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 2018

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 (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
238 North Church Street
P.O. Box 1043
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

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

COMPANY WEBSITE

http://www.crtg.com.hk

HIGHLIGHTS

- Unaudited revenues for the six months ended 30 September 2018 amounted to approximately HK$408,264,000 (mainly including toll income from toll road operations of approximately HK$389,637,000 and CNG dispensing station service income of approximately HK$15,632,000), whereas an unaudited revenues of approximately HK$362,097,000 (mainly including toll income from toll road operations of approximately HK$347,327,000 and CNG dispensing station service income of approximately HK$14,214,000) 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$331,279,000 for the six months ended 30 September 2018, whereas an unaudited positive EBITDA of approximately HK$272,086,000 was recorded for the six months ended 30 September 2017.

- Unaudited net loss attributable to owners of the Company for the six months ended 30 September 2018 amounted to approximately HK$566,726,000, whereas the amount was approximately HK$469,798,000 in the corresponding period of last year.

- The directors of the Company did not declare any dividend for the six months ended 30 September 2018.

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 2018 and the unaudited consolidated statement of financial position of the Group as at 30 September 2018.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 September 2018

	Notes	Six months ended 30 September 2018 HK$'000 (Unaudited)	2017 HK$'000 (Unaudited)
Revenues	3	**408,264**	362,097
Cost of sales and other direct operating costs		**(377,543)**	(344,851)
Gross profit		**30,721**	17,246
Other income and other gains or losses	5	**6,277**	432
Selling and administrative expenses		**(62,550)**	(70,735)
Finance costs	6	**(605,173)**	(463,494)
Gain on bargain purchase arising from acquisition of subsidiaries		**–**	3,702
Share of results of associates		**–**	(1,143)
Loss before income tax	7	**(630,725)**	(513,992)
Income tax (expense)/credit	8	**(327)**	1,681
Loss for the period		**(631,052)**	(512,311)
Loss for the period attributable to:			
– Owners of the Company		**(566,726)**	(469,798)
– Non-controlling interests		**(64,326)**	(42,513)
		(631,052)	(512,311)
		HK$ (Unaudited)	HK$ (Unaudited)
Loss per share attributable to owners of the Company			
Basic and diluted	10	**(0.08)**	(0.06)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2018

	Six months ended 30 September	
	2018	2017
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Loss for the period	**(631,052)**	(512,311)
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss:		
– Exchange differences on translation of financial statements of foreign operations	**104,693**	(13,342)
– Share of other comprehensive income of associates	**–**	(306)
– Release of translation reserve upon disposal of assets of a disposal group classified as held for sale	**–**	5,624
Other comprehensive income for the period, net of tax	**104,693**	(8,024)
Total comprehensive income for the period	**(526,359)**	(520,335)
Total comprehensive income for the period attributable to:		
– Owners of the Company	**(473,564)**	(475,134)
– Non-controlling interests	**(52,795)**	(45,201)
	(526,359)	(520,335)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2018

	Notes	**At 30 September 2018 HK$'000 (Unaudited)**	At 31 March 2018 HK$'000 (Audited)
NON-CURRENT ASSETS			
Investment property		**27,565**	28,230
Property, plant and equipment	*11*	**880,076**	1,063,974
Prepaid lease payments		**165,977**	204,718
Goodwill and other intangible assets		**47,566**	52,147
Biological assets		**57,134**	64,282
Concession intangible asset	*12*	**15,197,135**	16,624,822
Long-term deposits and prepayments		**34,183**	37,475
Financial asset at fair value through profit or loss		**68,748**	–
Available-for-sale investments		**–**	82,918
TOTAL NON-CURRENT ASSETS		**16,478,384**	18,158,566
CURRENT ASSETS			
Inventories		**25,273**	26,647
Financial asset at fair value through profit or loss		**2,791**	–
Trade and other receivables	*13*	**149,007**	141,474
Prepaid lease payments		**14,307**	2,825
Amounts due from non-controlling shareholder of a subsidiary		**14,812**	16,239
Cash and cash equivalents		**60,679**	39,471
TOTAL CURRENT ASSETS		**266,869**	226,656
TOTAL ASSETS		**16,745,253**	18,385,222

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2018

	Notes	At 30 September 2018 HK$'000 (Unaudited)	At 31 March 2018 HK$'000 (Audited)
CURRENT LIABILITIES			
Trade and other payables	*14*	**3,629,647**	3,596,578
Promissory note	*15*	**315,003**	315,003
Borrowings	*16*	**581,480**	722,332
Non-convertible bonds	*17*	**4,395,648**	4,395,648
TOTAL CURRENT LIABILITIES		**8,921,778**	9,029,561
NET CURRENT LIABILITIES		**(8,654,909)**	(8,802,905)
TOTAL ASSETS LESS CURRENT LIABILITIES		**7,823,475**	9,355,661
NON-CURRENT LIABILITIES			
Borrowings	*16*	**10,924,613**	11,930,290
Deferred tax liabilities		**1,845**	1,995
TOTAL NON-CURRENT LIABILITIES		**10,926,458**	11,932,285
TOTAL LIABILITIES		**19,848,236**	20,961,846
NET LIABILITIES		**(3,102,983)**	(2,576,624)
CAPITAL AND RESERVES			
Share capital	*18*	**1,488,479**	1,488,479
Reserves		**(4,697,705)**	(4,224,141)
Equity attributable to owners of the Company		**(3,209,226)**	(2,735,662)
Non-controlling interests		**106,243**	159,038
TOTAL DEFICIT		**(3,102,983)**	(2,576,624)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2018

	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$'000 *(Note (iv))*	Translation reserve HK$'000 *(Note (v))*	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	–	–	(89)	–	–	–	–	–	89	–	–	–
Acquisition of subsidiaries	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)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2018

	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$'000 (Note (iv))	Translation reserve HK$'000 (Note (v))	Accumulated losses HK$'000	Sub-Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 April 2018 (Audited)	1,488,479	1,880,939	28,058	3,800	795,363	15,903	494	140,825	(7,089,523)	(2,735,662)	159,038	(2,576,624)
Loss for the period	-	-	-	-	-	-	-	-	(566,726)	(566,726)	(64,326)	(631,052)
Exchange differences on translation of financial statements of foreign operations	-	-	-	-	-	-	-	93,162	-	93,162	11,531	104,693
Total comprehensive income for the period	-	-	-	-	-	-	-	93,162	(566,726)	(473,564)	(52,795)	(526,359)
At 30 September 2018 (Unaudited)	1,488,479	1,880,939	28,058	3,800	795,363	15,903	494	233,987	(7,656,249)	(3,209,226)	106,243	(3,102,983)

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) In accordance with the relevant regulations in the People's Republic of China (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.

(v) 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 2018

	Six months ended 30 September	
	2018	2017
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Cash flow from operating activities		
Operating profit before changes in working capital	**330,782**	251,817
Net changes in working capital	**(155,124)**	(25,383)
Cash generated from operations	**175,658**	226,434
PRC tax paid	**(372)**	(103)
Net cash generated from operating activities	**175,286**	226,331
Cash flow from investing activities		
Net cash inflow from disposal of subsidiaries	**5,992**	–
Proceeds from disposal of interest in associates classified as held for sale, net of cash disposed	**–**	215,956
Proceeds from disposal of property, plant and equipment	**63,006**	86
Other cash flows arising from investing activities	**(309)**	(4,570)
Net cash generated from investing activities	**68,689**	211,472
Cash flow from financing activities		
Proceeds from new borrowings	**–**	90,856
Repayment of borrowings	**(37,043)**	(221,390)
Refundable earnest money received for disposal of partial interest in a subsidiary	**176,306**	–
Interest paid	**(357,850)**	(299,809)
Net cash used in financing activities	**(218,587)**	(430,343)
Net increase in cash and cash equivalents	**25,388**	7,460
Effect of foreign exchange rate changes	**(4,180)**	1,878
Cash and cash equivalents at beginning of period	**39,471**	53,735
Cash and cash equivalents at end of period	**60,679**	63,073

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

During the six months ended 30 September 2018, the Group incurred a loss of HK$631,052,000 and as at 30 September 2018, the Group had net current liabilities and net liabilities of HK$8,654,909,000 and HK$3,102,983,000, respectively. The Company was in default in the repayment of the promissory note of HK$315,003,000 and non-convertible bonds with aggregate carrying amount of approximately HK$4,395,648,000. These debts, together with the outstanding default interests accrued thereon of approximately HK$761,525,000, totalling approximately HK$5,472,176,000 are classified under current liabilities at 30 September 2018. These conditions indicate the existence of a material uncertainty 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 and/or are in the progress of implementing the following measures to improve its liquidity position:

1. BASIS OF PREPARATION *(Continued)*

(a) Financing arrangements through disposals (with mandatory obligation or options to buy back) of interests in Zhunxing

On 28 December 2016, the Company, its wholly-owned subsidiary, Cheer Luck Technology Limited ("Cheer Luck") and an independent third party Purchaser A entered into a disposal and buy-back agreement (as amended by a supplemental agreement dated 18 December 2017, together the "Disposal Agreement A"), pursuant to which, Cheer Luck conditionally agreed to sell and Purchaser A conditionally agreed to acquire 25% equity interests of Inner Mongolia Zhunxing Heavy Haul Expressway Company Limited ("Zhunxing") at a consideration of RMB1,145 million (equivalent to approximately HK$1,282.4 million) ("Disposal and Buyback"), representing 25% of the market value of Zhunxing as at 31 December 2016 based on a valuation prepared by an independent valuer appointed by Purchaser A. The estimated net proceeds of the Disposal and Buy-back, after deducting the expenses directly attributable thereto, will be approximately RMB1,139.64 million (equivalent to approximately HK$1,276.4 million) which will be fully used to repay partially the outstanding non-convertible bonds. Cheer Luck has a mandatory obligation to buy back the equity interest at a consideration being the same as the amount of the disposal proceeds anytime within five years after the completion of the disposal and with a guaranteed return to the Purchaser A of 4.5% per annum for the period commencing from the date of completion of disposal to the date when the mandatory buy-back obligation is fulfilled. As such, the arrangement is considered as financing in nature and the disposal proceeds will be regarded as long-term borrowings. The Disposal Agreement A and the transactions contemplated thereunder were approved by a resolution at the extraordinary general meeting (the "EGM") of the Company held on 16 April 2018.

1. BASIS OF PREPARATION *(Continued)*

(a) Financing arrangements through disposals (with mandatory obligation or options to buy back) of interests in Zhunxing *(Continued)*

On 30 December 2016, Cheer Luck and 3 other independent third party parties, Purchaser B, Purchaser C and Purchaser D, entered into conditional disposal agreements pursuant to which Cheer Luck conditionally agreed to sell and each of Purchaser B, Purchaser C and Purchaser D conditionally agreed to acquire 18%, 18% and 10% equity interests of Zhunxing, at Consideration B, Consideration C and Consideration D, respectively, each of which will be 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, Purchaser C and Purchaser D. Up to the date of approval of the unaudited condensed interim consolidated financial statements of the Group for the six months ended 30 September 2018 (the "Interim Financial Statements"), Purchaser C paid an aggregate of RMB225,000,000 (equivalent to HK$273,578,000) refundable earnest monies which will be applied towards the settlement of the consideration for the disposal of 18% equity interests of Zhunxing when the relevant disposal agreement is completed. At 30 September 2018 and up to the date of approval of the Interim Financial Statements, Purchaser B, Purchaser C and Purchaser D are still in the progress of appointing their designated independent valuer to prepare another valuation report for the purpose of determining the considerations under the respective disposal agreements. Based on the terms of each of the above disposal agreements, Cheer Luck shall have an option to buy back, from each of Purchaser B, Purchaser C and Purchaser D, within five years after the completion of the respective disposals, at a consideration same as the proceeds of each of these disposals to be received by Cheer Luck 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 options is exercised by Cheer Luck.

1. BASIS OF PREPARATION *(Continued)*

(a) Financing arrangements through disposals (with mandatory obligation or options to buy back) of interests in Zhunxing *(Continued)*

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.

Up to the date of approval of the Interim Financial Statements, the disposals under Disposal Agreement A and the other disposal agreements entered into with Purchaser B, Purchaser C and Purchaser D have not yet been completed.

(b) Exploring fund raising activities

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

Up to the date of approval of the Interim Financial Statements, the above measures have not yet been completed. 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 date of approval for the Interim Financial Statements. 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.

1. BASIS OF PREPARATION *(Continued)*

The Interim Financial Statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") and with Hong Kong Accounting Standard (the "HKAS") 34 – *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The preparation of the Interim Financial Statements in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The Interim Financial Statements contain unaudited condensed consolidated financial statements and selected explanatory notes. These notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the annual financial statements of the Group for the year ended 31 March 2018 (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 the 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 Group has adopted all of the new and revised standards, amendments and interpretations which are relevant to its operations and effective for the first time in the current period. The adoption of the new and revised standards, amendments and interpretations has had no significant impact on the accounting policies of the Group and did not require retrospective adjustments. Of these, the followings are relevant to the Interim Financial Statements:

- HKFRS 9 "Financial Instruments", and
- HKFRS 15 "Revenue from Contracts with Customers".

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.

On 1 April 2018 (the date of initial application of HKFRS 9 for the Group), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate HKFRS 9 categories. All classes of financial assets and financial liabilities had the same carrying amounts in accordance with HKAS 39 and HKFRS 9 on 1 April 2018.

	(Unaudited)	
	FVTPL	**AFS**
	HK$'000	HK$'000
Balance as at 31 March 2018 – HKAS 39	–	82,918
Reclassify non-trading equity instruments from available-for-sale investment ("AFS") to fair value through profit or loss ("FVTPL")	82,918	(82,918)
Balance as at 1 April 2018 – HKFRS 9	82,918	–

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

HKFRS 9 "Financial Instruments" *(Continued)*

The unlisted equity instruments were reclassified from AFS to FVTPL. There were no changes in fair value of the equity instruments in previous years, therefore no adjustment was recorded to opening equity due to reclassification.

Other than the above mentioned, the adoption of HKFRS 9 does not have a significant impact on the classification and measurement of its financial assets.

There is 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.

All other financial assets and liabilities continue to be measured on the same basis as are currently measured under HKAS 39.

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 fair value through other comprehensive income, contract assets under HKFRS 15, lease receivables, loan commitments and certain financial guarantee contracts. Based on the historical experience of the Group, the default rates of the outstanding balances with customers are low. Hence, the adoption of HKFRS 9 does not have a significant impact on the Group's impairment provisions. The historical credit losses are immaterial.

Accordingly, the application of HKFRS 9 does not have material impact on the Group's financial position and performance except for the disclosure requirements and presentation.

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

HKFRS 15 "Revenue from Contracts with Customers"

HKFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and related interpretations. The adoption of HKFRS 15 did not result in significant changes to the Group's accounting policies regarding the recognition of income from toll road and related operations, CNG gas station service income, revenue from electricity supply and revenue from sale of seedlings or significant impact on the Interim Financial Statements.

The Group has not early adopted the new standards and amendment to standards that have been issued but are not yet effective. The directors of the Company anticipate that the application of the new and revised standards will have no material impact on the results and financial position of the Group.

3. REVENUES

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

	Six months ended 30 September	
	2018	2017
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Toll road fees	**389,637**	347,327
Revenue from electricity supply	**2,594**	–
CNG gas station service income	**15,632**	14,214
Diesel station income	**–**	262
Sales of seedlings	**401**	12
Sales of tea-oil	**–**	204
Consulting service income	**–**	78
	408,264	362,097

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 and electricity supply by solar power stations;

- Petroleum business – operations of CNG gas stations; and

- Others – sales of timber logs from tree plantation and outside suppliers, sales of seedlings, refined plant oil and sales of agricultural and forage products.

There was no inter-segment sale or transfer during the period (six months ended 30 September 2017: 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, financial assets at fair value through profit or loss, 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 bonds, 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

	Expressway operations		Petroleum business		Others		Total	
	Six months ended 30 September		Six months ended 30 September		Six months ended 30 September		Six months ended 30 September	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
	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	**392,231**	347,667	**15,632**	14,214	**401**	216	**408,264**	362,097
Inter-segment revenue	**-**	–	**-**	–	**-**	–	**-**	–
Reportable segment profit/(loss)	**8,927**	(13,224)	**1,880**	(2,397)	**(20,836)**	(7,685)	**(10,029)**	(23,306)
Amortisation of concession intangible asset	**304,322**	277,000	**-**	–	**-**	–	**304,322**	277,000

	At 30 September 2018	At 31 March 2018	**At 30 September 2018**	At 31 March 2018	**At 30 September 2018**	At 31 March 2018	**At 30 September 2018**	At 31 March 2018
	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	**16,008,037**	17,590,394	**71,775**	71,496	**434,682**	490,256	**16,514,494**	18,152,146
Reportable segment liabilities	**(14,209,308)**	(15,417,283)	**(849)**	(857)	**(168,771)**	(174,838)	**(14,378,928)**	(15,592,978)

4. SEGMENT INFORMATION *(Continued)*

(b) Reconciliation of reportable segment results

	Six months ended 30 September	
	2018	2017
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Reportable segment loss	**(10,029)**	(23,306)
Net loss on disposal of assets of a disposal group classified as held for sale	**–**	(3,549)
Other income and other gains or losses	**2,721**	1,893
Finance costs	**(605,173)**	(463,494)
Gain on bargain purchase arising from acquisition of subsidiaries	**–**	3,702
Loss on disposal of subsidiaries	**(4,008)**	–
Share of results of associates	**–**	(1,143)
Unallocated corporate expenses	**(14,236)**	(28,095)
Consolidated loss before income tax	**(630,725)**	(513,992)

5. OTHER INCOME AND OTHER GAINS OR LOSSES

	Six months ended 30 September	
	2018	2017
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Loss on disposal of subsidiaries	**(4,008)**	–
Gain on disposal of property, plant and equipment	**5,848**	26
Interest income	**2,667**	2,057
Exchange gain, net	**544**	80
Net loss on disposal of assets of a disposal group classified as held for sale	**–**	(3,549)
Rental income	**221**	140
Others	**1,005**	1,678
	6,277	432

6. FINANCE COSTS

	Six months ended 30 September	
	2018	2017
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Interest and finance costs on bank and other borrowings	**466,160**	322,461
Interest expenses on promissory note	**–**	2,342
Default interest on non-convertible bonds	**110,192**	110,192
Default interest on promissory note	**28,821**	28,499
	605,173	463,494

7. LOSS BEFORE INCOME TAX

Loss before income tax is stated after charging:

	Six months ended 30 September	
	2018	2017
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment	**47,169**	46,818
Amortisation of prepaid lease payments and use of right of farmland	**9,349**	8,983
Amortisation of concession intangible asset included in cost of sales	**304,322**	277,000
Cost of inventories sold	**11,817**	9,551
Operating lease payments recognised as expenses	**7,856**	7,364
Staff costs (excluding directors' remuneration)		
– Salaries and allowances	**24,162**	27,020
– Defined contributions pension costs	**5,223**	4,448
	29,385	31,468

8. INCOME TAX EXPENSE/(CREDIT)

	Six months ended 30 September	
	2018	2017
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Current tax		
– PRC enterprise income tax	**372**	103
Deferred tax credit	**(45)**	(1,784)
Total	**327**	(1,681)

Under the relevant applicable regulations and rules in the PRC, 樹人木業(大埔)有限公司, 樹人苗木組培(大埔)有限公司 and 阿魯科爾沁旗鑫澤農牧業有限公司, being indirect subsidiaries of the Company, are qualified as forestry operation enterprise by the local tax authorities respectively, and so they are fully exempted from PRC enterprise income tax.

Zhunxing is entitled to a three-year exemption from PRC enterprise income tax followed by a 50% reduction in PRC enterprise income tax for subsequent three years (the "Tax Holiday"). 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 2018, 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 2017: 25%).

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

8. INCOME TAX EXPENSE/(CREDIT) *(Continued)*

The statutory tax rate for Hong Kong profits tax is 16.5% (six months ended 30 September 2017: 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 2018 and 2017.

The subsidiaries in Guyana are liable to Guyana income tax at a rate of 45% (six months ended 30 September 2017: 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 2018 and 2017.

The subsidiaries in Australia are liable to Australian income tax at a rate of 30% (six months ended 30 September 2017: 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 2018 and 2017.

9. DIVIDEND

The directors of the Company do not recommend the payment of a dividend for the six months ended 30 September 2018 (six months ended 30 September 2017: 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	
	2018	2017
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Loss for the purpose of basic and diluted loss per share	**(566,726)**	(469,798)

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**	7,442,396

For the six months ended 30 September 2018 and 2017, 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.

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 2018, additions to property, plant and equipment amounted to HK$394,000 (six months ended 30 September 2017: (including those property, plant and equipment acquired through business combination) amounted to HK$104,830,000) and disposal of property, plant and equipment amounted to a net carrying amount of HK$57,158,000 (six months ended 30 September 2017: HK$60,000).

12. CONCESSION INTANGIBLE ASSET

	At 30 September 2018 HK$'000 (Unaudited)	At 31 March 2018 HK$'000 (Audited)
Cost:		
At 1 April 2018 and 1 April 2017	**21,079,783**	18,081,888
Additions	**–**	1,374,122
Exchange differences	**(1,525,279)**	1,623,773
At 30 September 2018 and 31 March 2018	**19,554,504**	21,079,783
Accumulated amortisation:		
At 1 April 2018 and 1 April 2017	**4,454,961**	3,580,621
Amortisation for the period/year	**304,322**	763,183
Exchange differences	**(401,914)**	111,157
At 30 September 2018 and 31 March 2018	**4,357,369**	4,454,961
Net carrying amount:		
At 30 September 2018 and 31 March 2018	**15,197,135**	16,624,822

12. 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.

13. TRADE AND OTHER RECEIVABLES

	At 30 September 2018 HK$'000 (Unaudited)	At 31 March 2018 HK$'000 (Audited)
Trade receivables	**48,886**	47,922
Less: Provision for impairment loss	**(5,635)**	(5,939)
Trade receivables, net	**43,251**	41,983
Other receivables	**134,546**	133,672
Loan receivables	**61,305**	67,210
Less: Provision for impairment loss	**(99,779)**	(107,695)
Other receivables, net	**96,072**	93,187
Deposits paid	**3,428**	3,601
Less: Provision for impairment loss	**(5)**	(6)
Deposit paid, net	**3,423**	3,595
Prepayments	**17,239**	14,744
Less: Provision for impairment loss	**(10,978)**	(12,035)
Prepayments, net	**6,261**	2,709
	149,007	141,474

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 minimize credit risk. Overdue balances are reviewed regularly by senior management.

13. TRADE AND OTHER RECEIVABLES *(Continued)*

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

	At 30 September 2018 HK$'000 (Unaudited)	At 31 March 2018 HK$'000 (Audited)
At 1 April 2018 and 1 April 2017	**125,675**	135,530
Add: Impairment loss recognised	**–**	96,518
Less: Reversal of impairment	**–**	(4,260)
Less: Release upon disposal of subsidiaries	**–**	(113,245)
Exchange differences	**(9,278)**	11,132
At 30 September 2018 and 31 March 2018	**116,397**	125,675

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

	At 30 September 2018 HK$'000 (Unaudited)	At 31 March 2018 HK$'000 (Audited)
Outstanding balances aged:		
0 to 30 days	**19,686**	16,488
31 to 60 days	**1,319**	1,105
61 to 180 days	**–**	24,390
Over 180 days	**22,246**	–
	43,251	41,983

13. TRADE AND OTHER RECEIVABLES *(Continued)*

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

	At 30 September 2018 HK$'000 (Unaudited)	At 31 March 2018 HK$'000 (Audited)
Neither past due nor impaired	**19,686**	16,488
30 to 90 days past due	**1,319**	25,495
Over 90 days past due	**22,246**	–
	43,251	41,983

Trade receivables that were neither past due nor impaired related to a number of independent customers for whom there was no recent history of default.

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

	At 30 September 2018 HK$'000 (Unaudited)	At 31 March 2018 HK$'000 (Audited)
Neither past due nor impaired	**96,072**	93,187

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.

14. TRADE AND OTHER PAYABLES

	At 30 September 2018 HK$'000 (Unaudited)	At 31 March 2018 HK$'000 (Audited)
Trade payables *(Note c)*	**2,039**	2,236
Other payables and accruals *(Note a)*	**3,352,891**	3,495,415
Deposits received from customers	**1,139**	1,655
Refundable earnest money received from the Purchaser C *(Note d)*	**273,578**	97,272
	3,629,647	3,596,578

Notes:

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

	At 30 September 2018 HK$'000 (Unaudited)	At 31 March 2018 HK$'000 (Audited)
Construction costs payable	**2,047,239**	2,349,940
Retention and guarantee deposit	**183,804**	201,508
Accrued interest on the bank borrowings	**231,245**	98,188
Accrued default interest on promissory note	**351,493**	322,672
Accrued default interest on non-convertible bonds	**410,032**	333,260
Interest payable	**992,770**	754,120
Other deposits and accruals	**129,078**	189,847
	3,352,891	3,495,415

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

14. TRADE AND OTHER PAYABLES *(Continued)*

Notes: (Continued)

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

	At 30 September 2018 HK$'000 (Unaudited)	At 31 March 2018 HK$'000 (Audited)
Outstanding balances aged:		
Within 61-180 days	**1,250**	1,370
Over 180 days	**789**	866
	2,039	2,236

(d) During the year ended 31 March 2018, the Group and Purchaser C entered into an agreement, pursuant to which Purchaser C paid RMB80,000,000 (equivalent to HK$97,272,000) to the Group as refundable earnest money for the disposal of 18% equity interests in Zhunxing. During the six months ended 30 September 2018, addition of refundable earnest money of RMB145,000,000 (equivalent to HK$176,306,000) was paid by Purchaser C to the Group (Note 1(a)).

15. PROMISSORY NOTE

The movement on the promissory note during the six months ended 30 September 2018 and the year ended 31 March 2018 were as follows:

	At 30 September 2018 HK$'000 (Unaudited)	At 31 March 2018 HK$'000 (Audited)
Carrying value at 1 April 2018 and 1 April 2017	**315,003**	311,483
Interest expense for the period/year	**–**	3,520
Carrying value at 30 September 2018 and 31 March 2018	**315,003**	315,003

16. BORROWINGS

	At 30 September 2018 HK$'000 (Unaudited)	At 31 March 2018 HK$'000 (Audited)
Bank borrowings	**11,050,895**	12,153,580
Other borrowings	**455,198**	499,042
	11,506,093	12,652,622

At 30 September 2018, borrowings of the Group were repayable as follows:

	At 30 September 2018 HK$'000 (Unaudited)	At 31 March 2018 HK$'000 (Audited)
Within 1 year or on demand	**581,480**	722,332
After 1 year but within 2 years	**242,400**	297,365
After 2 years but within 5 years	**1,615,082**	1,675,562
After 5 years	**9,067,131**	9,957,363
	10,924,613	11,930,290
	11,506,093	12,652,622

16. BORROWINGS *(Continued)*

At 30 September 2018, borrowings of the Group were secured as follows:

	Notes	At 30 September 2018 HK$'000 (Unaudited)	At 31 March 2018 HK$'000 (Audited)
Secured	*(i)*	**11,050,895**	12,153,580
Unsecured	*(ii) and (iii)*	**455,198**	499,042
		11,506,093	12,652,622

Notes:

(i) At 30 September 2018 and 31 March 2018, 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$43,298,000 recognised as financial assets at fair value through profit or loss (31 March 2018: HK$47,468,000 recognised as available-for-sale investments); (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 2018 and 31 March 2018, 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 2018 and 31 March 2018, 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 2018 amounted to approximately HK$11,506,093,000 (31 March 2018: HK$12,652,622,000), out of which HK$11,506,093,000 (31 March 2018: HK$12,652,622,000) had been utilised.

17. NON-CONVERTIBLE BONDS

As at 30 September 2018 and 31 March 2018, the carrying amounts of the non-convertible bonds (including the principals and the accrued default interests), which remain in default and became immediately repayable, are as below:

	Principal amounts HK$'000	Coupon interests HK$'000	Carrying amounts HK$'000	Default interest payable *(Note 14(a))* HK$'000
As at 30 September 2018 (Unaudited)				
Bond A	**500,000**	**19,295**	**519,295**	**54,176**
Bond B	**500,000**	**45,083**	**545,083**	**56,481**
Bond C	**832,000**	**2,468**	**834,468**	**99,063**
Bond D	**1,500,000**	**182,556**	**1,682,556**	**141,478**
Bond E	**700,000**	**114,246**	**814,246**	**58,834**
	4,032,000	**363,648**	**4,395,648**	**410,032**
As at 31 March 2018 (Audited)				
Bond A	500,000	19,295	519,295	53,940
Bond B	500,000	45,083	545,083	42,817
Bond C	832,000	2,468	834,468	89,151
Bond D	1,500,000	182,556	1,682,556	99,298
Bond E	700,000	114,246	814,246	48,054
	4,032,000	363,648	4,395,648	333,260

(a) Mr. Cao Zhong has provided personal guarantees to the holders of Bond A and Bond B as to the due performance of all the obligations of the two bonds.

17. NON-CONVERTIBLE BONDS *(Continued)*

(b) In accordance with the 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 bonds, the Group shall be liable to pay default interest to these bondholders from due date to the date of actual payment in full calculated at the prime lending rate, as quoted by The Hongkong and Shanghai Banking Corporation Limited on a daily basis, accruing on these carrying amounts of HK$4,395,648,000 in default.

(c) Before the submission of the draft circular for the reverse takeover to the Stock Exchange on 27 February 2018, the Company received the signed Standstill Agreements (defined in Note 24(c) to the Interim Financial Statements) from all bondholders of the non-convertible bonds with outstanding principals and accrued coupon interest of HK$4,395,648,000. All bondholders of the non-convertible bonds have agreed in writing that they will not demand for, or take any action in respect of, any additional repayment of the outstanding non-convertible bonds for a period of 365 days from the date of the completion of acquisition of the reverse takeover, after the partial repayment of not less than approximately HK$1,250 million by using the net proceeds obtained from the financing arrangement through the disposal and mandatory buy-back of 25% equity interests in Zhunxing and not less than approximately HK$1,800 million by using the net proceeds from the proposed placing or proposed the issue of new convertible bonds, on or before the date of the completion of acquisition of the reverse takeover by the Company, to the bondholders of the non-convertible bonds. The Standstill Agreements have ceased to have any effect on 13 November 2018 as mentioned in Note 24(c) to the Interim Financial Statements.

18. SHARE CAPITAL

	At 30 September 2018		At 31 March 2018	
	No. of shares	**Amount**	No. of shares	Amount
	'000	**HK$'000**	'000	HK$'000
		(Unaudited)		(Audited)
Authorised:				
At 1 April 2017, 31 March 2018, 1 April 2018 and 30 September 2018, 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 2018 and 1 April 2017, ordinary shares of HK$0.20 each	**7,442,396**	**1,488,479**	6,752,396	1,350,479
Issue of new shares as consideration	**–**	**–**	690,000	138,000
At 30 September 2018 and 31 March 2018, ordinary shares of HK$0.20 each	**7,442,396**	**1,488,479**	7,442,396	1,488,479

19. DISPOSAL OF SUBSIDIARIES

In April 2018, the Group entered into share transfer agreement for the disposal of its 100% equity interests in Sunshine Focus Limited ("Sunshine Focus") and shareholder loan owed by Sunshine Focus to a shareholder (the "Shareholder Loan") to the independent third party at a consideration of HK$6,000,000. Sunshine Focus owned 100% equity interests in Cheer Luck Investment Limited (collectively referred to as "Sunshine Focus Group") The disposal was completed on 9 April 2018.

The net liabilities of Sunshine Focus Group at the date of the disposal were as follows:

	HK$'000 (Unaudited)
Financial assets at fair value through profit or loss	10,000
Cash and cash equivalents	8
The Shareholder Loan	(10,063)
Net liabilities	(55)
Net liabilities	(55)
Assignment of the Shareholder Loan	10,063
Loss on disposal of the subsidiaries	(4,008)
Total consideration	6,000
Satisfied by:	
Cash	6,000
Net cash inflow arising on the disposal:	
Cash consideration received	6,000
Cash and bank balances disposed of	(8)
Net cash inflow	5,992

20. OPERATING LEASES

Operating lease commitments – as a lessee

During the six months ended 30 September 2018, the Group leased part of its properties with lease terms from 1 to 6 years (six months ended 30 September 2017: from 1 to 7 years) under operating lease arrangements.

As at 30 September 2018, 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 2018 HK$'000 (Unaudited)	At 31 March 2018 HK$'000 (Audited)
Within one year	**9,827**	13,277
In the second to fifth year, inclusive	**35,721**	39,998
Over five years	**4,630**	8,261
	50,178	61,536

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 2018 was HK$221,000 (six months ended 30 September 2017: HK$140,000).

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

	At 30 September 2018 HK$'000 (Unaudited)	At 31 March 2018 HK$'000 (Audited)
Within one year	**124**	136
In the second to fifth year, inclusive	**496**	544
Over five years	**1,674**	1,914
	2,294	2,594

21. CAPITAL COMMITMENTS

Capital commitments outstanding at 30 September 2018 not provided for in the Interim Financial Statements were as follows:

	At 30 September 2018 HK$'000 (Unaudited)	At 31 March 2018 HK$'000 (Audited)
Contracted but not provided for		
– acquisition of property, plant and equipment	**20,448**	22,418

22. RELATED PARTY TRANSACTIONS

(a) Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note.

(b) Save as disclosed elsewhere in these financial statements, the Group had the following major transactions with related parties during the six months ended 30 September 2018 and 2017:

Related party relationship	Type of transactions	Six months ended 30 September 2018 HK$'000 (Unaudited)	Six months ended 30 September 2017 HK$'000 (Unaudited)
Mr. Cao Zhong (a substantial shareholder and director of the Company)	Guarantees given to banks in respect of credit facilities granted to subsidiaries of the Company	**702,680**	781,995
Mr. Cao Zhong (a substantial shareholder and director of the Company)	Guarantees given for due performance of all obligations of two outstanding non-convertible bonds	**1,064,378**	1,064,378

22. RELATED PARTY TRANSACTIONS *(Continued)*

(c) Members of key management during the six months ended 30 September 2018 and 2017 comprised only of the directors of the Company whose remuneration is set out as follows:

	Six months ended 30 September	
	2018	2017
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Fee, basis salaries, allowances and other benefits	**2,610**	8,640
Retirement benefit scheme contributions	**54**	48
	2,664	8,688

23. CONTINGENT LIABILITIES

(a) During the year ended 31 March 2018, a former shareholder of Zhunxing instituted a legal proceeding against Zhunxing to claim damage of approximately RMB250 million arising from the prior years' termination of an operating contract, which was purportedly made in 2008, for service areas of Zhunxing Expressway. The legal proceeding is in progress up to the date of approval of the Interim Financial Statements. The Group considered, after having sought legal advices, that Zhunxing shall has valid ground to set aside this claim and accordingly, no provision is required at 30 September 2018 and 31 March 2018 respectively.

23. CONTINGENT LIABILITIES *(Continued)*

(b) During the year ended 31 March 2018, the PRC Supreme Court issued an order to set aside an earlier judgement in favour of Zhunxing by a local court, in relation to the proceeding first taken by Zhunxing against an independent third party contractor who subsequently counterclaimed against Zhunxing for additional construction costs and various damages under two construction contracts (as varied by supplemental agreements in 2011), against which, the Group has recognised approximately HK$715.6 million (equivalent to RMB603.8 million) at 31 March 2018. The legal proceeding is in progress up to the date of approval of the Interim Financial Statements. The Group considered, after having sought legal advices, that Zhunxing has valid grounds to defend those unrecognized counterclaims for additional construction costs and accordingly, no additional provision is required at 30 September 2018 and 31 March 2018 respectively.

24. EVENTS AFTER THE REPORTING DATE

(a) On 29 October 2018, the Company received six demand notices all dated 26 October 2018 and addressed to the Company and Cheer Luck from the legal representative of a PRC creditor (the "Creditor"). On 2 October 2017, certain borrowing of Zhunxing, has fallen due. Zhunxing is unable to pay the aforesaid borrowing by the due date and resulted in the default in repayment of such borrowing.

As a result, the Creditor issued the demand notices to each of the Company and Cheer Luck, claiming for the immediate repayment by the Company and Cheer Luck of an aggregate sum of approximately RMB606.11 million, being the total amount of the outstanding principal, accrued interests and default interests borrowed and owed by Zhunxing to the Creditor where the Company and Cheer Luck acted as guarantors, within 3 weeks from the date of service of such demand notices.

Up to the date of approval of the Interim Financial Statements, the Company has been negotiating with the Creditor with a view to reach a consensus on the repayment proposal.

24. EVENTS AFTER THE REPORTING DATE *(Continued)*

(b) On 11 July 2017, the Company entered into a sale and purchase agreement (as amended by the first supplemental agreement on 23 February 2018 and the second supplemental agreement on 29 June 2018, the "Sale and Purchase Agreement") with the 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 Target Group, through structured contracts (the "Proposed Acquisition").

On 11 July 2017, the Company and certain independent third parties subscribers (the "Subscribers") entered into a subscription agreement (as amended by the supplemental agreement on 29 June 2018, the "Subscription Agreement"), pursuant to which the subscribers have conditionally agreed to subscribe for 3,521,738,478 new shares of the Company 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 proposed to conduct a placing of 3,478,260,869 new shares at the issue price of HK$0.23 per share (the "Proposed Placing") which will be completed at completion of the Sale and Purchase Agreement to raise funds to repay part of the outstanding non-convertible bonds with the carrying amount of HK$4,395,648,000 (the "Outstanding Bonds") as at 30 September 2018.

On 13 November 2018, for commercial reasons, the Company entered into (i) a termination agreement with the Vendors to terminate the Sale and Purchase Agreement; and (ii) a termination agreement with the Subscribers to terminate the Subscription Agreement, and hence the Proposed Acquisition and the Proposed Subscription will not proceed respectively.

24. EVENTS AFTER THE REPORTING DATE *(Continued)*

(b) *(Continued)*

As the Sale and Purchase Agreement and the Subscription Agreement were terminated, the Proposed Placing, which was conditional upon the completion of the Proposed Acquisition, will not proceed.

(c) By 15 February 2018, the Company and each of the bondholders of the Outstanding Bonds (the "Bondholder(s)") have entered into conditional standstill agreement in relation to, among other things, the rescheduling of the repayment of the Outstanding Bonds (the "Standstill Agreement(s)"). Pursuant to the Standstill Agreements, the Bondholders will not demand for, or take any action in respect of, repayment of the Outstanding Bonds for a period of 365 days from the date of completion of the Proposed Acquisition.

As the Sale and Purchase Agreement was terminated on 13 November 2018, the Standstill Agreements have ceased to have any effect.

25. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

The Interim Financial Statements were approved and authorised for issue by the Board on 23 November 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the six months ended 30 September 2018, the Group was principally engaged in expressway operations, compressed natural gas ("CNG") gas stations operations, growing and sales of forage and agricultural products 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.

Domestic coal prices have maintained a slight overall increase during 2018. Since August 2018, the state's environmental protection requirements in the Beijing-Tianjin-Hebei region have reduced while the domestic natural gas prices have remained high. Due to the high season demand of the coal-to-gas enterprises and residents for winter heating, coal prices and coal demand have steadily increased since August 2018, leading to an upturn in the transportation industry, and the traffic volume of Zhunxing Expressway has also increased steadily.

For the six months ended 30 September 2018, Zhunxing Expressway recorded an accumulated toll income of approximately RMB330.07 million (approximately HK$389.64 million), i.e. an average daily toll income of approximately RMB1.80 million (approximately HK$2.13 million) and an average daily traffic volume of approximately 6,210 vehicles (for the six months ended 30 September 2017, the average daily toll income was approximately RMB1.64 million (approximately HK$1.90 million) and an average daily traffic volume of approximately 6,008 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 tend to restrain the growth of both traffic volume and toll income of Zhunxing Expressway during the period:

(1) promoting the resolution of excess coal capacity and guiding enterprises to merge and reorganize, a number of coal mines were shut down in Inner Mongolia to strictly control the excess production from coal mines; and

(2) under the influence of the national macroeconomic environment and environmental protection policies, vehicles travelling to the eastern part of Beijing now require to bypass, resulting in an increase in vehicles using other national highways.

BUSINESS REVIEW *(Continued)*

Operation of Zhunxing Expressway *(Continued)*

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 utilize Zhunxing Expressway on a regular basis:

(1) strengthen the tracking of its 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 competitive 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) brand building with optimized qualitative auxiliary services in catering and vehicle maintenance while taking advantage of the distance and toll of Zhunxing Expressway, with the objective to enhance customer loyalty with high-quality service, building a route with customer recognition;

(iii) executing a road maintenance program that is comprehensively planned and deployed under Zhunxing's policy to "normalize, standardize, and ensure the road conditions of Zhunxing Expressway preserve its best state". During the past four years, Zhunxing Expressway maintained good standards on road appearance and road condition, and thus fully realized the maintenance management objectives of "smooth, safe, comfortable and splendid" for an expressway; and

(iv) reinforcing a safe and expedient driving environment by implementing 24-hour patrol system to improve the service level and emergency response capability of the maintenance, road administration and traffic police personnel, with an aim to swiftly resolve spontaneous traffic incidents and minimize the time to restore traffic fluency on Zhunxing Expressway; and

BUSINESS REVIEW *(Continued)*

Operation of Zhunxing Expressway *(Continued)*

(2) continuously optimize the service level of the toll stations by strengthening the internal management at the toll stations to ensure the efficiency of the tolling function. Zhunxing actively takes measures to strengthen maintenance of equipment and facilities to reduce the incidence of equipment failures at the toll stations, optimize the staff scheduling method and tighten cost control of daily supplies and utilities at the toll stations for the purpose of reducing operating costs and increasing on-site work efficiency. To improve the service level of the toll station windows, the operation department and monitoring center of Zhunxing jointly monitor the behavior of toll collectors from time to time, and joint meetings are arranged between toll collectors and the operation department to resolve any problems that affect the on-site service level of the toll stations.

Petroleum and Related Products Business

During the period, the Group through its wholly-owned subsidiary, Leshan Zhongshun Oil and Gas Company Limited* (樂山中順油汽有限公司) ("Leshan") focused on the development of the new energy business sector based on CNG.

For the six months ended 30 September 2018, Leshan realised sales of CNG of approximately 5,046 km^3 in total (for the six months ended 30 September 2017: 4,633 km^3), amounted to approximately HK$15.63 million (for the six months ended 30 September 2017: approximately HK$14.21 million).

Forage and Agricultural Product Business

The Group has commenced its business in the growing and sales of forage and agricultural products in May 2017 upon Ar Horqin Banner Xinze Agricultural & Animal Husbandry Company Limited* (阿魯科爾沁旗鑫澤農牧業有限公司) ("Xinze") becoming a 60% owned subsidiary of the Group after the acquisition was completed on 10 May 2017.

For the six months ended 30 September 2018, no sales income was recorded under the forage and agricultural product business as the sorghum silage is usually under production during the first half of every financial year and will not be traded until the second half of each financial year (for the six months ended 30 September 2017: HK$Nil).

The major factor attributes to the sales revenue of the forage is the level of local precipitation that affects the yield of the forage. Under the growing momentum of the agriculture and animal husbandry industry in Inner Mongolia Autonomous Region, Xinze has implemented cattle breeding which is less influenced by climate changes, to diversify the source of revenue of the Group in 2019.

BUSINESS REVIEW *(Continued)*

Forest Operation

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 People's Republic of China (the "PRC").

FINANCIAL REVIEW

Revenue

The Group's unaudited revenue for the six months ended 30 September 2018 was approximately HK$408.26 million, representing an increase of about 12.7% from approximately HK$362.10 million for the last corresponding period. The Group's income was recognized under three reportable segments of the Group, namely expressway operations, petroleum business, and others including timber operations and forage and agricultural business, contributed approximately HK$392.23 million (96.07%), HK$15.63 million (3.83%) and HK$0.40 million (0.10%) (for the six months ended 30 September 2017: HK$347.67 million (96.01%), HK$14.21 million (3.93%) and HK$0.22 million (0.06%)) respectively to the Group's consolidated revenue.

Toll income from expressway operations of approximately HK$389.64 million (for the six months ended 30 September 2017: HK$347.33 million) constituted the main stream of the Group's revenue for the six months ended 30 September 2018. The toll income from the expressway operations increased by about 12.2% as compared to the last corresponding period as the coal prices slightly increased during 2018.

Cost of Sales

The Group's cost of sales for the six months ended 30 September 2018 was approximately HK$377.54 million, representing an increase of about 9.5% from approximately HK$344.85 million for the last corresponding period. The Group's cost of sales during the period was mainly attributable to (i) the amortization of concession intangible assets arising from the expressway operations of approximately HK$304.32 million (for the six months ended 30 September 2017: HK$277.00 million), (ii) the depreciation of fixed assets arising from the expressway operations of approximately HK$39.81 million (for the six months ended 30 September 2017: HK$38.85 million), and (iii) the operating costs arising from the expressway operations of approximately HK$18.41 million (for the six months ended 30 September 2017: HK$19.45 million).

Gross Profit

For the six months ended 30 September 2018, the Group recorded a gross profit increased by about 78.1% from approximately HK$17.25 million for the corresponding period in 2017 to approximately HK$30.72 million.

EBITDA

For the six months ended 30 September 2018, 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$331.28 million compared to the EBITDA of approximately HK$272.09 million for the last corresponding period. The 21.8% 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 of the Group as shown in Note 4 to the unaudited condensed interim consolidated financial statements of the Group for the six months ended 30 September 2018 (the "Interim Financial Statements").

Loss of the period

The Group's net loss for the six months ended 30 September 2018 was approximately HK$631.05 million, representing an increase of about 23.2% from approximately HK$512.31 million for the six months ended 30 September 2017. The Group's net loss for the period was primarily contributed by the finance cost of the Group amounted to approximately HK$605.17 million (for the six months ended 30 September 2017: HK$463.49 million). The 30.6% increase in finance cost of the Group was mainly due to a default interest arising from a borrowing of the Group's expressway operations.

The loss attributable to owners of the Company for the period was approximately HK$566.73 million (for the six months ended 30 September 2017: HK$469.80 million). Both the basic and diluted loss per share attributable to owners of the Company for the period were HK$0.08 as compared with HK$0.06 for the corresponding period in 2017.

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.

As at 30 September 2018, the Group was in a net liabilities position of approximately HK$3,102.98 million as compared to a net liabilities position of approximately HK$2,576.62 million as at 31 March 2018.

As at 30 September 2018, contractual maturities based on contractual undiscounted cash flows of approximately HK$9,580.33 million, HK$870.23 million, HK$3,462.53 million and HK$12,337.88 million (31 March 2018: HK$9,707.71 million, HK$962.92 million, HK$3,515.38 million and HK$13,187.97 million) were required to be repaid within 1 year or on demand, after 1 year but within 2 years, after 2 years but within 5 years and after 5 years, respectively.

LIQUIDITY REVIEW *(Continued)*

The gearing ratio of the Group, measured as total liabilities to total assets, was 118.53% as at 30 September 2018 (31 March 2018: 114.01%).

As at 30 September 2018, the Group had cash and bank balances of approximately HK$60.68 million (31 March 2018: HK$39.47 million) and its available banking facilities were amounted to approximately HK$11,506.09 million (31 March 2018: HK$12,652.62 million), which have been fully utilized (31 March 2018: HK$12,652.62 million).

Borrowings

The Group's outstanding borrowings, all being denominated in RMB, amounted to approximately HK$11,506.09 million (31 March 2018: HK$12,652.62 million), represented approximately 58% of the Group's total liabilities as at 30 September 2018 (31 March 2018: 60%). Approximately HK$455.20 million (31 March 2018: HK$499.04 million) of the Group's outstanding borrowings were charged at fixed rates. Approximately 5% of the Group's outstanding borrowings were repayable within one year (31 March 2018: 6%).

As the expressway operation is a capital intensive industry, all of the Group's outstanding borrowings amounted to RMB10,098.20 million (approximately HK$11,506.09 million), were obtained and drawn down primarily for the construction of Zhunxing Expressway as at 30 September 2018. The syndicated loan facilities of RMB8,730.00 million (approximately HK$9,947.14 million) granted by several PRC banks in December 2012, including short term loans of RMB9.98 million (approximately HK$11.37 million) and long term loans of RMB8,720.02 million (approximately HK$9,935.77 million), were secured by Zhunxing's receivables of toll income. Furthermore, Zhunxing obtained and drawn down short term loans of RMB500.35 million (approximately HK$570.11 million) and long term loans of RMB867.85 million (approximately HK$988.85 million) from several authorized financial institutions in the PRC, of which RMB968.70 million (approximately HK$1,103.76 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.

The demand notices received from a PRC creditor on 29 October 2018 are discussed under the "Material Events" section below.

LIQUIDITY REVIEW *(Continued)*

Capital Commitments

Apart from the proposed acquisition of the pawn loan business as discussed in the "Material Events" section below, the Group's capital commitments outstanding as at 30 September 2018 dropped by approximately 8.8% to approximately HK$20.45 million (31 March 2018: HK$22.42 million), representing the capital expenditure arising from the acquisition of property, plant and equipment under the expressway operations sector.

Going Concern

During the six months ended 30 September 2018, the Group suffered a loss of HK$631.05 million (for the six months ended 30 September 2017: HK$512.31 million), and at the end of the reporting period, the Group had net current liabilities of HK$8,654.91 million (31 March 2018: HK$8,802.91 million) and net liabilities of HK$3,102.98 million (31 March 2018: HK$2,576.62 million).

As at 30 September 2018, the Company was in default in the repayment of the promissory note of HK$315.00 million (31 March 2018: HK$315.00 million) and non-convertible bonds with aggregate carrying amounts of approximately HK$4,395.65 million (31 March 2018: HK$4,395.65 million). These debts, together with the default interests accrued thereon of approximately HK$761.53 million (31 March 2018: HK$655.93 million), totaling approximately HK$5,472.18 million (31 March 2018: HK$5,366.58 million) are classified under current liabilities at 30 September 2018. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and therefore, the Group may not be able to realise its assets and discharge its liabilities in the normal course of business.

The Board have undertaken and/or is in the progress of implementing various measures to improve the Group's liquidity position as set out in Note 1 to the Interim Financial Statements, including (i) the financing arrangements through the proposed disposal of 71% equity interests in Zhunxing and the related buy-back obligation or options (further details are set out in the "Material Events" section below); and (ii) exploring fund raising activities including but not limited to rights issue, open offer, placing of new shares and issuance of other convertible bonds to raise new capital. Up to the date of approval of the Interim Financial Statements, the above measures have not been completed. Assuming the successful implementation of the above measures, the Board is of the opinion that the Group will have sufficient working capital to meet its financial obligation as and when they fall due in the foreseeable future.

LIQUIDITY REVIEW *(Continued)*

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 minimize 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

Very Substantial Acquisition being a Reverse Takeover involving a New Listing Application, Proposed Subscription of New Shares, and Proposed Placing of New Shares

Sale and Purchase Agreement

On 11 July 2017, the Company entered into a sale and purchase agreement (as amended by a supplemental agreement on 23 February 2018, the "Sale and Purchase Agreement") with CITIC Asset Management Corporation Ltd.* (中信資產管理有限公司) ("CITIC AMC") and 10 other 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), its subsidiaries and branch companies, through structured contracts (the "Proposed Acquisition"). The Proposed Acquisition constitutes a reverse takeover for the Company under Rule 14.06(6)(a) of Rules Governing the Listing of Securities on the Stock Exchange (the" Listing Rules") and a connected transaction of the Company under Rule 14A.28 of the Listing Rules.

On 29 June 2018, the Company entered into a second supplemental agreement with the Vendors to amend the Sale and Purchase Agreement.

On 13 November 2018, for commercial reasons, the Company entered into a termination agreement with the Vendors to terminate the Sale and Purchase Agreement, hence the Proposed Acquisition will not proceed.

MATERIAL EVENTS *(Continued)*

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

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 3,521,738,478 new shares of the Company 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").

On 29 June 2018, the Subscription Agreement was amended by a supplemental subscription agreement for extending the long stop date to 31 December 2018, or such later date as may be agreed between the parties.

On 13 November 2018, for commercial reasons, the Company entered into a termination agreement with the subscribers to terminate the Subscription Agreement, and hence the Proposed Subscription will not proceed.

Placing Agreement

The Company proposed to conduct a placing of 3,478,260,869 new shares at the issue price of HK$0.23 per share (the "Proposed Placing") which will be completed at completion of the Sale and Purchase Agreement to raise funds to repay part of the existing Outstanding Bonds (defined herein below).

As the Sale and Purchase Agreement and the Subscription Agreement were terminated, the Proposed Placing, which was conditional upon the completion of the Proposed Acquisition, will not proceed.

Further details on the transactions contemplated under the Proposed Acquisition, the Proposed Subscription and the Proposed Placing are set out in the announcements of the Company dated 1 August 2017, 22 August 2017, 22 September 2017, 20 October 2017, 20 November 2017, 20 December 2017, 22 January 2018, 23 February 2018, 27 February 2018, 23 March 2018, 23 April 2018, 24 May 2018, 27 June 2018, 4 July 2018, 3 August 2018, 3 September 2018, 27 September 2018, 29 October 2018 and 13 November 2018.

MATERIAL EVENTS *(Continued)*

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

Outstanding Non-convertible Bonds

As at the date of approval of the Interim Financial Statements, details of the non-convertible bonds of the Company in the aggregate principal amount of HK$4,032.00 million (the "Outstanding Bonds") are as follows:

Holders of non-convertible bonds	Principal amount (HK$)	Maturity date	Default interest rate (per annum)
China Life Insurance (Overseas) Company Limited	800,000,000	10 February 2016	5%
China Life Insurance (Overseas) Company Limited	700,000,000	24 January 2017	5%
Cross-Strait Capital Limited	32,000,000	10 February 2016	5%
Dr. Lo Ka Shui	36,000,000	3 March 2016	5%
Dr. Lo Ka Shui	35,000,000	3 September 2016	5%
Li Ka Shing (Canada) Foundation	464,000,000	3 March 2016	5%
Li Ka Shing (Canada) Foundation	465,000,000	3 September 2016	5%
Strait Capital Service Limited	800,000,000	24 January 2017	5%
Strait CRTG Fund, L.P.	700,000,000	24 January 2017	5%
Total	4,032,000,000		

By 15 February 2018, the Company and each of the Bondholders have entered into conditional standstill agreement in relation to, among other things, the rescheduling of the repayment of the Outstanding Bonds (the "Standstill Agreement(s)"). Pursuant to the Standstill Agreements, the Bondholders will not demand for, or take any action in respect of, repayment of the Outstanding Bonds for a period of 365 days from the date of completion of the Proposed Acquisition.

As the Sale and Purchase Agreement was terminated on 13 November 2018, the Standstill Agreements have ceased to have any effect.

MATERIAL EVENTS *(Continued)*

Proposed Disposal of 71% Equity Interests in Zhunxing and the Undertaking of the Buy-back Obligation or Options

Disposal Agreement A

On 28 December 2016, the Company as guarantor and its wholly-owned subsidiary Cheer Luck Technology Limited acting as vendor ("Cheer Luck"), entered into a disposal agreement ("Disposal Agreement A") with Inner Mongolia Yuanheng Investment Co. Ltd.* (內蒙古源恒投資有限公司) ("Purchaser A"), pursuant to which Cheer Luck has conditionally agreed to sell, and Purchaser A has conditionally agreed to acquire 25% equity interests of Zhunxing at RMB1,125.00 million (equivalent to HK$1,260.00 million) ("Consideration A") which is subject to adjustment according to a valuation report on Zhunxing to be prepared by an independent valuer (the "Disposal A").

Pursuant to the Disposal Agreement A, Cheer Luck agreed to buy back all equity interest transferred to Purchaser A within five years after the registration of Purchaser A as a shareholder of Zhunxing at the relevant PRC authorities, at a consideration which equals the actual Consideration A paid by Purchaser A (the "Buy-back Obligation").

On 18 December 2017, Cheer Luck and Purchaser A entered into a supplemental agreement to Disposal Agreement A ("Supplemental Agreement A"), pursuant to which Consideration A has been adjusted from RMB1,125.00 million (equivalent to approximately HK$1,260.00 million) to RMB1,145.00 million (equivalent to approximately HK$1,282.40 million) pursuant to a valuation report. A fund company, Ulanqab Zhongshi Yuanheng Logistics Management Centre (Limited Partnership)* (烏蘭察布市中實源恒物流產業管理中心(有限合夥)) (the "Fund Company"), was established by Purchaser A at its sole discretion to facilitate its internal funding arrangement and the settlement of Consideration A.

On 16 April 2018, the Disposal Agreement A and all the transactions contemplated thereunder (including but not limited to Disposal A and the undertaking of the Buy-back Obligation) were approved at the extraordinary general meeting of the Company.

The directors of the Company (the "Directors") expect that the net proceeds from Disposal A, after deducting the expenses directly attributable thereto, will be approximately RMB1,139.64 million (equivalent to approximately HK$1,276.40 million). As at the date of approval of the Interim Financial Statements, all payments from Purchaser A are delayed and remained outstanding as the Fund Company requires additional time to facilitate the internal funding arrangement for settlement of Consideration A.

MATERIAL EVENTS *(Continued)*

Proposed Disposal of 71% Equity Interests in Zhunxing and the Undertaking of the Buy-back Obligation or Options *(Continued)*

Disposal Agreement A *(Continued)*

Upon completion of Disposal A, Zhunxing will be held as to 61.87% by the Company, and upon the fulfillment of the Buy-back Obligation, Zhunxing will be held as to 86.87% by the Company.

Disposal Agreement B, C and D

On 30 December 2016, the Company as guarantor and Cheer Luck as vendor entered into a disposal agreement with each of the following purchasers:

(i) 呼和浩特經濟技術開發區投資開發集團有限責任公司 (Hohhot Economic and Technological Development Zone Investment and Development Group Co. Ltd.*) ("Purchaser B"), for the sale and purchase of 18% equity interests of Zhunxing at a consideration equals to 18% of the net asset value of Zhunxing as at 31 December 2016 ("Disposal Agreement B");

(ii) 呼和浩特惠則恒投資有限責任公司 (Hohhot Huizeheng Investment Co. Ltd.*) ("Purchaser C"), for the sale and purchase of 18% equity interests of Zhunxing at a consideration equals to 18% of the net asset value of Zhunxing as at 31 December 2016 ("Disposal Agreement C"); and

(iii) 德源興盛實業有限公司 (Deyuan Xingsheng Industrial Co. Ltd.*) ("Purchaser D"), for the sale and purchase of 10% equity interests of Zhunxing at a consideration equals to 10% of the net asset value of Zhunxing as at 31 December 2016 ("Disposal Agreement D").

As at the date of approval of the Interim Financial Statements, Purchaser B, Purchaser C and Purchaser D are still in the progress of appointing their designated independent valuer to prepare a valuation report for the purpose of determining the considerations under Disposal Agreement B, Disposal Agreement C and Disposal Agreement D.

Up to the date of the Interim Financial Statements, an aggregate of RMB225,000,000 (equivalent to HK$273,578,000) refundable earnest monies were paid by Purchaser C to facilitate further negotiation in respect of the disposal of 18% equity interests in Zhunxing. The earnest monies will be settled as part of the consideration of the aforesaid disposal when the transaction is completed. The earnest monies were applied to pay the Group's borrowings and related interest.

MATERIAL EVENTS *(Continued)*

Proposed Disposal of 71% Equity Interests in Zhunxing and the Undertaking of the Buy-back Obligation or Options *(Continued)*

Disposal Agreement B, C and D *(Continued)*

Each of the above disposal agreements is not inter-conditional and shall be completed separately. The proceeds from the disposals of 71% equity interests in Zhunxing will be used to repay partially the principal amount of the Outstanding Bonds. In case there is any surplus, it will be used as general working capital of the Group.

Should the Company fail to proceed further with any of the above disposals, the Company will explore other avenues (including but not limited to disposing other assets of the Group and identifying other purchasers to dispose the unsold interests in Zhunxing) to generate funds to repay the Outstanding Bonds.

Details on the arrangement of proposed disposals and buy-backs of the 71% equity interests in Zhunxing are set out in the announcements of the Company dated 9 January 2017, 30 March 2017, 30 June 2017, 29 September 2017, 18 December 2017, 16 April 2018 and the circular of the Company dated 26 March 2018.

Demand notices from a PRC Creditor

On 29 October 2018, the Company received six demand notices all dated 26 October 2018 and addressed to the Company and Cheer Luck from the legal representative of a PRC creditor (the "Creditor"). On 2 October 2017, certain borrowing of Zhunxing, has fallen due. Zhunxing is unable to pay the aforesaid borrowing by the due date and resulted in the default in repayment of such borrowing.

As a result, the Creditor issued the demand notices to each of the Company and Cheer Luck, claiming for the immediate repayment by the Company and Cheer Luck of an aggregate sum of approximately RMB606.11 million, being the total amount of the outstanding principal, accrued interests and default interests borrowed and owed by Zhunxing to the Creditor where the Company and Cheer Luck acted as guarantors, within 3 weeks from the date of service of such demand notices.

Up to the date of approval of the Interim Financial Statements, the Company has been negotiating with the Creditor with a view to reach a consensus on the repayment proposal.

PROSPECTS

At present, measures on coal production capacity cut are imposed in the PRC to resolve overcapacity in the industry. A number of proposed forthcoming developments of Zhunxing Expressway, especially the interconnection with Zhangjiakou city facilitating direct passage from Zhunxing Expressway to Hebei province targeting to commence in late 2019, are expected to boost the growth of both traffic volume and toll income of Zhunxing Expressway. Following the initial effective implementation of the coal capacity reduction policy in the PRC, energy consumption is expected to gradually increase, leading to a steady rise in coal prices, and along with the forthcoming developments of Zhunxing Expressway, the traffic volume and toll income of the Zhunxing Expressway are expected to grow, bringing a turnaround to profit in the long run.

Given the Company's imminent funding needs to meet its short-term financial obligations, the Company entered into the financing arrangement of the proposed disposals and buy-backs of its 71% equity interests in Zhunxing in late December 2016. Upon completion of the disposal of its 25% equity interests in Zhunxing, the Company is expected to realise cash to partially repay the Outstanding Bonds. The Board will continue to work on the disposal of the 46% equity interests in Zhunxing, which, if materialised, will provide additional funds to the Company to further repay the Outstanding Bonds, and hence improve the financial and cash flow position of the Group. Should the Company fail to proceed with any of the above disposals, the Company will explore other avenues (including but not limited to disposing other assets of the Group and identifying other purchasers to dispose the unsold interest in Zhunxing) to generate funds to repay the Outstanding Bonds.

The Group has commenced its business in the growing and sales of forage and agriculture products in May 2017 upon Xinze becoming a non-wholly-owned subsidiary of the Group. Under the growing momentum of the agriculture and animal husbandry industry in Inner Mongolia Autonomous Region, Xinze will continue to focus its main business on silage cultivation and implement the cattle breeding business to diversify the revenue streams of the Group.

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

CHARGES ON ASSETS

As at 30 September 2018, 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

Save as disclosed in Note 23 to the Interim Financial Statements, the Group did not have any material contingent liabilities.

DIVIDEND

The Directors do not recommend any dividend for the six months ended 30 September 2018 (for the six months ended 30 September 2017: HK$Nil).

EMPLOYEES

The Group had approximately 454 employees in Hong Kong and the PRC as at 30 September 2018. 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 of the Company at the annual general meeting held on 28 August 2014. The New Scheme shall remain in force for a period of 10 years ending on 27 August 2024, unless otherwise terminated or amended.

As at 30 September 2018, the options to subscribe for 34,833,324 ordinary shares of HK$0.20 each of the Company (the "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 2018.

SHARE OPTION SCHEME *(Continued)*

At 30 September 2018, 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 01/04/2018	No. of options granted during the period	No. of options exercised during the period	No. of options cancelled/ lapsed during the period	No. of options outstanding as of 30/09/2018	Exercise period	Exercise price per Share of HK$0.20 each (HK$) *(Note)*	Market value per Share of HK$0.20 each at date of approval of grant (HK$) *(Note)*
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	23,833,326	–	–	–	23,833,326	23 May 2014 to 15 October 2018	4.05	8.40
		34,833,324	–	–	–	34,833,324			

Note:

Each option entitles a grantee to subscribe for one ordinary share of HK$0.20 each of the Company (market value per Share as at 28 September 2018 was HK$0.092) at the subscription price of HK$4.05 per Share. The options are unlisted. Assuming that all the options outstanding as at 30 September 2018 are exercised, the Company will receive proceeds, before expenses, of approximately HK$141.07 million.

Save as aforesaid, no share options has been granted, exercised, cancelled or lapsed under the Old Scheme and the New Scheme during the six months ended 30 September 2018.

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 2018.

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

Save as disclosed below, as at 30 September 2018, 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 the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executive were taken or deemed to have taken under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be recorded 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)*

Long positions in issued Shares and underlying Shares of the Company

		As at 30 September 2018	
Name of Directors	**Capacity**	**Number of Shares and/or underlying Shares**	**Approximate % of total issued Shares *(Note 4)***
Cao Zhong ("Mr. Cao")	Beneficial owner	33,800,000	0.45
	Interest in controlled corporation	948,325,000 *(Note 1)*	12.74
Fung Tsun Pong ("Mr. Fung")	Beneficial owner	310,590,610	4.17
	Interest in controlled corporation	647,755,000 *(Note 2)*	8.70
Tsang Kam Ching, David	Beneficial owner	7,581,224	0.10
	Beneficial owner	3,111,111 *(Note 3)*	0.04
Duan Jingquan	Beneficial owner	3,111,111 *(Note 3)*	0.04
Gao Zhiping	Beneficial owner	3,111,111 *(Note 3)*	0.04
Yip Tak On	Beneficial owner	555,555 *(Note 3)*	0.01
Jing Baoli	Beneficial owner	555,555 *(Note 3)*	0.01
Bao Liang Ming	Beneficial owner	555,555 *(Note 3)*	0.01

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

Long positions in issued Shares and underlying Shares of the Company *(Continued)*

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 is 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 under the Company's share option scheme adopted on 16 July 2004, further details of which are set out in the section headed "Share Option Scheme".

4. Based on 7,442,395,970 Shares in issue as at 30 September 2018.

SUBSTANTIAL SHAREHOLDERS

Save as disclosed below, as at 30 September 2018, 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 entities had interests or short positions in the Shares or underlying Shares which fall to be disclosed to the Company and the Stock Exchange 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 issued voting shares to vote in all circumstances at general meeting of any other members of the Group.

SUBSTANTIAL SHAREHOLDERS *(Continued)*

Long Position in issued Shares and underlying Shares of the Company

Name of substantial shareholders	Capacity	As at 30 September 2018 Number of Shares and/or underlying Shares	Approximate % of total issued Shares *(Note 13)*
Champion Rise *(Note 1)*	Beneficial owner	948,325,000	12.74
Epoch Luck Investments Limited *(Note 2)*	Beneficial owner	690,000,000	9.27
Chan Wun Lun *(Note 2)*	Interest in controlled corporation	690,000,000	9.27
Ocean Gain*(Note 3)*	Beneficial owner	647,755,000	8.70
Miao Zhenguo *(Note 4)*	Beneficial owner	593,000,000	7.97
	Interest in controlled corporation	24,500,000	0.33
Bondic International Holdings Limited *(Note 5)*	Beneficial owner	590,100,000	7.93
Cheung Chung Kiu *(Note 5)*	Interest in controlled corporation	590,100,000	7.93
Turbo View Investment Limited *(Note 6)*	Beneficial owner	375,000,000	5.04
Gao Xiao Rui *(Note 6)*	Interest in controlled corporation	375,000,000	5.04
Mak Siu Hang Viola *(Notes 7 and 8)*	Interest in controlled corporation	1,652,670,000	22.21
VMS Investment Group Limited *(Note 7)*	Interest in controlled corporation	974,215,000	13.09
	Beneficial owner	78,455,000	1.05
Focal Sunshine Limited *(Note 7)*	Person having a security interest in shares	974,215,000	13.09
Keywood Group Limited *(Note 8)*	Person having a security interest in shares	600,000,000	8.06
VMS Finance Group Limited *(Note 8)*	Interest in controlled corporation	600,000,000	8.06
CITIC AMC *(Note 9)*	Beneficial owner	8,566,030,770	115.10

SUBSTANTIAL SHAREHOLDERS *(Continued)*

Long Position in issued Shares and underlying Shares of the Company *(Continued)*

		As at 30 September 2018	
Name of substantial shareholders	**Capacity**	**Number of Shares and/or underlying Shares**	**Approximate % of total issued Shares** ***(Note 13)***
CITIC Group Corporation* (中國中信集團有限公司) *(Note 9)*	Interest in controlled corporation	8,566,030,770	115.10
Trendy Sky Limited ("Trendy Sky") *(Note 10)*	Beneficial owner	1,739,130,000	23.37
Chan Po Siu *(Note 10)*	Interest in controlled corporation	1,739,130,000	23.37
Tibet Junhe Investment Co., Ltd.* (西藏君合投資有限公司) ("Tibet Junhe") *(Note 11)*	Beneficial owner	1,492,936,791	20.06
Starry Wealth Holdings Limited ("Starry Wealth") *(Note 12)*	Beneficial owner	869,565,000	11.68
Chen Jiarong *(Note 12)*	Interest in controlled corporation	869,565,000	11.68

Notes:

1. Champion Rise is wholly-owned by Mr. Cao, the Chairman and an executive Director of the Company whose interest in Shares or underlying Shares is set out in the above section headed "Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures".

2. Epoch Luck Investments Limited is being wholly-owned by Mr. Chan Wun Lun.

3. 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 is set out in the above section headed "Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures".

SUBSTANTIAL SHAREHOLDERS *(Continued)*

Long Position in issued Shares and underlying Shares of the Company *(Continued)*

Notes: (Continued)

4. Goldtex Group Limited being wholly-owned by Mr. Miao was interested in 24,500,000 Shares, representing 0.33% in the issued share capital of the Company.

5. Bondic International Holdings Limited is wholly-owned by Mr. Cheung Chung Kiu.

6. Turbo View Investment Limited is wholly-owned by Mr. Gao Xiao Rui.

7. Focal Sunshine Limited has a security interest in 974,215,000 Shares. Each of Ms. Mak Siu Hang Viola and VMS Investment Group Limited is interested in the 974,215,000 Shares held by Focal Sunshine Limited by reason of interests of controlled corporations within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of The Laws of Hong Kong).

8. Keywood Group Limited has a security interest in 600,000,000 Shares. Each of Ms. Mak Siu Hang Viola and VMS Finance Group Limited is interested in 600,000,000 Shares held by Keywood Group Limited by reason of interests of controlled corporations within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of The Laws of Hong Kong).

9. 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 of this interim report. CITIC AMC is wholly-owned by CITIC Group Corporation. Upon completion of the Proposed Acquisition, the Proposed Subscription and the Proposed 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 2018 are exercised).

10. Trendy Sky was deemed to be interested in 1,739,130,000 subscription shares in relation to the Proposed Subscription set out in the "Material Events" section of this interim report. Trendy Sky is wholly-owned by Mr. Chan Po Siu. Upon completion of the Proposed Acquisition, the Proposed Subscription and the Proposed Placing, both Trendy Sky and Mr. 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 2018 are exercised).

SUBSTANTIAL SHAREHOLDERS *(Continued)*

Long Position in issued Shares and underlying Shares of the Company *(Continued)*

Notes: (Continued)

11. 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 of this interim report. Upon completion of the Proposed Acquisition, the Proposed Subscription and the Proposed Placing, Tibet Junhe 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 2018 are exercised).

12. Starry Wealth was deemed to be interested in 869,565,000 subscription shares in relation to the Proposed Subscription set out in the "Material Events" section of this interim report. Starry Wealth is wholly-owned by Mr. Chen Jiarong. Upon completion of the Proposed Acquisition, the Proposed Subscription and the Proposed Placing, both Starry Wealth and Mr. 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 2018 are exercised).

13. Based on 7,442,395,970 Shares in issue as at 30 September 2018.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Save for the deviations as reported and discussed in the Corporate Governance Report as set forth in the Company's 2018 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 2018, 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 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 consolidated financial results for the six months ended 30 September 2018.

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 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, 23 November 2018

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*