



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

INTERIM REPORT 2021

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

- Mr. Cao Zhong (*Chairman*)
(resigned on 28 October 2021)
- Mr. Fung Tsun Pong (*Chairman*)
(re-designated from Vice-Chairman
to Chairman on 28 October 2021)
- Mr. Gao Zhiping
(*Chief Executive Officer*)
- Mr. Tsang Kam Ching, David
(*Finance Director*)
(resigned on 7 September 2021)
- Mr. Jiang Tao
- Mr. Duan Jingquan
- Mr. Li Wing Chiu
(appointed on 15 June 2021 and
removed on 15 November 2021)

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
(resigned on 28 October 2021)
- Mr. Bao Liang Ming
- Mr. Xue Baozhong
- Ms. Chan Chu Hoi
- Mr. Fung Tsun Pong
(appointed on 28 October 2021)

Nomination Committee

- Mr. Cao Zhong (*Chairman*)
(resigned on 28 October 2021)
- Mr. Fung Tsun Pong (*Chairman*)
(appointed on 28 October 2021)
- 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
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COMPANY WEBSITE

<http://www.crtg.com.hk>

HIGHLIGHTS

- Unaudited revenues for the six months ended 30 September 2021 amounted to approximately HK\$195,967,000 (mainly including toll income from toll road operations of approximately HK\$193,996,000, whereas an unaudited revenues of approximately HK\$288,398,000 (mainly including toll income from toll road operations of approximately HK\$285,367,000 was recorded in the corresponding period of last year.
- The Group recorded an unaudited positive EBITDA (defined as earnings before finance cost, income tax, depreciation, gain on extinguishing financial liability by issuing new shares, amortisation and non-cash changes in values of assets and liabilities) of approximately HK\$149,588,000 for the six months ended 30 September 2021, whereas an unaudited positive EBITDA of approximately HK\$230,226,000 was recorded for the six months ended 30 September 2020.
- Unaudited net loss attributable to owners of the Company for the six months ended 30 September 2021 amounted to approximately HK\$517,808,000, whereas the amount was approximately HK\$912,094,000 in the corresponding period of last year.
- The directors of the Company did not declare any dividend for the six months ended 30 September 2021 (six months ended 30 September 2020: HK\$Nil).

INTERIM RESULTS

The board of directors (the "Board") of China Resources and Transportation Group Limited (the "Company") announces the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2021 and the unaudited consolidated statement of financial position of the Group as at 30 September 2021.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 September 2021

	Notes	Six months ended 30 September	
		2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Revenues	3	195,967	288,398
Cost of sales and other direct operating costs		(415,657)	(387,749)
Gross loss		(219,690)	(99,351)
Other income and other gains or losses	5	2,768	6,259
Gain on extinguishing financial liabilities by issuing new shares		267,880	–
Selling and administrative expenses		(32,717)	(38,248)
Finance costs	6	(642,398)	(898,324)
Impairment loss on property, plant and equipment		(1,253)	(977)
Impairment loss on right-of-use assets		–	(420)
Reversal of impairment loss on trade and other receivables, net		7,167	86
Loss before income tax	7	(618,243)	(1,030,975)
Income tax expense	8	–	–
Loss for the period		(618,243)	(1,030,975)
Loss for the period attributable to:			
– Owners of the Company		(517,808)	(912,094)
– Non-controlling interests		(100,435)	(118,881)
		(618,243)	(1,030,975)
		HK\$	HK\$
		(Unaudited)	(Unaudited)
Loss per share attributable to owners of the Company			
– Basic	10	(0.06)	(0.12)
– Diluted	10	N/A	N/A

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2021

	Six months ended 30 September	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Loss for the period	(618,243)	(1,030,975)
Other comprehensive income:		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
– Exchange differences on translation of financial statements of foreign operations	(52,335)	(86,505)
Total comprehensive income for the period	(670,578)	(1,117,480)
Total comprehensive income for the period attributable to:		
– Owners of the Company	(563,419)	(986,910)
– Non-controlling interests	(107,159)	(130,570)
	(670,578)	(1,117,480)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2021

		At 30 September 2021 HK\$'000 (Unaudited)	At 31 March 2021 HK\$'000 (Audited)
NON-CURRENT ASSETS			
Concession intangible asset	12	12,087,081	12,235,111
Property, plant and equipment	11	454,915	483,594
Right-of-use assets		88,987	93,303
Biological assets		81,575	79,840
Financial asset at fair value through profit or loss		89,839	88,319
TOTAL NON-CURRENT ASSETS		12,802,397	12,980,167
CURRENT ASSETS			
Inventories		88	82
Trade receivables	13	625,956	780,768
Prepayments, deposits and other receivables	13	381,419	46,172
Financial asset at fair value through profit or loss		-	1,297
Amounts due from non-controlling shareholder of a subsidiary		15,643	15,378
Cash and cash equivalents		24,497	39,501
TOTAL CURRENT ASSETS		1,047,603	883,198
TOTAL ASSETS		13,850,000	13,863,365

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2021

		At 30 September 2021 HK\$'000 (Unaudited)	At 31 March 2021 HK\$'000 (Audited)
CURRENT LIABILITIES			
Other payables	14	6,756,440	6,016,853
Lease liabilities		1,376	1,316
Borrowings	16	12,090,220	11,884,790
Non-convertible bonds	17	4,395,648	4,395,648
TOTAL CURRENT LIABILITIES		23,243,684	22,298,607
NET CURRENT LIABILITIES		(22,196,081)	(21,415,409)
TOTAL ASSETS LESS CURRENT LIABILITIES			
		(9,393,684)	(8,435,242)
NON-CURRENT LIABILITIES			
Promissory notes	15	435,050	750,372
Lease liabilities		2,228	2,890
TOTAL NON-CURRENT LIABILITIES		437,278	753,262
TOTAL LIABILITIES		23,680,962	23,051,869
NET LIABILITIES		(9,830,962)	(9,188,504)
CAPITAL AND RESERVES			
Share capital	18	1,784,479	1,488,479
Reserves		(10,909,535)	(10,078,236)
Equity attributable to owners of the Company		(9,125,056)	(8,589,757)
Non-controlling interests		(705,906)	(598,747)
TOTAL DEFICIT		(9,830,962)	(9,188,504)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2021

	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Capital reserve HK\$'000 (Note (i))	Statutory reserve HK\$'000 (Note (ii))	Translation reserve HK\$'000 (Note (iii))	Accumulated losses HK\$'000	Sub-Total HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
At 1 April 2020 (Audited)	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 period	-	-	-	-	-	-	(912,094)	(912,094)	(118,881)	(1,030,975)
Exchange differences on translation of financial statements of foreign operations	-	-	-	-	-	(74,816)	-	(74,816)	(11,689)	(86,505)
Total comprehensive income for the period	-	-	-	-	-	(74,816)	(912,094)	(986,910)	(130,570)	(1,117,480)
Transfer of statutory reserves	-	-	-	-	295	-	(295)	-	-	-
At 30 September 2020 (Unaudited)	1,488,479	1,880,939	3,800	795,363	1,118	(74,981)	(12,188,989)	(8,094,271)	(537,910)	(8,632,181)

	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Capital reserve HK\$'000 (Note (i))	Statutory reserve HK\$'000 (Note (ii))	Translation reserve HK\$'000 (Note (iii))	Accumulated losses HK\$'000	Sub-Total HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
At 1 April 2021 (Audited)	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)
Loss for the period	-	-	-	-	-	-	(517,808)	(517,808)	(100,435)	(618,243)
Exchange differences on translation of financial statements of foreign operations	-	-	-	-	-	(45,611)	-	(45,611)	(6,724)	(52,335)
Total comprehensive income for the period	-	-	-	-	-	(45,611)	(517,808)	(563,419)	(107,159)	(670,578)
Issue of shares (Note 18)	296,000	(267,880)	-	-	-	-	-	28,120	-	28,120
At 30 September 2021 (Unaudited)	1,784,479	1,613,059	3,800	795,363	1,118	(195,709)	(13,127,166)	(9,125,056)	(705,906)	(9,830,962)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2021

Notes:

- (i) The capital reserve represented capitalisation of payables to non-controlling interests.
- (ii) In accordance with the relevant regulations in the People's Republic of China (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.
- (iii) The translation reserve represents all exchange differences arising from the translation of financial statements of operations outside Hong Kong.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2021

	Six months ended 30 September	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Cash flow from operating activities		
Operating profit before changes in working capital	147,938	225,301
Net changes in working capital	(163,065)	(206,406)
Net cash (used in)/generated from operating activities	(15,127)	18,895
Cash flow from investing activities		
Proceeds from disposal of property, plant and equipment	11	2
Other cash flows arising from investing activities	158	(717)
Net cash generated from/(used in) investing activities	169	(715)
Cash flow from financing activities		
Interest paid	(104)	(820)
Other cash flows arising from financing activities	(651)	(543)
Net cash used in financing activities	(755)	(1,363)
Net (decrease)/increase in cash and cash equivalents	(15,713)	16,817
Effect of foreign exchange rate changes	709	6,142
Cash and cash equivalents at beginning of period	39,501	32,312
Cash and cash equivalents at end of period	24,497	55,271

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The Group incurred a net loss of approximately HK\$618,243,000 for the six months ended 30 September 2021 and as of that date, the Group had net current liabilities and net liabilities of approximately HK\$22,196,081,000 and HK\$9,830,962,000, respectively. The Company was in default in the repayment of the borrowings of approximately HK\$12,090,220,000 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\$3,916,129,000, totaling approximately HK\$20,401,997,000 are classified under current liabilities at 30 September 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.

1. BASIS OF PREPARATION *(Continued)*

Assuming 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 unaudited interim consolidated financial statements of the Group for the six months ended 30 September 2021 (the “Interim Financial Statements”). Accordingly, the Interim Financial Statements have been prepared on a going concern basis.

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

- (i) Successfully negotiating with the PRC banks and other financial institutions in respect of 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 the Interim Financial Statements.

1. BASIS OF PREPARATION *(Continued)*

The Interim Financial Statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and with Hong Kong Accounting Standard (the “HKAS”) 34 – Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

The preparation of the Interim Financial Statements in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The Interim Financial Statements contain unaudited consolidated financial statements and selected explanatory notes. These notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the annual financial statements of the Group for the year ended 31 March 2021 (the “Annual Financial Statements”). The Interim Financial Statements thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (the “HKFRSs”) (which in collective term includes all applicable HKFRSs, HKASs and Interpretations) issued by the HKICPA.

The accounting policies adopted for preparation of the Interim Financial Statements are consistent with those applied in the preparation of the Annual Financial Statements, except for the adoption of the new and revised HKFRSs as disclosed in Note 2 to the Interim Financial Statements in this report. The Interim Financial Statements are unaudited, but have been reviewed by the audit committee of the Company.

The Interim Financial Statements should be read in conjunction with the Annual Financial Statements.

2. ADOPTION OF NEW AND REVISED STANDARDS

The Group has adopted all of the new and revised standards, amendments and interpretations which are relevant to its operations and effective for the first time in the current period. The adoption of the new and revised standards, amendments and interpretations has had no significant impact on the accounting policies of the Group and did not require retrospective adjustments.

The Group has not early adopted the new standards and amendment to standards that have been issued but are not yet effective. The directors of the Company anticipate that the application of the new and revised standards will have no material impact on the consolidated results and financial position of the Group.

3. REVENUES

Revenues are derived 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 period are as follows:

	Six months ended	
	30 September	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Toll road fees	193,996	285,367
Revenue from electricity supply	1,971	3,031
	195,967	288,398

4. SEGMENT INFORMATION

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

The Group has three reportable segments. These 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, refined plant oil, sales of agricultural and forage products and electricity supply by solar power stations.

There was no inter-segment sale or transfer during the period (six months ended 30 September 2020: HK\$Nil). Central revenue and expenses are not allocated to the operating segments as they are not included in the measure of the segments' results that is used by the chief operating decision makers for assessment of segment performance. The measure used for reportable segment profit or loss is loss before unallocated finance costs and taxation.

Segment assets exclude financial assets at fair value through profit or loss, amount due from a 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 promissory notes and non-convertible bonds, lease liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

4. SEGMENT INFORMATION *(Continued)*

(a) Reportable Segment

	Expressway operations		CNG gas stations operation		Others		Total	
	Six months ended		Six months ended		Six months ended		Six months ended	
	30 September		30 September		30 September		30 September	
	2021	2020	2021	2020	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue from external customers	193,996	285,367	-	-	1,971	3,031	195,967	288,398
Inter-segment revenue	-	-	-	-	-	-	-	-
Reportable segment revenue	193,996	285,367	-	-	1,971	3,031	195,967	288,398
Reportable segment loss	(750,209)	(891,589)	(345)	(1,743)	(9,934)	(6,167)	(760,488)	(899,499)
Adjusted EBITDA (Note)	151,623	231,813	1,141	-	(413)	2,052	152,351	233,865
Amortisation of concession intangible asset	355,686	322,080	-	-	-	-	355,686	322,080
	At	At	At	At	At	At	At	At
	30 September	31 March	30 September	31 March	30 September	31 March	30 September	31 March
	2021	2021	2021	2021	2021	2021	2021	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
Reportable segment assets	13,405,305	13,399,275	17,271	16,863	280,501	284,841	13,703,077	13,700,979
Reportable segment liabilities	(17,307,924)	(16,496,524)	(1,050)	(1,032)	(117,846)	(123,822)	(17,426,820)	(16,621,378)

Note:

Adjusted EBITDA is defined as earnings before finance costs, taxation, depreciation, amortisation, gain on extinguishing financial liabilities by issuing new shares and non-cash change in values of assets and liabilities.

4. SEGMENT INFORMATION *(Continued)***(b) Reconciliation of reportable segment results**

	Six months ended	
	30 September	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Reportable segment loss		
before unallocated finance cost		
and income tax	(760,488)	(899,499)
Unallocated other income and		
other gains or losses	1,797	2,662
Unallocated finance costs	(122,489)	(127,453)
Fair value gain on financial		
assets at fair value		
through profit or loss	–	492
Net realised gain on disposal of		
financial assets at fair value		
through profit or loss	190	15
Gain on extinguishing financial		
liabilities by issuing new shares	267,880	–
Unallocated corporate expenses	(5,133)	(7,192)
Consolidated loss before income		
tax	(618,243)	(1,030,975)

5. OTHER INCOME AND OTHER GAINS OR LOSSES

	Six months ended 30 September	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Gain/(loss) on disposal of property, plant and equipment	7	(8)
Interest income	29	70
Exchange gain, net	1,422	2,049
Net realised gain on disposal of financial assets at fair value through profit or loss	190	15
Fair value gain on financial assets at fair value through profit or loss	–	492
Rental income	1,061	704
Others	59	2,937
	2,768	6,259

6. FINANCE COSTS

	Six months ended 30 September	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Default interest expenses on bank and other borrowings	519,918	770,874
Interest expenses on lease liabilities	104	128
Default interest expenses on non-convertible bonds	110,192	110,192
Interest expenses on promissory notes	12,184	17,130
	642,398	898,324

7. LOSS BEFORE INCOME TAX

Loss before income tax is stated after charging/(crediting):

	Six months ended	
	30 September	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment	37,484	34,367
Depreciation of right-of-use assets	6,057	5,608
Amortisation of concession intangible asset included in cost of sales	355,686	322,080
Impairment loss on property, plant and equipment	1,253	977
Impairment loss on right-of-use assets	–	420
Cost of inventories sold	35	177
Short-term lease payments	894	931
Staff costs (excluding directors' remuneration)		
– Salaries and allowances	28,926	23,776
– Defined contributions pension costs	2,872	1,520
	31,798	25,296

8. INCOME TAX EXPENSE

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 six months ended 30 September 2021 and 2020.

All of the Group's subsidiaries established and operating in the PRC are subject to PRC enterprise income tax of 25% during the six months ended 30 September 2021 (six months ended 30 September 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 of "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 six months ended 30 September 2021 and 2020.

9. DIVIDEND

The directors of the Company do not recommend the payment of a dividend for the six months ended 30 September 2021 (six months ended 30 September 2020: HK\$Nil).

10. LOSS PER SHARE

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

Loss attributable to owners of the Company

	Six months ended 30 September	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss for the purpose of basic and diluted loss per share	(517,808)	(912,094)
Number of shares:	'000	'000
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	8,291,576	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 the six months ended 30 September 2021 and 2020.

11. PROPERTY, PLANT AND EQUIPMENT

Impairment losses of approximately HK\$1,253,000 (six months ended 30 September 2020: HK\$977,000) were recognised in respect of property, plant and equipment for six months ended 30 September 2021. During the six months ended 30 September 2021, additions to property, plant and equipment amounted to approximately HK\$1,382,000 (six months ended 30 September 2020: amounted to approximately HK\$558,000) and disposal of property, plant and equipment amounted to a net carrying amount of approximately HK\$3,600 (six months ended 30 September 2020: approximately HK\$10,000).

12. CONCESSION INTANGIBLE ASSET

	At 30 September 2021 HK\$'000 (Unaudited)	At 31 March 2021 HK\$'000 (Audited)
Cost:		
At 1 April 2021 and 1 April 2020	19,990,136	18,728,080
Exchange differences	282,958	1,262,056
	20,273,094	19,990,136
Accumulated amortisation and impairment:		
At 1 April 2021 and 1 April 2020	7,755,025	6,791,586
Amortisation for the period/year	355,686	650,969
Exchange differences	75,302	312,470
	8,186,013	7,755,025
Net carrying amount:		
At 30 September 2021 and 31 March 2021	12,087,081	12,235,111

12. CONCESSION INTANGIBLE ASSET *(Continued)*

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 periods 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 six months ended 30 September 2021 and 2020.

13. TRADE AND OTHER RECEIVABLES

	At 30 September 2021 HK\$'000 (Unaudited)	At 31 March 2021 HK\$'000 (Audited)
Trade receivables	633,260	787,949
Less: Provision for impairment loss	(7,304)	(7,181)
Trade receivables, net	625,956	780,768
Other receivables	534,293	208,839
Other loan receivables	64,742	63,647
Prepayments	29,313	24,652
Deposits	1,896	1,860
Impairment allowance	(248,825)	(252,826)
Prepayments, deposits and other receivables, net	381,419	46,172

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.

13. TRADE AND OTHER RECEIVABLES *(Continued)*

During the year ended 31 March 2020, the Intermediate People’s Court of Beijing Municipality (the “Court”) ordered the Ministry of Transport of the PRC to withhold the Group’s toll road income receivables 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 Court on 22 April 2020, the Court ordered to release a sum of RMB12,000,000 and RMB170,000 daily to the Group. On 15 April 2021, the Supreme People’s Court of Inner Mongolia Municipality ordered the Ministry of Transport of the PRC to further withhold the Group’s toll road income receivables as security for the other overdue bank borrowings together with accrued interests, up to a maximum amount of RMB8,838,000,000.

Pursuant to a court order issued by the Intermediate People’s Court of Inner Mongolia Municipality (the “Mongolia Intermediate Court”) on 12 July 2021, the Mongolia Intermediate Court ordered to release RMB5,000,000 monthly from July to October 2021 to the Group.

The Group considered that the toll road income receivables can be recovered in full, taking into consideration of the historical bad debt rate and the abilities of the Ministry of Transport of the PRC to settle the receivables and accordingly, no provision is required at 30 September 2021 and 31 March 2021.

The below table reconciles the impairment loss of trade receivables for the period/year:

	At 30 September 2021 HK\$'000 (Unaudited)	At 31 March 2021 HK\$'000 (Audited)
At 1 April 2021 and 1 April 2020	7,181	6,630
Exchange differences	123	551
At 30 September 2021 and 31 March 2021	7,304	7,181

13. TRADE AND OTHER RECEIVABLES *(Continued)*

Details of the ageing analysis of trade receivables of the Group (net of impairment loss) based on the invoice date, are as follows:

	At	At
	30 September	31 March
	2021	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Outstanding balances aged:		
0 to 30 days	28,042	32,288
31 to 60 days	27,072	15,905
61 to 90 days	102,762	226,638
Over 90 days	468,080	505,937
	625,956	780,768

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

	At	At
	30 September	31 March
	2021	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Neither past due nor impaired	28,042	32,288
30 to 90 days past due	129,834	242,543
Over 90 days past due	468,080	505,937
	625,956	780,768

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

13. TRADE AND OTHER RECEIVABLES *(Continued)*

The below table reconciles the impairment loss of prepayment, deposits and other receivables for the period/year:

	At 30 September 2021 HK\$'000 (Unaudited)	At 31 March 2021 HK\$'000 (Audited)
At 1 April 2021 and 1 April 2020	252,826	241,887
Impairment loss recognised	–	17
Reversal of impairment	(7,167)	(3,056)
Exchange differences	3,166	13,978
	248,825	252,826

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, the past due status of doubtful debtors and forward-looking information.

At 30 September 2021, other loan receivables represented the balance of an unsecured advance of RMB50,000,000 (31 March 2021: RMB50,000,000) made to a third party in August 2015 and the interest accrued thereon, totaling approximately HK\$64,742,000 (31 March 2021: HK\$63,647,000) which had been overdue since 2016 and accordingly, full impairment on the carrying balance of approximately HK\$64,742,000 (31 March 2021: HK\$63,647,000) was recognised.

14. OTHER PAYABLES

	At 30 September 2021 HK\$'000 (Unaudited)	At 31 March 2021 HK\$'000 (Audited)
Contract liabilities	5,520	4,560
Construction cost payable	2,067,351	2,041,703
Retention and guarantee deposits	181,237	178,170
Accrued and default interest on bank and other borrowings	2,841,119	2,283,511
Accrued and default interests on non- convertible bonds	1,075,010	964,818
Accrued interest on promissory note	31,506	–
Other deposits and accruals	281,118	270,512
Refundable earnest monies received from the Purchaser C (<i>Note b</i>)	273,579	273,579
	6,756,440	6,016,853

Notes:

- (a) The carrying amounts of other payables at the end of reporting period approximate their fair values.
- (b) 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 year 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 (31 March 2021: HK\$273,579,000) will be refundable by the Group to Purchaser C if the disposal transaction was not proceeded.

15. 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 note holder, 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 of the promissory note.

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.

15. PROMISSORY NOTE *(Continued)*

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.

On 1 June 2021, the Company and one of holders of the promissory note (the "Noteholder") entered into settlement deed with respect to the winding-up petition from the Noteholder against the Company and being dismissed on 26 May 2021, promissory note with the principal amount of HK\$296,000,000 held by the Noteholder, and subscription of new shares in the Company by the Noteholder (the "Settlement Deed"). Pursuant to the Settlement Deed, the Company issued 1,480,000,000 new ordinary shares of HK\$0.20 each at the subscription price of HK\$0.20 per shares, with an aggregate consideration of HK\$296,000,000, to the Noteholder. Upon the completion of the shares subscription, the promissory note with the principal amount of HK\$296,000,000 was extinguished. Details of the share subscription were set out in the Company's announcement dated 1 June 2021 and 18 June 2021 respectively.

Interest on the new promissory notes of approximately HK\$12,184,000 (six months ended 30 September 2020: approximately HK\$17,130,000) was charged to profit or loss during the six months ended 30 September 2021.

16. BORROWINGS

	At 30 September 2021 HK\$'000 (Unaudited)	At 31 March 2021 HK\$'000 (Audited)
Bank borrowings	11,607,498	11,410,201
Other borrowings	482,722	474,589
	12,090,220	11,884,790

16. BORROWINGS *(Continued)*

At 30 September 2021, borrowings of the Group were repayable as follows:

	At 30 September 2021 HK\$'000 (Unaudited)	At 31 March 2021 HK\$'000 (Audited)
Within 1 year or on demand	1,938,024	1,644,532
After 1 year but within 2 years	571,175	521,456
After 2 years but within 5 years	2,199,266	2,025,104
After 5 years	7,381,755	7,693,698
	10,152,196	10,240,258
Total borrowings	12,090,220	11,884,790
Less: Current portion of borrowings due for repayment within one year	1,938,024	1,644,532
Non-current portion of borrowings subject to immediate demand repayment clause	10,152,196	10,240,258

16. BORROWINGS *(Continued)*

At 30 September 2021, borrowings of the Group were secured and guaranteed as follows:

	<i>Notes</i>	At 30 September 2021 HK\$'000 (Unaudited)	At 31 March 2021 HK\$'000 (Audited)
Secured	<i>(i)</i>	11,607,498	11,410,201
Unsecured	<i>(ii)</i>	482,722	474,589
		12,090,220	11,884,790

Notes:

- (i) At 30 September 2021 and 31 March 2021, the secured borrowings of the Group, together with the interest accrued thereon, were secured by (a) Zhunxing's rights to receive 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 approximately HK\$5,692,000 (31 March 2021: approximately HK\$5,595,000); (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.

At 30 September 2021 and 31 March 2021, 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 30 September 2021 and 31 March 2021, 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 credit facilities as at 30 September 2021 amounted to approximately HK\$12,090,220,000 (31 March 2021: approximately HK\$11,884,790,000), out of which approximately HK\$12,090,220,000 (31 March 2021: approximately HK\$11,884,790,000) had been utilised.
- (iv) All of the bank and other borrowings were overdue at 30 September 2021 and 31 March 2021. 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 at 20 September 2018 (equivalent to approximately HK\$694,237,000), which was accumulated to approximately RMB876,495,000 (31 March 2021: approximately RMB831,676,000) (equivalent to approximately HK\$1,054,695,000 (31 March 2021: approximately HK\$983,831,000)) at 30 September 2021, for which a corporate guarantee has been issued by the Company.

17. NON-CONVERTIBLE BONDS

As at 30 September 2021 and 31 March 2021, 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	Coupon interests	Carrying amounts	Default interest payable <i>(Note 14)</i>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 30 September 2021				
(Unaudited)				
Bond A	500,000	19,295	519,295	138,304
Bond B	500,000	45,083	545,083	132,633
Bond C	832,000	2,468	834,468	225,488
Bond D	1,500,000	182,556	1,682,556	396,390
Bond E	700,000	114,246	814,246	182,195
	4,032,000	363,648	4,395,648	1,075,010
As at 31 March 2021				
(Audited)				
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

17. NON-CONVERTIBLE BONDS *(Continued)*

- (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.

18. SHARE CAPITAL

	At 30 September 2021		At 31 March 2021	
	No. of shares '000	Amount HK\$'000 (Unaudited)	No. of shares '000	Amount HK\$'000 (Audited)
Authorised:				
Ordinary shares of HK\$0.20 each				
At 1 April 2020, 31 March 2021, 1 April 2021 and 30 September 2021	20,000,000	4,000,000	20,000,000	4,000,000
Issued and fully paid:				
Ordinary shares of HK\$0.20 each				
At 1 April 2020 and 1 April 2021	7,442,396	1,488,479	7,442,396	1,488,479
Issue of shares under subscription (<i>note</i>)	1,480,000	296,000	–	–
At 30 September 2021 and 31 March 2021	8,922,396	1,784,479	7,442,396	1,488,479

Note: Pursuant to the Settlement Deed dated 1 June 2021, the Company issued 1,480,000,000 new ordinary shares of HK\$0.20 each at the subscription price of HK\$0.20 per shares, with an aggregate consideration of HK\$296,000,000, to the Noteholder (the "Consideration"). The Consideration was set off against the promissory note with the principal amount of HK\$296,000,000. Details of the share subscription were set out in the Company's announcement dated 1 June 2021 and 18 June 2021 respectively.

19. OPERATING LEASES**Operating lease commitments – as a lessee**

As at 30 September 2021, the Group had total future minimum lease payments under non-cancellable operating leases due at the end of reporting period as follows:

	At 30 September 2021 HK\$'000 (Unaudited)	At 31 March 2021 HK\$'000 (Audited)
Within one year	123	306

Operating lease receivables – as a lessor

During the six months ended 30 September 2021, the Group leases out CNG gas stations operation as a lessor of operating lease for which the rental income amounted to approximately HK\$750,000 (six months ended 30 September 2020: HK\$554,000).

The minimum rent receivables under non-cancellable operating leases at the end of the reporting period are as follows:

	At 30 September 2021 HK\$'000 (Unaudited)	At 31 March 2021 HK\$'000 (Audited)
Within one year	273	195
In the second to fifth year, inclusive	4,401	4,415
Over five years	10,037	10,359
	14,711	14,969

20. CAPITAL COMMITMENTS

Capital commitments outstanding at 30 September 2021 not provided for in the Interim Financial Statements were as follows:

	At 30 September 2021 HK\$'000 (Unaudited)	At 31 March 2021 HK\$'000 (Audited)
<hr/>		
Contracted but not provided for		
– acquisition of property, plant and equipment	25,498	23,128
	<hr/>	

21. 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 the Interim Financial Statements, the Group had the following major transactions with related parties during the six months ended 30 September 2021 and 2020:

Related party relationship	Type of transactions	Six months ended 30 September	
		2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Mr. Cao Zhong (a director of the Company)	Guarantees given to banks in respect of credit facilities granted to subsidiaries of the Company	698,257	659,424
Mr. Cao Zhong (a director of the Company)	Guarantees given for due performance of all obligations of two outstanding non-convertible bonds	1,064,378	1,064,378

- (c) Members of key management during the six months ended 30 September 2021 and 2020 comprised only of the directors of the Company whose remuneration is set out as follows:

	Six months ended 30 September	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Fee, basis salaries, allowances and other benefits	30	1,188
Retirement benefit scheme contributions	63	16
	93	1,204

22. 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 (31 March 2021: RMB603.8 million) at 30 September 2021. The Group considered, after having sought legal advices, that Zhunxing has valid grounds to defend against those unrecognized counterclaims for additional construction costs and accordingly, no additional provision is required at 30 September 2021 and 31 March 2021 respectively.

23. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

The Interim Financial Statements were approved and authorised for issue by the Board on 29 November 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the six months ended 30 September 2021, the Group was principally engaged in expressway operations, growing and sales of forage and agricultural products and timber operations.

Operation of Zhunxing Expressway

During the period ended 30 September 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 the distribution centers in the region in a convenient and economical way.

In 2021, 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.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW *(Continued)*

Operation of Zhunxing Expressway *(Continued)*

For the six months ended 30 September 2021, Zhunxing Expressway recorded an accumulated toll income of approximately RMB161.03 million (approximately HK\$194.00 million), representing a drop of approximately 37.50% from approximately RMB257.63 million (approximately HK\$285.37 million) for the last reporting period. The average daily toll revenue of Zhunxing Expressway during the period are as follows:

	Average daily toll revenue					
	(RMB in million)			(HK\$ in million)		
	Six months ended	Six months ended	Year-on-year change rate	Six months ended	Six months ended	
	30 September 2021	30 September 2020	("YOY")	30 September 2021	30 September 2020	YOY
Zhunxing Expressway	0.88	1.74	-49%	1.06	1.93	-45%

Note: The average daily toll revenue for the six months ended 30 September 2020 is calculated based on 148 days excluding the toll-free period under the Toll Fee Exemption Policy due to the Coronavirus disease ("COVID-19") outbreak, i.e. 1 April 2020 to 5 May 2020.

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

- (1) In the first half of 2021, due to the energy consumption control policy in the PRC, some energy-intensive enterprises were shut down, resulting in a reduction in coal consumption;
- (2) The "Railway to Railway" policy in the PRC has affected the transportation pattern of bulk cargo. The mode of transportation of a coal has been shifted from road-oriented to railway-oriented. Railways save the transportation cost of coal and improve efficiency. As a result, the shift of the transportation pattern has a direct impact on traffic volume of Zhunxing Expressway;

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW *(Continued)*

Operation of Zhunxing Expressway *(Continued)*

- (3) In 2021, most of unqualified coal mining enterprises in Inner Mongolia were shut-down after investigation by the regulatory authority; and
- (4) In the second half of 2021, the price of coal significantly increase, which will increase the operating cost of coal related enterprises. Accordingly, the demand of coal was decreased which adversely affect the traffic volume of Zhunxing Expressway.

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 utilise 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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW *(Continued)*

Operation of Zhunxing Expressway *(Continued)*

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

Forage and Agricultural Product Business

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

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

For the six months ended 30 September 2021, no sales income was recorded under the forage and agricultural product business (for the six months ended 30 September 2020: HK\$Nil) as the production of sorghum silage has ceased as a result of the significant drop in local precipitation since 2019.

In light of the local climate condition, the management of Xinze considers that the forage production will require additional investment in extensive irrigation equipment and rebuild wells to recover and stabilise 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 unaudited revenue for the six months ended 30 September 2021 was approximately HK\$195.97 million, representing a decrease of about 32.05% from approximately HK\$288.40 million for the last corresponding period. The Group's income was recognised under two reportable segments of the Group, namely expressway operations and others including timber operations, contributed approximately HK\$194.00 million (98.99%) and HK\$1.97 million (1.01%) (for the six months ended 30 September 2020: HK\$285.37 million (98.95%) and HK\$3.03 million (1.05%)) respectively to the Group's consolidated revenue.

Toll income from expressway operations of approximately RMB161.03 million (approximately HK\$194.00 million) (for the six months ended 30 September 2020: RMB257.63 million (approximately HK\$285.37 million)) constituted the mainstream of the Group's revenue for the six months ended 30 September 2021. The decrease of about 32.02% in the toll revenue from the expressway operations during the period was mainly attributable to the factors as discussed in the "Business Review" section.

Cost of sales

The Group's cost of sales for the six months ended 30 September 2021 was approximately HK\$415.66 million, representing an increase of about 7.20% from approximately HK\$387.75 million for the last corresponding period. The Group's cost of sales during the period was mainly attributable to (i) the amortization of concession intangible assets arising from the expressway operations of approximately HK\$355.69 million (for the six months ended 30 September 2020: approximately HK\$322.08 million), (ii) the depreciation of fixed assets arising from the expressway operations of approximately HK\$32.27 million (for the six months ended 30 September 2020: approximately HK\$29.71 million), and (iii) the operating costs arising from the expressway operations of approximately HK\$18.90 million (for the six months ended 30 September 2020: approximately HK\$27.68 million).

Gross loss

For the six months ended 30 September 2021, the Group's gross loss was approximately HK\$219.69 million (for the six months ended 30 September 2020: approximately HK\$99.35 million).

FINANCIAL REVIEW *(Continued)*

EBITDA

For the six months ended 30 September 2021, the Group recorded a reduced EBITDA (defined as earnings before interest, tax, depreciation, amortization, gain on extinguishing financial liabilities by issuing new shares and non-cash changes in values of assets and liabilities) amounted to approximately HK\$149.59 million compared to the EBITDA of approximately HK\$230.23 million for the last corresponding period. The approximately 35.03% decrease in EBITDA was primarily driven by the reduced revenue from the expressway operations of the Group as discussed above. Detailed segment revenue and contribution to loss before income tax of the Group is shown in Note 4 to the unaudited condensed interim consolidated financial statements of the Group for the six months ended 30 September 2021 (the "Interim Financial Statements") in this report.

Loss for the period

The Group's net loss for the six months ended 30 September 2021 was approximately HK\$618.24 million, representing an decrease of about 40.03% from approximately HK\$1,030.98 million. The Group's net loss for the period was primarily contributed by the finance costs of the Group amounted to approximately HK\$642.40 million (for the six months ended 30 September 2020: approximately HK\$898.32 million) and the selling and administrative expenses amounted to approximately HK\$32.72 million (for the six months ended 30 September 2020: approximately HK\$38.25 million). The decrease in net loss was mainly due to the recognition of one-off gain on extinguishing financial liabilities by issuing new shares of HK\$267,880,000 during the six months ended 30 September 2021 and decrease in finance costs for the six months ended 30 September 2021 compared with that of the six months ended 30 September 2020. The approximately 28.49% decrease in finance costs of the Group was mainly due to the decrease in default interest on bank borrowings. The Group's selling and administrative expenses for the six months ended 30 September 2021 were primarily attributed to staff costs and benefits of approximately HK\$19.55 million (for the six months ended 30 September 2020: approximately HK\$16.60 million) and legal and professional fees of approximately HK\$4.45 million (for the six months ended 30 September 2020: approximately HK\$9.34 million).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW *(Continued)*

Loss for the period *(Continued)*

The loss attributable to owners of the Company for the six months ended 30 September 2021 was approximately HK\$517.81 million (for the six months ended 30 September 2020: approximately HK\$912.09 million). The basic loss per share attributable to owners of the Company for the period was HK\$0.06 as compared with HK\$0.12 for the last corresponding period. No diluted loss per share was presented for the six months ended 30 September 2021 and 2020 as there were no dilutive potential ordinary shares of the Company outstanding during the periods.

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 30 September 2021, the Group was in a net liabilities position of approximately HK\$9,830.96 million as compared to a net liabilities position of approximately HK\$9,188.50 million as at 31 March 2021.

As at 30 September 2021, contractual maturities based on contractual undiscounted cash flows of approximately HK\$24,005.21 million, HK\$0.45 million, HK\$484.56 million and HK\$4.68 million (31 March 2021: approximately HK\$23,261.04 million, HK\$1.17 million, HK\$854.64 million and HK\$4.64 million) were required to be repaid within 1 year or on demand, after 1 year but within 2 years, after 2 years but within 5 years and after 5 years, respectively.

The gearing ratio of the Group, measured as total liabilities to total assets, was 170.98% as at 30 September 2021 (31 March 2021: 166.28%).

As at 30 September 2021, the Group had cash and bank balances of approximately HK\$24.50 million (31 March 2021: approximately HK\$39.50 million) and its available banking facilities were amounted to approximately HK\$12,090.22 million (31 March 2021: approximately HK\$11,884.79 million), which have been fully utilised (31 March 2021: approximately HK\$11,884.79 million).

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY REVIEW *(Continued)*

Borrowings

The Group's outstanding borrowings amounted to approximately HK\$12,090.22 million (31 March 2021: approximately HK\$11,884.79 million), represented approximately 51.05% of the Group's total liabilities as at 30 September 2021 (31 March 2021: 51.56%). Approximately HK\$480.72 million (31 March 2021: approximately HK\$472.59 million) of the Group's outstanding borrowings were charged at fixed rates.

As the expressway operation is a capital intensive industry, the Group's outstanding borrowings amounted to RMB10,045.81 million (approximately HK\$12,088.22 million), were obtained and drawn down primarily for the construction of Zhunxing Expressway as at 30 September 2021. The syndicated loan facilities of RMB8,724.57 million (approximately HK\$10,498.36 million) (the "Syndicated Loans") granted by several PRC banks (the "Banks") in December 2012 were secured by Zhunxing's receivables of toll income. Furthermore, Zhunxing obtained and drawn down loan facilities amounted to RMB1,321.24 million (approximately HK\$1,589.86 million) from several authorised financial institutions in the PRC, of which RMB921.74 million (approximately HK\$1,109.13 million) was secured by a combination of (i) Zhunxing's receivables of toll income, (ii) the Group's equity interests in Zhunxing and/or (iii) certain Zhunxing's investments.

As part of the asset restructuring process with the Banks (as set out in the "Material Events" section), the Syndicated Loans were regarded as default before the derecognition of the Syndicated Loans by the Banks. Accordingly, the Group's outstanding borrowings were all classified under current liabilities as at 30 September 2021.

Significant investments, acquisitions and disposals

During the six months ended 30 September 2021, the Group did not have any significant investments, acquisitions or disposals of subsidiaries, associates or joint ventures during the period.

Capital Commitments

The Group's capital commitments outstanding as at 30 September 2021 increased by approximately 10.25% to approximately HK\$25.50 million (31 March 2021: approximately HK\$23.13 million), representing the capital expenditure arising from the acquisition of property, plant and equipment.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY REVIEW *(Continued)*

Going Concern

During the six months ended 30 September 2021, the Group suffered a net loss of approximately HK\$618.24 million (for the six months ended 30 September 2020: approximately HK\$1,030.98 million), and as at the end of the reporting period, the Group had net current liabilities of approximately HK\$22,196.08 million (31 March 2021: approximately HK\$21,415.41 million) and net liabilities of approximately HK\$9,830.96 million (31 March 2021: approximately HK\$9,188.50 million).

As at 30 September 2021, the Company was in default in the repayment of borrowings of approximately HK\$12,090.22 million (31 March 2021: approximately HK\$11,884.79 million) and the non-convertible bonds with aggregate carrying amounts of approximately HK\$4,395.65 million (31 March 2021: approximately HK\$4,395.65 million). These debts, together with the outstanding default interests accrued thereon of approximately HK\$3,916.13 million (31 March 2021: approximately HK\$3,248.33 million), totaling approximately HK\$20,402.00 million (31 March 2021: approximately HK\$19,528.77 million) are classified under current liabilities as at 30 September 2021. 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 realise 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 Note 1 to the Interim Financial Statements in this report and the below section headed "Action Plan To Address The Audit Qualification". Up to the date of this report, the Measures have not been completed. Assuming the successful implementation of the Measures, the Board is of the opinion that the Group will have sufficient working capital to meet its financial obligation as and when they fall due in the foreseeable future. Accordingly, the Interim Financial Statements have been prepared on a going concern basis.

Treasury Policy

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

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY REVIEW *(Continued)*

Treasury Policy *(Continued)*

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 a settlement deed with respect to the Petition, the Promissory Note, and subscription of new shares in the Company by the Noteholder (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 subscribed for and the Company allotted and issued 1,480,000,000 new shares at HK\$0.20 each, with an aggregate consideration of HK\$296,000,000 (the “Subscription Consideration”), to the Noteholder (the “Share Subscription”) on 18 June 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

MATERIAL EVENTS *(Continued)*

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

The Settlement Deed and the Issue of New Shares Under General Mandate *(Continued)*

The Subscription Shares were allotted and issued to the Noteholder pursuant to the general mandate granted to the directors of the Company 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 continues to be in force in accordance with the term and conditions 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.

Change of Auditor

Crowe (HK) CPA Limited (“Crowe”) resigned as the auditor of the Company and its subsidiaries with effect from 29 April 2021 as Crowe and the Company could not reach a consensus on the audit fee for the financial year ended 31 March 2021.

McM (HK) CPA Limited has been appointed as new auditor of the Company with effect from 29 April 2021 to fill the casual vacancy following the resignation of Crowe.

MANAGEMENT DISCUSSION AND ANALYSIS

MATERIAL EVENTS *(Continued)*

Update on Debt Restructuring

As at 30 September 2021, the Group has borrowings in the total amount of approximately HK\$12,090.22 million. Such borrowings mainly consisted of Syndicated Loans of approximately RMB8,724.57 million (equivalent to approximately HK\$10,498.36 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.

By the end of December 2019, settlement agreements have been entered into between the Banks and the Group. After various communication with the Banks, the Group was given to understand that the derecognition of the Syndicated Loans have been initiated in June 2020. The Group has continued to assist 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 13 to the Interim Financial Statements in this report. 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.

MANAGEMENT DISCUSSION AND ANALYSIS

MATERIAL EVENTS *(Continued)*

Outstanding Non-convertible Bonds

As at the date of this 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 30 September 2021 (per annum)
China Life Insurance (Overseas) Company Limited	800,000,000	10 February 2016	5.00%
China Life Insurance (Overseas) Company Limited	700,000,000	24 January 2017	5.00%
Cross-Strait Capital Limited	32,000,000	10 February 2016	5.00%
Dr. Lo Ka Shui	36,000,000	3 March 2016	5.00%
Dr. Lo Ka Shui	35,000,000	3 September 2016	5.00%
Li Ka Shing (Canada) Foundation	464,000,000	3 March 2016	5.00%
Li Ka Shing (Canada) Foundation	465,000,000	3 September 2016	5.00%
Strait Capital Service Limited	800,000,000	24 January 2017	5.00%
Strait CRTG Fund, L.P.	700,000,000	24 January 2017	5.00%
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 report, no agreement has been reached.

MATERIAL EVENTS *(Continued)*

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)* (烏蘭察布市中實源恆物流產業管理中心(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 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.

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”);

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 *(Continued)*

- (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 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 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 light of the recent challenging economic environment arising from the outbreak of COVID-19 epidemic, the progress on the proposed disposals of the 71% equity interests in Zhunxing has been in a standstill position. Given the Company’s imminent funding needs, the Board is of the view that continuing to pursue the above proposed disposals of Zhunxing may not be in the interest of the Company and its shareholders as a whole, and is considering to terminate the above disposal agreements. The Company will actively seek other potential purchasers to dispose the 71% equity interests in Zhunxing and the proceeds will be used to repay partially the principal amounts of the Outstanding Bonds. Further announcement(s) will be made by the Company as and when appropriate.

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

MANAGEMENT DISCUSSION AND ANALYSIS

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, 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 curb the disease. To mitigate the impact of the COVID-19 epidemic outbreak on the Group, the management of the Group will continue to implement appropriate workplace controls to protect the employees and cost control measures such as renegotiating contracts with suppliers or service providers to improve the Group's liquidity position.

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 THE AUDIT QUALIFICATION

The auditor of the Company did not express an opinion on the consolidated financial statements of the Group for the years ended 31 March 2021 and 31 March 2020 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 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:

1. The Group actively cooperated with the Banks to go through legal proceedings under the asset restructuring and maintained communications with the Banks on their progress on the derecognition of the Syndicated Loans as set out in the "Material Events" section on page 50 of this report. Up to the date of this report, the asset restructuring is still ongoing.
2. The Group conducted meeting with its other 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, or entering into settlement agreements. Up to the date of this report, no agreement has been reached.
3. The Company had preliminary discussions with (a) potential purchasers to dispose, with arrangement to buy back, a certain proportion of equity interests in Zhunxing to repay partially the Outstanding Bonds and other outstanding borrowings; and (b) potential investors to raise funds for financing the Group's working capital by way of share placing. Up to the date of this report, no agreement has been reached.

MANAGEMENT DISCUSSION AND ANALYSIS

ACTION PLAN TO ADDRESS THE AUDIT QUALIFICATION *(Continued)*

As at the date of this report, none of the above Measures have 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 the Measures under the action plan. Notwithstanding, the Board will strive to complete the above Measures before the financial year ending 31 March 2022.

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.

After discussion with the Auditor, the Board expects that the consolidated financial statement of the Group for the year ending 31 March 2022 will be free of the Audit Qualification if 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.

CHARGES ON ASSETS

As at 30 September 2021, the Group has pledged the equity interests in (i) Inner Mongolia Berun New Energy Company Limited* (內蒙古博源新型能源有限公司); (ii) Inner Mongolia Zhunxing Expressway Service Areas Management Company Limited* (內蒙古准興高速服務區管理有限責任公司); and (iii) Zhunxing to secure part of the Group's borrowings.

CONTINGENT LIABILITIES

Save as disclosed in Note 22 to the Interim Financial Statements in this report, the Group did not have any material contingent liabilities.

MANAGEMENT DISCUSSION AND ANALYSIS

DIVIDEND

The Directors do not recommend any dividend for the six months ended 30 September 2021 (for the six months ended 30 September 2020: HK\$Nil).

EMPLOYEES

The Group had approximately 441 employees in Hong Kong and the PRC as at 30 September 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.

SHARE OPTION SCHEME

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

As at 30 September 2021, no share option has been granted, exercised, cancelled or lapsed under the Scheme.

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 six months ended 30 September 2021.

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

Save as disclosed below, as at 30 September 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 of the Company (the "Shares"), underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which (i) were 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 Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), to be notified to the Company and Stock Exchange.

Long positions in issued Shares and underlying Shares of the Company

Name of Directors	Capacity	As at 30 September 2021	
		Number of Shares and/or underlying Shares	Approximate % of total issued Shares
Cao Zhong ("Mr. Cao")	Beneficial owner	22,785,000	0.26
	Interest in controlled corporation	348,325,000 (Note 1)	3.90
Fung Tsun Pong ("Mr. Fung")	Beneficial owner	31,568,122	0.35
	Interest in controlled corporation	16,180,000 (Note 2)	0.18

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES, AND DEBENTURES *(Continued)*

Long positions in issued Shares and underlying Shares of the Company
(Continued)

Notes:

1. Champion Rise International Limited being wholly-owned by Mr. Cao was interested in 348,325,000 Shares, representing approximately 3.90% in the issued Shares.
2. Ocean Gain Limited being wholly-owned by Mr. Fung was interested in 16,180,000 Shares, representing approximately 0.18% in the issued Shares.
3. Based on 8,922,395,970 Shares of HK\$0.20 each in issue as at 30 September 2021.

SUBSTANTIAL SHAREHOLDERS

Save as disclosed below, as at 30 September 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.

MANAGEMENT DISCUSSION AND ANALYSIS

SUBSTANTIAL SHAREHOLDERS *(Continued)*

Long Position in issued Shares and underlying Shares of the Company

Name of substantial Shareholders	Capacity	As at 30 September 2021	
		Number of Shares and/or underlying Shares	Approximate % of total issued Shares <i>(Note 5)</i>
Mak Siu Hang Viola <i>(Notes 1)</i>	Interest in controlled corporation	1,816,330,000	20.35
VMS Investment Group Limited <i>(Note 2)</i>	Interest in controlled corporation	974,215,000	10.92
Focal Sunshine Limited <i>(Note 2)</i>	Beneficial owner	242,115,000	2.71
VMS Finance Group Limited <i>(Note 3)</i>	Beneficial owner	600,000,000	6.72
	Person having a security interest in shares	374,215,000	4.19
Keyword Group Limited <i>(Note 3)</i>	Beneficial owner	600,000,000	6.72
Mighty China International Limited <i>(Note 4)</i>	Beneficial owner	1,480,000,000	16.59
Li Yongxiang <i>(Note 4)</i>	Interest in controlled corporation	1,480,000,000	16.59
Cheung Siu Yu <i>(Note 4)</i>	Interest in controlled corporation	1,480,000,000	16.59

Notes:

1. VMS Investment Group Limited and VMS Finance Group Limited are wholly-owned by Ms. Mak Siu Hang Viola. By reason of interests of controlled corporations within the meaning of Part XV of the SFO, Ms. Mak Siu Hang Viola is deemed to be interested in the 1,816,330,000 Shares held by these corporations.
2. Focal Sunshine Limited is wholly owned by VMS Investment Group Limited and is interested in 242,115,000 Shares. 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), VMS Investment Group Limited is deemed to be interested in the 974,215,000 Shares held by the corporation and is interested in 242,115,000 Shares.
3. Keyword Group Limited is wholly owned by VMS Finance 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), VMS Finance Group Limited is deemed to be interested in the 600,000,000 Shares held by the corporation.
4. Each of Mr. Li Yongxiang and Mr. Cheung Siu Yu owned 50% Shares of Mighty China International 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), Mr. Li Yongxiang and Mr. Cheung Siu Yu are deemed to be interested in the 1,480,000,000 Shares held by the corporation respectively.
5. Based on 8,922,395,970 Shares of HK\$0.20 each in issue as at 30 September 2021.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Save for the deviations as reported and discussed in the Corporate Governance Report as set forth in the Company's 2021 Annual Report, none of the Directors are aware of any information that would reasonably indicate that the Company was not throughout the period ended 30 September 2021, in compliance with the Corporate Governance Code as set out in Appendix 14 (the "CG Code") of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The Board will review the corporate governance practice of the Company regularly and effect changes if necessary.

THE MODEL CODE

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less than the required standard set out in the Model Code in Appendix 10 of the Listing Rules and the Directors of the Company have confirmed that they have complied with the required standard set out in the Model Code and the Company's code of conduct regarding directors' securities transactions.

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 comprising all independent non-executive directors of the Company, namely Ms. Chan Chu Hoi (Chairlady), Mr. Jing Baoli, Mr. Bao Liang Ming and Mr. Xue Baozhong, is responsible for reviewing the Group's accounting practices and policies, the external audit, internal controls and risk evaluation. The Audit Committee has reviewed and discussed with the management the financial reporting matters and the unaudited consolidated financial results for the six months ended 30 September 2021.

OTHER CHANGES IN DIRECTORS' INFORMATION

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

- (i) Mr. Li Wing Chiu was appointed as an executive director of the Company with effect from 15 June 2021 and was removed as an executive director of the Company with effect from 15 November 2021;

MANAGEMENT DISCUSSION AND ANALYSIS

OTHER CHANGES IN DIRECTORS' INFORMATION *(Continued)*

- (ii) Mr. Tsang Kam Ching, David has resigned as an executive director and the authorized representative (the "Authorized Representative") under Rule 3.05 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited of the Company with effect from 7 September 2021;
- (iii) Mr. Cao Zhong has resigned as the chairman of the Board, an executive Director, the chairman of the Nomination Committee and the member of the Remuneration Committee of the Company with effect from 28 October 2021; and
- (iv) Mr. Fung Tsun Pong was re-designated from the post of vice-chairman to chairman and appointed as the chairman of the Nomination Committee and the member of the Remuneration Committee of the Company with effect from 28 October 2021.

OTHER DISCLOSURE

Save as disclosed, the Group either has had no material changes from the information disclosed in the latest annual report of the Company or are considered not significant to the Group's operations, thus no additional disclosure has been made in this report.

PUBLICATION OF RESULTS ON THE STOCK EXCHANGE'S WEBSITE

All the information required by paragraphs 46 of Appendix 16 to the Listing Rules will be published on the website of The Stock Exchange of Hong Kong Limited and the Company's website (www.crtg.com.hk) in due course.

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

Hong Kong, 29 November 2021

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

** For identification purpose only*