

CRTG

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

(Formerly known as China Timber Resources Group Limited*)

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 269)

2011

Interim Report



* for identification purpose only

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Cao Zhong (*Chairman*)
Mr. Fung Tsun Pong (*Vice Chairman*)
Mr. Duan Jingquan
(*Chief Executive Officer*)
(*appointed on 7 November 2011*)
Mr. Tsang Kam Ching, David
(*Finance Director*)

Non-executive Director

Mr. Neil Bush

Independent Non-executive Directors

Mr. Yip Tak On
Mr. Jing Baoli
Mr. Bao Liang Ming

Audit Committee

Mr. Yip Tak On (*Chairman*)
Mr. Jing Baoli
Mr. Bao Liang Ming

Remuneration Committee

Mr. Yip Tak On (*Chairman*)
Mr. Jing Baoli
Mr. Bao Liang Ming
Mr. Tsang Kam Ching, David

COMPANY SECRETARY

Miss Ngan Wai Kam, Sharon

AUDITOR

BDO Limited

LEGAL ADVISOR

Sidley Austin
Louis K.Y. Pau & Company

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
The Bank of East Asia Limited
The Hong Kong and Shanghai Banking
Corporation Limited

REGISTERED OFFICE

Caledonian Trust (Cayman) Limited
Caledonian House,
69 Dr. Roy's Drive,
P.O. Box 1043, Grand Cayman,
KY1-1102,
Cayman Islands

PRINCIPAL PLACE OF BUSINESS

Room 1801-07, 18/F
China Resources Building
26 Harbour Road
Wanchai, Hong Kong

SHARE REGISTRARS & TRANSFER OFFICE

Tricor Progressive Limited
26/F., Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

STOCK CODE AT HONG KONG STOCK EXCHANGE

269

CONTACT DETAILS

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

COMPANY WEBSITE

www.crtg.com.hk

HIGHLIGHTS

- Unaudited turnover of approximately HK\$1,691,000 for the six months ended 30 September 2011, whereas an unaudited turnover of approximately HK\$4,401,000 was recorded in the corresponding period of last year.
- Unaudited net loss attributable to owners of the Company for the six months ended 30 September 2011 amounted to approximately HK\$157,019,000 representing a decrease of approximately 20% as compared to that of the corresponding period in last year.
- The directors do not declare any dividend for the six months ended 30 September 2011.

INTERIM RESULTS

The board of directors (the “Board”) of China Resources and Transportation Group Limited (the “Company”) announces the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2011 and the unaudited condensed consolidated statement of the financial position of the Group as at 30 September 2011.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2011

	Notes	30 September 2011 <i>HK\$'000</i> (Unaudited)	30 September 2010 <i>HK\$'000</i> (restated) (Unaudited)
Turnover	3	1,691	4,401
Cost of sales		(1,112)	(2,675)
Gross profit		579	1,726
Gain on change in fair value less costs to sell of biological assets		—	511
Change in fair value of derivative financial instruments		(96,410)	(165,634)
Other income and other gains and losses	5	1,141	3,785
Selling and administrative expenses		(63,156)	(29,631)
Finance costs	6	—	(8,653)
Loss before income tax expense	7	(157,846)	(197,896)
Income tax expense	8	(153)	—
Loss for the period		(157,999)	(197,896)
Loss attributable to:			
— Owners of the Company		(157,019)	(196,512)
— Non-controlling interests		(980)	(1,384)
		(157,999)	(197,896)
Loss per share attributable to owners of the Company		<i>HK cents</i> (Unaudited)	<i>HK cents</i> (restated) (Unaudited)
— Basic and diluted	10	(0.78)	(1.36)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2011

	30 September 2011 HK\$'000 (Unaudited)	30 September 2010 HK\$'000 (restated) (Unaudited)
Loss for the period	(157,999)	(197,896)
Other comprehensive income:		
Exchange differences on translation of financial statements of foreign operations	36,540	28,336
Other comprehensive income for the period	36,540	28,336
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	(121,459)	(169,560)
Total comprehensive income attributable to:		
— Owners of the Company	(120,371)	(167,466)
— Non-controlling interests	(1,088)	(2,094)
	(121,459)	(169,560)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Notes	30 September 2011 HK\$'000 (Unaudited)	31 March 2011 HK\$'000 (Audited)
NON-CURRENT ASSETS		
	49,111	49,800
Investment property		
Property, plant and equipment	135,683	134,260
Other properties under development	201,932	194,341
Prepaid lease payments	30,482	32,977
Biological assets	105,368	95,781
Forest concession rights	507,851	521,643
Long term prepayments	3,089	9,004
Derivative financial instrument	122,928	213,094
Available-for-sale investments	605,000	—
TOTAL NON-CURRENT ASSETS	1,761,444	1,250,900
CURRENT ASSETS		
Properties under development for sale	1,212,776	1,077,653
Inventories	139,915	135,232
Trade and other receivables	52,493	51,908
Prepaid lease payments	798	657
Restricted cash	19,864	—
Cash and cash equivalents	2,013,168	591,575
TOTAL CURRENT ASSETS	3,439,014	1,857,025
TOTAL ASSETS	5,200,458	3,107,925
CURRENT LIABILITIES		
Trade and other payables	88,107	92,722
Deposits from sales of properties	68,206	—
Promissory note	286,943	284,797
Deferred government grant	9,547	9,277
Amount due to a joint venture partner	60,996	59,270
Amount due to a director	—	12,446
Borrowings	67,339	6,164
TOTAL CURRENT LIABILITIES	581,138	464,676
NET CURRENT ASSETS	2,857,876	1,392,349

	Notes	30 September 2011 HK\$'000 (Unaudited)	31 March 2011 HK\$'000 (Audited)
TOTAL ASSETS LESS CURRENT LIABILITIES		4,619,320	2,643,249
NON-CURRENT LIABILITIES			
Deferred tax liabilities		1,574	1,574
Deferred government grant		119,796	116,407
Convertible bonds	22	1,818,414	263,112
Acreage fees payable		11,020	11,020
TOTAL NON-CURRENT LIABILITIES		1,950,804	392,113
TOTAL LIABILITIES		2,531,942	856,789
NET ASSETS		2,668,516	2,251,136
CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Share capital	23	201,908	198,429
Reserves		2,471,016	2,037,509
Equity attributable to owners of the Company		2,672,924	2,235,938
Non-controlling interests		(4,408)	15,198
TOTAL EQUITY		2,668,516	2,251,136

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2011

	Share capital	Share premium	Warrants reserve	Capital redemption reserve	Capital reserve	Assets revaluation reserve	Forest concession rights revaluation reserve	Convertible bond reserve	Translation reserve	Retained profits	Sub- total	Non- controlling interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2010 (restated)													
(audited)	144,129	229,482	–	3,800	20,918	23,868	76,213	435,064	17,425	777,181	1,728,080	19,884	1,747,964
Total comprehensive income for the period	–	–	–	–	–	–	–	–	29,046	(196,512)	(167,466)	(2,094)	(169,560)
At 30 September 2010													
(restated) (unaudited)	144,129	229,482	–	3,800	20,918	23,868	76,213	435,064	46,471	580,669	1,560,614	17,790	1,578,404
At 1 April 2011 (audited)	198,429	959,924	–	3,800	20,918	23,868	76,213	261,779	67,496	623,511	2,235,938	15,198	2,251,136
Issue of shares on exercise of warrants (Note 27)	3,479	76,529	–	–	–	–	–	463,831	–	–	543,839	–	543,839
Acquisition of interest in a subsidiary (Note 24)	–	–	–	–	13,518	–	–	–	–	–	13,518	(18,518)	(5,000)
Total comprehensive income for the period	–	–	–	–	–	–	–	–	36,648	(157,019)	(120,371)	(1,088)	(121,459)
At 30 September 2011													
(unaudited)	201,908	1,036,453	–	3,800	34,436	23,868	76,213	725,610	104,144	466,492	2,672,924	(4,408)	2,668,516

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

	30 September 2011 HK\$'000 (Unaudited)	30 September 2010 HK\$'000 (Unaudited)
NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES	(711)	47,800
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	(709,496)	(25,432)
NET CASH INFLOW FROM FINANCING ACTIVITIES	2,130,283	12,303
INCREASE IN CASH AND CASH EQUIVALENTS	1,420,076	34,671
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	1,517	64
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	591,575	19,759
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	2,013,168	54,494
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS:		
Cash and bank balances	2,013,168	54,494

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of presentation and principal accounting policies

The unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 September 2011 (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 and the Hong Kong Accounting Standard (the "HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The Interim Financial Statements have been prepared under the historical cost convention modified by the revaluation of investment property, building, certain financial instruments and biological assets.

The accounting policies adopted for preparation of the Interim Financial Statements are consistent with those applied in the preparation of the annual financial statements of the Group for the year ended 31 March 2011 (the "Annual Financial Statements"), except for the adoption of the new and revised Hong Kong Financial Reporting Standards (the "HKFRSs") (which in collective term includes all applicable HKFRSs, Hong Kong Accounting Standards (the "HKASs") and Interpretations) issued by the HKICPA as disclosed in Note 2 to these Interim Financial Statements. 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

In the current period, the Group has applied the following new and revised standards, amendments and interpretations ("new HKFRSs") issued by the HKICPA which are effective for the current accounting period of the Group and the Company.

HKFRSs (Amendments)	Improvements to HKFRSs 2010
HKAS 24 (Revised)	Related Party Disclosures
HK(IFRIC)-INT 14 (Amendments)	Prepayments of a Minimum Funding Requirement
HK(IFRIC)-INT 19	Extinguishing Financial Liabilities with Equity Instruments

The adoption of the new HKFRSs had no material effect on the results and financial position for the current or prior accounting periods which have been prepared and presented. Accordingly, no prior period adjustment has been recognised.

Early adoption of new or revised HKFRSs

The following new or revised HKFRSs that are potentially relevant to the Group's operations, have been issued but are not yet effective and have not been adopted:

HKFRS 7 (Amendments)	Disclosure – Transfers of Financial Assets ¹
HKFRS 9	Financial Instruments ⁴
HKFRS 10	Consolidated Financial Statements ⁴
HKFRS 11	Joint Arrangements ⁴
HKFRS 12	Disclosure of Interests in Other Entities ⁴
HKFRS 13	Fair Value Measurement ⁴
HKAS 1 (Amendments)	Presentation of Item of Other Comprehensive Income ³
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets ²
HKAS 19 (2011)	Employee Benefits ⁴
HKAS 27 (2011)	Separate Financial Statements ⁴
HKAS 28 (2011)	Investments in Associates and Joint Ventures ⁴

¹ Effective for annual periods beginning on or after 1 July 2011.

² Effective for annual periods beginning on or after 1 January 2012.

³ Effective for annual periods beginning on or after 1 July 2012.

⁴ Effective for annual periods beginning on or after 1 January 2013.

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. However, it is not yet in a position to state whether they would have a significant impact on the Group's results of operations and financial position.

3. Turnover

Turnover, which is also the revenue, represents the net invoiced value of goods sold and rental income earned by the Group. The amounts of each significant category of revenue recognised in turnover during the period are as follows:

	30 September 2011 HK\$'000 (Unaudited)	30 September 2010 HK\$'000 (Unaudited)
Sales of seedlings	807	1,594
Sales of furniture and handicrafts	236	1,847
Sales of tea oil	458	601
Gross rental income from cold storage warehouse (before direct outgoings of HK\$15,000 (2010: HK\$58,000))	190	359
	1,691	4,401

4. Segment information

The Group has four reportable segments. The segments are managed separately as each business offers different products and requires different business strategies. The following summary describes the operations in each of the Group's reportable segments:

- Timber logging and trading — sales of timber logs from forest concession, tree plantation area and outside suppliers, and sales of seedlings;
- Other timber operation — the manufacture and sale of furniture and handicrafts and sales of refined tea oil;
- Property development and asset management; and
- Cold storage warehousing leasing.

There was no inter-segment sale or transfer during the period (2010: HK\$ Nil). Central revenue and expenses are not allocated to the operating segments as they are not included in the measure of the segments' loss that is used by the chief operating decision makers for assessment of segment performance.

(a) Reportable Segment

The segment information for the reportable segments for the six months ended 30 September 2011 is as follows:

	Timber logging and trading HK\$'000 (Unaudited)	Other timber operation HK\$'000 (Unaudited)	Property development and asset management HK\$'000 (Unaudited)	Cold storage warehouse leasing HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
REVENUE					
Revenue from external customers	807	694	–	190	1,691
Inter-segment revenue	–	–	–	–	–
Reportable segment revenue	807	694	–	190	1,691
Reportable segment loss	(17,982)	(6,280)	(13,690)	(101)	(38,053)
Other segment information					
Depreciation and impairment loss of property, plant and equipment	1,323	1,222	33	–	2,578
Unallocated depreciation and impairment loss of property, plant and equipment					4,598
Total depreciation and impairment loss of property, plant and equipment					7,176
Amortisation of prepaid lease payments	–	64	–	–	64
Unallocated amortisation of prepaid lease payments					–
Total amortisation of prepaid lease payments					64
Amortisation of forest concession rights	13,792	–	–	–	13,792
Loss on change in fair value less costs to sell of biological assets	–	–	–	–	–
Interest income	1	50	100	–	151
Unallocated interest income					14
Total interest income					165
Interest on short term borrowing	–	–	–	–	–
Income tax expense	–	153	–	–	153

The segment information for the reportable segments for the six months ended 30 September 2010 is as follows:

	Timber logging and trading HK\$'000 (Unaudited)	Other timber operation HK\$'000 (Unaudited)	Property development and asset management HK\$'000 (restated) (Unaudited)	Cold storage warehouse leasing HK\$'000 (Unaudited)	Total HK\$'000 (restated) (Unaudited)
REVENUE					
Revenue from external customers	1,594	2,448	–	359	4,401
Inter-segment revenue	–	–	–	–	–
Reportable segment revenue	1,594	2,448	–	359	4,401
Reportable segment profit/(loss)	(5,735)	(8,361)	(1,449)	44	(15,501)
Other segment information					
Depreciation and impairment loss of property, plant and equipment	1,539	1,832	5	1	3,377
Unallocated depreciation and impairment loss of property, plant and equipment					2,451
Total depreciation and impairment loss of property, plant and equipment					5,828
Amortisation of prepaid lease payments	290	–	–	–	290
Unallocated amortisation of prepaid lease payments					41
Total amortisation of prepaid lease payments					331
Amortisation of forest concession rights	–	–	–	–	–
Gain on change in fair value less costs to sell of biological assets	511	–	–	–	511
Interest income	12	–	–	–	12
Unallocated interest income					–
Total interest income					12
Interest on short term borrowing	167	–	–	–	167
Unallocated interest on short term borrowing					8,486
					8,653
Income tax expense	–	–	–	–	–

(b) Reconciliation of reportable segment loss

	30 September 2011 HK\$'000 (Unaudited)	30 September 2010 HK\$'000 (restated) (Unaudited)
Reportable segment loss before income tax expense	(38,053)	(15,501)
Gain on change in fair value less costs to sell of biological assets	—	511
Change in fair value of derivative financial instruments	(96,410)	(165,634)
Other income and other gains or losses	990	2,753
Unallocated corporate expenses	(24,373)	(19,858)
Finance costs	—	(167)
Consolidated loss before income tax expense	(157,846)	(197,896)

5. Other income and other gains and losses

Other income and other gains and losses comprises:

	30 September 2011 HK\$'000 (Unaudited)	30 September 2010 HK\$'000 (Unaudited)
Interest income	165	12
Exchange gain, net	968	2,599
Government grant	—	1,020
Others	8	154
	1,141	3,785

6. Finance costs

	30 September 2011 HK\$'000 (Unaudited)	30 September 2010 HK\$'000 (Unaudited)
Interest on short term borrowings wholly repayable within five years	561	167
Interest expenses on convertible bond maturing within five years	12,889	21,714
Interest expenses on promissory note maturing within five years	2,146	12,935
Total finance costs	15,596	34,816
Less: Amount capitalised	(15,596)	(26,163)
	—	8,653

7. Loss before income tax expense

Loss before income tax expense is stated after charging:

	30 September 2011 HK\$'000 (Unaudited)	30 September 2010 HK\$'000 (restated) (Unaudited)
Auditor's remuneration	300	300
Amortisation of prepaid lease payments included in selling and administrative expenses	64	331
Amortisation of forest concession rights	13,792	—
Cost of inventories and timber harvested	1,112	2,675
Depreciation of property, plant and equipment	7,176	5,828
Staff cost (excluding directors' remuneration)		
Salaries and allowances	6,075	9,042
Defined contributions pension cost	102	137
	6,177	9,179

8. Income tax expense

	30 September 2011 HK\$'000 (Unaudited)	30 September 2010 HK\$'000 (Unaudited)
Hong Kong profits tax	—	—
PRC enterprise income tax	153	—
Total income tax expense for the period	153	—

There is no assessable profit arising in Hong Kong during the current period (2010: HK\$Nil). Taxes on profits assessable elsewhere, if applicable, have been calculated at the rates of tax prevailing in the regions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

For the six months ended 30 September 2011, the statutory corporate income tax rates applicable to the subsidiaries established and operating in the PRC is 25% (six months ended 30 September 2010: 25%).

9. Dividend

No dividend has been paid or declared by the Company for the six months ended 30 September 2011 and 2010.

10. Loss per share

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

Loss attributable to owners of the Company

	30 September 2011 HK\$'000 (Unaudited)	30 September 2010 HK\$'000 (restated) (Unaudited)
Loss for the purposes of basic loss per share	(157,019)	(196,512)
Fair value loss on the derivative financial instrument	—	—
Loss for the purposes of diluted loss per share	(157,019)	(196,512)
Number of shares	'000	'000
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	20,121,014	14,412,927
	HK cents (Unaudited)	HK cents (restated) (Unaudited)
Loss per share attributable to owners of the Company		
— Basic and diluted	(0.78)	(1.36)

For the periods ended 30 September 2011 and 2010, the computation of diluted loss per share does not assume the exercise of the Company's outstanding warrants as they had an anti-dilutive effect on the loss per share calculation.

For the periods ended 30 September 2011 and 2010, the computation of diluted loss per share does not assume the conversion of the Company's outstanding convertible bonds as they had an anti-dilutive effect on the loss per share calculation.

11. Property, plant and equipment

No impairment losses were recognised in respect of property, plant and equipment for both periods. During the period, additions to property, plant and equipment amounted to HK\$7,048,000 (2010: HK\$6,602,000) and disposal of property, plant and equipment amounted to HK\$986,000 (2010: HK\$887,000).

12. Other properties under development

	30 September 2011 HK\$'000 (Unaudited)	31 March 2011 HK\$'000 (Audited)
Prepaid lease payments	170,785	170,785
Additions	1,699	1,699
Interest capitalised	17,412	15,040
Exchange difference	12,036	6,817
	201,932	194,341

The development site is located in Meiziya Village, Yiling District, Yichang City, Hubei Province, the PRC and the parcel of land are held on lease of between 40 to 70 years (the "Land").

The Land is owned by a subsidiary of the Company, Yichang Xinshougang Property Development Company Limited (宜昌新首鋼房地產開發有限公司) ("Yichang Xinshougang") and is planned for the development of Yichang Three Gorges International Convention Centre, Three Gorges State Guest House and Three Gorges State Guest Garden Commercial Property (collectively the "Yichang Project").

During the year ended 31 March 2010, the Group commenced construction of Three Gorges State Guest Garden Commercial Property and allocated the attributable pre-paid lease payments to properties under development for sale. The remaining portion was included as other properties under development.

During the year ended 31 March 2011, Yichang Xinshougang signed a joint development agreement with Hubei Province Dafang Properties Development Company Limited (湖北省大方房地產綜合開發公司) ("Dafang Properties") for the development of the Yichang Project.

13. Forest concession rights

The forest concession rights in Guyana are stated at cost less accumulated amortisation and any accumulated impairment losses. The costs of forest concession rights include the acreage fees payable to Guyana Forestry Commission, costs of necessary exploration, geological, geophysical and other research studies incurred prior to the grant of the forest concession rights.

	30 September 2011 HK\$'000 (Unaudited)	31 March 2011 HK\$'000 (Audited)
Cost:		
At 1 April 2011 and at 1 April 2010	534,445	534,451
Exchange difference	—	(6)
At 30 September 2011 and at 31 March 2011	534,445	534,445
Accumulated amortisation:		
At 1 April 2011 and at 1 April 2010	12,802	5,906
Amortisation for the period/year	13,792	6,896
At 30 September 2011 and at 31 March 2011	26,594	12,802
Net carrying amount:		
At 30 September 2011 and at 31 March 2011	507,851	521,643

Forest concession rights held by Jaling Forest Industries Inc (“Jaling Concession Rights”), a subsidiary of the Company

On 22 August 2003, Jaling Forest Industries Inc. (“Jaling”) was granted a State Forest Exploratory Permit (1/2003) by the Commissioner of Forests, the Guyana Forestry Commission, to carry out exploratory work on an area of 167,000 hectares (approximately 412,000 acres) for a period of 3 years. Pursuant to the Timber Sales Agreement (TSA 02/2005) dated 25 January 2005, Jaling was granted with an exclusive timber concession right by the Commissioner of Forests, the Guyana Forestry Commission for a period of 25 years, commencing on 25 January 2005 and until 24 January 2030 (both dates inclusive) to occupy, cut and remove timber from an area of approximately 136,900 hectares (approximately 338,000 acres) in the State Forest of Guyana, South America, which include a block (“Block A”) based on the natural surrounding and is bounded on the North by the Amakura River, on the South by the Baramita Amerindian Reserves and Whana River, on the East by the Whannamaparu and Whana River and on the West by the common border of Guyana

and Venezuela. It lies within the Northwest border of Guyana, South America and another block ("Block B") is bounded on the North by WCL 6/93, on the South by the Kaituma River, (TSA 04/91-BCL) and Sebai River, on the East by the Aruka River and Sebai Amerindian Reserves and on the West by Sand Creek and Waiamu River, being the concession boundary of BCL-TSA 04/91. Under the Jaling Concession Rights, Jaling shall pay a total acreage fee of approximately HK\$9,000,000 charged on all forestry area as prescribed by the Forest Act and Regulations of Guyana. In addition, based on a letter dated 23 November 2004 issued by the Commissioner of Forests, the Guyana Forestry Commission has committed in principle to find an additional area in the proximity of the current concession which would compensate more or less to the area that was exercised and bring the total concession acreage as close as possible to the original 167,000 hectares (approximately 412,000 acres) at the terms equivalent to the Forest Concession Rights.

The logging operation in Block B has been completed during the year ended 31 March 2010. There was no logging operation during the period and the Group will shift the logging operation to Block A in near future.

Forest concession rights held by Garner Forest Industries Inc. ("Garner Concession Rights"), a subsidiary of the Company

On 18 August 2004, Garner Forest Industries Inc. ("Garner") was granted a State Forest Exploratory permit (3/2004) by the Commissioner of Forests, the Guyana Forestry Commission, to carry out exploratory work on an area of 90,469 hectares (approximately 223,552 acres) for a period of 3 years. Pursuant to the Timber Sales Agreement (TSA 03/2005) dated 11 June 2005, Garner was granted with an exclusive concession right by the Commissioner of Forests, the Guyana Forestry Commission for a period of 25 years, commencing on 11 June 2005 and until 10 June 2030 (both dates inclusive) to occupy, cut and remove timber from an area of approximately 92,737 hectares (approximately 229,158 acres) in the State Forest of Guyana, South America, which includes a block located on the left bank of Mazaruni River, right bank of Puruni River, and left bank of Putareng River of Guyana, South America. Under the Garner Concession Rights, Garner shall pay a total acreage fee of approximately HK\$5,375,000 charged on all forestry area as prescribed by the Forest Act and Regulations of Guyana. Garner has completed the necessary exploratory studies and obtained the Garner Concession Rights.

14. Derivative financial instrument

Derivative financial instrument represents the fair value of the Company's option to early redeem in convertible bond issued by the Company on 9 February 2010 and the Company's option to mandatory convert the convertible bonds issued by the Company on 28 September 2011 into shares of the Company. The fair value of the early redemption option is calculated using the Binomial Option Pricing Model. The fair value of mandatory conversion option is calculated using the Binomial Tree Model. The inputs into the models were as follows:

Convertible bond issued on 9 February 2010:

	At 30 September 2011 (Unaudited)	At 31 March 2011 (Audited)
Conversion price	HK\$0.056	HK\$0.056
Target redemption price (note a)	HK\$0.56	HK\$0.56
Expected volatility (note b)	57.76%	62.7%
Expected life (note c)	1.36 years	1.87 years
Risk free rate (note d)	0.16%	0.59%

Convertible bonds issued on 28 September 2011:

	At 30 September 2011 (Unaudited)	At 31 March 2011 (Audited)
Conversion price	HK\$0.40	—
Mandatory conversion price (note e)	HK\$1.00	—
Expected volatility (note b)	58%	—
Expected life (note c)	3 years	—
Risk free rate (note d)	0.35%	—

Notes:

- (a) Target redemption price is ten times the conversion price which is determined by the management of the Group for the redemption of the convertible bond.
- (b) Expected volatility was determined by calculating the historical volatility of the Company's share price cover the period same as the remaining life of convertible bonds before date of valuation.
- (c) Expected life was the expected remaining life of the respective options.
- (d) The risk free rate is determined by reference to the HKMA Exchange Fund Notes rate at the date of valuation.
- (e) Mandatory conversion refers to the right held by the Company to require the convertible bondholder to convert the convertible bonds into ordinary shares of the Company when the share price is higher than HK\$1.00 for 60 consecutive trading days.

During the period, HK\$96,410,000 (2010: HK\$165,634,000) was recognised as a change in fair value of derivative financial instrument (Note 22).

15. Available-for-sale investments

Available-for-sale investments include the following:

	30 September 2011 HK\$'000 (Unaudited)
Unlisted equity, at cost	605,000

The Group, through a wholly-owned subsidiary, Cheer Luck Technology Limited ("Cheer Luck"), acquired 11% equity interest of Inner Mongolia Zhunxing Heavy Haul Expressway Company Limited (內蒙古准興重載高速公路有限責任公司) ("Zhunxing"), through capital injection. The principal activities of Zhunxing are expressway and auxiliary facility investment, operation, management and maintenance.

On 21 April 2011, Zhunxing and Cheer Luck signed the first capital increase agreement to acquire 11% equity interest in Zhunxing at a consideration of RMB500,000,000. As at 30 September 2011, all payments have been made by the Company and the Group owns 11% equity interest in Zhunxing.

None of the available-for-sale investments were impaired as of 30 September 2011 (31 March 2011: Nil).

16. Properties under development for sale

	30 September 2011 HK\$'000 (Unaudited)	31 March 2011 HK\$'000 (Audited)
Amounts comprise:		
Construction cost	141,666	48,792
Prepaid lease payments	912,120	912,120
Interest capitalised	93,556	80,334
Exchange difference	65,434	36,407
	1,212,776	1,077,653

17. Trade and other receivables

	30 September 2011 HK\$'000 (Unaudited)	31 March 2011 HK\$'000 (Audited)
Trade receivables	2,773	2,796
Other receivables	14,695	18,378
Deposits paid	3,784	6,568
Prepayments	31,241	24,166
	52,493	51,908

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 three months or more for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and the Group's credit control department will be responsible for minimising the credit risk. Overdue balances are reviewed regularly by senior management.

Details of the ageing analysis of trade receivables of the Group are as follows:

	30 September 2011 HK\$'000 (Unaudited)	31 March 2011 HK\$'000 (Audited)
Outstanding balances aged:		
0 – 30 days	19	794
31 – 60 days	—	14
61 – 180 days	5	659
Over 180 days	2,749	1,329
	2,773	2,796

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

	30 September 2011 HK\$'000 (Unaudited)	31 March 2011 HK\$'000 (Audited)
Neither past due nor impaired	19	808
30 to 90 days past due	5	659
Over 90 days past due	2,749	1,329
	2,773	2,796

Included in trade receivables are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	30 September 2011 HK\$'000 (Unaudited)	31 March 2011 HK\$'000 (Audited)
Renminbi	1,527	1,550
United States dollars	1,246	1,246
	2,773	2,796

18. Restricted cash

Pursuant to the loan agreement signed with China Construction Bank (the "Bank") dated 8 June 2011, Yichang Xinshougang is required to place certain amount of pre-sale proceeds of properties as guarantee deposits for constructions of related properties in designated bank accounts. The deposits can only be used for the purchases of construction materials and the payments of construction fee for Yichang Project upon receiving the approval from the Bank. Such guarantee deposits will only be released after the loan has been settled.

19. Trade and other payables

	30 September 2011 HK\$'000 (Unaudited)	31 March 2011 HK\$'000 (Audited)
Trade payables	829	3,402
Other payables and accruals	80,682	75,505
Deposit received from customers	1,488	8,707
Purchase consideration payable	5,108	5,108
	88,107	92,722

Details of the ageing analysis of trade payables of the Group are as follows:

	30 September 2011 HK\$'000 (Unaudited)	31 March 2011 HK\$'000 (Audited)
Outstanding balances aged:		
0 – 30 days	–	302
31 – 60 days	–	450
61 – 180 days	135	507
Over 180 days	694	2,143
	829	3,402

Trade and other payables were denominated in the following currencies:

	30 September 2011 HK\$'000 (Unaudited)	31 March 2011 HK\$'000 (Audited)
Hong Kong dollars	12,168	23,411
Renminbi	74,206	67,003
United States dollars	1,515	2,079
Australian dollars	218	229
	88,107	92,722

20. Promissory note

The movements on the promissory note during the period are as follows:

	30 September 2011 HK\$'000 (Unaudited)	31 March 2011 HK\$'000 (Audited)
Carrying value as at 1 April 2011 and 1 April 2010	284,797	237,262
Interest expenses (<i>Note 6</i>)	2,146	47,535
Carrying value as at 30 September 2011 and 31 March 2011	286,943	284,797
Less: current portion (including interest payables)	(286,943)	(284,797)
Non-current portion	—	—

21. Borrowings

	30 September 2011 HK\$'000 (Unaudited)	31 March 2011 HK\$'000 (Audited)
Secured (i)	60,995	—
Unsecured (ii)	6,344	6,164
	67,339	6,164

Total borrowings were repayable as follows:

	30 September 2011 HK\$'000 (Unaudited)	31 March 2011 HK\$'000 (Audited)
On demand or within one year included in current liabilities	67,339	6,164

(i) The loan is secured by the Group's other properties under development and properties under development for sale and is repayable within 3 years and with interest rate as published by People's Bank of China.

(ii) The loan is unsecured, interest free and repayable within one year.

22. Convertible bonds

The movement of different components of the convertible bonds during the period is set out below:

	Liability component HK\$'000	Derivative financial instrument component HK\$'000 (Note 14)	Equity component HK\$'000	Total HK\$'000
Convertible bond issued on 9 February 2010				
At 31 March 2011	263,112	(213,094)	261,779	311,797
Interest expense (note 6)	12,889	—	—	12,889
Change in fair value	—	96,410	—	96,410
At 30 September 2011	276,001	(116,684)	261,779	421,096
Convertible bonds issued on 28 September 2011				
At 31 March 2011	—	—	—	—
Issue of convertible bonds during the period ended 30 September 2011 (note (a))	1,542,413	(6,244)	463,831	2,000,000
At 30 September 2011	1,542,413	(6,244)	463,831	2,000,000
Total	1,818,414	(122,928)	725,610	2,421,096

Notes:

(a) Issue of convertible bonds on 28 September 2011

On 28 September 2011, the Company issued the convertible bonds with an aggregate amount of HK\$2,000,000,000 to several subscribers. The convertible bonds carry an interest rate of 9% per annum, which shall be payable by the Company annually in arrears, upon conversion or redemption.

The bondholders are entitled to convert the convertible bonds into ordinary shares of the Company at an initial conversion price of HK\$0.4 per conversion share (subject to the normal adjustments pursuant to the terms and conditions of the convertible bonds) at any time during the period commencing from the date of issuance of the convertible bonds.

The Company shall redeem any outstanding convertible bonds at the principal amount together with accrued interest on the maturity date which is on the third anniversary of the date of issuance. The Company has the right to require the bondholder(s) to convert the convertible bonds into ordinary shares of the Company when the share price is higher than HK\$1.00 for 60 consecutive trading days.

At issuing date, the Company determined the fair value of the embedded mandatory conversion option component and liability component based on the valuations performed by LCH (Asia-Pacific) Surveyors Limited using discounted cash flow approach. The effective interest rate is 19.83%. The residual amount was assigned as the equity component for the conversion option held by bondholders and was included in the convertible bond reserve of the Company and the Group.

23. Share capital

	30 September 2011		31 March 2011	
	No. of shares '000	Amount HK\$'000 (Unaudited)	No. of shares '000	Amount HK\$'000 (Audited)
Authorised:				
Ordinary shares of HK\$0.01 each	50,000,000	500,000	30,000,000	300,000
Issued and fully paid:				
Ordinary shares of HK\$0.01 each	20,190,784	201,908	19,842,925	198,429

24. Additional interest acquired in a subsidiary

On 8 July 2011, the Group acquired the remaining 5% equity interest of Jaling at a consideration of HK\$5 million. Jaling has become a wholly-owned subsidiary of the Group since 8 July 2011.

25. Related party transactions

- (a) Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note.
- (b) Save as disclosed elsewhere in these financial statements, the Group had the following major transactions with related parties during the six months ended 30 September 2011 and 2010:

Related party relationship	Type of transactions	30 September 2011 HK\$'000 (Unaudited)	30 September 2010 HK\$'000 (Unaudited)
China Alliance International Holding Group Limited (a substantial shareholder of the Company)	Interest expense on promissory note	2,146	12,935
	Interest expense on convertible bond	—	21,714
	Type of balances	30 September 2011 HK\$'000 (Unaudited)	31 March 2011 HK\$'000 (Audited)
	Promissory note	286,943	284,797

- (c) Members of key management during the period comprised of the directors only and their remuneration are listed as follows:

	30 September 2011 HK\$'000 (Unaudited)	30 September 2010 HK\$'000 (Unaudited)
Fees, basic salaries, allowance and other benefits	4,680	2,780
Retirement benefit scheme contribution	18	12
	4,698	2,792

26. Operating lease commitments

The Group leases part of its office properties and plantation sites under operating lease arrangement. Leases for office properties are negotiated for terms for 1 to 5 years. Leases for plantation sites are negotiated for terms for 1 to 7 years.

As at 30 September 2011, the Group had total future minimum lease payments under non-cancellable operating leases due at the end of reporting period as follows:

	30 September 2011 HK\$'000 (Unaudited)	31 March 2011 HK\$'000 (Audited)
Within one year	6,825	6,947
In the second to fifth years, inclusive	9,494	13,002
After five years	146	198
	16,465	20,147

27. Grant of the equity line of credit to the company and issue of warrants

On 5 January 2010, the Company entered into the Equity Line of Credit Agreement (the "Credit Agreement") with GEM Global Yield Fund Limited ("GEM Global") and GEM Investment Advisors, Inc. ("GEMIA"), pursuant to which the Company has been granted an option to require GEM Global to subscribe for up to HK\$300 million worth of shares of the Company at the closing price of the Shares on the Stock Exchange on the date of subscription structured under the Equity Line of Credit during the commitment period (the "Option"). Also, the Company issued 1,000 million warrants of the Company to GEM Global. On 19 January 2010, the Company, GEM Global and GEMIA further entered into the Amendment Deed. Further details are set out in the Company's circular dated on 22 January 2010.

The Option is exercisable by the Company during the commitment period commencing on (and including) the date of the Credit Agreement and expiring upon the earlier of (i) the third anniversary of the date of the Credit Agreement, and (ii) the date on which the Equity Line of Credit has been fully utilised by the Company by way of allotting and issuing shares (the "Option Shares") for total issue price equals to the total commitment amount (i.e. HK\$300 million) upon exercising the Option in full.

The Company shall exercise any part of the Option by serving a drawdown notice and specifying the proposed number of the Option Shares thereunder. GEM Global shall respond to any drawdown notice by delivering a closing notice, which shall set out, inter alia, the final number of Option Shares to be subscribed by, and allotted and issued to, the GEM Global or any other subscribers procured by it on the closing date.

On 8 February 2010, the Company issued a total of 1,000 million warrants at nil consideration at an exercise price of HK\$0.23 per warrant share (subject to adjustment pursuant to the conditions to GEM Global) pursuant to the Credit Agreement.

The Company was required to pay GEMIA a commitment fee of HK\$6,000,000, equivalent to 2% of the total commitment amount of HK\$300 million (i) on or before the first anniversary of the date of the Agreement, or (ii) on the Company's receipt or deemed receipt of the proceeds resulting from the first closing notice to be issued by GEM Global to the Company, whichever is earlier. The commitment fee payable was recognised as trade and other receivables at 31 March 2010. The fee was paid during the year ended 31 March 2011 as condition (i) was fulfilled. The account held in other receivables will be transferred to share premium when the Company exercises the option.

The details and movement of the warrants during the year is set out below:

Date of grant	8 February 2010
Exercise period	8 February 2010 to 7 February 2013
Subscription price	HK\$0.23

	30 September 2011 HK\$'000 (Unaudited)	31 March 2011 HK\$'000 (Audited)
At 1 April 2011 and 1 April 2010	712,859	1,000,000
Utilised during the period/year	(347,859)	(287,141)
At 30 September 2011 and 31 March 2011	365,000	712,859

During the period 347,858,523 warrants (Six months ended 30 September 2010: Nil) were exercised to subscribe for the shares of the Company.

28. Capital commitments

As at 30 September 2011 and 31 March 2011, the outstanding capital commitments which were not provided for in the financial statements are as follows:

	30 September 2011 HK\$'000 (Unaudited)	31 March 2011 HK\$'000 (Audited)
Contracted but not provided for		
— acquisition of property, plant and equipment and land use right	3,465	4,089
— investment on properties under development for sale	124,341	184,715
— acquisition of equity interest in Zhunxing through capital investment	2,217,796	—
	2,345,602	188,804

29. Subsequent events

Pursuant to the second capital increase agreement dated 26 May 2011 which was approved by shareholders of the Company on 19 September 2011, Cheer Luck agreed to subscribe for the additional registered capital of RMB366,888,328 in Zhunxing at a total cash consideration of RMB1,818,000,000. Upon completion of capital injection, the total registered capital of Zhunxing will be increased from RMB449,438,202 to RMB816,326,530. On 13 October 2011 and 17 October 2011, the Group injected a total of HK\$444,999,900 to Zhunxing pursuant to the terms of the second capital increase agreement.

MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 30 September 2011, the Group was principally engaged in forest operation and management, timber logging and trading, sale of timber products, cold storage warehousing leasing, plantation and trading of seedlings, property development and asset management.

The Group's property development subsidiary in Yichang City of Hubei Province, Yichang Xinshougang Property Development Company Limited (宜昌新首鋼房地產開發有限公司) ("Yichang Xinshougang") commenced the first phase pre-sale of residential properties in June 2011.

In addition, the Group continued with its expansion in the transportation and expressway operation. In May 2011, the Company through its subsidiary entered into a second capital increase agreement for the subscription of an additional 40% equity interest in Inner Mongolia Zhunxing Heavy Haul Expressway Company Limited (內蒙古准興重載高速公路有限責任公司) ("Zhunxing") at a total consideration of RMB1,818,000,000, i.e. upon completion, the Company will be interested in an aggregate 51% equity interest. Zhunxing has been granted an exclusive right to build and operate the first heavy haul toll expressway in the PRC for 30 years (excluding the construction period).

Financial and Liquidity Review

For the six months ended 30 September 2011, the Group recorded an unaudited turnover of approximately HK\$1.7 million, representing a decrease of 62% over the last corresponding period (2010: HK\$4.4 million), which was mainly due to cut down in the sales of timber products and seedlings. The four reportable segments engaged by the Group, namely timber logging and trading, other timber operation, property development and asset management, and cold storage warehouse leasing contributed approximately HK\$0.8 million (48%), HK\$0.7 million

(41%), HK\$Nil, and HK\$0.2 million (11%) respectively to the Group's consolidated turnover. Detailed segment turnover and contribution to loss before tax of the Group are shown in Note 4 to the financial statements. Despite the decrease of the turnover in the period, the Group still recorded a gross profit of approximately HK\$0.6 million during the period (2010: HK\$1.7 million).

During the interim period, the Group's property development arm, Yichang Xinshougang, achieved the sale of a total of approximately 17,300 square metres gross floor area at the price of approximately RMB4,700 per square metre, i.e. income receivable of approximately RMB82 million. But the sales turnover will only be booked upon delivery of the properties to the purchasers. Distributable profit from sales of the residential properties is to be shared by the Group and Dafang Properties Development Co. Ltd. (湖北省大方房地產綜合開發公司), the strategic property development partner of the Group, on a 60:40 basis.

The loss before taxation and net loss were approximately HK\$157.8 million (2010: HK\$197.9 million) and HK\$158.0 million (2010: HK\$197.9 million) respectively. The loss was mainly attributed by the change in fair value of the early redemption option component of the convertible bond of approximately HK\$96.4 million (2010: HK\$165.6 million), and selling and administrative expenses of approximately HK\$63.2 million (2010: HK\$29.6 million) due to pre-sale of properties by Yichang Xinshougang. The loss attributable to shareholders for the period was approximately HK\$157.0 million (2010: HK\$196.5 million). The loss per share for the period reduced to HK\$0.78 cents as compared with HK\$1.36 cents for the last corresponding period.

As at 30 September 2011, the Group's net assets amounted to approximately HK\$2,668.5 million, representing an increase of 19% compared with the net assets value of approximately HK\$2,251.1 million as at 31 March 2011. Besides, the current assets of the Group were HK\$3,439.0 million (31 March 2011: HK\$1,857.0 million) which mainly include properties under development for sale of approximately HK\$1,212.8 million (31 March 2011: HK\$1,077.7 million), inventories of approximately HK\$139.9 million (31 March 2011: HK\$135.2 million), trade and other receivables of HK\$52.5 million (31 March 2011: HK\$51.9 million) and cash and cash equivalents of approximately HK\$2,013.2 million (31 March 2011: HK\$591.6 million).

The current liabilities increased from approximately HK\$464.7 million to approximately HK\$581.1 million during the period mainly due to the contribution by a promissory note of HK\$286.9 million (31 March 2011: HK\$284.8 million), trade and other payables of HK\$88.1 million (31 March 2011: HK\$92.7 million), deposits from sales of properties of HK\$68.2 million (31 March 2011: HK\$Nil), secured and unsecured bank loan of HK\$67.3 million (31 March 2011: HK\$6.2 million) and an amount due to a joint venture partner of HK\$61.0 million (31 March 2011: HK\$59.3 million). The gearing ratio of the Group, measured as total debts to total assets, was 48.7%.

The said promissory note with a principal amount of HK\$280 million (the "Promissory Note") was issued to China Alliance International Holding Group Limited, a substantial shareholder of the Company (the "Noteholder"), in connection with the acquisition of Yichang Xinshougang. The Company has failed to repay any principal and accrued interest since 8 May 2010, the first repayment date under the Promissory Note and the Noteholder has been entitled to demand immediate repayment of principal and accrued interest. As a result, a total of approximately HK\$286.9 million was recorded under current liabilities as at 30 September 2011. As at 30 September 2011, the Company has approximately HK\$2,013 million cash and cash equivalents, but the fund is reserved for investment in Zhunxing and working capital. The Noteholder has not demanded any repayment from the Company as the Company has been exploring different methods to deal with its settlement including actively negotiating alternative repayment methods with the Noteholder.

As at 30 September 2011, the amount due to a director was HK\$Nil (31 March 2011: HK\$12.4 million).

As at 30 September 2011, the Group committed a bank loan of approximately HK\$61 million, repayable within three years and secured by the Group's other properties under development and properties under development for sale with interest rate as published by People's Bank of China.

The Group's business operations, assets and liabilities are denominated mainly in Hong Kong dollars, Renminbi and US dollars except its cold storage warehouse in Australia, thus appreciation in Australia dollars has resulted in a net exchange gain. Save as aforesaid, the Board considered foreign exchange risk being minimal. The management will review from time to time of the potential foreign exchange exposure and will take appropriate measures to minimise the risk of foreign exchange exposure in the future. During the reporting period, the Company has not given any guarantee to any financial institution in respect of banking facilities utilised by any of its subsidiaries.

As at 30 September 2011, the Group had capital commitments of HK\$2,345.6 million (31 March 2011: HK\$188.8 million). The substantial increase of the capital commitments in the period was mainly due to the subscription of registered capital in Zhunxing.

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

Completion of Issue of the 9% Coupon Convertible Bonds

On 28 September 2011, the Company issued the convertible bonds with an aggregate amount of HK\$2,000,000,000 to several subscribers. The convertible bonds carry an interest rate of 9% per annum which shall be payable by the Company annually in arrears, upon conversion or redemption.

The bondholders are entitled to convert the convertible bonds into ordinary shares of the Company at an initial conversion price of HK\$0.4 per conversion share (subject to the normal adjustments pursuant to the terms and conditions of the convertible bonds) at any time during the period commencing from the date of issuance of the convertible bonds.

The Company shall redeem any outstanding convertible bonds at the principal amount together with accrued interest on the maturity date which is on the third anniversary of the date of issuance. The Company has the right to require the bondholder(s) to convert the convertible bonds into ordinary shares of the Company when the share price is higher than HK\$1.00 for 60 consecutive trading days.

Transportation and Expressway Operation in Inner Mongolia

In 2011, the Group embarked on a new business in toll road and expressway operation in Inner Mongolia by investing into Zhunxing.

On 21 April 2011, the Company, through its wholly-owned subsidiary, Cheer Luck Technology Limited ("Cheer Luck"), entered into the first capital increase agreement with Zhunxing to subscribe its 11% equity interest at the consideration of RMB500 million. The subscription was completed on 9 May 2011 and Zhunxing has been transformed into a Sino-foreign joint venture. On 26 May 2011, Cheer

Luck entered into the second capital increase agreement with Zhunxing for the subscription of an additional registered capital of RMB366,888,328 at a total cash consideration of RMB1,818,000,000.

On 13 and 17 October 2011, the Group injected a total of HK\$444,999,900 to Zhunxing as capital contribution under the second capital increase agreement. On 18 November 2011, a new Business Licence for an Enterprise was issued to Zhunxing subsequent to the approval of Cheer Luck's subscription for an aggregate 51% equity interest and Zhunxing has become a subsidiary of the Company. In addition, the Group has been granted an exclusive right to raise its equity interest in Zhunxing up to 66% on or before 31 December 2011.

Zhunxing has an exclusive right to build and operate the first heavy-duty toll expressway specifically designed for coal transportation in Inner Mongolia for 30 years (excluding the construction period). The expressway will run 265 km from Jungar Banner (准格爾旗), a major coal production area located south of Hohhot (呼和浩特) in Ordos (鄂爾多斯), to Xinghe County (興和縣), a major logistic hub for coal distribution in northern PRC (the "Expressway"). The Expressway is designed to sustain 100 ton trucks, which will save time and cost for coal producers and distributors as it raises the transportation capacity of coal trucks, whereas most other expressways in the PRC can only allow a maximum of 55 ton trucks. In view of the current traffic congestion, increasing demand for coal transportation in Inner Mongolia which has now passed Shanxi as China's largest coal producer, and the existing coal transportation capacity of other expressways, there would be significant market demand of our Expressways for coal transportation.

The proposed toll fee for the Expressway is RMB0.15 per ton per km which is subject to formal approval by the traffic bureau and the development and reform commission of Inner Mongolia. As the Expressway is a priority project under the "Eleventh Five-Year Plan" of the PRC, and is of strategic importance for energy logistics in northern PRC, the Board is of the view that the Expressway will generate significant turnover to the Group upon its opening for traffic which is expected to take place in January 2013.

CAPITAL COMMITMENT

As at 30 September 2011, the Group had a capital commitment of approximately HK\$2,345.6 million in relation to the acquisition of property, plant, equipment and land use rights, investment on properties under development for sale and capital injection in Zhunxing as stated above.

CHARGES ON ASSETS

As at 30 September 2011, other properties under development and properties under development for sale of the Group with an aggregate net book value of approximately HK\$1,415 million was pledged to secure the bank loan granted to the Group.

CONTINGENT LIABILITIES

As at 30 September 2011, the Group did not have any material contingent liabilities.

EMPLOYEES

The Group has approximately 172 employees in Hong Kong, PRC, Guyana and Australia as at 30 September 2011. The Group ensures that the pay scales of its employees are rewarded on a performance-rated basis within the general framework of the Group's remuneration policy.

APPOINTMENT AND RE-DESIGNATION OF DIRECTORS

Mr. Duan Jingquan ("Mr. Duan") was appointed as an executive director and the chief executive officer of the Company with effect from 7 November 2011. With the appointment of Mr. Duan, Mr. Cao Zhong resigned as the chief executive officer of the Company on the same date, but remains as the chairman of the Board.

SHARE OPTION SCHEME

The Share Option Scheme of the Company was adopted on 16 July 2004 and shall remain in force for 10 years from the adoption date unless otherwise terminated or amended.

As at 30 September 2011, no share option has been granted, exercised, cancelled or lapsed.

SALE AND PURCHASE OF SHARES

There was no purchase, sale or redemption of shares in the Company made by the Company or any of its subsidiaries during the six months ended 30 September 2011.

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

Save as disclosed below, as at 30 September 2011, 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 the Directors, none of the Directors and chief executive of the Company held any interest or short positions on the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning or Part XV of the SFO) which (i) where required to be notified to the Company and SEHK pursuant to Divisions 7 and 8 Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO); or (ii) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") of the Listing Rules, to be notified to the Company and SEHK.

Long positions in shares and underlying shares of the Company

Name of Director	Number of Shares		Number of underlying Shares		Total number of Shares and underlying Shares held	Approximate percentage (%) of issued share capital
	personal interest	corporate interests	personal interest	corporate interests		
Mr. Cao Zhong (note 1)	94,700,000	2,000,000,000	NIL	NIL	2,094,700,000	10.37
Mr. Fung Tsun Pong (note 2)	1,112,562,449	1,114,300,000	NIL	NIL	2,226,862,449	11.02
Mr. Tsang Kam Ching, David	51,624,499	NIL	NIL	NIL	51,624,499	0.25

Note:

1. Champion Rise International Limited ("CRIL") being wholly owned by Mr. Cao Zhong was interested in 2,000,000,000 Shares, representing approximately 9.9% in the issued share capital of the Company. CRIL is a substantial shareholder of the Company and its shareholding in the Company is set out in the section headed "Substantial Shareholders".
2. Ocean Gain Limited ("OGL") being wholly owned by Mr. Fung Tsun Pong was interested in 1,114,300,000 Shares, representing approximately 5.51% in the issued share capital of the Company. OGL is a substantial shareholder of the Company and its shareholding in the Company is set out in the section headed "Substantial Shareholders".

Save as disclosed above, none of the Directors of the Company and their associates had any interest in the shares and/or underlying shares of the Company and its associated corporations, within the meaning of Part XV of the SFO, which were required to be notified to the Company and the SEHK pursuant to section 341 of the SFO (including interests which they were deemed or taken to have under section 344 of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein as at 30 September 2011.

SUBSTANTIAL SHAREHOLDERS

Save as disclosed below, as at 30 September 2011, 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 companies had an interest or short positions in the shares or underlying shares which fall to be disclosed to the Company 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 nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other members of the Group.

Long Position in Shares

Name of Shareholder	Number of Shares		Number of underlying Shares		Total number of Shares and underlying Shares held	Approximate percentage (%) of issued share capital
	personal interest	corporate interests	personal interest	corporate interests		
中聚國際控股有限公司 (China Alliance International Holding Group Limited) (note a)	NIL	4,275,862,068	NIL	NIL	4,275,862,068	21.16
Champion Rise International Limited (note b)	NIL	2,000,000,000	NIL	NIL	2,000,000,000	9.9
Ocean Gain Limited (note c)	NIL	1,114,300,000	NIL	NIL	1,114,300,000	5.51
Allkeen Investments Limited (note d)	NIL	1,016,000,000	NIL	NIL	1,016,000,000	5.03
Vivid Beyond Securities Limited (note e)	NIL	NIL	NIL	2,500,000,000	2,500,000,000	12.38
Fresh Generation Development Limited (note f)	NIL	NIL	NIL	1,350,000,000	1,350,000,000	6.68
Power Sky Investments Limited (note g)	NIL	NIL	NIL	1,200,000,000	1,200,000,000	5.94

Notes:

- a. China Alliance International Holding Group Ltd. is wholly owned by Mr. Zhang Lei.

- b. Champion Rise International Limited is wholly owned by Mr. Cao Zhong, the Chairman and an executive Director whose interest in shares or underlying shares of the Company is set out in the above section headed "Directors' Interest and Short Positions in Shares, Underlying Shares and Debentures".
- c. Ocean Gain Limited is wholly owned by Mr. Fung Tsun Pong, an executive Director and the Vice Chairman of the Company whose interest in shares or underlying shares of the Company is set out in the above section headed "Directors' Interest and Short Positions in Shares, Underlying Shares and Debentures".
- d. Allkeen Investments Limited is wholly owned by Ms. Xu Yueyue.
- e. Vivid Beyond Securities Limited, wholly owned by Hu Wei, was interested in HK\$140,000,000 convertible bonds issued by the Company which are convertible into 2,500,000,000 Shares at HK\$0.056 per Share.
- f. Fresh Generation Development Limited, wholly owned by Hu Bing Zhuo, was interested in HK\$75,600,000 convertible bonds issued by the Company which are convertible into 1,350,000,000 Shares at HK\$0.056 per Share.
- g. Power Sky Investments Limited, wholly owned by Xu Weidong, was interested in HK\$67,200,000 convertible bonds issued by the Company which are convertible into 1,200,000,000 Shares at HK\$0.056 per Share.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

Save for the deviations as reported and discussed in the Corporate Governance Report as set forth in the Company's 2011 Annual Report, none of the Directors are aware of any information that would reasonably indicate that the Company is not, or was not throughout the period, in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules (the "CG Code"). 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 Company has established its Audit Committee in accordance with the requirements of the rules governing the listing of securities on The Stock Exchange of Hong Kong Limited. The Audit Committee comprising all independent non-executive directors of the Company, namely Mr. Yip Tak On, Mr. Jing Baoli and

Mr. Bao Liang Ming, is responsible for reviewing the Group's accounting practices and policies, the external audit, internal controls and risk evaluation. The Audit Committee of the Company has reviewed and discussed with the management the internal control, financial reporting matters and the unaudited interim financial report for the six months ended 30 September 2011.

REMUNERATION COMMITTEE

The Remuneration Committee of the Company was established with terms of reference in compliance with the CG Code and is responsible for the formulation and review of the remuneration policy of the Company, determine the specific remuneration packages of all executive directors and senior management, and approve compensation and performance-based remuneration.

The remuneration committee comprises three independent non-executive directors, Mr. Yip Tak On, Mr. Jing Baoli and Mr. Bao Liang Ming and an executive director, Mr. Tsang Kam Ching, David.

OTHER DISCLOSURE

Save as disclosed, the Group either has had no material changes for 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

Cao Zhong

Chairman

Hong Kong, 28 November 2011

As as the date of this report, the Board comprises four executive Directors, Messrs. Cao Zhong, Fung Tsun Pong, Duan Jingquan and Tsang Kam Ching, David; a non-executive Director, Mr. Neil Bush and three independent non-executive Directors, Messrs. Yip Tak On, Jing Baoli and Bao Liang Ming.