



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

CHINA RESOURCES AND TRANSPORTATION GROUP LIMITED

中國資源交通集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 269



INTERIM REPORT 2016



CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Cao Zhong (*Chairman*)
Mr. Fung Tsun Pong (*Vice-Chairman*)
Mr. Jiang Tao (*Chief Executive Officer*)
(*appointed on 12 August 2016*)
Mr. Tsang Kam Ching, David
(*Finance Director*)
Mr. Gao Zhiping
Mr. Duan Jingquan

Non-executive Director

Mr. Suo Suo Stephen

Independent Non-executive Directors

Mr. Yip Tak On
Mr. Jing Baoli
Mr. Bao Liang Ming
Mr. Xue Baozhong
(*appointed on 12 August 2016*)

Audit Committee

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

Remuneration Committee

Mr. Yip Tak On (*Chairman*)
Mr. Cao Zhong
Mr. Jing Baoli
Mr. Bao Liang Ming
Mr. Xue Baozhong

Nomination Committee

Mr. Cao Zhong (*Chairman*)
Mr. Yip Tak On
Mr. Jing Baoli
Mr. Bao Liang Ming
Mr. Xue Baozhong

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

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

PRINCIPAL PLACE OF BUSINESS

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

SHARE REGISTRARS & TRANSFER OFFICE

Tricor Progressive Limited
Level 22
Hopewell Centre
183 Queen's Road East
Hong Kong

STOCK CODE AT HONG KONG STOCK EXCHANGE

269

CONTACT DETAILS

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

COMPANY WEBSITE

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

HIGHLIGHTS

- Unaudited turnover for the six months ended 30 September 2016 amounted to approximately HK\$408,175,000 (mainly including toll income from toll road operations of approximately HK\$258,152,000, revenue from trading of petroleum and related products of approximately HK\$137,200,000 and CNG dispensing station service income of approximately HK\$12,651,000), whereas an unaudited turnover of approximately HK\$1,490,772,000 (mainly including toll road operations of approximately HK\$250,117,000, revenue from trading of petroleum and related products of approximately HK\$1,225,801,000 and CNG dispensing station service income of approximately HK\$8,024,000) was recorded in the corresponding period of last year.
- The Group recorded an unaudited positive EBITDA (defined as earnings before interest, tax, depreciation, amortisation and non-cash changes in values of assets and liabilities) of approximately HK\$179,917,000 for the six months ended 30 September 2016, whereas an unaudited positive EBITDA of approximately HK\$239,002,000 was recorded for the six months ended 30 September 2015.
- Unaudited net loss attributable to owners of the Company for the six months ended 30 September 2016 amounted to approximately HK\$599,733,000, whereas the amount was approximately HK\$762,611,000 in the corresponding period of last year.
- The directors of the Company do not declare any dividend for the six months ended 30 September 2016.

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 2016 and the unaudited consolidated statement of financial position of the Group as at 30 September 2016.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 September 2016

	Notes	Six months ended 30 September	
		2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Revenue	3	408,175	1,490,772
Cost of sales and other direct operating costs		(481,882)	(1,590,465)
Gross loss		(73,707)	(99,693)
Gain on settling convertible bonds and non-convertible debt securities		–	38,182
Change in fair value of derivative financial instruments		–	26,423
Other income and other gains or losses	5	(5,155)	125,722
Selling and administrative expenses		(74,205)	(170,280)
Finance costs	6	(509,198)	(771,139)
Share of results of associates		7,169	1,279
Loss before income tax credit	7	(655,096)	(849,506)
Income tax credit	8	125	617
Loss for the period		(654,971)	(848,889)
Loss for the period attributable to:			
– Owners of the Company		(599,733)	(762,611)
– Non-controlling interests		(55,238)	(86,278)
		(654,971)	(848,889)
		HK cents (Unaudited)	HK cents (Unaudited)
Loss per share attributable to owners of the Company			
Basic and diluted	10	(8.88)	(56.47)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2016

	Six months ended 30 September	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Loss for the period	(654,971)	(848,889)
Other comprehensive income:		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
– Exchange differences on translation of financial statements of foreign operations	(11,141)	(114,322)
– Share of other comprehensive income of associates	(373)	152
– Release of translation reserve upon disposal of a subsidiary	901	(4,015)
– Release of translation reserve upon disposal of an associate	2,434	–
– Net movements in fair value reserve for available-for-sale investments	7,450	32,242
Other comprehensive income for the period, net of tax	(729)	(85,943)
Total comprehensive income for the period	(655,700)	(934,832)
Total comprehensive income for the period attributable to:		
– Owners of the Company	(600,729)	(842,567)
– Non-controlling interests	(54,971)	(92,265)
	(655,700)	(934,832)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2016

	At 30 September 2016 Notes HK\$'000 (Unaudited)	At 31 March 2016 HK\$'000 (Audited) (Restated)
NON-CURRENT ASSETS		
Investment property	31,694	31,689
Property, plant and equipment	11 975,283	1,047,430
Prepaid lease payments	36,850	38,513
Goodwill and other intangible assets	95,321	99,158
Biological assets	51,658	51,784
Forest concession rights	12 –	–
Concession intangible asset	13 15,116,708	15,763,277
Long term deposits and prepayments	14 286,613	291,247
Interests in associates	454,920	480,551
Available-for-sale investments	79,620	109,750
TOTAL NON-CURRENT ASSETS	17,128,667	17,913,399
CURRENT ASSETS		
Inventories	66,693	87,465
Trade and other receivables	15 451,933	366,677
Prepaid lease payments	884	912
Amounts due from non-controlling shareholders of subsidiaries	23,360	15,588
Amounts due from associates	140,661	145,098
Cash and cash equivalents	109,059	116,225
	792,590	731,965
Assets of a disposal group classified as held for sale	–	58,042
TOTAL CURRENT ASSETS	792,590	790,007
TOTAL ASSETS	17,921,257	18,703,406

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2016

	Notes	At 30 September 2016 HK\$'000 (Unaudited)	At 31 March 2016 HK\$'000 (Audited) (Restated)
CURRENT LIABILITIES			
Trade and other payables	16	1,823,963	1,813,083
Promissory note	17	309,194	306,892
Borrowings	18	899,396	843,578
Convertible bonds	19	3,268,399	3,189,853
Non-convertible debt securities	20	1,064,378	1,048,403
		7,365,330	7,201,809
Liabilities of a disposal group classified as held for sale		–	40,364
TOTAL CURRENT LIABILITIES		7,365,330	7,242,173
NET CURRENT LIABILITIES		(6,572,740)	(6,452,166)
TOTAL ASSETS LESS CURRENT LIABILITIES		10,555,927	11,461,233
NON-CURRENT LIABILITIES			
Borrowings	18	10,996,094	11,229,008
Deferred tax liabilities		10,293	10,811
Acreege fees payable		10,454	10,454
TOTAL NON-CURRENT LIABILITIES		11,016,841	11,250,273
TOTAL LIABILITIES		18,382,171	18,492,446
NET (LIABILITIES)/ASSETS		(460,914)	210,960
CAPITAL AND RESERVES			
Share capital	21	1,350,479	1,350,479
Reserves		(2,053,662)	(1,452,933)
Equity attributable to owners of the Company		(703,183)	(102,454)
Non-controlling interests		242,269	313,414
TOTAL (DEFICIT)/EQUITY		(460,914)	210,960

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2016

	Share capital HK\$'000	Share premium HK\$'000	Share options reserve HK\$'000	Warrants reserve HK\$'000	Share (Note (ii)) HK\$'000	Capital redemption reserve HK\$'000	Capital reserve HK\$'000	Assets revaluation reserve HK\$'000	Available-for-sale financial assets reserve HK\$'000	Convertible bonds reserve HK\$'000	Translation reserve HK\$'000	Accumulated losses HK\$'000	Sub-total HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
At 1 April 2015 (Audited)	270,096	1,929,475	31,012	21,630	-	3,800	795,363	41,732	119,272	617,363	115,618	(1,338,270)	2,468,467	854,549	3,323,016
Adjustments (Note 2)	-	-	-	-	-	-	-	-	-	-	-	(130)	(130)	-	(130)
At 1 April 2015 (Restated)	270,096	1,929,475	31,012	21,630	-	3,800	795,363	41,732	119,272	617,363	115,618	(1,338,270)	2,468,337	854,549	3,322,886
Loss for the period	-	-	-	-	-	-	-	-	-	-	-	(762,611)	(762,611)	(66,278)	(848,889)
Exchange differences on translation of financial statements of foreign operations	-	-	-	-	-	-	-	-	-	-	(108,335)	-	(108,335)	(5,997)	(114,332)
Share of other comprehensive income of associates	-	-	-	-	-	-	-	-	-	-	152	-	152	-	152
Net movements in fair value for available-for-sale investments	-	-	-	-	-	-	-	-	32,242	-	-	-	32,242	-	32,242
Release of translation reserve upon disposal of a subsidiary	-	-	-	-	-	-	-	-	-	-	(4,015)	-	(4,015)	-	(4,015)
Release of assets revaluation reserve upon disposal of a subsidiary	-	-	-	-	-	-	-	(25,949)	-	-	-	25,949	-	-	-
Total comprehensive income for the period	-	-	-	-	-	-	(25,949)	(25,949)	32,242	-	(112,198)	(736,762)	(842,567)	(92,265)	(934,832)
Disposal of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	-	90,983	90,983
Share of non-controlling interests transferred to the Group	-	-	-	-	-	-	-	-	-	-	-	363	363	(12,828)	(12,475)
Settlement of convertible bonds	-	-	-	-	-	-	-	-	-	(201,893)	-	201,893	-	-	-
At 30 September 2015 (Unaudited)	270,096	1,929,475	31,012	21,630	-	3,800	795,363	15,003	12,970	415,470	3,420	(1,873,016)	1,626,123	640,439	2,266,562
At 30 September 2016 (Restated)	270,096	1,929,475	31,012	21,630	-	3,800	795,363	15,003	12,970	415,470	3,420	(1,873,016)	1,626,123	640,439	2,266,562

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2016

	Share capital HK\$'000	Share premium HK\$'000	Share warrants HK\$'000 (Note (i))	Share options reserve HK\$'000 (Note (ii))	Capital redemption reserve HK\$'000	Capital reserve HK\$'000 (Note (iii))	Assets revaluation reserve HK\$'000 (Note (iv))	Available-for-sale financial assets reserve HK\$'000 (Note (v))	Convertible bonds reserve HK\$'000 (Note (vi))	Translation reserve HK\$'000 (Note (vii))	Accumulated losses HK\$'000	Sub-Total HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
At 1 April 2016 (Audited)	1,350,479	1,836,119	-	31,012	3,800	795,363	15,903	17,450	395,546	169,556	(4,524,209)	1103,093	313,414	210,321
Adjustments (Note 2)	-	-	-	-	-	-	-	-	-	-	639	639	-	639
At 1 April 2016 (Restated)	1,350,479	1,836,119	-	31,012	3,800	795,363	15,903	17,450	395,546	169,556	(4,523,670)	1102,454	313,414	210,960
Loss for the period	-	-	-	-	-	-	-	-	-	-	(599,733)	(599,733)	(55,238)	(654,971)
Exchange differences on translation of financial statements of foreign operations	-	-	-	-	-	-	-	-	-	(11,409)	-	(11,408)	267	(11,141)
Share of other comprehensive income of associates	-	-	-	-	-	-	-	-	-	(373)	-	(373)	-	(373)
Release of translation reserve upon disposal of equity interest in a subsidiary (Note 2)	-	-	-	-	-	-	-	-	-	901	-	901	-	901
Release of translation reserve upon disposal of equity interest in an associate	-	-	-	-	-	-	-	-	-	2,434	-	2,434	-	2,434
Net movements in fair value for available-for-sale investments	-	-	-	-	-	-	-	7,450	-	-	-	7,450	-	7,450
Total comprehensive income for the period	-	-	-	-	-	-	-	7,450	-	(18,446)	(599,733)	(600,729)	(54,971)	(655,700)
Disposal of a subsidiary (Note 2)	-	-	-	-	-	-	-	-	-	-	-	-	(17,611)	(17,611)
Lapse of share options (Note 2)	-	-	-	(448)	-	-	-	-	-	-	448	-	-	-
Contribution from non-controlling interest of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	1,437	1,437
At 30 September 2016 (Unaudited)	1,350,479	1,836,119	-	30,564	3,800	795,363	15,903	-	395,546	(68,002)	(5,122,955)	1703,163	242,269	(460,914)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2016

Notes:

- (i) The warrants reserve represents the conditional warrants issued in relation to the Financing Arrangement as detailed in Note 23.
- (ii) The share options reserve represents the cumulative expenses recognised on the granting of share options.
- (iii) The capital reserve represented capitalisation of payables to non-controlling interests.
- (iv) The assets revaluation reserve represents gains/losses arising on the revaluation of property.
- (v) The available-for-sale financial assets reserve represents gains/losses arising on recognising financial assets classified as available for sale at fair value.
- (vi) The convertible bonds reserve represents the equity component of outstanding convertible bonds issued by the Company recognised in accordance with the accounting policy adopted for convertible bonds.
- (vii) Translation reserve represents all exchange differences arising from the translation of financial statements of operations outside Hong Kong.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2016

	Six months ended 30 September	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Operating activities		
Operating profit before changes in working capital	181,605	114,664
Net changes in working capital	(274,422)	504
Cash (used in)/generated from operations	(92,817)	115,168
PRC tax paid	(123)	(404)
Net cash (used in)/generated from operating activities	(92,940)	114,764
Investing activities		
Net cash (outflow)/inflow from disposal of subsidiaries	(176)	40,922
Proceeds from disposal of available-for-sale investments	30,021	221,314
Other cash flows arising from investing activities	52,502	74,787
Net cash generated from investing activities	82,347	337,023
Financing activities		
Proceeds from new borrowings	697,404	399,676
Repayment of borrowings	(506,905)	(480,039)
Repayment of convertible bonds and non-convertible debt securities	(21,617)	–
Interest paid	(155,485)	(577,132)
Other cash flows arising from financing activities	(8,318)	–
Net cash generated from/(used in) financing activities	5,079	(657,495)
Net decrease in cash and cash equivalents	(5,514)	(205,708)
Effect of foreign exchange rate changes	(1,956)	(11,256)
Cash and cash equivalents at the beginning of the period	116,529	298,458
Cash and cash equivalents at the end of the period	109,059	81,494

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

During the six months ended 30 September 2016, the Group suffered a loss of HK\$654,971,000 and at the end of reporting period, the Group's current liabilities exceeded its current assets by approximately HK\$6,572,740,000. In addition, the convertible bonds and non-convertible debt securities of HK\$832,000,000 and HK\$1,000,000,000 respectively were overdue as at 30 September 2016. The Company's default on settlement is a breach of the relevant loan covenants which caused the remaining balances of the convertible bonds and non-convertible debt securities to become also repayable on demand. In aggregate, the carrying amount of these convertible bonds and non-convertible debt securities which are immediately repayable was HK\$4,332,777,000 (the "Repayable Amount"). 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.

In view of the above, the directors of the Company have undertaken the following measures to improve the financial position of the Group which include:

- i) As of 30 September 2016, the Group is required to repay the Repayable Amount. The Group has been actively discussing with the holders of convertible bonds and non-convertible debt securities (the "Notes")(the "Note Holders") on rectifying the default on partial settlement and to agree on the repayment schedule of the Repayable Amount. The directors of the Company maintain regular discussions with the financial advisers and the Note Holders. These discussions remain constructive, and the directors of the Company are of the opinion that the default on partial settlement could be rectified and new repayment schedule could be agreed; and
- ii) Up to the date of this report, the Group is currently discussing with a potential buyer to dispose of the entire equity interests in one of its subsidiaries, Inner Mongolia Zhunxing Heavy Haul Expressway Company Limited ("Zhunxing"), which is the legal owner of the Group's property, plant and equipment and concession intangible asset with carrying amounts of HK\$756,641,000 and HK\$15,116,708,000, such that sales proceeds would be available before the Note Holders would demand for repayment on the borrowings in default above (the "Disposal"). The final terms and conditions of the agreement of the Disposal are still under negotiation. Moreover, the successfulness of the Disposal will be subject to the results of financial due diligence work to be performed on Zhunxing and the approvals by the government authorities. If the Disposal is materialised, the Group's cashflow will be strengthened and have sufficient reserve of cash to meet its liquidity requirement in the short and long term.

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Based on the above, the directors of the Company are of the opinion that the Group will have sufficient working capital to meet its financial obligations as and when they fall due in the foreseeable future and therefore the unaudited condensed interim consolidated financial statements of the Group for the six months ended 30 September 2016 (the “Interim Financial Statements”) are prepared on a going concern basis.

Should the going concern basis be considered inappropriate, adjustments would have to be made to write down the carrying amounts of the Group’s assets to their estimated realisable values, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effects of these adjustments have not been reflected in the Interim 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. These notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the annual financial statements of the Group for the year ended 31 March 2016 (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.

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

2. ADOPTION OF NEW AND REVISED STANDARDS

The HKICPA has issued the following amendments to HKFRSs that are first effective for the current accounting period of the Group and the Company.

HKFRSs (Amendments)	Annual Improvements 2012-2014 cycle
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
HKFRS 14	Regulatory Deferral Accounts

Except as described below, the accounting policies and methods of computation used in the Interim Financial Statements are the same as those followed in the preparation of the Annual Financial Statements.

Amendments to HKAS 16 and HKAS 41 “Agriculture: Bearer Plants”

The Group has applied the Amendments to HKAS 16 and HKAS 41 “Agriculture: Bearer Plants” for the first time in the current interim period. The Amendments to HKAS 16 “Property, Plant and Equipment” and HKAS 41 “Agriculture” define a bearer plant and require biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment in accordance with HKAS 16, instead of HKAS 41. The produce growing on bearer plants continue to be accounted for in accordance with HKAS 41. The camellia trees of the Group have met the definition of bearer plant and are needed to be accounted for under property, plant and equipment since 1 April 2016 and the seedlings and standing trees of the Group continue to be accounted for under biological assets.

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Summary of the effects of the above change in Amendments to HKAS 16 and HKAS 41

The effects of the change in Amendments to HKAS 16 and HKAS 41 described above on the unaudited consolidated statement of financial position of the Group as at the end of the immediately preceding financial year, i.e. 31 March 2016, are as follow:

	As at 31 March 2016 (Originally stated) HK\$'000	Adjustments HK\$'000	As at 31 March 2016 (Restated) HK\$'000
Property, plant and equipment	1,023,891	23,539	1,047,430
Biological assets	74,684	(22,900)	51,784
Total effect on net assets	1,098,575	639	1,099,214
Accumulated losses and total effect on equity	(4,524,309)	639	(4,523,670)

The effects of the change in Amendments to HKAS 16 and HKAS 41 described above on the unaudited consolidated statement of financial position of the Group as at the beginning of the comparative period, i.e. 1 April 2015, are as follow:

	As at 1 April 2015 (Originally stated) HK\$'000	Adjustments HK\$'000	As at 1 April 2015 (Restated) HK\$'000
Property, plant and equipment	1,420,561	23,642	1,444,203
Biological assets	79,710	(23,772)	55,938
Total effect on net assets	1,500,271	(130)	1,500,141
Accumulated losses and total effect on equity	(1,338,370)	(130)	(1,338,500)

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

There are no material effects of the change in Amendments to HKAS 16 and HKAS 41 described above on the (i) unaudited consolidated statement of profit or loss and other comprehensive income and (ii) unaudited basic and diluted loss per share for the six months ended 30 September 2016 and 2015.

Other than the above, 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. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3. REVENUES

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

	Six months ended 30 September	
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Toll income from toll road operations	258,152	250,117
Trading of petroleum and related products	137,200	1,225,801
CNG dispensing station service income	12,651	8,024
Income from timber logging and trading	–	143
Sales of seedlings	49	5,388
Sales of plant-oil	123	1,299
	408,175	1,490,772

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

4. SEGMENT INFORMATION

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

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

- Expressway operations – the operations, management, maintenance and auxiliary facility investment of Zhunxing Expressway;
- Petroleum business – trading of petroleum and related products, provision of petroleum storage and ancillary services, and operations of CNG dispensing stations; and
- Timber operations – sales of timber logs from forest concession, tree plantation area and outside suppliers, sales of seedlings and refined plant oil.

There was no inter-segment sale or transfer during the period (six months ended 30 September 2015: HK\$Nil). Central revenue and expenses are not allocated to the operating segments as they are not included in the measure of the segments' results that is used by the chief operating decision makers for assessment of segment performance. The measure used for reportable segment profit or loss is loss before interest and tax.

Segment assets exclude investment property in Australia, assets of a disposal group classified as held for sale, interest in associates – 北京開源萬嘉管理諮詢有限公司 and its subsidiaries, available-for-sale investments, amounts due from non-controlling shareholders of subsidiaries, amounts due from associates, cash and cash equivalents and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude promissory note, convertible bonds, non-convertible debt securities, liabilities of a disposal group classified as held for sale, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(a) Reportable Segment

Information regarding the Group's reportable segments as provided regularly to the Group's chief operating decision makers for the purposes of resource allocation and assessment of segment performance for the six months ended 30 September 2016 and 2015 is set out below:

	Expressway operations		Petroleum business		Timber operations		Total	
	Six months ended		Six months ended		Six months ended		Six months ended	
	30 September		30 September		30 September		30 September	
	2016	2015	2016	2015	2016	2015	2016	2015
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	
Revenue from external customers and reportable segment revenue	258,152	250,117	149,851	1,233,825	172	6,830	408,175	1,490,772
Reportable segment loss	(96,566)	(148,757)	(12,134)	(46,614)	(7,194)	(21,613)	(115,894)	(216,984)
Amortisation of concession intangible asset	279,991	308,571	-	-	-	-	279,991	308,571
Finance costs	472,829	691,039	5,988	21,272	-	-	478,817	712,311
Unallocated finance costs							30,381	58,828
Total finance costs							509,198	771,139
	At	At	At	At	At	At	At	At
	30 September	31 March	30 September	31 March	30 September	31 March	30 September	31 March
	2016	2016	2016	2016	2016	2016	2016	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
						(Restated)		(Restated)
Reportable segment assets	16,473,049	17,082,906	288,713	352,897	270,411	279,017	17,032,173	17,714,820
Reportable segment liabilities	(13,162,806)	(13,338,359)	(244,167)	(296,677)	(30,418)	(30,031)	(13,437,391)	(13,665,067)

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(b) Reconciliation of reportable segment loss

	Six months ended 30 September	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Reportable segment loss before income tax credit	(115,894)	(216,984)
Gain on settling convertible bonds and non-convertible debt securities	–	38,182
Change in fair value of derivative financial instruments	–	26,423
Other income and other gains or losses	(7,378)	85,208
Finance costs	(509,198)	(771,139)
(Loss)/gain on disposal of subsidiaries	(627)	46,752
Share of results of associates	5,547	1,746
Unallocated corporate expenses	(27,546)	(59,694)
Consolidated loss before income tax credit	(655,096)	(849,506)

5. OTHER INCOME AND OTHER GAINS OR LOSSES

	Six months ended 30 September	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
(Loss)/gain on disposal of available-for-sale investments	(6,166)	61,945
(Loss)/gain on disposal of subsidiaries	(627)	46,752
Loss on disposal of an associate	(3,267)	–
Gain on disposal of property, plant and equipment	300	–
Interest income	2,609	7,279
Dividend income	–	5,325
Exchange gain, net	14	29
Amortisation of deferred government grants	–	1,259
Rental income	136	1,915
Others	1,846	1,218
	(5,155)	125,722

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

6. FINANCE COSTS

	Six months ended 30 September	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Interest and finance costs on bank and other borrowings	326,723	434,419
Interest expenses on convertible bonds and non-convertible debt securities	116,138	306,784
Interest expenses on promissory note	2,302	2,273
Default interest on convertible bonds and non-convertible debt securities	35,956	–
Default interest on promissory note	28,079	27,663
	509,198	771,139

7. LOSS BEFORE INCOME TAX CREDIT

Loss before income tax credit is stated after charging:

	Six months ended 30 September	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Auditor's remuneration	230	265
Depreciation of property, plant and equipment	45,036	56,029
Amortisation of prepaid lease payments	489	222
Amortisation of forest concession rights included in selling and administrative expenses	–	13,793
Amortisation of concession intangible asset included in cost of sales	279,991	308,571
Amortisation of customer relationships	812	2,860
Cost of inventories sold	146,472	1,202,237
Operating lease payments recognised as expenses	8,073	9,756
Staff costs (excluding directors' remuneration)		
– Salaries and allowances	31,832	43,762
– Defined contributions pension costs	5,325	4,040
	37,157	47,802

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

8. INCOME TAX CREDIT

	Six months ended 30 September	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Current tax		
– PRC enterprise income tax	123	404
Deferred tax credit	(248)	(1,021)
Total	(125)	(617)

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, a subsidiary of the Company, 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"). As Zhunxing has started operations during the year ended 31 March 2014, the Tax Holiday has been started in 2014. Consequently, Zhunxing is exempted from PRC enterprise income tax rate from 2014 to 2016 and is subject to a 12.5% PRC enterprise income tax rate from 2017 to 2019.

For the six months ended 30 September 2016, the statutory PRC enterprise income tax rate applicable to all other subsidiaries established and operating in the PRC is 25% (six months ended 30 September 2015: 25%).

According to the PRC Corporate Income Tax Law and its implementation rules, dividends receivable by non-PRC resident corporate investors from PRC-resident enterprises are subject to withholding income tax at a rate of 10%, unless reduced by tax treaties or arrangements, for profits earned since 1 January 2008. Since the Group can control the quantum and timing of distribution of profits of the Group's subsidiaries in the PRC, deferred tax liabilities are only provided to the extent that such profits are expected to be distributed in the foreseeable future.

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The statutory tax rate for Hong Kong profits tax is 16.5% (six months ended 30 September 2015: 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 2016 and 2015.

The subsidiaries in Guyana are liable to Guyana income tax at a rate of 45% (six months ended 30 September 2015: 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 2016 and 2015.

The subsidiaries in Australia are liable to Australian income tax at a rate of 30% (six months ended 30 September 2015: 30%). No provision for Australian income tax has been made as the subsidiaries in Australia sustained losses for taxation purposes for the six months ended 30 September 2016 and 2015.

9. DIVIDEND

The directors of the Company do not recommend the payment of a dividend for the six months ended 30 September 2016 (six months ended 30 September 2015: HK\$Nil).

10. LOSS PER SHARE

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

Loss attributable to owners of the Company

	Six months ended 30 September	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Loss for the purpose of basic and diluted loss per share	(599,733)	(762,611)
	'000 (Unaudited)	'000 (Unaudited)
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	6,752,396	1,350,479

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2016 and 2015, 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.

For the six months ended 30 September 2016 and 2015, the computation of diluted loss per share does not assume the exercise of the Company's outstanding share options (six months ended 30 September 2015: share options and warrants) as the exercise prices of those options (six months ended 30 September 2015: share options and warrants) are higher than the average market price of shares.

As a result of the Share Consolidation (as defined in Note 21(a)(i)), being after the reporting period but before the 2015 Interim Financial Statements are authorised for issue, the weighted average number of ordinary shares for the purpose of basic and diluted loss per share for the six months ended 30 September 2015 have been adjusted to include the effect of the Share Consolidation.

For the six months ended 30 September 2015, there is no retrospective adjustment of the weighted average number of ordinary shares in issue after taking into account the effect of bonus elements in the rights issue (Note 21(a)(iii)).

11. 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 2016, additions to property, plant and equipment amounted to HK\$573,000 (six months ended 30 September 2015: HK\$1,220,000) and disposal of property, plant and equipment amounted to a net carrying amount of HK\$4,000 (six months ended 30 September 2015: including those property, plant and equipment disposed of during disposal of subsidiaries amounting to a net carrying amount of HK\$130,853,000).

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

12. 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.

	At 30 September 2016 HK\$'000 (Unaudited)	At 31 March 2016 HK\$'000 (Audited)
Cost:		
At 1 April 2016/30 September 2016 and at 1 April 2015/31 March 2016	534,429	534,429
Accumulated impairment and amortisation:		
At 1 April 2016 and at 1 April 2015	534,429	396,012
Impairment loss	–	110,831
Amortisation for the period/year	–	27,586
At 30 September 2016 and at 31 March 2016	534,429	534,429
Net carrying amount:		
At 30 September 2016 and at 31 March 2016	–	–

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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. The logging operation in Block B has been completed during the year ended 31 March 2010.

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”), a subsidiary of the Company, 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.

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

13. CONCESSION INTANGIBLE ASSET

	At 30 September 2016 HK\$'000 (Unaudited)	At 31 March 2016 HK\$'000 (Audited)
Cost:		
At 1 April 2016 and at 1 April 2015	18,992,675	19,827,031
Exchange differences	(467,112)	(834,356)
At 30 September 2016 and at 31 March 2016	18,525,563	18,992,675
Accumulated amortisation:		
At 1 April 2016 and at 1 April 2015	3,229,398	825,100
Amortisation for the period/year	279,991	617,143
Impairment loss	–	1,877,027
Exchange differences	(100,534)	(89,872)
At 30 September 2016 and at 31 March 2016	3,408,855	3,229,398
Net carrying amount:		
At 30 September 2016 and at 31 March 2016	15,116,708	15,763,277

Zhunxing entered into a service concession arrangement with the local government whereby Zhunxing is required to build the infrastructure of 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.

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

14. LONG TERM DEPOSITS AND PREPAYMENTS

	At 30 September 2016 HK\$'000 (Unaudited)	At 31 March 2016 HK\$'000 (Audited)
Prepayments for construction of expressway and related facilities	192,047	197,687
Deposits paid for acquisition of property, plant and equipment	94,566	93,560
	286,613	291,247

15. TRADE AND OTHER RECEIVABLES

	At 30 September 2016 HK\$'000 (Unaudited)	At 31 March 2016 HK\$'000 (Audited)
Trade receivables	118,763	14,369
Less: Provision for impairment loss	(9,048)	(9,103)
Trade receivables, net	109,715	5,266
Other receivables	172,158	161,011
Loan to non-controlling shareholder of a subsidiary	86,672	83,629
Loan receivables	85,786	97,444
Less: Provision for impairment loss	(24,483)	(24,701)
Other receivables, net	320,133	317,383
Deposits paid	4,318	4,390
Prepayments	17,767	39,638
	451,933	366,677

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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:

	At 30 September 2016 HK\$'000 (Unaudited)	At 31 March 2016 HK\$'000 (Audited)
At 1 April 2016 and at 1 April 2015	33,804	13,527
(Reversal of)/impairment loss recognised	(242)	20,760
Exchange differences	(31)	(483)
At 30 September 2016 and at 31 March 2016	33,531	33,804

Details of the ageing analysis of trade receivables of the Group (net of impairment loss) are as follows:

	At 30 September 2016 HK\$'000 (Unaudited)	At 31 March 2016 HK\$'000 (Audited)
Outstanding balances aged:		
0 to 30 days	30,290	3,819
31 to 60 days	59,542	–
61 to 180 days	18,079	42
Over 180 days	1,804	1,405
	109,715	5,266

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

	At 30 September 2016 HK\$'000 (Unaudited)	At 31 March 2016 HK\$'000 (Audited)
Neither past due nor impaired	30,290	3,819
30 to 90 days past due	77,621	42
Over 90 days past due	1,804	1,405
	109,715	5,266

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.

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

	At 30 September 2016 HK\$'000 (Unaudited)	At 31 March 2016 HK\$'000 (Audited)
Neither past due nor impaired	291,844	279,414
Over 90 days past due	28,289	37,969
	320,133	317,383

Other receivables that were neither past due nor impaired related to a number of other debtors for whom there was no recent history of default.

Loan to non-controlling shareholder of a subsidiary is unsecured, interest free and repayable on demand.

An advance to a third party of HK\$62,539,000 (31 March 2016: HK\$65,754,000) was included in the loan receivables, and was made on 1 August 2015. It is unsecured, bearing interest at the rate of 14% per annum and is repayable on or before 31 August 2016. On 31 August 2016, the Group agreed to extend the loan receivables to 28 February 2017 at 14% per annum.

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

16. TRADE AND OTHER PAYABLES

	At 30 September 2016 HK\$'000 (Unaudited)	At 31 March 2016 HK\$'000 (Audited)
Trade payables	1,112	1,505
Other payables and accruals (Note (i))	1,813,034	1,776,591
Deposits received from customers	9,817	34,987
	1,823,963	1,813,083

Note:

- (i) As at 30 September 2016, other payables mainly comprised construction costs payable of HK\$1,087,588,000 (31 March 2016: HK\$1,253,815,000) and retention and guarantee deposit of HK\$194,002,000 (31 March 2016: HK\$203,108,000).

Accruals of the Group also included accumulated default interest of the promissory note, convertible bonds and non-convertible debt securities amounted to HK\$281,654,000 (31 March 2016: HK\$217,619,000).

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:

	At 30 September 2016 HK\$'000 (Unaudited)	At 31 March 2016 HK\$'000 (Audited)
Outstanding balances aged:		
0 to 30 days	978	850
31 to 60 days	70	589
Over 60 days	64	66
	1,112	1,505

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

17. PROMISSORY NOTE

The movement on the promissory note during the six months ended 30 September 2016 and year ended 31 March 2016 are as follows:

	At 30 September 2016 HK\$'000 (Unaudited)	At 31 March 2016 HK\$'000 (Audited)
Carrying value at 1 April 2016 and at 1 April 2015	306,892	302,345
Interest expense for the period/year	2,302	4,547
Carrying value at 30 September 2016 and at 31 March 2016	309,194	306,892

18. BORROWINGS

	At 30 September 2016 HK\$'000 (Unaudited)	At 31 March 2016 HK\$'000 (Audited)
Bank borrowings	11,164,946	11,429,309
Other borrowings	730,544	643,277
	11,895,490	12,072,586

At 30 September 2016, borrowings of the Group were repayable as follows:

	At 30 September 2016 HK\$'000 (Unaudited)	At 31 March 2016 HK\$'000 (Audited)
Within 1 year or on demand	899,396	843,578
After 1 year but within 2 years	477,788	626,157
After 2 years but within 5 years	888,810	573,952
After 5 years	9,629,496	10,028,899
	10,996,094	11,229,008
	11,895,490	12,072,586

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2016, borrowings of the Group were secured as follows:

		At 30 September 2016 HK\$'000 (Unaudited)	At 31 March 2016 HK\$'000 (Audited)
Secured	<i>(i)</i>	11,056,223	11,137,942
Unsecured	<i>(ii)</i>	839,267	934,644
		11,895,490	12,072,586

Notes:

- (i) At 30 September 2016, the secured borrowings of the Group were secured by (a) Zhunxing's receivables rights of toll income of the Zhunxing Expressway; (b) the Group's equity interests in 內蒙古博源新型能源有限公司 with the carrying amount of HK\$44,170,000 (recognised as available-for-sale investments of the Group); (c) the equity interests of the Project Company as defined in Note 23, (d) the equity interests of Zhunxing and (e) certain assets of Zhunxing.

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

At 31 March 2016, the secured borrowings of the Group were secured by (a) Zhunxing's receivables rights of toll income of the Zhunxing Expressway; (b) the Group's equity interests in 內蒙古博源新型能源有限公司 with the carrying amount of HK\$45,563,000 (recognised as available-for-sale investments of the Group); (c) the equity interests of the Project Company and (d) the equity interests of Zhunxing.

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

- (ii) At 30 September 2016, unsecured borrowings of the Group were guaranteed by (a) the Company; (b) a director of the Company; (c) the wholly-owned subsidiaries of the Company and (d) a director of a wholly-owned subsidiary.

At 31 March 2016, unsecured borrowings of the Group were guaranteed by (a) the Company; (b) a director of the Company; (c) the wholly-owned subsidiaries of the Company and (d) a director of wholly-owned subsidiary.

- (iii) The Group's available credit facilities as at 30 September 2016 amounted to approximately HK\$13,131,660,000 (31 March 2016: HK\$12,769,821,000), out of which HK\$11,895,490,000 (31 March 2016: HK\$12,072,586,000) has been utilised.

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

19. CONVERTIBLE BONDS

(a) Description of convertible bonds

Definition	CB2016B	CB2016C	CB2018
Issue dates	10 February 2015	10 February 2015	10 February 2015
Principal amounts as at 1 April 2016 and 30 September 2016	HK\$ 832,000,000	HK\$ 1,500,000,000	HK\$ 700,000,000
Maturity date	10 February 2016	24 January 2017 <i>(Note (vii))</i>	12 February 2018
Interest rates <i>(Note (i))</i>	9%	9%	9%
Conversion price per share <i>(Note (ii))</i>	HK\$1.07 <i>(Note (v))</i> & <i>(vi)</i>	HK\$0.20 <i>(Note (v), (vi))</i> & <i>(vii)</i>	HK\$1.07 <i>(Note (v))</i> & <i>(vi)</i>
Embedded derivative financial instruments <i>(Note (iii))</i>	N/A	If the market price of the Company's shares is higher than HK\$2.14 for 15 consecutive trading days, a repayment premium of 100% of the outstanding principal amount of CB2016C as at the maturity date will be payable by the Company on the maturity date (the "Repayment Adjustment").	N/A
Effective interest rate at initial recognition <i>(Note (iv))</i>	10.99%	11.3%	11.89%

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Notes:

- (i) Interests are payable by the Company annually in arrears, upon conversion or redemption.
- (ii) Conversion prices are subject to normal adjustments pursuant to the terms and conditions of the convertible bonds. The bondholders can convert at the respective conversion price at any time from issuance of the convertible bonds until maturity.
- (iii) Repayment Adjustment is an embedded derivative and is recognised as derivative financial instrument at fair value by Monte Carlo model at the time of issue of the CB2016C and subsequently measured at fair value at the end of each of the reporting periods in accordance with the Group's accounting policy on embedded derivatives. The valuation of fair value of Repayment Adjustment is performed independently by LCH (Asia-Pacific) Surveyors Limited (the "Valuer").

The market price mentioned herein represented the closing prices published in the Stock Exchange Daily Quotations Sheet for one share for 60 consecutive trading days.

- (iv) At issuing dates, the Company determined the fair value of liability component based on the valuation performed by the Valuer using discounted cash flow approach. The residual amount was assigned as the equity component and was included in the convertible bonds reserve of the Group. The liability component is carried at amortised cost until extinguished on conversion or redemption.
- (v) Subject to and forthwith upon the Share Consolidation (as defined in Note 21(a)(i)) taking effect, the conversion price of the CB2016B, CB2016C and CB2018 has been adjusted from HK\$0.20 per share to HK\$4.00 per share with effect from 5 November 2015.
- (vi) Subject to and forthwith upon the Rights Issue (as defined in Note 21(a)(iii)) taking effect, the conversion price of the CB2016B, CB2016C and CB2018 has been adjusted from HK\$4.00 per share to HK\$1.07 per share with effect from 9 December 2015.
- (vii) Pursuant to the amendment agreements dated 13 June 2016 and 10 August 2016 entered by the Company and two bondholders of CB2016C, the maturity date and the conversion right were extended from 24 October 2016 to 24 January 2017 and the conversion price was reset at HK\$0.20 per share. The amendments were approved by the shareholders and the Stock Exchange and became effective on 21 July 2016 and 12 September 2016 respectively.

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(b) **Movement of convertible bonds**

The movement of the liability component and equity component of the convertible bonds during the six months ended 30 September 2016 were as follows:

	Liability component HK\$'000	Equity component HK\$'000	Total HK\$'000
CB2016B			
At 1 April 2016	834,880	103,608	938,488
Interest paid	(412)	–	(412)
At 30 September 2016	834,468	103,608	938,076
CB2016C			
At 1 April 2016	1,583,194	243,257	1,826,451
Interest expense	65,458	–	65,458
Interest paid	(9,000)	–	(9,000)
At 30 September 2016	1,639,652	243,257	1,882,909
CB2018			
At 1 April 2016	771,779	48,681	820,460
Interest expense	31,500	–	31,500
Interest paid	(9,000)	–	(9,000)
At 30 September 2016	794,279	48,681	842,960
Total			
At 30 September 2016 (Unaudited)	3,268,399	395,546	3,663,945
At 31 March 2016 (Audited)	3,189,853	395,546	3,585,399

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Notes:

The Group is due to repay CB2016B with a principal amount of HK\$832 million on 10 February 2016 and the aggregate interests amounted to HK\$65.8 million due under CB2016B and CB2018 on 10 February 2016 and 19 February 2016 respectively. Accordingly, an accrued default interest of HK\$20,863,000 was charged during the six months ended 30 September 2016. Prior to 10 February 2016, the Group and the relevant bondholders entered into discussions regarding the re-borrowing of the principal amount under CB2016B and the rescheduling of all interest payments on CB2016B and CB2018 (the "Discussions"). On 25 April 2016, the Company made partial interest payments amounted to HK\$9.4 million to the relevant bondholders based on the Discussions. The Company continues to maintain regular and constructive Discussions with the relevant bondholders.

The Group is also due to pay an aggregate interests amounted to HK\$63.0 million due under CB2016C on 19 February 2016. On 25 April 2016, the Company made partial interest payments amounted to HK\$9.0 million to the holders of CB2016C. The Company is in discussion with the two holders of CB2016C on the potential restructuring of the said bonds. Pursuant to the amendment agreements dated 13 June 2016 and 10 August 2016 entered by the Company and two bondholders of CB2016C, the maturity date and the conversion right were extended from 24 October 2016 to 24 January 2017 and the conversion price was reset at HK\$0.20 per share. The amendments were approved by the shareholders as set out in the announcement dated 19 July 2016 and 8 September 2016 of the Company and became effective on 21 July 2016 and 12 September 2016 upon satisfying all the conditions precedent as set out in the respective amendment agreements.

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

20. NON-CONVERTIBLE DEBT SECURITIES

(a) Description of non-convertible debt securities

Definition	Debt 1a	Debt 1b
Issue dates	3 September 2015	3 September 2015
Principal amounts as at 1 April 2016 and 30 September 2016	HK\$ 500,000,000	HK\$ 500,000,000
Maturity date	3 March 2016	3 September 2016
Interest rates (<i>Note (i)</i>)	9%	9%
Effective interest rate at initial recognition	10.74%	10.74%

Notes:

- (i) Interests are payable by the Company annually in arrears.
- (ii) At initial recognition date, the Company determined the fair value of the non-convertible debt securities based on the valuation performed by the Valuer using discounted cash flow approach.
- (iii) Mr. Cao Zhong has provided the holders of Debt 1a and Debt 1b his personal guarantee as to the due performance of all the obligations of the respective debt securities.

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

- (b) **The movement on the non-convertible debt securities during the six months ended 30 September 2016 is as follows:**

	Debt 1a HK\$'000	Debt 1b HK\$'000	Total HK\$'000
At 1 April 2016 (Audited)	522,500	525,903	1,048,403
Interest expense	–	19,180	19,180
Settlement during the period	(3,205)	–	(3,205)
At 30 September 2016 (Unaudited)	519,295	545,083	1,064,378

Note:

- (i) The Group is due to repay Debt 1a with a principal amount of HK\$500 million and the interest of HK\$22.5 million on 3 March 2016. Accordingly, an accrued default interest of HK\$13,082,000 was charged during the six months ended 30 September 2016. Since 1 March 2016, the Group and the relevant debt holders have entered into initial negotiations regarding the restructuring of outstanding debts (the "Negotiations"). On 25 April 2016, the Company made partial interest payments amounted to HK\$3.2 million to the relevant debt holders based on the Negotiations. The Company continues to maintain regular and constructive Negotiations with the relevant debt holders.
- (ii) The Group is due to repay Debt 1b with a principal amount of HK\$500 million and the interest of HK\$45.1 million on 3 September 2016. Accordingly, an accrued default interest of HK\$2,011,000 was charged during the period ended 30 September 2016. Since 1 March 2016, the Group and the relevant debt holders have entered into initial negotiations regarding the restructuring of outstanding debts. The Company continues to maintain regular and constructive negotiations with the relevant debt holders.

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

21. SHARE CAPITAL

Notes	At 30 September 2016		At 31 March 2016	
	No. of shares '000	Amount HK\$'000 (Unaudited)	No. of shares '000	Amount HK\$'000 (Audited)
Authorised:				
At 1 April 2016 and at 1 April 2015, ordinary shares of HK\$0.20 and HK\$0.01 each respectively	15,000,000	3,000,000	70,000,000	700,000
Share Consolidation (a)(i)	-	-	(66,500,000)	-
Increased in Authorised Share Capital 2016 (a)(iii)	-	-	11,500,000	2,300,000
At 30 September 2016 and at 31 March 2016, ordinary shares of HK\$0.20 each	15,000,000	3,000,000	15,000,000	3,000,000
Issued and fully paid:				
At 1 April 2016 and at 1 April 2015, ordinary shares of HK\$0.20 and HK\$0.01 each respectively	6,752,396	1,350,479	27,009,584	270,096
Share Consolidation (a)(i)	-	-	(25,659,105)	-
Issue of shares upon Rights Issues (a)(iii)	-	-	5,401,917	1,080,383
At 30 September 2016 and at 31 March 2016, ordinary shares of HK\$0.20 each	6,752,396	1,350,479	6,752,396	1,350,479

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Note:

- (a) A ordinary resolution was passed at the extraordinary general meeting of the Company held on 4 November 2015 approving the capital reorganisation on the basis that:
- (i) Every twenty issued and unissued share of HK\$0.01 each in the share capital of the Company be consolidated into one share of HK\$0.20 (the "Share Consolidation") which effected on 5 November 2015. Following the implementation of the Share Consolidation, the Company's authorised share capital becomes HK\$700,000,000 divided into 3,500,000,000 shares of HK\$0.20 each, and its issued share capital becomes HK\$270,095,839 divided into 1,350,479,194 shares of HK\$0.20 each.
 - (ii) Subject to and forthwith upon the Share Consolidation taking effect, the authorised share capital of the Company was increased from HK\$700,000,000 divided into 3,500,000,000 shares of HK\$0.20 each, to HK\$3,000,000,000 by the creation of an additional 11,500,000,000 new shares (the "Increase in Authorised Share Capital 2016").
 - (iii) Subject to and forthwith upon the Share Consolidation and Increase in Authorised Share Capital 2016 taking effect, the Company issued 5,401,916,776 new ordinary shares under rights issue at an issue price of HK\$0.20 per share on the basis of four shares for every one ordinary share (the "Rights Issue"). The Rights Issue was completed on 9 December 2015 and the Company raised gross proceeds of approximately HK\$1,080,383,000 before deduction of incidental share issuance expenses.

22. EQUITY-SETTLED SHARE-BASED PAYMENT

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

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 New Scheme shall not exceed 10% of the issued share capital of the Company from time to time.

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Movements in the number of share options outstanding and their exercise prices are as follows:

For the six months ended 30 September 2016 (unaudited):

	Weighted average exercise price HK\$	Directors '000	Employees '000	Total '000
Outstanding at the beginning of the period	4.05	11,000	27,500	38,500
Lapsed during the period	4.05	–	(555)	(555)
Outstanding at the end of the period	4.05	11,000	26,945	37,945

For the year ended 31 March 2016 (audited):

	Weighted average exercise price HK\$	Directors '000	Employees '000	Total '000
Outstanding at the beginning of the year	0.45	99,000	247,500	346,500
Adjustments arising from Share Consolidation and Right Issue	3.60	(88,000)	(220,000)	(308,000)
Outstanding at the end of the year	4.05	11,000	27,500	38,500

The exercise price of the above equity-settled share options during the period is HK\$4.05 (Year ended 31 March 2016: HK\$4.05) 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 period (Year ended 31 March 2016: Nil). The share options lapsed during the six months ended 30 September 2016 were attributable to the resignation of the relevant employees during the period (Year ended 31 March 2016: Nil).

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

23. CONDITIONAL WARRANTS

On 20 December 2012, the Company and Joint Gain Holdings Limited (“Joint Gain”) entered into the agreement pursuant to which:

- (1) the Group sold to Joint Gain the equity interests of 內蒙古准興高速服務區管理責任有限公司 (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.

The arrangement was accounted as financing from Joint Gain for the construction of petrol and gas stations in the service areas of Zhunxing Expressway and it was not a disposal of operating rights as the repurchase of the Project Company was almost certain to be exercised. Zhunxing would operate the petrol and gas stations together with the expressway under the terms of the service concession arrangements with the local government.

The conditional warrants issued was considered as the return to Joint Gain on the financing and recognised approximately HK\$21.6 million as warrant reserve at 31 March 2014 accordingly.

In addition, Zhunxing repurchased the Project Company during the year ended 31 March 2015 and construction costs incurred for petrol and gas stations in the services areas of Zhunxing Expressway of HK\$134 million (31 March 2016: HK\$134 million) was included under constructions in progress as at 30 September 2016.

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Details of conditional warrants 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

Subject to and forthwith upon the Share Consolidation taking effect, the subscription price of the warrants has been adjusted from HK\$0.48 per share to HK\$9.60 per share with effect from 5 November 2015. There is no change of subscription price upon Rights Issue.

Movement of the conditional warrants in issue during the six months ended 30 September 2016 and year ended 31 March 2016 is as follow:

	At 30 September 2016 '000 (Unaudited)	At 31 March 2016 '000 (Audited)
At 1 April 2016 and 1 April 2015	–	2,000,000
Expired during the period/year	–	(2,000,000)
At 30 September 2016 and 31 March 2016	–	–

No conditional warrants were exercised during the year ended 31 March 2016.

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

24. DISPOSAL OF A SUBSIDIARY

寧波中油石油銷售有限公司(“Ningbo Zhongyou”)

In March 2016, the Group entered into share transfer agreement for the disposal of its 51% equity interests in Ningbo Zhongyou and its aggregate advance owed by Ningbo Zhongyou (the “Ningbo Zhongyou’s Loan”) to the independent third party at nil consideration (collectively the “Disposal”). The assets and liabilities of Ningbo Zhongyou were re-classified as assets and liabilities of a disposal group classified as held for sale during the year ended 31 March 2016. The Disposal was completed on 24 May 2016.

The net assets of Ningbo Zhongyou at the date of the Disposal were as follows:

	HK\$'000
Amount due from a non-controlling shareholder of a subsidiary	11,443
Ningbo Zhongyou’s Loan	18,603
Cash and cash equivalents	176
Trade and other receivables	5,996
Trade and other payables	(278)
Net assets	35,940
Net assets	35,940
Release of translation reserve upon disposal	901
Release of non-controlling interests upon disposal	(17,611)
Assignment of Ningbo Zhongyou’s Loan	(18,603)
Loss on disposal of the subsidiary	(627)
Total consideration	–
Satisfied by:	
Cash	–
Net cash outflows arising on the Disposal – for the six months ended 30 September 2016:	
Cash consideration received	–
Cash and bank balances disposed of	(176)
Net cash outflow	(176)

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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 2016 and 2015:

Related party relationship	Type of transactions	Six months ended 30 September	
		2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Glory Era Limited (a related company of the Company under common director)	Purchase of property, plant and equipment from the Group	300	-
Mr. Cao Zhong (a substantial shareholder of the Company)	Guarantee given to banks in respect of credit facilities granted to subsidiaries of the Company	726,032	303,975
Mr. Cao Zhong (a substantial shareholder of the Company)	Guarantee given to outstanding non-convertible debt securities	1,064,378	1,558,970

- (c) Members of key management during the six months ended 30 September 2016 and 2015 comprised of the directors only and their remuneration are set out as follows:

	Six months ended 30 September	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Fees, basic salaries, allowances and other benefits	8,529	7,680
Retirement benefit scheme contributions	107	45
	8,636	7,725

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

26. OPERATING LEASES

Operating lease commitments – as a lessee

During the six months ended 30 September 2016 and year ended 31 March 2016, the Group leased part of its properties with lease terms from 1 to 2 years under operating lease arrangement.

As at 30 September 2016, the Group had total future minimum lease payments under non-cancellable operating leases due at the end of reporting period as follows:

	At 30 September 2016 HK\$'000 (Unaudited)	At 31 March 2016 HK\$'000 (Audited)
Within one year	6,719	11,111
In the second to fifth year, inclusive	1,520	303
	8,239	11,414

Operating lease receivables – as a lessor

The Group's investment properties are leased to tenants with lease term of 1 year. The rental income during the six months ended 30 September 2016 was HK\$136,000 (six months ended 30 September 2015: HK\$1,915,000).

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

	At 30 September 2016 HK\$'000 (Unaudited)	At 31 March 2016 HK\$'000 (Audited)
Within one year	–	21

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

27. CAPITAL COMMITMENTS

Capital commitments outstanding as at 30 September 2016 and 31 March 2016 not provided for in the financial statements were as follows:

	At 30 September 2016 HK\$'000 (Unaudited)	At 31 March 2016 HK\$'000 (Audited)
Contracted but not provided for acquisition of property, plant and equipment	21,146	25,044

28. FAIR VALUE MEASUREMENT OF FINANCIAL ASSETS AND LIABILITIES

The carrying amounts of the Group's financial assets and financial liabilities as at 30 September 2016 and 31 March 2016 are categorised as follows:

	At 30 September 2016 HK\$'000 (Unaudited)	At 31 March 2016 HK\$'000 (Audited)
	<i>Notes</i>	
Financial assets		
Loans and receivables	<i>(i)</i> 707,246	603,950
Available-for-sale investments		
– Listed investments	<i>(ii)</i> –	28,737
– Unlisted equity shares, at cost	<i>(i)</i> 79,620	81,013
Financial liabilities		
Financial liabilities measured at amortised cost	<i>(i)</i> 18,362,061	18,406,284
Financial liabilities at fair value through profit or loss		
– Held for trading	<i>(ii)</i> –	–

(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 2016 and 31 March 2016.

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(ii) Financial assets measured at fair value

The fair value of financial assets 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 level 2 financial instruments, as well as the relationship between key observable inputs and fair value are set out below.

(a) Summary of fair value of financial instruments

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			
	2016 HK\$'000 (Unaudited)	Level 1 HK\$'000 (Unaudited)	Level 2 HK\$'000 (Unaudited)	Level 3 HK\$'000 (Unaudited)
Assets:				
Available-for-sale investments, listed equity securities	-	-	-	-

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Recurring fair value measurements	Fair value at			
	31 March	Level 1	Level 2	Level 3
	2016	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	28,737	28,737	-	-

There were no transfers between levels during the six months ended 30 September 2016 and year ended 31 March 2016.

(b) *Movements of financial liabilities at fair value through profit or loss based on level 3*

The movements of the balance of financial liabilities measured at fair value through profit or loss based on Level 3 are as follows:

	30 September 2016 HK\$'000 (Unaudited)	31 March 2016 HK\$'000 (Audited)
At 1 April 2016 and at 1 April 2015	-	(26,423)
Total gain recognised in profit or loss during the period/year	-	26,423
At 30 September 2016 and at 31 March 2016	-	-
Gain recognised in consolidated statement of profit or loss relating to those financial liabilities held at the end of the reporting period	-	26,423

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

29. SUBSEQUENT EVENTS

Proposed amendments to the terms and conditions of the Convertible Bonds due 2018

On 18 November 2016, the Company and China Life Insurance (Overseas) Company Limited (“China Life”) entered into an amendment agreement in respect of the HK\$700,000,000 convertible bonds maturing on 12 February 2018, pursuant to which the maturity date and conversion rights were amended to 24 January 2017 with the conversion price being reset as HK\$0.20 per share.

The Board considers that the amendment of conversion price will incentivise China Life to convert all or part of the convertible bonds not previously converted by bringing it closer to the current market level of the share price.

The proposed amendments are subject to the approval by shareholders of the Company and the Stock Exchange approving the proposed amendments and the listing on the Stock Exchange of conversion shares arising from the convertible bonds.

Proposed increase in authorised share capital

In order to ensure that the authorised share capital of the Company will be sufficient for the issue of the conversion shares upon full conversion of the existing convertible bonds of the Company (as amended by the respective amendment agreements) and any potential issue of new shares in the future, the Company announced on 18 November 2016 with a proposal to increase the Company’s authorised share capital from HK\$3,000,000,000 to HK\$4,000,000,000 by the creation of additional 5,000,000,000 new shares (the “Proposed Increase in Authorised Share Capital”). The Proposed Increase in Authorised Share Capital is subject to the approval by the shareholders in an upcoming extraordinary general meeting of the Company.

30. APPROVAL OF INTERIM FINANCIAL STATEMENTS

The Interim Financial Statements were approved and authorised for issue by the Board on 24 November 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the six months ended 30 September 2016, the Group was principally engaged in expressway operations, trading of petroleum and related products, compressed natural gas (“CNG”) gas stations operations and timber operations.

Operation of Zhunxing Expressway

During the period, the Company’s turnover was partly contributed by toll income from the 265-kilometre heavy-haul toll expressway in Inner Mongolia (“Zhunxing Expressway”) operated by Inner Mongolia Zhunxing Heavy Haul Expressway Company Limited (內蒙古准興重載高速公路有限責任公司) (“Zhunxing”) which is indirectly held as to 86.87% by the Company.

For the six months ended 30 September 2016, Zhunxing recorded an accumulated toll fee of approximately RMB220.25 million (approximately HK\$258.15 million), i.e. an average daily income of RMB1.20 million (approximately HK\$1.41 million) (for the six months ended 30 September 2015: an average daily income of RMB1.09 million (approximately HK\$1.37 million)).

Upon traffic opening and commencement of toll collection of Zhunxing Expressway on 21 November 2013, the Group actively introduced measures and promotions to build client base. Yet, a number of factors have retarded the growth of traffic volume of Zhunxing Expressway during the period:

- (1) The implementation of capacity reduction in the coal industry has commenced in Inner Mongolia, targeting to close a number of coal mines by 2020 to curb overcapacity in the sector. The initial output cuts have posed negative impacts on the number and loading of coal transport vehicles;
- (2) the opening of the Shanxi section of the Beijing-Lhasa Expressway (“G109”) has diverted some coal transportation vehicles travelling to Shanxi to run on G109 at lower cost, instead of using the entire Zhunxing Expressway; and
- (3) the auxiliary facilities of some service areas and major petrol and gas stations were not in operation, which caused inconvenience to some users of Zhunxing Expressway.

MANAGEMENT DISCUSSION AND ANALYSIS

In order to accelerate the growth in traffic volume and toll income of Zhunxing Expressway, Zhunxing is actively implementing a number of measures to promote and attract more coal transport vehicles to run on Zhunxing Expressway on a regular basis:

- (1) closely keep track with competitors to cope with any new market changes brought by the openings of new competitive road sections. Zhunxing continues to fine-tune its business strategy to seek breakthrough in raising toll fee income in this sluggish market environment. One business strategy is to continue offering discount plans to major customers to enhance the usage of Zhunxing Expressway;
- (2) timely update on any new market changes brought by the developments of the neighboring logistic bases. Zhunxing proactively liaise with the neighboring logistic bases to understand their new developments and assure Zhunxing Expressway's advantageous position in contributing to a coal transport process that reinforces traffic fluency, cost-saving and high efficiency; and
- (3) push forward the licensing process of auxiliary facilities of service areas and major petrol and gas stations. Following the launching of the auxiliary facilities in the Wulanchabu section in October 2016, the petrol and gas stations in the Hohhot section are expected to officially commence operation in June 2017. The additional services, such as petrol and gas dispensing and supply of food and beverages, are expected to bring convenience to road users and attract a steady flow of customers.

Petroleum and Related Products Business

For the six months ended 30 September 2016, 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 Energy") continued to focus on the development of the three ancillary business sectors under the petroleum business segment, namely (1) the traditional energy business sector based on refined petroleum trading, (2) the clean energy business sector based on contemporary coal chemicals, and (3) the new energy business sector based on CNG.

MANAGEMENT DISCUSSION AND ANALYSIS

(1) Refined Petroleum Trading Business:

For the six months ended 30 September 2016, Zitong Energy and Guangdong Jinjing Energy Company Limited (廣東金晶能源股份有限公司) (“Jinjing”) recorded sales of petroleum products of approximately 35,000 tons in total (for the six months ended 30 September 2015: 218,000 tons), whereas revenue from principal business was approximately HK\$137.20 million (for the six months ended 30 September 2015: approximately HK\$1,218.83 million).

During the period, the international crude petroleum market has slightly improved. Yet, in light of the Group’s imminent funding needs to meet its short-term financial obligations, Zitong Energy and Jinjing limited their purchases on petroleum products for trading activities, leading to a reduction in trade volume of approximately 84%, and hence a decrease in income of approximately 89% recorded under the petroleum trading business as compared to the corresponding period in 2015.

(2) Clean Energy Business:

For the six months ended 30 September 2016, the Group’s 85% owned subsidiary Shenzhenshi Qianhai Zitong Clean Energy Company Limited (深圳市前海資通清潔能源有限公司) (“Zitong Clean Energy”) continued to focus on technological coordination and business negotiation for the cooperation project with CNOOC Oil & Petrochemicals Company Limited (中海石油煉化有限責任公司) (“CNOOC”) in relation to the partial oxidation coal-to-hydrogen plant (the “POX Project”) under the Huizhou petrochemicals phase II project. Zitong Clean Energy will continue to take proactive approach in the preliminary works including optimization of technologies, selection of equipment and construction, and formation of the related joint venture.

(3) New Energy Business:

For the six months ended 30 September 2016, the Group’s wholly owned subsidiary Sichuan Leshan Zhongshun Oil and Gas Company Limited (四川樂山中順油汽有限公司) (“Leshan Zhongshun”) has realized sales of CNG of approximately 4,085,340 m³ in total (for the six months ended 30 September 2015: 1,967,440 m³), amounted to approximately HK\$12.65 million (for the six months ended 30 September 2015: HK\$8.02 million).

MANAGEMENT DISCUSSION AND ANALYSIS

Forest Operation

In order to narrow the Group's business losses and conserve resources, the Group has ceased its forest operation in Guyana, South America. The Group will continue to look for opportunity to dispose its forestry related businesses with an aim to focus its resources and manpower on other main businesses of the Group.

Financial Review

For the six months ended 30 September 2016, the Group recorded an unaudited turnover of approximately HK\$408.18 million (for the six months ended 30 September 2015: HK\$1,490.77 million), which was recognised under three reportable segments of the Group, namely expressway operations, petroleum business and timber operations, contributing approximately HK\$258.15 million (63.25%), HK\$149.86 million (36.71%) and HK\$0.17 million (0.04%) (for the six months ended 30 September 2015: HK\$250.12 million (16.78%), HK\$1,233.83 million (82.76%) and HK\$6.83 million (0.46%)) respectively to the Group's consolidated turnover.

Turnovers from the two core businesses, i.e. HK\$258.15 million toll income from expressway operations (for the six months ended 30 September 2015: HK\$250.12 million) and HK\$137.20 million income from trading of petroleum and related products (for the six months ended 30 September 2015: HK\$1,225.80 million), constituted the main streams of the Group's revenue for the six months ended 30 September 2016. The income recorded under the Group's petroleum trading business dropped by about 89% during the six months ended 30 September 2016 due to the reduced petroleum products trading activities as mentioned in the above "Business Review" section. Nonetheless, the toll income from the expressway operations increased by about 3% during the period as coal prices began to slightly recover.

During the period, the Group recorded a gross loss amounted to approximately HK\$73.71 million as compared to a gross loss of HK\$99.69 million recorded for the corresponding period in 2015. Cost of sales for the six months ended 30 September 2016 was approximately HK\$481.88 million, representing a decrease of approximately 70% from HK\$1,590.47 million for the corresponding period in 2015, which was primarily driven by (i) the reduced cost of sales of petroleum and related products amounted to HK\$138.11 million (for the six months ended 30 September 2015: HK\$1,192.09 million), (ii) the reduced amortisation of the concession intangible asset arising from expressway operations to approximately HK\$279.99 million (for the six months ended 30 September 2015: HK\$308.57 million), and (iii) the reduced depreciation of property, plant and equipment arising from expressway operations to HK\$38.89 million (for the six months ended 30 September 2015: HK\$45.75 million).

MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 30 September 2016, the Group recorded a decreased EBITDA (defined as earnings before interest, tax, depreciation, amortization and non-cash changes in values of assets and liabilities) amounted to approximately HK\$179.92 million compared to the EBITDA of approximately HK\$239.00 million for the last corresponding period. The 25% decline in EBITDA was primarily driven by the reduced revenue from the petroleum business of the Group as discussed above. Detailed segment turnover and contribution to loss before income tax credit of the Group are shown in Note 4 to the financial statements.

The loss before income tax credit was approximately HK\$655.10 million (for the six months ended 30 September 2015: HK\$849.51 million) and net loss was approximately HK\$654.97 million (for the six months ended 30 September 2015: HK\$848.89 million) for the six months ended 30 September 2016. The 23% reduction in net loss during the period was mainly attributable to (i) a 34% drop in the Group's finance cost to approximately HK\$509.20 million (for the six months ended 30 September 2015: HK\$771.14 million) following the disposal of a subsidiary under the petroleum business and the repayment of certain convertible bonds and non-convertible debt securities by the Company during the last financial year; and (ii) a 56% drop in the Group's selling and administrative expenses to approximately HK\$74.21 million (for the six months ended 30 September 2015: HK\$170.28 million) mainly due to (a) the reduced petroleum products freight charges to HK\$2.63 million (for the six months ended 30 September 2015: HK\$50.60 million) following the reduction in petroleum products trading activities and (b) the reduced depreciation and amortisation to HK\$7.18 million (for the six months ended 30 September 2015: HK\$27.65 million) following the recognition of impairment loss under the expressway operations business during the last financial year.

The loss attributable to owners of the Company for the period was approximately HK\$599.73 million (for the six months ended 30 September 2015: HK\$762.61 million). Both the basic and diluted loss per share attributable to owners of the Company for the period were 8.88 HK cents as compared with 56.47 HK cents for the last corresponding period.

Liquidity Review

As at 30 September 2016, the Group was in a net liabilities position of approximately HK\$460.91 million as compared with a net assets position of approximately HK\$210.96 million as at 31 March 2016. The gearing ratio of the Group, measured as total liabilities to total assets, was 102.6% (31 March 2016: 98.9%).

MANAGEMENT DISCUSSION AND ANALYSIS

As at 30 September 2016, the Group's available banking facilities amounted to approximately HK\$13,131.66 million (31 March 2016: HK\$12,769.82 million), of which HK\$11,895.49 million (31 March 2016: HK\$12,072.59 million) has been utilised. The Group's outstanding borrowings, all being dominated in RMB, amounted to approximately HK\$11,895.49 million (31 March 2016: HK\$12,072.59 million), represented approximately 65% of the Group's total liabilities. Approximately HK\$1,015.95 million (31 March 2016: HK\$1,151.67 million) of the Group's outstanding borrowings were charged at fixed rates. Approximately 7.6% of the Group's outstanding borrowings were repayable within one year (31 March 2016: 7.0%).

As expressway operation is a capital intensive industry, approximately 98% of the Group's outstanding borrowings amounted to RMB10,044.91 million (approximately HK\$11,675.80 million), were obtained and drawn down primarily for the construction of Zhunxing Expressway as at 30 September 2016. The syndicated loan facilities of RMB8,795.88 million (approximately HK\$10,223.98 million) granted by several PRC banks in December 2012, including short term loans of RMB37.05 million (approximately HK\$43.07 million) and long term loans of RMB8,758.83 million (approximately HK\$10,180.91 million), were secured by Zhunxing's receivables of toll income. Furthermore, Zhunxing obtained and drawn down short term loans of RMB547.72 million (approximately HK\$636.65 million) and long term loans of RMB701.32 million (approximately HK\$815.19 million) from several authorized financial institutions in the PRC, of which (i) RMB212.00 million (approximately HK\$246.42 million) was secured by Zhunxing's receivables of toll income and the equity interests of Zhunxing; (ii) RMB176.00 million (approximately HK\$204.58 million) was secured by Zhunxing's receivables of toll income and certain Zhunxing's investments; and (iii) RMB200.00 million (approximately HK\$232.47 million) was secured by certain Zhunxing's investments.

The remaining 2% of the Group's outstanding borrowings as at 30 September 2016 were unsecured and utilised primarily to finance the petroleum business of the Group.

The Group's capital commitments outstanding as at 30 September 2016 dropped by approximately 16% to approximately HK\$21.15 million (31 March 2016: HK\$25.04 million), representing the capital expenditure arising from the acquisition of property, plant and equipment under the expressway operations sector.

MANAGEMENT DISCUSSION AND ANALYSIS

During the period, the Group suffered a loss of HK\$654.97 million and at the end of the reporting period, the Group's current liabilities exceeded its current assets by approximately HK\$6,572.74 million. As at 30 September 2016, the Company's outstanding convertible bonds and non-convertible debt securities are as follows:

Convertible Bonds/ Non-Convertible Debt Securities	Holder	Principal amount (HK\$)	Maturity date
Convertible Bonds	China Life Insurance (Overseas) Company Limited	800,000,000	10 February 2016
	Cross-Strait Capital Limited	32,000,000	10 February 2016
	Strait Capital Service Limited	800,000,000	24 January 2017
	Strait CRTG Fund, L.P.	700,000,000	24 January 2017
	China Life Insurance (Overseas) Company Limited	700,000,000	12 February 2018*
	Sub-total	3,032,000,000	
Non-Convertible Debt Securities	Li Ka Shing (Canada) Foundation	464,000,000	3 March 2016
	Li Ka Shing (Canada) Foundation	465,000,000	3 September 2016
	Dr. Lo Ka Shui	36,000,000	3 March 2016
	Dr. Lo Ka Shui	35,000,000	3 September 2016
Sub-total	1,000,000,000		
Total		<u>4,032,000,000</u>	

* subject to the shareholders approving the proposed amendments as set out in the section headed "Material Events", the maturity date will be changed to 24 January 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

As at 30 September 2016, the Group was due to repay the principal amounts of HK\$832.00 million of convertible bonds payable on 10 February 2016 and the HK\$1,000.00 million of non-convertible debt securities in two tranches payable on 3 March 2016 and 3 September 2016 respectively and the related interests. In aggregate, the carrying amount of the convertible bonds and non-convertible debt securities which are immediately repayable on demand was approximately HK\$4,332.78 million if requested by the respective holders as a result of the potential cross-default events. 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. However, having considered the measures set out in Note 1 to the financial statements and the section headed "Updates on Remedial Measures on Going Concern" below, the Board is of the view that the Group will have sufficient working capital to meet its financial obligations as and when they fall due in the foreseeable future.

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

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.

MANAGEMENT DISCUSSION AND ANALYSIS

Material Events

Proposed Amendments to the Terms and Conditions of the Convertible Bonds due 2016

On 10 February 2016, the Company issued 9% convertible bonds in the principal amount of HK\$700 million and HK\$800 million, maturing 24 October 2016 to Strait CRTG Fund, L.P. ("Strait Fund") and Strait Capital Service Limited ("Strait Capital"), respectively.

- a) On 13 June 2016, the Company and Strait Fund entered into an amendment agreement, pursuant to which the maturity date and conversion rights were extended to 24 January 2017 with the conversion price being reset as HK\$0.20 per Share. The proposed amendments became effective on 21 July 2016 upon satisfying all the conditions precedent set out in the amendment agreement, including (1) the shareholders' approval and (2) the Stock Exchange approving (i) the proposed amendments and (ii) the listing on the Stock Exchange of conversion shares arising from the convertible bonds during the extended period. Further details on the proposed amendments are set out in the announcements dated 13 June 2016 and 19 July 2016, and the circular dated 29 June 2016 of the Company.

- b) On 10 August 2016, the Company and Strait Capital entered into an amendment agreement, pursuant to which the maturity date and conversion rights were extended to 24 January 2017 with the conversion price being reset as HK\$0.20 per Share. The proposed amendments were subject to (1) the approval by the shareholders, (2) all necessary consents and approvals required to be obtained on part of Strait Capital in respect of the proposed amendments, and (3) the Stock Exchange approving (i) the proposed amendments and (ii) the listing on the Stock Exchange of conversion shares arising from the convertible bonds during the extended period. Upon satisfying all the conditions precedent, the proposed amendments came into effect on 12 September 2016. Details on the proposed amendments are set out in the announcements dated 10 August 2016 and 8 September 2016, and the circular dated 23 August 2016 of the Company.

The Board considers that the extended time for the repayment to Strait Fund and Strait Capital will be beneficial to the Company and its operation by alleviating the pressure on its cash flows and profits. Furthermore, the amendment of conversion price will incentivise the two bondholders to convert all or part of the convertible bonds not previously converted by bringing it closer to the current market level of the share price.

MANAGEMENT DISCUSSION AND ANALYSIS

Proposed Amendments to the Terms and Conditions of the Convertible Bonds due 2018

On 10 February 2016, the Company issued 9% convertible bonds in the principal amount of HK\$700 million, maturing 12 February 2018 to China Life Insurance (Overseas) Company Limited (“China Life”).

On 18 November 2016, the Company and China Life entered into an amendment agreement, pursuant to which the maturity date and conversion rights were amended to 24 January 2017 with the conversion price being reset as HK\$0.20 per Share. The proposed amendments are subject to (1) the approval by the shareholders and (2) the Stock Exchange approving (i) the proposed amendments and (ii) the listing on the Stock Exchange of conversion shares arising from the convertible bonds. Further details on the proposed amendments are set out in the announcement dated 18 November 2016 of the Company.

The Board considers that the amendment of conversion price will incentivise China Life to convert all or part of the convertible bonds not previously converted by bringing it closer to the current market level of the share price. The agreement to shorten the conversion period was agreed between China Life and the Company to align the interest of China Life with Strait Fund and Strait Capital, both of which amended the maturity date of their respective convertible bonds to 24 January 2017 as aforesaid. The Board is of the view that the amendment agreement and the convertible bonds due in 2018 (as amended by the amendment agreement) are fair and reasonable and are in the interest of the Company and its shareholders as a whole.

Proposed Increase In Authorised Share Capital

As at the date of this report, the existing authorised share capital of the Company is HK\$3,000,000,000, divided into 15,000,000,000 Shares of HK\$0.20 each, of which 6,752,395,970 Shares have been issued and credited as fully paid up in the amount of HK\$1,350,479,194.

In order to ensure that the authorised share capital of the Company will be sufficient for the issue of the conversion shares upon full conversion of the existing convertible bonds of the Company (as amended by the respective amendment agreements) and any potential issue of new Shares in the future, the Company announced on 18 November 2016 with a proposal to increase the Company’s authorised share capital from HK\$3,000,000,000 to HK\$4,000,000,000 by the creation of additional 5,000,000,000 new Shares (the “Proposed Increase in Authorised Share Capital”). The Proposed Increase in Authorised Share Capital is subject to the approval by the shareholders in an upcoming extraordinary general meeting of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

Prospects

At present, the domestic coal sector is struggling with overcapacity. Output cuts are implemented in Inner Mongolia to rebalance the supply and demand of the commodity. Following the improvements on the macroeconomy and coal market, the traffic volume and toll income of Zhunxing Expressway are expected to gradually recover, bringing a turnaround to profit in the long run.

The Board is committed to protect the interests of all stakeholders of the Company. Given the fluctuating market conditions and the Company's imminent funding needs to meet its short-term financial obligations, the Company intends to dispose of its 86.87% equity interest in Zhunxing, the proceeds of which is intended to be used for the repayment of the principal amount of the Company's loans and borrowings together with accrued interests. The Board is of the view that if the potential disposal of the Group's interest in its toll expressway operation is successfully materialised during the financial year ending 31 March 2017, the Group's cash flow will be strengthened and the financial position of the Group will be improved.

The Board will continue to look out for opportunities to push forward the expansion on petroleum business as set forth in the Company's annual report for the year ended 31 March 2016 ("Annual Report 2016") to achieve sustainable growth of the Group and maximise the benefits of the shareholders as a whole.

Updates on Remedial Measures on Going Concern

The consolidated financial statements of the Group for the year ended 31 March 2016 were subject to a disclaimer of opinion of the independent auditor of the Company on the basis detailed in the section headed "Basis for Disclaimer of Opinion" in the independent auditor's report in the 2016 Annual Report. Further to remedial measures as set out in the section headed "Remedial Measures on Going Concern" in the 2016 Annual Report, the Company wishes to update on the relevant remedial measures taken or to be taken by the management up to the date of this report to improve the Company's financial position.

Proposed amendments of the convertible bonds due in 2016 and 2018

Particulars of the proposed amendments of the convertible bonds due in 2016 and 2018 are set out in the above section headed "Material Events".

MANAGEMENT DISCUSSION AND ANALYSIS

Potential restructuring of convertible bonds and non-convertible debt securities

The Company is due to redeem the convertible bonds with an aggregate principal amount of HK\$832 million and non-convertible debt securities with a principal amount of HK\$1,000 million as at 30 September 2016. Besides, the remaining outstanding convertible bonds with aggregate principal amounts of approximately HK\$2,200 million would be immediately repayable if requested by the respective bondholders as a result of the potential cross-default events.

With the assistance of the financial advisers and legal counsel, the Company has been actively seeking for the potential restructuring of the convertible bonds and non-convertible debt securities with aggregate principal amounts of HK\$4,032 million. Up to the date of this report, management of the Company has maintained ongoing dialogues with the financial advisers and all holders of the convertible bonds and non-convertible debt securities. These discussions remain constructive, and the Board is of the opinion that the default on partial settlement could be rectified and new repayment schedule could be agreed.

Proposed disposal of 86.87% equity interest in Zhunxing

Up to the date of this report, the Group is still in discussion with a potential purchaser to dispose the 86.87% equity interest of Zhunxing owned by the Company through its wholly-owned subsidiaries. The sales proceeds of the proposed disposal are intended to repay the Company's loans and borrowings as set out in the above section headed "Potential restructuring of convertible bonds and non-convertible debt securities".

The final terms and conditions of the agreement of the proposed disposal are still under negotiation. Moreover, the successfulness of the proposed disposal will be subject to the results of financial due diligence work to be performed on Zhunxing and the approvals by the government authorities. If the proposed disposal is materialised, the Group's cashflow will be strengthened and have sufficient reserve of cash to meet its liquidity requirement in the short and long term.

MANAGEMENT DISCUSSION AND ANALYSIS

CHARGES ON ASSETS

As at 30 September 2016, the Group has pledged the equity interests of (i) Inner Mongolia Berun New Energy Company Limited (內蒙古博源新型能源有限公司) with a carrying amount of HK\$44.17 million; (ii) Inner Mongolia Zhunxing Expressway Service Areas Management Company Limited (內蒙古准興高速服務區管理有限責任公司); and (iii) Zhunxing to secure part of the Group's borrowings.

CONTINGENT LIABILITIES

As at 30 September 2016, the Group did not have any material contingent liabilities.

DIVIDENDS

The Directors do not recommend any dividend for the six months ended 30 September 2016 (for the six months ended 30 September 2015: HK\$Nil).

EMPLOYEES

The Group has approximately 537 employees in Hong Kong and PRC as at 30 September 2016. 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.

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 a period of 10 years ending on 27 August 2024, unless otherwise terminated or amended.

As at 30 September 2016, the options to subscribe for 37,944,435 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 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

Details of the options under the Old Scheme for the period ended 30 September 2016 are as follows:

	Date of grant being approved	No. of options outstanding as of 01/04/2016	No. of options granted	No. of options exercised	No. of options		Exercise period	Exercise price per share (HK\$) (Note 1)	Market value per share at date of approval of grant (HK\$) (Note 1)
					cancelled/ lapsed (Note 2)	outstanding as of 30/09/2016			
Directors									
Duan Jingquan	16 October 2013	3,111,111	-	-	-	3,111,111	23 May 2014 to 15 October 2018	4.05	8.40
Tsang Kam Ching, David	16 October 2013	3,111,111	-	-	-	3,111,111	23 May 2014 to 15 October 2018	4.05	8.40
Gao Zhiping	16 October 2013	3,111,111	-	-	-	3,111,111	23 May 2014 to 15 October 2018	4.05	8.40
Jing Baoli	16 October 2013	555,555	-	-	-	555,555	23 May 2014 to 15 October 2018	4.05	8.40
Yip Tak On	16 October 2013	555,555	-	-	-	555,555	23 May 2014 to 15 October 2018	4.05	8.40
Bao Liang Ming	16 October 2013	555,555	-	-	-	555,555	23 May 2014 to 15 October 2018	4.05	8.40
Employees	16 October 2013	27,499,992	-	-	(555,555)	26,944,437	23 May 2014 to 15 October 2018	4.05	8.40
		38,499,990	-	-	(555,555)	37,944,435			

Note:

- Each option entitles a grantee to subscribe for one ordinary share of HK\$0.20 each of the Company (market value per share as at 30 September 2016 was HK\$0.146) at the subscription price of HK\$4.05 per share. The options are unlisted.
- Options to subscribe for 555,555 shares had lapsed during the period ended 30 September 2016 following the cessation of a grantee to be an employee of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

Save as aforesaid, no share option had been granted, exercised, cancelled or lapsed under the Old Scheme and the New Scheme as at 30 September 2016.

Particulars of the above share options offered are set out in Note 22 to the financial statements.

SALE AND PURCHASE OF SHARES

There were no purchases, sales or redemptions of the Company's listed securities by the Company or any of its subsidiaries during the six months ended 30 September 2016.

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

Save as disclosed below, as at 30 September 2016, according to the register of interest kept by the Company under Section 336 of the Securities and Futures Ordinance (the "SFO") and so far as was known to the Directors, none of the Directors and chief executive of the Company held any interest or short positions on the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 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 Issuers (the "Model Code") contained in Appendix 10 of the Listing Rules, to be notified to the Company and the Stock Exchange.

MANAGEMENT DISCUSSION AND ANALYSIS

(i) Long positions in issued 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 Shares (Note 5)	Approximate percentage (%) of issued Shares upon full conversion of outstanding convertible bonds (Note 6)
	Personal interests	Corporate interests	Personal interests	Corporate interests			
Mr. Cao Zhong ("Mr. Cao")	33,800,000	948,325,000 (Note 1)	NIL	2,000,000,000 (Note 2)	2,982,125,000	44.16	19.01
Mr. Fung Tsun Pong ("Mr. Fung")	310,590,610	647,755,000 (Note 3)	NIL	NIL	958,345,610	14.19	6.11
Mr. Tsang Kam Ching, David	7,581,224	NIL	3,111,111 (Note 4)	NIL	10,692,335	0.15	0.06
Mr. Duan Jingquan	NIL	NIL	3,111,111 (Note 4)	NIL	3,111,111	0.04	0.01
Mr. Gao Zhiping	NIL	NIL	3,111,111 (Note 4)	NIL	3,111,111	0.04	0.01
Mr. Yip Tak On	NIL	NIL	555,555 (Note 4)	NIL	555,555	0.01	-
Mr. Jing Baoli	NIL	NIL	555,555 (Note 4)	NIL	555,555	0.01	-
Mr. Bao Liang Ming	NIL	NIL	555,555 (Note 4)	NIL	555,555	0.01	-

Notes:

1. Champion Rise International Limited ("Champion Rise") being wholly owned by Mr. Cao was interested in 948,325,000 Shares, representing approximately 14.04% in the issued share capital of the Company. Champion Rise is a substantial shareholder of the Company and its shareholding in the Company is set out in the section headed "Substantial Shareholders".

MANAGEMENT DISCUSSION AND ANALYSIS

- On 25 January 2016, Cottonfield Enterprises Limited (“Cottonfield”) as the lender entered into a loan agreement with Leftover Most Holdings Limited (“Leftover Most”) and Strait Capital Service Limited (“Strait Capital”) as the borrowers (the “Loan”). To secure the Loan, Strait Capital has charged an aggregate principal amount of HK\$400 million of the convertible bonds due 24 January 2017 (as amended by the amendment agreement dated 10 August 2016) issued by the Company which are convertible into 2,000,000,000 Shares at HK\$0.20 per Share (the “Charged Convertible Bonds”) in favour of Cottonfield and Leftover Most.

Mr. Cao being the sole shareholder of Leftover Most was deemed to be interested in the Charged Convertible Bonds.

Leftover Most, Cottonfield and Strait Capital are substantial shareholders of the Company and their shareholdings in the Company are set out in the section headed “Substantial Shareholders”.

- Ocean Gain Limited (“Ocean Gain”) being wholly owned by Mr. Fung was interested in 647,755,000 Shares, representing approximately 9.59% in the issued share capital of the Company. Ocean Gain is a substantial shareholder of the Company and its shareholding in the Company is set out in the section headed “Substantial Shareholders”.
- The interests in underlying shares of the Company represent interests in options granted to the directors to subscribe for ordinary shares of HK\$0.20 each of the Company at the subscription price of HK\$4.05 per Share, further details of which are set out in the section headed “Share Option Scheme”.
- Based on 6,752,395,970 shares of HK\$0.20 each in issue as at 30 September 2016.
- The outstanding convertible bonds as at 30 September 2016 included HK\$3,032 million of the convertible bonds issued on 10 February 2015. Full conversion of the outstanding convertible bonds at their respective conversion price would result in the issue of 8,931,775,700 Shares, equivalent to 132.2% of the existing shares in issue as at 30 September 2016. It is only for illustrative purpose and has not taken into account the effect of the exercise of share options issued by the Company.

(ii) Long position in debentures of the Company

Name of director	Capacity	Amount of debentures held (HK\$)
Mr. Cao	Corporate interest	400,000,000 of the Charged Convertible Bonds

MANAGEMENT DISCUSSION AND ANALYSIS

SUBSTANTIAL SHAREHOLDERS

Save as disclosed below, as at 30 September 2016, 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 Shares (Note k)	Approximate percentage (%) of issued Shares upon full conversion of outstanding convertible bonds (Note l)
	Personal interests	Corporate interests	Personal interests	Corporate interests			
Champion Rise (Note a)	NIL	948,325,000	NIL	NIL	948,325,000	14.04	6.04
Mr. Miao Zhenguo ("Mr. Miao") (Note b)	693,000,000	24,500,000	NIL	NIL	717,500,000	10.62	4.57
Bondic International Holdings Limited (Note c)	NIL	650,000,000	NIL	NIL	650,000,000	9.62	4.14
Ocean Gain (Note d)	NIL	647,755,000	NIL	NIL	647,755,000	9.59	4.12
Turbo View Investment Limited (Note e)	NIL	375,000,000	NIL	NIL	375,000,000	5.55	2.39
China Life (Note f)	NIL	50,000,000	NIL	1,401,869,159	1,451,869,159	21.50	9.25
Strait Capital (Notes g, h)	NIL	NIL	NIL	7,500,000,000	7,500,000,000	111.07	47.81
Cottonfield (Notes h, i)	NIL	NIL	NIL	2,000,000,000	2,000,000,000	29.62	12.75
Leftover Most (Note h, j)	NIL	NIL	NIL	2,000,000,000	2,000,000,000	29.62	12.75

MANAGEMENT DISCUSSION AND ANALYSIS

Notes:

- a. Champion Rise is wholly owned by Mr. Cao, the Chairman and an executive Director of the Company whose interest in shares or underlying shares of the Company is set out in the above section headed "Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures".
- b. The 24,500,000 Shares, representing 0.36% in the issued share capital of the Company was owned by Goldtex Group Limited which is wholly owned by Mr. Miao.
- c. Bondic International Holdings Limited is wholly owned by Mr. Cheung Chung Kiu.
- d. Ocean Gain is wholly owned by Mr. Fung, 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' Interests and Short Positions in Shares, Underlying Shares and Debentures".
- e. Turbo View Investment Limited is wholly owned by Mr. Gao Xiao Rui.
- f. China Life was interested in an aggregate of HK\$1,500,000,000 convertible bonds issued by the Company on 10 February 2015 which are convertible into 1,401,869,161 Shares at HK\$1.07 per Share. China Life Insurance (Group) Company is the holding company of China Life and is deemed to be interested in the Shares and underlying Shares held by China Life.
- g. Strait Capital was interested in HK\$1,500,000,000 convertible bonds issued on 10 February 2015 by the Company which are convertible into 7,500,000,000 Shares at HK\$0.20 per Share (as amended by the amendment agreements dated 13 June 2016 and 10 August 2016). Strait Capital is the general partner of Strait Fund and is deemed to be interested in the HK\$700,000,000 convertible bonds issued on 10 February 2015 by the Company to Strait Fund which are convertible into 3,500,000,000 Shares at HK\$0.20 per Share (as amended by the amendment agreement dated 13 June 2016), representing approximately 51.83% in the issued share capital of the Company.
- h. On 25 January 2016, Strait Capital charged the Charged Convertible Bonds (as defined in Note 2 of the above section headed "Directors' Interests and Short Positions in Shares, Underlying Shares, and Debentures") in favour of Cottonfield and Leftover Most.
- i. Cottonfield was deemed to be interested in the Charged Convertible Bonds. Cottonfield is wholly owned by Linewear Assets Limited ("Linewear"), which is a wholly-owned subsidiary of Huarong International Financial Holdings Limited ("HIFHL"). HIFHL is owned as to 51.0% by Camellia Pacific Investment Holding Limited ("Camellia"), which is 100% held by China Huarong International Holdings Limited ("CHIFL"). CHIFL is owned as to 88.1% by Huarong Real Estate Co., Ltd ("HRECL"), which is in turn wholly owned by China Huarong Asset Management Co., Ltd ("CHAMCL"). Therefore, Linewear, HIFHL, Camellia, CHIFL, HRECL and CHAMCL were deemed to be interested in 2,000,000,000 Shares held by or deemed to be interested by Cottonfield.

MANAGEMENT DISCUSSION AND ANALYSIS

- j. Leftover Most was deemed to be interested in the Charged Convertible Bonds. Leftover Most is wholly owned by Mr. Cao, the Chairman and an executive Director of the Company whose interest in shares or underlying shares of the Company is set out in the above section headed “Directors’ Interests and Short Positions in Shares, Underlying Shares and Debentures”.
- k. Based on 6,752,395,970 shares of HK\$0.20 each in issue as at 30 September 2016.
- l. The outstanding convertible bonds as at 30 September 2016 included HK\$3,032 million of the convertible bonds issued on 10 February 2015. Full conversion of the outstanding convertible bonds at their respective conversion price would result in the issue of 8,931,775,700 Shares, equivalent to 132.2% of the existing shares in issue as at 30 September 2016. It is only for illustrative purpose and has not taken into account the effect of the exercise of share options issued by the Company.

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 2016 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 (the “CG Code”) of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”). The Board will review the corporate governance practice of the Company regularly and effect changes if necessary.

THE MODEL CODE

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

AUDIT COMMITTEE

The terms of reference of the Audit Committee was revised on 28 November 2011 and 30 June 2016 to bring them in line with the revised CG Code. The Audit Committee comprising all independent non-executive directors of the Company (“INEDs”), namely Mr. Yip Tak On (Chairman), Mr. Jing Baoli, Mr. Bao Liang Ming and Mr. Xue Baozhong, is responsible for reviewing the Group’s accounting practices and policies, the external audit, internal controls and risk evaluation. The Audit Committee of the Company has reviewed and discussed with the management the financial reporting matters and the unaudited interim financial results for the six months ended 30 September 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

OTHER CHANGES IN DIRECTORS' INFORMATION

Subsequent to the publication of the latest annual report of the Company, other changes in Directors' information of the Company with effect from 12 August 2016 are set out below:

- i) Mr. Jiang Tao, the chief executive officer of the Company, was appointed as an executive Director; and
- ii) Mr. Xue Baozhong was appointed as an INED, a member of the Audit Committee, the Remuneration Committee and Nomination Committee of the Company.

Save for those disclosed above, there is no other information in respect of Directors required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

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 November 2016

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