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

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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 269)

ANNOUNCEMENT OF UNAUDITED FINAL RESULTS FOR THE YEAR ENDED 31 MARCH 2020

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 2020 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 2020 together with the comparative figures for the last year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2020

	Notes	**2020** **HK$'000** (Unaudited)	2019 HK$'000 (Audited)
Revenue	5	**588,212**	867,377
Cost of sales and other direct operating costs		**(762,811)**	(769,077)
Gross (loss)/profit		**(174,599)**	98,300
Other income and other gains or losses	6	**244**	49,608
Impairment loss of goodwill		**(45,592)**	–
Impairment loss of right-of-use assets		**(7,826)**	–
Impairment loss of property, plant and equipment		**(157,781)**	(15,612)
Impairment loss of trade and other receivables, net		**(93,603)**	(74,383)
Impairment loss of long-term deposits and prepayments		**–**	(34,958)
Loss on change in fair value of investment properties		**–**	(1,807)
Gain on change in fair value less costs to sell of biological assets		**–**	4,456
Selling and administrative expenses		**(168,783)**	(121,267)
Finance costs	7	**(1,229,638)**	(1,094,988)
Loss before taxation	8	**(1,877,578)**	(1,190,651)
Income tax credit	9	**974**	85
Loss for the year		**(1,876,604)**	(1,190,566)
Loss for the year attributable to:			
Owners of the Company		**(1,675,809)**	(1,072,414)
Non-controlling interests		**(200,795)**	(118,152)
		(1,876,604)	(1,190,566)
		HK$	*HK$*
Loss per share attributable to owners of the Company			
– Basic	11	**(0.23)**	(0.14)
– Diluted	11	**N/A**	N/A

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2020

	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	*(Audited)*
Loss for the year	**(1,876,604)**	(1,190,566)
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss:		
– Exchange differences on translation of financial statements of foreign operations	**(52,974)**	(137,535)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**(1,929,578)**	(1,328,101)
Total comprehensive income attributable to:		
– Owners of the Company	**(1,720,690)**	(1,204,090)
– Non-controlling interests	**(208,888)**	(124,011)
	(1,929,578)	(1,328,101)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2020

	Notes	2020	2019
		HK$'000	*HK$'000*
		(Unaudited)	*(Audited)*
NON-CURRENT ASSETS			
Concession intangible asset		**13,460,341**	14,994,668
Property, plant and equipment		**567,293**	837,681
Prepaid lease payments		**–**	161,584
Right-of-use assets		**144,088**	–
Goodwill		**–**	48,815
Biological assets		**57,110**	62,914
Forest concession rights		**–**	–
Investment properties		**–**	25,620
Financial assets at fair value through profit or loss		**91,383**	97,219
TOTAL NON-CURRENT ASSETS		**14,320,215**	16,228,501
CURRENT ASSETS			
Inventories		**45**	23,887
Trade and other receivables	*12*	**285,148**	113,109
Financial assets at fair value through profit or loss		**2,304**	5,573
Prepaid lease payments		**–**	14,174
Amount due from non-controlling shareholder of a subsidiary		**14,198**	15,201
Cash and cash equivalents		**32,312**	38,905
TOTAL CURRENT ASSETS		**334,007**	210,849
TOTAL ASSETS		**14,654,222**	16,439,350

	Notes	**2020**	2019
		HK$'000	*HK$'000*
		(Unaudited)	*(Audited)*
CURRENT LIABILITIES			
Contract liabilities		**4,510**	18,456
Trade and other payables	*13*	**4,404,140**	3,840,332
Promissory note		**–**	315,003
Borrowings		**10,970,946**	637,431
Non-convertible bonds		**4,395,648**	4,395,648
Lease liabilities		**1,186**	–
TOTAL CURRENT LIABILITIES		**19,776,430**	9,206,870
NET CURRENT LIABILITIES		**(19,442,423)**	(8,996,021)
TOTAL ASSETS LESS CURRENT LIABILITIES		**(5,122,208)**	7,232,480
NON-CURRENT LIABILITIES			
Borrowings		**–**	11,144,021
Promissory notes		**716,205**	–
Lease liabilities		**3,992**	–
Deferred tax liabilities		**–**	1,286
TOTAL NON-CURRENT LIABILITIES		**720,197**	11,145,307
TOTAL LIABILITIES		**20,496,627**	20,352,177
NET LIABILITIES		**(5,842,405)**	(3,912,827)
CAPITAL AND RESERVES			
Share capital		**1,488,479**	1,488,479
Reserves		**(7,152,521)**	(5,431,831)
Equity attributable to owners of the Company		**(5,664,042)**	(3,943,352)
Non-controlling interests		**(178,363)**	30,525
DEFICIENCY IN EQUITY		**(5,842,405)**	(3,912,827)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

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, trading of petroleum and related products, compressed natural gas ("**CNG**") gas stations operations, trading of forage and agricultural products, and timber operations.

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

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

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

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle

Except for HKFRS 16, *Leases*, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 16 Leases

HKFRS 16 replaces HKAS 17, *Leases* and the related interpretations HK(IFRIC) 4, *Determining whether an arrangement contains a lease*, HK(SIC) 15, *Operating leases – incentives*, and HK(SIC) 27, *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("**short-term leases**") and leases of low-value assets. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

HKFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

The Group has initially applied HKFRS 16 as from 1 April 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 April 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

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

a. New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease of HKFRS 16 only to contracts that were entered into or changed on or after 1 April 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

b. Lessee accounting and transitional impact

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets which are exempt. As far as the Group is concerned, these newly capitalised leases are primarily in relation to property, plant and equipment.

At the date of transition to HKFRS 16 (i.e. 1 April 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates used at 1 April 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was ranged between 4.75% and 5.64%.

To ease the transition of HKFRS 16, the Group applied the following recognition exemption and practical expedients, on lease-by-lease basis, to the extent relevant to the respective lease contracts at the date of initial application of HKFRS 16:

(i) the Group elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 March 2020; and

(ii) the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The following table reconciles the opening lease commitments disclosed applying HKAS 17 at the end of 31 March 2019 to the opening balance for lease liabilities recognised as at 1 April 2019:

	HK$'000
Operating lease commitments as of 31 March 2019	46,043
Less: commitments relating to leases exempt from capitalisation:	
– commitments relating to short-term leases and those leases with a remaining lease term ended on or before 31 March 2020	(40,909)
– leases of low-value assets	(42)
	5,092
Less: total future interest expenses	(3,320)
Present value of remaining lease payments, discounted using the incremental borrowing rate at 1 April 2019	1,772

The carrying amount of right-of-use assets as at 1 April 2019 comprises the following:

	Right-of-use assets *HK$'000*
Right-of-use assets relating to operating leases of office premises recognised upon application of HKFRS 16	1,772
Reclassified from prepaid lease payment *(Note)*	175,758
	177,530

Note: Upfront payments for leasehold lands in the People's Republic of China (the "**PRC**") were classified as prepaid lease payment as at 31 March 2019. Upon application of HKFRS 16, the current and non-current portion of prepaid lease payment amounting to HK$14,174,000 and HK$161,584,000 respectively were reclassified to right-of-use assets. There is no impact of transition to HKFRS 16 on the accumulative losses at 1 April 2019.

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position at 31 March 2019.

There is no impact on the opening balance of the Group's equity as at 1 April 2019 on the initial application of HKFRS 16.

The following table summarises the impacts of the adoption of HKFRS 16 on the Group's consolidated statement of financial position:

	Carrying amount at 31 March 2019	Adjustments	Carrying amount at 1 April 2019
	HK$'000	*HK$'000*	*HK$'000*
Line items in the consolidated statement of financial position impacted by the adoption of HKFRS 16:			
Prepaid lease payment (non-current)	161,584	(161,584)	–
Right-of-use assets	–	177,530	177,530
Total non-current assets	**16,228,501**	**15,946**	**16,244,447**
Prepaid lease payments (current)	14,174	(14,174)	–
Current assets	**210,849**	**(14,174)**	**196,675**
Lease liabilities (current)	–	88	88
Current liabilities	**9,206,870**	**88**	**9,206,958**
Net current liabilities	**(8,996,021)**	**(14,262)**	**(9,010,283)**
Total assets less current liabilities	**7,232,480**	**1,684**	**7,234,164**
Lease liabilities (non-current)	–	1,684	1,684
Total non-current liabilities	**11,145,307**	**1,684**	**11,146,991**
Net liabilities	**(3,912,827)**	**–**	**(3,912,827)**

c. Lessor accounting

During the year ended 31 March 2020, the Group leases out an operating business of trading of petroleum and related products and operations of CNG gas stations ("**Petroleum business**") as the lessor of operating leases. The adoption of HKFRS 16 does not have a significant impact on the Group's financial statements in this regard.

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

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

3. BASIS OF PREPARATION

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

(a) Statement of compliance

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

(b) Going concern basis

During the year, the Group incurred a loss of HK$1,876,604,000 (2019: HK$1,190,566,000) and as at 31 March 2020, the Group had net current liabilities and net liabilities of HK$19,442,423,000 and HK$5,842,405,000, respectively. The Group was in default in the repayment of the bank borrowings of HK$10,532,636,000 (2019: HK$Nil) and non-convertible bonds with an aggregate carrying amount of approximately HK$4,395,648,000 (2019: HK$4,395,648,000) and other borrowing of HK$438,310,000 (2019: HK$469,151,000). These debts, together with the outstanding default interests accrued thereon of approximately HK$1,886,013,000 (2019: HK$1,186,181,000) (Note 13(a)), totalling approximately HK$17,252,607,000 (2019: HK$6,365,983,000) are classified under current liabilities at 31 March 2020. At 31 March 2020 and up to the date of the approval of the consolidated financial statements, some lenders have taken legal action against the Group for the repayment of borrowings and default interests. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and, in consequence, the Group may not be able to realise its assets and discharge its liabilities in the normal course of business.

The consolidated financial statements have been prepared on the assumption that the Group will be able to operate as a going concern in the foreseeable future, after taking into consideration of (a) working with the PRC banks to facilitate a smooth completion of the PRC banks' asset restructuring by derecognising and reorganising the syndicated loan facilities, which is expected to be completed by September 2020; (b) negotiating with its creditors, including but not limited to the holders of the non-convertible bonds, for possible standstill or rescheduling of the repayment of debts owing by the Group, or entering into settlement agreement(s); and (c) exploring 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 repay the outstanding bonds and other outstanding borrowings.

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

Should the Group be unable to continue in business as a going concern, adjustments would have to be made to restate the value of assets to their recoverable amounts, to reclassify non-current assets and 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 as explained in the accounting policies.

(d) Functional and presentation currency

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

4. SEGMENT 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;

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

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

There was no inter-segment sale or transfer during the year (2019: 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 and other unallocated head office and corporate assets including right-of-use assets as these assets are managed on a group basis.

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

(a) Reportable Segment

For the year ended 31 March 2020 (Unaudited)

	Expressway operations *HK$'000*	**Petroleum business** *HK$'000*	**Others** *HK$'000*	**Total** *HK$'000*
REVENUE				
Revenue from external customers	**535,006**	**33,385**	**19,821**	**588,212**
Inter-segment revenue	**–**	**–**	**–**	**–**
Reportable segment revenue	**535,006**	**33,385**	**19,821**	**588,212**
Reportable segment loss	**(1,459,341)**	**(69,040)**	**(49,268)**	**(1,577,649)**
Adjusted EBITDA *(note (i))*	**387,127**	**3,722**	**(9,465)**	**381,384**
Reportable segment assets	**14,168,637**	**1,079**	**312,660**	**14,482,376**
Reportable segment liabilities	**(14,211,053)**	**(953)**	**(108,723)**	**(14,320,729)**

For the year ended 31 March 2020 (Unaudited)

	Expressway operations *HK$'000*	Petroleum business *HK$'000*	Others *HK$'000*	Total *HK$'000*
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**
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**
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 property, plant and equipment	**141,510**	**16,271**	**–**	**157,781**
Impairment loss of right-of-use assets	**–**	**7,826**	**–**	**7,826**
Impairment loss of goodwill	**–**	**45,592**	**–**	**45,592**
Impairment loss of trade and other receivables, net	**78,172**	**1,561**	**12,620**	**92,353**
Unallocated impairment loss of trade and other receivables, net				**1,250**
Total impairment loss of trade and other receivables, net				**93,603**
Written-down of inventories	**–**	**–**	**475**	**475**
Provision for legal claims	**8,082**	**–**	**–**	**8,082**
Rental income	**–**	**187**	**–**	**187**
Unallocated rental income				**239**
Total rental income				**426**

For the year ended 31 March 2020 (Unaudited)

	Expressway operations *HK$'000*	**Petroleum business** *HK$'000*	**Others** *HK$'000*	**Total** *HK$'000*
Interest income	**140**	**80**	**8**	**228**
Unallocated interest income				**1,217**
Total interest income				**1,445**
Finance costs	**972,867**	**–**	**116**	**972,983**
Unallocated finance costs				**256,655**
Total finance costs				**1,229,638**

For the year ended 31 March 2019 (Audited)

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

For the year ended 31 March 2019 (Audited)

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

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

	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	*(Audited)*
Reportable segment loss before interest and taxation	**(1,577,649)**	(872,020)
Loss on change in fair value of investment properties	**–**	(1,807)
Loss on disposal of investment properties	**(477)**	–
Fair value (loss)/gain on financial assets at fair value through profit or loss	**(1,372)**	33,000
Net realised gain on disposal of financial assets at fair value through profit or loss	**9**	3,447
Impairment loss of trade and other receivables	**(1,250)**	(49,608)
Loss on disposal of subsidiaries	**–**	(8)
Unallocated other income and other gains or losses	**(3,186)**	3,491
Unallocated finance costs	**(256,655)**	(268,350)
Unallocated corporate expenses	**(36,998)**	(38,796)
Consolidated loss before income taxation	**(1,877,578)**	(1,190,651)
Assets		
Reportable segment assets	**14,482,376**	16,250,716
Investment properties	**–**	25,620
Cash and cash equivalents	**32,313**	38,905
Financial assets at fair value through profit or loss	**93,687**	102,792
Right-of-use assets	**2,087**	–
Amount due from non-controlling shareholder of a subsidiary	**14,198**	15,201
Unallocated corporate assets	**29,561**	6,116
Consolidated total assets	**14,654,222**	16,439,350
Liabilities		
Reportable segment liabilities	**14,320,729**	14,430,500
Deferred tax liabilities	**–**	1,286
Promissory notes	**716,205**	315,003
Non-convertible bonds	**4,395,648**	4,395,648
Lease liabilities	**2,167**	–
Interest payable on promissory notes and non-convertible bonds	**745,036**	889,775
Unallocated corporate liabilities	**316,842**	319,965
Consolidated total liabilities	**20,496,627**	20,352,177

(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**	
	2020	2019	**2020**	2019
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	*(Audited)*	*(Unaudited)*	*(Audited)*
PRC	**588,212**	867,377	**14,226,730**	16,105,620
Hong Kong	**–**	–	**2,102**	42
Australia	**–**	–	**–**	25,620
	588,212	867,377	**14,228,832**	16,131,282

(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 2020 and 2019.

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:

	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	*(Audited)*
Income from toll road and related operations	**535,006**	815,915
CNG gas station service income	**33,385**	32,371
Sales of agricultural and forage products	**–**	14,089
Income from electricity supply by solar power stations	**3,894**	4,599
Sales of timber	**15,927**	–
Sales of seedlings	**–**	403
	588,212	867,377

6. OTHER INCOME AND OTHER GAINS OR LOSSES

	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	*(Audited)*
Interest income	**1,445**	5,499
Exchange loss, net	**(4,791)**	(2,809)
Rental income	**426**	457
Loss on disposal of subsidiaries	**–**	(8)
Loss on disposal of investment properties	**(477)**	–
Gain on disposal of property, plant and equipment	**31**	5,757
Government subsidies *(Note)*	**657**	2,205
Fair value (loss)/gain on financial assets at fair value through profit or loss	**(1,372)**	33,000
Net realised gain on disposal of financial assets at fair value through profit or loss	**9**	3,447
Reversal of over accrued expenses	**2,762**	–
Others	**1,554**	2,060
	244	49,608

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

	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	*(Audited)*
Interests and finance costs on bank and other borrowings	**236,269**	636,672
Interests on promissory notes	**32,857**	–
Default interests on bank and other borrowings	**736,762**	190,076
Default interests on non-convertible bonds	**223,606**	222,567
Default interests on promissory note	**–**	45,673
Interests on lease liabilities	**144**	–
	1,229,638	1,094,988

8. LOSS BEFORE TAXATION

Loss before taxation is stated after charging:

	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	*(Audited)*
Auditor's remuneration		
– Audit services	**2,300**	2,300
– Non-audit services	**–**	–
Depreciation of property, plant and equipment *(Note a)*	**79,985**	93,397
Depreciation of right-of-use assets *(Note b)*	**18,080**	–
Amortisation of prepaid lease payments *(Note c)*	**–**	18,458
Amortisation of concession intangible asset included in cost of sales	**584,176**	602,538
Written-down of inventories	**475**	1,281
Provision for legal claims	**8,082**	–
Operating lease payments recognised as expenses	**10,971**	13,314
Cost of inventories sold	**47,628**	23,875
Staff costs (excluding directors' emoluments):		
– Salaries and allowances *(Note d)*	**59,837**	53,733
– Defined contributions pension costs	**8,563**	10,164
	68,400	63,897

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

	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	*(Audited)*
Amounts included in cost of sales	**73,605**	85,288
Amounts included in selling and administrative expenses	**6,380**	8,109
	79,985	93,397

Note (b): An analysis of the Group's depreciation of right-of-use assets is as follows:

	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	*(Audited)*
Amounts included in cost of sales	**13,208**	–
Amounts included in selling and administrative expenses	**4,872**	–
	18,080	–

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

	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	*(Audited)*
Amounts included in cost of sales	**–**	18,022
Amounts included in selling and administrative expenses	**–**	436
	–	18,458

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

	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	*(Audited)*
Amounts included in cost of sales	**20,967**	20,802
Amounts included in selling and administrative expenses	**38,870**	32,931
	59,837	53,733

9. INCOME TAX CREDIT

The income tax credit comprises:

	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	*(Audited)*
PRC enterprise income tax		
– Current tax expense	**39**	542
– (Over)/under provision in respect of prior years	**(37)**	4
	2	546
Deferred tax		
– Reversal of temporary differences	**(976)**	(631)
Income tax credit	**(974)**	(85)

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

Inner Mongolia Zhunxing Heavy Haul Expressway Company Limited ("**Zhunxing**"), a subsidiary of the Company, is entitled to a three-year exemption from PRC enterprise income tax followed by a 50% reduction in PRC enterprise income tax for subsequent three years (the "**Tax Holiday**"). As Zhunxing has started operations during the year ended 31 March 2014, the Tax Holiday has been started in 2014. Consequently, Zhunxing is exempted from PRC enterprise income tax rate from 2014 to 2016 and is subject to a 12.5% PRC enterprise income tax rate from 2017 to 2019. According with the relevant requirements of Announcement of the State Administration of Taxation on Issues Concerning Enterprise Income Tax Related with Enhancing the Western Region Development Strategy (announcement [2012] No. 12 of State Administration of Taxation), from 1 January 2011 to 31 December 2020, for the enterprises located in the western region whose main business belongs to the scope of Catalogue of Encouraged Industries in Western Regions and whose main business income accounts for more than 70% of the total income of the enterprise in the current year, are levied enterprise income tax at 15% after the application of the enterprise and the examination and verification of the competent tax authorities. Accordingly, Zhunxing, being one of the encouraged industries in Catalogue of Industrial Structure Adjustment Guidance ([2011] Revised) (National Development and Reform Commission Order [2013] No. 21), is levied enterprise income tax at a preferential enterprise income tax rate of 15% after the Tax Holiday for the year ended 31 March 2020.

For the year ended 31 March 2020, the statutory PRC enterprise income tax rate applicable to all other subsidiaries established and operating in the PRC is 25% (2019: 25%).

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

On 21 March 2018, the Inland Revenue (Amendment) (No. 7) Bill 2017, which introduces a two-tiered profits tax regime for qualifying corporations, was substantively enacted with effect from the year assessment 2018/2019. Under the two-tiered profit tax regime, the first HK$2 million of assessable profits of qualifying corporations will be taxed at the rate of 8.25% and assessable profits above HK$2 million continued to be subject to the tax rate of 16.5%. Such tax regime is applicable to the Company and the subsidiaries in Hong Kong during the year ended 31 March 2020. The statutory tax rate for Hong Kong profits tax was 16.5% on the estimated assessable profits arising in Hong Kong during the year ended 31 March 2019. No provision for the Hong Kong profits tax has been made as the Group did not earn any income subject to Hong Kong profits tax during the years ended 31 March 2020 and 2019.

10. DIVIDEND

The directors of the Company do not recommend the payment of a dividend for the year ended 31 March 2020 (2019: 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:

	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	*(Audited)*
Loss for the purpose of basic and diluted loss per share	**(1,675,809)**	(1,072,414)

Number of shares:	***'000***	*'000*
	(Unaudited)	*(Audited)*
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 AND OTHER RECEIVABLES

	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	*(Audited)*
Trade receivables	**276,983**	52,788
Less: Provision for impairment loss	**(6,630)**	(30,186)
Trade receivables, net	**270,353**	22,602
Deposits, prepayments and other receivables:		
– Other receivables	**181,107**	171,821
– Other loan receivables	**58,761**	62,914
– Deposits paid	**1,917**	3,454
– Prepayments	**14,897**	15,528
	256,682	253,717
Provision for impairment losses:		
– Other receivables	**(167,149)**	(89,024)
– Other loan receivables	**(58,761)**	(62,914)
– Deposits paid	**(1,080)**	(6)
– Prepayments	**(14,897)**	(11,266)
	(241,887)	(163,210)
Deposits, prepayments and other receivables, net	**14,795**	90,507
	285,148	113,109

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

During the year ended 31 March 2020, the Intermediate People's Court of Beijing Municipality (the "**Court**") ordered the Ministry of Transport of the PRC to withhold the Group's toll road income receivables of RMB244,895,000 (equivalent to HK$267,460,000) as security for the overdue bank borrowings with interests of RMB367,537,000 payable to a bank at 31 March 2020, 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 Court on 22 April 2020, the Court ordered to release a sum of RMB12,000,000 and HK$170,000 daily to the Group. The Group considered that the toll income receivables can be recovered in full, taking into consideration of the historical bad debt rate and the abilities to settle the receivables of the Ministry of Transport of the People's Republic of China and accordingly, no provision is required at 31 March 2020.

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

	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	*(Audited)*
At 1 April	**30,186**	5,939
Add: Impairment loss recognised	**6,796**	24,383
Less: Reversal of impairment	**(343)**	–
Less: Write-off during the year	**(28,558)**	–
Exchange differences	**(1,451)**	(136)
At 31 March	**6,630**	30,186

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

	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	*(Audited)*
Outstanding balances aged:		
0 to 30 days	**3,695**	16,209
31 to 60 days	**18,338**	250
61 to 180 days	**123,766**	6,143
Over 180 days	**124,554**	–
	270,353	22,602

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

	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	*(Audited)*
Neither past due nor impaired	**3,695**	16,209
30 to 90 days past due	**142,104**	6,393
Over 90 days past due	**124,554**	–
	270,353	22,602

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

13. TRADE AND OTHER PAYABLES

	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	*(Audited)*
Trade payables	**–**	–
Other payables and accruals *(Note a)*	**4,130,561**	3,566,753
Refundable earnest money received from the Purchaser C *(Note c)*	**273,579**	273,579
	4,404,140	3,840,332

Notes:

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

	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	*(Audited)*
Construction costs payable	**1,874,291**	2,052,680
Retention and guarantee deposits	**164,309**	182,939
Accrued interest and default interest on the bank and other borrowings	**1,140,977**	306,586
Accrued interest and default interest on promissory note	**–**	368,345
Accrued default interest on non-convertible bonds	**745,036**	521,430
Other deposits and accruals	**205,948**	134,773
	4,130,561	3,566,753

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

(c) During the year ended 31 March 2018, the Group and the Purchaser C entered into the agreement, pursuant to which the Purchaser C has agreed to pay of RMB80,000,000 (equivalent to HK$97,272,000) to the Group as refundable earnest money for the disposal of 18% equity interests of Zhunxing. During the last year ended 31 March 2019, an additional refundable earnest money of RMB145,000,000 (equivalent to HK$176,307,000) was paid by the Purchaser C to the Group. These refundable earnest money will be refundable by the Group to Purchaser C if the proposed transactions was not proceeded.

14. CONTINGENT LIABILITIES

(a) 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 (2019: RMB603.8 million) at 31 March 2020. 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 2020.

MANAGEMENT DISCUSSION AND ANALYSIS FOR THE YEAR ENDED 31 MARCH 2020

For the year ended 31 March 2020, the Group was principally engaged in expressway operations, compressed natural gas ("**CNG**") gas stations operations, growing and sales of forage and agricultural products and timber operations.

BUSINESS REVIEW

Operation of Zhunxing Expressway

During the year ended 31 March 2020, 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 the distribution centers in the region in a convenient and economical way.

According to the 2019 Coal Industry Development Annual Report* (2019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), the coal consumption and supply during 2019 were increased. The national coal consumption, raw coal production and coal imports were increased by 1%, 4% and 6.3% year-on-year, respectively. The coal stocks were kept at a reasonable level and the coal prices remained stable. Since the outbreak of the Coronavirus disease 2019 (COVID-19), the coal market has been facing a downward trend. Being affected by the COVID-19 epidemic situation, sales of downstream industries such as steel, coke, electricity, and cement were hindered, and coal demand was reduced significantly. Furthermore, as the recovery rate of domestic coal mine production was relatively fast whilst imported coals were clustered at customs clearance, the coal market was hit by oversupply, followed by declining coal prices during the first quarter of 2020. The above macroeconomic fluctuations have influenced the number of trucks using Zhunxing Expressway as a logistic channel, and thus affecting the overall traffic volume of Zhunxing Expressway.

For the year ended 31 March 2020, Zhunxing Expressway recorded an accumulated toll income of approximately RMB477.87 million (approximately HK$535.01 million), representing a drop of approximately 34.43% from approximately RMB700.19 million (approximately HK$815.92 million) for the last reporting year. The average daily traffic volume and average daily toll revenue of Zhunxing Expressway during the year are as follows:

	Average daily traffic volume			**Average daily toll revenue**					
	(Number of vehicles)			*(RMB in million)*			*(HK$ in million)*		
	2020	2019	Year-on-year change rate (“**YOY**”)	**2020**	2019	YOY	**2020**	2019	YOY
Zhunxing Expressway	**6,716**	6,222	7.94%	**1.50**	1.93	-22.28%	**1.67**	2.24	-25.45%

Note: The traffic volume during the toll-free period under the Toll Fee Exemption Policy (as defined herein below) implemented to curb the COVID-19 outbreak is excluded from the computation of the average daily traffic volume. The average daily toll revenue for the year ended 31 March 2020 is calculated based on 321 days excluding the relevant toll-free period under the Toll Fee Exemption Policy, i.e. 17 February 2020 to 31 March 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 aforementioned, other factors which hindered the growth of both traffic volume and toll income of Zhunxing Expressway during the year include but not limited to the following:

(1) the implementation of the joint overload control on the expressways under the central and western toll collection network in Inner Mongolia Autonomous Region since March 2019 has bounded the vehicle tonnage of a single vehicle (the "**Overload Control**"), consequently resulted in a lower toll charged on each vehicle;

(2) the expressways in Ordos City has reduced the entrance load limit of the six-axis single row drive wheel semi-trailers to 46 tons from September 2019, which reduced the traffic volume of 49 tons vehicles of the same type running on expressways within Ordos City;

(3) the nationwide implementation of toll charging in accordance to vehicle (axle) type under the Implementation Plan of Deepening Reform of Toll Road System and Cancelling the Provincial Toll Station of Expressway* (《深化收費公路制度改革取消高速公路省界收費站實施方案》) since 1 January 2020 has had a negative impact on the number of empty vehicles travelling on Zhunxing Expressway, which consequently lowered the overall toll revenue; and

(4) the nationwide toll fee exemption policy for toll roads during the period of prevention and control of the COVID-19 has had an adverse impact on the toll revenue of Zhunxing Expressway. According 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 00:00 on 17 February 2020 until the end of the epidemic prevention and control work (the "**Toll Fee Exemption Policy**"). On 28 April 2020, the Ministry of Transport issued the Announcement on Resumption of Toll Collection for Toll Roads* (《關於恢復收費公路收費的公告》), pursuant to which the toll collection for toll roads (including toll bridges and tunnels) were resumed from 00:00 on 6 May 2020. Accordingly, the toll revenue of Zhunxing Expressway being exempted for the year ended 31 March 2020 (i.e. from 17 February 2020 to 31 March 2020) is estimated to be approximately RMB69 million, which is about 13% of the accumulated toll income for the year. The total toll revenue exempted under the entire Toll Fee Exemption Policy is estimated to be approximately RMB124 million from 17 February 2020 to 5 May 2020.

To mitigate the impact of the COVID-19 outbreak on the operation of Zhunxing Expressway, the management of Zhunxing has implemented appropriate cost control measures, including but not limited to streamlining the work schedule and allocation of employees based on the risk level in each region and ensuring the effective use of personal protective equipment, to protect the health and safety of the employees while maintaining liquidity of the company.

Upon the resumption of toll collection and the stabilization of the COVID-19 prevention and control situation, 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 six 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;

  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; and

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

(2) follow up on new changes of relevant competitive routes or toll collection policy to maintain Zhunxing Expressway's competitive edge; 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.

Petroleum and related products business

For the year ended 31 March 2020, the Group through its wholly-owned subsidiary, Leshan Zhongshun Oil and Gas Company Limited* (樂山中順油汽有限公司) ("**Leshan**") focused on the development of the new energy business sector based on CNG.

For the year ended 31 March 2020, Leshan realised sales of CNG of approximately 10,185 km^3 in total (2019: 10,576 km^3), amounted to approximately HK$33.38 million (2019: HK$32.37 million).

To minimize the costs in upgrading the aging equipment for the two CNG gas stations held by Leshan and further reduce the overall operation costs of the business, after careful consideration of the overall financial plan of Leshan, the entire CNG gas stations operation is outsourced to an independent third party for a period of 20 years from 1 February 2020, with an outsourcing income of RMB1.00 million per annum.

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 national temperature and the effect of cold currents since the second half of 2018, the production and sales of forage has been difficult to maintain at a sustainable level.

For the year ended 31 March 2020, no sales income was recorded under the forage and agricultural product business (2019: RMB12.09 million (approximately HK$14.09 million)) as the production of sorghum silage has ceased (2019: 32,000 tons) as a result of the significant drop in local precipitation during the year 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 2020 was approximately HK$588.21 million, representing a decrease of about 32.19% from approximately HK$867.38 million for the last financial year. The Group's income was recognized under three reportable segments of the Group, namely expressway operations, petroleum business, and others including timber operations and forage and agricultural business, contributed approximately HK$535.01 million (90.96%), HK$33.38 million (5.67%) and HK$19.82 million (3.37%) (2019: HK$815.92 million (94.07%), HK$32.37 million (3.73%) and HK$19.09 million (2.20%)) respectively to the Group's consolidated revenue.

Toll income from expressway operations of approximately RMB477.87 million (approximately HK$535.01 million) (2019: RMB700.19 million (approximately HK$815.92 million)) constituted the mainstream of the Group's revenue for the year ended 31 March 2020. Despite the average daily traffic volume of Zhunxing Expressway was increased by about 7.94% during the year, the decrease of about 34.43% in toll revenue from the expressway operations was mainly attributable to the factors as discussed in the "Business Review" section, including but not limited to (i) the toll revenue exempted under the Toll Fee Exemption Policy during the outbreak of COVID-19, (ii) the reduction in tolls on a single vehicle after the implementation of the Overload Control and (iii) the drop 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 2020 was approximately HK$762.81 million, representing a slight reduction of about 0.82% from HK$769.08 million for the last financial year. The Group's cost of sales during the year was mainly attributable to (i) the amortization of concession intangible assets arising from the expressway operations of approximately HK$584.18 million (2019: HK$602.54 million), (ii) the depreciation of fixed assets arising from the expressway operations of approximately HK$67.59 million (2019: HK$77.44 million) and (iii) the operating costs arising from the expressway operations of approximately HK$43.53 million (2019: HK$39.03 million).

Gross profit/loss

For the year ended 31 March 2020, the Group recorded a gross loss of approximately HK$174.60 million as compared to a gross profit of approximately HK$98.30 million for the last financial year.

EBITDA

For the year ended 31 March 2020, the Group recorded a reduced EBITDA (defined as earnings before interest, tax, depreciation, amortization and non-cash changes in values of assets and liabilities) amounted to approximately HK$340.95 million compared to the EBITDA of approximately HK$709.32 million for the last financial year. The approximately 51.93% decrease in EBITDA was primarily driven by the reduced revenue from the expressway operations of the Group as aforementioned and the increase in the Group's selling and administrative expenses as discussed below. Detailed segment revenue and contribution to loss before income tax credit/expense of the Group are shown in Note 4 to the consolidated financial statements in this announcement.

Loss for the year

The Group's net loss for the year ended 31 March 2020 was approximately HK$1,876.60 million, representing an increase of 57.62% from approximately HK$1,190.57 million. Apart from the Group's gross loss of approximately HK$174.60 million (2019: gross profit of HK$98.3 million), the Group's net loss for the year was primarily contributed by the finance costs of the Group amounted to approximately HK$1,229.64 million (2019: HK$1,094.99 million), the Group's selling and administrative expenses amounted to approximately HK$168.78 million (2019: HK$121.27 million) and the impairment loss of property, plant and equipment amounted to approximately HK$157.78 million (2019: HK$15.61 million). The approximately 12.30% 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 ended 31 March 2020 were primarily attributed to staff costs and benefits of approximately HK$56.16 million (2019: HK$40.18 million), rent and management fees of approximately HK$12.70 million (2019: HK$15.87 million) and legal and professional fees of approximately HK$52.48 million (2019: HK$22.95 million).

The loss attributable to owners of the Company for the year ended 31 March 2020 was approximately HK$1,675.81 million (2019: HK$1,072.41 million). The basic loss per share attributable to owners of the Company for the year was HK$0.23 as compared with HK$0.14 for the last financial year. No diluted loss per share was presented for the year ended 31 March 2020 and 31 March 2019 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 year.

LIQUIDITY REVIEW

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

As at 31 March 2020, the Group was in a net liabilities position of approximately HK$5,842.41 million as compared to a net liabilities position of HK$3,912.83 million as at 31 March 2019.

As at 31 March 2020, contractual maturities based on contractual undiscounted cash flows of approximately HK$20,651.73 million, HK$Nil, HK$847.63 million and HK$Nil (2019: HK$9,751.03 million, HK$919.67 million, HK$3,348.53 million and HK$11,412.46 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 139.87% as at 31 March 2020 (2019: 123.80%).

As at 31 March 2020, the Group had cash and bank balances of approximately HK$32.31 million (2019: HK$38.91 million) and its available banking facilities were amounted to approximately HK$10,970.95 million (2019: HK$11,781.45 million), which have been fully utilized (2019: HK$11,781.45 million).

Borrowings

The Group's outstanding borrowings, all being denominated in RMB, amounted to approximately HK$10,970.95 million (2019: HK$11,781.45 million), represented approximately 53.53% of the Group's total liabilities as at 31 March 2020 (2019: 57.89%). Approximately HK$438.31 million (2019: HK$469.15 million) of the Group's outstanding borrowings were charged at fixed rates.

As the expressway operation is a capital intensive industry, the Group's outstanding borrowings amounted to RMB10,043.53 million (approximately HK$10,968.95 million), were obtained and drawn down primarily for the construction of Zhunxing Expressway as at 31 March 2020. The syndicated loan facilities of RMB8,722.30 million (approximately HK$9,525.97 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 RMB1,321.24 million (approximately HK$1,442.98 million) from several authorized financial institutions in the PRC, of which RMB921.74 million (approximately HK$1,006.67 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), the Syndicated Loans were regarded as default before the derecognization of the Syndicated Loans by the Banks. Accordingly, the Group's outstanding borrowings were all classified under current liabilities as at 31 March 2020.

Significant investments, acquisitions and disposals

During the year ended 31 March 2020, 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 2020 dropped by approximately 6.77% to approximately HK$21.35 million (2019: HK$22.90 million), representing the capital expenditure arising from the acquisition of property, plant and equipment under the expressway operations sector.

Going concern

During the year ended 31 March 2020, the Group suffered a loss of approximately HK$1,876.60 million (2019: HK$1,190.57 million), and as at 31 March 2020, the Group had net current liabilities of approximately HK$19,442.42 million (2019: HK$8,996.02 million) and net liabilities of approximately HK$5,842.41 million (2019: HK$3,912.83 million).

As at 31 March 2020, the Group was in default in the repayment of the bank borrowings of HK$10,532.64 million (2019: HK$Nil), promissory note of HK$Nil (2019: HK$315.00 million), non-convertible bonds with aggregate carrying amounts of approximately HK$4,395.65 million (2019: HK$4,395.65 million) and other borrowings of approximately HK$438.31 million (2019: HK$469.15 million). These debts, together with the outstanding default interests accrued thereon of approximately HK$1,886.01 million (2019: HK$1,186.18 million), totaling approximately HK$17,252.61 million (2019: HK$6,365.98 million) are classified under current liabilities as at 31 March 2020. These conditions indicate the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern and therefore, the Group may not be able to realize its assets and discharge its liabilities in the normal course of business.

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 "Remedial Measures on Going Concern". Up to the date of this announcement, the Measures have not been completed. Assuming the successful implementation of the Measures, the Board is of the opinion that the Group will have sufficient working capital to meet its financial obligation as and when they fall due in the foreseeable future. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

Had the Group failed to continue business as a going concern, adjustments would have been made to the consolidated financial statements 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.

Treasury policy

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

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

MATERIAL EVENTS

Replacement of Promissory Note

On 16 April 2019, the Company issued new Promissory Notes of an aggregate principal amount of approximately HK$683 million with coupon interests of 5.00% per annum for a term of five years (the "**New Promissory Notes**") on a dollar-for-dollar basis to replace and supersede the old promissory note with a principal amount of HK$280,000,000 and its accrued and default interests (the "**Old Promissory Note**") which was issued to China Alliance International Holding Group Limited (中聚國際控股集團有限公司) ("**China Alliance**") on 9 February 2010.

The Old Promissory Note bore interests at 1.50% per annum payable quarterly commencing from the date of the issue by 14 installments of HK$20,000,000 each with the interest accrued thereon. On 23 May 2012, the Company and China Alliance signed a supplemental agreement pursuant to which the repayment terms of the Promissory Note were extended and the Company is required to pay a default interests at 18.25% per annum.

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

Update on Debt Restructuring

As at 31 March 2020, the Group has bank borrowings in the total amount of approximately HK$10,970.95 million. Such borrowings mainly consisted of Syndicated Loans of approximately RMB8,722.30 million (equivalent to approximately HK$9,525.97 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 at a discount to other interested parties. However, the Banks have to 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 will 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 September 2020. 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 Bank, another PRC bank lender (the "**Lender**") applied to freeze Zhunxing's receivables of toll income amounted to approximately HK$267.46 million as at 31 March 2020 to protect its interest. After some discussions between the Banks and the Lender, the Lender intends to enter into a settlement agreement with the Company. 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 2020** *(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 the consideration. 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) ("**HHIC**"), 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 HHIC 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 light of the recent challenging economic environment arising from the outbreak of COVID-19 epidemic, 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.

Bankruptcy Petition filed against a Director

As disclosed in the Company's announcement dated 23 September 2019, the chairman and an executive director of the Company, Mr. Cao Zhong ("**Mr. Cao**") confirmed that Li Ka Shing (Canada) Foundation ("**LKSCF**") had filed a bankruptcy petition against him (the "**Bankruptcy Petition**"). Neither the Company nor any of its subsidiaries is a party to the Bankruptcy Petition.

The Bankruptcy Petition was due to the 9% convertible bonds issued by the Company to LKSCF on 3 September 2013 (the "**Bonds**") which matured on 3 September 2015 and remained outstanding. As disclosed in the Company's announcement dated 14 August 2015, the repayment date of the Bonds had been extended, and Mr. Cao also provided LKSCF with personal guarantee as to the due performance of all the obligations of the Bonds. The outstanding principal of the Bonds, together with the accrued interests and the accrued default interests exceeds HK$1.1 billion as at the date of this announcement.

On 13 January 2020, the legal representative of Mr. Cao informed the Company that the Bankruptcy Petition was withdrawn by LKSCF on 8 January 2020.

Please refer to the announcements of the Company dated 14 August 2015, 23 September 2019, 27 September 2019 and 13 January 2020 for details.

PROSPECTS

Heading into 2020, the outbreak of the COVID-19 epidemic and escalation of trade tensions have plunged the world's economy into a global recession. During the first quarter of 2020, the Chinese economy recorded a rare year-on-year decline. To combat the challenges on economic recovery arising from the COVID-19 epidemic, the PRC targets to focus on stabilizing the economic fundamentals and implementing a mission of "Six Guarantees", that is, to secure the employment of residents, basic livelihood of the citizens, market participants, food and energy security, supply chain stability and operation of basic level. With a steady progress on the "Six Guarantees" and policy implementation on expanding the domestic demand during the second half of 2020, the national industrial and economic growth rates are expected to return to their proper level, and the coal demand will be higher than that in the first half of the year, bringing about an upturn in the transportation industry.

Since the outbreak of the COVID-19 epidemic, a wide range of prevention and control measures have been adopted throughout the PRC to curb the disease. The nationwide Toll-Fee Exemption Policy, which was effective from 17 February 2020 to 5 May 2020, is having a negative impact on the Group's financial performance for the financial year ended 31 March 2021. To mitigate the impact of the COVID-19 outbreak on the Group, the management of the Group will continue to implement 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.

From time to time, environmental protection measures are being imposed by the relevant statement departments in the PRC which influence the growth of the traffic volume and toll income of Zhunxing Expressway. In March 2020, as affected by the environmental protection and other policy factors, the Xinghe Miaoliang Logistics Park of Wulanchabu was closed for rectification. Overhead restrictions were installed at the entrances of the logistic park to prohibit the passage of large trucks. Such measure is expected to persist until September 2020 and the traffic volume of the relevant road section of Zhunxing Expressway is expected to be affected.

Once the national epidemic prevention and control situation stabilizes, the national coal industry will continue to implement effective coal de-capacity policy in the PRC to maintain a safe and stable supply of energy, and along 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, bringing a turnaround to profit in the long run.

Given the Company's imminent funding needs to meet its short-term financial obligations, the Company will prioritize to explore 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 under this challenging economic environment, and strive to maximize the benefits of the shareholders of the Company (the "**Shareholders**") as a whole.

REMEDIAL MEASURES ON GOING CONCERN

As set forth in the Company's Annual Report 2019, the Company's auditor did not express opinion on the consolidated financial statements of the Group for the year ended 31 March 2019 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 Board continues to focus on implementing the following measures to improve the Group's liquidity position:

As mentioned in the section headed "Material Events", the Group is working with the Banks to facilitate a smooth completion of the Banks' asset restructuring by derecognising and reorganising the Syndicated Loans asset, which is expected to be completed by September 2020. The Banks will then coordinate with the Group's restructuring to resolve Zhunxing's non-performing loans and operating risks. The Group is also negotiating with its creditors, including but not limited to the holders of the non-convertible bonds, for possible standstill or rescheduling of the repayment of debts owing by the Group, or entering into settlement agreement(s). Up to the date of this announcement, no agreement has been reached.

As aforesaid in the "Material Events" section, as the progress on the proposed disposals of the 71% equity interests in Zhunxing is in a standstill position due to the current economic slowdown, the Company is considering to terminate the disposal agreements and will actively identify other potential purchasers to dispose the 71% equity interests in Zhunxing to generate funds to repay partially the principal amounts of the Outstanding Bonds.

As the above measures involve on-going negotiations and communications with various potential purchasers and creditors, it is difficult to define a definite timetable on the completion of the measures. Notwithstanding, the Board will strive to complete the above measures before the financial year ending 31 March 2021.

In addition, the Company will also 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 repay the Outstanding Bonds and other outstanding borrowings.

CHARGES ON ASSETS

As at 31 March 2020, the Group has pledged the equity interests in (i) Inner Mongolia Berun New Energy Company Limited* (內蒙古博源新型能源有限公司); (ii) Inner Mongolia Zhunxing Expressway Service Areas Management Company Limited* (內蒙古准興高速服務區管理有限責任公司); and (iii) Zhunxing to secure part of the Group's borrowings.

CONTINGENT LIABILITIES

Save as disclosed in Note 14 to the consolidated financial statements in this announcement, the Group had no material contingent liabilities as at 31 March 2020.

DIVIDEND

The directors of the Company (the "**Directors**") do not recommend any payment of final dividend for the year ended 31 March 2020 (2019: 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 2020.

EMPLOYEES AND RETIREMENT BENEFIT SCHEMES

The Group had approximately 479 employees in Hong Kong and the PRC as at 31 March 2020. 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 2020, 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.

The disposals of the Company's shares by Mr. Fung Tsun Pong, the vice chairman and executive Director of the Company, during the black-out periods between 29 April 2019 to 28 June 2019 and 21 November 2019 to 29 November 2019 were disclosed on p.29 of the Company's annual report for the year ended 31 March 2019 and p.70 of the Company's interim report for the six months ended 30 September 2019 (the "**Interim Report 2019**"), respectively.

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, A.1.8, A.6.7 and E.1.2 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 ad hoc meetings or 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 available from time to time.

Code Provision A.6.7

The Directors note that the code provision A.6.7 of the CG Code stipulates that independent non-executive directors and other non-executive directors should attend general meetings to gain and develop a balanced understanding of the views of shareholders. An independent non-executive Director and certain executive Directors were unable to attend the annual general meeting held on 26 September 2019 (the "**AGM**") due to other business engagement. The Directors who attended the AGM were of sufficient caliber and number for answering questions raised by the Shareholders.

Code Provision E.1.2

The Directors further note that the code provision E.1.2 of the CG Code stipulates that the chairman of the board should attend the annual general meeting. Mr. Cao Zhong was unable to attend the AGM due to other business engagement. Mr. Gao Zhiping ("**Mr. Gao**"), an executive Director, took chair of the AGM.

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 2020 ("**Annual Report 2020**").

OTHER CHANGES IN DIRECTORS' INFORMATION

Subsequent to the publication of the Interim Report 2019, other changes in Directors' information of the Company are set out as below:

i) Mr. Gao, an executive Director, was appointed as the chief executive officer of the Company with effect from 13 December 2019;

ii) Mr. Jiang Tao has resigned as the chief executive officer of the Company but remains as an executive Director of the Company with effect from 13 December 2019; and

iii) Mr. Suo Suo Stephen has resigned as a non-executive Director of the Company with effect from 21 May 2020.

REVIEW OF UNAUDITED ANNUAL RESULTS

The auditing process for the annual results for the year ended 31 March 2020 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 2020 contained herein, which have not been agreed with Crowe (HK) CPA Limited, the Company's auditor, may be subject to (i) conclusion of the assets impairment assessments on concession intangible asset, biological assets and financial assets at fair value through profit or loss as the valuations by the independent valuers have not yet been finalised; (ii) impairment assessments on the trade and other receivables; and (iii) revenue recognition. 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 2020 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 2020 as agreed by the Company's auditors 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 15 August 2020.

The financial information contained herein in respect of the annual results of the Group for the year ended 31 March 2020 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
Cao Zhong
Chairman

Hong Kong, 30 June 2020

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

This announcement is available for viewing on the Company's website http://www.crtg.com.hk and the website of the Stock Exchange of Hong Kong Limited.

* *For identification purpose only*