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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

ANNUAL REPORT 2021

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Cao Zhong *(Chairman)*
Mr. Fung Tsun Pong *(Vice-Chairman)*
Mr. Gao Zhiping *(Chief Executive Officer)*
Mr. Tsang Kam Ching, David *(Finance Director)*
Mr. Jiang Tao
Mr. Duan Jingquan
Mr. Li Wing Chiu *(appointed on 15 June 2021)*

Non-executive Director

Mr. Suo Suo Stephen *(resigned on 21 May 2020)*

Independent Non-executive Directors

Ms. Chan Chu Hoi
Mr. Jing Baoli
Mr. Bao Liang Ming
Mr. Xue Baozhong

Audit Committee

Ms. Chan Chu Hoi *(Chairlady)*
Mr. Jing Baoli
Mr. Bao Liang Ming
Mr. Xue Baozhong

Remuneration Committee

Mr. Jing Baoli *(Chairman)*
Mr. Cao Zhong
Mr. Bao Liang Ming
Mr. Xue Baozhong
Ms. Chan Chu Hoi

Nomination Committee

Mr. Cao Zhong *(Chairman)*
Mr. Jing Baoli
Mr. Bao Liang Ming
Mr. Xue Baozhong
Ms. Chan Chu Hoi

COMPANY SECRETARY

Miss Ngan Wai Kam, Sharon

AUDITOR

McM (HK) CPA Limited

LEGAL ADVISOR

Louis K.Y. Pau & Company

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
The Bank of East Asia Limited

REGISTERED OFFICE

Sterling Trust (Cayman) Limited
Whitehall House
238 North Church Street
P.O. Box 1043
George Town
Grand Cayman
KY1-1102
Cayman Islands

PRINCIPAL PLACE OF BUSINESS

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

SHARE REGISTRARS & TRANSFER OFFICE

Tricor Progressive Limited
Level 54
Hopewell Centre
183 Queen's Road East
Hong Kong

STOCK CODE AT HONG KONG STOCK EXCHANGE

269

CONTACT DETAILS

Telephone no. : (852) 3176 7100
Facsimile no. : (852) 3176 7122

COMPANY WEBSITE

http://www.crtg.com.hk

STATEMENT OF CHAIRMAN

To all shareholders of the Company (the "Shareholders"),

On behalf of the board of directors (the "Board") of China Resources and Transportation Group Limited (中國資源交通集團有限公司) (the "Company"), I am delighted to present the Annual Report 2021 and the audited consolidated financial statements of the Company and its subsidiaries (together the "Group") for the year ended 31 March 2021.

With the phased progress of the domestic epidemic prevention and control in the People's Republic of China, the implementation of the tasks on "Six Stabilities" and "Six Guarantees" has achieved results and the national economy continues to improve. During the year under review, we recorded an approximately 11.25% increase in the average daily toll revenue from the 265-kilometre heavy-haul toll expressway in Inner Mongolia ("Zhunxing Expressway").

Looking back at 2020, the staffs at all levels of the Group have strived together and continued to take actions to improve the liquidity position of the Group. Amid the challenging economic environment, the Company is in the progress of implementing various measures including but not limited to seeking other potential purchasers to dispose the equity interests in 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") and debt restructuring with the Group's creditors. The Group will take up challenges with prudence and step forward to achieve sustainable growth of the Group and maximize the benefits of the Shareholders as a whole.

I wish to take this opportunity to extend my appreciation and gratitude to all Shareholders and creditors for their continued support and to thank my fellow directors and colleagues for their tremendous energy, dedication and hard work in the past year.

Mr. Cao Zhong
Chairman

Hong Kong, 30 June 2021

MANAGEMENT DISCUSSION AND ANALYSIS

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

BUSINESS REVIEW

Operation of Zhunxing Expressway

During the year ended 31 March 2021, the Group's revenue was mainly contributed by toll income from the 265-kilometre heavy-haul toll expressway in Inner Mongolia ("Zhunxing Expressway") operated by Inner Mongolia Zhunxing Heavy Haul Expressway Company Limited* (內蒙古准興重載高速公路有限責任公司) ("Zhunxing") which is indirectly held as to 86.87% by the Company. Zhunxing Expressway is strategically important to the energy resources logistics in the northern People's Republic of China (the "PRC") as it connects the major coal production area with distribution centers in the region in a convenient and economical way.

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

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

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

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

BUSINESS REVIEW *(Continued)*

Operation of Zhunxing Expressway *(Continued)*

Upon traffic opening and commencement of toll collection of Zhunxing Expressway on 21 November 2013, the Group actively introduced measures and promotions to build client base. Apart from the economic factors as discussed above, other factors which restrained the growth of both traffic volume and toll income of Zhunxing Expressway during the year include but not limited to the following:

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

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

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

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

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

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

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

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

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

BUSINESS REVIEW *(Continued)*

Forage and Agricultural Product Business

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

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

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

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

Forest Operation

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

FINANCIAL REVIEW

Revenue

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

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

Cost of sales

The Group's cost of sales for the year ended 31 March 2021 was approximately HK$794.18 million, representing an increase of about 4.11% from approximately HK$762.81 million for the last financial year. The Group's cost of sales during the year was mainly attributable to (i) the amortization of concession intangible assets arising from the expressway operation of approximately HK$650.97 million (2020: approximately HK$584.18 million), and (ii) the depreciation of property, plant and equipment of approximately HK$68.07 million (2020: approximately HK$73.61 million).

FINANCIAL REVIEW *(Continued)*

Gross loss

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

Adjusted EBITDA

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

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

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

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

FINANCIAL REVIEW *(Continued)*

Adjusted EBITDA *(Continued)*

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

Detailed segment revenue and contribution to loss before income tax credit of the Group is shown in Note 5 to the consolidated financial statements.

Concession intangible asset

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

Details of the VIU calculation and its key assumptions are set out in Note 14(b) to the consolidated financial statements. Among the key assumptions involved, toll revenue growth rates of various annum during the remaining exclusive operating period were estimated based on the traffic forecast data determined by an independent traffic consultant, in which the expected annual GDP growth rate in the PRC is a major driver of the expected traffic volume in the VIU calculation. In view of the gradual national economic recovery as a result of the effective epidemic prevention and control in the PRC, the management of the Company considered it is reasonable to adopt a slightly improved average toll revenue growth rates over the remaining exclusive operating period (from 2022 to 2045) in the VIU calculation for the year ended 31 March 2021 as compared to those of the year ended 31 March 2020 to align with the market expectation. However, conservative toll revenue growth rates for the next two years (from 2022 to 2023) are adopted in the VIU calculations for the year ended 31 March 2021 to account for the uncertainty arising from the possibility of resurgence of COVID-19 infections and upcoming vaccination development and progress.

In addition to the toll revenue growth rates, other factors considered by the management of the Company include but not limited to discount rate, vehicle types, existing road network, future transportation plan, potential environmental policies, proposed forthcoming development of Zhunxing and the actual operating results of Zhunxing Expressway during the respective year.

Although there were segment losses for the last three years of the expressway operation sector (the "Segment Loss"), the Segment Loss was mainly attributable to the amortization, depreciation and impairment of Zhunxing Expressway incurred which were non-cash in nature and had no effects on the cash flow discounting in the VIU calculation. As detailed in Note 5(a) to the consolidated financial statements, the adjusted EBITDA of the Group's expressway operation was approximately HK$476.85 million for the year ended 31 March 2021 (2020: HK$366.48 million).

FINANCIAL REVIEW *(Continued)*

Concession intangible asset *(Continued)*

As at 31 March 2021, the recoverable amount of the Expressway CGU amounting to approximately HK$12,599,841,000, as assessed by the independent valuation firm Jones Lang LaSalle Corporate Appraisal and Advisory Limited, was not materially different from the carrying amount of the Expressway CGU, thus no impairment on the concession intangible asset and related property, plant and equipment of the Expressway CGU was considered necessary (2020: impairment loss of approximately HK$1,562.11 million on the concession intangible asset and HK$51.18 million on related property, plant and equipment) for the year ended 31 March 2021. Details on the proforma sensitivity analysis on the potential downside effects on the carrying amount of the Expressway CGU are set out in Note 4(b) to the consolidated financial statements.

Fair value of the biological assets

For the purpose of estimating the fair value of the Group's biological assets in the PRC as at 31 March 2021, an independent valuation was performed by LCH (Asia-Pacific) Surveyors Limited (the "Valuer"), a firm of qualified professional surveyors and international valuation consultants with over 20 years of valuation experience. The Board is satisfied that the Valuer is independent and competent to conduct the valuation. During the year ended 31 March 2021, the Group recorded a gain on the change in fair value less costs to sell of biological assets amounted to approximately HK$10.41 million (2020: a gain of approximately HK$6.39 million). Further details on the qualifications of the Valuer, valuation methodology and assumptions, material input used in the valuation and sensitivity analysis in relation to the biological assets are set out in Note 19 to the consolidated financial statements.

Loss for the year

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

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

LIQUIDITY REVIEW

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

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

As at 31 March 2021, contractual maturities based on contractual undiscounted cash flows of approximately HK$23,261.04 million, HK$1.17 million, HK$854.64 million and HK$4.64 million (2020: approximately HK$20,653.16 million, HK$1.46 million, HK$849.01 million and HK$4.28 million) were required to be repaid within 1 year or on demand, after 1 year but within 2 years, after 2 years but within 5 years and after 5 years, respectively.

The gearing ratio of the Group, measured as total liabilities to total assets, was approximately 166.28% as at 31 March 2021 (2020: approximately 157.89%).

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

Borrowings

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

As the expressway operation is a capital intensive industry, all of the Group's outstanding borrowings amounted to approximately RMB10,045.05 million (approximately HK$11,882.79 million), were obtained and drawn down primarily for the construction of Zhunxing Expressway as at 31 March 2021. The syndicated loan facilities of approximately RMB8,723.81 million (approximately HK$10,319.83 million) (the "Syndicated Loans") granted by several PRC banks (the "Banks") in December 2012 were secured by Zhunxing's receivables of toll income. Furthermore, Zhunxing obtained and drawn down loan facilities amounted to approximately RMB1,321.24 million (approximately HK$1,562.96 million) from several authorized financial institutions in the PRC, of which approximately RMB921.74 million (approximately HK$1,090.37 million) was secured by a combination of (i) Zhunxing's receivables of toll income; (ii) the Group's equity interests in Zhunxing and/or (iii) certain Zhunxing's investments.

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

Significant investments, acquisitions and disposals

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

LIQUIDITY REVIEW *(Continued)*

Capital Commitments

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

Going Concern

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

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

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

Further discussions in relation to the Audit Qualification and the Company's action plan to address the Audit Qualification are set out on pages 16 to 18 of this annual report.

Had the Group failed to continue business as a going concern, adjustments would have been made to the consolidated financial statements for the year ended 31 March 2021 to restate the value of assets to their recoverable amounts, to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively, and to make provision for further liabilities that may arise. Nevertheless, there has not been any indication that the Group cannot continue business as a going concern up to the date of this annual report.

Treasury Policy

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

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

MATERIAL EVENTS

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

The Petition

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

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

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

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

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

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

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

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

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

MATERIAL EVENTS *(Continued)*

Update on Debt Restructuring

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

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

During the process of asset restructuring with the Banks, the Banks and another PRC bank lender (the "Lender") applied to freeze Zhunxing's receivables of toll income to protect their respective interest, details of which are set out in Note 24 to the consolidated financial statements. The Lender intends to enter into a settlement agreement with the Group and the negotiation on the settlement agreement is expected to commence following the Banks' derecognition of the Syndicated Loans.

Demand notices from a PRC Creditor

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

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

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

MATERIAL EVENTS *(Continued)*

Outstanding Non-convertible Bonds

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

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

The Group is negotiating with its creditors, including but not limited to the holders of the Outstanding Bonds, for possible standstill or rescheduling of the repayment of debts owing by the Group. Up to the date of this annual report, 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 annual report, 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.

MATERIAL EVENTS *(Continued)*

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

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 annual report, 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 annual report, the three purchasers have not prepared the terms of the supplemental agreements and no revised timetable has been agreed.

Each of the above disposal agreements is not inter-conditional and shall be completed separately. In face of the challenges brought about by the COVID-19 epidemic on economic recovery, the progress on the proposed disposals of the 71% equity interests in Zhunxing has been in a standstill position. Given the Company's imminent funding needs, the Board is of the view that continuing to pursue the above proposed disposals of Zhunxing may not be in the interest of the Company and its shareholders as a whole, and is considering to terminate the above disposal agreements. The Company will actively seek other potential purchasers to dispose the 71% equity interests in Zhunxing and the proceeds will be used to repay partially the principal amounts of the Outstanding Bonds. Further announcement(s) will be made by the Company as and when appropriate.

Details on the arrangement of proposed disposals and buy-backs of the 71% equity interests in Zhunxing are set out in the announcements of the Company dated 9 January 2017, 30 March 2017, 30 June 2017, 29 September 2017, 18 December 2017, 16 April 2018 and 12 August 2019 and the circular of the Company dated 26 March 2018.

PROSPECTS

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

To encourage a steady and healthy development of the coal industry, the PRC will implement measures to amplify coal supply, stabilize coal prices, regulate the coal import rhythm and coordinate coal transportation, which in turn is expected to bring about an upturn in the transportation industry. Coupling with the forthcoming development of Zhunxing Expressway, especially the inter-connection with the Zhangjiakou city road section to facilitate the direct passage to Hebei province, the traffic volume and toll income of Zhunxing Expressway are expected to grow.

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

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

ACTION PLAN TO ADDRESS AUDIT QUALIFICATION

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

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

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

    As set out in the "Material Events" section on page 13 of this annual report, the Group has been working with the Banks to facilitate a smooth completion of the Banks' asset restructuring by derecognizing and reorganizing the Syndicated Loans asset, which is expected to be concluded by 31 December 2021. The Banks will then coordinate with the Group's debt restructuring to resolve Zhunxing's non-performing loans and operating risks, which will be beneficial to the future development of the Group. Following the Banks' derecognition of the Syndicated Loans, the Company will negotiate with other financial institutions to enter into settlement agreement(s).

ACTION PLAN TO ADDRESS AUDIT QUALIFICATION *(Continued)*

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

As set out in the "Material Events" section on page 12 of this annual report, the Company and the Noteholder entered into a Settlement Deed on 1 June 2021, pursuant to which the Subscription Shares were issued to the Noteholder on 18 June 2021 and the Subscription Consideration was set off against part of the principal amounts of the Promissory Note amounting to HK$296.00 million.

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

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

As set out in the "Material Events" section on page 15 of this annual report, the progress on the proposed disposals, with arrangement to buy back, of the 71% equity interests in Zhunxing is in a standstill position due to the economic slowdown arising from the outbreak of COVID-19 epidemic. Given the Company's imminent funding needs, the Company is considering to terminate the disposal agreements and is actively identifying other potential investors to dispose, with arrangement to buy back, the 71% equity interests in Zhunxing to raise funds for working capital and repay partially the principal amounts of the Outstanding Bonds and other outstanding borrowings.

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

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

NEXT FINANCIAL STATEMENTS

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

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

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

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties that are considered to be of significance to affect the Group's businesses, operational performance and financial conditions include but not limited to the following:

Financial Risks

The Group's exposure to financial risks arising from the Group's business and financial instruments include the interest rate risk, foreign currency risk, credit risk, liquidity risk and equity price risk, details of which are set out in Note 42 to the consolidated financial statements.

In view of the Group's short and long term liquidity requirements as detailed in Note 42(d) to the consolidated financial statements, the Group has been implementing various measures as set out in Note 3(c) to the consolidated financial statements to improve its liquidity position. The ability of the Group to meet its liquidity requirements and continue as a going concern is highly dependent on the future outcomes of the proposed measures.

Business Risks

The expressway operations business, the CNG gas stations operation and the growing and sales of forage and agricultural products operation are closely related to the changes in business, competitive, regulatory, political or economic environment in which the Group operates, which may have significant impact to the Group's financial performance and conditions.

PRINCIPAL RISKS AND UNCERTAINTIES *(Continued)*

Business Risks *(Continued)*

(i) Economic environment

The traffic volume and toll revenue of the Group's expressway operation is closely correlated to the macroeconomy, where macroeconomic fluctuations are likely to result in changes of the transport capacity influenced by the economic activities. Circumstances such as escalation of trade tensions, resurgence of COVID-19 infections and lagging vaccination progress are factors that bring potential challenge to the global economy. Together, these factors will create uncertainty to the operating performance of the expressway operation business. The Group will continue to analyze the macroeconomic environment and implement appropriate strategies to reduce the impact of economic fluctuations on the financial performance of the Group's expressway operation.

(ii) Transportation-related policy

The operating performance of the Group's expressway operation is sensitive to the PRC government's policies in respect of the transportation industry, such as tolling policy, toll collection method, traffic regulation and transportation networks. Such changes may have an adverse impact on the traffic volume and toll revenue of the expressway operation from time to time. The Group will monitor the relevant government policies and ensure timely business decisions will be made in response to the policy changes to minimize its impact to the Group's expressway operation.

(iii) Natural disasters or outbreak of contagious diseases

For the Group's expressway operation, in case of floods, earthquakes, storms and other unforeseen natural disasters where the toll road is likely to be severely damaged, the expressway business may not be in operation normally. In case of fog, severe snow and ice, the toll road may be closed during the affected time. These situations will have an adverse impact on the traffic volume and toll revenue of the expressway operation. The Group's business could also be adversely affected by the outbreaks of contagious diseases such as the COVID-19 or other diseases that may affect the livelihood of people. Travel restrictions and quarantine control may negatively affect the economic demand of commodities and productivity of the workforce, which may adversely affect the financial performance and financial position of the Group. To minimize the impact of possible destructions arising from natural disasters, the Group will continue to implement preventive measures to emphasize on the maintenance of good road condition. Workplace controls and cost control measures are continued to be implemented by the Group to minimize any adverse impact arising from any outbreak or resurgence of diseases.

Legal and Compliance Risk

The Group is exposed to the risk of loss resulting from non-compliance with applicable laws, regulations or contractual obligation. External legal advices are sought on potential business transactions or projects where appropriate to limit such risks.

The above list is non-exhaustive as there may be other risks and uncertainties arise resulting from changes in the prevailing market conditions, laws and regulations and other conditions over time.

COMPLIANCE WITH LAWS AND REGULATIONS

While the Company is listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Group's main operation, namely the expressway operations business, is conducted by the Company's subsidiaries in the PRC. Accordingly, the Group's main operation shall comply with the relevant laws and regulations in the PRC and Hong Kong. During the year ended 31 March 2021 and up to the date of this annual report, the Group was not aware of any non-compliance with any applicable laws and regulations that had a significant impact on it.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to environmental protection by conducting its operations and activities in an environmentally responsible and sustainable manner. The Group's environmental policy encourages its employees to maintain green offices by means of conversation on energy and other natural resources, reduction in materials consumption, waste reduction, recycling and green procurement under reasonable circumstances. During the year ended 31 March 2021 and up to the date of this annual report, the Group's environmental performance has been monitored on a regular basis. The Group's environmental policies and performance for the year ended 31 March 2021 are set out on pages 43 to 53 in this annual report.

KEY RELATIONSHIP WITH STAKEHOLDERS

The Group recognizes that employees, customers, suppliers, creditors and Shareholders are keys to the sustainable development and success to the Group. The Group maintains regular communications with its Shareholders and other stakeholders through various channels including but not limited to telephone hotlines, general meetings and the publication of corporate communications in the form of announcements, reports or circulars.

The Group places significant emphasis on building strong connection with its employees. To strengthen employee engagement, the Group provides a fair workplace together with competitive remuneration and a range of opportunities for career advancement to ensure its employees are rewarded on performance-related basis.

With a view to strengthen business growth and profitability in the long run, the Group is dedicated to build long lasting relationship with its customers by addressing their needs and concern in a timely manner through a well-established mechanism on customer support and complaints.

The Group also establishes long-term relationship with its professional service providers and appreciates the expertise and strengths offered in the past which enable the Group to consistently maintain quality standards.

The Group recognizes the importance in building up and maintaining good relationship with its creditors. The Group continues to place its priority on restructuring the Group's outstanding debts and improving the financial position of the Group.

DIRECTORS' REPORT

The Directors present herewith their annual report together with the audited consolidated financial statements for the year ended 31 March 2021.

PRINCIPAL PLACE OF BUSINESS

The Company is an exempted Company incorporated in the Cayman Islands with limited liability. The address of its 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.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

During the year under review, the Company is principally engaged in investment holding.

The activities of the Company's subsidiaries as at 31 March 2021 are set out in Note 22 to the consolidated financial statements. During the year under review, the Group was principally engaged in expressway operations, CNG gas stations operations, growing and sales of forage and agricultural products and timber operations.

Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including a discussion of the principal risks and uncertainties facing the Group and an indication of likely future developments in the Group's business, are set out on pages 4 to 20 of this annual report. This discussion forms part of the Directors' report.

SEGMENT INFORMATION

Details of the segment information are set out in Note 5 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 March 2021, the aggregate amount of purchases attributable to the Group's five largest suppliers amounted to less than 30% of the total purchase of the Group.

The aggregate amount of revenue attributable to the Group's five largest customers amounted to less than 30% of the total revenue of the Group during the year.

Accordingly, a corresponding analysis of major customers and suppliers is not presented.

At no time during the year have the Directors, their associates or any Shareholder (which to the knowledge of the Directors owns more than 5% of the number of issued shares of the Company (the "Shares") had any interest in those major customers and suppliers.

RESULTS AND DIVIDENDS

The results of the Group are set out in the consolidated statement of profit or loss on page 56 of this annual report and in the accompanying notes to the consolidated financial statements.

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

DIVIDEND POLICY

The Group's dividend policy (the "Dividend Policy") does not have any pre-determined dividend distribution ratio. The Board has the discretion to declare and distribute dividends to the Shareholders in accordance with the Company's Memorandum and Articles of the Association, the Companies Law of the Cayman Islands and all applicable laws, rules and regulations. In considering whether to propose a dividend and in determining the dividend amount, the Board will take into account factors such as the Group's general financial condition, profitability, business performance, debt level and liquidity position for the financial year, the Group's expected working capital requirements and future expansion plans, any restrictions on dividend distribution that may be imposed by the Group's creditors, the general economic conditions and any other factors which the Board considers appropriate. The Board will review the Dividend Policy from time to time and there can be no assurance that a dividend will be distributed in any particular form or amount for any given period.

SHARE PREMIUM AND RESERVES

Movements in the share premium and reserves of the Group and the Company during the year are set out on page 59 of this annual report and Note 37 to the consolidated financial statements respectively.

Under the Cayman Islands Companies Law, the funds in share premium account are distributable to Shareholders, subject to the condition that immediately following the date on which the distribution or dividend is proposed to be paid, the Company is able to pay its debts as they fall due in the ordinary course of business. As at 31 March 2021, the Company had no reserves available for distribution to Shareholders (2020:HK$Nil).

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in Note 15 to the consolidated financial statements.

SUBSIDIARIES

Particulars of the principal subsidiaries of the Group as at 31 March 2021 are set out in Note 22 to the consolidated financial statements.

CHARGES ON ASSETS

As at 31 March 2021, the Group has pledged the equity interests in (i) Inner Mongolia Berun New Energy Company Limited* (內蒙古博源新型能源有限公司); (ii) Inner Mongolia Zhunxing Expressway Service Areas Management Company Limited* (內蒙古准興高速服務區管理有限責任公司); and (iii) Zhunxing to secure part of the Group's borrowings.

BORROWINGS

Particulars of borrowings of the Group as at 31 March 2021 are set out in Note 30 to the consolidated financial statements.

CONTINGENT LIABILITIES

Save as disclosed in Note 45 to the consolidated financial statements, the Group had no material contingent liabilities as at 31 March 2021.

SHARE CAPITAL

Details of the Company's share capital are set out in Note 34 to the consolidated financial statements. There were no movements in the share capital of the Company during the year ended 31 March 2021.

NON-CONVERTIBLE BONDS
As at 31 March 2021, the outstanding principal amounts of the non-convertible bonds of the Company amounted to HK$4,032 million. Details of the non-convertible bonds of the Company are set out in the "Material Events" section on page 14 of this annual report and Note 32 to the consolidated financial statements.

PROMISSORY NOTES
As at 31 March 2021, the outstanding principal amounts of the promissory notes of the Company amounted to HK$683.35 million. Details of the promissory notes of the Company are set out in Note 29 of the consolidated financial statements.

FIVE YEAR FINANCIAL SUMMARY
A summary of the published results and of the assets and liabilities of the Group for the past five financial years, as extracted from the audited consolidated financial statements and reclassified as appropriate, is set out on page 144 of this annual report. The summary does not form part of the consolidated financial statements.

RELATED PARTY TRANSACTIONS
The related party transactions in Note 40 to the consolidated financial statements have been disclosed in accordance with the Hong Kong Accounting Standard 24 "Related Party Disclosures" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and did not constitute connected transactions nor continuing connected transactions under the definition of Chapter 14A of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

PRE-EMPTIVE RIGHTS
There is no provision for pre-emptive rights under the Company's Articles of Association, or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing Shareholders.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES
There were no purchases, sales or redemptions of the Company's listed securities by the Company or any of its subsidiaries during the year ended 31 March 2021.

DIRECTORS
The Directors during the financial year were:

Executive Directors:
Mr. Cao Zhong
Mr. Fung Tsun Pong
Mr. Gao Zhiping
Mr. Tsang Kam Ching, David
Mr. Jiang Tao
Mr. Duan Jingquan

Non-executive Director:
Mr. Suo Suo Stephen *(resigned on 21 May 2020)*

Independent Non-executive Directors:
Ms. Chan Chu Hoi
Mr. Jing Baoli
Mr. Bao Liang Ming
Mr. Xue Baozhong

The following Director was appointed after the end of the financial year:

Executive Director:
Mr. Li Wing Chiu *(appointed on 15 June 2021)*

In accordance with Article 117 of the Company's Articles of Association, the Directors are subject to retirement by rotation and, being eligible, may offer themselves for re-election. In addition, Article 100 of the Articles of Association provides that any Director appointed by the Board shall hold office only until the following general meeting of the Company and shall be eligible for re-election at that meeting. Accordingly, Messrs Jiang Tao, Duan Jingquan, Li Wing Chiu and Xue Baozhong shall retire at the forthcoming annual general meeting, and being eligible, shall offer themselves for re-election.

CONFIRMATION OF INDEPENDENCE

The Company has received annual confirmation from each of the independent non-executive Director ("INED") as regards to their independence to the Company and considered that each of them is independent to the Company.

BIOGRAPHICAL DETAILS OF DIRECTORS

The biographical details of the Directors up to the date of this annual report are set out as follows:

Executive Directors

Mr. Cao Zhong, aged 61, has been appointed as an executive Director and the chairman of the Board of the Company since 19 November 2010. Mr. Cao was graduated from Zhejiang University with a bachelor degree in engineering in July 1982 and the Graduate School of the Chinese Academy of Social Sciences with a master degree in economics in July 1988. Since 1988, Mr. Cao had served various institutions such as the National Development and Reform Commission of China, Guangdong Province Huizhou Municipal People's Government and Shougang Holding (Hong Kong) Limited.

From March 2014 to August 2020, Mr. Cao had served various positions including the chairman, executive director, non-executive director and chief executive officer of FDG Electric Vehicles Limited (Stock Code: 729). From March 2015 to April 2021, Mr. Cao was an executive director of FDG Kinetic Limited (Stock Code: 378). The shares of both companies are listed on the Stock Exchange.

Mr. Fung Tsun Pong, aged 61, has been appointed as an executive Director since 22 September 2004. Mr. Fung has over 30 years of experience in property development, logistics, investment banking and company management. Mr. Fung has held senior management positions in various companies incorporated in Hong Kong, British Virgin Islands and Samoa.

Mr. Gao Zhiping, aged 59, has been appointed as an executive Director since 17 June 2013 and the chief executive officer of the Company since 13 December 2019. Mr. Gao graduated from China Europe International Business School (中歐國際工商學院) with a Master of Business Administration in November 2004 and was accredited as a senior economist by the Technology Committee of Henan Province (河南省科委) in December 1998 and by the State Grid Corporation of China (國家電網公司) in December 2005. He has received the awards of Distinctive Young Enterprise Management Personnel (河南省優秀青年企業經營管理者) from Henan Provincial Young Entrepreneurs Association (河南省青年企業家協會) in April 1999, Distinctive Pilot Project Construction Personnel of Henan Province (河南省重點項目建設先進工作者) and Model Worker of Henan Province (河南省勞動模範) from the People's Government of Henan Province (河南省人民政府) in February 2008 and April 2009, respectively.

From October 1980 to December 1994, he served various departments in government, and took up various positions in local administrative office of Nanyang Prefecture in Henan Province (河南省南陽地區行政公署) and Nanyang City People's Government (南陽市人民政府) as the government office clerk, secretary and chief officer.

From December 1994 to 2007, he was positioned as the deputy general manager, the secretary general of disciplinary committee, president of labour union of Nanyang Yahekou Electricity Company Limited (南陽鴨河口發電有限責任公司) and the vice general manager of Nanyang Tianyi Power Generation Co., Ltd. (南陽天益發電有限責任公司), both being subsidiaries of Henan Construction Investment Group (河南省建設投資集團公司). He was the deputy general manager from September 2008 to April 2010 and the secretary of party committee from October 2008 to March 2010 of Nanyang Yahekou Electricity Company Limited (南陽鴨河口發電有限責任公司).

From October 2010 to February 2014, he has been appointed as the general manager of 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"), an indirect subsidiary of the Company. Since February 2014, he has served as the chairman of the board of directors of Zhunxing, and has made great contribution to the management of Zhunxing and construction of the expressway of Zhunxing.

Mr. Tsang Kam Ching, David, aged 64, has been appointed as an executive Director since 17 February 2004. Mr. Tsang has extensive financial management experience over the past 30 years which covers merchant banking, stock broking and corporate finance field. Mr. Tsang is also a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants.

Mr. Jiang Tao, aged 41, has been appointed as an executive Director since 12 August 2016. Mr. Jiang graduated from the University of International Business and Economics (對外經濟貿易大學) in the PRC with a bachelor degree in economics. Prior to joining the Company, Mr. Jiang has over ten years' experience in the banking industry and was the president of a fund management company in the PRC.

Mr. Duan Jingquan, aged 65, has been appointed as an executive Director since 7 November 2011. He was the managing director of the Accounting Society of China, a member of the Specialist Advisory Committee of the China Association of Actuaries, an adjunct professor of The Peking University HSBC Business School and a member of the Steering and Consultation Committee for Innovative Development of Shenzhen Insurance Industry. Mr. Duan graduated from Dongbei University of Finance and Economics (formerly known as Liaoning Institute of Finance and Economics) in 1982. He served the Ministry of Finance for around 20 years and assumed different positions, including as the chief officer of the Commerce Bureau of the Finance Department, the deputy head and the head of the Central Planning Office from 1982 to 1994, the deputy head of the Supervision Department from 1994 to 1998, the head of the Finance Supervision Department and the Supervision and Inspection Department from 1998 to 2002. Between 2002 and 2005, he was positioned as the deputy general manager of China Export and Credit Insurance Corporation.

From 2005 to 2009, he was appointed as the secretary of the party committees, general manager and director of Mingsheng Life Insurance Company Limited. In August 2009, Mr. Duan joined Sino Life Insurance Company Limited ("Sino Life") and served as its general manager and director and he was then appointed as the vice chairman of Sino Life in October 2010. From October 2011 to April 2013, he took up the role as the chairman of the Supervisory Committee of Sino Life. Mr. Duan was the major author of "Introduction to Financial and Political Supervision"《財政監督學概論》, his first treatise on finance and politic. He has been selected by China Insurance Journal as one of the "Top Ten Persons of 2009 in the Insurance Industry". Mr. Duan has over 20 years' experience in management of state agencies and enterprises. While he was with the Ministry of Finance, he developed and implemented various state finance management mechanisms which still exert significant influences nowadays. During his years with commercial enterprises, he pushed forward various reform programs, exercised assiduity at company management and operation, thus remarkably enhanced the performance of the enterprises.

Mr. Li Wing Chiu, aged 56, has been appointed as an executive Director since 15 June 2021. Mr. Li graduated from Xiamen University with a doctoral degree in world economics. From December 2006 to April 2009, Mr. Li was the chairman of Xiamen Heguan Company Limited (廈門和冠實業有限公司), a company engaged in investment in mining and agricultural related businesses. During October 2008 to December 2010, Mr. Li was an independent non-executive director of China Renji Medical Group Limited (中國仁濟醫療集團有限公司), a company listed on the Stock Exchange (Stock Code: 648). From October 2011 to November 2013, Mr. Li served as the chairman of the board of directors and an executive director of Oriental Unicorn Agricultural Group Limited (東麟農業集團有限公司) (formerly known as China Medical and Bio Science Limited (中華藥業生物科學有限公司)), a company listed on The Growth Enterprise Market of the Stock Exchange (Stock Code: 8120).

Independent Non-executive Directors

Ms. Chan Chu Hoi, aged 60, has been appointed as INED since 21 November 2019. Ms. Chan is a member of the Hong Kong Institute of Certified Public Accountants (HKICPA) and she has over 20 years of experience in financial management, accounting, internal control and auditing. From August 1999 to December 2010, Ms. Chan worked as the accounting and administrative manager of a subsidiary of Exide Technologies, a company listed on NASDAQ (stock code: XIDE). From February 2011 to February 2014, Ms. Chan was appointed as a manager by an accountant firm in Hong Kong. In addition to audit assurance experience, she also worked on the development and implementation of the company's internal quality control policy to comply with the guidelines of the HKICPA. From March 2014 to May 2015, Ms. Chan worked as a senior accounting manager at a property investment company in Hong Kong. From June 2015 to April 2017, she was the senior manager of the investment division and investment analyst of the Securities Division of a subsidiary of Ceneric (Holdings) Limited, a company listed on the Stock Exchange (Stock Code: 0542). From August 2019 to March 2021, Ms. Chan worked for a private company as a senior financial advisor.

Mr. Jing Baoli, aged 56, has been appointed as an INED since 28 February 2006. Mr. Jing has accumulated over 30 years of experience in the legal field. Mr. Jing was graduated from Beijing University Law School with a Bachelor's degree in Laws in July 1987 and acquired a Master's degree in Laws from Lanzhou University in December 1997. After graduation from Beijing University, he was assigned to the High Court of Gansu Province since July 1987 and worked in various positions till July 1997. In July 1997, Mr. Jing joined Gansu Tianhe Law Firm as a partner and in July 1999, he joined Beijing Shuang Cheng Law Firm as an attorney-at-laws. In August 2007, Mr. Jing worked as an attorney in China Commercial Law Company, Guangdong.

Mr. Bao Liang Ming, aged 65, has been appointed as an INED since 1 February 2007. Mr. Bao has vast executive and management experience. He has held various directorships in state owned enterprises in Tianjin and Beijing of the PRC.

Mr. Xue Baozhong, aged 66, has been appointed as an INED since 12 August 2016. Mr. Xue graduated from Lan Zhou Commerce School (蘭州商學院) in the PRC, majoring in corporate management. Mr. Xue was the chairman and general manager of Gansu Province Zhongbao Economic and Trade Co., Ltd. (甘肅省中寶經貿有限公司) and Shanghai Wanye Economic and Trade Co., Ltd. (上海萬野經貿有限公司) for the periods from 1996 to 1998 and from 1999 to 2012, respectively. During the period from 2013 to June 2016, he was the vice president of Copower Enterprise Group Limited (長和實業集團有限公司).

DIRECTORS' SERVICE CONTRACTS

None of the existing Directors has a service contract with the Company which is not terminable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' EMOLUMENT, THE FIVE HIGHEST PAID EMPLOYEES AND THE GROUP'S EMOLUMENT POLICY

Details of the Directors' emolument and of the five highest paid employees in the Group are set out in Note 11 to the consolidated financial statements. The Group ensures that pay scales of its employees are rewarded on performance-related basis within the general framework of the Group's remuneration strategy. The Directors' remuneration is determined by the Company with reference to their responsibilities to undertake the Company's performance and profitability, remuneration benchmark, prevailing market conditions and recommendation of the remuneration committee of the Company.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES, AND DEBENTURES

Save as disclosed below, as at 31 March 2021, according to the register of interest kept by the Company under Section 336 of the Securities and Futures Ordinance (the "SFO") and so far as was known to the Directors, none of the Directors and chief executive of the Company held any interest or short positions on the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning or Part XV of the SFO) which (i) where required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executive were taken or deemed to have taken under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein; or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 of the Listing Rules, to be notified to the Company and Stock Exchange.

Long positions in issued Shares and underlying Shares of the Company

		As at 31 March 2021	
Name of Directors	**Capacity**	**Number of Shares and/or underlying Shares**	**Approximate % of total issued Shares** *(Note 3)*
Cao Zhong ("Mr. Cao")	Beneficial owner	22,785,000	0.30
	Interest in controlled corporation	348,325,000 *(Note 1)*	4.68
Fung Tsun Pong ("Mr. Fung")	Beneficial owner	31,568,122	0.42
	Interest in controlled corporation	16,180,000 *(Note 2)*	0.22
Tsang Kam Ching, David	Beneficial owner	7,581,224	0.10

Notes:

1. Champion Rise International Limited being wholly-owned by Mr. Cao was interested in 348,325,000 Shares, representing approximately 4.68% in the issued Shares.

2. Ocean Gain Limited being wholly-owned by Mr. Fung was interested in 16,180,000 Shares, representing approximately 0.22% in the issued Shares.

3. Based on 7,442,395,970 Shares of HK$0.20 each in issue as at 31 March 2021.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No transaction, arrangement or contract of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as disclosed under the paragraphs headed "Directors' Interests and Short Positions in Shares, Underlying Shares, and Debentures" above, at no time during the year were rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company granted to any Directors or their respective spouse or children under 18 years of age, or were any such rights exercised by them, or was the Company, its holding company, or any of its subsidiaries and fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS

Save as disclosed below, as at 31 March 2021, according to the register of interest kept by the Company, under section 336 of the SFO and so far as was known to the Directors, no other person or entities had interests or short positions in the Shares or underlying Shares which fall to be disclosed to the Company and the Stock Exchange under the provision of Divisions 2 and 3 of part XV of the SFO, or who were, directly or indirectly, interested in 5% or more of the issued voting shares to vote in all circumstances at general meeting of any other members of the Group.

Long Position in issued Shares and underlying Shares of the Company

		As at 31 March 2021	
Name of substantial Shareholders	**Capacity**	**Number of Shares and/or underlying Shares**	**Approximate % of total issued Shares** *(Note 4)*
Mak Siu Hang Viola *(Notes 1 and 2)*	Interest in controlled corporation	1,816,330,000	24.41
VMS Investment Group Limited *(Note 1)*	Interest in controlled corporation	974,215,000	13.09
	Beneficial owner	242,115,000	3.25
Focal Sunshine Limited *(Note 1)*	Beneficial owner	600,000,000	8.06
	Person having a security interest in shares	374,215,000	5.03
VMS Finance Group Limited *(Note 2)*	Interest in controlled corporation	600,000,000	8.06
Keywood Group Limited *(Note 2)*	Beneficial owner	600,000,000	8.06
Turbo View Investment Limited *(Note 3)*	Beneficial owner	375,000,000	5.04
Gao Xiao Rui *(Note 3)*	Interest in controlled corporation	375,000,000	5.04

Notes:

1. Each of Ms. Mak Siu Hang Viola and VMS Investment Group Limited is interested in the 974,215,000 Shares held by Focal Sunshine Limited by reason of interests of controlled corporations within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of The Laws of Hong Kong).

2. Each of Ms. Mak Siu Hang Viola and VMS Finance Group Limited is interested in 600,000,000 Shares held by Keywood Group Limited by reason of interests of controlled corporations within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of The Laws of Hong Kong).

3. Turbo View Investment Limited is wholly-owned by Mr. Gao Xiao Rui.

4. Based on 7,442,395,970 Shares of HK$0.20 each in issue as at 31 March 2021.

SHARE OPTION SCHEME

A new share option scheme of the Company was adopted on 28 August 2014 (the "Scheme"). Directors of the Company are authorized, at their discretion, to invite employees of the Group, including directors of any company in the Group, to take up options to subscribe for a maximum number of 135,249,419 Shares of HK$0.20 each of the Company, which represents 10% of the issued shares of the Company as at the date of adoption after taking into account the effect of share consolidation implemented on 5 November 2015. The purpose of the Scheme is to provide the Company with a flexible means of giving incentives and rewards to eligible participants to encourage them to work towards enhancing the value of the Company and its shares for the benefit of the Company and its Shareholders as a whole. The Scheme shall be valid and effective for a period of 10 years ending on 27 August 2024, unless otherwise terminated or amended.

The subscription price in respect of each share issued pursuant to the exercise of options granted is at least the highest of (a) the nominal value of a share, (b) the closing price of the shares on Stock Exchange on the date of grant and (c) the average closing price of the shares on the Stock Exchange for the five business days immediately preceding the date of grant.

After accounting for the implementation of share consolidation on 5 November 2015 and the completion of rights issue on 9 December 2015, the maximum number of securities of the Company available for issue under the Scheme as at 31 March 2021 was 135,249,419 Shares which represented 1.81% of the ordinary shares of the Company in issue at 31 March 2021. The total number of Shares issued and to be issued upon exercise of the options granted to each participant in any 12-month period shall not exceed 1% of the Company's total ordinary shares in issue. During the year ended 31 March 2021, no option was issued and outstanding under the Scheme.

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

Particulars of the above share options offered are set out in Note 35 to the consolidated financial statements.

EMPLOYEES AND RETIREMENT BENEFIT SCHEMES

The Group had approximately 463 employees in Hong Kong and PRC as at 31 March 2021. The Group implements remuneration policy, bonus and share options scheme to ensure that pay scales of its employees are rewarded on performance-related basis within the general framework of the Group's remuneration policy.

The employees of the Company's subsidiaries in the PRC participate in defined contribution schemes operated by the local government authorities in the PRC. The Company's subsidiaries are required to make contributions to the schemes at a certain percentage of the basic salaries of their PRC employees and have no further obligation for post-retirement benefits.

The employees of the Company in Hong Kong are enrolled in a Mandatory Provident Fund scheme in accordance with the requirements of the Mandatory Provident Fund Scheme Ordinance (Chapter 485) and the Mandatory Provident Fund Schemes (General) Regulation (Chapter 485A). Contributions are made based on a percentage of the employee's basic salaries.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

PUBLIC FLOAT OF THE LISTED SECURITIES

Based on the publicly available information to the Company and within the knowledge of the Board, none of the Directors, up to the date of this annual report, is aware of any information which would indicate the Company has not maintained sufficient public float of its Shares in the open market.

AUDITOR

Following the resignation of Crowe (HK) CPA Limited as auditor of the Company on 29 April 2021, McM (HK) CPA Limited ("McM") was appointed as new auditor of the Company with effect from 29 April 2021 to fill the casual vacancy, and to hold office until the conclusion of the next annual general meeting of the Company (the "AGM").

Save as disclosed above, there were no other changes in the auditor of the Company during the past three years.

The consolidated financial statements of the Group for the year ended 31 March 2021 were audited by McM while the consolidated financial statements for the three preceding years ended 31 March 2018, 2019 and 2020 were audited by Crowe (HK) CPA Limited.

McM will retire and being eligible, offer themselves for re-appointment. A resolution for the reappointment of McM as auditor of the Company will be proposed at the forthcoming AGM.

On behalf of the Board

Mr. Cao Zhong
Chairman

Hong Kong, 30 June 2021

CORPORATE GOVERNANCE REPORT

The Board hereby presents to the Shareholders the Corporate Governance Report of the Group for the year ended 31 March 2021.

CORPORATE GOVERNANCE PRACTICES

The Board is committed to uphold good corporate governance practices with emphasis on enhancing accountability and transparency of the management of the Company to safeguard the long-term interest of the Shareholders as a whole. The Company's corporate governance practices are based on the principles of good corporate governance set out in the Corporate Governance Codes and Corporate Governance Report in Appendix 14 of the Listing Rules (the "CG Code").

The Board is of the view that throughout the year ended 31 March 2021, the Company has complied with all the code provisions prescribed in the CG Code except for the deviations from (i) code provision A.1.1 of the CG Code as detailed in the paragraphs headed "Attendance Record of Directors" and (ii) code provision A.1.8 of the CG Code as detailed in the paragraph headed "Directors and Officers Liability Insurance" of this report.

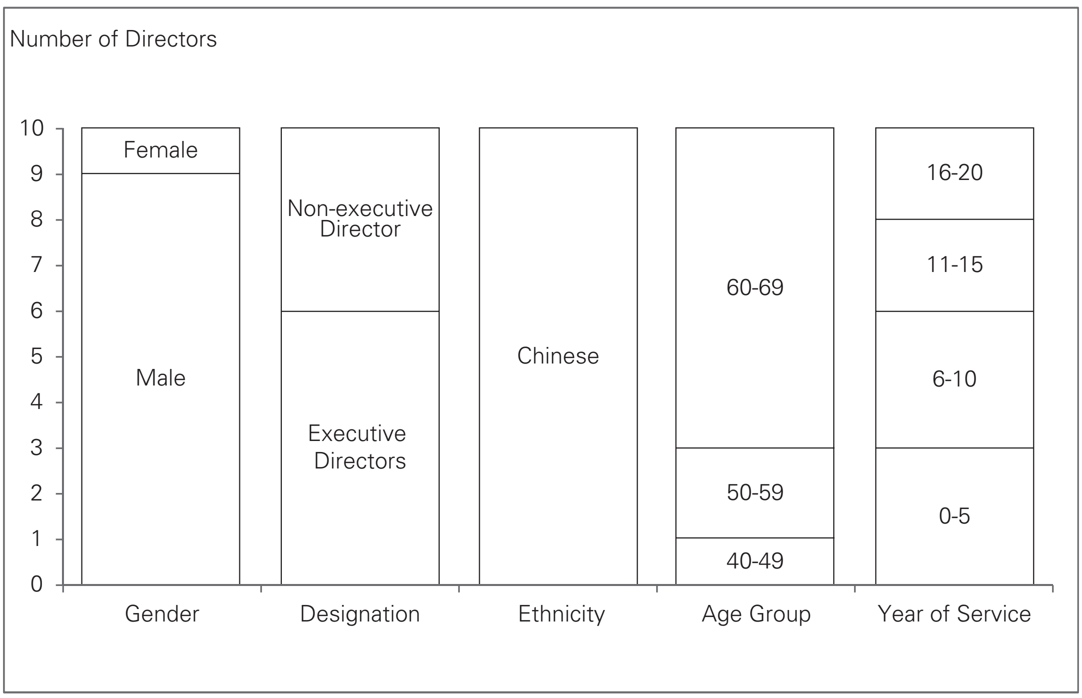
THE BOARD OF DIRECTORS

The Company is headed by an effective Board which assumes responsibility for setting strategic objectives with appropriate focus on value creation and risk management, leading, directing, and supervising the Company's affairs to enable long term success of the Company and enhancing return for Shareholders by seizing opportunities and overcoming market challenge. Directors, as members of the Board, collectively share responsibility for the proper direction and management of the Group in the best interest of the Shareholders.

Board Composition

As at 31 March 2021, the Board comprised six executive Directors and four INEDs. INEDs represent more than 1/3 of the Board. Mr. Li Wing Chiu was appointed as an executive Director after the end of the financial year with effect from 15 June 2021. The names and brief biographies of the Directors up to the date of this annual report are set out on pages 24 to 26. A list setting out the names of the Directors and their roles and functions is updated on the websites of the Company and the Stock Exchange from time to time.

The Board's composition under major diversified perspectives as at 31 March 2021 is summarized as follows:



THE BOARD OF DIRECTORS *(Continued)*

Board Composition *(Continued)*

Each new Director appointed by the Board during the year shall hold office until the next following general meeting and thereafter the same Director, if re-elected, shall be subject to retirement by rotation. There exists no relationship among Board members, including financial, operational, family or other relevant material relations.

The Roles of the Chairman and the Board

The chairman of the Board ("Chairman"), Mr. Cao Zhong ("Mr. Cao"), is responsible for providing leadership and governance of the Board to ensure that the Board acts in the best interests of the Group and discusses all key and appropriate issues in a timely manner. During the year, the role of the Chairman is segregated from the chief executive officer ("CEO") and performed by different individual to ensure balance of power and authority.

The Board is responsible for the formulating the long term strategy and development plans, deciding major financial and capital projects, and reviewing internal control and risks of the Group. Matters reserved for the Board are those affecting the Group's overall strategic direction, management, finance, corporate governance and shareholders rights. These include, but not limited to, deliberation of investment plans, staff management, annual budgets, financing arrangements, internal controls, risk management, material contracts, dividend policy, financial statements, environmental policy, corporate governance practices and other major corporate activities. Clear directions have been given to the management on the matters that must be approved by the Board and the Board reviews the arrangement periodically.

The Board regularly reviews its composition and structure to ensure its expertise and independence align with the requirements of the Group's business. With the support of the Company's secretarial staffs, the Board ensures that all Board members receive sufficient, complete and reliable information and are properly briefed on issues to be discussed at Board meetings by dispatching materials to the Directors in advance, such that the Directors could work effectively and discharge their responsibility.

The Board performed the following functions during regular Board meetings:

– discussed and reviewed the Group's overall development direction and plans;

– reviewed and monitored the training and continuous professional development of Directors and senior management of the Company;

– reviewed and monitored the Group's policies and practices on compliance with the CG Code, legal and regulatory requirements;

– reviewed and monitored the Group's policies on risk management and internal control;

– reviewed and monitored the Group's environmental risks and applicable protection measures, and approved the Group's environmental, social and governance report;

– reviewed the need for the Group to set up an internal audit function; and

– reviewed the code of conduct for employees of the Company and Directors.

THE BOARD OF DIRECTORS *(Continued)*

The Roles of the Chairman and the Board *(Continued)*

All Directors are provided upon reasonable request made to the Board with means, at the Company's expense, to take independent professional advice in furtherance of their duties if necessary.

The Company also engages external service provider as its company secretary to assist the Board and the primary contact person of the Company is its finance Director, Mr. Tsang Kam Ching, David.

The Roles of the Chief Executive Officer and its Management Team

The CEO, Mr. Gao Zhiping, is primarily responsible for overseeing the day-to-day management, administration and operations of the Group and the implementation of policies decided by the Board during the year under review. The functions and tasks delegated to the CEO are supervised and periodically reviewed by the Board to ensure efficiency of management.

The management, under the leadership of the CEO, is responsible for implementing the strategies and policies established by the Board; and reporting on the Group's operations to the Board with timely information to ensure effective discharge of the Board's responsibilities.

The independent non-executive Directors

The INEDs are professions or executive of high caliber with diversified industry expertise and bring a wide range of skills and experience to the Group. They bring to the Company independent judgment on issues of business strategy, performance, key appointments, environmental protection, risk management and internal control through their contribution at Board meetings, thus safeguarding the interests of Shareholders and the Company as a whole. Pursuant to Rule 3.10(2) of the Listing Rules, the Company has appointed Ms. Chan Chu Hoi whom has appropriate professional qualifications or accounting or related financial management expertise.

The Company has received, from each of the INEDs, an annual confirmation of his/her independence and the Board considers that the four INEDs are independent in character and judgment and they also meet the independence criteria set out in Rule 3.13 of the Listing Rules. All the INEDs are appointed for a term of two years and all Directors are required to submit themselves for re-election at least once every three years under the Company's Articles of Association.

In addition, the Chairman is a member and the chairman of the Remuneration Committee and Nomination Committee respectively, as such, the Chairman is well positioned to meet with the INEDs regularly without other Directors present to encourage active discussion and effective contribution of the INEDs.

THE BOARD OF DIRECTORS *(Continued)*

Attendance Record of Directors

The attendance record of each Director at the Board meetings and general meeting of the Company held during the financial year ended 31 March 2021 is set forth below:

	Attendance/Number of Meetings	
Name of Directors	**Board Meeting**	**Annual General Meeting**
Executive Directors		
Cao Zhong	3/3	1/1
Fung Tsun Pong	1/3	0/1
Gao Zhiping	3/3	1/1
Tsang Kam Ching, David	3/3	1/1
Jiang Tao	3/3	1/1
Duan Jingquan	3/3	1/1
Non-executive Director		
Suo Suo Stephen *(resigned on 21 May 2020)*	0/0	0/0
Independent non-executive Directors		
Jing Baoli	3/3	1/1
Bao Liang Ming	3/3	1/1
Xue Baozhong	2/3	0/1
Chan Chu Hoi	3/3	1/1

Note:

The annual general meeting of the Company was held on 3 November 2020.

The procedures for convening all Board meetings were in compliance with the Company's Articles of Association. Amongst the Board meetings held during the financial year, two were regular Board meetings with written notice of the meeting dispatched to all Directors at least fourteen days before the meeting and an agenda with all supporting documents at least three days in advance of the meeting. The regular Board meetings have achieved active participation of the Directors. The Directors note that the code provision A.1.1 of the CG Code requires the Board to hold at least four regular meetings per year at approximately quarterly intervals. However, in view of the fact that two regular meetings were convened during the year and ad hoc matters were effectively dealt with by way of written resolutions, the Directors considered holding four regular meetings at quarterly intervals to be unnecessary.

The Directors have access to the advice and services of the Company's secretarial team and all applicable rules and regulations in respect of the Board meetings are followed. Drafts with sufficient details and final versions of the minutes of Board and the various committees were circulated to the Directors for their comment and record respectively. Originals of such minutes, being kept by the Company Secretary, are open for inspection at office hours on reasonable notice by any Director.

THE BOARD OF DIRECTORS *(Continued)*

Directors' Training and Professional Development

On appointment, every newly appointed Director has been given a comprehensive, formal and tailored induction including the duties and responsibilities of being a Director under the Listing Rules, the relevant laws and regulations applicable to the Directors, duty of disclosure of interest and the business and governance policies of the Group.

During this financial year, the Company has provided training materials to all Directors covering updates on loan transaction for companies incorporated in Bermuda, Cayman Islands or the British Virgin Islands. The Company has received confirmation from all Directors upon their completion of the training. In addition, Mr. Tsang Kam Ching, David and Ms. Chan Chu Hoi attended other external seminars or briefings and read relevant materials on regulatory updates.

Directors and Officers Liability Insurance

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 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.

BOARD COMMITTEES

The Board has established the following committees: the Audit Committee, the Remuneration Committee and the Nomination Committee, with the participation of all the INEDs. The written terms of reference of the Board committees, which have been reviewed from time to time by the Board to keep them in line with the most up-to-date requirements, are available on the websites of the Company and the Stock Exchange.

Audit Committee

The terms of reference of the Audit Committee was revised on 28 November 2011, 30 June 2016 and 28 June 2019 to bring them in line with the revised CG Code. The Audit Committee is accountable to the Board and consists of all the four INEDs namely Ms. Chan Chu Hoi (the chairlady), Mr. Jing Baoli, Mr. Bao Liang Ming and Mr. Xue Baozhong.

The primary responsibilities of the Audit Committee are set out below:

– oversee the Company's relationship with the external auditor including but not limited to making recommendations to the Board on their appointment, re-appointment and removal, the approval of their remuneration and their terms of engagement, and assessing their independence and objectivity;

– review the Group's financial reports and accounts, and provide assurance to the Board that the reviewed documents comply with the respective accounting policies, the standards and practices, the Stock Exchange and legal requirements; and

– maintain oversight of the Group's financial reporting system, risk management and internal control systems.

The Audit Committee held 3 meetings during the financial year, the attendances of which were as follows: Ms. Chan Chu Hoi (3/3), Mr. Jing Baoli (3/3), Mr. Bao Liang Ming (3/3) and Mr. Xue Baozhong (2/3).

BOARD COMMITTEES *(Continued)*

Audit Committee *(Continued)*

The scope of the work performed by the Audit Committee for the financial year ended 31 March 2021 is set out below:

– recommended to the Board on the re-appointment of the external auditor;

– reviewed and approved the remuneration and terms of engagement of the external auditor on audit and non-audit services, reviewed their independence, objectivity and effectiveness of the audit process and recommended appropriate actions required;

– reviewed with the Finance Director and the external auditor the financial and accounting policies and practices adopted by the Group, the accuracy and fairness of the annual and interim financial statements before submission to the Board;

– reviewed the external audit findings and audit plan; and

– reviewed the effectiveness of the financial control, internal control and risk management functions of the Group.

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

Special attention of the Audit Committee was drawn to Note 3(c) to the consolidated financial statements that the Group suffered a net loss of approximately HK$1,500.93 million during the year, and as at 31 March 2021, the Group had net current liabilities of approximately HK$21,415.41 million and net liabilities of approximately HK$9,188.50 million. As at 31 March 2021, the Group was due to repay all outstanding non-convertible bonds and outstanding borrowings together with the accrued default interests which are immediately repayable totaling approximately HK$19,528.77 million. 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. The management's discussions in relation to the Group's going concern and the Audit Qualification are set out on pages 11 and 16 to 18 of this annual report.

Audit Committee's view on the Audit Qualification

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

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

BOARD COMMITTEES *(Continued)*

Other Areas of Major Judgmental and Key Estimates for the Preparation of the Financial Statements

In addition to the judgement that the financial statements shall be prepared on a going concern basis, other major judgmental areas in relation to the preparation of the financial statements include the application of the Group's accounting policies on (i) the impairment assessment of the Group's concession intangible asset and related property, plant and equipment allocated to expressway operations; (ii) the estimates of construction costs for concession intangible asset; (iii) the impairment assessment of trade and other receivables; and (iv) the fair value measurement of biological assets and financial assets at fair value through profit or loss. Details of major judgement areas and estimates are set out in Note 4 to the consolidated financial statements.

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

Remuneration Committee

The terms of reference of the Remuneration Committee was revised on 28 November 2011 to bring them in line with the revised CG Code. The Remuneration Committee comprises all the four INEDs and Mr. Cao Zhong, i.e. a majority of the members are independent non-executive Directors.

The primary objectives of the Remuneration Committee are to make recommendations to the Board on the Company's remuneration policy and structure for all Directors and senior management, assess performance of executive directors and approve the terms of their service contracts, review and determine management's remuneration proposals, and to ensure that no Director or any of his associates is involved in determining his own remuneration.

The Remuneration Committee held 1 meeting during this financial year, the attendance of which is as follows: the Chairman, Mr. Jing Baoli (1/1), Mr. Cao Zhong (1/1), Mr. Bao Liang Ming (1/1), Mr. Xue Baozhong (1/1) and Ms. Chan Chu Hoi (1/1).

During the year, the Remuneration Committee was responsible for, among others, making recommendations to the Board on the remuneration packages of all Directors and senior management, assessing their performance and reviewing individual remuneration package including bonuses, incentive payments and share options within the terms of reference.

In order to be able to attract and retain staff of suitable calibre, the Company provides a competitive remuneration package. This comprises salary, provident fund, share options, leave passage and discretionary bonus. The remuneration policy has contributed considerably to the maintenance of a stable, motivated and high-calibre management team in the Company.

No Director has taken part in any discussion about his own remuneration. The remuneration of INEDs is determined by the Board in consideration of their responsibility involved. Each of the INEDs is entitled to an annual director's fee of HK$120,000.

BOARD COMMITTEES *(Continued)*

Nomination Committee

The terms of reference of the Nomination Committee was revised on 29 November 2013 to bring them in line with the revised CG Code. The Nomination Committee is chaired by the chairman of the Board, Mr. Cao Zhong, with all the four INEDs as members, i.e. a majority of the members are INEDs.

The primary function of the Nomination Committee is to determine the policy for the nomination of new directors, conduct interviews with qualified candidates, make recommendations to the Board on appointment of new Directors and advise the Board on the independency of INEDs.

The Nomination Committee held 1 meeting during this financial year, the attendance of which is as follows: the Chairman, Mr. Cao Zhong (1/1), Mr. Jing Baoli (1/1), Mr. Bao Liang Ming (1/1), Mr. Xue Baozhong (1/1) and Ms. Chan Chu Hoi (1/1).

A summary of the work performed by the Nomination Committee for the financial year ended 31 March 2021 is set out below:

– reviewed the size, composition and diversity policy of the Board;

– advised on the re-appointment of Directors;

– assessed the independence of INEDs, and

– ensured that all nominations were fair and transparent.

Nomination Policy

The nomination policy of the Company (the "Nomination Policy") sets out the key selection criteria and procedure for the appointment of any proposed candidate to the Board or re-appointment of any existing member of the Board.

Key selection criteria

The Nomination Committee shall consider the following factors when assessing the suitability of a proposed candidate:

(i) character and integrity;

(ii) professional qualifications, skills, knowledge and relevant experience or accomplishment appropriate to the nature of the Company's business;

(iii) commitment in respect of available time, interest and attention to the Company's business;

(iv) diversity perspectives, including but not limited to educational background, professional experience, industry expertise, knowledge and skills;

(v) compliance with the criteria of independence under Rule 3.13 of the Listing Rules, where the candidate is proposed to be appointed as an INED, and

(vi) any relevant factors deemed appropriate by the Nomination Committee from time to time.

BOARD COMMITTEES *(Continued)*

Nomination Policy *(Continued)*

Nomination procedures

The procedure of appointing and re-appointing a Director is summarized as below:

– The Nomination Committee shall invite nominations of suitable candidate(s) by any member of the Nomination Committee or the Board, for consideration by the Nomination Committee.

– For the appointment of any proposed candidate to the Board, the Nomination Committee shall evaluate the proposed candidate(s) based on the selection criteria of this policy and undertake adequate due diligence in respect of such proposed candidate(s), and make recommendation for the Board's consideration and approval.

– For the re-appointment of retiring Directors, the Nomination Committee shall review the Director's overall contribution and performance and consider the selection criteria of this policy, and make recommendation to the Board and/or the Shareholders for their consideration in connection with the re-election of retiring Directors at general meetings.

– The Board will convene a meeting to consider the appointment or re-appointment of the proposed candidates as a director.

The Nomination Committee shall review the Nomination Policy and assess its effectiveness on a regular basis or as required.

Board Diversity Policy

The Company recognises and embraces the benefits of a Board that possesses a balance of skills, experience and diversity of perspectives appropriate to the business nature of the Company. The Board has adopted a board diversity policy since November 2013. Selection of candidates of board members will be based on a range of diversity perspectives, including but not limited to educational background, professional experience, industry expertise, knowledge and skills. The ultimate decision will be based on merit as well as complementing and expanding the skills, knowledge and experience of the Board as a whole. The Board will review and monitor from time to time the implementation of this policy to ensure its effectiveness and will set measurable objectives for achieving board diversity when appropriate.

The Nomination Committee is of the view that the educational background, expertise and experience of the current Board members are well diversified to serve the requirements of the Company's business and safeguard the interests of the Shareholders.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its overall responsibility for overseeing the risk management and internal control systems of the Group on an ongoing basis and reviewing their effectiveness. The management has been delegated the responsibility of identifying and evaluating the risks faced by the Group and of designing, operating and monitoring an effective internal control system on material issues covering financial, operational, and compliance controls and risk management functions.

The Group's system of risk management and internal control includes a defined management structure with limits of authority, and is designed to safeguard the Group's assets against unauthorised use or misappropriation, ensure the maintenance of proper accounts, and ensure compliance with applicable laws and regulations. The systems are designed to provide reasonable, but not absolute, assurance against material misstatement or loss, and to manage rather than eliminate the risk of failure to achieve the Group's business objectives.

The Company has a risk management process in place to identify, evaluate and manage significant risks and to resolve material internal control defects, if any. Risks are compiled, rated and mitigation plans are proposed and documented in a risk template by the responsible managers of the Company and its subsidiaries. The risk assessment is reviewed and evaluated by the management of the Company. The identified risks are managed by the Company through (i) implementing controls that eliminate the risk entirely, (ii) implementing mitigation plans to reduce the severity of the risk to an acceptable level, or (iii) taking no action if the risk is acceptable for the Company (as the case may be). The risk assessments are presented to the Audit Committee and the Board for their review semi-annually.

During this financial year, the Board have conducted two reviews on the effectiveness of the risk management and internal control systems of the Group, and considered such systems are effective and adequate to safeguard the interests of the stakeholders.

The Company does not have an internal audit function for the year ended 31 March 2021. The Board has discussed and reviewed the need for an internal audit function and is of the view that in light of the Group's current internal resources and the costs of setting up an in-house internal audit team or engaging an external service provider, the Board considers that there is no immediate need to set up an internal audit function as the existing supervision of the management could provide adequate risk management and internal control for the Group. However, the Board will regularly review the need to set up an internal audit function or engage an external service provider to review the Group's internal control and risk management system.

RISK MANAGEMENT AND INTERNAL CONTROL *(Continued)*

The Company has a policy on the principles and procedures for handling and disseminating the Company's inside information in compliance with the inside information provisions under Part XIVA of the SFO (Chapter 571, Laws of Hong Kong) and the Listing Rules. The Company's company secretarial department works closely with the management, Directors and/or external professional advisors in identifying potential inside information and assess the materiality thereof, and where appropriate, to escalate such information to the Board for further actions complying with the applicable laws and regulations.

The Company has applied reasonable measures from time to time to ensure all inside information is kept strictly confidential before it is fully disseminated to the general public:

– strictly prohibit unauthorised use of confidential or inside information;

– restrict access to inside information to designated employees within the Group;

– designate specific employees as the major representatives to respond to external enquiries about the Group's affairs; and

– ensure appropriate non-disclosure agreements in place before entering into any significant discussion with third parties.

SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding the securities transactions by directors (the "Securities Code") on terms no less than the required standard set out in the Model Code in Appendix 10 of the Listing Rules. A copy of the Securities Code has been sent to each Director first on his appointment and thereafter reminders were sent to the Directors twice annually, with a notice that the Directors cannot deal in the securities and derivatives of the Company until after the results announcement has been published. The Company has made specific enquiries on Directors' dealings in the securities of the Company and all Directors have confirmed that they have complied with the required standard set out in the Securities Code throughout the year ended 31 March 2021.

Under the Securities Code, Directors are required to notify the Chairman and receive a dated written acknowledgement before dealing in any securities of the Company and, in the case of the Chairman himself, he must notify the Board at a Board meeting or alternatively, another executive Director and receive a dated written acknowledgement before any dealing. Directors' interests as at 31 March 2021 in the shares of the Company and its associated corporations (within the meaning of Part XV of the SFO) are set out on page 27 of this annual report.

EXTERNAL AUDITOR

The external auditor is primarily responsible for auditing and reporting on the annual financial statements. Nevertheless, the Directors acknowledged that they have the primary duties on preparing the accounts of the Company. In this financial year, the external auditor's total remuneration was approximately HK$1.32 million for audit service.

INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

The Company continues to enhance relationships and communication with its investors and Shareholders. Corporate communications providing extensive information about the Company's performance and activities are published on the website of the Company in a timely manner. Information on financial statements, transactions or activities of the Company which are required to be disclosed under the Listing Rules are also published on the website of the Stock Exchange and if necessary, delivered to Shareholders.

Amendments to the Memorandum and Articles of Association

No change on the constitution documents has been made by the Company during the financial year.

Procedures for sending enquiries to the Board

In order to maintain an on-going dialogue with Shareholders, all Shareholders are encouraged to attend the general meetings of the Company to discuss matters relating to the Company. Shareholders may at any time send their enquiries and concerns to the Board by addressing them to its principal place of business in Hong Kong by post, email or facsimile. The details of contact are as follows:

Company Secretarial Department of China Resources and Transportation Group Limited

Address:	Unit Nos. 11-12, Level 10, Tower 1, Millennium City 1, No. 388 Kwun Tong Road, Kwun Tong, Kowloon, Hong Kong
Fax:	(852) 3176-7122
Email:	info@crtg.com.hk

Procedures for shareholders to convene an extraordinary general meeting

Shareholders may request an extraordinary general meeting to be convened in accordance with Article 73 of the Articles of Association of the Company, which provides that members holding at the date of deposit of the requisition not less than one-twentieth of the paid up capital of the Company carrying the right of voting at general meetings shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an extraordinary general meeting to be convened by the Board for the transaction of any business specified in such requisition.

If the Directors do not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting, the requisitionists themselves may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Directors, and all reasonable expenses incurred by the requisitionists as a result of the failure of the Directors shall be reimbursed to them by the Company. The procedure for shareholders to convene an extraordinary general meeting is also posted on the official website of the Company.

Procedures for shareholders to put forward proposals at shareholders' meeting

There are no provisions allowing Shareholders to propose new resolutions at general meetings under the Cayman Islands Companies Law. However, Shareholders who wish to propose a resolution may request to convene an extraordinary general meeting following the procedures set out above.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

CHAPTER 1 ABOUT THIS REPORT

1.1 Introduction

To live up to its corporate social responsibility (CSR), China Resources and Transportation Group Limited (the "Company", together with its subsidiaries, collectively the "Group" or "we") puts efforts in sustainable development, monitors the economic, environmental and social impacts of its business operations, and establishes positive relationships with all stakeholders to jointly build a sustainable future.

As a major service provider in expressway operations, compressed natural gas gas stations operations, growing and sales of forage and agricultural products and timber operations, the Group has a continuous mission to protect the environment and social interests. The Group has developed action plans in the fields of environmental management, labor practices, product and service quality, corporate integrity and community engagement to carry out the objectives of corporate social responsibilities.

This report summarizes the Group's efforts in carrying out corporate social responsibilities for the year ended 31 March 2021 and demonstrates its ongoing commitment to creating a better future.

1.2 ESG Strategy and Report Preparation Basis

The Board of Directors of the Company (the "Board") has overall responsibility for the Group's Environmental, Social and Governance (ESG) strategy and reporting. The Board is responsible for evaluating and determining the Group's ESG-related risks and ensuring that appropriate and effective ESG risk management and internal control systems are in place.

This report is prepared with reference to the ESG Reporting Guide set out in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The information disclosed in this report is derived from the Group's internal statistical results and the analysis of its internal management system.

1.3 Scope of Reporting

This is our fifth annual ESG report, which sets out the Group's ESG aspects and how they are implemented. The reporting period is from 1 April 2020 to 31 March 2021 (the "Reporting Period").

Unless otherwise indicated, this ESG report covers the Group's principal places of business include the Hong Kong office and the Inner Mongolia and the Shenzhen operating units in the People's Republic of China (the "PRC"). The scope in this report is consistent with those included in the previous ESG reports published by the Group.

Unless otherwise stated, all numbers herein are absolute. Personnel from contractors are not considered as employees of the Group.

Other ESG information, including financial data and corporate governance information, is published in the Group's annual report. For the convenience of comparison, some data are cited from the ESG report for the previous year where the reporting period is from 1 April 2019 to 31 March 2020.

1.4 Stakeholder Engagement

In order to identify the Group's material ESG issues for the Group's ESG reports, our management and employees, who have in-depth knowledge on the Group's operations and maintain close relationship with customers and suppliers, were involved in discussion sessions to collect views and review areas of attention which will help the Group to be prepared for future challenges.

1.5 Materiality

The opinions collected during the stakeholder engagement process were assessed and summarized to formulate the content and scope of our material ESG aspects as set out in Chapter 2 of this report.

1.6 Endorsement and Approval

This report is approved by the Board.

CHAPTER 2 OVERVIEW OF MATERIAL ESG ASPECTS

The material ESG aspects of the Group for the year ended 31 March 2021 and their respective relevance to our business operations are set out as follows:

Category	Aspect	Relevance To Our Business Operations
Environmental	Emissions	The Group complies with the environmental laws and regulations in Hong Kong and the PRC to monitor the level of air emissions and greenhouse gas emissions, discharges into waters and lands and wastes arising from our business operations.
	Use of Resources	The main types of energy essential to our business operations include electricity, town gas and gasoline.
	Environment and Natural Resources	Paper usage during operations is identified as one activity that has significant environmental impact.
Social – Employment and Labour Practices	Employment and Labour Standards	Employees are recognized as valuable assets of the Group and are foundation to our success. The Group fully protects and respects employees' rights and commits to create a favorable workplace for our employees.
	Health and Safety	Occupational safety is a key concern to our business operations.
	Development and Training	Career development and training programs are provided to employees to maintain the standards of our employees and sustainable development of the Group.
Social – Operating Practices	Supply Chain Management	The Group has established long-term and stable business relations with the major suppliers and maintained collaboration with them to manage the ESG risks of the supply chain.
	Product Responsibility	The ability to consistently deliver high-quality expressway management services to our customers is crucial for our business growth.
	Anti-corruption	The Group is committed to ensure that our business processes are in compliance with major local and international laws and regulations relating to the prevention of bribery, extortion, fraud and money laundering.
Social – Community	Community Investment	Committed to be a supportive member of the community, we encourage our employees to make positive contribution to the sustainable development in the local communities.

CHAPTER 3 ENVIRONMENTAL

3.1 Emission Control

Climate change is one of the most pressing global challenges. Under the global trend of advocating green and low-carbon development to mitigate climate change, we believe that environmental protection is of great importance to the sustainable business development of the Group. As such, we consider environmental factors from various aspects in making operational decisions. From planning, procurement to operation, we combine the efforts of various departments, organizations and business partners to implement a series of measures for reducing environmental impacts, including curbing exhaust gas and greenhouse gas emissions and discharges of pollutants into waters and land, and reducing the generation of hazardous and non-hazardous waste, transforming the environmental protection policy into actions.

We adopt the following emission control and management methods for the operation of our offices:

– strengthen waste reduction and clean recycling;

– discourage the use of disposable plastic products;

– improve indoor air quality;

– minimize energy consumption; and

– organize trainings to enhance employees' environmental awareness.

In daily operations, employees and visitors are encouraged to share reusable utensils at the office pantries to minimize the use of disposable plastic cutleries and products. Smoke-free workplaces with indoor plants and regularly maintained air purifiers are set up to improve indoor air quality. We adopt teleconferences or video conferences to avoid holding meetings requiring long-distance business trips or road travels to cut down carbon emissions generated from transportation. During the Reporting Period, the sulphur oxide emission from vehicles and the total greenhouse gas emissions were reduced by approximately 1.1% and 0.76% as compared to the previous year, respectively.

Table 3.1 – Annual vehicle emissions

Year	**Sulphur oxide (SOx) (g)**
2021	2,643
2020	2,672

CHAPTER 3 ENVIRONMENTAL *(Continued)*

3.1 Emission Control *(Continued)*

Table 3.2 – Total greenhouse gas emissions (unit: tonnes of carbon dioxide equivalent)

Year	Scope 1	Scope 2	Total	Intensity (tonnes per employee)
2021	411.56	2,303.45	2,715.01	5.86
2020	416.34	2,319.59	2,735.93	5.71

Note: Scope 1 includes emissions from mobile combustion sources; Scope 2 includes energy-related indirect emissions; Scope 3 includes emissions arising from the use of electricity for sewage treatment and business air travel of employees. Such emissions are insignificant and can be ignored in the calculation.

To handle the wastes arising from the Inner Mongolia operating unit, we first classify the wastes by type and recycle any glasses and cans. We separate hazardous waste from non-hazardous ones, group the waste in different garbage bags and affix labels thereto to identify whether they are hazardous or non-hazardous. Lastly, we will arrange the collection of hazardous waste and non-hazardous waste. Any re-usable non-hazardous wastes are donated to charitable organizations. The amount of non-hazardous waste generated during the Reporting Period was reduced by approximately 77.0% as compared to the previous year.

Table 3.3 – Total waste generated

Type of waste	Hazardous waste		Non-hazardous waste	
Year	2021	2020	2021	2020
Tonnes	0	0	5	23
Intensity (tonnes per employee)	0	0	0.01	0.06

Note: The data is derived from the Inner Mongolia operating unit.

During the Reporting Period, the Group has not identified any material non-compliance of environmental laws and regulations in Hong Kong and the PRC in relation to air emissions and greenhouse gas emissions, discharges of pollutants into waters and land, and the generation of hazardous and non-hazardous waste that have a significant impact to the Group. Such environmental laws and regulation include but not limited to the Hong Kong Air Pollution Control Ordinance, the Hong Kong Waste Disposal Ordinance and the Environmental Protection Law of the PRC.

CHAPTER 3 ENVIRONMENTAL *(Continued)*

3.2 Efficient Use of Resources

The Group has proactive policies in place for the use of resources to monitor the conservation of energy, water and raw materials, in order to improve the efficiency of resource, reduce waste and promote recycling.

In terms of energy conservation, we have minimized our office spaces in Hong Kong and Shenzhen and used high energy-efficiency products to reduce energy consumption in order to meet the Group's energy-saving targets. In terms of water consumption, we have encouraged our employees and visitors to develop good habits of water saving and avoid waste of water in daily operations by displaying water reserve messages close to water sources.

In addition, our green office policy advocates paper conservation. To this end, we have adopted computer filing and double-sided printing, and reused one-sided printed waste paper; reused ink cartridges by replenishing powdered ink thereto; and provided office supplies for various departments on an old-for-new basis to promote recycling of used supplies.

We continue to encourage various departments to implement our advised energy-saving measures for the use of air-conditioning, lighting, computers, photocopiers, printers and electricity as below:

– maintain the indoor air conditioning temperature between 24-26°C;

– use energy-saving light bulbs;

– clean light bulbs more frequently to increase the luminous efficiency;

– turn off the computers after work or when leaving the workplace or set the computers in energy-saving mode;

– choose electrical appliances with high energy-efficiency label;

– carry out regular maintenance on equipment for optimal energy efficiency performance; and

– distribute tips for energy saving internally through displays.

Table 3.4 – Total energy consumption

Year	Electricity ('000 KWh)	Towngas ('000 KWh)	Total ('000 KWh)	Intensity ('000 KWh per employee)
2021	2,283.13	57.07	2,340.20	6.43
2020	2,265.88	196.58	2,462.46	6.49

Note: The data is derived from the Inner Mongolia operating unit.

CHAPTER 3 ENVIRONMENTAL *(Continued)*

3.2 Efficient Use of Resources *(Continued)*

The total energy consumption of the Inner Mongolia operating unit during the Reporting Period has decreased by approximately 4.96%.

During the Reporting Period, as water consumed in the Inner Mongolia operating unit was primarily sourced from pumping wells available in the areas of operation, the total water consumption was not measured, thus it is not included in this report.

Nonetheless, we continue to prioritize effective management of water resources for office and domestic use, and adopt various measures to ensure water is effectively utilized and recycled. Such measures include:

– display water conservation labels in washrooms, staff canteens and dormitories;

– replace bottled water with reusable water containers during meetings to reduce water waste;

– flush toilets with collected waste water; and

– develop a rainwater collection system to collect rainwater for irrigation purposes.

The total consumption of packaging materials used for finished products of the Group is not included in this report as it is not considered material in the Group's use of resources as the Group's principal business is expressway operation in Inner Mongolia, which is primarily service oriented.

3.3 Environment and Natural Resources

In order to mitigate the impact of our daily operations on the environment and natural resources, the Group identifies the sources of emissions and waste generation in the operation process and the environmental impact of its use of resources, and introduces specific measures to reduce the environmental impact. Meanwhile, the Group's energy policy reveals that the Group implements energy conservation and supports the purchase of energy-saving equipment, which would further reduce greenhouse gas emissions caused by energy consumption.

Paper usage during operations is identified as an activity with significant environmental impact. We have taken measures to reduce paper consumption and protect forests, including disseminating information by electronic means as far as possible, using environmental-friendly paper, setting duplex printing as the default mode for network printers, employing electronic archive system to process internal and external documents, collecting single-sided paper for reuse and used paper for recycling, encouraging staffs to reuse envelopes and implementing electronic payment methods via the electronic toll collection (ETC) system for toll road customers.

CHAPTER 4 EMPLOYMENT

4.1 Respect for Labour Rights

Employees are valuable assets of the Group and are essential to the Group's success. We has established human resource policies in accordance with the relevant local laws and regulations of the operating units in respect of employees' compensation and dismissal, recruitment and promotion, working hours, holidays, equal opportunities, diversity, anti-discrimination, benefits and welfare, so as to fully protect and respect employees' rights and create a favorable workplace for employees.

We value the principles of fairness, impartiality and openness to recruit and promote the right employees and never discriminate against job applicants on the grounds of race, colour, social status, place of birth, nationality, religion, disability, gender, sexual orientation, labour union membership, political position or age.

Our corporate culture embraces the importance of attracting talents regardless of backgrounds. We treat all employees equally in employment, remuneration, training opportunities and work arrangements, and ensure our workplace is free of any discrimination. We provide employees with competitive salary, benefits and welfare. The salary package of our employees mainly includes salary, discretionary bonus and share option scheme, in which the combination is based on their respective qualifications, experience, job position and performance. In the Inner Mongolia and Shenzhen operating units, we make contributions to social welfare plans for our employees based on their actual salaries in accordance with applicable laws and regulations in the PRC. The plans provide our employees with pension insurance, medical insurance, work injury insurance, maternity insurance and unemployment insurance. In the Hong Kong office, our human resources policies are established in accordance with Employment Ordinance (Chapter 57), Employee's Compensation Ordinance (Chapter 282), Personal Data (Privacy) Ordinance (Chapter 486), Sex Discrimination Ordinance (Chapter 480) and Disability Discrimination Ordinance (Chapter 487), and the employees can enjoy the benefits of the Company's medical plan. Our employees are entitled to take the holidays stipulated in their employment contracts, and each of the employees may resign by giving a reasonable period's notice.

We strictly prohibit child labour and forced labour and are firmly against imposing any illegal or inhuman penalties on our employees. We have implemented comprehensive measures to review employment practices including those regarding child labour and forced labour and to eliminate any flawed practices once identified.

During the Reporting Period, the Group has not identified any material non-compliance with applicable laws and regulations in Hong Kong and the PRC relating to employment that would have a significant impact on the Group. Such laws and regulations include but not limited to the Hong Kong Employment Ordinance, the Hong Kong Employee's Compensation Ordinance, the Hong Kong Minimum Wage Ordinance, the Labour Law of the PRC, the Labour Contract Law of the PRC, the Social Insurance Law of the PRC and the Protection of Minors Law of the PRC.

CHAPTER 4 EMPLOYMENT *(Continued)*

4.1 Respect for Labour Rights *(Continued)*

Table 4.1 – Total number of employees in the Group

	Place of business							
	Hong Kong		Inner Mongolia		Shenzhen		Total	
Year	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
By gender								
Male	14	14	203	213	36	37	253	264
Female	7	7	161	166	42	42	210	215
By employment type								
Full time	21	21	364	379	78	79	463	479
Part time	0	0	0	0	0	0	0	0
By age group								
18 – 30	0	0	153	163	11	11	164	174
31 – 45	11	12	169	175	55	56	235	243
46 – 60	3	5	39	37	11	12	53	54
=61/>61	7	4	3	4	1	0	11	8

4.2 Health and Safety

The Group is committed to provide a safe and healthy work environment and develop its management policies in accordance to the related laws and regulations on labour, safety and working incident. It is in the best interest of all parties within the Group to consider health and safety in every activity. To protect the safety of employees, the Inner Mongolia operating unit distributes protective equipment and arrange training on health and safety to raise employees' awareness on the relevant high-risk areas in the workplace, and become familiar with the internal procedures and policies for health and safety, in an effort to achieve zero work-related accident.

The Hong Kong office assigns its employees to take part in regular health and safety meetings for discussion of safety and health issues, so as to build a culture of occupational health and safety in the workplace. Safety inspection is held every six months by the administrative manager to identify potential hazards within the workplace as well as establish improvement actions.

Table 4.2 – Statistics on work-related injuries

Year	**2021**	**2020**
Work-related fatality		
No. of people	0	0
Percentage (%)	0	0
Work-related injuries		
Lost days due to work injury	332	157

Note: The data is derived from the Inner Mongolia operating unit.

CHAPTER 4 EMPLOYMENT *(Continued)*

4.2 Health and Safety *(Continued)*

During the Reporting Period, the Group has not identified any material non-compliance with the regulatory requirements for workplace safety in Hong Kong and the PRC that would have a significant impact on the Group. Such law and regulations include but not limited to the Hong Kong Occupational Safety and Health Ordinance, the Labour Law of the PRC, the Work Safety Law of the PRC and the Prevention and Control of Occupational Diseases Law of the PRC.

4.3 Education, Training and Career Development

To ensure the quality of our employees and prepare future management personnel, the Group has a comprehensive career development and training program in place to expand our employees' knowledge of operational and safety standards, and provides on-the-job training for them based on specific job requirements. Senior management staff and personnel with professional qualifications are further arranged to participate in training sessions organized by professional organizations to update any professional knowledge relevant to their positions.

We are committed to provide adequate career development opportunities. To this end, we review the work capability and performance of any employees meeting the conditions for promotion or job transfer, and subsequently make reasonable allocations aligning the Group's latest business development and the employees' personal interest, so as to support our employees' career development.

CHAPTER 5 OPERATING PRACTICES

5.1 Product Responsibility

Our ability to consistently deliver high-quality expressway management services and products to our customers is essential for our business. As such, we always place top priority on quality and safety control and adopt stringent quality and safety standards to eliminate any possibility of physical injuries or property losses caused by road defect to public consumers, so as to keep our management services and products up to the standards prescribed in the laws and regulations of the PRC. To ensure reliable management services as well as product quality and safety, our operating team closely monitors all critical phases of our operations, from the selection of suppliers, the inspection of road safety to the provision of customer services.

The road administration department and the maintenance department of the Inner Mongolia operating unit are responsible for regularly inspecting road surface conditions, clearing up snow and waste on the road surface, and arranging maintenance and repair. We have established a four-staged process composed of security surveillance, construction, work completion verification and implementation to ensure that road conditions meet the standards for safe driving, so as to protect the safety of road users. In addition, the relevant departments regularly inspect the appearance, service language and job responsibilities of the staff of toll stations to ensure premium service quality. We also set up a customer service hotline for customers to voice their opinions. Whenever a complaint is received, the customer service department shall give the customer a proper reply within 24 hours. We would not use any customer information collected in the process for other purposes without the customer's consent. The marketing department has regularly supervised the use of customer information.

With regard to intellectual property rights, we promise not to purchase any pirated software. All our office softwares were provided by copyright holders. The information technology department regularly supervises the operation of software.

During the Reporting Period, the Group has not identified any material non-compliance with all applicable local laws and regulations relating to health and safety, advertising and privacy matters relating to products and services provided that would have a significant impact on the Group. Such law and regulations include but not limited to the Implementation Regulations of the Road Traffic Safety Law of the PRC.

CHAPTER 5 OPERATING PRACTICES *(Continued)*

5.2 Supply Chain Management

We have established long-term and stable business relations with our major suppliers, and maintained close communication and collaboration with them to strengthen the management of environmental and social risks of the supply chain. We believe that maintaining long-term and stable business relations with suppliers can help strengthen our business cooperation with customers and maintain our competitive edge.

We have well-established procedures for supplier evaluation and selection. Before adding potential suppliers to our list of approved suppliers, our procurement team would usually conduct a comprehensive background check on each of the potential supplier, covering their business scale, quality control, delivery time and reputation in the industry. Our procurement policy is that we only purchase products and services from approved suppliers to ensure the quality and safety of products and services, with a view to minimizing the environmental and social risks of the supply chain. We would also carry out assessments of our existing suppliers from time to time, and require them to understand our suppliers code of conduct. Suppliers that fail to meet our requirements will be removed from our list of approved suppliers. When a project is launched, we would ensure suppliers understand our expectations through meetings, and maintain close communication with the suppliers during the project. We would monitor the progress of the project through regular meetings in order to make timely adjustments when needed. Currently, we follow the above-mentioned practices for our cooperation with suppliers.

During the Reporting Period, we did not have any major disputes with our suppliers, nor did we experience any interruption, shortage or delay in our service and product supply that might have a significant adverse impact on our operations.

The Group fully considers the environmental and social risks of its supply chain. We believe that the existing measures for environmental and social risk control are adequate. During the Reporting Period, we did not involve in any accident associated with major environmental and social risk in our supply chain management.

5.3 Ethics and Anti-corruption

The Group is committed to ensuring that its business processes are in compliance with local and international laws and regulations relating to the prevention of bribery, extortion, fraud and money laundering. To this end, we regularly review operational procedures and guidelines to enhance internal control and compliance audit.

Our employees are prohibited from seeking or accepting any benefit or bribe from suppliers. Our corporate governance policy stipulates that all senior management personnel are prohibited from engaging in any act of bribery and corruption. We constantly require employees to declare any conflicts of interest and avoid any potential conflicts of interest when doing business. We also have a code of business conduct that is binding on all employees for the prevention of misconduct. All our employees must abide by all local anti-bribery laws and regulations when handling business or corporate affairs of the Group.

As far as whistle-blowing procedures are concerned, according to our code of conduct, any complaints about possible violations of the code of conduct can be made to the Board by confidential fax or letter and will be handled promptly and fairly. In the case of any suspected corruption or any other criminal offense, it should be reported to the competent local authority.

During the Reporting Period, the Group was not aware of any material non-compliance with the relevant laws and regulations on the prevention of bribery, extortion, fraud and money laundering in the places that we operate that would have a significant impact on the Group. Such laws and regulations include but not limited to the Hong Kong Prevention of Bribery Ordinance and the Criminal Law of the PRC.

CHAPTER 6 COMMUNITY ENGAGEMENT

As a good corporate citizen, we support various charitable activities through participation in volunteer services. We strongly encourage our employees to pursue their personal passions and dedicate their time and skills to supporting local communities. During the Reporting Period, our community participation continues to focus on health. There is an urgent need for regular blood supply from healthy people in our community as blood can only be stored for a limited time before use and the number of blood donors has reduced during the COVID-19 epidemic. The Hong Kong office supported local blood donation activities in which employees and their family members participated to raise their awareness on the importance in maintaining their own well-being while helping those in need.

The administrative department of the Company obtains feedback from community groups through emails, the Company's website and annual reports to learn about our community concerns and subsequently review the Group's sustainability goals.

Please share your feedback with us!

We value your feedback on this Environmental, Social and Governance Report 2021. Your comments will help us achieve our vision of a sustainable future. We invite you to share your comments through the following channels:

China Resources and Transportation Group Limited

Principal place of business
Units Nos. 11-12,
Level 10, Tower 1,
Millennium City 1,
No. 388 Kwun Tong Road,
Kwun Tong, Kowloon,
Hong Kong

Website
http://www.crtg.com.hk

Email
info@crtg.com.hk

INDEPENDENT AUDITOR'S REPORT

McM (HK) CPA Limited

TO THE SHAREHOLDERS OF
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)

DISCLAIMER OF OPINION

We were engaged to audit the consolidated financial statements of China Resources and Transportation Group Limited (the "Company") and its subsidiaries (the "Group") set out on pages 56 to 143, which comprise the consolidated statement of financial position as at 31 March 2021, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR DISCLAIMER OF OPINION

Multiple uncertainties relating to going concern

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

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

BASIS FOR DISCLAIMER OF OPINION *(Continued)*

Multiple uncertainties relating to going concern *(Continued)*

Up to the date of approval of the consolidated financial statements, the Group's measures described above have not yet been completed. There were material uncertainties on the Group's ability to obtain adequate working capital to meet its debts as and when they fall due in the foreseeable future. In view of the significance of the extent of the uncertainty relating to the ongoing availability of finance to the Group, we disclaim our opinion in respect of year ended 31 March 2021.

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

OTHER MATTER

The consolidated financial statements for the year ended 31 March 2020 were audited by another auditor who expressed a disclaimer of opinion on 21 September 2020 on material uncertainties related to going concern.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our responsibility is to conduct an audit of the Group's consolidated financial statements in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA and to issue an auditor's report. The report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

McM (HK) CPA Limited
Certified Public Accountants
Hong Kong, 30 June 2021

Wong Ka Bo, Jimmy
Practising Certificate Number P07560

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2021

	Notes	2021 HK$'000	2020 HK$'000
Revenue	*6*	**598,117**	567,562
Cost of sales and direct operating costs		**(794,179)**	(762,811)
Gross loss		**(196,062)**	(195,249)
Other income and other gains or losses	*7*	**39,967**	(34,175)
Impairment loss of concession intangible asset	*14*	**–**	(1,562,110)
Impairment loss of property, plant and equipment	*15*	**(1,353)**	(212,638)
Impairment loss of right-of-use assets	*16*	**(651)**	(55,791)
Impairment loss of goodwill	*18*	**–**	(45,592)
Impairment loss of trade receivables, net	*24*	**–**	(6,453)
Reversal of/(Impairment loss) of prepayments, deposits and other receivables, net	*25*	**3,039**	(87,150)
Gain on change in fair value less costs to sell of biological assets	*19*	**10,405**	6,389
Selling and administrative expenses		**(74,268)**	(168,783)
Finance costs	*8*	**(1,282,007)**	(1,229,638)
Loss before taxation	*9*	**(1,500,930)**	(3,591,190)
Income tax credit	*10*	**–**	974
Loss for the year		**(1,500,930)**	(3,590,216)
Other comprehensive loss:			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of foreign operations		**(172,873)**	(11,658)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(1,673,803)**	(3,601,874)
Loss for the year attributable to:			
– Owners of the Company		**(1,332,463)**	(3,154,695)
– Non-controlling interests		**(168,467)**	(435,521)
		(1,500,930)	(3,590,216)
Total comprehensive loss for the year attributable to:			
– Owners of the Company		**(1,482,396)**	(3,164,009)
– Non-controlling interests		**(191,407)**	(437,865)
		(1,673,803)	(3,601,874)
		HK$	HK$
Loss per share attributable to owners of the Company			
– Basic	*13*	**(0.18)**	(0.42)
– Diluted	*13*	**N/A**	N/A

The notes on pages 62 to 143 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2021

	Notes	2021 HK$'000	2020 HK$'000
NON-CURRENT ASSETS			
Concession intangible asset	14	**12,235,111**	11,936,494
Property, plant and equipment	15	**483,594**	513,780
Right-of-use assets	16	**93,303**	97,297
Prepaid lease payments	17	**–**	–
Goodwill	18	**–**	–
Biological assets	19	**79,840**	63,342
Investment properties	20	**–**	–
Financial assets at fair value through profit or loss	21	**88,319**	57,151
TOTAL NON-CURRENT ASSETS		**12,980,167**	12,668,064
CURRENT ASSETS			
Inventories	23	**82**	45
Trade receivables	24	**780,768**	250,208
Prepayments, deposits and other receivables	25	**46,172**	14,795
Financial assets at fair value through profit or loss	21	**1,297**	2,304
Prepaid lease payments	17	**–**	–
Amount due from non-controlling shareholder of a subsidiary	26	**15,378**	14,198
Cash and cash equivalents	27	**39,501**	32,312
TOTAL CURRENT ASSETS		**883,198**	313,862
TOTAL ASSETS		**13,863,365**	12,981,926
CURRENT LIABILITIES			
Other payables	28	**6,016,853**	4,408,650
Borrowings	30	**11,884,790**	10,970,946
Non-convertible bonds	32	**4,395,648**	4,395,648
Lease liabilities	33	**1,316**	1,186
TOTAL CURRENT LIABILITIES		**22,298,607**	19,776,430
NET CURRENT LIABILITIES		**(21,415,409)**	(19,462,568)
TOTAL ASSETS LESS CURRENT LIABILITIES		**(8,435,242)**	(6,794,504)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2021

	Notes	2021 HK$'000	2020 HK$'000
NON-CURRENT LIABILITIES			
Promissory note	*29*	**750,372**	716,205
Lease liabilities	*33*	**2,890**	3,992
Deferred tax liabilities	*31*	**–**	–
TOTAL NON-CURRENT LIABILITIES		**753,262**	720,197
TOTAL LIABILITIES		**23,051,869**	20,496,627
NET LIABILITIES		**(9,188,504)**	(7,514,701)
CAPITAL AND RESERVES			
Share capital	*34*	**1,488,479**	1,488,479
Reserves		**(10,078,236)**	(8,595,840)
Equity attributable to owners of the Company		**(8,589,757)**	(7,107,361)
Non-controlling interests		**(598,747)**	(407,340)
DEFICIENCY IN EQUITY		**(9,188,504)**	(7,514,701)

Approved and authorised for issue by the board of directors on 30 June 2021.

Mr. Cao Zhong
Director

Mr. Tsang Kam Ching, David
Director

The notes on pages 62 to 143 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2021

	Attributable to owners of the Company										
	Share capital HK$'000	Share premium HK$'000	Capital redemption reserve HK$'000	Capital reserve HK$'000 *(Note (i))*	Assets revaluation reserve HK$'000 *(Note (ii))*	Statutory reserve HK$'000 *(Note (iii))*	Translation reserve HK$'000 *(Note (iv))*	Accumulated losses HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 April 2019	1,488,479	1,880,939	3,800	795,363	15,903	766	9,149	(8,137,751)	(3,943,352)	30,525	(3,912,827)
Loss for the year	–	–	–	–	–	–	–	(3,154,695)	(3,154,695)	(435,521)	(3,590,216)
Exchange differences on translation of financial statements of foreign operations	–	–	–	–	–	–	(9,314)	–	(9,314)	(2,344)	(11,658)
Total comprehensive loss for the year	–	–	–	–	–	–	(9,314)	(3,154,695)	(3,164,009)	(437,865)	(3,601,874)
Release upon disposal of investment properties	–	–	–	–	(15,903)	–	–	15,903	–	–	–
Transfer of statutory reserve	–	–	–	–	–	57	–	(57)	–	–	–
At 31 March 2020 and 1 April 2020	1,488,479	1,880,939	3,800	795,363	–	823	(165)	(11,276,600)	(7,107,361)	(407,340)	(7,514,701)
Loss for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(1,332,463)**	**(1,332,463)**	**(168,467)**	**(1,500,930)**
Exchange differences on translation of financial statements of foreign operations	**-**	**-**	**-**	**-**	**-**	**-**	**(149,933)**	**-**	**(149,933)**	**(22,940)**	**(172,873)**
Total comprehensive loss for the year	**-**	**-**	**-**	**-**	**-**	**-**	**(149,933)**	**(1,332,463)**	**(1,482,396)**	**(191,407)**	**(1,673,803)**
Transfer of statutory reserve	**-**	**-**	**-**	**-**	**-**	**295**	**-**	**(295)**	**-**	**-**	**-**
At 31 March 2021	**1,488,479**	**1,880,939**	**3,800**	**795,363**	**-**	**1,118**	**(150,098)**	**(12,609,358)**	**(8,589,757)**	**(598,747)**	**(9,188,504)**

Notes:

(i) The capital reserve represented capitalisation of payables to non-controlling interests.

(ii) The assets revaluation reserve represented gains/losses arising on the revaluation of property in Australia which was occupied and operated by the Group as a cold warehouse prior to the year ended 31 March 2007 but was reclassified to investment properties on 31 March 2007. Upon the disposal of the investment properties during the year ended 31 March 2020, the assets revaluation reserve of approximately HK$15,903,000 was released and credited to accumulated losses.

(iii) In accordance with the relevant regulations in the PRC, the Company's subsidiary established in the PRC is required to transfer a certain percentage of its profits after tax to reserve funds. Subject to certain restrictions set out in the relevant PRC regulations and in the subsidiary's articles of association, the reserve funds may be used either to offset losses, or for capitalisation by way of paid-up capital.

(iv) The translation reserve represented all exchange differences arising from the translation of the financial statements of operations outside Hong Kong.

The notes on pages 62 to 143 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2021

	Notes	**2021** **HK$'000**	2020 HK$'000
Cash flows from operating activities			
Loss before taxation		**(1,500,930)**	(3,591,190)
Adjustments for:			
Interest income	*7*	**(128)**	(1,445)
Finance costs	*8*	**1,282,007**	1,229,638
Impairment loss of concession intangible asset	*14*	**–**	1,562,110
Impairment loss of property, plant and equipment	*15*	**1,353**	212,638
Depreciation of property, plant and equipment	*15*	**71,338**	79,985
Depreciation of right-of-use assets	*16*	**11,578**	18,080
Gain on change in fair value less costs to sell of biological assets	*19*	**(10,405)**	(6,389)
Fair value (gain)/loss on financial assets at fair value through profit or loss	*7*	**(25,398)**	35,866
Impairment loss of trade receivables, net	*24*	**–**	6,453
(Reversal of)/Impairment loss of prepayments, deposits and other receivables, net	*25*	**(3,039)**	87,150
Impairment loss of right-of-use assets	*16*	**651**	55,791
Impairment loss of goodwill	*18*	**–**	45,592
Write-off of inventories	*9*	**–**	475
Amortisation of concession intangible asset	*14*	**650,969**	584,176
Net realised gain on disposal of financial assets at fair value through profit or loss	*7*	**(868)**	(9)
Gain on disposal of property, plant and equipment	*7*	**(24)**	(31)
Loss on disposal of investment properties	*7*	**–**	477
Operating profit before changes in working capital		**477,104**	319,367
(Increase)/decrease in inventories		**(37)**	22,656
Increase in trade receivables		**(530,009)**	(241,304)
Increase in prepayments, deposits and other receivables		**(14,360)**	(1,221)
Increase in other payables		**73,668**	(36,714)
Decrease in biological assets		**–**	2,460
Cash generated from operations		**6,366**	65,244
PRC tax paid		**–**	(2)
Net cash generated from operating activities		**6,366**	65,242

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2021

	Notes	2021 HK$'000	2020 HK$'000
Cash flows from investing activities			
Payments for acquisition of property, plant and equipment		**(657)**	(5,818)
Proceeds from disposal of property, plant and equipment		**39**	191
Payment for acquisition of financial assets at fair value through profit or loss		**(26)**	(10,657)
Proceeds from disposal of financial assets at fair value through profit or loss		**977**	12,269
Proceeds from disposal of investment properties		**–**	9,907
Payment for plantation of biological assets	*19*	**(483)**	(768)
Interests received		**128**	698
Net cash (used in)/ generated from investing activities		**(22)**	5,822
Cash flows from financing activities			
Repayment of borrowings	*46(b)*	**–**	(33,649)
Capital element of lease payments	*46(b)*	**(1,208)**	(228)
Interest element of lease payments	*46(b)*	**(247)**	(144)
Interests paid	*46(b)*	**–**	(45,350)
Net cash used in financing activities		**(1,455)**	(79,371)
Net increase/(decrease) in cash and cash equivalents		**4,889**	(8,307)
Effect of foreign exchange rate changes		**2,300**	1,714
Cash and cash equivalents at beginning of year		**32,312**	38,905
Cash and cash equivalents at end of year		**39,501**	32,312
Analysis of balances of cash and cash equivalents at end of year			
Bank and cash balances		**39,501**	32,312

The notes on pages 62 to 143 form part of these financial statements.

1. CORPORATE INFORMATION

China Resources and Transportation Group Limited (the "Company") is an exempted Company incorporated in the Cayman Islands with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the registered office is the office of Sterling Trust (Cayman) Limited, Whitehall House, 238 North Church Street, P.O. Box 1043, George Town, Grand Cayman, KY1-1102, Cayman Islands. Its principal place of business is located at Unit Nos. 11-12, Level 10, Tower 1, Millennium City 1, No. 388 Kwun Tong Road, Kwun Tong, Kowloon, Hong Kong.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

(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. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 March 2021 comprise the Company and its subsidiaries (together the "Group").

Items included in the financial statements of each entity of the Group are measured using the currency of the primary economic environment in the entity operates (the "functional currency"). These consolidated financial statements are presented in Hong Kong dollar ("HK$"), which is the Company's functional and presentation currency.

The measurement basis used in the preparation of the financial statements is the historical cost basis except for the following assets set out below:

– biological assets; and

– financial assets at fair value through profit or loss.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed in an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 4.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Going concern basis

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Going concern basis *(Continued)*

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.

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Subsidiaries and non-controlling interests *(Continued)*

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Total comprehensive income of subsidiaries is attributed to the equity shareholders of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (Note 3(l)(ii)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(e)(i) Business combinations

Acquisitions of business are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e)(i) Business combinations *(Continued)*

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair values, except that:

– deferred tax assets or liabilities and assets and liabilities, related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 Income Taxes and HKAS 19 Employees Benefits respectively;

– liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 Share-based Payment at the acquisition date;

– assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard; and

– lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in HKFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market term.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non- controlling interests are measured at their fair value.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e)(i) Business combinations *(Continued)*

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at subsequent reporting dates with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

(e)(ii) Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units, (or groups of cash-generating units), that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e)(ii) Goodwill *(Continued)*

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or groups of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal (or any of the cash-generating unit within group of cash-generating units in which the Group monitors goodwill).

(e)(iii) Acquisition of a subsidiary not constituting a business

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to the financial assets and financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

(f) Other investments in equity securities

The Group's policies for investments in equity securities, other than investments in subsidiaries and associates, are as follows:

Investments in equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss (FVPL) for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see Note 42(f). These investments are subsequently accounted for as follows, depending on their classification.

Equity investments

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an irrevocable election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other income in accordance with the policy set out in Note 3(w)(vi).

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see Note 3(k)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated at fair value, unless they are still in the course of construction or development at the end of the reporting period and their fair value cannot be reliably measured at that time. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in Note 3(w)(iv).

(h) Property, plant and equipment

The following items of property, plant and equipment other than construction in progress, are stated at cost less accumulated depreciation and impairment losses.

- interests in leasehold land and buildings where the Group is the registered owner of the property interest;
- right-of-use assets arising from leases over leasehold properties where the Group is not the registered owner of the property interest; and
- items of plant and equipment, including right-of-use assets arising from leases of underlying plant and equipment.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

Buildings – Other buildings	Over the remaining term of the relevant lease but not exceeding 30 years
Leasehold improvements	Over the remaining life of the leases but not exceeding 5 years
Power generating equipment	20 years
Furniture, machinery and equipment	5 to 20 years
Motor vehicles	5 to 8 years
Vessels	10 years
Safety equipment	10 years
Communication and signalling systems	10 years
Toll collection equipment	10 years
Camellia trees	20 years

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Property, plant and equipment *(Continued)*

Construction in progress represents property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is stated at cost less accumulated impairment losses, if any. Cost includes the costs of construction and interest charges arising from borrowings used to finance these assets during the period of construction or installation and testing, if any. No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and are available for its intended use.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

(i) Biological assets

Biological assets are living plants involved in the agricultural activities of the transformation of biological assets into agricultural produce for sale or into additional biological assets. Biological assets, agricultural produce and seedlings, are measured at fair value less costs to sell at initial recognition and at the end of each reporting period. The fair value less costs to sell at the time of harvest is deemed as the cost of agricultural produce for further processing, if applicable.

If an active market exists for a biological asset or agricultural produce with reference to comparable specie, growing condition and expected yield of the crops, the quoted price in that market is adopted for determining the fair value of that asset. If an active market does not exist, the Group uses the most recent market transaction price, provided that there has not been a significant change in economic circumstances between the transaction date and the end of the reporting period, or the market prices for similar assets adjusted to reflect differences to determine fair values. The gain or loss arising on initial recognition and subsequent changes in fair values less costs to sell of biological assets is recognised in profit or loss in the period in which it arises. Upon the sale of the agricultural produce as forestry products, the carrying amount is transferred to cost of sales in the consolidated statement of profit or loss.

Seedlings that have little biological transformation taken place since initial cost incurrence are stated at cost less any impairment loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Concession intangible asset

Concession intangible asset represents the rights to charge users of the public service that the Group obtained under the service concession arrangements. Concession intangible asset is stated at cost, that is, the fair value of the consideration received or receivable in exchange for the construction services provided under the service concession arrangements, less accumulated amortisation and any impairment losses.

Amortisation of the concession intangible asset starts upon commencement of the operation of the concession intangible asset.

Amortisation for concession intangible asset with finite useful lives is provided on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

It is the Group's policy to review regularly the projected total traffic volume throughout the concession periods of the respective concession intangible asset. If it is considered appropriate, independent professional traffic studies will be performed. Appropriate adjustment will be made should there be a material change in the projected total traffic volume.

Costs incurred during the period of construction of the underlying concession intangible asset are recognised as part of concession intangible asset. Subsequent expenditures are capitalised in the concession intangible asset when it increases the future economic benefits embodied in the concession intangible asset. All other expenditures are recognised in profit or loss as incurred.

(k) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange of consideration. 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.

(i) As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognised a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with these leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Leased assets *(Continued)*

(i) As a lessee *(Continued)*

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property and presents lease liabilities separately in the statement of financial position.

(ii) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognised in accordance with Note 3(w)(iv).

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Credit losses and impairment of assets

(i) Credit losses from financial instruments

The Group recognises a loss allowance for expected credit losses (ECLs) on the financial assets measured at amortised cost (i.e. trade and other receivables). Financial assets measured at fair value are not subject to the ECL assessment.

Measurement of ECLs

ECLs are probably-weighted estimate of credit loss. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

– trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof; and

– variable-rate financial assets: current effective interest rate.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past event, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within 12 months after the reporting period end date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(I) Credit losses and impairment of assets *(Continued)*

(i) Credit losses from financial instruments (Continued)

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

– failure to make payments of principal or interest on their contractually due dates;

– an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

– an actual or expected significant deterioration in the operating results of the debtor; and

– existing or forecast changes in the technological, market, economic or legal environmental that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Credit losses and impairment of assets *(Continued)*

(i) Credit losses from financial instruments (Continued)

Basis of calculation of interest income

Interest income recognised in accordance with Note 3(w)(v) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or past due event;

– it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environmental that have an adverse effect on the debtor; or

– the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amount subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Credit losses and impairment of assets *(Continued)*

(ii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment, including right-of-use assets;

– intangible assets;

– construction in progress;

– goodwill; and

– investment in subsidiaries in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– **Calculation of recoverable amount**

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– **Recognition of impairment losses**

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Credit losses and impairment of assets *(Continued)*

(ii) Impairment of other non-current assets *(Continued)*

– **Reversal of impairment losses**

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with HKAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see Notes 3(l)(i) and (ii)).

Impairment losses recognised in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

(m) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost of inventories is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary costs to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The cost of timber harvested from biological assets is its fair value less costs to sell at the date of harvest, determined in accordance with the accounting policy for biological assets (Note 3(i)).

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(n) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due.

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see Note 3(l)(i)).

(o) Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows. Cash and cash equivalents are assessed for expected credit losses (ECL) in accordance with the policy set out in Note 3(l)(i).

(p) Contract liabilities

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see Note 3(w)). A contract liability would also be recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see Note 3(n)).

(q) Trade and other payable

Trade and other payables are initially recognised at fair value. Trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(r) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (see Note 3(y)).

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) Convertible bonds

A conversion option that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Group's own equity instruments is a conversion option derivative.

At the date of issue, both the debt component and derivative component are recognised at fair value. In subsequent periods, the debt component of the convertible notes is carried at amortised cost using the effective interest method. The derivative component is measured at fair value with changes in fair value recognised in profit or loss.

Transaction costs that relate to the issue of the convertible notes are allocated to the debt and derivative components in proportion to their relative fair values. Transaction costs relating to the derivative component are charged to profit or loss immediately. Transaction costs relating to the debt component are included in the carrying amount of the debt portion and amortised over the period of the convertible notes using the effective interest method.

(t) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary differences or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) Income tax *(Continued)*

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group or the Company has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  - the same taxable entity; or

  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(u) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is recognised in profit or loss over the vesting period with a corresponding increase in the employee share based compensation reserve within equity. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at the end of each reporting period so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also recognised in profit or loss over the remaining vesting period.

Equity-settled share-based payments transactions with other parties are measured at the fair value of the goods or services received, except where the fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

(iii) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restricting costs involving the payment of termination benefits.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(v) Provisions and contingent liabilities

Provisions are recognised when the Group has a legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(w) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods, the provision of services or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

Revenue is recognised when control over a product or service is transferred to the customer, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue is measured at the fair value of the consideration received or receivable. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(i) Revenue arising from toll operation is recognised at a point in time when the vehicles exit the toll expressway, of which the Group operates part or all of it. The revenue from toll operation is based on the toll rates determined by government authorities. It is settled by government agencies on a monthly basis.

(ii) Revenue from sales of goods is recognised when the control of the goods is transferred to the customer, which is taken to be the point in time when the customer has accepted the goods that are delivered by the Group.

(iii) Revenue from sales of electricity is earned and recognised upon transmission of electricity to the customers or the power grid owned by the respective regional or provincial grid companies.

(iv) Rental income from operating leases is recognised in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the time pattern of benefits to be derived from the use of the leased assets. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(v) Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the effective interest rates applicable.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(w) Revenue and other income *(Continued)*

(vi) Dividends

- Dividend income from unlisted investments is recognised when the shareholders' rights to receive payment is established.

- Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(vii) Government grant that compensate the Group for expenses incurred is recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred.

(x) Translation of foreign currencies

(i) Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity ("functional currency"). The functional currency of the Company and its subsidiaries outside Mainland China is Hong Kong dollars and the functional currency of the subsidiaries in Mainland China is Renminbi. The consolidated financial statements are presented in Hong Kong dollars ("presentation currency").

(ii) Transactions and balances

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Group initially recognises such non-monetary assets or liabilities.

The results of operations outside Mainland China are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into Hong Kong dollars at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(y) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(z) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

(aa) Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of key management personnel of the Group or the Company's parent.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(aa) Related parties *(Continued)*

(b) An entity is related to the Group if any of the following conditions apply:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

4. ACCOUNTING JUDGEMENTS AND ESTIMATES

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Estimates of construction costs for concession intangible asset

In ascertaining the total construction costs for Zhunxing Expressway, the directors made estimates based on information available such as budgeted project costs, actual project costs incurred/settled to date, and relevant third party evidence such as signed construction contracts and their supplements, the related variation orders placed and the underlying construction and design plans, etc. Additional construction costs were recognised and capitalised to cost of concession intangible asset in the course of Zhunxing's finalisation of the respective statement of accounts with each of the contractors, based on latest status of negotiations and/or supplemental settlements with the relevant contractors and/or subcontractors, results of arbitrations, and/or judgements of settled litigations. Management of the Group considered that adequate provision for construction costs has been made at 31 March 2021.

The management of the Group considers that these are the current best estimates on the magnitude of construction costs payable to the contractors and/or subcontractors of Zhunxing Expressway. If the magnitudes of the final construction costs were to differ from management's current estimates, the Group would account for the change in estimates prospectively.

(b) Impairment of concession intangible asset and relevant property, plant and equipment of Expressway CGU

The Group's expressway operations are identified as a cash generating unit ("Expressway CGU") to which concession intangible assets of approximately HK$12,235,111,000 (2020: HK$11,936,494,000) and relevant property, plant and equipment of approximately HK$358,634,000 (2020: HK$391,111,000) are allocated, as disclosed in Notes 14 and 15 respectively. Management assesses the recoverable amount of the Expressway CGU, to which concession intangible asset and relevant property, plant and equipment are allocated, based on value-in-use calculations which require the use of estimates and significant judgement by management on the growth rates on the revenue of the Expressway CGU during the remaining concession period and discount rate which are disclosed in Note 14(b).

Based on the impairment assessment as disclosed in Note 14(b), no additional provision for impairment on the carrying amounts of the Expressway CGU, to which the concession intangible asset and relevant property, plant and equipment are allocated, are required at 31 March 2021.

4. ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

(b) Impairment of concession intangible asset and relevant property, plant and equipment of Expressway CGU *(Continued)*

The proforma sensitivity analysis on the potential downside effects on the carrying amounts of concession intangible asset and relevant property, plant and equipment, which are allocated to the Expressway CGU, is set out below:

(a) If the discount rate was increased by 5% and all other parameters remain unchanged, the value-in-use of the concession intangible asset and relevant property, plant and equipment, which are allocated to the Expressway CGU, would decrease by approximately HK$478 million and HK$14 million respectively, and additional impairment of approximately HK$463 million and HK$14 million on the carrying amounts of the concession intangible asset and relevant property, plant and equipment, which are allocated to the Expressway CGU, would be required at 31 March 2021, respectively.

(b) If the average long-term growth rates during the remaining concession period was decreased by 5% and all other parameters remain unchanged, the value-in-use of the concession intangible asset and relevant property, plant and equipment, which are allocated to the Expressway CGU, would decrease by approximately HK$405 million and HK$12 million respectively, and additional impairment of approximately HK$393 million and HK$12 million on the carrying amounts of the concession intangible asset and relevant property, plant and equipment, which are allocated to the Expressway CGU, would be required at 31 March 2021, respectively.

(c) Impairment of goodwill acquired through acquisitions

Determining whether goodwill acquired through acquisitions is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the directors of the Company to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. The carrying amount of goodwill at 31 March 2021 is HK$Nil (2020: HK$Nil), net of impairment loss of HK$49,383,000 (2020: HK$45,592,000). Details of the recoverable amount calculation are disclosed in Note 18.

(d) Fair value measurement

A number of assets and liabilities included in the Group's financial statements require measurement at, and/or disclosure of, fair value.

The fair value measurement of the Group's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the "fair value hierarchy"):

- Level 1: Quoted prices in active markets for identical items (unadjusted);
- Level 2: Observable direct or indirect inputs other than Level 1 inputs;
- Level 3: Unobservable inputs (i.e. not derived from market data).

4. ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

(d) Fair value measurement *(Continued)*

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

The Group measures a number of items at fair value:

- Biological assets (Note 19); and
- Financial instruments (Note 21).

For more detailed information in relation to the fair value measurement of the items above, please refer to the applicable notes.

(e) Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase depreciation charges where useful lives are less than previously technically obsolete or non-strategic assets that have been abandoned or sold.

(f) Fair value of biological assets

Management estimates the current market prices less costs to sell of biological assets at the end of each reporting period with reference to market prices and professional valuations. Un-anticipated volatile changes in market prices of the underlying agricultural produce could significantly affect the fair values of these biological assets and result in fair value re-measurement losses in future accounting periods.

The Group's forestry business is subject to the usual agricultural hazards from fire, wind and insects. Forces of nature such as temperature and rainfall may also affect harvest efficiency. Management considers adequate preventive measures are in place and the relevant legislation under forestry laws in the PRC will assist in minimising exposure. To the extent that un-anticipated factors affecting harvestable agricultural products may result in re-measurement of harvest losses in future accounting periods.

(g) Net realisable value of inventories

Management reviews the conditions of timber and other inventories at the end of each reporting period, and makes allowances for obsolete and slow-moving inventory items identified that are no longer suitable for use in production and/or sales in the market. These estimates are based on current market conditions and the historical experience of selling goods of similar nature. It could change significantly as a result of change in market condition. Management will reassess the estimations at the end of each reporting period.

4. ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

(h) Estimation of amortisation period of concession intangible asset

The Group amortises the concession intangible assets using the straight-line method over the concession period granted (Note 14(a)). The concession period is approved by the grantor and the Group does not have a renewal or termination option for the concession period.

If the grantor requires to extend or shorten the concession periods, management will revise the amortisation charges which are different to previously calculated, or recognise an impairment loss, if any.

(i) Impairment assessment of trade and other receivables

The Group determines the provision for impairment of trade and other receivables on a forward looking basis. Lifetime ECLs on trade receivables are recognised from initial recognition of the assets. The provision matrix is determined based on the Group's historical observed default rates over the expected life of the trade receivables with similar credit risk characteristics and is adjusted for forward looking estimates. Other receivables are considered for 12-month expected credit losses unless there has been a significant increase in credit risk of the financial instruments, in which case the loss allowance is measured at an amount equal to lifetime ECLs. In making the judgement, management considers available reasonable and supportive forward-looking information such as actual or expected significant changes in operating results and financial positions of the customers, past payment history of the customers, and actual or expected adverse changes in business, financial or economic conditions that are expected to cause a significant change in the customers' ability to settle their trade debts. At each reporting period end, the historical observed default rates are updated and changes in the forward-looking economic conditions and estimates are analysed by the Group's management.

(j) Impairment of property, plant and equipment and right-of-use assets

The Group assesses whether there are any indicators of impairment for property, plant and equipment and right-of-use assets. If such an indication exists, the recoverable amount of property, plant and equipment and right-of-use assets are estimated using the higher of its fair value less costs of disposals and its value-in-use. If the carrying amount of property, plant and equipment and right-of-use assets exceeds its recoverable amount, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in profit or loss. The determination of recoverable amount based on value-in-use calculation incorporates a number of key estimates and assumptions about future events and therefore, are subject to uncertainty and might materially differ from the actual results. In making these key estimates and judgments, the directors take into consideration assumptions that are mainly based on market conditions existing at the end of the reporting period and appropriate market and discount rates. Future changes in the events and conditions underlying the estimates and judgements would affect the estimation of recoverable amounts and result in adjustments to their carrying amounts.

5. 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 the Zhunxing Expressway;

CNG gas stations operation – operation 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 for both years. 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 loss is loss before unallocated finance costs and taxation.

Segment assets exclude financial assets at fair value through profit or loss, amount due from non-controlling shareholder of a subsidiary, cash and cash equivalents, right-of-use assets 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.

5. SEGMENT INFORMATION *(Continued)*

(a) Reportable Segment

For the year ended 31 March 2021

	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**
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**

5. SEGMENT INFORMATION *(Continued)*

(a) Reportable Segment *(Continued)*

For the year ended 31 March 2021 *(Continued)*

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

5. SEGMENT INFORMATION *(Continued)*

(a) Reportable Segment *(Continued)*

For the year ended 31 March 2020

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

5. SEGMENT INFORMATION *(Continued)*

(a) Reportable Segment *(Continued)*

For the year ended 31 March 2020 *(Continued)*

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

5. SEGMENT INFORMATION *(Continued)*

(a) Reportable Segment *(Continued)*

For the year ended 31 March 2020 *(Continued)*

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

Note:

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

5. SEGMENT INFORMATION *(Continued)*

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

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

5. SEGMENT INFORMATION *(Continued)*

(c) Geographical information

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

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

	Revenue from external customers		**Specified non-current assets**	
	2021	2020	**2021**	2020
	HK$'000	HK$'000	**HK$'000**	HK$'000
PRC	**598,117**	567,562	**12,882,165**	12,608,811
Hong Kong	**–**	–	**9,683**	2,102
	598,117	567,562	**12,891,848**	12,610,913

(d) Information about major customers

There was no customer contributing 10% or more of the Group's revenue for the years ended 31 March 2021 and 2020.

6. REVENUE

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

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

7. OTHER INCOME AND OTHER GAINS OR LOSSES

Other income and other gains or losses comprises:

	2021 **HK$'000**	2020 HK$'000
Interest income	**128**	1,445
Exchange gain/(loss), net	**5,061**	(4,716)
Rental income	**3,424**	426
Loss on disposal of investment properties	**–**	(477)
Gain on disposal of property, plant and equipment	**24**	31
Government subsidies *(Note)*	**811**	657
Fair value gain/(loss) on financial assets at fair value through profit or loss	**25,398**	(35,866)
Net realised gain on disposal of financial assets at fair value through profit or loss	**868**	9
Reversal of over accrued expenses	**1,452**	2,762
Others	**2,801**	1,554
	39,967	(34,175)

Note:

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

8. FINANCE COSTS

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

9. LOSS BEFORE TAXATION

Loss before taxation is stated after charging:

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

10. INCOME TAX CREDIT

The income tax credit comprises:

	2021 **HK$'000**	2020 HK$'000
PRC enterprise income tax		
– Current tax expense	**–**	39
– Over provision in respect of prior years	**–**	(37)
	–	2
Deferred tax *(Note 31)*		
– Reversal of temporary differences	**–**	(976)
Income tax credit	**–**	(974)

10. INCOME TAX CREDIT *(Continued)*

The income tax credit for the year can be reconciled to the loss per consolidated statement of profit or loss as follows:

	2021 **HK$'000**	2020 HK$'000
Loss before taxation	**(1,500,930)**	(3,591,190)
Tax calculated at 25% (2020: 25%)	**(375,233)**	(897,798)
Net effect of non-taxable/deductible items	**242,198**	857,678
Over provision in respect of prior years	**–**	(37)
Net effect of tax losses and temporary differences not recognised	**5,455**	5,572
Effect of different tax rates of subsidiaries operating in other jurisdictions	**127,580**	33,611
Income tax credit	**–**	(974)

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

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

Pursuant to the rules and regulations in the PRC and with approval from tax authorities in charge, subsidiaries including 樹人木業(大埔)有限公司, 樹人苗木組培(大埔)有限公司 and 阿魯科爾沁旗鑫澤農牧業有限公司, are qualified as forestry operation enterprise by the local tax authorities and so they are fully exempted from PRC enterprise income tax.

Inner Mongolia Zhunxing Heavy Haul Expressway Company Limited ("Zhunxing") a subsidiary of the Company, was exempted from PRC enterprise income tax from 2014 to 2016 and was subject to 12.5% PRC enterprise income tax from 2017 to 2019. Pursuant to the document "the Encouraged Industries in Catalogue of Industrial Structure Adjustment Guidance 2011 (revised)" issued by the National Development and Reform Commission on 27 July 2011, Zhunxing is entitled to the preferential tax rate of 15% for the years ended 31 March 2021 and 2020.

11. DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

Year ended 31 March 2021

Name of directors	Fees HK$'000	Basic salaries, allowances and other benefits HK$'000	Defined contribution retirement benefits scheme HK$'000	Share-based payments HK$'000	Total HK$'000
Executive directors					
Cao Zhong *(the Chairman)*	–	–	2	–	2
Fung Tsun Pong	–	220	2	–	222
Tsang Kam Ching, David	–	1,380	18	–	1,398
Duan Jingquan	–	–	2	–	2
Gao Zhiping	–	–	2	–	2
Jiang Tao	–	–	2	–	2
Non-executive director					
Suo Suo Stephen *(resigned on 21/5/2020)*	–	–	–	–	–
Independent non-executive directors					
Jing Baoli	–	–	–	–	–
Bao Liang Ming	–	–	–	–	–
Xue Baozhong	–	–	–	–	–
Chan Chu Hoi	120	–	–	–	120
	120	1,600	28	–	1,748

11. DIRECTORS' EMOLUMENTS *(Continued)*

Year ended 31 March 2020

Name of directors	Fees HK$'000	Basic salaries, allowances and other benefits HK$'000	Defined contribution retirement benefits scheme HK$'000	Share-based payments HK$'000	Total HK$'000
Executive directors					
Cao Zhong *(the Chairman)*	–	–	18	–	18
Fung Tsun Pong	–	1,450	18	–	1,468
Tsang Kam Ching, David	–	2,760	18	–	2,778
Duan Jingquan	–	–	18	–	18
Gao Zhiping	–	2,762	77	–	2,839
Jiang Tao	–	–	18	–	18
Non-executive director					
Suo Suo Stephen *(resigned on 21/5/2020)*	120	–	–	–	120
Independent non-executive directors					
Yip Tak On *(resigned on 21/11/2019)*	77	–	–	–	77
Jing Baoli	120	–	–	–	120
Bao Liang Ming	120	–	–	–	120
Xue Baozhong	120	–	–	–	120
Chan Chu Hoi *(appointed on 21/11/2019)*	43	–	–	–	43
	600	6,972	167	–	7,739

11. DIRECTORS' EMOLUMENTS *(Continued)*

Note:

During the years ended 31 March 2021 and 2020, no emoluments were paid by the Group to the directors as an inducement to join, or upon joining the Group, or as compensation for loss of office. There were no arrangements under which a director waived or agreed to waive any remuneration during the current and prior years.

During the year, the five highest paid individuals included one (2020: three) director, details of whose emoluments are set out above. The aggregate of the emoluments in respect of the other four (2020: two) individual during the year are as follow:

	2021 **HK$'000**	2020 HK$'000
Salaries and allowances	**2,647**	3,642
Defined contribution pension costs	**71**	131
	2,718	3,773

The emoluments of the other four (2020: two) individuals with the highest emoluments fell within the following bands:

	2021 **Number of** **individuals**	2020 Number of individuals
Emolument bands		
Nil to HK$1,000,000	**3**	–
HK$1,000,001 to HK$1,500,000	**1**	1
HK$1,500,001 to HK$2,000,000	**–**	–
HK$2,000,001 to HK$2,500,000	**–**	1
HK$2,500,001 to HK$3,000,000	**–**	–
Over HK$3,000,000	**–**	–
	4	2

12. DIVIDEND

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

13. LOSS PER SHARE

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

Loss for the year attributable to owners of the Company:

	2021 **HK$'000**	2020 HK$'000
Loss for the purposes of basic and diluted loss per share	**(1,332,463)**	(3,154,695)
Number of shares:	**'000**	'000
Weighted average number of ordinary shares as at 31 March for the purposes of basic and diluted loss per share	**7,442,396**	7,442,396

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

14. CONCESSION INTANGIBLE ASSET

	2021 **HK$'000**	2020 HK$'000
Cost:		
At 1 April	**18,728,080**	19,800,987
Exchange difference	**1,262,056**	(1,072,907)
At 31 March	**19,990,136**	18,728,080
Accumulated amortisation and impairment:		
At 1 April	**6,791,586**	4,806,319
Amortisation for the year	**650,969**	584,176
Impairment loss	**–**	1,562,110
Exchange difference	**312,470**	(161,019)
At 31 March	**7,755,025**	6,791,586
Net Carrying amount:		
At 31 March	**12,235,111**	11,936,494

14. CONCESSION INTANGIBLE ASSET *(Continued)*

(a) Descriptions of the concession intangible asset

Zhunxing entered into a service concession arrangement with a PRC local government authority whereby Zhunxing is required to build the infrastructure of Zhunxing Expressway and is granted an exclusive operating right for collecting tolls from vehicles using the Zhunxing Expressway for a term of 30 years.

According to the relevant government authority's approval documents and the relevant regulations, Zhunxing is responsible for the construction of the toll road and the acquisition of the related facilities and equipment and it is also responsible for the operations and management, maintenance and overhaul of the toll road during the exclusive operating period. Zhunxing is entitled to operate the toll road for an exclusive operating period of 30 years by charging drivers, which amounts are contingent on the extent that the public uses the expressway. The relevant toll road assets are required to be returned to the local government authorities when the exclusive operating period expires without any compensation to be made to Zhunxing. As such, the arrangement is accounted for as a concession intangible asset under Hong Kong (IFRIC) Interpretation 12 "Service Concession Arrangements".

The right to charge the users of the public service is recognised as an intangible asset. Zhunxing estimates the fair value of the intangible asset to be equal to the construction costs plus certain margin by management estimation with reference to the market information in similar industry and management's experience.

Amortisation of the concession intangible asset started upon commencement of the operation of the Zhunxing Expressway on 21 November 2013.

No interest was capitalised to concession intangible asset during the years ended 31 March 2021 and 2020.

(b) Impairment testing of the concession intangible asset

For the purpose of impairment testing, the concession intangible asset is allocated to the expressway cash-generating unit ("Expressway CGU") under the expressway operations segment.

As disclosed in Note 5(a), revenue and adjusted EBITDA of Expressway CGU for the years ended 31 March 2021 and 2020 are as follows:

	Year ended 31 March	
	2021	2020
	HK$'000	HK$'000
Revenue	**587,070**	514,356
Adjusted EBITDA	**476,845**	366,477

During the years ended 31 March 2021 and 2020, the recoverable amount of the Expressway CGU has been determined independently by Jones Lang LaSalle Corporate Appraisal and Advisory Limited by the value in use calculation. This calculation uses traffic forecast data determined by Samuel Wong Consultancy Limited, an independent traffic consultant, and cash flow projections based on financial forecasts approved by management up to the end of the exclusive operating period, taking into account the actual operating results of the Zhunxing Expressway during the year.

14. CONCESSION INTANGIBLE ASSET *(Continued)*

(b) Impairment testing of the concession intangible asset *(Continued)*

Key assumptions used for the value in use calculation are as follows:

	2021	2020
Remaining exclusive operating period	**24 years**	25 years
Discount rate	**10.81%**	10.59%
Toll rate per kilometre per ton	**RMB0.09**	RMB0.09
Average long-term toll revenue growth rate over the remaining exclusive operating period	**6.12%**	5.95%
Average toll revenue growth rate for next two years from 2022 to 2023 (2020: 2021 to 2022)	**5.84-5.88%**	7.59-7.62%
Average toll revenue growth rate for the period from 2024 (2020: 2023) to end of exclusive operating period	**6.15%**	5.81%

The discount rate is a pre-tax measure estimated using the capital asset pricing model based on the industry average ratios and the Expressway CGU's specific risks. The average toll revenue growth rate was determined based on the forecast of traffic volume growth.

In the current year, the actual toll revenue of the Zhunxing Expressway approximated to the amount previously projected in March 2020, which is mainly due to the positive impact on the overall traffic volume of Zhunxing Expressway as a result of the effectiveness of the epidemic prevention and control in the PRC. Due to the recovery of the macroeconomy in the PRC, it is estimated that the toll revenue to be generated from the Zhunxing Expressway will approximate to the amount previously projected in March 2020.

The management of the Group have assessed the recoverable amount of the Expressway CGU amounting to approximately HK$12,599,841,000 which is not materially different from its carrying value as at 31 March 2021 and no additional impairment losses were recognized on the Expressway CGU in profit or loss for the year ended 31 March 2021 (2020: impairment losses of HK$1,562,110,000 and HK$51,184,000 in respect of the concession intangible asset and related property, plant and equipment (Note 15) recognized). Impairment losses were recognized for the year ended 31 March 2020 was mainly due to (1) the impact of the traffic restriction imposed on overloading trucks and the exemption of toll revenue under the Toll Fee Exemption Policy during the outbreak of COVID-19 and (2) the downturn of the economic environment in the PRC.

At 31 March 2021, the proforma sensitivity analysis on the potential downside effects arising from 5% increase in the discount rate and 5% decrease in the average long-term toll revenue growth rates of Expressway CGU is disclosed in Note 4(b).

15. PROPERTY, PLANT AND EQUIPMENT

	Other buildings HK$'000	Solar power generating equipment HK$'000	Leasehold improvements HK$'000	Furniture, machinery and equipment HK$'000	Motor vehicles HK$'000	Vessels HK$'000	Safety equipment HK$'000	Communication and signalling systems HK$'000	Toll collection equipment HK$'000	Camellia tree HK$'000	Construction in progress HK$'000	Total HK$'000
COST												
At 1 April 2019	394,509	102,274	14,116	127,882	37,633	61,952	500,000	101,679	56,156	24,946	141,798	1,562,945
Additions	4,501	–	–	684	571	–	–	–	–	33	29	5,818
Disposal	–	–	–	(836)	(1,092)	–	–	–	–	–	–	(1,928)
Exchange difference	(26,103)	(6,752)	(1,114)	(5,045)	(2,256)	–	(33,010)	(6,713)	(3,707)	(1,494)	(493)	(86,687)
At 31 March 2020 and 1 April 2020	372,907	95,522	13,002	122,685	34,856	61,952	466,990	94,966	52,449	23,485	141,334	1,480,148
Additions	–	–	–	168	489	–	–	–	–	–	–	657
Disposal	–	–	–	(49)	(168)	–	–	–	–	–	–	(217)
Exchange difference	30,938	7,942	1,299	9,787	2,663	–	38,830	7,896	4,361	–	–	103,716
At 31 March 2021	403,845	103,464	14,301	132,591	37,840	61,952	505,820	102,862	56,810	23,485	141,334	1,584,304
Accumulated depreciation and impairment:												
At 1 April 2019	105,136	7,649	13,917	102,939	30,882	61,952	291,075	59,193	32,361	20,160	–	725,264
Charge for the year	11,656	4,909	43	3,165	2,718	–	42,864	8,717	4,814	1,099	–	79,985
Disposal	–	–	–	(756)	(1,012)	–	–	–	–	–	–	(1,768)
Impairment loss	34,336	–	42	8,827	805	–	17,793	3,618	2,034	3,673	141,510	212,638
Exchange difference	(7,835)	(625)	(1,084)	(9,495)	(1,872)	–	(20,703)	(4,210)	(2,304)	(1,447)	(176)	(49,751)
At 31 March 2020 and 1 April 2020	143,293	11,933	12,918	104,680	31,521	61,952	331,029	67,318	36,905	23,485	141,334	966,368
Charge for the year	10,372	5,015	157	2,435	2,185	–	38,896	7,910	4,368	–	–	71,338
Disposal	–	–	–	(47)	(155)	–	–	–	–	–	–	(202)
Impairment loss	583	–	–	741	29	–	–	–	–	–	–	1,353
Exchange difference	11,810	1,151	1,226	7,739	1,923	–	28,904	5,877	3,223	–	–	61,853
At 31 March 2021	166,058	18,099	14,301	115,548	35,503	61,952	398,829	81,105	44,496	23,485	141,334	1,100,710
Net carrying amount:												
At 31 March 2021	237,787	85,365	–	17,043	2,337	–	106,991	21,757	12,314	–	–	483,594
At 31 March 2020	229,614	83,589	84	18,005	3,335	–	135,961	27,648	15,544	–	–	513,780

15. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Construction in progress mainly represented the construction costs incurred for petrol and gas stations in the service areas of Zhunxing Expressway which were not yet available for commercial use at the end of both reporting periods.

Camellia trees as bearer plant are located in Xingning, the PRC. For camellia trees as bearer plant, at 31 March 2021, the Group owned and obtained all the forestry ownership certificates for approximately 10,278 (2020: 10,278) Chinese Mu of forests of camellia trees in Xingning with a 50-year term, expiring in 2058. Camellia trees as bearer plant for refined plant oil were planted in previous years and had little biological transformation.

Analysis of the carrying amounts of property, plant and equipment of the following operations at the reporting period end were as follows:

	2021 **HK$'000**	2020 HK$'000
Zhunxing Expressway	**358,634**	391,111
CNG gas stations operation	**9,553**	9,244
Other operations	**115,407**	113,425
	483,594	513,780

Impairment testing of property, plant and equipment

At the end of each reporting period, relevant property, plant and equipment were allocated to the corresponding cash generating units for impairment testing and based on which, additional impairment loss of Nil (2020: HK$51,184,000) and HK$1,353,000 (2020: HK$16,271,000) was recognised for the year ended 31 March 2021, as further detailed in Notes 14(b) and 18 respectively.

During the year ended 31 March 2020, management of the Group conducted an assessment of the camellia trees, taking into account of the circumstances of these camellia trees of which some were withered and accordingly, an impairment of approximately HK$3,673,000 was made in the consolidated financial statements. In addition, management of the Group conducted an assessment of the construction in progress that were not yet available for commercial use for more than 5 years and considered the probability of future economic benefits associated with the construction in progress to be remote, and accordingly, an impairment loss of approximately HK$141,510,000 was recognised in profit or loss for the year ended 31 March 2020. No additional impairment was made in respect of the camellia trees and construction in progress for the year ended 31 March 2021.

At 31 March 2021, accumulated impairment losses of HK$328,234,000 (2020: HK$328,234,000), HK$17,624,000 (2020: HK$16,271,000) and HK$19,187,000 (2020: HK$19,187,000) recognised on the property, plant and equipment were related to the Zhunxing Expressway, CNG gas stations operation and other operations, respectively.

16. RIGHT-OF-USE ASSETS

	Prepaid land lease payments HK$'000 *(Note a)*	**Leased properties** HK$'000 *(Note b)*	**Total** HK$'000
Cost:			
At 1 April 2019	–	–	–
Reclassification from prepaid lease payments *(Note 17)*	175,758	–	175,758
Right-of-use assets relating to operating leases of office premises recognised upon application of HKFRS 16	–	1,772	1,772
Additions	–	3,785	3,785
Exchange difference	(14,315)	(154)	(14,469)
At 31 March 2020 and 1 April 2020	161,443	5,403	166,846
Exchange difference	16,839	259	17,098
At 31 March 2021	**178,282**	**5,662**	**183,944**
Accumulated depreciation and impairment:			
At 1 April 2019	–	–	–
Charge for the year	17,701	379	18,080
Impairment loss	55,791	–	55,791
Exchange difference	(4,318)	(4)	(4,322)
At 31 March 2020 and 1 April 2020	69,174	375	69,549
Charge for the year	10,268	1,310	11,578
Impairment loss	651	–	651
Exchange difference	8,830	33	8,863
At 31 March 2021	**88,923**	**1,718**	**90,641**
Net carrying amount:			
At 31 March 2021	**89,359**	**3,944**	**93,303**
At 31 March 2020	92,269	5,028	97,297

16. RIGHT-OF-USE ASSETS *(Continued)*

Notes:

(a) The Group obtains the land use rights through lease contracts with local governments in the PRC with 50 years term. The balance is classified as right-of-use assets upon the adoption of HKFRS 16.

(b) The Group obtains right to control the use of office and other properties for a period of time through lease arrangements. Lease arrangements are negotiated on an individual basis and lease terms ranging from 1 to 3 years.

(c) Analysis of the carrying amount of right-of-use assets of the following operations at the reporting period end were as follows:

	2021	2020
	HK$'000	HK$'000
CNG gas stations operation	**4,594**	4,446
Other operations	**88,709**	92,851
	93,303	97,297

Impairment testing of right-of-use assets

At the end of each reporting period, relevant right-of-use assets were allocated to corresponding cash generating units for impairment testing. Based on the impairment assessment at the reporting period end, impairment loss of HK$651,000 (2020: HK$7,826,000) was recognised for the year ended 31 March 2021 as further detailed in Note 18. During the year ended 31 March 2021, management of the Group conducted an assessment of the prepaid lease payments for plantation of agricultural and forage products through a market research on the current market prices of the comparable land and accordingly, no impairment (2020: approximately RMB42,843,000 equivalent to approximately HK$47,965,000) was made in the consolidated financial statements. At 31 March 2021, accumulated impairment losses of HK$8,477,000 (2020: HK$7,826,000) and HK$50,681,000 (2020: HK$47,965,000) recognised on the right-of-use assets were related to the CNG gas stations operation and other operations, respectively.

17. PREPAID LEASE PAYMENTS

	2021	2020
	HK$'000	HK$'000
At 1 April	**–**	175,758
Transfer to right-of-use assets upon application of HKFRS 16 *(Note 16)*	**–**	(175,758)
At 31 March	**–**	–

18. GOODWILL

	2021 **HK$'000**	2020 HK$'000
At 1 April	**–**	48,815
Impairment loss	**–**	(45,592)
Exchange difference	**–**	(3,223)
At 31 March	**–**	–

Impairment tests of goodwill

Goodwill acquired through business combinations has been allocated to the respective cash-generating units for impairment testing.

The carrying amount of goodwill allocated to each of the cash-generating units of the operation of the CNG gas stations that are not individually material to the Group is as follows:

	2021 **HK$'000**	2020 HK$'000
CNG gas stations operation unit located in Leshan, Sichuan Province, the PRC, held by 樂山中順油汽有限公司 ("CNG gas stations CGU")	**–**	–

On 31 January 2020, the entire CNG gas stations operation was leased to an independent third party for a period of 20 years, with an income of RMB1 million per annum. The recoverable amount of the CNG gas stations operation amounting to approximately HK$14,953,000 (2020: HK$13,806,000) at 31 March 2021 was determined based on the present value of total leasing income and accordingly, an impairment loss of goodwill, property, plant and equipment (Note 15) and right-of-use assets (Note 16) allocated to CNG gas stations CGU of Nil (2020: HK$45,592,000), HK$1,353,000 (2020: HK$16,271,000) and HK$651,000 (2020: HK$7,826,000), respectively, was recognised in the profit or loss for the year ended 31 March 2021.

19. BIOLOGICAL ASSETS

	Seedlings HK$'000	Standing trees HK$'000	Total HK$'000
At 1 April 2019	4	62,910	62,914
Plantation expenditure incurred	106	662	768
Cost of direct sales	–	(2,460)	(2,460)
Change in fair value less costs to sell	–	6,389	6,389
Exchange difference	(5)	(4,264)	(4,269)
At 31 March 2020 and 1 April 2020	**105**	**63,237**	**63,342**
Plantation expenditure incurred	**108**	**375**	**483**
Change in fair value less costs to sell	**–**	**10,405**	**10,405**
Exchange difference	**12**	**5,598**	**5,610**
At 31 March 2021	**225**	**79,615**	**79,840**

(a) Description of the Group's biological assets

Standing trees and seedlings are located in Dabu, the PRC.

For standing trees, at 31 March 2021, the Group owned and obtained all the forestry ownership certificates for approximately 82,817 (2020: 82,817) Chinese Mu of forests of standing trees in Dabu with 50 years' term, expiring in 2057. The standing trees were stated at fair value less costs to sell at both 31 March 2021 and 2020.

Seedlings are carried at cost less any impairment loss. The directors of the Company considered that little biological transformation has taken place since initial cost incurrence. The cost of these seedlings is therefore not materially different from their fair values as at 31 March 2021 and 2020 as determined by the directors of the Company.

(b) Measurement of fair value

The fair value of the Group's standing trees was independently valued by LCH (Asia-Pacific) Surveyors Limited ("LCH"), who have among their staff members of the American Society of Appraisers with over 20 years of valuation experience. After due consideration of the experience and credentials of LCH, the directors of the Company are satisfied that the LCH is competent to determine the valuation of the Group's biological assets. The directors are of the opinion that LCH is independent from the directors of the Company.

The fair value of standing trees is categorised into level 3 of the fair value hierarchy.

19. BIOLOGICAL ASSETS *(Continued)*

(b) Measurement of fair value *(Continued)*

Fair value measurement of standing tree

LCH has adopted the market approach in its valuation by using the current market price per unit cubic meter ("cu.m") of similar round logs and the total merchantable volume of timber in the forest at 31 March 2021 as basis for estimating the fair value less costs to sell of the Group's standing trees. The principal assumptions adopted are as follows:

– the Group is to produce round logs; and

– the factors of natural defects in the wood such as physical defects, rots and directions of grain have been allowed for a recovery rate of 70% for the valuation.

Significant unobservable inputs	**Input value/range**	
	2021	2020
Price of round logs per cubic meter	**RMB502 to RMB905**	RMB450 to RMB890
Growth rate	**5.10%**	5.10%
Recovery rate	**70%**	70%

The higher the price of round logs, the higher the fair value of the standing trees. The higher the recovery rate, the higher the fair value of the standing trees.

There was no change to the valuation techniques for standing trees during the year.

(c) Sensitivity analysis on changes in material inputs used in the valuation techniques are as follows:

Standing trees as at 31 March 2021

Changes on the price of round logs per cubic meter	**Increased by 10%** HK$'000	**Decreased by 10%** HK$'000
Increase/(decrease) in fair value	13,091	(13,035)

Changes on the recovery rate	**Increased by 5%** HK$'000	**Decreased by 5%** HK$'000
Increase/(decrease) in fair value	5,512	(5,512)

20. INVESTMENT PROPERTIES

	2021 **HK$'000**	2020 HK$'000
At valuation:		
At 1 April	**–**	25,620
Disposal	**–**	(25,153)
Exchange difference	**–**	(467)
At 31 March	**–**	–

During the year ended 31 March 2020, the cold storage warehouse located in Australia was sold to an independent third party at a consideration of AUD4,800,000 (equivalent to approximately HK$24,676,000) and a loss on disposal of approximately HK$477,000 was charged to profit or loss for the year ended 31 March 2020.

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021 **HK$'000**	2020 HK$'000
Under non-current assets		
Financial assets at FVTPL:		
Unlisted equity securities, at fair value *(Note (a) and (c))*	**88,319**	57,151
Under current assets		
Financial assets at FVTPL:		
Listed securities listed outside Hong Kong, at fair value *(Note (b))*	**1,297**	2,304
	89,616	59,455

Notes:

(a) The unlisted equity securities represent investment in equity securities issued by private entities established and operate in the PRC, which were classified as financial assets at FVTPL.

(b) The equity securities listed in the PRC are held for trading purpose and are carried at fair value at the reporting period end, which was determined by reference to the closing price of the respective listed securities.

(c) At 31 March 2021, the Group's 15.2% equity investment in 內蒙古博源新型能源有限公司 with a fair value of HK$5,595,000 (2020: HK$6,618,000) was pledged to a bank as security for the Group's borrowings as referred to in Note 30(b)(i).

(d) Details of the fair value measurement of these financial assets are disclosed in Note 42(f) below.

22. PRINCIPAL SUBSIDIARIES

Particulars of principal subsidiaries as at 31 March 2021 are set out below.

Name	Place of incorporation and operation	Form of legal entity	Registered Capital	Proportion of ownership interest: Held by the Company %	Held by a subsidiary %	Attributable to the Group %	Principal activity
Inner Mongolia Zhunxing Heavy Haul Expressway Company Limited ("Zhunxing")	The PRC	Sino foreign joint equity enterprise	RMB2,513,920,600	–	86.87	86.87	Zhunxing Expressway and auxiliary facility investment, operation, management and maintenance
內蒙古准興高速服務區管理有限責任公司	The PRC	Wholly owned domestic enterprise	RMB10,000,000	–	100	86.87	Construction and operation of petrol and gas stations and service areas of Zhunxing Expressway
Leshan Zhongshun Oil and Gas Company Limited ("Leshan Zhongshun")	The PRC	Wholly owned domestic enterprise	RMB32,800,000	–	100	100	Operation of CNG gas stations
深圳市前海潤宏投資有限公司	The PRC	Wholly owned domestic enterprise	RMB10,000,000	–	100	100	Investment and asset management
樹人木業(深圳)有限公司	The PRC	Wholly foreign owned enterprise	RMB43,773,025	–	100	100	Timber log trading and sale of furniture and handicrafts
樹人木業(大埔)有限公司	The PRC	Wholly foreign owned enterprise	RMB102,175,000	–	100	100	Forest operation, timber logging and tree plantation
樹人苗木組培(大埔)有限公司	The PRC	Wholly foreign owned enterprise	RMB4,721,500	–	100	100	Plantation and trading of seedlings

22. PRINCIPAL SUBSIDIARIES *(Continued)*

Name	Place of incorporation and operation	Form of legal entity	Registered Capital	Proportion of ownership interest: Held by the Company %	Held by a subsidiary %	Attributable to the Group %	Principal activity
興寧樹人木業有限公司	The PRC	Wholly owned domestic enterprise	RMB30,000,000	–	100	100	Production and sale of plant-oil
Ar Horqin Banner Xinze Agricultural & Animal Husbandry Company Limited ("Xinze")	The PRC	Wholly foreign owned enterprise	RMB68,000,000	–	100	60	Growing and sales of forage and agricultural products
內蒙古准興新能源有限公司	The PRC	Wholly owned domestic enterprise	RMB100,000,000	–	100	100	Operation of solar power station
Red Sino Investments Limited ("Red Sino")	BVI	Limited liability company	USD100	–	60	60	Investment holding

Notes:

(i) The above table includes the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the results of the Group for the year or formed a substantial portion of the assets and liabilities of the Group at the end of the reporting period. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

(ii) The summary of financial information of Zhunxing and Xinze is disclosed in Note 41 to the consolidated financial statements.

23. INVENTORIES

(a) Inventories in the consolidated statement of financial position comprise:

	2021 **HK$'000**	2020 HK$'000
Raw materials	**59**	23
Finished goods	**23**	22
	82	45

23. INVENTORIES *(Continued)*

(a) Inventories in the consolidated statement of financial position comprise: *(Continued)*

An analysis of the Group's inventories at the reporting period and was categorised as follows:

	2021 HK$'000	2020 HK$'000
Forage products	**59**	23
Others	**23**	22
	82	45

(b) The analysis of the amount of inventories recognised as an expense and included in consolidated statement of profit or loss is as follows:

	2021 HK$'000	2020 HK$'000
Cost of inventories sold	**660**	47,628
Write-down of inventories in the normal course of business	**–**	475
	660	48,103

24. TRADE RECEIVABLES

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

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

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

24. TRADE RECEIVABLES *(Continued)*

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

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

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

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

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

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

Further details on the Group's credit policy and credit risk arising from trade receivables are set out in Note 42(c).

25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

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

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

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

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

26. AMOUNT DUE FROM NON-CONTROLLING SHAREHOLDER OF A SUBSIDIARY

Amount due from non-controlling shareholder of a subsidiary is unsecured, interest-free and repayable on demand.

27. CASH AND CASH EQUIVALENTS

	2021 HK$'000	2020 HK$'000
Cash and bank balances	**39,501**	32,312

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term time deposits were made for varying periods depending on the immediate cash requirements of the Group, and earned interest at the respective short-term time deposit rates.

28. OTHER PAYABLES

	2021	2020
	HK$'000	HK$'000
Contract liabilities *(Note (i))*	**4,560**	4,510
Construction costs payable	**2,041,703**	1,874,291
Retention and guarantee deposits	**178,170**	164,309
Accrued and default interest on the bank and other borrowings	**2,283,511**	1,140,977
Accrued default interest on non-convertible bonds *(Note 32)*	**964,818**	745,036
Other deposits and accruals	**270,512**	205,948
Refundable earnest monies received from the Purchaser C *(Note (ii))*	**273,579**	273,579
	6,016,853	4,408,650

Notes:

(i) Details of contract liabilities are as follows:

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

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

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

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

29. PROMISSORY NOTE

On 9 February 2010, the Company issued promissory note, with principal value of HK$280,000,000, to China Alliance International Holding Group Limited ("China Alliance").

The promissory note is unsecured and repayable by 14 quarterly instalments of HK$20,000,000 each with interest accrued thereon payable on the last day of every three months after the issue of the promissory note. The promissory note bears coupon interests at 1.5% per annum payable quarterly. The Company may, by giving prior written notice to the noteholder, repay in whole or in part the outstanding promissory note (in multiples of HK$20,000,000) at any time and from time to time after the date of issue of the promissory note.

During the year ended 31 March 2011, the Group defaulted on repayment of the principal and interest.

29. PROMISSORY NOTE *(Continued)*

Pursuant to the promissory note agreement, the promissory note holder was entitled to demand immediate repayment of any outstanding principal and accrued coupon interest. As a result, the carrying amount of promissory note plus accrued coupon interest of HK$285 million was classified under current liabilities since 31 March 2011.

On 23 May 2012, the Group and the promissory note holder signed a supplemental agreement pursuant to which the repayment terms of the promissory note were extended and the Group was required to pay a default interest at 0.05% per day (equivalent to annual interest rate of 18.25%) based on the outstanding principal amount and accrued coupon interest. At 31 March 2019, the cumulative default interest of HK$368,345,000 had been accrued and separately presented under other payables and accruals (Note 28).

On 16 April 2019, the promissory note, together with the accrued and default interests, was extinguished and replaced by new promissory notes of HK$683,348,000, which are unsecured and bearing coupon interest at 5% per annum. The new promissory notes, including the outstanding principal amount and total accrued interest, will be repayable on 15 April 2024. Interest on the new promissory notes of approximately HK$34,167,000 (2020: HK$32,857,000) was charged to profit or loss during the year ended 31 March 2021.

30. BORROWINGS

	2021 **HK$'000**	2020 HK$'000
Bank borrowings	**11,410,201**	10,532,636
Other borrowings	**474,589**	438,310
	11,884,790	10,970,946

(a) At 31 March 2021, borrowings of the Group were repayable as follows:

	2021 **HK$'000**	2020 HK$'000
Within 1 year or on demand	**1,644,532**	903,647
After 1 year but within 2 years	**521,456**	614,798
After 2 years but within 5 years	**2,025,104**	1,667,032
After 5 years	**7,693,698**	7,785,469
	10,240,258	10,067,299
Total borrowings	**11,884,790**	10,970,946
Less: Current portion of borrowings due for repayment within one year	**1,644,532**	903,647
Non-current portion of borrowings subject to immediate demand repayment clause	**10,240,258**	10,067,299

30. BORROWINGS *(Continued)*

(b) At 31 March 2021, borrowings of the Group were secured and guaranteed as follows:

	Notes	2021 HK$'000	2020 HK$'000
Secured and guaranteed	*(i)*	**11,410,201**	10,532,636
Unsecured and guaranteed	*(ii)*	**474,589**	438,310
		11,884,790	10,970,946

Notes:

(i) At 31 March 2021 and 2020, the secured borrowings of the Group, together with the interest accrued thereon, were secured by (a) Zhunxing's rights to receive of toll income of the Zhunxing Expressway; (b) the Group's equity interests in 內蒙古博源新型能源有限公司 with a fair value of HK$5,595,000 (2020: HK$6,618,000) (Note 21); (c) the equity interests in 內蒙古准興高速服務區管理有限責任公司; (d) the equity interests in Zhunxing; and (e) certain assets of Zhunxing.

The borrowings of the Group were also guaranteed by (a) the Company; (b) a non-controlling shareholder of Zhunxing; (c) a director of the Company and his spouse; and (d) Zhunxing.

(ii) At 31 March 2021 and 2020, the unsecured borrowings of the Group were guaranteed by (a) the Company and (b) a wholly-owned subsidiary of the Company.

(iii) The Group's available banking facilities as at 31 March 2021 amounted to approximately HK$11,884,790,000 (2020: HK$10,970,946,000), all of which HK$11,884,790,000 (2020: HK$10,970,946,000) has been utilised.

(iv) All of the bank and other borrowings were overdue at 31 March 2021 and 2020. On 29 October 2018, an independent third party lender commenced legal actions against the Company and the Group for immediate repayment of a total outstanding balance of other borrowing, accrued interests and accrued default interests of approximately RMB606,108,000 on 20 September 2018 (equivalent to approximately HK$694,237,000), which was accumulated to approximately RMB831,676,000 (equivalent to approximately HK$983,831,000) (2020: RMB742,282,000 (equivalent to approximately HK$810,675,000)) on 31 March 2021, for which a corporate guarantee has been issued by the Company.

31. DEFERRED TAX LIABILITIES

The components of deferred tax liabilities recognised in the consolidated statement of financial position and the movements during the current and prior years were as follows:

	Revaluation of property plant and equipment HK$'000	Revaluation of investment properties HK$'000	Total HK$'000
At 1 April 2019	1,042	244	1,286
Exchange difference	(310)	–	(310)
Charged to profit or loss	(732)	(244)	(976)
At 31 March 2020, 1 April 2020 and 31 March 2021	–	–	–

32. NON-CONVERTIBLE BONDS

As at 31 March 2021 and 2020, the carrying amounts of the non-convertible bonds (including the principals and the accrued default interests), which remain in default and became immediately repayable, are as below:

	Principal amounts HK$'000	**Coupon interests** HK$'000	**Carrying amounts** HK$'000	**Default interest** HK$'000 *(Note 28)*
31 March 2021				
Bond A	**500,000**	**19,295**	**519,295**	**125,286**
Bond B	**500,000**	**45,083**	**545,083**	**118,968**
Bond C	**832,000**	**2,468**	**834,468**	**204,569**
Bond D	**1,500,000**	**182,556**	**1,682,556**	**354,211**
Bond E	**700,000**	**114,246**	**814,246**	**161,784**
	4,032,000	**363,648**	**4,395,648**	**964,818**
31 March 2020				
Bond A	500,000	19,295	519,295	99,322
Bond B	500,000	45,083	545,083	91,714
Bond C	832,000	2,468	834,468	162,845
Bond D	1,500,000	182,556	1,682,556	270,084
Bond E	700,000	114,246	814,246	121,071
	4,032,000	363,648	4,395,648	745,036

(a) Mr. Cao Zhong has provided personal guarantees to the holders of Bond A and Bond B as to the due performance of all the obligations of the two bonds.

(b) In accordance with the bond instruments (as amended by their respective subsequent amendment agreements, as appropriate), in the events of defaults in the payment of any sum due and payable thereon these bonds, the Group shall be liable to pay default interest to these bondholders from due date to the date of actual payment in full calculated at the prime lending rate, as quoted by The Hongkong and Shanghai Banking Corporation Limited on a daily basis, accruing on these carrying amounts of HK$4,395,648,000 in default.

33. LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities at the end of the current and previous reporting periods:

	2021		2020	
	Present value of the minimum lease payments HK$'000	**Total minimum lease payments HK$'000**	Present value of the minimum lease payments HK$'000	Total minimum lease payments HK$'000
Within 1 year	**1,316**	**1,506**	1,186	1,425
After 1 year but within 2 years	**1,046**	**1,171**	1,276	1,456
After 2 years but within 5 years	**47**	**267**	970	1,377
After 5 years	**1,797**	**4,641**	1,746	4,284
	2,890	**6,079**	3,992	7,117
	4,206	**7,585**	5,178	8,542
Less: total future interest expenses		**(3,379)**		(3,364)
Present value of lease liabilities		**4,206**		5,178

34. SHARE CAPITAL

	Number of shares '000	**Amount** HK$'000
Ordinary shares of HK$0.20 each		
Issued and fully paid:		
As at 1 April 2019, 31 March 2020, 1 April 2020 and 31 March 2021	7,442,396	1,488,479

35. EQUITY-SETTLED SHARE-BASED PAYMENTS

A new share option scheme of the Company was adopted on 28 August 2014 (the "New Scheme") in place of the Share Option Scheme adopted on 16 July 2004 (the "Old Scheme") pursuant to the approval by the shareholders of the Company at the annual general meeting held on 28 August 2014. The New Scheme shall remain in force for 10 years from the adoption date unless otherwise terminated or amended.

The exercise price of the options shall be determined by the directors of the Company, but shall at least be the highest of (i) the Stock Exchange closing price of the Company's share on the date of the grant of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the grant of the share options; and (iii) the nominal value of an ordinary share. The maximum number of shares in respect of which options may be granted under the New Scheme shall not exceed 10% of the issued share capital of the Company from time to time.

At the end of the reporting period, the Company had no share option outstanding under the New Scheme.

36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2021 HK$'000	2020 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**9**	15
Right-of-use assets		**1,329**	2,088
Interests in subsidiaries, net		**222,256**	59,283
TOTAL NON-CURRENT ASSETS		**223,594**	61,386
CURRENT ASSETS			
Trade and other receivables		**259**	716
Cash and cash equivalents		**405**	257
TOTAL CURRENT ASSETS		**664**	973
CURRENT LIABILITIES			
Trade and other payables		**1,080,694**	859,552
Lease liabilities		**793**	754
Non-convertible bonds		**4,395,648**	4,395,648
Obligation under a financial guarantee for a subsidiary's other borrowings		**983,831**	810,675
TOTAL CURRENT LIABILITIES		**6,460,966**	6,066,629
NET CURRENT LIABILITIES		**(6,460,302)**	(6,065,656)
TOTAL ASSETS LESS CURRENT LIABILITIES		**(6,236,708)**	(6,004,270)
NON-CURRENT LIABILITIES			
Lease liabilities		**621**	1,413
Promissory notes		**750,372**	716,205
TOTAL NON-CURRENT LIABILITIES		**750,993**	717,618
NET LIABILITIES		**(6,987,701)**	(6,721,888)
CAPITAL AND RESERVES			
Share capital	*34*	**1,488,479**	1,488,479
Reserves	*37*	**(8,476,180)**	(8,210,367)
DEFICIENCY IN EQUITY		**(6,987,701)**	(6,721,888)

37. COMPANY'S RESERVES

	Share premium HK$'000 *(Note (i))*	**Capital redemption reserve** HK$'000	**Contributed surplus** HK$'000 *(Note (ii))*	**Accumulated losses** HK$'000	**Total** HK$'000
At 1 April 2019	1,880,939	3,800	64,314	(7,577,715)	(5,628,662)
Loss for the year	–	–	–	(2,581,705)	(2,581,705)
Total comprehensive loss for the year	–	–	–	(2,581,705)	(2,581,705)
At 31 March 2020 and 1 April 2020	**1,880,939**	**3,800**	**64,314**	**(10,159,420)**	**(8,210,367)**
Loss for the year	**–**	**–**	**–**	**(265,813)**	**(265,813)**
Total comprehensive loss for the year	**–**	**–**	**–**	**(265,813)**	**(265,813)**
At 31 March 2021	1,880,939	3,800	64,314	(10,425,233)	(8,476,180)

Notes:

(i) Under the Cayman Islands Companies Law, the funds in share premium account are distributable to shareholders of the Company provided that immediately following the date on which the distribution or dividend is proposed to be paid, the Company is able to pay its debts as they fall due in the ordinary course of business.

(ii) The contributed surplus of the Company represents the difference between the consolidated shareholders' funds of subsidiaries when they were acquired by the Company and the nominal amount of the Company's share capital issued for the acquisition.

(iii) At 31 March 2021 and 2020, the Company did not have distributable reserve.

38. OPERATING LEASES

Operating lease commitments – as a lessee

As at 31 March 2021, the Group had total future minimum lease payments under non-cancellable operating leases due at the end of reporting period as follows:

	2021 **HK$'000**	2020 HK$'000
Within one year	**306**	289
In the second to fifth year, inclusive	**–**	22
	306	311

Operating lease receivables – as a lessor

During the year ended 31 March 2021, the Group leases out CNG gas stations operation as a lessor of operating lease for which the rental income amounted to approximately HK$898,000 (2020: HK$187,000).

The minimum rent receivables under non-cancellable operating leases at the end of a reporting period are as follows:

	2021 **HK$'000**	2020 HK$'000
Within one year	**195**	123
In the second to fifth year, inclusive	**4,415**	3,212
Over five years	**10,359**	10,387
	14,969	13,722

39. CAPITAL COMMITMENTS

Capital commitments outstanding at 31 March 2021 not provided for in the consolidated financial statements were as follows:

	2021 **HK$'000**	2020 HK$'000
Contracted but not provided for		
– acquisition of property, plant and equipment	**23,128**	21,353

40. RELATED PARTY TRANSACTIONS

(a) Transactions between the Company and its subsidiaries, which are related parties of the Company,have been eliminated on consolidation and are not disclosed in this note.

(b) Save as disclosed elsewhere in these financial statements, the Group had the following major transactions with related parties during the years ended 31 March 2021 and 2020:

Related party relationship	**Type of transactions**	*Notes*	**For the year ended 31 March** **2021** **HK$'000**	 2020 HK$'000
Mr. Cao Zhong (a director of the Company)	Guarantees given to banks in respect of credit facilities granted to subsidiaries of the Company	*30*	**686,442**	633,747
Mr. Cao Zhong (a director of the Company)	Guarantees given for due performance of all obligations of two outstanding non-convertible bonds	*32(a)*	**1,064,378**	1,064,378

(c) Members of key management during the year comprised only of the directors whose remuneration is set out in Note 11 to the consolidated financial statements.

41. NON-CONTROLLING INTERESTS

The following table summarised the financial information relating to each of the Group's subsidiaries that has material non-controlling interests ("NCI") at the end of the reporting period. The summarised financial information presented below represents the amounts before any inter-company elimination.

For the year ended 31 March 2021	**Zhunxing Group HK$'000**	**Red Sino Group HK$'000**
NCI percentage	**13.13%**	**40%**
Revenue	**587,070**	**–**
Loss for the year	**(1,249,267)**	**(11,097)**
Total comprehensive loss	**(1,443,000)**	**(4,757)**
Loss allocated to NCI	**(164,029)**	**(4,439)**
Total comprehensive loss allocated to NCI	**(189,466)**	**(1,903)**
Cash flows from operating activities	**(6,126)**	**(9)**
Cash flows from investing activities	**(547)**	**–**
Cash flows from financing activities	**–**	**10**
Net cash outflows	**(6,673)**	**1**
As at 31 March 2021		
Current assets	**855,727**	**28**
Non-current assets	**12,599,985**	**76,122**
Current liabilities	**(17,300,724)**	**(747)**
Non-current liabilities	**(853,744)**	**–**
Net (liabilities)/assets	**(4,698,756)**	**75,403**
Accumulated NCI	**(616,947)**	**30,161**

41. NON-CONTROLLING INTERESTS *(Continued)*

For the year ended 31 March 2020	Zhunxing Group HK$'000	Red Sino Group HK$'000
NCI percentage	13.13%	40%
Revenue	514,356	–
Loss for the year	(3,095,942)	(72,473)
Total comprehensive loss	(3,086,855)	(81,378)
Loss allocated to NCI	(406,497)	(28,989)
Total comprehensive loss allocated to NCI	(405,304)	(32,551)
Cash flows from operating activities	142,856	(9)
Cash flows from investing activities	(55,893)	–
Cash flows from financing activities	(104,685)	7
Net cash outflows	(17,722)	(2)
As at 31 March 2020		
Current assets	357,455	25
Non-current assets	12,334,409	80,837
Current liabilities	(15,093,876)	(702)
Non-current liabilities	(853,744)	–
Net (liabilities)/assets	(3,255,756)	80,160
Accumulated NCI	(427,481)	32,064

42. FINANCIAL RISK MANAGEMENT

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk, liquidity risk and equity price risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

(a) Interest rate risk

The Group's interest rate risk mainly arises from borrowings. Borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest risk respectively. The Group's interest rate profile as monitored by management is set out below.

	2021		2020	
	Effective interest rate per annum	**HK$'000**	Effective interest rate per annum	HK$'000
Floating-rate on bank deposits	**0.33%**	**39,501**	0.74%	32,313
Floating-rate on borrowings	**8.01%**	**11,410,201**	7.60%	10,532,636
Fixed-rate on borrowings	**21.69%**	**474,589**	18.20%	438,310
Floating-rate on non-convertible bonds	**5%**	**4,395,648**	5.09%	4,395,648
Fixed-rate on promissory notes	**5%**	**750,372**	5.00%	716,205
Fixed-rate on lease liabilities	**4.75% to 5.64%**	**4,206**	4.75% to 5.64%	5,178

During the year ended 31 March 2021, it is estimated that a general increase of 100 basis points in interest rates, with all other variables held constant, would increase the Group's loss for the year and accumulated losses by approximately HK$133,410,000 (2020: increase the Group's loss and accumulated losses by approximately HK$125,988,000). Other components of consolidated equity would not have any impact.

(b) Foreign currency risk

The group companies mainly operated in their local jurisdiction with most of the transactions settled in their functional currency and did not have significant exposure to risk resulting from changes in foreign currency exchange rates.

(c) Credit risk

The Group's credit risk is primarily attributable to its trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry in which customers operate also has an influence on credit risk but to a lesser extent. At the end of the reporting period, the Group has a certain concentration of credit risk as 99% (2020: 99%) and 99% (2020: 99%) of the total trade receivables which was due from the Group's largest trade debtor and the three largest trade debtors, respectively.

The Group does not provide any guarantee which would expose the Group to credit risk.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are generally due within 60 days, extending up to over 180 days or more for major customers. The Group does not obtain collateral from customers.

42. FINANCIAL RISK MANAGEMENT *(Continued)*

(c) Credit risk *(Continued)*

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables (based on due date):

	As at 31 March 2021			
	Expected loss rate	**Gross carrying amount**	**Loss allowance**	**Net**
		HK$'000	**HK$'000**	**HK$'000**
Neither past due nor impaired	**0%**	**48,193**	**–**	**48,193**
Up to 30 days past due	**0%**	**226,638**	**–**	**226,638**
Over 30 days past due	**1.40%**	**513,118**	**7,181**	**505,937**
		787,949	**7,181**	**780,768**

	As at 31 March 2020			
	Expected loss rate	Gross carrying amount	Loss allowance	Net
		HK$'000	HK$'000	HK$'000
Neither past due nor impaired	0%	22,033	–	22,033
Up to 30 days past due	0%	123,766	–	123,766
Over 30 days past due	5.97%	111,039	6,630	104,409
		256,838	6,630	250,208

Expected loss rates are based on actual loss over the past 3 years. These rates are adjusted to reflect differences between economics conditions during the period over which the historic data has been collected, current conditions and the Group's view of economics conditions over the expected lives of the receivables.

42. FINANCIAL RISK MANAGEMENT *(Continued)*

(c) Credit risk *(Continued)*

For deposits, prepayments and other receivables, the directors make periodic individual assessment on the recoverability of other receivables and deposits based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The Group uses two categories for deposits, prepayments and other receivables which reflect their credit risk and how the loss provision is determined for each of the categories.

Category	Definition	Loss provision
Performing	Low risk of default and strong capacity to pay	12 month expected losses
Non-performing	Significant increase in credit risk	Lifetime expected losses

Impairment loss of HK$3,039,000 (2020: impairment loss of HK$87,150,000 recognised) was reversed for the year ended 31 March 2021.

The Group deposited bank balances with approved and reputable banks. Bankruptcy or insolvency of the banks may cause the Group's right with respect to bank balances held to be delayed or limited. The directors monitor the credit rating of these banks on an ongoing basis, and consider that the Group's exposure to credit risk at 31 March 2021 and 2020 were minimal.

42. FINANCIAL RISK MANAGEMENT *(Continued)*

(d) Liquidity risk

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 following table details the remaining contractual maturities at the end of reporting period of the Group's non-derivative financial liabilities and derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates, or if floating, based on rates current at the end of reporting period) and the earliest date the Group can be required to pay:

	Carrying amount HK$'000	Total contractual undiscounted cash flows HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000
2021						
Other payables	**6,012,293**	**6,012,293**	**6,012,293**	**–**	**–**	**–**
Promissory notes	**750,372**	**854,372**	**–**	**–**	**854,372**	**–**
Borrowings	**11,884,790**	**12,851,590**	**12,851,590**	**–**	**–**	**–**
Non-convertible bonds	**4,395,648**	**4,395,648**	**4,395,648**	**–**	**–**	**–**
Lease liabilities	**4,206**	**7,585**	**1,506**	**1,171**	**267**	**4,641**
	23,047,309	**24,121,488**	**23,261,037**	**1,171**	**854,639**	**4,641**
2020						
Other payables	4,404,140	4,404,140	4,404,140	–	–	–
Promissory notes	716,205	847,633	–	–	847,633	–
Borrowings	10,970,946	11,851,946	11,851,946	–	–	–
Non-convertible bonds	4,395,648	4,395,648	4,395,648	–	–	–
Lease liabilities	5,178	8,542	1,425	1,456	1,377	4,284
	20,492,117	21,507,909	20,653,159	1,456	849,010	4,284

42. FINANCIAL RISK MANAGEMENT *(Continued)*

(e) Equity price risk

The Group is exposed to equity price changes arising from equity investments classified as financial assets at fair value through profit or loss (Note 21).

Equity price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment (stock-specific) or its issuer, or factor affecting all instruments (generic risks) trade in the market.

The fair value of the Group's unlisted investments designated and carried at fair value through profit or loss are determined by reference to the sales multiple of enterprise value to sales ("EV/Sales") or enterprise value to EBITDA ("EV/EBITDA") of comparable listed companies in the same industry, after taking into account of discount for lack of marketability of 27% for the respective unlisted equity investments. The performance is assessed at least annually based on the information made available to the Group.

The Group's listed equity investments held for trading are listed on Shenzhen Stock Exchange and Shanghai Stock Exchange. Decisions to buy or sell trading are based on daily monitoring of the performance of the individual securities compared to that of other listed investments and other industry indicators, as well as the Group's liquidity needs.

At 31 March 2021, it is estimated that an increase/(decrease) of 5% in the relevant share market price, with all other variables held constant, would have (decreased)/increased the Group's loss for the year ended 31 March 2021 and accumulated losses by approximately HK$65,000 (2020: HK$115,000), respectively.

(f) Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair Value Measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

– Level 1 valuations: Fair value measured using only Level 1 inputs, that is, unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

– Level 2 valuations: Fair value measured using Level 2 inputs, that is, observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

– Level 3 valuations: Fair value measured using significant unobservable inputs.

An external independent valuation company, with appropriate recognised professional qualifications, is engaged to value the unlisted equity securities classified as financial assets at fair value though profit of loss at the end of each financial reporting period. Appropriate valuation methods and assumptions with reference to market conditions existing at the end of each financial reporting period to determine the fair value of the unlisted equity securities are adopted.

The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised into Level 1, 2 and 3, based on the degree to which the inputs to the fair value measurements are observable.

42. FINANCIAL RISK MANAGEMENT *(Continued)*

(f) Fair value hierarchy *(Continued)*

At 31 March 2021

	Fair value HK$'000	**Level 1 HK$'000**	**Level 2 HK$'000**	**Level 3 HK$'000**
Unlisted equity securities at fair value through profit or loss	**88,319**	**–**	**–**	**88,319**
Listed securities held for trading	**1,297**	**1,297**	**–**	**–**

At 31 March 2020

	Fair value HK$'000	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000
Unlisted equity securities at fair value through profit or loss	57,151	–	–	57,151
Listed securities held for trading	2,304	2,304	–	–

Information about the Level 3 fair value measurements of the unlisted equity investments carried at fair value through profit or loss at 31 March 2021 and 2020 are set out below:

	Valuation techniques	**Significant unobservable inputs**	**Key data applied** **31 March 2021**	31 March 2020
Unlisted equity securities at fair value through profit or loss:	Market comparable companies in the relevant industries	Discount for lack of marketability	**27%**	31%
4% equity interests in 內蒙古西北煤炭交易中心股份有限公司		EV/Sales	**4.75**	4.60
15.2% equity interests in 內蒙古博源新型能源有限公司		Average of EV/Sales and EV/EBITDA:		
		– EV/Sales	**0.72**	0.59
		– EV/EBITDA	**2.52**	6.50

42. FINANCIAL RISK MANAGEMENT *(Continued)*

(f) Fair value hierarchy *(Continued)*

Sensitivity analysis on changes in material inputs used in the valuation techniques are as follows:

Level 3 unlisted equity securities at fair value through profit or loss as at 31 March 2021

Changes on discount for lack of marketability	**Increased by 5%** HK$'000	**Decreased by 5%** HK$'000
(Decrease)/increase in fair value	(6,056)	6,045

Changes on the EV/Sales	**Increased by 5%** HK$'000	**Decreased by 5%** HK$'000
Increase/(decrease) in fair value	3,952	(3,952)

Changes on the EV/EBITDA	**Increased by 5%** HK$'000	**Decreased by 5%** HK$'000
Increase/(decrease) in fair value	48	(48)

The higher the discount for lack of marketability, the lower the fair value.

The higher the EV/Sales, the higher the fair value.

The higher the EV/EBITDA, the higher the fair value.

43. CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group's overall strategy remains unchanged during the year ended 31 March 2021.

The externally imposed capital requirement of the Group to maintain its listing on the Stock Exchange, it has to have a public float of at least 25% of the shares.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total liabilities divided by total assets. The gearing ratios at 31 March 2021 and 2020 are as follows:

	2021 **HK$'000**	2020 HK$'000
Total liabilities	**23,051,869**	20,496,627
Total assets	**13,863,365**	12,981,926
Gearing ratio	**166.3%**	157.9%

44. FAIR VALUE MEASUREMENT OF FINANCIAL ASSETS AND LIABILITIES

The carrying amounts of the Group's financial assets and financial liabilities as recognised at 31 March 2021 and 2020 may be categorised as follows:

	Notes	**2021** **HK$'000**	2020 HK$'000
Financial assets			
Financial assets at amortised cost *(Notes 24, 25, 26 and 27)*	*(a)*	**872,310**	310,676
Financial assets at fair value through profit or loss *(Note 21)*		**89,616**	59,455
Financial liabilities			
Financial liabilities measured at amortised cost	*(a)*	**23,043,103**	20,486,939

(a) Financial assets and liabilities not measured at fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values at 31 March 2021 and 2020.

45. CONTINGENT LIABILITIES

During the year ended 31 March 2018, the PRC Supreme Court issued an order to set aside an earlier judgement in favour of Zhunxing by a local court, in relation to the proceeding first taken by Zhunxing against an independent third party contractor who subsequently counterclaimed against Zhunxing for additional construction costs and various damages under two construction contracts (as varied by supplemental agreements in 2011), against which, the Group has recognised approximately RMB603.8 million (2020: RMB603.8 million) at 31 March 2021. The Group considered, after having sought legal advices, that Zhunxing has valid grounds to defend those unrecognised counterclaims for additional construction costs and accordingly, no additional provision is required at 31 March 2021 and 2020.

46. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Material non-cash transactions

During the year ended 31 March 2020, the Group entered into lease arrangements with a total present value of future lease payments at the inception of the leases of approximately HK$3,785,000, which were included in the right-of-use assets.

(b) Changes in liabilities arising from financing activities

	Lease liabilities HK$'000 *(Note 33)*	Borrowings HK$'000 *(Note 30)*	Non-convertible bonds HK$'000 *(Note 32)*	Promissory note HK$'000 *(Note 29)*	Interest payable HK$'000 *(Note 28)*	Refundable earnest monies received from the Purchaser C HK$'000 *(Note 28)*	Total HK$'000
At 1 April 2020	**5,178**	**10,970,946**	**4,395,648**	**716,205**	**1,886,013**	**273,579**	**18,247,569**
Changes from financing cash flows:							
Capital element of lease payments	**(1,208)**	**–**	**–**	**–**	**–**	**–**	**(1,208)**
Interest element of lease payments	**(247)**	**–**	**–**	**–**	**–**	**–**	**(247)**
Total changes from financing cash flows	**(1,455)**	**–**	**–**	**–**	**–**	**–**	**(1,455)**
Exchange adjustments	**236**	**913,844**	**–**	**–**	**114,723**	**–**	**1,028,803**
Other non-cash changes:							
Interest expenses	**247**	**–**	**–**	**34,167**	**1,247,593**	**–**	**1,282,007**
Total other changes	**247**	**–**	**–**	**34,167**	**1,247,593**	**–**	**1,282,007**
At 31 March 2021	**4,206**	**11,884,790**	**4,395,648**	**750,372**	**3,248,329**	**273,579**	**20,556,924**

46. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

(b) Changes in liabilities arising from financing activities *(Continued)*

	Lease liabilities HK$'000 *(Note 33)*	Borrowings HK$'000 *(Note 30)*	Non-convertible bonds HK$'000 *(Note 32)*	Promissory note HK$'000 *(Note 29)*	Interest payable HK$'000 *(Note 28)*	Refundable earnest monies received from the Purchaser C HK$'000 *(Note 28)*	Total HK$'000
At 1 April 2019	–	11,781,452	4,395,648	315,003	1,196,361	273,579	17,962,043
Changes from financing cash flows:							
Repayment of borrowings	–	(33,649)	–	–	–	–	(33,649)
Capital element of lease payments	(228)	–	–	–	–	–	(228)
Interest element of lease payments	(144)	–	–	–	–	–	(144)
Interest paid	–	–	–	–	(45,350)	–	(45,350)
Total changes from financing cash flows	(372)	(33,649)	–	–	(45,350)	–	(79,371)
Exchange adjustments	(151)	(776,857)	–	–	(93,290)	–	(870,298)
Other non-cash changes:							
Issuing new promissory notes	–	–	–	368,345	(368,345)	–	–
Interest expenses	144	–	–	32,857	1,196,637	–	1,229,638
Right-of-use assets relating to operating leases of office premises recognised upon application of HKFRS 16	1,772	–	–	–	–	–	1,772
New leases	3,785	–	–	–	–	–	3,785
Total other changes	5,701	–	–	401,202	828,292	–	1,235,195
At 31 March 2020	5,178	10,970,946	4,395,648	716,205	1,886,013	273,579	18,247,569

47. EVENTS AFTER THE REPORTING PERIOD END

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

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

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

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

48. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors of the Company on 30 June 2021.

SUMMARY OF FINANCIAL INFORMATION

For the year ended 31 March 2021

The summarised consolidated results, assets and liabilities of the Group for the last five financial years, as extracted from the audited consolidated financial statements of the Group, were set out below:

	Year ended 31 March				
	2017 HK$'000	2018 HK$'000	2019 HK$'000	2020 HK$'000	**2021** **HK$'000**
RESULTS					
Revenue	727,616	822,086	867,377	567,562	**598,117**
Loss before taxation	(1,792,677)	(1,400,858)	(1,190,651)	(3,591,190)	**(1,500,930)**
Income tax credit/(expense)	8,234	(774)	85	974	**–**
Loss for the year	(1,784,443)	(1,401,632)	(1,190,566)	(3,590,216)	**(1,500,930)**
Attributable to:					
Owners of the Company	(1,676,202)	(1,284,931)	(1,072,414)	(3,154,695)	**(1,332,463)**
Non-controlling interests	(108,241)	(116,701)	(118,152)	(435,521)	**(168,467)**
	(1,784,443)	(1,401,632)	(1,190,566)	(3,590,216)	**(1,500,930)**
ASSETS AND LIABILITIES					
Total assets	16,292,532	18,385,222	16,439,350	12,981,926	**13,863,365**
Total liabilities	(17,888,964)	(20,961,846)	(20,352,177)	(20,496,627)	**(23,051,869)**
Non-controlling interests	(185,966)	(159,038)	(30,525)	407,340	**598,747**
Shareholders' funds attributable to owners of the Company	(1,782,398)	(2,735,662)	(3,943,352)	(7,107,361)	**(8,589,757)**