China Resources and Transportation Group Ltd
中國資源交通集團有限公司

CHINA RESOURCES AND TRANSPORTATION GROUP LIMITED
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(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 269)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2014

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 2014 and the unaudited consolidated statement of financial position of the Group as at 30 September 2014.

CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2014

	Notes	**30 September 2014** *HK$'000* **(Unaudited)**	30 September 2013 *HK$'000* (Unaudited)
Continuing operations:			
Turnover	*3*	**2,373,276**	6,080,367
Cost of sales and other direct operating costs		**(2,208,568)**	(5,994,276)
Gross profit		**164,708**	86,091
Gain on settling debt component of old convertible bonds by issuing new convertible bonds		**–**	54,261
Change in fair value of derivative financial instruments		**118,996**	(120,524)
Other income and other gains or losses	*6*	**11,538**	(17,882)
Selling and administrative expenses		**(133,638)**	(104,197)
Finance costs	*7*	**(891,877)**	(31,332)
Gain on partial disposal of equity interests in subsidiaries		**–**	18,255
Share of results of associates		**2,729**	828
Loss before income tax expense	*8*	**(727,544)**	(114,500)
Income tax expense	*9*	**(211)**	–

	Notes	**30 September 2014** *HK$'000* **(Unaudited)**	30 September 2013 *HK$'000* (Unaudited)
Loss for the period from continuing operations		**(727,755)**	(114,500)
Discontinued operations:			
Profit for the period from discontinued operations		**–**	25,208
Loss for the period		**(727,755)**	(89,292)
Loss for the period attributable to:			
– Owners of the Company		**(676,719)**	(88,401)
– Non-controlling interests		**(51,036)**	(891)
		(727,755)	(89,292)
		HK cents **(Unaudited)**	*HK cents* (Unaudited)
Loss per share attributable to owners of the Company			
From continuing and discontinued operations	*11*		
– Basic and diluted		**(2.49)**	(0.34)
From continuing operations	*11*		
– Basic and diluted		**(2.49)**	(0.44)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2014

	30 September 2014 *HK$'000* **(Unaudited)**	30 September 2013 *HK$'000* (Unaudited)
Loss for the period	**(727,755)**	(89,292)
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
– Release of translation reserve upon disposal of subsidiaries	**–**	(34,353)
– Exchange differences on translation of financial statements of foreign operations	**34,205**	101,419
– Net movements in fair value reserve for available-for-sale investments	**(11,000)**	–
Other comprehensive income for the period, net of tax	**23,205**	67,066
Total comprehensive income for the period	**(704,550)**	(22,226)
Total comprehensive income for the period attributable to:		
– Owners of the Company	**(653,801)**	(50,865)
– Non-controlling interests	**(50,749)**	28,639
	(704,550)	(22,226)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2014

	Notes	30 September 2014 HK$'000 (Unaudited)	31 March 2014 HK$'000 (Audited)
NON-CURRENT ASSETS			
Investment property		**160,313**	38,700
Property, plant and equipment	*12*	**1,457,741**	1,414,045
Prepaid lease payments		**28,623**	28,894
Goodwill and other intangible assets	*23*	**310,662**	–
Biological assets		**77,538**	74,984
Forest concession rights	*13*	**264,777**	278,570
Concession intangible asset	*14*	**19,268,130**	19,543,099
Long term deposits and prepayments	*15*	**635,176**	640,103
Interests in associates		**451,742**	449,064
Available-for-sale investments		**448,925**	459,687
Deferred tax assets		**69,028**	–
TOTAL NON-CURRENT ASSETS		**23,172,655**	22,927,146
CURRENT ASSETS			
Inventories		**266,453**	123,329
Trade and other receivables	*16*	**615,907**	198,102
Prepaid lease payments		**665**	665
Amount due from a non-controlling shareholder of a subsidiary		**16,394**	16,359
Amounts due from associates		**168,800**	185,216
Fixed deposits	*17*	**63,054**	62,919
Cash and cash equivalents		**879,158**	1,702,510
TOTAL CURRENT ASSETS		**2,010,431**	2,289,100
TOTAL ASSETS		**25,183,086**	25,216,246

	Notes	30 September 2014 HK$'000 (Unaudited)	31 March 2014 HK$'000 (Audited)
CURRENT LIABILITIES			
Trade and other payables	*18*	**2,593,637**	2,876,336
Promissory note	*19*	**300,117**	297,876
Deferred government grants		**3,812**	5,071
Borrowings	*20*	**1,708,763**	2,635,516
Convertible bonds	*21*	**3,072,487**	731,233
TOTAL CURRENT LIABILITIES		**7,678,816**	6,546,032
NET CURRENT LIABILITIES		**(5,668,385)**	(4,256,932)
TOTAL ASSETS LESS CURRENT LIABILITIES		**17,504,270**	18,670,214
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**48,545**	9,696
Borrowings	*20*	**11,712,522**	9,764,867
Convertible bonds	*21*	**1,433,211**	3,774,231
Acreage fees payable		**10,490**	10,545
TOTAL NON-CURRENT LIABILITIES		**13,204,768**	13,559,339
TOTAL LIABILITIES		**20,883,584**	20,105,371
NET ASSETS		**4,299,502**	5,110,875
CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Share capital	*22*	**270,096**	271,748
Reserves		**3,311,501**	4,016,433
Equity attributable to owners of the Company		**3,581,597**	4,288,181
Non-controlling interests		**717,905**	822,694
TOTAL EQUITY		**4,299,502**	5,110,875

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS AND PRINCIPAL ACCOUNTING POLICIES

During the six months ended 30 September 2014, the Group suffered a loss of HK$727,755,000 and had a net operating cash outflow of HK$506,108,000 and at the end of reporting period, the Group's current liabilities exceeded its current assets by approximately HK$5,668,385,000. These conditions indicate the existence of a material uncertainty which may cast 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.

The directors of the Company have considered the following factors when preparing the unaudited condensed interim consolidated financial statements of the Group for the six months ended 30 September 2014 (the "Interim Financial Statements"):

i) Since the opening of the Group's 265 km long heavy-haul toll expressway in the Inner Mongolia Province ("Zhunxing Expressway") on 21 November 2013, daily toll income has provided a major source of operating cash flows to the Group;

ii) On 28 September 2014, Inner Mongolia Zhunxing Heavy Haul Expressway Company Limited ("Zhunxing"), one of the Group's subsidiaries, entered into a loan agreement with an authorised financial institution in the People's Republic of China (the "PRC") for obtaining a new loan of RMB1,500 million, which is repayable within three years. The amount is expected to be disbursed to Zhunxing by the end of 2014; The Group is also in active negotiation with financial institutions to obtain other new borrowings; and

iii) The Group is actively considering raising new capital by carrying out fund raising activities including but not limited to rights issue, open offer, placing of new shares and issuance of convertible bonds.

Based on the above, the directors of the Company are of the opinion that the Group will have sufficient working capital to finance its normal operations and to meet its financial obligations as they fall due in the foreseeable future and therefore the Interim Financial Statements are prepared on a going concern basis.

Should the Company 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 liabilities as current assets and liabilities respectively, and to provide for any further liabilities which may arise. The effects of these potential adjustments have not been reflected in these financial statements.

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 condensed consolidated financial statements and selected explanatory notes. The 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 2014 (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, Hong Kong Accounting Standards (the "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 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.

Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Investment Entities
Amendments to HKAS 36	Recoverable Amount Disclosures
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK (IFRIC) 21	Levies

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.

3. TURNOVER

Turnover represents the revenue from the principal activities of the Group, net of any sales taxes. The amounts of each significant category of revenue recognised in turnover during the period are as follows:

	30 September 2014	30 September 2013
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Continuing operations:		
Toll income from toll road operations	**530,525**	–
Construction revenue in respect of service concession arrangement	**–**	6,076,220
Trading of petroleum and related products	**1,839,868**	–
Petroleum storage and ancillary service income	**1,908**	–
Income from timber logging and trading	**75**	707
Sales of seedlings	**665**	3,056
Sales of plant-oil	**235**	384
	2,373,276	6,080,367
Discontinued operations:		
Sales of completed properties held for sale	**–**	83,309

4. SEGMENT INFORMATION

The Group has four reportable segments. The segments are managed separately as each business offers different products or provides different services and requires different business strategies.

During the period, consistent with the way how the Group's chief operating decision makers evaluate financial information, assess performance and allocate resources, the Group combined its timber logging and trading segment and other timber operation segment into one single segment, namely the timber operations segment. Accordingly, the comparative figures have been represented.

The property development and asset management segment was disposed of on 16 September 2013 and was presented as discontinued operation during the six months ended 30 September 2013.

The following summary describes the operations in each of the Group's reportable segments:

Continuing operations:

– Construction and operation of expressway;

– Petroleum and related products trading and storage; and

– Timber operations – sales of timber logs from forest concession, tree plantation area and outside suppliers, sales of seedlings and refined plant oil

Discontinued operations:

– Property development and asset management

There was no inter-segment sale or transfer during the period (2013: 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.

(a) Reportable Segment

The segment information for the reportable segments for the six months ended 30 September 2014 is as follows:

	Continuing operations			Discontinued operations	
	Construction and operation of expressway *HK$'000* (Unaudited)	**Petroleum and related products trading and storage** *HK$'000* (Unaudited)	**Timber operations** *HK$'000* (Unaudited)	**Property development and asset management** *HK$'000* (Unaudited)	**Total** *HK$'000* (Unaudited)
REVENUE					
Revenue from external customers	530,525	1,841,776	975	–	2,373,276
Inter-segment revenue	–	–	–	–	–
Reportable segment revenue	530,525	1,841,776	975	–	2,373,276
Reportable segment profit/(loss)	92,120	(5,955)	(25,172)	–	60,993
Reportable segment assets	21,321,536	1,244,641	599,372	–	23,165,549
Reportable segment liabilities	(14,685,201)	(1,048,322)	(158,706)	–	(15,892,229)
Other segment information					
Depreciation of property, plant and equipment	48,976	2,269	6,396	–	57,641
Unallocated depreciation of property, plant and equipment					1,145
Total depreciation of property, plant and equipment					58,786
Amortisation of prepaid lease payments	–	–	292	–	292
Unallocated amortisation of prepaid lease payments					40
Total amortisation of prepaid lease payments					332
Amortisation of forest concession rights	–	–	13,793	–	13,793
Amortisation of concession intangible asset	308,571	–	–	–	308,571
Amortisation of customer relationships	–	1,296	–	–	1,296
Interest income	4,045	157	1,406	–	5,608
Unallocated interest income					2,317
Total interest income					7,925
Finance costs	854,136	8,144	–	–	862,280
Unallocated finance costs					29,597
Total finance costs					891,877

The segment information for the reportable segments for the six months ended 30 September 2013 is as follows:

	Continuing operations			Discontinued operations	
	Construction and operation of expressway *HK$'000* (Unaudited)	Petroleum and related products trading and storage *HK$'000* (Unaudited)	Timber operations *HK$'000* (Unaudited and represented)	Property development and asset management *HK$'000* (Unaudited)	Total *HK$'000* (Unaudited)
REVENUE					
Revenue from external customers	6,076,220	–	4,147	83,309	6,163,676
Inter-segment revenue	–	–	–	–	–
Reportable segment revenue	6,076,220	–	4,147	83,309	6,163,676
Reportable segment profit/(loss)	28,903	–	(29,556)	25,211	24,558
Reportable segment assets	20,375,897	–	781,442	–	21,157,339
Reportable segment liabilities	(17,004,059)	–	(83,799)	–	(17,087,858)
Other segment information					
Additions of concession intangible asset	6,728,505	–	–	–	6,728,505
Depreciation and impairment loss of property, plant and equipment	804	–	6,893	172	7,869
Unallocated depreciation and impairment loss of property, plant and equipment					2,498
Total depreciation and impairment loss of property, plant and equipment					10,367
Amortisation of prepaid lease payments	–	–	293	–	293
Unallocated amortisation of prepaid lease payments					40
Total amortisation of prepaid lease payments					333
Amortisation of forest concession rights	–	–	13,793	–	13,793
Interest income	6,285	–	95	83	6,463
Unallocated interest income					185
Total interest income					6,648
Finance costs	–	–	–	–	–
Unallocated finance costs					31,332
Total finance costs					31,332

(b) Reconciliation of reportable segment profit/(loss)

	30 September 2014 *HK$'000* **(Unaudited)**	30 September 2013 *HK$'000* (Unaudited)
Reportable segment profit/(loss) before income tax expense:		
– from continuing operations	**60,993**	(653)
– from discontinued operations	**–**	25,211
Gain on settling debt component of old convertible bonds by issuing new convertible bonds	**–**	54,261
Change in fair value of derivative financial instruments	**118,996**	(120,524)
Other income and other gains or losses	**2,733**	322
Finance costs	**(891,877)**	(31,332)
Gain on partial disposal of equity interests in subsidiaries	**–**	18,255
Share of results of associates	**2,729**	828
Unallocated corporate expenses	**(21,118)**	(35,657)
Consolidated loss before income tax expense	**(727,544)**	(89,289)

5. SEASONALITY OF OPERATIONS

The revenue and result of the Group's major segment, the construction and operation of expressway segment, is subject to seasonality effect. Zhunxing Expressway is specifically designed for coal transportation between major coal production areas and major coal logistic hubs in the PRC. As the coal demand for electricity generation and central heating is generally higher in the winter period in the PRC, the Group anticipates that the traffic volume of Zhunxing Expressway, toll fee income and the results of the construction and operation of expressway segment will be higher in the second half of the financial year compared to the first half of the financial year.

6. OTHER INCOME AND OTHER GAINS OR LOSSES

Other income and other gains or losses comprises:

	30 September 2014	30 September 2013
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Continuing operations:		
Interest income	**7,925**	6,565
Compensation claims *(Note i)*	**–**	(18,261)
Exchange gain/(loss), net	**52**	(6,845)
Government grant	**1,267**	–
Rental income	**1,242**	171
Others	**1,052**	488
	11,538	(17,882)
Discontinued operations:		
Interest income	**–**	83
Management fee income	**–**	175
Others	**–**	11
	–	269

Note:

(i) Compensation claims represented compensation claimed by contractors and suppliers of the construction of the expressway arising from the suspension of construction work due to lack of funding of the subsidiary occurred before the acquisition by the Group.

7. FINANCE COSTS

	30 September 2014	30 September 2013
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Continuing operations:		
Interest and finance costs on bank and other borrowings:		
– wholly repayable within five years	**111,063**	321,064
– not wholly repayable within five years	**369,245**	149,807
Interest expenses on convertible bonds	**381,972**	185,657
Interest expenses on promissory note maturing within five years	**2,241**	170
Default interest on promissory note	**27,356**	26,919
Total finance costs	**891,877**	683,617
Less: Amount capitalised in concession intangible asset	**–**	(652,285)
	891,877	31,332
Discontinued operations:		
Interest and finance costs on bank and other borrowings:		
– wholly repayable within five years	**–**	4,572
Default interest on promissory note	**–**	2,038
Total finance costs	**–**	6,610
Less: Amount capitalised in properties under development for sale and other properties under development	**–**	(6,610)
	–	–

8. LOSS BEFORE INCOME TAX EXPENSE

Loss before income tax expense is stated after charging:

	30 September 2014	30 September 2013
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Continuing operations:		
Auditor's remuneration	**250**	323
Depreciation of property, plant and equipment	**58,786**	10,195
Amortisation of prepaid lease payments	**332**	333
Amortisation of forest concession rights	**13,793**	13,793
Amortisation of concession intangible asset	**308,571**	–
Amortisation of customer relationships	**1,296**	–
Compensation claims	**–**	18,261
Cost of inventories sold	**1,821,688**	1,814
Staff costs (excluding directors' remuneration)		
Salaries and allowances	**37,384**	19,713
Defined contributions pension costs	**2,814**	105
	40,198	19,818
Discontinued operations:		
Depreciation of property, plant and equipment	**–**	172
Staff costs (excluding directors' remuneration)	**–**	1,300

9. INCOME TAX EXPENSE

	30 September 2014	30 September 2013
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Continuing operations:		
PRC enterprise income tax		
– Current tax	**211**	–
Discontinued operations:		
PRC enterprise income tax		
– Current tax	**–**	3
Total	**211**	3

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

Zhunxing is entitled to a three-year exemption from PRC enterprise income tax followed by a 50% reduction in PRC enterprise income tax for subsequent three years (the "Tax Holiday"). Zhunxing has started operations and kicked off the Tax Holiday during the year ended 31 March 2014. Consequently, Zhunxing is subject to a 0% PRC enterprise income tax rate from 2014 to 2016 and a 12.5% PRC enterprise income tax rate from 2017 to 2019.

For the six months ended 30 September 2014, the statutory PRC enterprise income tax rate applicable to all other subsidiaries established and operating in the PRC is 25% (2013: 25%).

The statutory tax rate for Hong Kong profits tax is 16.5% (2013: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. No provision for the Hong Kong profits tax has been made as the Group did not earn any income subject to Hong Kong profits tax during the six months ended 30 September 2014 and 2013.

The subsidiaries in Guyana are liable to Guyana income tax at a rate of 45% (2013: 45%). No provision for Guyana income tax has been made as the subsidiaries in Guyana sustained losses for taxation purposes for the six months ended 30 September 2014 and 2013.

The subsidiaries in Australia are liable to Australian income tax at a rate of 30% (2013: 30%). No provision for Australian income tax has been made as the subsidiaries in Australian sustained losses for taxation purposes for the six months ended 30 September 2014 and 2013.

10. DIVIDEND

The directors of the Company do not recommend the payment of a dividend for the six months ended 30 September 2014 (2013: HK$Nil).

11. 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

	30 September 2014	30 September 2013
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
For continuing and discontinued operations:		
Loss for the purpose of basic and diluted loss per share	**(676,719)**	(88,401)
For continuing operations:		
Loss for the purpose of basic and diluted loss per share	**(676,719)**	(113,888)
Number of shares:	***'000***	*'000*
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**27,127,392**	26,042,942

For the six months ended 30 September 2014, the computation of diluted loss per share does not assume the conversion of the Company's outstanding convertible bonds and exercise of outstanding share options and warrants as they had an anti-dilutive effect on the loss per share calculation.

For the six months ended 30 September 2013, the computation of diluted loss per share does not assume the conversion of the Company's outstanding convertible bonds and exercise of outstanding warrants as they had an anti-dilutive effect on the loss per share calculation.

12. PROPERTY, PLANT AND EQUIPMENT

No impairment losses were recognised in respect of property, plant and equipment for both periods. During the six months ended 30 September 2014, additions to property, plant and equipment amounted to HK$100,655,000 (six months ended 30 September 2013: HK$2,243,000) and disposal of property, plant and equipment amounted to a net book value of HK$Nil (six months ended 30 September 2013: HK$Nil).

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 includes 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 2014 *HK$'000* **(Unaudited)**	31 March 2014 *HK$'000* (Audited)
Cost:		
At 1 April 2014/30 September 2014 and at 1 April 2013/31 March 2014	**534,429**	534,429
Accumulated impairment and amortisation:		
At 1 April 2014 and at 1 April 2013	**255,859**	172,973
Impairment loss	**–**	55,300
Amortisation for the period/year	**13,793**	27,586
At 30 September 2014 and at 31 March 2014	**269,652**	255,859
Net carrying amount:		
At 30 September 2014 and at 31 March 2014	**264,777**	278,570

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

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 includes 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 terms same as the Forest Concession Rights.

The logging operation in Block B has been completed during the year ended 31 March 2010. During the period, the Group continued logging operations in Block A.

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

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. CONCESSION INTANGIBLE ASSET

	30 September 2014 *HK$'000* **(Unaudited)**	31 March 2014 *HK$'000* (Audited)
Cost:		
At 1 April 2014 and at 1 April 2013	**19,748,563**	10,546,874
Additions	**–**	9,080,261
Exchange differences	**34,521**	121,428
At 30 September 2014 and at 31 March 2014	**19,783,084**	19,748,563
Accumulated amortisation:		
At 1 April 2014 and at 1 April 2013	**205,464**	–
Amortisation for the period/year	**308,571**	205,714
Exchange differences	**919**	(250)
At 30 September 2014 and at 31 March 2014	**514,954**	205,464
Net carrying amount:		
At 30 September 2014 and at 31 March 2014	**19,268,130**	19,543,099

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

According to the relevant government'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 roads during the approved operating period. Zhunxing is entitled to operate the toll road upon completion for a specified concession 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 operating rights periods expire without any payments 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 Arrangement".

The right to charge the users of the public service was 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 information in similar industry and management's experience.

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

During the six months ended 30 September 2013, construction revenue of HK$6,076,220,000 and construction costs of HK$5,992,462,000 were recognised in respect of the construction service provided by the Group for the expressway. That construction revenue was included in concession intangible asset.

Additions to concession intangible asset during the six months ended 30 September 2013 also included interest capitalised in respect of short term and long term borrowings and convertible bonds amounted to HK$422,525,000 and HK$229,760,000 respectively.

15. LONG TERM DEPOSITS AND PREPAYMENTS

	30 September 2014	31 March 2014
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Prepayments for construction of expressway and related facilities	**592,481**	597,500
Deposits paid for acquisition of property, plant and equipment	**42,695**	42,603
	635,176	640,103

16. TRADE AND OTHER RECEIVABLES

	30 September 2014 *HK$'000* **(Unaudited)**	31 March 2014 *HK$'000* (Audited)
Trade receivables	**218,460**	86,736
Less: Provision for impairment loss	**(1,288)**	(1,288)
Trade receivables, net	**217,172**	85,448
Other receivables	**192,388**	138,611
Less: Provision for impairment loss	**(40,222)**	(40,222)
Other receivables, net	**152,166**	98,389
Deposits paid	**4,637**	3,201
Prepayments	**241,932**	11,064
	615,907	198,102

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

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

	30 September 2014 *HK$'000* **(Unaudited)**	31 March 2014 *HK$'000* (Audited)
At 1 April 2014 and at 1 April 2013	**41,510**	37,717
Impairment loss for the period/year	**–**	3,793
At 30 September 2014 and at 31 March 2014	**41,510**	41,510

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

	30 September 2014 HK$'000 (Unaudited)	31 March 2014 HK$'000 (Audited)
Outstanding balances aged:		
0 to 30 days	**211,789**	80,005
31 to 60 days	**10**	11
61 to 180 days	**11**	3,057
Over 180 days	**5,362**	2,375
	217,172	85,448

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

	30 September 2014 HK$'000 (Unaudited)	31 March 2014 HK$'000 (Audited)
Neither past due nor impaired	**211,799**	80,016
30 to 90 days past due	**11**	3,057
Over 90 days past due	**5,362**	2,375
	217,172	85,448

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.

Trade and other receivables were denominated in the following currencies:

	30 September 2014 HK$'000 (Unaudited)	31 March 2014 HK$'000 (Audited)
Hong Kong Dollars ("HKD")	**2,960**	3,663
Renminbi ("RMB")	**605,108**	185,940
United States Dollars ("USD")	**7,571**	8,215
Australian Dollars ("AUD")	**268**	284
	615,907	198,102

17. FIXED DEPOSITS

	30 September 2014 HK$'000 (Unaudited)	31 March 2014 HK$'000 (Audited)
Fixed deposits with maturity over three months	**63,054**	62,919

18. TRADE AND OTHER PAYABLES

	30 September 2014 HK$'000 (Unaudited)	31 March 2014 HK$'000 (Audited)
Trade payables	**5,376**	69
Other payables and accruals *(Note i)*	**2,582,110**	2,821,879
Deposits received from customers	**6,151**	54,388
	2,593,637	2,876,336

Note:

(i) As at 30 September 2014, other payables mainly comprised construction costs payable of HK$1,972,623,000 (31 March 2014: HK$2,287,336,000), retention and guarantee deposit of HK$265,611,000 (31 March 2014: HK$298,481,000), and compensation payable of HK$5,703,000 (31 March 2014: HK$6,131,000) relating to litigation claims from certain contracts arising from suspension of construction of expressway.

Accruals of the Group also included default interest of the promissory note amounted to HK$127,494,000 (31 March 2014: HK$100,138,000).

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

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

	30 September 2014 HK$'000 (Unaudited)	31 March 2014 HK$'000 (Audited)
Outstanding balances aged:		
0 to 30 days	**5,303**	–
31 to 60 days	**4**	–
Over 180 days	**69**	69
	5,376	69

Trade and other payables were denominated in the following currencies:

	30 September 2014	31 March 2014
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
HKD	**141,907**	116,397
RMB	**2,451,139**	2,759,198
USD	**397**	536
AUD	**194**	205
	2,593,637	2,876,336

19. PROMISSORY NOTE

The movement on the promissory note during the period/year is as follows:

	30 September 2014	31 March 2014
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Carrying value at 1 April 2014 and at 1 April 2013	**297,876**	293,458
Interest expense for the period/year	**2,241**	4,418
Carrying value at 30 September 2014 and at 31 March 2014	**300,117**	297,876

20. BORROWINGS

	30 September 2014	31 March 2014
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Secured		
– Current portion *(Note i, ii & iii)*	**1,153,888**	2,491,572
– Non-current portion *(Note i & ii)*	**11,208,090**	9,198,601
Unsecured		
– Current portion *(Note iv, v, vi & vii)*	**554,875**	143,944
– Non-current portion *(Note iv)*	**504,432**	566,266
	13,421,285	12,400,383

Total borrowings were repayable as follows:

	30 September 2014	31 March 2014
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
On demand or within one year included in current liabilities	**1,708,763**	2,635,516
Over one year and included in non-current liabilities	**11,712,522**	9,764,867
	13,421,285	12,400,383

Notes:

(i) In December 2012, Zhunxing entered into a loan agreement with China Development Bank Corporation, as the leading bank, Hua Xia Bank Co., Limited and China Merchants Bank Co., Limited, as the participating banks, (together the "Lenders") to obtain loan facilities amounted to RMB8,820 million (the "Loans") at an initial annual interest rate of 6.8775% on normal commercial terms, of which RMB3,600 million of the Loans will be for a term of 15 years, RMB2,770 million of the Loans will be for a term of 20 years and RMB2,450 million of the Loans will be for a term of 21 years. The Loans are for the construction of the Zhunxing Expressway. In June 2014, Hua Xia Bank Co., Limited has granted an additional facility of RMB100 million to Zhunxing of the same interest rate and security for a term of one year. As at 30 September 2014, Zhunxing has drawn down a total of RMB8,920 million from the Lenders, including short term loans of RMB200 million and long term loans of RMB8,720 million (31 March 2014: a total of RMB8,820 million, short term loans of RMB1,800 million and long term loans of RMB7,020 million).

As at 30 September 2014, the Loans were secured by Zhunxing's receivables of toll fee income of the Zhunxing Expressway, guaranteed by the Group and the non-controlling shareholder of Zhunxing and bore interest at a weighted average effective interest rate of 6.95% per annum (31 March 2014: weighted average effective interest rate of 6.95% per annum).

(ii) In November 2013, Zhunxing also entered into a loan agreement with an authorised financial institution in the PRC to obtain loan facilities amounted to RMB500 million for the construction of Zhunxing Expressway. The loan is secured by the Group's equity interests in 國開瑞明(北京)投資基金有限公司, 內蒙古博源新型能源有限公司 (both are recognised as available-for-sale investments of the Group) and the equity interests of 內蒙古准興高速服務區管理有限責任公司, the Project Company as defined in Note 25. As at 30 September 2014, RMB440 million of the loan was still outstanding of which RMB245 million of the loan was repayable within one year and RMB195 million of the loan was repayable after more than one year but not exceeding five years (31 March 2014: RMB500 million loan outstanding of which RMB180 million of the loan was repayable within one year and RMB320 million of the loan was repayable after more than one year but not exceeding five years). The loan bears interest at a fixed rate of 12% per annum.

(iii) In August 2014, through an indirect wholly owned subsidiary, the Group acquired 70% equity interests in 湛江大鵬石化有限公司 ("Dapeng") which has on its book a bank loan borrowed from an authorised financial institution in the PRC amounted to RMB470 million for financing Dapeng's petroleum products trading business. The loan is secured by (a) Dapeng's oil storage tanks of 80,000m^3 located in Zhanjiang, the PRC, with a carrying amount of RMB52 million as at 30 September 2014 and (b) Dapeng's office building located in Guangzhou, the PRC, with a carrying amount of RMB97 million as at 30 September 2014. As at 30 September 2014, the loan was repayable within one year and bore interest at a fixed rate of 6.3% per annum.

(iv) In December 2013, Zhunxing borrowed a loan from an authorised financial institution in the PRC amounted to RMB500 million for the construction of the Zhunxing Expressway. The loan is guaranteed by the Company and one of the Company's wholly owned subsidiaries. As at 30 September 2014, RMB100 million of the loan was repayable within one year and RMB400 million of the loan was repayable after more than one year but not exceeding five years (31 March 2014: RMB50 million of the loan was repayable within one year and RMB450 million of the loan was repayable after more than one year but not exceeding five years). The loan bore interest at a fixed rate of 11% per annum.

(v) In June 2014, 深圳市前海資通能源有限公司 ("Zitong Nengyuan"), the Company's indirect wholly owned subsidiary, obtained a banking facility of RMB400 million from an authorised financial institution in the PRC for financing its petroleum products trading business. As at 30 September 2014, RMB100 million has been drawn down by Zitong Nengyuan. The loan is guaranteed by the Company, a director of the Company and one of the Company's wholly owned subsidiaries. As at 30 September 2014, the loan was repayable within one year and bore interest at a fixed rate of 6.44% per annum.

(vi) In August 2014, 廣東金晶能源股份有限公司 ("Jinjing"), the Company's indirect non-wholly owned subsidiary, entered into a loan agreement with an authorised financial institution in the PRC to obtain a bank loan amounted to RMB240 million for financing its petroleum products trading business. The loan is guaranteed by one of the Company's wholly owned subsidiaries. As at 30 September 2014, the loan was repayable within one year and bore interest at a fixed rate of 5.6% per annum.

(vii) Unsecured current borrowings as at 31 March 2014 also included a loan liability of approximately HK$81 million arising from the financing arrangement entered into between the Company and Joint Gain Holdings Limited ("Joint Gain") for the construction of petrol and gas stations in the service areas of Zhunxing Expressway (the "Financing Arrangement") (see Note 25 for details). Details of the Financing Arrangement are also disclosed in the Company's announcement dated 20 December 2012.

No actual interest is payable by the Company under the Financing Arrangement. At 31 March 2014, the loan liability was measured at amortised cost at an imputed interest rate of 11.7%. The loan liability has been settled upon the reacquisition of the Project Company during the period.

21. CONVERTIBLE BONDS

The movement of the liability component, embedded derivative component and equity component of the convertible bonds were as follows:

	Liability component *HK$'000*	Derivative financial instrument *HK$'000*	Equity component *HK$'000*	Total *HK$'000*
Convertible bond issued on 28 September 2011 ("CB2014")				
At 1 April 2014	606,337	–	137,276	743,613
Interest expense	60,283	–	–	60,283
Interest paid	(54,148)	–	–	(54,148)
At 30 September 2014	612,472	–	137,276	749,748
Convertible bond issued on 3 September 2013 and 12 February 2014 ("CB2015")				
At 1 April 2014	2,453,583	–	311,925	2,765,508
Interest expense	209,126	–	–	209,126
Interest paid	(208,594)	–	–	(208,594)
At 30 September 2014	2,454,115	–	311,925	2,766,040
Convertible bond issued on 22 October 2013, 26 November 2013 and 28 November 2013 ("CB2016")				
At 1 April 2014	1,320,648	124,896	106,403	1,551,947
Interest expense	112,563	–	–	112,563
Changes in fair value of derivative financial instruments	–	(118,996)	–	(118,996)
At 30 September 2014	1,433,211	5,900	106,403	1,545,514
Total				
At 30 September 2014 (Unaudited)	4,499,798	5,900	555,604	5,061,302
At 31 March 2014 (Audited)	4,380,568	124,896	555,604	5,061,068
Represented by:				
At 30 September 2014 (Unaudited)				
Current portion	3,066,587	5,900		3,072,487
Non-current portion	1,433,211	–		1,433,211
	4,499,798	5,900		4,505,698
At 31 March 2014 (Audited)				
Current portion	606,337	124,896		731,233
Non-current portion	3,774,231	–		3,774,231
	4,380,568	124,896		4,505,464

22. SHARE CAPITAL

		30 September 2014		31 March 2014	
		No. of shares	***Amount***	*No. of shares*	*Amount*
	Notes	***'000***	***HK$'000***	*'000*	*HK$'000*
			(Unaudited)		(Audited)
Authorised:					
Ordinary shares of HK$0.01 each		**50,000,000**	**500,000**	50,000,000	500,000
Issued and fully paid:					
Ordinary shares of HK$0.01 each					
At 1 April 2014 and at 1 April 2013		**27,174,784**	**271,748**	25,605,784	256,058
Issue of ordinary shares		**–**	**–**	2,500,000	25,000
Purchase of own shares for cancellation	*(a)*	**(165,200)**	**(1,652)**	(931,000)	(9,310)
At 30 September 2014 and at 31 March 2014		**27,009,584**	**270,096**	27,174,784	271,748

Note:

(a) Purchase of own shares for cancellation

During the six months ended 30 September 2014, the Company repurchased its own ordinary shares on the Stock Exchange as follows:

Month/year	**Number of shares repurchased**	**Highest price paid per share**	**Lowest price paid per share**	**Aggregate price paid**
	'000	*HK$*	*HK$*	*HK$'000*
July 2014	36,000	0.325	0.32	11,545
August 2014	129,200	0.325	0.31	41,142
	165,200			52,687

The repurchased shares were cancelled during the period and accordingly the issued share capital of the Company was reduced by the nominal value of the ordinary shares repurchased.

23. BUSINESS COMBINATIONS

On 31 July 2014, the Group acquired a petroleum and related products trading and storage business through the acquisitions of (i) 70% of the equity interests of Dapeng and (ii) 65% of the equity interests of Jinjing together with an investment property. Both acquisitions were made with the aims to expand the Group's existing scale of operations and enlarge the Group's market presence in the petroleum and related products trading and storage segment.

The provisional fair values of identifiable assets and liabilities of Dapeng and Jinjing as at the date of acquisition were:

	HK$'000
The provisional fair value of consideration payable:	
– Cash	24,497
Less: Provisional fair value of identifiable assets and liabilities of Dapeng and Jinjing as at the date of acquisition:	
– Property, plant and equipment	96,904
– Investment property	121,857
– Customer relationships intangible assets	155,399
– Deferred tax assets	69,028
– Bank loan	(590,441)
– Deferred tax liabilities	(38,849)
	(186,102)
Add: Non-controlling interests	(54,040)
Goodwill	156,559

As at the date of these interim financial statements, the Group has not yet finalised the fair value assessments for tangible and intangible assets acquired from Dapeng and Jinjing. The relevant fair values of net assets acquired stated above are on a provisional basis.

The goodwill of HK$156,559,000, which is not deductible for tax purposes, comprises the acquired workforce and the value of expected synergies arising from the combination of the acquired business with the existing operations of the Group in the petroleum and related products trading and storage segment.

The Group has elected to measure the non-controlling interest in Dapeng and Jinjing at the proportionate share of Dapeng's and Jinjing's identifiable net assets at the date of acquisition.

Since the acquisition date, Dapeng and Jinjing have contributed an aggregate of HK$652,049,000 and HK$5,124,000 to the Group's revenue and loss, respectively, as at 30 September 2014.

The acquisition-related costs of Dapeng and Jinjing amounted to approximately HK$523,000. The amount has been expensed and is included in selling and administrative expenses in the consolidated income statement.

24. EQUITY-SETTLED SHARE-BASED PAYMENT

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

The exercise price of the options shall be determined by the directors of the Company, but may at least the highest of (i) the Stock Exchange closing price of the Company's share on the date of the grant of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the grant of the share options; and (iii) the nominal value of an ordinary share. The maximum number of shares in respect of which options may be granted under the Share Option Scheme shall not exceed 10% of the issued share capital of the Company from time to time.

The movement of the equity-settled share options during the period/year is as follow:

	30 September 2014	31 March 2014
	'000	*'000*
	(Unaudited)	(Audited)
Outstanding at 1 April 2014 and at 1 April 2013	**350,500**	–
Granted during the period/year	**–**	350,500
Lapsed during the period/year	**(2,500)**	–
Outstanding at 30 September 2014 and at 31 March 2014	**348,000**	350,500

The exercise price of the above equity-settled share options is HK$0.45 per share. These share options vested immediately at the date of grant and are valid up to 15 October 2018. No share options were exercised during the six months ended 30 September 2014 (Year ended 31 March 2014: Nil). The share options lapsed during the period were attributable to the resignation of the relevant employee during the period.

25. CONDITIONAL WARRANTS

On 20 December 2012, the Company and Joint Gain entered into the Financing Arrangement pursuant to which:

(1) the Group sold to Joint Gain the project company (the "Project Company") which holds the development and operating rights to the petrol and gas stations in the service areas of the Zhunxing Expressway for the aggregate consideration of RMB301,000,000 (equivalent to approximately HK$374,143,000); and

(2) after completion of the construction of the petrol and gas stations in the service areas of the Zhunxing Expressway, the Company may reacquire the Project Company, and the Company agreed to issue conditional warrants to Joint Gain.

Details of the conditional warrants in issue are as follow:

Date of issue:	19 April 2013
Exercise period:	From the date when the Project Company is reacquired by the Group to 20 December 2015
Subscription price:	HK$0.48

Movement of the conditional warrants in issue during the period/year is as follow:

	30 September 2014	31 March 2014
	'000	*'000*
	(Unaudited)	(Audited)
At 1 April 2014 and at 1 April 2013	**2,000,000**	–
Issued during the period/year	**–**	2,000,000
At 30 September 2014 and at 31 March 2014	**2,000,000**	2,000,000

No conditional warrants were exercised during the six months ended 30 September 2014 and the year ended 31 March 2014.

26. 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 2014 and 2013:

Related party relationship	**Type of transactions**	**30 September 2014** *HK$'000* **(Unaudited)**	30 September 2013 *HK$'000* (Unaudited)
China Alliance International Holding Group Limited (a substantial shareholder of the Company)	Interest expense on promissory note	**2,241**	2,208
	Default interest expense on promissory note	**27,356**	26,919

	Type of balances	**30 September 2014** *HK$'000* **(Unaudited)**	31 March 2014 *HK$'000* (Audited)
China Alliance International Holding Group Limited (a substantial shareholder of the Company)	Promissory note and accrued default interest	**427,611**	398,014

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

	30 September 2014 *HK$'000* **(Unaudited)**	30 September 2013 *HK$'000* (Unaudited)
Fees, basic salaries, allowances and other benefits	**7,482**	6,060
Retirement benefit scheme contributions	**41**	22
	7,523	6,082

27. OPERATING LEASES

Operating lease commitments – as a lessee

The Group leases part of its office properties, plantation sites and the land where the Group's oil storage tanks and facilities situated in Zhanjiang, the PRC, under operating lease arrangements. Leases for properties are negotiated for terms from 1 to 5 years (Year ended 31 March 2014: 1 to 5 years). Leases for plantation sites are negotiated for terms from 1 to 6 years (Year ended 31 March 2014: 1 to 6 years). Leases for the land is negotiated for a term of 26 years (Year ended 31 March 2014: Nil).

As at 30 September 2014, the Group had total future minimum lease payments under non-cancellable operating leases due at the end of reporting period as follows:

	30 September 2014	31 March 2014
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within one year	**13,380**	11,672
In the second to fifth year, inclusive	**22,203**	18,118
Over five years	**22,053**	–
	57,636	29,790

Operating lease receivables – as a lessor

The Group's investment properties are leased to tenants for varying terms. The rental income during the six months ended 30 September 2014 was HK$1,242,000 (six months ended 30 September 2013: HK$171,000).

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

	30 September 2014	31 March 2014
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within one year	**5,449**	730
In the second to fifth year, inclusive	**20,824**	243
Over five years	**21,949**	–
	48,222	973

28. CAPITAL COMMITMENTS

Capital commitments outstanding as at 30 September 2014 and 31 March 2014 not provided for in the financial statements were as follows:

	30 September 2014 *HK$'000* (Unaudited)	31 March 2014 *HK$'000* (Audited)
Authorised but not contracted for		
– a coal processing large scale comprehensive logistics base	**141,872**	141,567
Contracted but not provided for		
– investment on concession intangible asset and property, plant and equipment	**217,316**	314,707
	359,188	456,274

29. FAIR VALUE MEASUREMENT OF FINANCIAL ASSETS AND LIABILITIES

The carrying amounts of the Group's financial assets and financial liabilities as at 30 September 2014 and 31 March 2014 are categorised as follows:

		30 September 2014 *HK$'000* (Unaudited)	31 March 2014 *HK$'000* (Audited)
Financial assets			
Loans and receivables (including cash and bank balances)	*(i)*	**1,484,987**	2,137,683
Available-for-sale investments			
– Listed investments	*(ii)*	**302,500**	313,500
– Unlisted investments	*(i)*	**146,425**	146,187
Financial liabilities			
Financial liabilities measured at amortised cost	*(i)*	**20,829,139**	19,970,779
Financial liabilities measured at fair value	*(ii)*	**5,900**	124,896

(i) Financial assets and liabilities not measured at fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values at 30 September 2014 and 31 March 2014.

(ii) Financial assets and liabilities measured at fair value

The fair value of financial assets and liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to their quoted market prices.

The valuation techniques and significant unobservable inputs used in determining the fair value measurement of the Group's Level 3 financial instruments (as defined below), as well as the relationship between key observable inputs and fair value are set out below.

Information about the Group's Level 3 fair value measurements:

The fair value of the derivative financial instrument under CB2016 is estimated using Monte Carlo model.

Significant unobservable inputs of CB2016:

Expected volatility	35%

The higher the expected volatility of the share price, the higher the fair value of the derivative financial instrument. At 30 September 2014, increase expected volatility by 20% would increase the fair value of the derivative financial instrument by HK$41,198,000 (31 March 2014: increase in fair value by HK$97,408,000).

There were no changes in valuation techniques during the period.

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique, details of which are listed below:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

Recurring fair value measurements	**Fair value at 30 September 2014**	Level 1	Level 2	Level 3
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Assets:				
Available-for-sale investments, listed equity securities	**302,500**	302,500	–	–
Liabilities:				
Derivative financial instrument	**5,900**	–	–	5,900

Recurring fair value measurements	**Fair value at 31 March 2014**	Level 1	Level 2	Level 3
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Audited)	(Audited)	(Audited)	(Audited)
Assets:				
Available-for-sale investments, listed equity securities	**313,500**	313,500	–	–
Liabilities:				
Derivative financial instrument	**124,896**	–	–	124,896

There were no transfers between levels during the period.

The movements of the balance of financial assets/(liabilities) measured at fair value based on Level 3 are as follows:

	30 September 2014 *HK$'000* **(Unaudited)**	31 March 2014 *HK$'000* (Audited)
At 1 April 2014 and at 1 April 2013	**(124,896)**	–
Issue of convertible bond	**–**	(154,663)
Total gain recognised in profit or loss during the period/year	**118,996**	29,767
At 30 September 2014 and at 31 March 2014	**(5,900)**	(124,896)
Gain recognised in profit or loss relating to those financial assets and financial liabilities held at the end of the reporting period	**118,996**	29,767

30. SUBSEQUENT EVENTS

On 27 September 2014, the Company entered into a convertible bonds subscription agreement for the issue of 9% convertible bonds due 2017 with China Life Insurance (Overseas) Company Limited in the principal amount of HK$600 million ("CB2017") which are convertible into 1,500,000,000 shares upon conversion of the convertible bonds at the initial exercise price of HK$0.40 per share. On 3 October 2014, CB2017 have been fully issued which will refinance CB2014.

31. APPROVAL OF INTERIM FINANCIAL STATEMENTS

The Interim Financial Statements were approved and authorised for issue by the Board of Directors on 24 October 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the six months ended 30 September 2014, the Group was principally engaged in expressway operation, management, maintenance and auxiliary facility investment, trading and storage of petroleum and related products and forest operation.

Operation of Zhunxing Expressway

During the period, the Company mainly devotes its resources and manpower in expressway operation, management and maintenance. As of 30 September 2014, the Company through its wholly-owned subsidiaries in aggregate held 86.87% 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"), which runs an expressway of 265 km from Jungar Banner in Inner Mongolia towards northeast to Xinghe County ("Zhunxing Expressway"). Zhunxing Expressway is the first PRC heavy-haul toll expressway specifically designed for coal transportation in Inner Mongolia and was opened for traffic on 21 November 2013.

For the six months ended 30 September 2014, Zhunxing recorded an accumulated toll fee of RMB437 million (approximately HK$551 million), i.e. an average daily toll income of RMB2.4 million (approximately HK$3.0 million) and an average daily traffic volume of 5,400 vehicles (for the year ended 31 March 2014: an average daily toll income of RMB2.1 million (approximately HK$2.6 million) and an average daily traffic volume of 4,400 vehicles). The average daily traffic volume and the average daily toll income of Zhunxing Expressway have been increasing steadily, but the following constraints still have impacts on its operation:

(1) Zhunxing Expressway is at its initial stage of operation and takes time to build up its customer base;

(2) The auxiliary facilities (such as service areas and petrol and gas stations) are not yet in operation, which may cause inconvenience to some expressway users;

(3) Interconnection with Beijing-Tibet Highway ("G6") and Er-Guang Expressway ("G55") has not yet implemented;

(4) Spring and summer are off-season for coal supply and it is expected the demand of coal transport for heating in winter will increase in the second half of the year; and

(5) The coal market remains depressed with falling price which results in reducing coal transport vehicles.

In order to promote the use of Zhunxing Expressway and increase daily traffic volume, the Group is actively carrying out the following measures:

(1) pushing forward to firmly implement the interconnection with G6 and G55 (the Inner Mongolia Autonomous Region has issued a notice to request expressway toll network among Central and Western Inner Mongolia to achieve such interconnection before January 2015, and thus it is expected Zhunxing Expressway will interconnect with G6 and G55 before January 2015);

(2) pro-actively spur the construction of logistics bases at both ends of Zhunxing Expressway. With the opening of Qingshuihe Logistics Base and Miaoliang Logistics Base, a linear transport model of two points and one line will commence and attract a steady flow of road users;

(3) commencing the operation of some auxiliary facilities in October 2014;

(4) implementing bonus card policy on full scale in the short term and some preferential policies for major clients;

(5) improving road surface and enhance driver comfort level; and

(6) negotiating feasible mode of cooperation with a number of large customers.

With the opening of Zhunxing Expressway for traffic and implementation of the above measures, the Board is full of confidence in the Group's future business prospects.

Trading and Storage of Petroleum and Related Products

To expand the business in the petroleum and related products, the Group through its wholly owned subsidiary Shenzhenshi Qianhai Zitong Energy Company Limited (深圳市前海資通能源有限公司) ("Zitong Nengyuan") acquired 70% of the equity interests of Zhanjiang Dapeng Petrochemical Company Limited (湛江大鵬石化有限公司) ("Dapeng") and 65% of the equity interests of Guangdong Jinjing Energy Company Limited (廣東金晶能源股份有限公司) ("Jinjing") on 31 July 2014 (the "Acquisitions"). Particulars of the Acquisitions are shown in Note 23 to the financial statements. Both Dapeng and Jinjing are principally engaged in the trading of petroleum and related products whilst Dapeng also engaged in the warehousing of petroleum and related products. The Board believes that operation of petroleum storage facilities through Dapeng will complement the Group's existing petroleum trading platform, thereby enhance the Group's competitiveness and market share in the petroleum trading industry effectively.

Forest Operation

With an aim to focus its resources and manpower on expressway related service and petroleum trading activities of the Group, the Company will continue to look for opportunity to dispose its forestry related businesses.

Financial Review

For the six months ended 30 September 2014, the Group recorded an unaudited turnover of approximately HK$2,373.28 million which is recognized under three reportable segments classified as continuing operations of the Group, namely construction and operation of expressway, petroleum and related products trading and storage and timber operations contributing approximately HK$530.53 million (22.35%), HK$1,841.78 million (77.60%), and HK$0.97 million (0.04%) (2013: HK$6,076.22 million, HK$Nil and HK$4.15 million) respectively to the Group's consolidated turnover. The turnover of HK$530.53 million under the construction and operation of expressway business represented the toll income from the operation of Zhunxing Expressway for the six months ended 30 September 2014 (2013: HK$Nil).

The significant contribution on the turnover by the new core businesses during the interim period, i.e. HK$530.53 million toll income (2013: HK$Nil) and HK$1,839.87 million income (2013: HK$Nil) from trading of petroleum and related products, reflects the optimistic business prospect of the Group. However, due to the fact that there were no longer any construction revenue in respect of service concession arrangement could be recognised, i.e. HK$Nil (2013: HK$6,076.22 million), as a result of the traffic opening and commencement of toll collection by Zhunxing on 21 November 2013, the overall turnover of the Group dropped by 61% comparing with the last corresponding period. As construction revenue is non-cash income in nature, the Board is of the view that it does not have de facto impact on the income generation capacity of the Group.

Detailed segment turnover and contribution to loss before tax of the Group are shown in Note 4 to the financial statements. Cost of sales under continuing operations for the six months ended 30 September 2014 was approximately HK$2,208.57 million (2013: HK$5,994.28 million) which was mainly contributed by the cost of sales of petroleum and related products amounted to HK$1,821.17 million (2013: HK$Nil) and the amortization of the concession intangible asset of approximately HK$308.57 million (2013: HK$Nil) upon the commencement of toll collection of Zhunxing Expressway. No construction cost under the service concession arrangement was recognized after the construction phase of Zhunxing Expressway (2013: HK$5,992.46 million) and thereby resulting in a significant decrease of 63% in cost of sales during the period. In addition, the Group recorded a significant increase in gross profit by 91% to approximately HK$164.71 million (2013: HK$86.09 million) under continuing operations.

Upon completion of the disposal of 55% equity interest of the Company's property development arm, Yichang Xinshougang Property Development Company Limited (宜昌新首鋼房地產開發有限公司) at a consideration of HK$550 million in September 2013 (the "Disposal"), the Group ceased to recognize any turnover (2013: HK$83.3 million), costs of sales (2013: HK$51.0 million) or gross profit (2013: HK$32.3 million) for the six months ended 30 September 2014 under the property development and asset management segment, which was classified as discontinued operations of the Group. All sale proceeds of the Disposal, including the deferred consideration of approximately HK$47.31 million, were received by the Company as at 30 September 2014.

The loss before income tax expense from continuing operations was approximately HK$727.54 million (2013: HK$114.5 million) and net loss from continuing and discontinued operations was approximately HK$727.76 million (2013: HK$89.29 million) for the six months ended 30 September 2014. Apart from the amortization of concession intangible asset mentioned under cost of sales, the substantial increase in net loss was mainly attributable to the significant increase in finance costs of approximately HK$891.88 million (2013: HK$31.33 million), primarily arising from bank borrowings and convertible bonds issued by the Company (collectively the "Specific Borrowings") to finance the construction of Zhunxing Expressway. During the construction phase of Zhunxing Expressway, all finance costs arising from these Specific Borrowings were capitalized to the Group's concession intangible assets. Upon the traffic opening and commencement of toll collection of Zhunxing Expressway on 21 November 2013, the Group ceased capitalizing such finance costs and recognized them directly in the Group's consolidated income statement pursuant to HKAS 23, Borrowing Costs. In addition, the increase in net loss was also contributed by an increase in selling and administrative expenses to approximately HK$133.64 million (2013: HK$104.20 million) which was mainly due to the operating costs of Zhunxing Expressway amounted to approximately HK$23 million during the period.

The loss attributable to owners of the Company from continuing and discontinued operations for the period was approximately HK$676.72 million (2013: HK$88.40 million). Both the basic and diluted loss per share attributable to owners of the Company from continuing and discontinued operations for the period were 2.49 HK cents as compared with 0.34 HK cents for the last corresponding period.

Liquidity Review

As at 30 September 2014, the Group's net assets amounted to approximately HK$4,299.50 million (31 March 2014: HK$5,110.88 million), representing a decrease of 15.9%. The current assets of the Group were HK$2,010.43 million (31 March 2014: HK$2,289.10 million) which mainly include cash and cash equivalents of approximately HK$879.16 million (31 March 2014: HK$1,702.51 million), amount due from associates of approximately HK$168.80 million (31 March 2014: HK$185.22 million), fixed deposits of approximately HK$63.05 million (31 March 2014: HK$62.92 million), inventories of approximately HK$266.45 million (31 March 2014: HK$123.33 million) and trade and other receivables of approximately HK$615.91 million (31 March 2014: HK$198.10 million). The significant increase in inventories and trade and other receivables during the period was primarily due to the inventories of approximately HK$143 million, the trade receivables amounted to approximately HK$217 million and prepayments of approximately HK$230 million arising from the petroleum trading and warehousing activities.

The current liabilities increased about 17% from approximately HK$6,546.03 million to approximately HK$7,678.82 million during the period are basically contributed by reduced borrowing to approximately HK$1,708.76 million (31 March 2014: HK$2,635.52 million), reduced trade and other payables to HK$2,593.64 million (31 March 2014: HK$ 2,876.34 million) and increased convertible bonds to approximately HK$3,072.49 million (31 March 2014: HK$731.23 million). The convertible bonds classified under current liabilities as at 30 September 2014 mainly represented the outstanding HK$2,584 million of convertible bonds due 3 September 2015 and the HK$600 million of convertible bonds due 28 September 2014 which was refinanced by the HK$600 million of convertible bonds due 3 October 2017 issued on 3 October 2014.

As at 30 September 2014, the Group's outstanding borrowings, mainly dominated in RMB, amounted to approximately HK$13,421.29 million (31 March 2014: HK$12,400.38 million). During the period, new short term loans of approximately RMB 810 million (approximately HK$1,021.49 million), all repayable within one year with fixed interest rates charging from 5.6% to 6.44% per annum, were obtained and drawn down from several authorized financial institutions in the PRC to finance the newly entered petroleum products trading business segment. Amongst the aforesaid loans, a bank loan of approximately RMB470 million (approximately HK$592.72 million) was secured by Dapeng's oil storage tanks with a carrying amount of approximately RMB52 million (approximately HK$66 million) and Dapeng's investment property with a carrying amount of RMB97 million (approximately HK$122 million) as at 30 September 2014.

The remaining outstanding borrowings were obtained by Zhunxing primarily for the construction of Zhunxing Expressway. As at 30 September 2014, Zhunxing has drawn down a total of RMB8,920 million (approximately HK$11,249 million), including short term loans of RMB200 million (approximately HK$252 million) and long term loans of RMB8,720 million (approximately HK$10,997 million), which were primarily granted by several PRC banks in December 2012 with a weighted average effective interest rate of 6.95% per annum, and secured by Zhunxing's receivables of toll fee income. Two other loan facilities, with outstanding loan amounted to RMB500 million (approximately HK$631 million) and RMB440 million (approximately HK$555 million), were obtained from authorized financial institutions in the PRC in late 2013 for a term of 30 months with interest bearing at a fixed rate of 11% and 12% respectively. The loan facility bearing interest at 12% was secured by certain Zhunxing's investments.

Detailed borrowings of the Group are shown in Note 20 to the financial statements.

Apart from the aforementioned loans, on 28 September 2014, Zhunxing entered into a facility agreement with an authorized financial institution in the PRC, namely Zhongrong International Trust Co., Ltd (中融國際信託有限公司), in respect of a facility in the principal amount of RMB 1,500 million (approximately HK$1,892 million) with interest bearing at a fixed rate of 11% per annum for a term of three years (the "Facility"). The Facility is secured by Zhunxing's receivables of toll fee income and guaranteed by the Company. The Facility is expected to be disbursed to Zhunxing by the end of 2014.

As at 30 September 2014, the gearing ratio of the Group, measured as total liabilities to total assets, was 82.9% (31 March 2014: 79.7%).

The Group's business operations, assets and liabilities are denominated mainly in Hong Kong dollars, Renminbi and US dollars, thus appreciation in Renminbi 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.

As at 30 September 2014, the Group had capital commitments of HK$359.19 million (31 March 2014: HK$456.27 million), of which HK$217.32 million, representing almost 60%, was the investment on concession intangible asset representing the construction cost of the Zhunxing Expressway.

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

Issue of the 2017 Convertible Bonds

On 27 September 2014, the Company as issuer and China Life Insurance (Overseas) Company Limited ("China Life") as subscriber entered into a convertible bond subscription agreement for the issue of convertible bonds in the principal amount of HK$600 million with an interest rate of 9% per annum to be due on the date falling on the third anniversary of the issue date (the "2017 Convertible Bonds"). The 2017 Convertible Bonds were issued on 3 October 2014 under the general mandate granted to the directors of the Company on 28 August 2014.

The 2017 Convertible Bonds shall be convertible at HK$0.40 (subject to the normal adjustments) per new share of the Company at any time during the period commencing from the date of issuance till maturity and therefore will be convertible into a total of 1,500 million new shares with a nominal value of approximately HK$15 million and a market value of approximately HK$382.5 million based on the closing price of the shares of HK$0.255 on 26 September 2014, being the last trading day prior to the date of the subscription agreement.

The 2017 Convertible Bonds was issued to set off against the redemption proceeds for the HK$600 million 9% convertible bonds held by China Life, which matured on 29 September 2014.

Prospect

The Board has been proactively probing for new business opportunities to achieve sustainable growth of the Company and maximize benefits of the shareholders as a whole:

Electric Vehicle Charging and CNG/LNG Dispensing stations

The Company entered into framework agreements with PetroChina Guangdong Marketing Company ("PetroChina Guangdong") and PetroChina Henan Marketing Company ("PetroChina Henan") on 28 August 2014 and 18 September 2014 respectively, under which the Company has obtained first right for the installation and operation of electric vehicle charging and compressed natural gas (CNG) and/or liquefied natural gas (LNG) dispensing stations in over 1940 gas stations owned by PetroChina in Guangdong and Henan provinces. The framework agreements permit the Company to select locations for and construct such charging and dispensing stations in batches, and thereby obtain the right to operate them, and the revenue sharing arrangement will be determined with PetroChina Guangdong and PetroChina Henan in accordance with the situation of each individual charging or dispensing station. The relevant arrangements will be valid for not more than 20 years from the date of the framework agreements.

The management of the Company will strive to explore more cooperative opportunities with other PetroChina marketing branches and kick start to select locations and develop the charging and dispensing stations in Guangdong and Henan to bring in higher investment returns for the shareholders of the Company.

CAPITAL COMMITMENT

The Group's capital commitments outstanding as at 30 September 2014 was approximately HK$359.19 million, of which HK$217.32 million, representing almost 60%, was the investment on concession intangible asset representing the construction cost of the Zhunxing Expressway.

CHARGES ON ASSETS

As at 30 September 2014, Zhunxing had pledged its equity interests in Guo Kai Rui Ming (Beijing) Investment Fund Co., Limited (國開瑞明(北京)投資基金有限公司), Inner Mongolia Berun New Energy Company Limited (內蒙古博源新型能源有限公司) and 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) to secure an outstanding loan facility of RMB440 million (approximately HK$553 million) provided by a PRC bank in November 2013.

Besides, the newly acquired non-wholly owned subsidiary Dapeng had pledged its oil storage tanks of 80,000m^3 in Zhanjiang and investment property in Guangzhou to secure a loan facility of RMB470 million (approximately HK$591 million) provided by an authorized financial institution as at 30 September 2014.

CONTINGENT LIABILITIES

As at 30 September 2014, the Group did not have any material contingent liabilities.

DIVIDENDS

The Directors do not recommend any dividend for the six months ended 30 September 2014 (2013: Nil).

EMPLOYEES

The Group has approximately 894 employees in Hong Kong, PRC and Guyana as at 30 September 2014. The Group implements remuneration policy, bonus and share options schemes to ensure that pay scales of its employees are rewarded on performance-related basis within the general framework of the Group's remuneration strategy.

SHARE OPTION SCHEME

The share option scheme adopted by the Company on 16 July 2004 (the "Old Scheme") expired on 15 July 2014. No further options can be granted under the Old Scheme; howsoever, the options granted under the Old Scheme before 15 July 2014 remains exercisable.

A new share option scheme of the Company was adopted on 28 August 2014 (the "New Scheme") pursuant to the approval by the shareholders of the Company at the annual general meeting held on 28 August 2014. The New Scheme shall remain in force for 10 years from the adoption date unless otherwise terminated or amended.

As at 30 September 2014, the options to subscribe for 348,000,000 shares are valid, outstanding and exercisable till 15 October 2018 under the Old Scheme. The number of securities to be issued upon exercise of the options approved to each grantee is less than 1% of the Company's ordinary shares in issue. No options under the Old Scheme were exercised and thus no securities were issued during the period ended 30 September 2014.

SALE AND PURCHASE OF SHARES

During the six months ended 30 September 2014, the Company repurchased a total of 165,200,000 ordinary shares of the Company on the Stock Exchange at an aggregate consideration (before expenses) of HK$52,686,500. All the repurchased shares were subsequently cancelled.

Particulars of the repurchases are as follows:

Month	Number of shares repurchased	Purchase price		Aggregate consideration (before expenses)
		Highest	Lowest	
		(HK$)	*(HK$)*	*(HK$)*
July 2014	36,000,000	0.325	0.320	11,545,000
August 2014	129,200,000	0.325	0.310	41,141,500
	165,200,000			52,686,500

The repurchases were made for the benefit of the Company and its shareholders as a whole with a view to enhancing the earnings per share of the Company.

Save as disclosed above, there was 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 2014.

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 2014 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 Corporate Governance Code 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.

APPOINTMENT OF DIRECTOR

Mr. Suo Suo Stephen was appointed as a non-executive director of the Company with effect from 2 July 2014.

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 ("INEDs"), namely Mr. Yip Tak On (Chairman), 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 2014.

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 all the INEDs, Mr. Yip Tak On (Chairman), Mr. Jing Baoli and Mr. Bao Liang Ming and an executive director, Mr. Cao Zhong.

NOMINATION COMMITTEE

The Nomination Committee was established with terms of reference in compliance with the CG Code and chaired by Mr. Cao Zhong, the Chairman of the Board with all the three INEDs as members. The primary duties of the Nomination Committee are to review the structure, diversity, size and composition of the Board, make recommendations on any proposed changes to the Board, advise on the appointment or re-appointment of Directors, assess the independence of INEDs, conduct interviews with qualified candidates, recommend suitable candidates for directorship to the Board, review the board diversity policy and ensure that all nominations are fair and transparent. On 27 June 2014, a meeting was held by the Nomination Committee for advising on the appointment of Mr. Suo Suo Stephen.

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
Cao Zhong
Chairman

Hong Kong, 24 October 2014

As at the date of this Announcement, the Board comprises five executive Directors, namely Messrs Cao Zhong, Fung Tsun Pong, Duan Jingquan, Tsang Kam Ching, David and Gao Zhiping; a non-executive Director, namely Mr. Suo Suo Stephen and three independent non-executive Directors, namely Messrs Yip Tak On, Jing Baoli and Bao Liang Ming.