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 UNAUDITED FINAL RESULTS FOR THE YEAR ENDED 31 MARCH 2022

UNAUDITED CONSOLIDATED RESULTS

For the reasons explained below under “Review of Unaudited Annual Results”, the audit process for the final results of China Resources and Transportation Group Limited (the “**Company**”) and its subsidiaries (the “**Group**”) for the year ended 31 March 2022 has not been completed. The board of directors (the “**Board**”) of the Company hereby announces the unaudited consolidated results of the Group for the year ended 31 March 2022 together with the comparative figures for the last year as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2022

	Notes	**2022** **HK$'000** **(Unaudited)**	2021 HK$'000 (Audited)
Revenue	5	**479,596**	598,117
Cost of sales and other direct operating costs		**(910,404)**	(794,179)
Gross loss		**(430,808)**	(196,062)
Other income and other gains or losses	6	**6,831**	39,967
Gain on extinguishing financial liabilities by issuing new shares		**569,602**	–
Impairment loss of property, plant and equipment		**(2,016)**	(1,353)
Impairment loss of right-of-use assets		**–**	(651)
Reversal of impairment loss of trade and other receivables, net		**46,926**	3,039
Gain on change in fair value less costs to sell of biological assets		**5,393**	10,405
Selling and administrative expenses		**(131,316)**	(74,268)
Finance costs	7	**(1,328,728)**	(1,282,007)
Loss before taxation	8	**(1,264,116)**	(1,500,930)
Income tax	9	**–**	–
Loss for the year		**(1,264,116)**	(1,500,930)
Other comprehensive loss:			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of foreign operations		**(164,745)**	(172,873)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(1,428,861)**	(1,673,803)

	Notes	**2022** ***HK$'000*** ***(Unaudited)***	2021 *HK$'000* *(Audited)*
Loss for the year attributable to:			
– Owners of the Company		**(1,052,848)**	(1,332,463)
– Non-controlling interests		**(211,268)**	(168,467)
		(1,264,116)	(1,500,930)
Total comprehensive loss for the year attributable to:			
– Owners of the Company		**(1,194,865)**	(1,482,396)
– Non-controlling interests		**(233,996)**	(191,407)
		(1,428,861)	(1,673,803)
		HK$	*HK$*
Loss per share attributable to owners of the Company			
– Basic	*11*	**(0.12)**	(0.18)
– Diluted	*11*	**N/A**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2022

	Notes	2022 HK$'000 (Unaudited)	2021 HK$'000 (Audited)
NON-CURRENT ASSETS			
Concession intangible asset		**12,019,032**	12,235,111
Property, plant and equipment		**429,266**	483,594
Right-of-use assets		**85,281**	93,303
Biological assets		**86,853**	79,840
Financial assets at fair value through profit or loss		**97,390**	88,319
TOTAL NON-CURRENT ASSETS		**12,717,822**	12,980,167
CURRENT ASSETS			
Inventories		**93**	82
Trade receivables	*12*	**786,886**	780,768
Prepayments, deposits and other receivables	*13*	**63,273**	46,172
Financial assets at fair value through profit or loss		**–**	1,297
Amount due from non-controlling shareholder of a subsidiary		**16,012**	15,378
Cash and cash equivalents		**41,398**	39,501
TOTAL CURRENT ASSETS		**907,662**	883,198
TOTAL ASSETS		**13,625,484**	13,863,365

	Notes	2022 HK$'000 (Unaudited)	2021 HK$'000 (Audited)
CURRENT LIABILITIES			
Other payables	*14*	**7,654,676**	6,016,853
Borrowings		**11,991,196**	11,884,790
Non-convertible bonds		**4,395,648**	4,395,648
Lease liabilities		**1,064**	1,316
TOTAL CURRENT LIABILITIES		**24,042,584**	22,298,607
NET CURRENT LIABILITIES		**(23,134,922)**	(21,415,409)
TOTAL ASSETS LESS CURRENT LIABILITIES		**(10,417,100)**	(8,435,242)
NON-CURRENT LIABILITIES			
Promissory notes		**149,251**	750,372
Lease liabilities		**1,919**	2,890
TOTAL NON-CURRENT LIABILITIES		**151,170**	753,262
TOTAL LIABILITIES		**24,193,754**	23,051,869
NET LIABILITIES		**(10,568,270)**	(9,188,504)
CAPITAL AND RESERVES			
Share capital		**2,107,176**	1,488,479
Reserves		**(11,842,701)**	(10,078,236)
Equity attributable to owners of the Company		**(9,735,525)**	(8,589,757)
Non-controlling interests		**(832,745)**	(598,747)
DEFICIENCY IN EQUITY		**(10,568,270)**	(9,188,504)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

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 22/F, On Hong Commercial Building, 145 Hennessy Road, Wan Chai, 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 operation, 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 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 2021 as mentioned below.

Amendments to HKFRS 16	COVID-19 Related Rent Concessions beyond 30 June 2021
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phrase 2

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 HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to HKAS 8	Definition of Accounting Estimates[1]
Amendments to HKAS 12	Deferred tax related to Assets and Liabilities arising from a Single Transaction[1]

1 Effective for annual periods beginning on or after 1 January 2023.

2 Effective for annual periods beginning on or after 1 January 2022.

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$1,264,116,000 for the year ended 31 March 2022 and as of that date, the Group had net current liabilities and net liabilities of approximately HK$23,134,922,000 and HK$10,568,270,000, respectively. The Company was in default in the repayment of the bank borrowings of approximately HK$11,497,128,000 and other borrowings of approximately HK$494,068,000 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$4,610,091,000, totaling approximately HK$20,996,935,000 are classified under current liabilities at 31 March 2022.

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 (2021: 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 2022 (Unaudited)

	Expressway operations *HK$'000*	**CNG gas stations operation** *HK$'000*	**Others** *HK$'000*	**Total** *HK$'000*
REVENUE				
Revenue from external customers	**475,078**	**–**	**4,518**	**479,596**
Inter-segment revenue	**–**	**–**	**–**	**–**
Reportable segment revenue	**475,078**	**–**	**4,518**	**479,596**
Reportable segment loss	**(1,578,586)**	**(690)**	**(16,075)**	**(1,595,351)**
Adjusted EBITDA *(Note (i))*	**239,158**	**(224)**	**(2,075)**	**236,859**
Reportable segment assets	**13,154,266**	**18,438**	**280,726**	**13,453,430**
Reportable segment liabilities	**(18,025,391)**	**(1,075)**	**(119,010)**	**(18,145,476)**

For the year ended 31 March 2022 (Unaudited)

	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	–	–	3	3
Additions of biological assets	–	–	1,722	1,722
Depreciation of property, plant and equipment	66,172	466	8,546	75,184
Unallocated depreciation of property, plant and equipment				6
Total depreciation of property, plant and equipment				75,190
Depreciation of right-of-use assets	–	–	11,448	11,448
Unallocated depreciation of right-of-use assets				759
Total depreciation of right-of-use assets				12,207
Amortisation of concession intangible asset	704,731	–	–	704,731
Impairment loss of property, plant and equipment	2,016	–	–	2,016

For the year ended 31 March 2022 (Unaudited)

	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	**46,187**	**–**	**739**	**46,926**
Rental income	**–**	**–**	**1,924**	**1,924**
Finance costs	**1,091,013**	**–**	**141**	**1,091,154**
Unallocated finance costs				**237,574**
Total finance costs				**1,328,728**
Interest income	**57**	**–**	**3**	**60**
Unallocated interest income				**7**
Total interest income				**67**

For the year ended 31 March 2021 (Audited)

	Expressway operations *HK$'000*	CNG gas stations operation *HK$'000*	Others *HK$'000*	Total *HK$'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)
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

For the year ended 31 March 2021 (Audited)

	Expressway operations *HK$'000*	CNG gas stations operation *HK$'000*	Others *HK$'000*	Total *HK$'000*
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
Reversal of/(Impairment loss) of prepayments, deposits and other receivables, net	2,686	–	(14)	2,672
Unallocated reversal of impairment loss of prepayments, deposits and other receivables, net				367
Total reversal of/(impairment loss) of prepayments, deposits and other receivables, net				3,039

For the year ended 31 March 2021 (Audited)

	Expressway operations *HK$'000*	CNG gas stations operation *HK$'000*	Others *HK$'000*	Total *HK$'000*
Finance costs	1,018,389	–	9,414	1,027,803
Unallocated finance costs				254,204
Total finance costs				1,282,007
Rental income	2,103	898	423	3,424
Interest income	113	–	10	123
Unallocated interest income				5
Total interest income				128

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

	2022	2021
	HK$'000	*HK$'000*
	(Unaudited)	*(Audited)*
Reportable segment loss before taxation	**(1,595,351)**	(1,265,925)
Gain on extinguishing financial liabilities by issuing new shares	**569,602**	–
Fair value gain on financial assets at fair value through profit or loss	**5,358**	25,398
Net realised gain on disposal of financial assets at fair value through profit or loss	**192**	868
Reversal of impairment loss of prepayments, deposits and other receivables	**–**	367
Unallocated other income and other gains or losses	**4,143**	5,460
Unallocated finance costs	**(237,574)**	(254,204)
Unallocated corporate expenses	**(10,486)**	(12,894)
Consolidated loss before taxation	**(1,264,116)**	(1,500,930)
Assets		
Reportable segment assets	**13,453,430**	13,700,979
Cash and cash equivalents	**41,398**	39,501
Financial assets at fair value through profit or loss	**97,390**	89,616
Right-of-use assets	**569**	1,329
Amount due from non-controlling shareholder of a subsidiary	**16,012**	15,378
Unallocated corporate assets	**16,685**	16,562
Consolidated total assets	**13,625,484**	13,863,365
Liabilities		
Reportable segment liabilities	**18,145,476**	16,621,378
Promissory notes	**149,251**	750,372
Non-convertible bonds	**4,395,648**	4,395,648
Lease liabilities	**621**	1,413
Interest payable on non-convertible bonds	**1,184,600**	964,818
Unallocated corporate liabilities	**318,158**	318,240
Consolidated total liabilities	**24,193,754**	23,051,869

(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**	
	2022	2021	**2022**	2021
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	*(Audited)*	***(Unaudited)***	*(Audited)*
PRC	**479,596**	598,117	**12,612,280**	12,882,165
Hong Kong	**–**	–	**8,152**	9,683
	479,596	598,117	**12,620,432**	12,891,848

(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 2022 and 2021.

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:

	2022	2021
	HK$'000	*HK$'000*
	(Unaudited)	*(Audited)*
Income from toll road and related operations	**475,078**	587,070
Income from electricity supply by solar power stations	**3,717**	11,013
Sales of timber products	**801**	34
	479,596	598,117

6. OTHER INCOME AND OTHER GAINS OR LOSSES

	2022	2021
	HK$'000	*HK$'000*
	(Unaudited)	*(Audited)*
Interest income	**67**	128
Exchange gain, net	**3,484**	5,061
Rental income	**1,924**	3,424
Gain on disposal of property, plant and equipment	**7**	24
Government subsidies *(Note)*	**489**	811
Fair value gain on financial assets at fair value through profit or loss	**5,358**	25,398
Net realised gain on disposal of financial assets at fair value through profit or loss	**192**	868
Reversal of over accrued expenses	**–**	1,452
Others	**(4,690)**	2,801
	6,831	39,967

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

	2022	2021
	HK$'000	*HK$'000*
	(Unaudited)	*(Audited)*
Interests and finance costs on bank and other borrowings	**163**	9,422
Interests on promissory notes	**17,574**	34,167
Default interests on bank and other borrowings	**965,249**	1,018,389
Default interests on non-convertible bonds	**219,782**	219,782
Interests on lease liabilities	**194**	247
Interest on overdue construction payable	**125,766**	–
	1,328,728	1,282,007

8. LOSS BEFORE TAXATION

Loss before taxation is stated after charging:

	2022	2021
	HK$'000	*HK$'000*
	(Unaudited)	*(Audited)*
Auditor's remuneration		
– Audit services	**1,064**	1,316
Depreciation of property, plant and equipment	**75,190**	71,338
Depreciation of right-of-use assets	**12,207**	11,578
Amortisation of concession intangible asset included in cost of sales	**704,731**	650,969
Operating lease payments recognised as expenses	**185**	294
Cost of inventories sold	**2,525**	660
Staff costs (excluding directors' emoluments):		
– Salaries and allowances	**64,680**	54,967
– Defined contributions pension costs	**2,847**	4,724
	67,527	59,691

9. INCOME TAX

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 2022 and 2021.

All of the Group's subsidiaries established and operating in the PRC are subject to PRC enterprise income tax of 25% (2021: 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 2022 and 2021.

10. DIVIDEND

The directors of the Company do not recommend the payment of a dividend for the year ended 31 March 2022 (2021: 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:

	2022	2021
	HK$'000	*HK$'000*
	(Unaudited)	*(Audited)*
Loss for the purpose of basic and diluted loss per share	**(1,052,848)**	(1,332,463)
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	**9,049,518**	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

	2022	2021
	HK$'000	*HK$'000*
	(Unaudited)	*(Audited)*
Trade receivables	**794,363**	787,949
Less: Provision for impairment loss	**(7,477)**	(7,181)
	786,886	780,768

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.

Pursuant to a court order issued by the Intermediate People's Court of Inner Mongolia Municipality (the "**Inner Mongolia Intermediate Court**") on 26 April 2021, the Inner Mongolia Intermediate Court ordered to release a sum of RMB270,000,000 to the Group for the partial repayment of bank borrowing of Zhunxing. Pursuant to a court orders issued by the Inner Mongolia Intermediate Court on 12 July 2021, 22 November 2021 and 8 March 2022 respectively, the Inner Mongolia Intermediate Court ordered to release RMB5,000,000 monthly from July 2021 to October 2021 and RMB5,550,000 monthly from November 2021 to June 2022 for the purpose of working capital of the Group.

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 2022 and 2021.

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:

	2022	2021
	HK$'000	*HK$'000*
	(Unaudited)	*(Audited)*
1-30 days	**55,843**	32,288
31-60 days	**17,530**	15,905
61-90 days	**36,980**	226,638
Over 90 days	**676,533**	505,937
	786,886	780,768

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

	2022	2021
	HK$'000	*HK$'000*
	(Unaudited)	*(Audited)*
At beginning of year	**7,181**	6,630
Exchange difference	**296**	551
At the end of year	**7,477**	7,181

13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2022	2021
	HK$'000	*HK$'000*
	(Unaudited)	*(Audited)*
Prepayments	**17,895**	24,652
Deposits	**1,908**	1,860
Other loan receivables	**66,270**	63,647
Other receivables	**190,037**	208,839
Impairment allowance	**(212,837)**	(252,826)
	63,273	46,172

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:

	2022	2021
	HK$'000	*HK$'000*
	(Unaudited)	*(Audited)*
At beginning of year	**252,826**	241,887
Impairment loss	**105**	17
Reversal of impairment	**(47,031)**	(3,056)
Exchange difference	**6,937**	13,978
At the end of year	**212,837**	252,826

14. OTHER PAYABLES

	2022	2021
	HK$'000	*HK$'000*
	(Unaudited)	*(Audited)*
Contract liabilities *(Note (i))*	**4,755**	4,560
Construction costs payable	**2,266,226**	2,041,703
Retention and guarantee deposits	**158,601**	178,170
Accrued and default interest on the bank and other borrowings	**3,425,491**	2,283,511
Accrued default interest on non-convertible bonds	**1,184,600**	964,818
Other deposits and accruals	**341,424**	270,512
Refundable earnest monies received from the Purchaser C *(Note (ii))*	**273,579**	273,579
	7,654,676	6,016,853

Notes:

(i) Details of contract liabilities are as follows:

	2022	2021
	HK$'000	*HK$'000*
	(Unaudited)	*(Audited)*
At 1 April	**4,560**	4,510
Exchange differences	**195**	50
At 31 March	**4,755**	4,560

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

The amount of billing in advance of performance received expected to be recognised as income after more than one year is approximately HK$4,755,000 (2021: HK$4,560,000).

(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 (2021: 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 (2021: RMB603.8 million) at 31 March 2022. 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 2022 and 2021.

16. EVENT AFTER THE REPORTING PERIOD

Requisition by Shareholders

The Board received the requisition notice on 24 February 2022 from HKSCC Nominees Limited as the nominee holder for Keywood Group Limited (the "**Requisitionist**") requesting the Board to convene an extraordinary general meeting ("**EGM**") for considering and, if thought fit, passing various ordinary resolutions for removal and appointment of directors. Details on the shareholder's requisition are set out in the circular and notice of EGM of the Company dated 16 March 2022.

The EGM was held on 17 June 2022, all resolutions proposed by the Requisitionist were not duly passed by the Shareholders by way of poll at the EGM. Details on the EGM poll results please refer to announcement dated 17 June 2022.

MANAGEMENT DISCUSSION AND ANALYSIS FOR THE YEAR ENDED 31 MARCH 2022

For the year ended 31 March 2022, the Group was principally engaged in expressway operations, compressed natural gas ("**CNG**") gas stations operation, growing and sales of forage and agricultural products and timber operations.

BUSINESS REVIEW

Operation of Zhunxing Expressway

During the year ended 31 March 2022, 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.

The 2021 Coal Industry Development Annual Report* (2021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 coal's supply, demand and price in 2021 were fluctuated considerably as a result of COVID-19 pandemic in the PRC, energy restriction in the southern of the PRC, the unbalance of the global energy supply and demand, the significant increase in prices of major energy sources, the rapid growth of domestic electricity demand, coupled with the impact of various factors such as climate factors, hydropower output and the monthly imbalance of imported coal. 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 2022, Zhunxing Expressway recorded an accumulated toll income of approximately HK$475.08 million (approximately RMB391.03 million), representing an decrease of approximately 19.08% from approximately HK$587.07 million (approximately RMB511.92 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)*		
	2022	2021	Year-on-year change rate ("**YOY**")	**2022**	2021	YOY
Zhunxing Expressway	**1.07**	1.55	(30.97%)	**1.30**	1.78	(26.97%)

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) In 2021, due to the energy consumption control policy in the PRC, certain energy-intensive enterprises were shut down, resulting in a reduction in coal consumption;

(2) The "Railway to Railway" policy in the PRC has affected the transportation pattern of bulk cargo. The mode of transportation of a coal has been shifted from road-oriented to railway-oriented. Railways save the transportation cost of coal and improve efficiency. As a result, the shift of the transportation pattern has a direct impact on traffic volume of Zhunxing Expressway; and

(3) In 2021, most of unqualified coal mining enterprises in Inner Mongolia were shut-down after investigation by the regulatory authority.

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 eight 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 2022, no sales income was recorded under the forage and agricultural product business (2021: HK$Nil) as the production of sorghum silage has ceased as a result of the significant drop in local precipitation since 2019.

In light of the local climate condition and Xinze's current operation, the management of Xinze considers that the forage production 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 2022 was approximately HK$479.60 million, representing an decrease of about 19.82% from approximately HK$598.12 million for the last financial year. The Group's income was recognized under two reportable segments of the Group, namely expressway operation and others including timber operations and forage and agricultural business, contributed approximately HK$475.08 million (99.06%) and HK$4.52 million (0.94%) (2021: HK$587.07 million (98.15%) and HK$11.05 million (1.85%)) respectively to the Group's consolidated revenue.

Toll income from expressway operation of approximately HK$475.08 million (2021: approximately HK$587.07 million) constituted the mainstream of the Group's revenue for the year ended 31 March 2022. The decrease of about 19.08% in the annual toll revenue from the expressway operation was mainly attributable to the factors 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 2022 was approximately HK$910.40 million, representing an increase of about 14.6% from approximately HK$794.18 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$704.73 million (2021: approximately HK$650.97 million), and (ii) the depreciation of property, plant and equipment of approximately HK$72.31 million (2021: approximately HK$68.07 million).

Gross loss

For the year ended 31 March 2022, the Group recorded a gross loss of approximately HK$430.81 million (2021: approximately HK$196.06 million), representing a increase of about 119.7%.

Adjusted EBITDA

For the year ended 31 March 2022, 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$231.48 million compared to the Adjusted EBITDA of approximately HK$478.12 million for the last financial year. The approximately 51.6% decrease in the Adjusted EBITDA was primarily driven by the decreased revenue from the expressway operations of the Group as discussed in the "Business Review" section and the approximately 76.8% increase 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:

	2022	2021
	HK$'000	*HK$'000*
	(Unaudited)	*(Audited)*
Loss before taxation	**(1,264,116)**	(1,500,930)
Finance costs	**1,328,728**	1,282,007
Depreciation of property, plant and equipment	**75,190**	71,338
Depreciation of right-of-use assets	**12,207**	11,578
Amortisation of concession intangible asset	**704,731**	650,969
Impairment loss of property, plant and equipment	**2,016**	1,353
Impairment loss of right-of-use assets	**–**	651
Reversal of impairment loss of trade and other receivables, net	**(46,926)**	(3,039)
Fair value change in biological assets	**(5,393)**	(10,405)
Fair value gain on financial assets at fair value through profit or loss	**(5,358)**	(25,398)
Gain on extinguishing financial liabilities by issuing new shares	**(569,602)**	–
Adjusted EBITDA	**231,477**	478,124

The management of the Company is of the view that the (i) amortisation of concession intangible asset, (ii) impairment loss and depreciation of property, plant and equipment, (iii) impairment loss and depreciation of right-of-use assets, (iv) impairment loss of trade receivables and other receivables, net, (v) fair value change in biological assets, (vi) fair value gain on financial assets at fair value through profit or loss and (vii) gain on extinguishing financial liabilities by issuing new shares 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 of the Group is shown in Note 4 to this announcement.

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 2022, an independent valuation was performed by LCH (Asia-Pacific) Surveyors Limited (the "**Valuer**"). The Board is satisfied that the Valuer is independent and competent to conduct the valuation. During the year ended 31 March 2022, the Group recorded a gain on the change in fair value less costs to sell of biological assets amounted to approximately HK$5.39 million (2021: approximately HK$10.41 million).

Loss for the year

The Group's net loss for the year ended 31 March 2022 was approximately HK$1,264.12 million, representing a reduction of approximately 15.8% from approximately HK$1,500.93 million. The Group's net loss for the year was primarily contributed by the finance costs of the Group amounted to approximately HK$1,328.73 million (2021: approximately HK$1,282.01 million) and the selling and administrative expenses amounted to approximately HK$131.32 million (2021: approximately HK$74.27 million). The approximately 3.64% increase in finance costs of the Group was mainly due to the recognition of interest on overdue construction payable of approximately HK$125.77 million (2021: Nil). The Group's selling and administrative expenses for the year primarily attributed to staff costs and benefits of approximately HK$36.58 million (2021: approximately HK$36.66 million) and cost on litigation settlement and legal and professional fees of approximately HK$52.13 million (2021: approximately HK$13.75 million).

The loss attributable to owners of the Company for the year ended 31 March 2022 was approximately HK$1,052.85 million (2021: approximately HK$1,332.46 million). The basic loss per share attributable to owners of the Company for the year was HK$0.12 as compared with HK$0.18 for the last financial year. No diluted loss per share was presented for the years ended 31 March 2022 and 2021 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 2022 and 2021.

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 2022, the Group was in a net liabilities position of approximately HK$10,568.27 million as compared to a net liabilities position of approximately HK$9,188.50 million as at 31 March 2021.

As at 31 March 2022, contractual maturities based on contractual undiscounted cash flows of approximately HK$24,037.96 million, HK$0.01 million, HK$162.81 million and HK$4.74 million (2021: approximately HK$23,261.04 million, HK$1.17 million, HK$854.64 million and HK$4.64 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 177.56% as at 31 March 2021 (2021: approximately 166.28%).

As at 31 March 2022, the Group had cash and bank balances of approximately HK$41.40 million (2021: approximately HK$39.50 million) and its available banking facilities were amounted to approximately HK$11,991.20 million (2021: approximately HK$11,884.79 million), which have been fully utilized (2021: approximately HK$11,884.79 million).

Borrowings

The Group's outstanding borrowings, all being denominated in RMB, amounted to approximately HK$11,991.20 million (2021: approximately HK$11,884.79 million), represented approximately 49.6% of the Group's total liabilities as at 31 March 2022 (2021: approximately 51.6%). Approximately HK$494.07 million (2021: approximately HK$472.59 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 RMB9,733.78 million (approximately HK$11,989.20 million), were obtained and drawn down primarily for the construction of Zhunxing Expressway as at 31 March 2022. The syndicated loan facilities of approximately RMB8,412.55 million (approximately HK$10,361.82 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$1,627.38 million) from several authorized financial institutions in the PRC, of which approximately RMB921.74 million (approximately HK$1,135.31 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 2022.

Significant investments, acquisitions and disposals

During the year ended 31 March 2022, 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 2022 increased by approximately 4.45% to approximately HK$24.16 million (2021: approximately HK$23.13 million), representing the capital expenditure arising from the acquisition of property, plant and equipment under the expressway operations sector.

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, 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 and related accrued interest remain 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 Group'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.

Issue of New Shares By Debt Capitalisation

Debt Capitalisation Agreements

On 1 December 2021, the Company entered into a debt capitalisation agreement with Lucky Most Investments Limited ("**Lucky Most**") for settlement of a total indebtedness of HK$149,182,466 by the issue of 745,912,330 subscription shares at the subscription price of HK$0.20 per share.

On 1 December 2021, the Company entered into a debt capitalisation agreement with Viva Gain Investments Limited ("**Viva Gain**") for settlement of a total indebtedness of HK$173,514,387 by the issue of 867,571,935 subscription shares at the subscription price of HK$0.20 per share.

The entire subscription monies have been set off against an aggregate of HK$322,696,853 owed by the Company to Lucky Most and Viva Gain.

All subscription shares were allotted and issued pursuant to a general mandate granted to the directors at the annual general meeting held on 17 September 2021.

Details on the debt capitalisation agreements are set out in the announcements of the Company dated 1 December 2021, 2 December 2021, 15 December 2021 and 28 December 2021.

Requisition by Shareholders

The Board received the requisition notice on 24 February 2022 from HKSCC Nominees Limited as the nominee holder for Keywood Group Limited (the "**Requisitionist**") requesting the Board to convene an extraordinary general meeting ("**EGM**") for considering and, if thought fit, passing various ordinary resolutions for removal and appointment of directors. Details on the shareholder's requisition are set out in the circular and notice of EGM of the Company dated 16 March 2022.

The EGM was held on 17 June 2022, all resolutions proposed by the Requisitionist were not duly passed by the Shareholders by way of poll at the EGM. Details on the EGM poll results please refer to announcement dated 17 June 2022.

Update on Debt Restructuring

As at 31 March 2022, the Group has borrowings in the total amount of approximately HK$11,991.20 million. Such borrowings mainly consisted of Syndicated Loans of approximately RMB8,412.55 million (equivalent to approximately HK$10,361.82 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 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.

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 was given to understand that the derecognition of the Syndicated Loans would initiate in June 2020.

On 10 May 2022, the Intermediate People's Court of Ulanqab Inner Mongolia Autonomous Region (內蒙古自治區烏蘭察布市中級人民法院) (the "**Court**") decided that Zhunxing is an entity that is suitable for restructuring and thus accepted the winding up and restructuring application of Zhunxing by China Development Bank for the said bank to restructure Zhunxing. The restructure of Zhunxing is expected to complete in June 2023. The Court is in the process of appointing an administrator to Zhunxing, and Zhunxing has applied to the Court to continue operating and manage business affairs on its own. Zhunxing or the administrator shall submit a restructuring proposal to the Court and the creditors within 6 months (extension of 3 more months may be granted) after the date of the court order. Upon approval of the restructuring proposal by the Court, the indebtedness of Zhunxing could be reduced to manageable level.

The Group had conducted various communications with the Banks on the timing of the asset restructuring including the timeline of the derecognition of the Syndicated Loans, and based on these communications, the Board is of the view that the estimated completion timing of the asset restructuring of 30 June 2023 is feasible.

During the process of asset restructuring of Zhunxing, the Banks and another PRC bank lender (the "**Lenders**") 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 Lenders intend 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.

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 2022** *(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 since 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, 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 2022, 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 2022.

DIVIDENDS

The Directors do not recommend a payment of any dividend for the year ended 31 March 2022 (2021: HK$Nil).

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 2022.

EMPLOYEES AND RETIREMENT BENEFIT SCHEMES

The Group had approximately 374 employees in Hong Kong and the PRC as at 31 March 2022. 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.

On 3 December 2021, a total of 108,212,950 share options were granted to Mr. Fung Tsun Pong, Mr. Gao Zhiping and Mr. Jiang Tao, all of which are executive directors of the Company, at the exercise price of HK$0.20 per share.

All the share options were exercised on 28 December 2021 and all the subscription monies were set off against an equivalent amount of outstanding director's fee owed by the Company to them.

Details on the grant of share options to the said executive directors are set out in the announcement of the Company dated 3 December 2021.

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 2022 ("**Annual Report 2022**").

OTHER CHANGES IN DIRECTORS' INFORMATION

Subsequent to the publication of the Interim Report 2021, other changes in Directors' information of the Company are set out as below:

i) Mr. Lu Zhiming was appointed as an executive Director and co-Chairman of the Company with effect from 6 December 2021; and

ii) Mr. Wang Gang was appointed as an executive Director of the Company with effect from 12 January 2022.

REVIEW OF UNAUDITED ANNUAL RESULTS

The auditing process for the annual results for the year ended 31 March 2022 has not been completed as at the date of this announcement due to travel restrictions and quarantine policies in force in parts of the PRC to curb the COVID-19 outbreak, where certain major subsidiaries of the Group are located. The unaudited annual results for the year ended 31 March 2022 contained herein, which have not been agreed with McM (HK) CPA Limited, the Company's auditor. An announcement relating to the audited results will be published when the auditing process is completed in accordance with the Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants.

The Group's unaudited annual results for the year ended 31 March 2022 have been reviewed by the Audit Committee.

FURTHER ANNOUNCEMENT(S)

Following the completion of the auditing process, the Company will issue further announcement(s) in relation to the audited results for the year ended 31 March 2022 as agreed by the Company's auditor and the material differences (if any) as compared with the unaudited annual results contained herein. The Company expects the auditing process will be completed on or before 31 July 2022.

The financial information contained herein in respect of the annual results of the Group for the year ended 31 March 2022 have not been audited and have not been agreed with the Company's auditor. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

By order of the Board
China Resources and Transportation Group Limited
Fung Tsun Pong
Co-Chairman

Hong Kong, 29 June 2022

As at the date of this announcement, the Board comprises six executive Directors, namely Messrs Fung Tsun Pong, Lu Zhiming, Gao Zhiping, Jiang Tao, Duan Jingquan, Wang Gang; and four independent non-executive Directors, namely Messrs Jing Baoli, Bao Liang Ming, Xue Baozhong and Ms. Chan Chu Hoi.

* *For identification purpose only*