



IN THE GRAND COURT OF THE CAYMAN ISLANDS

FINANCIAL SERVICES DIVISION

CAUSE NO: FSD OF 2021 ()

IN THE MATTER OF THE COMPANIES ACT (2021 REVISION)

AND IN THE MATTER OF CHINA RESOURCES AND TRANSPORTATION GROUP
LIMITED

WINDING UP PETITION

(pursuant to sections 92(d) and 92(e) of the Companies Act (2021 Revision))

TO: THE GRAND COURT OF THE CAYMAN ISLANDS

THE HUMBLE PETITION of Mighty China International Limited, Shop 86, 2/F., Hop Yick Commercial Centre, 33 Hop Choi Street, Yuen Long, New Territories, Hong Kong shows that:

The Company

1. China Resources and Transportation Group Limited (the "**Company**") was incorporated on 4 April 1989 as an exempted liability company under the laws of the Cayman Islands. (Stock Code: 269).
2. The Company's current registered office is at Sterling Trust (Cayman) Limited, Whitehall House, 238 North Church Street, P.O. Box 1043, George Town, Grand Cayman KY1-1102 Cayman Islands. Its principal place of business is located at Unit Nos. 11-12, Level 10, Tower 1, Millennium City 1, No. 388 Kwun Tong Road, Kwun Tong, Kowloon, Hong Kong.

3. On 30 August 2011, the Company changed its name from China Timber Resources Group Limited to its current name.
4. The Company is the holding company for a group of companies (referred to collectively below as the “**Group**”) engaged in: (i) toll expressway operation; (ii) the petroleum and gas industry; (iii) forestry and agricultural business. The Company and wider Group operates through each of those three segments as follows:
 - a. The toll expressway operations segment is engaged in the management, maintenance and investment related to the 265-kilometre heavy-haul toll expressway in Inner Mongolia (the “**Zhunxing Expressway**”). The Group’s main source of revenue was from toll income from the Zhunxing Expressway, which is strategically important to the distribution of energy resources in the north of the People’s Republic of China (the “**PRC**”);
 - b. The compressed natural gas (“CNG”) stations segment is engaged in the operation of CNG gas stations in the PRC. This also includes investment in and rights to operate electric vehicle charging and dispensing stations; and
 - c. The forestry and agriculture segment is engaged in the sale of timber, seedlings and refined plant oil. The Group also sells agricultural and forage products. Harvesting and planting activities are carried out in the Guangdong Province of the PRC.
5. Based on publicly available information, the Petitioner understands that the Company has operations in the PRC only.

The Petitioner

6. The Petitioner was incorporated on 18 February 2019 as a limited company under the laws of Hong Kong. Its current registered office is at Shop 86, 2/F., Hop Yick Commercial Centre, 33 Hop Choi Street, Yuen Long, N.T., Hong Kong. The

Petitioner is primarily engaged in the business of investment activities. Mr. Li Yongxiang (“**Mr Li**”) is the sole shareholder and a director of the Petitioner. Ms. Chiu Ling Yan (“**Ms. Chiu**”) is the other director of the Petitioner.

Promissory notes

7. The Petitioner is a lender to the Company under promissory notes issued by the Company with a maturity date of 15 April 2024. The background to the debt is as follows:
 - a. On 9 February 2010, the Company issued a promissory note in the principal amount of HK\$280,000,000 in connection with the acquisition of the entire equity interest of a property development company in the PRC. The promissory note was issued to China Alliance International Holding Group Limited (“**China Alliance**”). The promissory note was unsecured and specified an interest rate of 1.5% per annum commencing from the date of issue. The promissory note was to be repaid in 14 quarterly instalments of HK\$20,000,000 (plus interest);
 - b. From 31 March 2011, the Company defaulted on repayment of the principal and interest on the promissory note. Accordingly, China Alliance was entitled to demand immediate repayment of any outstanding principal and all accrued interest;
 - c. On 23 May 2012, the Company and China Alliance signed a supplemental agreement pursuant to which the repayment terms of the promissory notes were extended and the Company agreed to pay default interest at 0.05% per day (equivalent to 18.25% per annum) on the outstanding principal amount and interest already accrued. As at 31 March 2019, cumulative default interest of HK\$368,345,000 had been accrued;
 - d. On 16 April 2019, the Company and China Alliance entered into a second supplemental agreement, pursuant to which the then existing promissory note

(together with accrued and default interest) was replaced by new transferable promissory notes (the “New Promissory Notes”) with a combined total principal amount of HK\$683,348,066 (which were issued on a dollar-for-dollar basis to replace and supersede the outstanding principal amount of the previous promissory note , together with accrued and default interest). The New Promissory Notes are unsecured and bear interest at 5% per annum. The maturity date is 15 April 2024, being the fifth anniversary from the issue date; and

- e. Pursuant to Clause 2.2 of the second supplemental agreement dated 16 April 2019, the Company, as directed by China Alliance, issued to the Petitioner the new promissory notes in the sum of HK\$400,000,000 (Note Number: 3-1 and 3-2 with principal amount of HK\$50,000,000 each; and Note Number: 3-3 to 3-32 with principal amount of HK\$10,000,000 each) at the interest rate of 5% per annum with a maturity date of 15 April 2024 (the “**Petitioner’s Promissory Notes**”).

Grounds for winding up

8. The Company is unable to pay its debts:
 - a. On 29 October 2018, the Company received six demand notices all dated 26 October 2018 addressed to the Company and Cheer Luck Technology Limited (“Cheer Luck”) from a PRC creditor¹ (the “Creditor”) of Inner Mongolia Zhunxing Heavy Haul Expressway Company Limited (“Zhunxing”), a subsidiary of the Company, demanding immediate repayment of an aggregate sum of approximately RMB606.11 million, being the total amount of the outstanding principal, accrued and default interest owed by Zhunxing to the Creditor, within three (3) weeks from the date of service of such demand notices. The Company and Cheer Luck

¹ The identity of the Creditor is not disclosed in the 2020 Annual Report at **page 72**.

acted as guarantors for Zhunxing in respect of the said debt that became due on 2 October 2017. As disclosed in the Company's 2020 Annual Report published on 21 September 2020 (the "2020 Annual Report"), these debts together with interest remain outstanding and there has been no consensus reached on a suitable repayment proposal;

- b. As at 31 March 2020, the total principal amount of outstanding non-convertible bonds of the Company is HK\$4,032,000,000. The holders of the outstanding bonds include Li Ka Shing (Canada) Foundation and China Life Insurance (Overseas) Company Limited, amongst others. These outstanding non-convertible bonds matured during the period from 10 February 2016 to 24 January 2017 with an interest rate of 5% per annum. Despite negotiations for possible standstill or rescheduling of the repayment of the debts, no repayment agreement was concluded at the date of the 2020 Annual Report;
- c. According to the 2020 Annual Report, the total loss of the Company was HK\$3,601,874,000. This is more than twice the Company's total loss for the year ended 31 March 2019, which was specified as HK\$1,328,101,000.
- d. As set out in the independent auditor's report enclosed with the 2020 Annual Report, Crowe (HK) CPA Limited did not express an opinion on the consolidated financial statements of the Group for the year ended 31 March 2020 because of "the existence of multiple uncertainties which may cast significant doubt about the Group's ability to continue as a going concern";
- e. On 17 November 2020, the Company published a profit warning setting out the expectation of the Board of Directors of the Company that the net loss of the Group for the six months ended 30 September 2020 was expected to increase by not less than 60% as compared with the net loss of approximately HK\$611.68 million recorded for the six months ended 30 September 2019, which is largely attributable to (i) the reduction in toll

revenue for the six months ended 30 September 2020 arising from the exemption of toll collection on the Zhunxing Expressway from 1 April 2020 to 5 May 2020, pursuant to a nationwide toll fee exemption policy for toll roads during the period of prevention and control of the COVID-19; and (ii) the increase in default interest on borrowings.

- f. On 29 December 2020, the Company published the latest unaudited consolidated interim results of the Group for the 6 months ended 30 September 2020 (the “**Interim Report**”), setting out that the Company was in default in the repayment of borrowings of approximately HK\$11,416,231,000 and non-convertible bonds with aggregate carrying amount of approximately HK\$4,395,648,000. These debts, together with the outstanding default interest accrued thereon of approximately HK\$2,831,716,000, totalling approximately HK\$18,643,595,000 (US\$2,390,204,500) are classified under current liabilities as at 30 September 2020;
- g. In particular, the Interim Report confirmed that interest on the New Promissory Notes (i.e. including the Petitioner’s Promissory Notes) of approximately HK\$17,130,000 was “charged to profit or loss during the six months ended 30 September 2020”;
- h. The Petitioner is concerned that the Group’s true current financial position, as at the date of this Petition, is actually much worse than that set out in the unaudited Interim Report. There were material differences between the unaudited and audited versions of the 2020 Annual Report, which meant that it was necessary for the Company to publish an announcement setting out those material differences on 21 September 2020. Therefore, the Petitioner expects that the same issues may arise on the next occasion; and

- i. The Interim Report reveals no specific or advanced plans for a viable restructuring of the Group. Instead, there is a vague comment in the Interim Report that:

*“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 of 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 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.”*

(emphasis added)

None of these imprecise references to active negotiations (whether accurate or not) are sufficient to provide comfort or protect the interests of the Group’s creditors.

9. The Company is insolvent on both the balance sheet basis and the cash flow basis:
 - a. Based on the aforesaid, the Company is unable to pay its debts as they fall due, and is therefore insolvent on the cash flow basis; and
 - b. The Interim Report reveals the Company is also insolvent on the balance sheet basis as its total liabilities as at 30 September 2020 (HK\$22,035,481,000) are far greater than its total assets (HK\$13,403,300,000).
10. The Petitioner seeks to prevent further mismanagement and to allow for a full investigation into the affairs of the Company to maximise value for stakeholders:

- a. On 11 December 2020, the Petitioner's Hong Kong legal representatives, Li & Associates, issued a demand letter to the Company to seek repayment of the principal sum of HK\$400,000,000 and the interest at 5% per annum under the Petitioner's Promissory Notes. The Company has not responded to the demand letter as at the date of presentation of this Petition;
- b. On 31 December 2020, Mr. Li, Director of the Petitioner, had a telephone conversation with Mr. Fung Tsun Bong ("Mr. Fung"), the Vice-Chairman and Executive Director of the Company, with a view to finding out whether the Company is in a position to protect the interests of the Petitioner as a prospective creditor. During the conversation, Mr. Fung acknowledged that the Company has been heavily in debt for years, unable to pay salaries to employees of the Group and has been involved in multiple disputes in the PRC arising from its inability to pay its debts;
- c. During the conversation, Mr. Fung further admitted that the Company's management is in disarray. As matters now stand, based on Mr. Li's telephone conversation with Mr. Fung and other available information, the Board of Directors of the Company is unable to resolve the financial problems of the Company and is unable to procure the subsidiaries to act in accordance with the Company's directions and instructions;
- d. On 28 January 2021, Mr. Li and Mr. Fung exchanged text messages on WeChat, in which Mr. Fung further confirmed that the Company's situation remains unchanged and the Company "has not cared about matters in the Mainland anymore". It appears that the Company's management is simply allowing the business to deteriorate. Mr Li, on behalf of the Petitioner, voiced serious concerns that there are no measures in place to protect the interests of creditors and asked Mr. Fung if the Company has any restructuring plans. In response, Mr. Fung indicated that he (as the Vice-Chairman of the Company) is not in a position to provide any substantive

response to those concerns and suggested that the Petitioner should seek legal advice;

- e. Furthermore, the latest Interim Report discloses that, as at 30 September 2020, the Group has pledged the equity interests in (i) Inner Mongolia Berun New Energy Company Limited; (ii) Inner Mongolia Zhunxing Expressway Service Areas Management Company Limited; and (iii) Zhunxing to secure part of the Group's borrowings. It is the Petitioner's understanding that effectively all of the valuable assets of the Company have already been pledged to its creditors. It is expected that the Group is facing the imminent risk of enforcement of the pledges; and
 - f. As such, the Petitioner believes that the interests of creditors of the Company are in serious jeopardy due to mismanagement and the financial position of the Group.
11. In the circumstances, the Petitioner seeks a winding up order on the grounds of insolvency and that it is just and equitable in the circumstances.
12. The Petitioner nominates Michael Penner of Deloitte & Touche, Citrus Grove, P.O. Box 1787, Grand Cayman, Cayman Islands and Yeung Lui Ming (Edmund) and Lai Kar Yan (Derek) of Deloitte & Touche, 35/F One Pacific Place, 88 Queensway, Hong Kong, to be appointed as Joint Official Liquidators of the Company ("**JOLs**").

YOUR PETITIONER THEREFORE HUMBLY PRAYS THAT:

- (1) The Company be wound up under the provisions of the Companies Act
- (2) Michael Penner of Deloitte & Touche, Citrus Grove, P.O. Box 1787, Grand Cayman, Cayman Islands and Yeung Lui Ming (Edmund) and Lai Kar Yan (Derek) of Deloitte & Touche, 35/F One Pacific Place, 88 Queensway, Hong Kong be appointed as JOLs with the power to act jointly and severally.

- (3) The JOLs shall not be required to give security for their appointment.
- (4) The JOLs shall have the power to act jointly and severally in their capacity as liquidators of the Company.
- (5) The JOLs be authorized to take any such action as may be necessary or desirable to obtain recognition of the JOLs and/or their appointment in any other relevant jurisdiction and to make applications to the courts of such jurisdictions for that purpose.
- (6) In addition to the powers prescribed in Part II of the Third Schedule to the Companies Act, the JOLs be authorized to exercise all of the powers set out in paragraphs 1, 2, 4, 7, 8, 10 and 11 of Part I of the Third Schedule to the Companies Act and section 110(2) thereof, without further sanction of this Honourable Court.
- (7) The JOLs be authorized to do any acts or things considered by them to be necessary or desirable in connection with the liquidation of the Company and the winding up of its affairs in the Cayman Islands and/or elsewhere.
- (8) Without prejudice to the generality of the foregoing, the JOLs be authorized and be granted leave to take all such actions as may be necessary to:
 - (a) Exercise the rights to which a registered holder of any shares or other securities registered in the name of the Company, or to which an owner of any shares or securities held by or on behalf of the Company (whether as principal or as agent), is entitled including, but without prejudice to the generality of the foregoing power, the right to receive dividends and the benefits of other corporate actions in relation to such shares or other securities; the right to attend meetings and to exercise any voting power pertaining to such shares or other securities and to direct nominees of the Company in whose names shares or other securities beneficially owned by

the Company are registered to exercise all or any such rights as the JOLs shall direct;

- (b) take control of such of the direct and/or indirect subsidiaries ("Subsidiaries") of the Company, and/or joint ventures, investment, associated companies, business or other entities (together, the "Associated Companies") in which the Company holds an interest (or such shares of such Subsidiaries and/or Associated Companies as are owned directly or indirectly by the Company), in each case wherever located (together, the "Group"), as the JOLs shall think fit; and/or to call or cause to be called such meetings of such Subsidiaries and/or Associated Companies and/or to sign such resolutions (in accordance with the provisions of any relevant constitutional or related documentation of such companies) and take such other steps, including applications to appropriate courts and/or regulators, as the JOLs shall consider necessary to appoint or remove directors, legal representatives, officers, and/or managers to or from such Subsidiaries and/or Associated Companies, and in each case take such steps as are necessary to cause the registered agents (or other equivalent corporate administrators) of such Subsidiaries or Associated Companies to give effect to the changes to the boards of directors, legal representatives, officers, and/or managers of such companies or entities, including (without limitation) effecting changes to the company registers of such Subsidiaries or Associated Companies as may be deemed appropriate by the JOLs; and/or to take such other action in relation to all such Subsidiaries or Associated Companies as the JOLs shall think fit for the purpose of protecting the assets of the Company and managing the affairs of the Company (which, for the avoidance of doubt, shall include the assets and affairs of the Subsidiaries and Associated Companies);
- (c) liaise with management of the Group to stabilise and preserve value of the Company and the Group;

- (d) liaise with management of the Group to stabilise and preserve value in the onshore business of the Company and the Group;
 - (e) take steps to locate, demand and secure cash held by all Group companies in bank accounts in the PRC, or elsewhere;
 - (f) negotiate with key non-PRC based and PRC based creditors;
 - (g) communicate on the Company's behalf with the regulators as appropriate; and
 - (h) make applications to, and seek the assistance and recognition from, the courts of any foreign jurisdictions as may be necessary in the course of their conduct as JOLs of the Company or for the purposes of carrying out any of the functions provided for herein.
- (9) The JOLs be at liberty to appoint such counsel, attorneys, professional advisors, whether in the Cayman Islands or elsewhere, as they may consider necessary to advise and assist them in the performance of their duties in accordance with Order 25 of the Companies Winding Up Rules, 2018.
- (10) No disposition of the property of the Company by or with the authority of the JOLs in carrying out their duties and functions and the exercise of their power under any Order granted pursuant to this Petition shall be voided by virtue of section 99 of the Companies Act.
- (11) No suit, action or other proceeding may be proceeded with or commenced against the Company except with the leave of the Court and subject to such terms as the Court may impose.
- (12) The JOLs shall be entitled to receive remuneration for their services by reference to the time properly given by them and their staff in attending to matters arising in

the winding up and the hourly rates and the amount of remuneration shall be determined in accordance with the Insolvency Practitioners' Regulations, 2018.

- (13) The JOLs be at liberty to pay themselves (up to 80% of the JOLs' remuneration pending approval by the Court), their agents, employees, attorneys, solicitors and whomsoever else they may employ or instruct, remuneration and costs, and for the avoidance of doubt, all such payments shall be made as and when they fall due out of the assets of the Company as expenses of the liquidation.
- (14) The JOLs be at liberty to meet all disbursements reasonably incurred in connection with the performance of their duties and, for the avoidance of doubt, all such payments shall be made as and when they fall due out of the assets of the Company as an expense of the liquidation.
- (15) The JOLs be at liberty to apply generally.
- (16) The costs of and incidental to the Petition be paid forthwith out of the assets of the Company as an expense of the liquidation, such costs to be taxed on an indemnity basis if not agreed.
- (17) Such further or other relief be granted as the Court deems appropriate (including the relief sought above).

AND your Petitioner ever pray etc.

DATED this rd23 day of March 2021

Conyers Dill & Pearman

Conyers, Dill & Pearman

Attorneys at Law for the Petitioner

This Petition was presented by Conyers, Dill & Pearman, SIX, Cricket Square, George Town, Grand Cayman attorneys acting on behalf of the Petitioner.

Notice of Hearing

TAKE NOTICE THAT the hearing of this petition will take place at the Law Courts, George Town, Grand Cayman on the _____ day of _____ 2021 at _____ am / pm.

Any correspondence or communication with the Court relating to the hearing of this petition should be addressed to the Registrar of the Financial Services Division of the Grand Court at PO Box 495, Grand Cayman, KY1-1106, telephone 345 949 4296.