstances as at 31 March 2022. The Auditor will obtain sufficient appropriate audit evidence to assess the appropriateness of the Board's application of going concern basis in preparing the Group's consolidated financial statements, and based on the audit evidence obtained, to determine whether multiple uncertainties exist in relation to the Company's going concern issue.

The Board's assessment of the Company's ability to carry on as a going concern as at 31 March 2022 will take into consideration the relevant conditions and circumstances, and also a then cash flow forecast of the Group for a period covering not less than twelve months from the date of approval of the consolidated financial statement for the year ended 31 March 2022.

Because of the foregoing, as at the date of this announcement, the Auditor is unable to confirm whether the Audit Qualification will be removed for the annual results for the year ending 31 March 2022. However, assuming all the Measures are successfully implemented as planned, sufficient and appropriate audit evidence is obtained by the Auditor and the Board is satisfied that the Company can continue business as a going concern, barring any unforeseen circumstances, it is likely that the annual results for the year ending 31 March 2022 will be free of the Audit Qualification.

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 2021.

EMPLOYEES AND RETIREMENT BENEFIT SCHEMES

The Group had approximately 463 employees in Hong Kong and the PRC as at 31 March 2021. The Group implements remuneration policy, discretionary bonus and share option 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.

SHARE OPTION SCHEME

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

As at 31 March 2021, no share option has been granted, exercised, cancelled or lapsed under the Scheme.

THE MODEL CODE

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less than the required standard set out in the Model Code in Appendix 10 of the Rules Governing the Listing of Securities ("**Listing Rules**") on the Stock Exchange of Hong Kong Limited ("**Stock Exchange**") and the Directors have confirmed that they have complied with the required standard set out in the Model Code and the Company's code of conduct regarding Directors' securities transactions.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Board is of the view that throughout the financial year under review, the Company has complied with all the code provisions set out in the Corporate Governance Code in Appendix 14 of the Listing Rules (the "**CG Code**") except for the deviations from the code provision A.1.1 and A.1.8 of the CG Code as detailed below.

Code Provision A.1.1

The Directors note that the code provision A.1.1 of the CG Code 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.

Code Provision A.1.8

The Directors note that the code provision A.1.8 of the CG Code stipulates that an issuer should arrange appropriate insurance cover in respect of legal action against its directors. However, the Company was unable to obtain a favorable quotation on the directors and officers ("**D&O**") liability insurance policy from the insurers in light of the financial condition of the Company. The Board will consider the terms and conditions of any new D&O liability insurance cover that are offered by the insurers from time to time.

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 2021 ("**Annual Report 2021**").

REVIEW OF ANNUAL RESULTS

The Group's annual results for the year ended 31 March 2021 have been reviewed by the Audit Committee.

OTHER CHANGES IN DIRECTORS' INFORMATION

Subsequent to the publication of the Interim Report 2020, other changes in Directors' information of the Company are set out as below:

i) Mr. Li Wing Chiu was appointed as an executive Director of the Company with effect from 15 June 2021.

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 2021 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, 30 June 2021

As at the date of this announcement, the Board comprises seven executive Directors, namely Messrs Cao Zhong, Fung Tsun Pong, Gao Zhiping, Tsang Kam Ching, David, Duan Jingquan, Jiang Tao and Li Wing Chiu; and four independent non-executive Directors, namely Messrs Jing Baoli, Bao Liang Ming and Xue Baozhong and Ms. Chan Chu Hoi.

* *For identification purpose only*