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 2017

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors
Mr. Cao Zhong *(Chairman)*
Mr. Fung Tsun Pong *(Vice-Chairman)*
Mr. Jiang Tao *(Chief Executive Officer)*
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

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
Crowe Horwath (HK) CPA 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
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George Town
Grand Cayman
KY1-1102
Cayman Islands

PRINCIPAL PLACE OF BUSINESS
Room 1801-05, 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
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COMPANY WEBSITE
http://www.crtg.com.hk

HIGHLIGHTS

- Unaudited revenues for the six months ended 30 September 2017 amounted to approximately HK$362,097,000 (mainly including toll income from toll road operations of approximately HK$347,667,000 and CNG dispensing station service income of approximately HK$14,214,000), whereas an unaudited revenues of 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) 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$272,086,000 for the six months ended 30 September 2017, whereas an unaudited positive EBITDA of approximately HK$179,917,000 was recorded for the six months ended 30 September 2016.

- Unaudited net loss attributable to owners of the Company for the six months ended 30 September 2017 amounted to approximately HK$469,798,000, whereas the amount was approximately HK$599,733,000 in the corresponding period of last year.

- The directors of the Company did not declare any dividend for the six months ended 30 September 2017.

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 2017 and the unaudited consolidated statement of financial position of the Group as at 30 September 2017.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 September 2017

		Six months ended 30 September	
	Notes	**2017 HK$'000 (Unaudited)**	2016 HK$'000 (Unaudited)
Revenues	*3*	**362,097**	408,175
Cost of sales and other direct operating costs		**(344,851)**	(481,882)
Gross profit/(loss)		**17,246**	(73,707)
Other income and other gains or losses	*5*	**432**	(5,155)
Selling and administrative expenses		**(70,735)**	(74,205)
Finance costs	*6*	**(463,494)**	(509,198)
Gain on bargain purchase arising from acquisition of subsidiaries	*21*	**3,702**	–
Share of results of associates		**(1,143)**	7,169
Loss before income tax credit	*7*	**(513,992)**	(655,096)
Income tax credit	*8*	**1,681**	125
Loss for the period		**(512,311)**	(654,971)
Loss for the period attributable to:			
– Owners of the Company		**(469,798)**	(599,733)
– Non-controlling interests		**(42,513)**	(55,238)
		(512,311)	(654,971)
		HK$ (Unaudited)	HK$ (Unaudited)
Loss per share attributable to owners of the Company			
Basic and diluted	*10*	**(0.06)**	(0.09)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2017

	Six months ended 30 September	
	2017	2016
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Loss for the period	**(512,311)**	(654,971)
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss:		
– Exchange differences on translation of financial statements of foreign operations	**(13,342)**	(11,141)
– Share of other comprehensive income of associates	**(306)**	(373)
– Release of translation reserve		
– upon disposal of a subsidiary	**–**	901
– upon disposal of an associate	**–**	2,434
– upon disposal of assets of a disposal group classified as held for sale	**5,624**	–
– Net movements in fair value reserve for available-for-sale investments	**–**	7,450
Other comprehensive income for the period, net of tax	**(8,024)**	(729)
Total comprehensive income for the period	**(520,335)**	(655,700)
Total comprehensive income for the period attributable to:		
– Owners of the Company	**(475,134)**	(600,729)
– Non-controlling interests	**(45,201)**	(54,971)
	(520,335)	(655,700)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2017

	Notes	At 30 September 2017 HK$'000 (Unaudited)	At 31 March 2017 HK$'000 (Audited)
NON-CURRENT ASSETS			
Investment property		27,735	26,975
Property, plant and equipment	11	1,082,944	952,245
Prepaid lease payments and use of right of farmland		232,937	33,520
Concession intangible asset	13	14,656,302	14,501,267
Goodwill and other intangible assets		48,969	47,069
Biological assets		59,671	55,818
Forest concession rights	12	–	–
Long term deposits	14	46,482	44,680
Available-for-sale investments		80,025	78,296
TOTAL NON-CURRENT ASSETS		16,235,065	15,739,870
CURRENT ASSETS			
Inventories		72,947	63,556
Trade and other receivables	15	250,458	205,625
Prepaid lease payments and use of right of farmland		2,766	857
Amounts due from non-controlling shareholders of subsidiaries		15,249	14,658
Cash and cash equivalents		63,073	53,735
		404,493	338,431
Assets of a disposal group classified as held for sale		–	214,231
TOTAL CURRENT ASSETS		404,493	552,662
TOTAL ASSETS		16,639,558	16,292,532

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2017

	Notes	At 30 September 2017 HK$'000 (Unaudited)	At 31 March 2017 HK$'000 (Audited)
CURRENT LIABILITIES			
Trade and other payables	16	1,853,763	1,553,668
Promissory note	17	313,825	311,483
Amount due to a non-controlling shareholder of a subsidiary		5	–
Borrowings	18	650,861	744,581
Non-convertible debt securities	19	4,395,648	4,395,648
TOTAL CURRENT LIABILITIES		7,214,102	7,005,380
NET CURRENT LIABILITIES		(6,809,609)	(6,452,718)
TOTAL ASSETS LESS CURRENT LIABILITIES		9,425,456	9,287,152
NON-CURRENT LIABILITIES			
Borrowings	18	11,302,458	10,871,494
Deferred tax liabilities		42,776	1,636
Acreage fees payable		10,454	10,454
TOTAL NON-CURRENT LIABILITIES		11,355,688	10,883,584
TOTAL LIABILITIES		18,569,790	17,888,964
NET LIABILITIES		(1,930,232)	(1,596,432)
CAPITAL AND RESERVES			
Share capital	20	1,488,479	1,350,479
Reserves		(3,621,811)	(3,132,877)
Equity attributable to owners of the Company		(2,133,332)	(1,782,398)
Non-controlling interests		203,100	185,966
TOTAL DEFICIT		(1,930,232)	(1,596,432)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2017

	Share capital HK$'000	Share premium HK$'000	Share options reserve HK$'000 *(Note (i))*	Capital redemption reserve HK$'000	Capital reserve HK$'000 *(Note (ii))*	Assets revaluation reserve HK$'000 *(Note (iii))*	Available-for-sale financial assets reserve HK$'000 *(Note (iv))*	Convertible bonds reserve HK$'000 *(Note (v))*	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	1,896,119	31,012	3,800	795,363	15,903	(7,450)	395,546	(59,556)	(4,524,309)	(103,093)	313,414	210,321
Adjusted for adoption of Amendments to HKAS16 and HKAS41	–	–	–	–	–	–	–	–	13	(551)	(538)	–	(538)
At 1 April 2016 (Restated)	1,350,479	1,896,119	31,012	3,800	795,363	15,903	(7,450)	395,546	(59,543)	(4,524,860)	(103,631)	313,414	209,783
Loss for the period	–	–	–	–	–	–	–	–	–	(599,733)	(599,733)	(55,238)	(654,971)
Exchange differences on translation of financial statements of foreign operations	–	–	–	–	–	–	–	–	(11,408)	–	(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	–	–	–	–	–	–	–	–	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	–	(8,446)	(599,733)	(600,729)	(54,971)	(655,700)
Derecognition of non-controlling interests upon disposal of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	(17,611)	(17,611)
Lapse of share options *(Note 22)*	–	–	(448)	–	–	–	–	–	–	448	–	–	–
Contribution from non-controlling shareholders of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	1,437	1,437
At 30 September 2016 (Unaudited)	1,350,479	1,896,119	30,564	3,800	795,363	15,903	–	395,546	(67,989)	(5,124,145)	(704,360)	242,269	(462,091)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2017

	Share capital HK$'000	Share premium HK$'000	Share options reserve HK$'000 *(Note (i))*	Capital redemption reserve HK$'000	Capital reserve HK$'000 *(Note (ii))*	Assets revaluation reserve HK$'000 *(Note (iii))*	Statutory 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 2017 (Audited)	1,350,479	1,896,119	30,564	3,800	795,363	15,903	246	(68,022)	(5,806,850)	(1,782,398)	185,966	(1,596,432)
Loss for the period	-	-	-	-	-	-	-	-	(469,798)	(469,798)	(42,513)	(512,311)
Exchange differences on translation of financial statements of foreign operations	-	-	-	-	-	-	-	(10,654)	-	(10,654)	(2,688)	(13,342)
Share of other comprehensive income of associates	-	-	-	-	-	-	-	(306)	-	(306)	-	(306)
Release of translation reserve upon disposal of assets of a disposal group classified as held for sale	-	-	-	-	-	-	-	5,624	-	5,624	-	5,624
Total comprehensive income for the period	-	-	-	-	-	-	-	(5,336)	(469,798)	(475,134)	(45,201)	(520,335)
Lapse of share options *(Note 22)*	-	-	(89)	-	-	-	-	-	89	-	-	-
Acquisition of subsidiaries *(Note 21)*	138,000	(13,800)	-	-	-	-	-	-	-	124,200	62,335	186,535
At 30 September 2017 (Unaudited)	1,488,479	1,882,319	30,475	3,800	795,363	15,903	246	(73,358)	(6,276,559)	(2,133,332)	203,100	(1,930,232)

Notes:

(i) The share options reserve represents the cumulative expenses recognised on the granting of share options during the reporting period.

(ii) The capital reserve represented capitalisation of payables to non-controlling interests.

(iii) The assets revaluation reserve represents gains/losses arising on the revaluation of property.

(iv) The available-for-sale financial assets reserve represents gains/losses arising on recognising financial assets classified as available for sale at fair value.

(v) 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.

(vi) In accordance with the relevant regulations in the PRC, the Company's subsidiary established in the PRC is required to transfer a certain percentage of its profits after tax to reserve funds. Subject to certain restrictions set out in the relevant PRC regulations and in the subsidiary's articles of association, the reserve funds may be used either to offset losses, or for capitalisation by way of paid-up capital.

(vii) The translation reserve represents all exchange differences arising from the translation of financial statements of operations outside Hong Kong.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2017

	Six months ended 30 September	
	2017	2016
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Cash flow from operating activities		
Operating profit before changes in working capital	**251,817**	181,605
Net changes in working capital	**(25,383)**	(274,422)
Cash generated from/(used in) operations	**226,434**	(92,817)
PRC tax paid	**(103)**	(123)
Net cash generated from/(used in) operating activities	**226,331**	(92,940)
Cash flow from investing activities		
Net cash outflow from disposal of subsidiaries	**–**	(176)
Proceeds from disposal of interest in associates classified as held for sale, net of cash disposed	**215,956**	–
Proceeds from disposal of available-for-sale investments	**–**	30,021
Other cash flows arising from investing activities	**(4,484)**	52,502
Net cash generated from investing activities	**211,472**	82,347
Cash flow from financing activities		
Proceeds from new borrowings	**90,856**	697,404
Repayment of borrowings	**(221,390)**	(506,905)
Interest paid	**(299,809)**	(177,102)
Other cash flows arising from financing activities	**–**	(8,318)
Net cash (used in)/generated from financing activities	**(430,343)**	5,079
Net increase/(decrease) in cash and cash equivalents	**7,460**	(5,514)
Effect of foreign exchange rate changes	**1,878**	(1,956)
Cash and cash equivalents at the beginning of the period	**53,735**	116,529
Cash and cash equivalents at the end of the period	**63,073**	109,059

1. BASIS OF PREPARATION

As at 30 September 2017, the Group had net current liabilities and net liabilities of HK$6,809,609,000 and HK$1,930,232,000, respectively, and the Group incurred a loss of HK$512,311,000 for the six months ended 30 September 2017. The Company was in default in the repayment of the promissory note of HK$313,825,000 (Note 17) and non-convertible debt securities of HK$4,395,648,000 (including the matured convertible bonds) (Note 19), together with the outstanding interests and default interests accrued thereon of HK$517,998,000 (Note 16), amounted to HK$5,227,471,000 which are immediately repayable (the "Repayable Amount"). The Group is still undergoing negotiations with the holders ("Bondholders") of non-convertible debt securities (including the matured convertible bonds) for possible debt restructuring. These conditions indicate the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern and in consequence, 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 its liquidity position which include:

(i) The Group is currently in discussions with the Bondholders of debts due by the Group of HK$4,395,648,000 at 30 September 2017, for a possible debt restructuring arrangement which, the directors of the Company believe, if successfully made, the Group could have sufficient time to implement the plans for realisation of its assets and to raise adequate funds for repaying the debts payable to the Bondholders. Up to the date of approval of the unaudited condensed interim consolidated financial statements of the Group for the six months ended 30 September 2017 (the "Interim Financial Statements"), the Group is still in the progress of finalizing the formal debt restructuring agreement to be entered into with the Bondholders;

1. BASIS OF PREPARATION *(Continued)*

(ii) On 28 December 2016 and 30 December 2016, the Company, its wholly-owned subsidiary, Cheer Luck Technology Limited ("Cheer Luck") and four independent third party purchasers (which are state-owned enterprises incorporated in the PRC) entered into four separate disposal agreements (the "Disposal Agreements"), pursuant to which, Cheer Luck has conditionally agreed to sell, and (i) Purchaser A has conditionally agreed to acquire 25% equity interests of Inner Mongolia Zhunxing Heavy Haul Expressway Company Limited ("Zhunxing") at Consideration A of RMB1,125 million (equivalent to HK$1,260 million) (subject to the adjustment, representing 25% of the net assets of Zhunxing as at 31 December 2016 based on a valuation to be prepared by an independent valuer appointed by Purchaser A) and (ii) Purchaser B, Purchaser C and Purchaser D have conditionally agreed to acquire 18%, 18% and 10%, at Consideration B, Consideration C and Consideration D, respectively, each of which is determined with reference to the respective share of net assets of Zhunxing at 31 December 2016 based on another valuation to be prepared by another independent valuer jointly appointed by Purchaser B, C and D. The completion of each disposal under each of the Disposal Agreements is also subject to satisfaction of certain conditions precedent. Based on the terms of each of the Disposal Agreements, the Group shall have an obligation to buy back from Purchaser A and an option to buy back from each of Purchaser B, C and D, within five years after the respective date of completion of each of these disposals, all the 71% equity interests in Zhunxing at a consideration same as the proceeds of each of these disposals to be received by the Group with a guaranteed return to each of these purchasers of 4.5% per annum for the period commencing from the date of completion of each of these disposals to the date when each of the buy-back obligation or buy-back options is exercised by the Group. The disposals are considered as financing in nature and the Group shall continue to exercise control over Zhunxing which will continue to be consolidated into the consolidated financial statements of the Group after the completion of these disposals.

1. BASIS OF PREPARATION *(Continued)*

(ii) *(Continued)*

As at the date of approval of the Interim Financial Statements, the Company is in the process of finalizing the payment schedule of Consideration A and the amount of Consideration B, Consideration C and Consideration D and fulfilling the conditions precedent to each of these disposals under the Disposal Agreements. The directors of the Company considered that if the financing arrangements through disposals and buy-backs of the 71% equity interest of Zhunxing under the Disposal Agreements were successfully completed, the Group would have sufficient funds to partially settle the debts payable to the Bondholders and to meet its financial requirements in the foreseeable future;

(iii) On 11 July 2017, the Company and 11 independent third party vendors (the "Vendors") entered into a sale and purchase agreement in which the Company has conditionally agreed to acquire the pawn loan business (the "Business") from the Vendors (the "Proposed Acquisition"). If the Proposed Acquisition materializes, the Company will satisfy the consideration of the Proposed Acquisition through the issuance of 14,268,559,826 new shares of the Company at the issue price of HK$0.23 per share to the Vendors. As the Proposed Acquisition constitutes a very substantial acquisition of the Company and results in a change in control (as defined under the Hong Kong Code on Takeovers and Mergers (the "Takeovers Code")), the Proposed Acquisition constitutes a reverse takeover which is subject to the approval by the Listing Committee of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") of a new listing application to be made by the Company under the Listing Rules. Up to the date of approval of the Interim Financial Statements, the Company is preparing the new listing application and the Proposed Acquisition has not yet been completed.

1. BASIS OF PREPARATION *(Continued)*

(iii) *(Continued)*

On 11 July 2017, the Company and 5 independent third parties (the "Subscribers") entered into the subscription agreement that the Subscribers intend to subscribe for 3,521,738,478 new shares of the Company at the issue price of HK$0.23 per share with an aggregate consideration of HK$809,999,850 (the "Proposed Subscription"). The net proceeds of the Proposed Subscription will be used to expand the Business or to be used in the ordinary business operation of the Company. Completion of the Proposed Subscription is scheduled to take place contemporaneously with completion of the Proposed Acquisition. Accordingly, up to the date of approval of the Interim Financial Statements, the Proposed Subscription has not yet been completed.

It is proposed that the Company will conduct a placing of 3,478,260,869 new shares of the Company at the issue price of HK$0.23 per share with an aggregate consideration of HK$800,000,000 (the "Proposed Placing") to independent third parties to raise funds to repay part of the Repayable Amount. The details and terms of the Proposed Placing are still subject to negotiation and finalization.

Completion of the Proposed Acquisition, the completion of the Proposed Subscription and the completion of the Proposed Placing are inter-conditional. If the Proposed Acquisition, the Proposed Subscription and the Proposed Placing materialize, the Group's cashflow and financial position will be strengthened and to meet its liquidity requirement in the short and long term; and

1. BASIS OF PREPARATION *(Continued)*

(iv) The Company is contemplating the issue of convertible bonds with a principal amount of HK$1,200,000,000 to the existing holders of the non-convertible debt securities and/or institutional investors at a conversion price of HK$0.25 per share for a term of 2 years (the "Convertible Bonds"). The details and terms of the Convertible Bonds are still subject to negotiation and finalization.

Assuming the successful implementation of the above measures, the directors of the Company are of the opinion that the Group will have sufficient working capital to meet its financial obligations as and when they fall due in the next twelve months from 30 September 2017. Accordingly, the Interim Financial Statements have been prepared on a going concern basis.

Should the Group be unable to continue in business as a going concern, adjustments would have to be made to restate the value of assets to their recoverable amounts, to reclassify non-current assets and liabilities as current assets and liabilities respectively, and to provide for any further liabilities that may arise. The effects of these potential adjustments have not been reflected in the Interim Financial Statements.

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 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.

1. BASIS OF PREPARATION *(Continued)*

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 2017 (the "Annual Financial Statements"). The Interim Financial Statements thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (the "HKFRSs") (which in collective term includes all applicable HKFRSs, Hong Kong Accounting Standards (the "HKASs") and Interpretations) issued by the HKICPA.

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

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

2. ADOPTION OF NEW AND REVISED STANDARDS

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

Amendments to HKAS 7	Statement by Cash Flows: Disclosure Initiative
Amendments to HKAS 12	Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014-2016 Cycle (relating to Amendments to HKFRS 12 Disclosure of Interests in Other Entities)

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.

2. ADOPTION OF NEW AND REVISED STANDARDS *(Continued)*

The following new standards, new interpretations and amendments to standards have been issued but are not effective for the financial periods beginning on or later periods and have not been early adopted by the Group:

		Effective accounting periods beginning on or after
HKAS 40 (Amendment)	Transfer of Investment Property	1 January 2018
HKFRSs (Amendment)	Annual Improvements to HKFRSs 2014-2016 Cycle	1 January 2017 or 1 January 2018, as appropriate
HKFRS 2 (Amendment)	Classification and Measurement of Share-based Payment Transaction	1 January 2018
HKFRS 4 (Amendment)	Applying HKFRS 9 "Financial Instruments" with HKFRS 4 Insurance Contracts	1 January 2018
HKFRS 9	Financial Instruments	1 January 2018(i)
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Effective date to be determined
HKFRS 15	Revenue from Contracts with Customers	1 January 2018(ii)
HKFRS 16	Leases	1 January 2019(iii)
HK (IFRIC) 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
HK (IFRIC) 23	Uncertainty over income tax treatments	1 January 2019

2. ADOPTION OF NEW AND REVISED STANDARDS *(Continued)*

Notes:

(i) HKFRS 9 "Financial Instruments"

The new standard addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

Based on the Group's financial instruments and risk management policies as at 30 September 2017, application of HKFRS 9 in the future may have a material impact on the classification and measurement of the Group's financial assets. The Group's available-for-sale investments, including those currently stated at cost less accumulated impairment, will either be measured as fair value through profit or loss or be designated as a fair value through other comprehensive income ("FVOCI") (subject to fulfillment of the designation criteria).

In addition, the new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under HKFRS 15 "Revenue from Contracts with Customers", lease receivables, loan commitments and certain financial guarantee contracts. While the Group has not yet completed a detailed assessment of how its impairment provisions would be affected by the new model, it may result in an earlier recognition of credit losses.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for non-derivative financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 "Financial Instruments: Recognition and Measurement" and have not been changed.

2. ADOPTION OF NEW AND REVISED STANDARDS *(Continued)*

Notes: (Continued)

(ii) HKFRS 15 "Revenue from Contracts with Customers"

This new standard will replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

The Group is currently assessing the impact of adopting HKFRS 15 on the Group's consolidated financial statements, by identifying the separate performance obligations in the contracts with customers and allocating the transactions price, if applicable, which could affect the timing of the revenue recognition, the recognition of significant financing component and the recognition of sales with right of return.

However, the directors of the Company do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

(iii) HKFRS 16 "Leases"

HKFRS 16 will result in almost all leases being recognised on the consolidated statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low value leases.

The accounting for lessors will not significantly change.

HKFRS 16 will primarily affect the Group's accounting as a lessee of leases for properties, plant and equipment which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the consolidated statement of profit or loss over the period of the lease. As at 30 September 2017, the Group's future minimum lease payments under non-cancellable operating leases amounted to approximately HK$47,487,000. Some of these amounts may therefore need to be recognised as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of HKFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of HKFRS 16 and the effects of discounting.

2. ADOPTION OF NEW AND REVISED STANDARDS *(Continued)*

Notes: (Continued)

(iii) HKFRS 16 "Leases" *(Continued)*

The standard is mandatory for annual periods beginning on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

Other than the above, the Group is in the process of making an assessment of the potential impact of these new/revised HKFRSs and the directors of the Company so far concluded that the application of these new/revised HKFRSs will have no material impact on the Group's consolidated financial statements.

3. REVENUES

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

	Six months ended 30 September	
	2017	2016
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Toll income from toll road operations	**347,667**	258,152
Trading of petroleum and related products	**–**	137,200
CNG gas station service income	**14,214**	12,651
Sales of seedlings	**12**	49
Sales of plant-oil	**204**	123
	362,097	408,175

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 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 2016: 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, available-for-sale investments, amounts due from non-controlling shareholders of subsidiaries, 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, non-convertible debt securities, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

4. SEGMENT INFORMATION *(Continued)*

(a) Reportable Segment

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 2017 and 2016 was set out below:

	Expressway operations		Petroleum business		Timber operations		Total	
	Six months ended 30 September		Six months ended 30 September		Six months ended 30 September		Six months ended 30 September	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016
	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	**347,667**	258,152	**14,214**	149,851	**216**	172	**362,097**	408,175
Reportable segment loss	**(13,224)**	(96,566)	**(2,397)**	(12,134)	**(7,685)**	(7,194)	**(23,306)**	(115,894)
Amortisation of concession intangible asset	**277,000**	279,991	**-**	-	**-**	-	**277,000**	279,991

	Expressway operations		Petroleum business		Timber operations		Total	
	At 30 September 2017	At 31 March 2017	**At 30 September 2017**	At 31 March 2017	**At 30 September 2017**	At 31 March 2017	**At 30 September 2017**	At 31 March 2017
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
	(Unaudited)	(Audited)	**(Unaudited)**	(Audited)	**(Unaudited)**	(Audited)	**(Unaudited)**	(Audited)
Reportable segment assets	**15,637,372**	15,471,337	**141,577**	136,912	**246,071**	236,350	**16,025,020**	15,844,599
Reportable segment liabilities	**(13,118,756)**	(12,575,758)	**(24,304)**	(189,834)	**(23,100)**	(22,373)	**(13,166,160)**	(12,787,965)

4. SEGMENT INFORMATION *(Continued)*

(b) Reconciliation of reportable segment loss

	Six months ended 30 September	
	2017	2016
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Reportable segment loss before income tax credit	**(23,306)**	(115,894)
Net loss on disposal of assets of a disposal group classified as held for sale	**(3,549)**	–
Other income and other gains or losses	**1,893**	(7,378)
Finance costs	**(463,494)**	(509,198)
Gain on bargain purchase arising from acquisition of subsidiaries	**3,702**	–
Loss on disposal of subsidiaries	**–**	(627)
Share of results of associates	**(1,143)**	5,547
Unallocated corporate expenses	**(28,095)**	(27,546)
Consolidated loss before income tax credit	**(513,992)**	(655,096)

5. OTHER INCOME AND OTHER GAINS OR LOSSES

	Six months ended 30 September	
	2017	2016
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Loss on disposal of available-for-sale investments	**–**	(6,166)
Loss on disposal of subsidiaries	**–**	(627)
Loss on disposal of an associate	**–**	(3,267)
Gain on disposal of property, plant and equipment	**26**	300
Interest income	**2,057**	2,609
Exchange gain, net	**80**	14
Net loss on disposal of assets of a disposal group classified as held for sale	**(3,549)**	–
Rental income	**140**	136
Others	**1,678**	1,846
	432	(5,155)

6. FINANCE COSTS

	Six months ended 30 September	
	2017	2016
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Interest and finance costs on bank and other borrowings	**322,461**	326,723
Interest expenses on convertible bonds and non-convertible debt securities	**–**	116,138
Interest expenses on promissory note	**2,342**	2,302
Default interest on convertible bonds and non-convertible debt securities	**110,192**	35,956
Default interest on promissory note	**28,499**	28,079
	463,494	509,198

7. LOSS BEFORE INCOME TAX CREDIT

Loss before income tax credit was stated after charging:

	Six months ended 30 September	
	2017	2016
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Auditor's remuneration		
– Non-audit services	**–**	230
Depreciation of property, plant and equipment	**46,818**	45,036
Amortisation of prepaid lease payments and use of right of farmland	**8,983**	489
Amortisation of concession intangible asset included in cost of sales	**277,000**	279,991
Amortisation of customer relationships	**–**	812
Cost of inventories sold	**9,551**	146,472
Operating lease payments recognised as expenses	**7,364**	8,073
Staff costs (excluding directors' remuneration)		
– Salaries and allowances	**27,020**	31,832
– Defined contributions pension costs	**4,448**	5,325
	31,468	37,157

8. INCOME TAX CREDIT

	Six months ended 30 September	
	2017	2016
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Current tax		
– PRC enterprise income tax	**103**	123
Deferred tax credit	**(1,784)**	(248)
Total	**(1,681)**	(125)

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 2017, 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 2016: 25%).

8. INCOME TAX CREDIT *(Continued)*

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.

The statutory tax rate for Hong Kong profits tax is 16.5% (six months ended 30 September 2016: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. No provision for the Hong Kong profits tax had been made as the Group did not earn any income subject to Hong Kong profits tax during the six months ended 30 September 2017 and 2016.

The subsidiaries in Guyana are liable to Guyana income tax at a rate of 45% (six months ended 30 September 2016: 45%). No provision for Guyana income tax had been made as the subsidiaries in Guyana sustained losses for taxation purposes for the six months ended 30 September 2017 and 2016.

The subsidiaries in Australia are liable to Australian income tax at a rate of 30% (six months ended 30 September 2016: 30%). No provision for Australian income tax had been made as the subsidiaries in Australia sustained losses for taxation purposes for the six months ended 30 September 2017 and 2016.

9. DIVIDEND

The directors of the Company did not recommend the payment of a dividend for the six months ended 30 September 2017 (six months ended 30 September 2016: 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	
	2017	2016
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Loss for the purpose of basic and diluted loss per share	**(469,798)**	(599,733)

Number of shares:

	'000	'000
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**7,442,396**	6,752,396

For the six months ended 30 September 2017 and 2016, the computation of diluted loss per share does not assume the exercise of the Company's outstanding share options as the exercise prices of those options are higher than the average market price of shares.

For the six months ended 30 September 2016, the computation of diluted loss per share does not assume the conversion of the Company's outstanding convertible bonds as they had an anti-dilutive effect on the loss per share calculation.

11. PROPERTY, PLANT AND EQUIPMENT

No impairment losses were recognised in respect of property, plant and equipment for both periods. During the six months ended 30 September 2017, additions to property, plant and equipment (including those property, plant and equipment acquired through business combination detailed in Note 21) amounted to HK$104,830,000 (six months ended 30 September 2016: HK$573,000) and disposal of property, plant and equipment amounted to a net carrying amount of HK$60,000 (six months ended 30 September 2016: HK$4,000).

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 2017 HK$'000 (Unaudited)	At 31 March 2017 HK$'000 (Audited)
Cost:		
At 1 April 2017 and 1 April 2016	–	534,429
Written off	–	(534,429)
At 30 September 2017 and 31 March 2017	–	–
Accumulated impairment and amortisation:		
At 1 April 2017 and 1 April 2016	–	534,429
Written off	–	(534,429)
At 30 September 2017 and 31 March 2017	–	–
Net carrying amount:		
At 30 September 2017 and 31 March 2017	–	–

12. FOREST CONCESSION RIGHTS *(Continued)*

During the year ended 31 March 2017, the Group had ceased the business operation of timber logging to which the forest concession rights in Guyana were allocated. As disclosed below, on 10 January 2017, Guyana Forestry Commission issued two letters under which the Group's timber concession rights in Guyana had been suspended with effect from 10 January 2017. Taking into account of these two letters of suspension of forest concession rights issued by Guyana Forestry Commission and the cessation of the business operation of timber logging in Guyana during the year ended 31 March 2017, the directors of the Company did not expect any material cash inflow and outflow arising from the suspended timber concession rights which had been written off at 31 March 2017. The timber logging in Guyana had insignificant contribution to the financial performance and cash flows of the Group for the year ended 31 March 2017.

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"), a subsidiary of the Company, 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.

12. FOREST CONCESSION RIGHTS *(Continued)*

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

On 11 January 2017, Jaling received a letter dated 10 January 2017 from the Guyana Forestry Commission in relation to the suspension of Jaling Concession Rights, which had been fully impaired at 31 March 2016, with effect from 10 January 2017.

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.

On 11 January 2017, Garner received a letter dated 10 January 2017 from the Guyana Forestry Commission in relation to the suspension of Garner Concession Rights, which had been fully impaired at 31 March 2016, with effect from 10 January 2017.

13. CONCESSION INTANGIBLE ASSET

	At 30 September 2017 HK$'000 (Unaudited)	At 31 March 2017 HK$'000 (Audited)
Cost:		
At 1 April 2017 and 1 April 2016	**18,081,888**	18,992,675
Exchange differences	**579,719**	(910,787)
At 30 September 2017 and 31 March 2017	**18,661,607**	18,081,888
Accumulated amortisation:		
At 1 April 2017 and 1 April 2016	**3,580,621**	3,229,398
Amortisation for the period/year	**277,000**	552,023
Exchange differences	**147,684**	(200,800)
At 30 September 2017 and 31 March 2017	**4,005,305**	3,580,621
Net carrying amount:		
At 30 September 2017 and 31 March 2017	**14,656,302**	14,501,267

13. CONCESSION INTANGIBLE ASSET *(Continued)*

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 vehicles 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 an exclusive operating period of 30 years by charging drivers, which amounts are contingent on the extent that the public uses the expressway. The relevant toll road assets are required to be returned to the local government authorities when the exclusive operating periods 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 is recognised as an intangible asset. Zhunxing estimates the fair value of the intangible asset to be equal to the construction costs plus certain margin by management estimation with reference to the information in similar industry and management's experience.

14. LONG TERM DEPOSITS

	At 30 September 2017 HK$'000 (Unaudited)	At 31 March 2017 HK$'000 (Audited)
Deposits paid for acquisition of property, plant and equipment	**46,482**	44,680

15. TRADE AND OTHER RECEIVABLES

	At 30 September 2017 HK$'000 (Unaudited)	At 31 March 2017 HK$'000 (Audited)
Trade receivables	**40,351**	17,983
Less: Provision for impairment loss	**(10,292)**	(10,154)
Trade receivables, net	**30,059**	7,829
Other receivables	**147,863**	145,331
Loan to non-controlling shareholder of a subsidiary	**103,340**	99,331
Loan receivables	**63,113**	60,665
Less: Provision for impairment loss	**(129,726)**	(125,376)
Other receivables, net	**184,590**	179,951
Deposits paid	**5,113**	3,583
Prepayments	**30,696**	14,262
	250,458	205,625

15. TRADE AND OTHER RECEIVABLES *(Continued)*

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 2017 HK$'000 (Unaudited)	At 31 March 2017 HK$'000 (Audited)
At 1 April 2017 and 1 April 2016	**135,530**	33,804
Impairment loss recognised	**–**	104,323
Exchange differences	**4,488**	(2,597)
At 30 September 2017 and 31 March 2017	**140,018**	135,530

15. TRADE AND OTHER RECEIVABLES *(Continued)*

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

	At 30 September 2017 HK$'000 (Unaudited)	At 31 March 2017 HK$'000 (Audited)
Outstanding balances aged:		
0 to 30 days	**22,909**	6,654
31 to 60 days	**6,865**	1,077
61 to 180 days	**285**	98
	30,059	7,829

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

	At 30 September 2017 HK$'000 (Unaudited)	At 31 March 2017 HK$'000 (Audited)
Neither past due nor impaired	**22,909**	6,654
30 to 90 days past due	**7,150**	1,175
	30,059	7,829

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.

15. TRADE AND OTHER RECEIVABLES *(Continued)*

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

	At 30 September 2017 HK$'000 (Unaudited)	At 31 March 2017 HK$'000 (Audited)
Neither past due nor impaired	**153,033**	144,577
Over 90 days past due	**31,557**	35,374
	184,590	179,951

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 was unsecured, interest free and repayable on demand.

An advance to a third party of HK$31,557,000 (31 March 2017: HK$30,332,000) was included in the loan receivables. It was unsecured, bearing interest at the rate of 14% per annum and was repayable on or before 31 December 2017.

16. TRADE AND OTHER PAYABLES

	At 30 September 2017 HK$'000 (Unaudited)	At 31 March 2017 HK$'000 (Audited)
Trade payables *(Note c)*	**3,698**	130
Other payables and accruals *(Note a)*	**1,848,329**	1,551,896
Deposits received from customers	**1,736**	1,642
	1,853,763	1,553,668

Notes:

(a) Analysis of other payables and accruals was as follows:

	At 30 September 2017 HK$'000 (Unaudited)	At 31 March 2017 HK$'000 (Audited)
Construction costs payable	**904,829**	765,299
Retention and guarantee deposit	**194,259**	181,423
Accrued interest on the bank borrowings	**96,277**	71,461
Accrued default interest on promissory note	**294,328**	265,829
Accrued default interest on convertible bonds and non-convertible debts securities	**223,670**	113,478
Other accruals	**134,966**	154,406
	1,848,329	1,551,896

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

16. TRADE AND OTHER PAYABLES *(Continued)*

Notes: (Continued)

(c) Details of the ageing analysis of trade payables of the Group were as follows:

	At 30 September 2017 HK$'000 (Unaudited)	At 31 March 2017 HK$'000 (Audited)
Outstanding balances aged:		
0 to 30 days	**1,928**	–
Over 30 days	**1,770**	130
	3,698	130

17. PROMISSORY NOTE

The movement on the promissory note during the six months ended 30 September 2017 and the year ended 31 March 2017 were as follows:

	At 30 September 2017 HK$'000 (Unaudited)	At 31 March 2017 HK$'000 (Audited)
Carrying value at 1 April 2017 and 1 April 2016	**311,483**	306,892
Interest expense for the period/year	**2,342**	4,591
Carrying value at 30 September 2017 and 31 March 2017	**313,825**	311,483

18. BORROWINGS

	At 30 September 2017 HK$'000 (Unaudited)	At 31 March 2017 HK$'000 (Audited)
Bank borrowings	11,484,690	11,165,627
Other borrowings	468,629	450,448
	11,953,319	11,616,075

At 30 September 2017, borrowings of the Group were repayable as follows:

	At 30 September 2017 HK$'000 (Unaudited)	At 31 March 2017 HK$'000 (Audited)
Within 1 year or on demand	650,861	744,581
After 1 year but within 2 years	237,423	187,249
After 2 years but within 5 years	1,456,869	1,274,718
After 5 years	9,608,166	9,409,527
	11,302,458	10,871,494
	11,953,319	11,616,075

18. BORROWINGS *(Continued)*

At 30 September 2017, borrowings of the Group were secured as follows:

	Notes	At 30 September 2017 HK$'000 (Unaudited)	At 31 March 2017 HK$'000 (Audited)
Secured	*(i)*	**11,484,690**	10,991,429
Unsecured	*(ii) and (iii)*	**468,629**	624,646
		11,953,319	11,616,075

Notes:

(i) At 30 September 2017 and 31 March 2017, the secured borrowings of the Group, together with the interest accrued thereon, 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$44,575,000 (31 March 2017: HK$42,846,000) (recognised as available-for-sale investments of the Group); (c) the equity interests in 內蒙古准興高速服務區管理責任有限公司, (d) the equity interests in Zhunxing and (e) certain assets of Zhunxing.

At 30 September 2017 and 31 March 2017, the borrowings of the Group were also guaranteed by (a) the Company; (b) a non-controlling shareholder of Zhunxing; (c) a director of the Company and his spouse and (d) Zhunxing.

(ii) At 30 September 2017 and 31 March 2017, unsecured borrowings of the Group were guaranteed by (a) the Company and (b) the wholly-owned subsidiaries of the Company.

(iii) The Group's available credit facilities as at 30 September 2017 amounted to approximately HK$11,961,037,000 (31 March 2017: HK$11,704,722,000), out of which HK$11,953,319,000 (31 March 2017: HK$11,616,075,000) had been utilised.

19. NON-CONVERTIBLE DEBT SECURITIES

(a) Description of non-convertible debt securities

At 30 September 2017 and 31 March 2017, non-convertible debt securities were as follows:

Definition	Debt 1b *(Note (ii), (iii), (v) and (vi))*	Debt 1c *(Note (ii), (iii), (v) and (vi))*	CB2016B *(Note (iv) and (vi))*	CB2016C *(Note (iv) and (vi))*	CB2018 *(Note (iv) and (vi))*
Issue dates	3 September 2015	3 September 2015	10 February 2015	10 February 2015	10 February 2015
Principal amounts as at 31 March 2017 and 30 September 2017	HK$500,000,000	HK$500,000,000	HK$832,000,000	HK$1,500,000,000	HK$700,000,000
Maturity dates	3 March 2016	3 September 2016	10 February 2016	24 January 2017	24 January 2017
Interest rates *(Note (i))*	9%	9%	9%	9%	9%

(b) The movement of non-convertible debt securities

The movement on the carrying amounts of non-convertible debt securities during the six months ended 30 September 2017 was as follows:

	Debt 1b HK$'000	Debt 1c HK$'000	CB2016B HK$'000	CB2016C HK$'000	CB2018 HK$'000	Total HK$'000
At 30 September 2017 and 31 March 2017	519,295	545,083	834,468	1,682,556	814,246	4,395,648

Notes:

(i) Interests are payable by the Company annually in arrears.

(ii) Mr. Cao Zhong has provided the holders of Debt 1b and Debt 1c (31 March 2017: Debt 1b and Debt 1c) his personal guarantees as to the due performance of all the obligations of the respective debt securities.

19. NON-CONVERTIBLE DEBT SECURITIES *(Continued)*

(b) The movement of non-convertible debt securities *(Continued)*

Notes: (Continued)

(iii) During the year ended 31 March 2016, the Company and the bondholders of CB2015 (as defined in the "Annual Financial Statements") entered into respective extension letters regarding the defer of maturity dates and waive of conversion rights in respect of the CB2015 (the "CB2015 Extension Arrangement"). The directors of the Company determine that the CB2015 Extension Arrangement was a substantial modification to the terms of the original CB2015 and thus derecognised such CB2015 and recognised the non-convertible debt securities, namely, Debt 1a, Debt 1b, Debt 1c, Debt 2a and Debt 2b (as defined in the "Annual Financial Statements") as a new financial liability on 3 September 2015. The Company redeemed/settled Debt 1a, Debt 2a and Debt 2b during the year ended 31 March 2016.

(iv) The Group has been in default in the repayment of CB2016B with a principal amount of HK$832 million since 10 February 2016, CB2018 with a principal amount of HK$700 million since 24 January 2017 and interests due under CB2016B and CB2018 since 10 February 2016 respectively. Aggregate default interest of HK$41,331,000 (year ended 31 March 2017: HK$48,953,000) was accrued on CB2016B and CB2018 and charged to profit or loss for the six months ended 30 September 2017. The Company has been in discussions with the relevant bondholders on the potential restructuring arrangement of CB2016B and CB2018.

The Group has also been in default in the repayment of CB2016C with a principal amount of HK$1,500 million since 24 January 2017 and interests due under CB2016C since 19 February 2016 respectively. Accordingly, default interest of HK$42,179,000 (year ended 31 March 2017: HK$15,171,000) was accrued on CB2016C and charged to profit or loss for the six months ended 30 September 2017. The Company has been in discussions with the two holders of CB2016C on the potential restructuring arrangement of the said bonds.

As CB2016B, CB2016C and CB2018 were matured with all their conversion rights lapsed during the year ended 31 March 2017, all of these matured convertible bonds were reclassified to non-convertible debt securities as at 31 March 2017 and immediately repayable as at 30 September 2017.

19. NON-CONVERTIBLE DEBT SECURITIES *(Continued)*

(b) The movement of non-convertible debt securities *(Continued)*

Notes: (Continued)

(v) The Group was in default in the repayment of Debt 1b with a principal amount of HK$500 million and the accrued interest of HK$22.5 million on 3 March 2016. Accordingly, an accrued default interest of HK$13,018,000 (year ended 31 March 2017: HK$25,994,000) was charged for the six months ended 30 September 2017. The Company has been in discussions regarding the restructuring arrangement of the outstanding debts with the relevant debt holders.

The Group was also in default in the repayment of Debt 1c 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$13,664,000 (year ended 31 March 2017: HK$15,563,000) was charged during the six months ended 30 September 2017. The Company has been in discussions regarding the restructuring arrangement of the outstanding debts with the relevant debt holders.

Debt 1b and Debt 1c were matured and been overdue since 3 March 2016 and 3 September 2016, respectively, and were immediately repayable as at 30 September 2017.

(vi) In accordance with the debt/bond instruments (as amended by their respective subsequent amendment agreements, as appropriate), in the events of defaults in the payment of any sum due and payable thereon these debts, the Group shall be liable to pay default interest to these debt holders/bondholders from due date to the date of actual payment in full calculated at the prime lending rate, as quoted by The Hong Kong and Shanghai Banking Corporation Limited on a daily basis, accruing on these amounts in default of payments.

(vii) As at 30 September 2017, the carrying amounts of the non-convertible debt securities (including the matured convertible bonds and the accrued default interests), in default and immediately repayable, were as below:

	Principal amounts HK$'000	Interests HK$'000	Carrying amounts HK$'000	Default interests HK$'000
Debt 1b	500,000	19,295	519,295	40,993
Debt 1c	500,000	45,083	545,083	29,227
CB2016B	832,000	2,468	834,468	68,346
CB2016C	1,500,000	182,556	1,682,556	57,350
CB2018	700,000	114,246	814,246	27,754

20. SHARE CAPITAL

	At 30 September 2017		At 31 March 2017	
	No. of shares	Amount	No. of shares	Amount
	'000	HK$'000	'000	HK$'000
		(Unaudited)		(Audited)
Authorised:				
At 1 April 2017 and 1 April 2016, ordinary shares of HK$0.20 each	20,000,000	4,000,000	15,000,000	3,000,000
Increased in Authorised Share Capital 2017 *(Note)*	–	–	5,000,000	1,000,000
At 30 September 2017 and 31 March 2017, ordinary shares of HK$0.20 each	20,000,000	4,000,000	20,000,000	4,000,000
Issued and fully paid:				
At 1 April 2017 and 1 April 2016, ordinary shares of HK$0.20 each	6,752,396	1,350,479	6,752,396	1,350,479
Purchase Consideration Shares *(As defined in Note 21)*	690,000	138,000	–	–
At 30 September 2017 and 31 March 2017, ordinary shares of HK$0.20 each	7,442,396	1,488,479	6,752,396	1,350,479

20. SHARE CAPITAL *(Continued)*

Note:

Pursuant to an ordinary resolution passed at the extraordinary general meeting of the Company held on 23 December 2016, the authorised share capital of the Company was increased from HK$3,000,000,000, divided into 15,000,000,000 shares of HK$0.20 each, to HK$4,000,000,000 by the creation of an additional 5,000,000,000 new shares (the "Increase in Authorised Share Capital 2017").

21. BUSINESS COMBINATION

Red Sino

On 10 May 2017, the Group acquired a forage and agriculture products business in the PRC through the acquisition of (i) 60% of the equity interests in Red Sino Investments Limited ("Red Sino"), a company incorporated in the British Virgin Island, and (ii) an advance owed by the Red Sino Group (as defined below) to a shareholder (the "Red Sino's Loan") (collectively referred to as the "Acquisition") for a nominal consideration of HK$138,000,000 which was satisfied by the allotment and issue of 690,000,000 ordinary shares of HK$0.20 each of the Company (the "Purchase Consideration Shares"). Red Sino owns the entire equity interest in Profit Great Development Limited, which in turn owns 100% equity interest in 阿魯科爾沁旗鑫澤農牧業有限公司 ("Xinze") (collectively referred to as the "Red Sino Group"). The Acquisition was made by the Group to develop and expand into a new business, the forage and agriculture business, which diversifies its revenue streams and strengthen its financial position.

21. BUSINESS COMBINATION *(Continued)*

	HK$'000
Fair value of identifiable assets and liabilities of the Red Sino Group as at the date of the Acquisition:	
Property, plant and equipment	36,787
Use of right of farmland	200,847
Trade and other receivables	462
Cash and cash equivalents	156
Inventories	8,696
Trade and other payables	(15,713)
The Red Sino's Loan	(34,401)
Deferred tax liabilities	(40,998)
	155,836
Non-controlling interests	(62,335)
Total identifiable net assets acquired at fair value	93,501
Assignment of the Red Sino's Loan	34,401
Gain on bargain purchase *(Note a)*	(3,702)
Satisfied by:	
– Purchase Consideration Shares *(Note b)*	124,200
As analysis of the cash flow in respect of the Acquisition:	
Cash consideration paid	–
Cash and cash equivalents acquired	156
Net cash inflow on the Acquisition	156

21. BUSINESS COMBINATION *(Continued)*

Notes:

(a) The Group recognised a gain on bargain purchase of HK$3,702,000 in the condensed consolidated statement of comprehensive income for the six months ended 30 September 2017, which was primarily attributable to the consideration determined based on the carrying amount of the net assets of the Red Sino Group that was mutually agreed between the parties.

(b) The balance represents the fair value of consideration settled by the issue of 690,000,000 ordinary shares of the Company with nominal value of HK$138,000,000 for the Acquisition in accordance with the equity transfer agreement. The fair value of the Purchase Consideration Shares amounted to HK$124,200,000 for the Acquisition was determined using the published price available at the date of the Acquisition. The Purchase Consideration Shares have been allotted and issued during the six months ended 30 September 2017 (Note 20). Such shares rank pari passu with the existing issued shares.

The fair values of the Red Sino Group's identifiable assets and liabilities were determined by the directors of the Company with reference to professional valuations performed by the valuer, who has among their staff members of the Hong Kong Institute of Surveyors with recent experience in the category of assets and liabilities being valued.

The Group elected to measure the non-controlling interests in the Red Sino's Group at the proportionate share of fair values of the Red Sino Group's identifiable net assets at the date of the Acquisition.

Since the Acquisition date, the Red Sino Group had not contributed any revenue and contributed a net profit of HK$3,001,000 to the Group for the six months ended 30 September 2017. Had the Acquisition taken place at the beginning of the current period, the Red Sino Group would not have contributed any revenue and contributed a net profit of HK$2,190,000 to the Group for the six months ended 30 September 2017. This pro forma information was for illustrative purposes only and was not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the Acquisitions been completed on 1 April 2017, nor is it intended to be a projection of future performance.

The related costs of the Acquisition amounted to approximately HK$287,000. The amount has been expensed and was included in selling and administrative expenses in the condensed consolidated statement of comprehensive income for the six months ended 30 September 2017.

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.

22. EQUITY-SETTLED SHARE-BASED PAYMENT *(Continued)*

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

For the six months ended 30 September 2017 (unaudited):

	Weighted average exercise price HK$	Directors '000	Employees '000	Total '000
Outstanding at the beginning of the period	4.05	11,000	26,945	37,945
Lapsed during the period	4.05	–	(112)	(112)
Outstanding at the end of the period	4.05	11,000	26,833	37,833

For the year ended 31 March 2017 (audited):

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

22. EQUITY-SETTLED SHARE-BASED PAYMENT *(Continued)*

The fair value for total share options granted to directors and employees amounted to HK$8,861,000 (31 March 2017: HK$8,861,000) and HK$21,614,000 (31 March 2017: HK$21,703,000), respectively, at 30 September 2017 and was calculated using the Binomial option pricing model by the valuer.

The exercise price of the above equity-settled share options during the period is HK$4.05 (year ended 31 March 2017: 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 2017: Nil). The share options lapsed during the six months ended 30 September 2017 and the year ended 31 March 2017 were attributable to the resignation of the relevant employees during the period.

23. 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.

23. RELATED PARTY TRANSACTIONS *(Continued)*

(b) Save as disclosed elsewhere in these Interim Financial Statements, the Group had the following major transactions with related parties during the six months ended 30 September 2017 and 2016:

Related party relationship	Type of transactions	Six months ended 30 September 2017 HK$'000 (Unaudited)	2016 HK$'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	**781,995**	726,032
Mr. Cao Zhong (a substantial shareholder of the Company)	Guarantee given to outstanding non-convertible debt securities	**1,064,378**	1,064,378

23. RELATED PARTY TRANSACTIONS *(Continued)*

(c) Members of key management during the six months ended 30 September 2017 and 2016 comprised of the directors of the Company only and their remuneration were set out as follows:

	Six months ended 30 September	
	2017	2016
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Fees, basic salaries, allowances and other benefits	**8,640**	8,529
Retirement benefit scheme contributions	**48**	107
	8,688	8,636

24. OPERATING LEASES

Operating lease commitments – as a lessee

During the six months ended 30 September 2017, the Group leased part of its properties with lease terms from 1 to 7 years (year ended 31 March 2017: from 1 to 7 years) under operating lease arrangement.

24. OPERATING LEASES *(Continued)*

Operating lease commitments – as a lessee *(Continued)*

As at 30 September 2017, 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 2017 HK$'000 (Unaudited)	At 31 March 2017 HK$'000 (Audited)
Within one year	**12,037**	12,279
In the second to fifth year, inclusive	**27,263**	33,392
Over five years	**8,187**	14,363
	47,487	60,034

Operating lease receivables – as a lessor

The Group's investment properties are leased to tenants for varying terms. The rental income during the six months ended 30 September 2017 was HK$140,000 (six months ended 30 September 2016: HK$136,000).

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

	At 30 September 2017 HK$'000 (Unaudited)	At 31 March 2017 HK$'000 (Audited)
Within one year	**–**	21

25. CAPITAL COMMITMENTS

Capital commitments outstanding as at 30 September 2017 not provided for in the Interim Financial Statements were as follows:

	At 30 September 2017 HK$'000 (Unaudited)	At 31 March 2017 HK$'000 (Audited)
Contracted but not provided for		
– acquisition of property, plant and equipment	**21,052**	98,687
– acquisition of 60% equity interest in Red Sino at consideration to be settled by Purchase Consideration Shares *(Note 21)*	**–**	138,000
	21,052	236,687

26. FAIR VALUE MEASUREMENT OF FINANCIAL ASSETS AND LIABILITIES

The carrying amounts of the Group's financial assets and financial liabilities as at 30 September 2017 and 31 March 2017 were categorised as follows:

	At 30 September 2017 HK$'000 (Unaudited)	At 31 March 2017 HK$'000 (Audited)
Financial assets		
Loans and receivables	292,971	256,173
Available-for-sale investments		
– Unlisted equity shares, at cost	80,025	78,296
Financial liabilities		
Financial liabilities measured at amortised cost	18,525,278	17,885,686

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 2017 and 31 March 2017.

27. APPROVAL OF INTERIM FINANCIAL STATEMENTS

The Interim Financial Statements were approved and authorised for issue by the Board of Directors on 29 November 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the six months ended 30 September 2017, 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 Group's revenue was mainly contributed by toll income from the 265-kilometre heavy-haul toll expressway in Inner Mongolia ("Zhunxing Expressway") operated by Inner Mongolia Zhunxing Heavy Haul Expressway Company Limited* (內蒙古准興重載高速公路有限責任公司) ("Zhunxing") which is indirectly held as to 86.87% by the Company.

Following the slow recovery of the national economy and restrictions imposed on coal import in 2017, coal prices have gradually resurged since the end of April 2017. The stable increase in coal demand has led to an upturn in the transportation industry, triggering a steady rise in traffic volume of Zhunxing Expressway during the period. For the six months ended 30 September 2017, Zhunxing Expressway recorded an accumulated toll income of approximately RMB300.55 million (approximately HK$347.33 million), i.e. an average daily toll income of approximately RMB1.64 million (approximately HK$1.90 million) and an average daily traffic volume of approximately 6,008 vehicles (for the six months ended 30 September 2016, the average daily toll income was approximately RMB1.20 million (approximately HK$1.41 million) and the average daily traffic volume was approximately 4,301 vehicles).

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 tended to restrain the growth of both traffic volume and toll income of Zhunxing Expressway during the period:

(1) coal prices resurged following the implementation of coal capacity reduction policy, yet the crude oil prices for the year 2016-2017 were relatively low. As a result, a majority of coal chemical companies cut their production or became discontinued, which posed negative impacts on the number of coal transport vehicles; and

BUSINESS REVIEW *(Continued)*

Operation of Zhunxing Expressway *(Continued)*

(2) under the influence of the national macroeconomic environment and environmental policy, new measures to control air pollution in the Beijing-Tianjin-Hebei region were introduced in early 2017. Before the end of September 2017, coals from all the distribution ports in Tianjin and Hebei must be transported by rail.

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 toll collection network. Zhunxing continues to fine-tune its business strategies to seek revenue growth in this tough market environment:

  (i) promoting certain advantageous features of Zhunxing Expressway including its tunnel-free nature and the absence of hazardous chemical transport restrictions to attract specific customers;

  (ii) offering discount plans to major customers to enhance the usage of Zhunxing Expressway;

  (iii) brand building with quality auxiliary services in catering and vehicle maintenance with the objective to retain and grow customer loyalty and recognition;

  (iv) executing effective road maintenance program to preserve Zhunxing Expressway in its originally constructed condition, protect road users' safety and provide efficient and convenient travel along the route; and

  (v) reinforcing a safe and expedient driving environment by implementing 24-hour patrol service which aims to swiftly resolve spontaneous traffic incidents and minimise the time to restore traffic fluency on Zhunxing Expressway;

BUSINESS REVIEW *(Continued)*

Operation of Zhunxing Expressway *(Continued)*

(2) continue to carry out various marketing activities to explore new customers on the basis of maintaining existing customers. Zhunxing proactively liaises with the neighboring logistic bases and coal trading companies to understand their developments and promotes Zhunxing Expressway's advantageous position in contributing to a coal transport process that reinforces traffic fluency, cost-saving and high efficiency; and

(3) give full play to the advantages of the scenic spots along the Zhunxing Expressway by strengthening the cooperation with the related units of the tourism bureau along the route, aiming to increase the flow of passenger cars.

Petroleum and Related Products Business

For the six months ended 30 September 2017, 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") focused on the development of the new energy business sector based on CNG.

For the six months ended 30 September 2017, the Group's wholly-owned subsidiary Leshan Zhongshun Oil and Gas Company Limited* (樂山中順油汽有限公司) realised sales of CNG of approximately 4,633 km^3 in total (for the six months ended 30 September 2016: 4,085 km^3), amounted to approximately HK$14.21 million (for the six months ended 30 September 2016: HK$12.65 million).

Forest Operation

As set out in the annual report of the Company for the year ended 31 March 2017 ("2017 Annual Report"), the Group ceased its forest operation in Guyana, South America ("Guyana") in order to narrow the Group's business losses and conserve resources.

With an aim to increase the cashflows of the Group, the Company will continue to look for opportunity to dispose its forestry related businesses in the PRC.

FINANCIAL REVIEW

Revenue

The Group's unaudited revenue for the six months ended 30 September 2017 was approximately HK$362.10 million, representing a decrease of about 11.3% from approximately HK$408.18 million for the last corresponding period. The Group's income was recognised under three reportable segments of the Group, namely expressway operations, petroleum business and timber operations, contributing approximately HK$347.67 million (96.01%), HK$14.21 million (3.93%) and HK$0.22 million (0.06%) (for the six months ended 30 September 2016: HK$258.15 million (63.25%), HK$149.85 million (36.71%) and HK$0.17 million (0.04%)) respectively to the Group's consolidated revenue.

Toll income from expressway operations of approximately HK$347.33 million (for the six months ended 30 September 2016: HK$258.15 million) constituted the main stream of the Group's revenue for the six months ended 30 September 2017. The income recorded under the Group's petroleum business sector during the period dropped by about 91% compared to the last corresponding period as the Group's petroleum trading business was ceased as part of the Group's business strategy subsequent to 31 March 2017 to improve its liquidity. Nonetheless, the toll income from the expressway operations during the period increased by about 34.5% as compared to the last corresponding period as coal prices gradually recovered.

Cost of Sales

The Group's cost of sales for the six months ended 30 September 2017 was approximately HK$344.85 million, representing a decrease of about 28.4% from approximately HK$481.88 million for the last corresponding period. The decrease in cost of sales was due to the reduction in the cost of petroleum trading products following the cessation of the Group's petroleum trading business during the period. The Group's cost of sales during the period was mainly attributable to (i) the amortization of concession intangible asset arising from the expressway operations of approximately HK$277.00 million (for the six months ended 30 September 2016: HK$279.99 million) and (ii) the depreciation of fixed assets arising from the expressway operations of approximately HK$38.85 million (for the six months ended 30 September 2016: HK$38.89 million).

Gross Profit

During the period, the Group recorded a gross profit amounted to approximately HK$17.25 million as compared to a gross loss of approximately HK$73.71 million for the corresponding period in 2016.

FINANCIAL REVIEW *(Continued)*

EBITDA

For the six months ended 30 September 2017, the Group recorded an increased EBITDA (defined as earnings before interest, tax, depreciation, amortization and non-cash changes in values of assets and liabilities) amounted to approximately HK$272.09 million compared to the EBITDA of approximately HK$179.92 million for the last corresponding period. The 51.2% increase in EBITDA was primarily driven by the increased revenue from the expressway operations of the Group as discussed above. Detailed segment revenue and contribution to loss before income tax credit of the Group are shown in Note 4 to the unaudited condensed interim consolidated financial statements of the Group for the six months end 30 September 2017 (the "Interim Financial Statements").

Loss for the period

The Group's net loss for the six months ended 30 September 2017 was approximately HK$512.31 million, representing a drop of about 21.8% from approximately HK$654.97 million for the six months ended 30 September 2016. The Group's net loss for the period was primarily contributed by (i) the reduced finance cost of the Group amounted to approximately HK$463.49 million (for the six months ended 30 September 2016: HK$509.20 million) mainly due to the interest expense on the outstanding non-convertible debt securities being accrued at default rate after the respective contractual maturity and (ii) the reduced Group's selling and administrative expenses amounted to approximately HK$70.74 million (for the six months ended 30 September 2016: HK$74.21 million). The Group's 4.7% drop in selling and administrative expenses during the period was primarily contributed by the reduced petroleum products freight charges to HK$0.25 million (for the six months ended 30 September 2016: HK$2.63 million) as the trading activities in petroleum products were reduced.

The loss attributable to owners of the Company for the period was approximately HK$469.80 million (for the six months ended 30 September 2016: HK$599.73 million). Both the basic and diluted loss per share attributable to owners of the Company for the period were HK$0.06 as compared with HK$0.09 for the last corresponding period.

LIQUIDITY REVIEW

The Group's policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and long term. The Group's assets portfolio is mainly financed by its borrowings and debt securities.

LIQUIDITY REVIEW *(Continued)*

As at 30 September 2017, the Group was in a net liabilities position of approximately HK$1,930.23 million as compared to a net liabilities position of approximately HK$1,596.43 million as at 31 March 2017. The gearing ratio of the Group, measured as total liabilities to total assets, was 111.6% as at 30 September 2017 (31 March 2017: 109.8%).

As at 30 September 2017, the Group had cash and bank balances of approximately HK$63.07 million (31 March 2017: HK$53.74 million) and its available banking facilities were amounted to approximately HK$11,961.04 million (31 March 2017: HK$11,704.72 million), out of which approximately HK$11,953.32 million (31 March 2017: HK$11,616.08 million) has been utilised.

Borrowings

The Group's outstanding borrowings, all being dominated in RMB, amounted to approximately HK$11,953.32 million (31 March 2017: HK$11,616.08 million), represented approximately 64% of the Group's total liabilities. Approximately HK$468.63 million (31 March 2017: HK$614.64 million) of the Group's outstanding borrowings were charged at fixed rates. Approximately 5% of the Group's outstanding borrowings were repayable with one year (31 March 2017: 6%).

As expressway operation is a capital intensive industry, all of the Group's outstanding borrowings amounted to RMB10,190.04 million (approximately HK$11,953.32 million), were obtained and drawn down primarily for the construction of Zhunxing Expressway as at 30 September 2017. The syndicated loan facilities of RMB8,758.48 million (approximately HK$10,274.04 million) granted by several PRC banks in December 2012, including short term loans of RMB79.99 million (approximately HK$93.83 million) and long term loans of RMB8,678.49 million (approximately HK$10,180.21 million), were secured by Zhunxing's receivables of toll income. Furthermore, Zhunxing obtained and drawn down short term loans of RMB512.82 million (approximately HK$601.56 million) and long term loans of RMB1,461.16 million (approximately HK$1,714.00 million) from several authorized financial institutions in the PRC, of which approximately RMB1,574.48 million (approximately HK$1,846.93 million) was secured by a combination of (i) Zhunxing's receivables of toll income, (ii) the Group's equity interests in Zhunxing and/or (iii) certain Zhunxing's investments.

LIQUIDITY REVIEW *(Continued)*

Capital Commitments

Apart from the acquisition of the pawn loan business as discussed further below, the Group's capital commitments outstanding as at 30 September 2017 dropped by approximately 91% to approximately HK$21.05 million (31 March 2017: HK$236.69 million), representing the capital expenditure arising from the acquisition of property, plant and equipment under the expressway operations sector.

Going Concern

During the period, the Group suffered a loss of HK$512.31 million (for the six months ended 30 September 2016: HK$654.97 million) and at the end of the reporting period, the Group had net current liabilities of HK$6,809.61 million (31 March 2017: HK$6,452.72 million) and net liabilities of HK$1,930.23 million (31 March 2017: HK$1,596.43 million). As at 30 September 2017, the Company's outstanding non-convertible debt securities were as follows:

Holder of non-convertible debt securities	Principal amount (HK$)	Maturity date
China Life Insurance (Overseas) Company Limited	800,000,000	10 February 2016
China Life Insurance (Overseas) Company Limited	700,000,000	24 January 2017
Cross-Strait Capital Limited	32,000,000	10 February 2016
Dr. Lo Ka Shui	36,000,000	3 March 2016
Dr. Lo Ka Shui	35,000,000	3 September 2016
Li Ka Shing (Canada) Foundation	464,000,000	3 March 2016
Li Ka Shing (Canada) Foundation	465,000,000	3 September 2016
Strait Capital Service Limited	800,000,000	24 January 2017
Strait CRTG Fund, L.P.	700,000,000	24 January 2017
Total	4,032,000,000	

LIQUIDITY REVIEW *(Continued)*

Going Concern *(Continued)*

As at 30 September 2017, the Company was due to repay the promissory note and all the above outstanding non-convertible debt securities. In aggregate, the carrying amount of the non-convertible debt securities and promissory note with the accrued default interests which are immediately repayable amounted to approximately HK$5,227.47 million (31 March 2017: HK$5,086.44 million). 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 Interim Financial Statements and the section headed "Updates on Remedial Measures on Going Concern" below, the Board is of the view that, upon successful implementation of the measures, the Group will have sufficient working capital to meet its financial obligations as and when they fall due in the foreseeable future.

Treasury Policy

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

The Group did not use any financial instruments for hedging purposes and did not have foreign currency investments being hedged by foreign currency borrowings and other hedging instruments.

MATERIAL EVENTS

Disposal of 45% Interest in Associates

On 28 April 2017, the Company and Shuren Wood (Shenzhen) Company Limited* (樹人木業(深圳)有限公司), a wholly-owned subsidiary of the Company, as vendors and Zhongxiang Zhengxing (Beijing) Technology Development Company Limited* (中翔正興(北京)科技發展有限公司), as a purchaser, entered into a sale and purchase agreement in relation to the disposal of 45% of the issued share capital of Beijing Kaiyuanwanjia Management Consulting Company Limited* (北京開元萬嘉管理諮詢有限公司) ("Beijing KMCC") and its subsidiaries together with any shareholder's loan at the total consideration of RMB200.0 million (equivalent to HK$226.0 million).

MATERIAL EVENTS *(Continued)*

Disposal of 45% Interest in Associates *(Continued)*

Beijing KMCC and its subsidiaries are principally engaged in property development, asset management and building management. The primary assets of Beijing KMCC is its 100% equity interests in Yichang Xinshougang Property Development Company Limited* (宜昌新首鋼房地產開發有限公司) and 70% equity interests in Yichang Zhongxiang Building Management Company Limited* (宜昌中翔物業管理有限公司).

The said disposal was completed on 1 June 2017 with the sale proceeds being fully settled. The net proceeds from the said disposal, after deducting the expenses directly attributable thereto, was approximately RMB190.0 million (equivalent to approximately HK$214.7 million) and approximately HK$164 million of the net proceeds was applied for repaying the Group's bank borrowings, and the remaining net proceeds has been applied for general working capital of the Group.

Details on the disposal are set out in the announcement of the Company dated 28 April 2017.

Completion of Acquisition of 60% Interest in Red Sino Investments Limited

On 16 March 2017, Cheer Luck Innovest Limited, a wholly-owned subsidiary of the Company acting as purchaser ("Cheer Luck"), and Epoch Luck Investments Limited as vendor ("Epoch") entered into a sale and purchase agreement pursuant to which Cheer Luck acquired 60% of the entire issued share capital of Red Sino Investments Limited ("Red Sino") from Epoch, for an aggregate consideration of HK$138,000,000, which was satisfied in full by the allotment and issue of 690,000,000 consideration shares at the issue price of HK$0.20 per share by the Company to Epoch on 10 May 2017.

The operating subsidiary of Red Sino is Ar Horqin Banner Xinze Agricultural & Animal Husbandry Company Limited* (阿魯科爾沁旗鑫澤農牧業有限公司), which is principally engaged in growing and sales of forage and agriculture products.

Details on the acquisition are set out in the announcements of the Company dated 16 March 2017 and 10 May 2017.

MATERIAL EVENTS *(Continued)*

Very Substantial Acquisition being a Reverse Takeover involving a New Listing Application, Issue of Consideration Shares and Subscription Shares, and Proposed Placing of Shares under Specific Mandate

Sale and Purchase Agreement

On 11 July 2017, the Company entered into a sale and purchase agreement (the "SPA") with certain independent third party vendors (the "Vendors") for the acquisition of rights and power to control over, and the right to enjoy the economic benefits in, the pawn loan business operated by ZhongAn XinBang Asset Management Corporation Ltd* (中安信邦資產管理有限公司) (the "Target Company"), its subsidiaries and branch companies (the "Target Group"), through a series of contracts including exclusive option agreement, exclusive management consultancy services agreement, equity pledge agreement, and shareholder rights entrustment agreement and power of attorney (the "Structured Contracts") (the "Proposed Acquisition"). CITIC Asset Management Corporation Ltd.* (中信資產管理有限公司) ("CITIC AMC"), has been the controlling shareholder of the Target Company since 2008 whom holds approximately 60.03% equity interest in the Target Company as at the date of the SPA.

The consideration for the Proposed Acquisition is HK$3,281,768,760 which shall be satisfied by the allotment and issue of the 14,268,559,826 new shares (the "Consideration Shares"), representing (i) approximately 191.72% of the issued share capital of the Company as at the date of the SPA; and (ii) approximately 49.63% of the total shares in issue of the Company as enlarged by the allotment and issue of the Consideration Shares, the Subscription Shares (defined herein below), the Placing Shares (defined herein below) and after conversion or exercise in full of all convertible securities, share options and warrants or other derivatives in issue as at the date of the SPA, at the issue price of HK$0.23 per share of the Company (the "Issue Price") to the Vendors and/or their nominee(s). The Consideration Shares will be allotted and issued at completion under the specific mandate proposed to be granted by shareholders of the Company (the "Shareholders") at an extraordinary general meeting (the "EGM").

The Proposed Acquisition constitutes a very substantial acquisition for the Company under Chapter 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and is subject to the approval by the Shareholders at the EGM.

MATERIAL EVENTS *(Continued)*

Very Substantial Acquisition being a Reverse Takeover involving a New Listing Application, Issue of Consideration Shares and Subscription Shares, and Proposed Placing of Shares under Specific Mandate *(Continued)*

Reverse Takeover and New Listing

The Proposed Acquisition constitutes a reverse takeover for the Company under Rule 14.06(6)(a) of the Listing Rules, on the basis that the Proposed Acquisition (i) constitutes a very substantial acquisition for the Company under Chapter 14 of the Listing Rules; and (ii) results in a change in control (as defined under the Takeovers Code) of the Company as the Vendors and parties acting in concert with any of them, will hold an aggregate of more than 30% of the voting rights of the Company upon completion, although none of the Vendors would be a controlling shareholder (as defined under the Listing Rules) entitled to exercise or control the exercise of 30% or more of the voting rights of the Company upon completion.

Under Rule 14.54 of the Listing Rules, the Company will be treated as if it were a new listing applicant. The Proposed Acquisition is subject to the approval by the Listing Committee of the Stock Exchange (the "Listing Committee") of a new listing application to be made by the Company (the "New Listing Application"). Such New Listing Application is required to comply with all the requirements under the Listing Rules and, in particular, the requirements under Chapters 8 and 9 of the Listing Rules.

The Company will initiate the new listing application process as soon as practicable. It is a condition precedent to completion of the Proposed Acquisition (the "Completion") that the approval of the New Listing Application by the Listing Committee has been obtained. In the event that the approval for the New Listing Application is not granted by the Listing Committee, the SPA will not become unconditional and the Proposed Acquisition will not proceed.

Further, the Proposed Acquisition constitutes a connected transaction of the Company under Rule 14A.28 of the Listing Rules, as CITIC AMC, being one of the Vendors and a substantial shareholder of the Target Company, proposes to nominate 7 directors of the Company (the "Directors") out of a total of 12 Directors in the Board upon completion.

MATERIAL EVENTS *(Continued)*

Very Substantial Acquisition being a Reverse Takeover involving a New Listing Application, Issue of Consideration Shares and Subscription Shares, and Proposed Placing of Shares under Specific Mandate *(Continued)*

Whitewash Waiver

The Vendors, being shareholders of the Target Company and the holders of the Consideration Shares upon Completion, are acting in concert under the Takeovers Code.

Immediately following the allotment and issue of the Consideration Shares, the shareholding of the Vendors and parties acting in concert with any of them will be approximately 49.70% of the shares of the Company in issue as enlarged by the allotment and issue of the Consideration Shares, the Subscription Shares (defined herein below) and the Placing Shares (defined herein below) but before conversion or exercise of any convertible securities, share options, warrants or other derivatives of the Company in issue as at the date of the SPA. Under Rule 26.1 of the Takeovers Code, the Vendors and parties acting in concert with any of them would be required to make an unconditional mandatory general offer for all the issued shares not already owned or agreed to be acquired by the Vendors and parties acting in concert with any of them, unless a waiver from strict compliance with Rule 26.1 of the Takeovers Code has been obtained from the Executive Director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong or any delegate of the Executive Director (the "Executive").

An application will be made by CITIC AMC for and on behalf of the Vendors to the Executive for a waiver pursuant to Note 1 on dispensation from Rule 26 of the Takeovers Code in respect of the obligation of the Vendors to make a mandatory general offer for all the shares not already owned or acquired by the Vendors and parties acting in concert with any of them under Rule 26 of the Takeovers Code which would otherwise arise as a result of the acquisition (the "Whitewash Waiver"). The Whitewash Waiver, if granted, will be subject to the approval of the independent shareholders of the Company in respect of the Whitewash Waiver at the EGM.

The Whitewash Waiver will be a condition precedent to Completion. The Executive may or may not grant the Whitewash Waiver. In the event that the Whitewash Waiver is not granted by the Executive or the Whitewash Waiver is not approved by the independent shareholders of the Company, CITIC AMC will consider whether to waive the condition precedent and complete the Proposed Acquisition by making a general offer for the shares of the Company under the Takeovers Code.

MATERIAL EVENTS *(Continued)*

Very Substantial Acquisition being a Reverse Takeover involving a New Listing Application, Issue of Consideration Shares and Subscription Shares, and Proposed Placing of Shares under Specific Mandate *(Continued)*

Continuing Connected Transactions

The transactions contemplated under the Structured Contracts will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules upon Completion.

Proposed Change of Directors

It is a condition precedent to the Completion that the appointment of 7 individuals nominated by CITIC AMC as Directors shall be approved at the EGM and some existing Directors shall resign at Completion. Upon Completion, the Board will comprise 12 members, including 4 executive directors, 1 non-executive director and 2 independent non-executive directors nominated by CITIC AMC and 3 executive directors and 2 independent non-executive directors from the existing Board.

Subscription Agreement

On 11 July 2017, the Company and certain independent third party subscribers entered into a subscription agreement (the "Subscription Agreement") pursuant to which the subscribers have conditionally agreed to subscribe for (on a several but not joint basis) 3,521,738,478 new shares of the Company (the "Subscription Shares"), representing (i) approximately 47.32% of the issued share capital of the Company as at the date of the Subscription Agreement; and (ii) approximately 12.25% of the total shares in issue as enlarged by the allotment and issue of the Consideration Shares, the Subscription Shares, the Placing Shares (defined herein below) and after conversion or exercise in full of all convertible securities, share options and warrants or other derivatives in issue as at the date of the Subscription Agreement, at the issue price of HK$0.23 per share of the Company with an aggregate consideration of HK$809,999,850 (the "Proposed Subscription").

The Company intends to apply all of the net proceeds from the issue of Subscription Shares to expand the pawn loan business to be operated by the Target Group or to be used in the ordinary business operation of the Company.

MATERIAL EVENTS *(Continued)*

Very Substantial Acquisition being a Reverse Takeover involving a New Listing Application, Issue of Consideration Shares and Subscription Shares, and Proposed Placing of Shares under Specific Mandate *(Continued)*

Placing Agreement

It is further proposed that the Company will conduct a placing of 3,478,260,869 new shares (the "Placing Shares") at the issue price of HK$0.23 per share (the "Placing") which will be completed at the same time as completion of the Proposed Acquisition and the Proposed Subscription to raise funds to repay part of existing non-convertible debt securities of the Company with a principal outstanding amount of HK$4.032 billion. The Placing Shares will be issued under specific mandate and the aggregate proceeds from the Placing would amount to approximately HK$800,000,000.

The Company intends to enter into a placing agreement (the "Placing Agreement") before the despatch of the circular to the Shareholders in respect of the SPA. Further details about the Placing will be contained in the announcement to be issued by the Company upon the signing of the placing agreement in compliance with the Listing Rules.

The Placing would be inter-conditional with the completion of the Proposed Acquisition and the Proposed Subscription. Completion of the Placing would be conditional upon all the conditions precedent in relation to the SPA and the Subscription Agreement having been fulfilled or otherwise waived.

Potential Issue of Convertible Bonds

The Company is contemplating the issue of convertible bonds with a principal amount of HK$1,200 million to the existing holders of the non-convertible debt securities and/or institutional investors at the conversion price of HK$0.25 per share of the Company for a term of two years (the "Proposed Convertible Bonds"). Assuming full conversion of the Proposed Convertible Bonds, an aggregate of 4,800,000,000 new shares would be allotted and issued by the Company (the "Conversion Shares"). The Proposed Convertible Bonds is expected to bear interest from its issue date at the rate of 9.0% per annum of the principal amount of the Proposed Convertible Bonds outstanding.

The net proceeds from the issue of the Proposed Convertible Bonds will be applied to repay the remaining outstanding non-convertible debt securities of the Company.

MATERIAL EVENTS *(Continued)*

Very Substantial Acquisition being a Reverse Takeover involving a New Listing Application, Issue of Consideration Shares and Subscription Shares, and Proposed Placing of Shares under Specific Mandate *(Continued)*

Increase of Authorised Share Capital

The Board proposes to increase the authorised share capital of the Company from HK$4,000,000,000 divided into 20,000,000,000 shares to HK$8,000,000,000 divided into 40,000,000,000 shares in order to satisfy the issue of the Consideration Shares, the Subscription Shares, the Placing Shares and the Conversion Shares.

Further details on the transactions contemplated under the SPA, the Placing Agreement and the Subscription Agreement are set out in the announcements of the Company dated 1 August 2017, 22 August 2017, 22 September 2017, 20 October 2017 and 20 November 2017.

PROSPECTS

At present, measures on coal output cuts are imposed in the PRC to rebalance the supply and demand of the commodity. Following the improvements on the macroeconomy and the effective implementation of coal capacity reduction policy in the PRC, the coal price is expected to gradually resurge, and along with the forthcoming developments of Zhunxing Expressway and power plant operation in the Qingshuihe area as set forth in the 2017 Annual Report, the traffic volume and toll income of the Zhunxing Expressway are expected to grow, 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 Board believes that the financing arrangement of the proposed disposals and buy-backs of its 71% equity interest in Zhunxing, if fully materialise during this financial year, will realise cash to partially repay the principal amount of the Company's outstanding non-convertible debt securities, and hence improve the financial and cash flow position of the Group. The Company will continue to explore different avenues (including but not limited to disposal of remaining interests in Zhunxing) to generate sufficient funds to fully repay the outstanding non-convertible debt securities.

PROSPECTS *(Continued)*

During the period, the Company has identified the potential acquisition of a pawn loan business in the PRC, which is a valuable opportunity for the Group to diversify its existing business portfolio into new line of business with growth potential, to broaden its income source and eventually enhance the value of the Group. It is expected that, upon completion of the potential acquisition, the introduction of CITIC AMC as a substantial shareholder of the Company will not only broaden the Company's shareholding base, but also create opportunities in other new sectors to be explored in the future.

The Board will continue to look out for opportunities to make investments in any new business when suitable opportunities arise to diversify the revenue streams of the Group and strengthen the Group's financial position, and therefore maximising the benefits of the Shareholders as a whole.

UPDATES ON REMEDIAL MEASURES ON GOING CONCERN

Further to the remedial measures as set out in the section headed "Updates on Remedial Measures on Going Concern" in the 2017 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.

Debt restructuring

The Company is due to repay the non-convertible debt securities with an aggregate principal amount of HK$4,032 million as at 30 September 2017 (the "Outstanding Debt Securities").

With the assistance of the financial advisors and legal counsel, the Company has been in discussion with these debt holders for a potential restructuring arrangement of the Outstanding Debt Securities. As at the date of this report, management of the Company is still in the process of finalizing the formal debt restructuring agreement to be entered into with the holders of the Outstanding Debt Securities. The Board is of the opinion that a new repayment schedule could be agreed and default on partial settlement could be rectified.

UPDATES ON REMEDIAL MEASURES ON GOING CONCERN *(Continued)*

Proposed financing arrangement through disposals and buy-backs of 71% equity interest in Zhunxing

In late December 2016, the Company as guarantor and its wholly-owned subsidiary Cheer Luck Technology Limited acting as vendor, entered into a disposal agreement with each of the four purchasers in relation to the disposals and buy-backs of 71% equity interest in Zhunxing in aggregate. Details on the arrangement of the proposed disposals and buy-backs are set out in the section headed "Material Events" of the 2017 Annual Report and the announcements of the Company dated 9 January 2017, 30 March 2017, 30 June 2017 and 29 September 2017.

As at the date of this report, the Company is in the process of finalizing the payment schedule of Consideration A in respect of the disposal of 25% equity interests in Zhunxing and the amount of Consideration B, Consideration C and Consideration D in respect of the disposal of 46% equity interests in Zhunxing in aggregate, and fulfilling the conditions precedent to each of these disposals under the disposal agreements. The expected total proceeds from the disposals would be less than HK$4,032 million and therefore the entire proceeds from the disposals will be applied to repay the Outstanding Debt Securities. In the event that the net proceeds from the disposals exceed HK$4,032 million, the surplus, if any, will be applied as general working capital of the Group. The Group will continue to explore different avenues (including but not limited to disposal of the Group's remaining interests in Zhunxing) to generate sufficient funds to fully repay the Outstanding Debt Securities.

The board believes that if the financing arrangement through disposals and buy-backs of the 71% equity interest in Zhunxing under the disposal agreements were successfully completed, the indebtedness level of the Group will be reduced, and therefore enhancing the Group's financial position to meet its financial requirements in the foreseeable future.

UPDATES ON REMEDIAL MEASURES ON GOING CONCERN *(Continued)*

Very substantial acquisition being a reverse takeover involving a new listing application, issue of Consideration Shares and Subscription Shares, and proposed placing of shares under specific mandate

During the period under review, the Company has identified the acquisition of a pawn loan business in the PRC as a good opportunity to diversify its existing business portfolio into new line of business growth opportunity, and to broaden the Group's income sources. Details on the transactions contemplated under the SPA, the Subscription Agreement and the Placing Agreement are set forth in the previous section headed "Material Events" and the announcements of the Company dated 1 August 2017, 22 August 2017, 22 September 2017, 20 October 2017 and 20 November 2017.

As at the date of this report, the Company is working closely with the Target Group and all professional parties in preparing the New Listing Application under the Listing Rules.

Assuming successful completion of the Proposed Acquisition, the Board expects that the introduction of CITIC AMC as a substantial shareholder of the Company will broaden the Company's shareholding base, and create opportunities for cooperation with CITIC AMC and other new sectors to be explored in the future. The Board is also of the view that the Proposed Subscription represents a good opportunity to raise additional funds for the expansion of the newly acquired pawn loan business and broaden the Company's shareholder base and capital base. Furthermore, the Board intends to reduce the indebtedness level of the Group by repaying the remaining Outstanding Debt Securities using the funds arising from the Placing or/and the potential issue of the Proposed Convertible Bonds, and if successfully materialise, will strengthen the Group's cashflow and financial position to meet its liquidity requirement in the short and long term.

CHARGES ON ASSETS

As at 30 September 2017, the Group has pledged the equity interests in (i) Inner Mongolia Berun New Energy Company Limited* (內蒙古博源新型能源有限公司); (ii) Inner Mongolia Zhunxing Expressway Service Areas Management Company Limited* (內蒙古准興高速服務區管理有限責任公司); and (iii) Zhunxing to secure part of the Group's borrowings.

CONTINGENT LIABILITIES

As at 30 September 2017, the Group did not have any material contingent liabilities.

DIVIDEND

The Directors did not recommend any dividend for the six months ended 30 September 2017 (for the six months ended 30 September 2016: HK$Nil).

EMPLOYEES

The Group had approximately 462 employees in Hong Kong and the PRC as at 30 September 2017. The Group implements remuneration policy, bonus and share options schemes to ensure that its employees are rewarded on performance-related 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 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 2017, the options to subscribe for 37,833,324 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 2017.

SHARE OPTION SCHEME *(Continued)*

At 30 September 2017, the Directors and employees of the Company had the following interests in options to subscribe for Shares granted for HK$1.00 by way of consideration under the Old Scheme:

	Date of grant being approved	No. of options outstanding as of 01/04/2017	No. of options granted during the period	No. of options exercised during the period	No. of options cancelled/ lapsed during the period *(Note 2)*	No. of options outstanding as of 30/09/2017	Exercise period	Exercise price per share of HK$0.20 each (HK$) *(Note 1)*	Market value per share of HK$0.20 each at date of approval of grant (HK$) *(Note 1)*
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	26,944,437	–	–	(111,111)	26,833,326	23 May 2014 to 15 October 2018	4.05	8.40
		37,944,435	–	–	(111,111)	37,833,324			

SHARE OPTION SCHEME *(Continued)*

Notes:

1. 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 29 September 2017 was HK$0.204) at the subscription price of HK$4.05 per share. The options are unlisted. Assuming that all the options outstanding as at 30 September 2017 are exercised, the Company will receive proceeds, before expenses, of approximately HK$153.22 million.

2. Options to subscribe for 111,111 shares of HK$0.20 each of the Company were lapsed during the period ended 30 September 2017 following the cessation of a grantee to be an employee of the Company.

Save as aforesaid, no share had been granted, exercised, cancelled or lapsed under the Old Scheme and the New Scheme as at 30 September 2017.

Particulars of the above share options offered are set out in Note 22 to the Interim 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 2017.

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

Save as disclosed below, as at 30 September 2017, 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 or Part XV of the SFO) which (i) where required to be notified to the Company and Stock Exchange pursuant to Divisions 7 and 8 of 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 Stock Exchange.

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

(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 4)*
	Personal interests	Corporate interests	Personal interests	Corporate interests		
Cao Zhong ("Mr. Cao")	33,800,000	948,325,000 *(Note 1)*	NIL	NIL	982,125,000	13.20
Fung Tsun Pong ("Mr. Fung")	310,590,610	647,755,000 *(Note 2)*	NIL	NIL	958,345,610	12.88
Tsang Kam Ching, David	7,581,224	NIL	3,111,111 *(Note 3)*	NIL	10,692,335	0.14
Duan Jingquan	NIL	NIL	3,111,111 *(Note 3)*	NIL	3,111,111	0.04
Gao Zhiping	NIL	NIL	3,111,111 *(Note 3)*	NIL	3,111,111	0.04
Yip Tak On	NIL	NIL	555,555 *(Note 3)*	NIL	555,555	0.01
Jing Baoli	NIL	NIL	555,555 *(Note 3)*	NIL	555,555	0.01
Bao Liang Ming	NIL	NIL	555,555 *(Note 3)*	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 12.74% in the issued share capital of the Company. Champion Rise is a substantial shareholder of the Company and its shareholding in the Company as set out in the section headed "Substantial Shareholders".

2. Ocean Gain Limited ("Ocean Gain") being wholly owned by Mr. Fung was interested in 647,755,000 shares, representing approximately 8.70% 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".

3. 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".

4. Based on 7,442,395,970 shares of HK$0.20 each in issue as at 30 September 2017.

SUBSTANTIAL SHAREHOLDERS

Save as disclosed below, as at 30 September 2017, 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 underling 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)*
	Personal interests	Corporate interests	Personal interests	Corporate interests		
Champion Rise *(Note a)*	NIL	948,325,000	NIL	NIL	948,325,000	12.74
Epoch Luck Investments Limited *(Note b)*	NIL	690,000,000	NIL	NIL	690,000,000	9.27
Miao Zhenguo ("Mr. Miao") *(Note c)*	593,000,000	24,500,000	NIL	NIL	617,500,000	8.30
Bondic International Holdings Limited *(Note d)*	NIL	650,000,000	NIL	NIL	650,000,000	8.73
Ocean Gain *(Note e)*	NIL	647,755,000	NIL	NIL	647,755,000	8.70
Turbo View Investment Limited *(Note f)*	NIL	375,000,000	NIL	NIL	375,000,000	5.04
CITIC AMC *(Note g)*	NIL	8,566,030,770	NIL	NIL	8,566,030,770	115.10
Trendy Sky Limited ("Trendy Sky") *(Note h)*	NIL	1,739,130,000	NIL	NIL	1,739,130,000	23.37
Tibet Junhe Investment Co., Ltd.* (西藏君合投資有限公司) ("Tibet Junhe") *(Note i)*	NIL	1,492,936,791	NIL	NIL	1,492,936,791	20.06
Starry Wealth Holdings Limited ("Starry Wealth") *(Note j)*	NIL	869,565,000	NIL	NIL	869,565,000	11.68

SUBSTANTIAL SHAREHOLDERS *(Continued)*

Long Position in Shares *(Continued)*

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. Epoch Luck Investments Limited is wholly owned by Chan Wun Lun.

c. Goldtex Group Limited being wholly owned by Mr. Miao was interested in 24,500,000 shares, representing 0.32% in the issued share capital of the Company.

d. Bondic International Holdings Limited is wholly owned by Cheung Chung Kiu.

e. 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".

f. Turbo View Investment Limited is wholly owned by Gao Xiao Rui.

g. CITIC AMC was deemed to be interested in 8,566,030,770 Consideration Shares in relation to the Proposed Acquisition set out in the "Material Events" section. CITIC AMC is wholly owned by CITIC Group Corporation. Upon completion of the Proposed Acquisition, the Proposed Subscription and the Placing, both CITIC AMC and CITIC Group Corporation will become interested in or be deemed to be interested in 8,566,030,770 shares of HK$0.20 each, representing 29.80% of the Company's total shares in issue as enlarged by the allotment and issue of the Consideration Shares, the Subscription Shares and the Placing Shares (assuming that all of the outstanding employee share options in issue as at 30 September 2017 are exercised).

h. Trendy Sky was deemed to be interested in 1,739,130,000 Subscription Shares in relation to the Proposed Subscription set out in "Material Events" section. Trendy Sky is wholly owned by Chan Po Siu. Upon completion of the Proposed Acquisition, the Proposed Subscription and the Placing, both Trendy Sky and Chan Po Siu will become interested in or be deemed to be interested in 1,739,130,000 shares of HK$0.20 each, representing 6.05% of the Company's total shares in issue as enlarged by the allotment and issue of the Consideration Shares, the Subscription Shares and the Placing Shares (assuming that all of the outstanding employee share options in issue as at 30 September 2017 are exercised).

SUBSTANTIAL SHAREHOLDERS *(Continued)*

Long Position in Shares *(Continued)*

Notes: (Continued)

i. Tibet Junhe was deemed to be interested in 1,492,936,791 Consideration Shares in relation to the Proposed Acquisition set out in the "Material Events" section. Tibet Junhe is held as to 25%, 25%, 25% and 25% equity interest by Wang Jianping, Wu Jianzhong, Zhang Shenghua and Zhang Weichun. Upon completion of the Proposed Acquisition, the Proposed Subscription and the Placing, Tibet Junhe, Wang Jianping, Wu Jianzhong, Zhang Shenghua and Zhang Weichun will become interested in or be deemed to be interested in 1,492,936,791 shares of HK$0.20 each, representing 5.19% of the Company's total shares in issue as enlarged by the allotment and issue of the Consideration Shares, the Subscription Shares and the Placing Shares (assuming that all of the outstanding employee share options in issue as at 30 September 2017 are exercised).

j. Starry Wealth was deemed to be interested in 869,565,000 Subscription Shares in relation to the Proposed Subscription set out in "Material Events" section. Starry Wealth is wholly owned by Chen Jiarong. Upon completion of the Proposed Acquisition, the Proposed Subscription and the Placing, both Starry Wealth and Chen Jiarong will become interested in or be deemed to be interested in 869,565,000 shares of HK$0.20 each, representing 3.02% of the Company's total shares in issue as enlarged by the allotment and issue of the Consideration Shares, the Subscription Shares and the Placing Shares (assuming that all of the outstanding employee share options in issue as at 30 September 2017 are exercised).

k. Based on 7,442,395,970 shares of HK$0.20 each in issue as at 30 September 2017.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Save for the deviation as reported and discussed in the Corporate Governance Report as set forth in the Company's 2017 Annual Report, none of the Directors are aware of any information that would reasonably indicate that the Company was not throughout the period ended 30 September 2017, in compliance with the Corporate Governance Code as set out in Appendix 14 (the "CG Code") of 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, 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 2017.

OTHER DISCLOSURE

Save as disclosed, the Group either has had no material changes form 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, 29 November 2017

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.

* *For identification purpose only*