



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 2022

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Mr. Fung Tsun Pong (*Co-Chairman*)  
Mr. Lu Zhiming (*Co-Chairman*)  
Mr. Gao Zhiping (*Chief Executive Officer*)  
Mr. Jiang Tao  
Mr. Duan Jingquan  
Mr. Wang Gang

### Independent Non-executive Directors

Mr. Jing Baoli  
Mr. Bao Liang Ming  
Mr. Xue Baozhong  
Ms. Xu Hui (*appointed on 5 December 2022*)  
Ms. Chan Chu Hoi  
(*resigned on 1 December 2022*)

### Audit Committee

Ms. Xu Hui (*Chairlady*)  
(*appointed on 5 December 2022*)  
Mr. Jing Baoli  
Mr. Bao Liang Ming  
Mr. Xue Baozhong  
Ms. Chan Chu Hoi (*Chairlady*)  
(*resigned on 1 December 2022*)

### Remuneration Committee

Mr. Jing Baoli (*Chairman*)  
Mr. Bao Liang Ming  
Mr. Xue Baozhong  
Mr. Fung Tsun Pong  
Ms. Xu Hui (*appointed on 5 December 2022*)  
Ms. Chan Chu Hoi  
(*resigned on 1 December 2022*)

### Nomination Committee

Mr. Fung Tsun Pong (*Chairman*)  
Mr. Jing Baoli  
Mr. Bao Liang Ming  
Mr. Xue Baozhong  
Ms. Xu Hui (*appointed on 5 December 2022*)  
Ms. Chan Chu Hoi  
(*resigned on 1 December 2022*)

## COMPANY SECRETARY

Miss Ngan Wai Kam, Sharon

## AUDITOR

McM (HK) CPA Limited

## LEGAL ADVISOR

NGANS Lawyers

## PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited  
The Bank of East Asia 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

22/F, On Hong Commercial Building  
145 Hennessy Road  
Wan Chai  
Hong Kong

## SHARE REGISTRARS & TRANSFER OFFICE

Tricor Progressive Limited  
17/F, Far East Finance Centre  
16 Harcourt Road  
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 2022 amounted to approximately HK\$375,398,000 (mainly including toll income from toll road operations of approximately HK\$373,738,000, whereas an unaudited revenues of approximately HK\$195,967,000 (mainly including toll income from toll road operations of approximately HK\$193,996,000 was recorded in the corresponding period of last year.
- The Group recorded an unaudited positive EBITDA (defined as earnings before finance cost, income tax, depreciation, gain on extinguishing financial liability by issuing new shares, amortisation and non-cash changes in values of assets and liabilities) of approximately HK\$302,208,000 for the six months ended 30 September 2022, whereas an unaudited positive EBITDA of approximately HK\$149,588,000 was recorded for the six months ended 30 September 2021.
- Unaudited net loss attributable to owners of the Company for the six months ended 30 September 2022 amounted to approximately HK\$583,408,000, whereas the amount was approximately HK\$517,808,000 in the corresponding period of last year.
- The directors of the Company did not declare any dividend for the six months ended 30 September 2022 (six months ended 30 September 2021: HK\$Nil).

## INTERIM RESULTS

The board of directors (the “Board”) of China Resources and Transportation Group Limited (the “Company”) announces the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2022 and the unaudited consolidated statement of financial position of the Group as at 30 September 2022.

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 September 2022

	Notes	Six months ended 30 September	
		2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
<b>Revenues</b>	3	<b>375,398</b>	195,967
Cost of sales and other direct operating costs		<b>(330,876)</b>	(415,657)
<b>Gross profit/(loss)</b>		<b>44,522</b>	(219,690)
Other income and other gains or losses	5	<b>(7,894)</b>	2,768
Gain on extinguishing financial liabilities by issuing new shares		–	267,880
Selling and administrative expenses		<b>(39,682)</b>	(32,717)
Finance costs	6	<b>(656,526)</b>	(642,398)
Impairment loss on property, plant and equipment		–	(1,253)
Reversal of impairment loss on trade and other receivables, net		<b>4,630</b>	7,167
<b>Loss before income tax</b>	7	<b>(654,950)</b>	(618,243)
Income tax expense	8	–	–
<b>Loss for the period</b>		<b>(654,950)</b>	(618,243)
<b>Loss for the period attributable to:</b>			
– Owners of the Company		<b>(583,408)</b>	(517,808)
– Non-controlling interests		<b>(71,542)</b>	(100,435)
		<b>(654,950)</b>	(618,243)
		<b>HK\$</b>	<b>HK\$</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Loss per share attributable to owners of the Company</b>			
– Basic	10	<b>(0.05)</b>	(0.06)
– Diluted	10	<b>N/A</b>	N/A

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2022

	Six months ended 30 September	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<b>Loss for the period</b>	<b>(654,950)</b>	(618,243)
<b>Other comprehensive income:</b>		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
– Exchange differences on translation of financial statements of foreign operations	<b>1,641,947</b>	(52,335)
<b>Total comprehensive income for the period</b>	<b>986,997</b>	(670,578)
<b>Total comprehensive income for the period attributable to:</b>		
– Owners of the Company	<b>842,211</b>	(563,419)
– Non-controlling interests	<b>144,786</b>	(107,159)
	<b>986,997</b>	(670,578)

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2022

		At 30 September 2022	At 31 March 2022
	Notes	HK\$'000 (Unaudited)	HK\$'000 (Audited)
<b>NON-CURRENT ASSETS</b>			
Concession intangible asset	12	7,714,390	8,184,654
Property, plant and equipment	11	269,607	331,142
Right-of-use assets		71,356	85,281
Biological assets		75,688	84,526
Financial asset at fair value through profit or loss		102,785	115,460
<b>TOTAL NON-CURRENT ASSETS</b>		<b>8,233,826</b>	8,801,063
<b>CURRENT ASSETS</b>			
Inventories		79	93
Trade receivables	13	890,573	786,886
Prepayments, deposits and other receivables	13	60,807	63,273
Amounts due from non-controlling shareholder of a subsidiary		–	16,012
Cash and cash equivalents		53,962	41,398
<b>TOTAL CURRENT ASSETS</b>		<b>1,005,421</b>	907,662
<b>TOTAL ASSETS</b>		<b>9,239,247</b>	9,708,725

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2022

		At 30 September 2022 HK\$'000 (Unaudited)	At 31 March 2022 HK\$'000 (Audited)
<b>CURRENT LIABILITIES</b>			
Other payables	14	7,541,065	7,568,326
Lease liabilities		547	1,064
Borrowings	16	10,593,301	11,991,196
Non-convertible bonds	17	4,395,648	4,395,648
<b>TOTAL CURRENT LIABILITIES</b>		<b>22,530,561</b>	23,956,234
<b>NET CURRENT LIABILITIES</b>		<b>(21,525,140)</b>	(23,048,572)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>(13,291,314)</b>	(14,247,509)
<b>NON-CURRENT LIABILITIES</b>			
Promissory notes	15	117,315	149,251
Lease liabilities		3,053	1,919
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>120,368</b>	151,170
<b>TOTAL LIABILITIES</b>		<b>22,650,929</b>	24,107,404
<b>NET LIABILITIES</b>		<b>(13,411,682)</b>	(14,398,679)
<b>CAPITAL AND RESERVES</b>			
Share capital	18	2,128,819	2,128,819
Reserves		<b>(14,347,073)</b>	(15,189,284)
Equity attributable to owners of the Company		<b>(12,218,254)</b>	(13,060,465)
Non-controlling interests		<b>(1,193,428)</b>	(1,338,214)
<b>TOTAL DEFICIT</b>		<b>(13,411,682)</b>	(14,398,679)

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2022

	Share capital	Share premium	Capital redemption reserve	Capital reserve	Statutory reserve	Translation reserve	Accumulated losses	Sub-Total	Non-controlling interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Note (i))	(Note (ii))	(Note (iii))				
At 1 April 2021 (Audited)	1,498,479	1,880,939	3,800	795,363	1,118	(150,098)	(12,609,358)	(8,589,757)	(598,747)	(9,188,504)
Loss for the period	-	-	-	-	-	-	(517,808)	(517,808)	(100,435)	(618,243)
Exchange differences on translation of financial statements of foreign operations	-	-	-	-	-	(45,611)	-	(45,611)	(6,724)	(52,335)
Total comprehensive income for the period	-	-	-	-	-	(45,611)	(517,808)	(563,419)	(107,159)	(670,578)
Issue of shares (Note 18)	296,000	(267,880)	-	-	-	-	-	28,120	-	28,120
At 30 September 2021 (Unaudited)	1,794,479	1,613,059	3,800	795,363	1,118	(195,709)	(13,127,166)	(9,125,056)	(705,906)	(9,830,962)

	Share capital	Share premium	Capital redemption reserve	Capital reserve	Statutory reserve	Translation reserve	Accumulated losses	Sub-Total	Non-controlling interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Note (i))	(Note (ii))	(Note (iii))				
At 1 April 2022 (Audited)	2,128,819	1,291,426	3,800	795,363	1,118	(313,616)	(16,967,375)	(13,060,465)	(1,338,214)	(14,398,679)
Loss for the period	-	-	-	-	-	-	(583,408)	(583,408)	(71,542)	(654,950)
Exchange differences on translation of financial statements of foreign operations	-	-	-	-	-	1,425,619	-	1,425,619	216,328	1,641,947
Total comprehensive income for the period	-	-	-	-	-	1,425,619	(583,408)	842,211	144,786	986,997
At 30 September 2022 (Unaudited)	2,128,819	1,291,426	3,800	795,363	1,118	1,112,003	(17,550,783)	(12,218,254)	(1,193,428)	(13,411,682)

## Notes:

- (i) The capital reserve represented capitalisation of payables to non-controlling interests.
- (ii) 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.
- (iii) 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 2022

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2022</b>	2021
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
<b>Cash flow from operating activities</b>		
Operating profit before changes in working capital	<b>311,873</b>	147,938
Net changes in working capital	<b>(299,021)</b>	(163,065)
<b>Net cash generated from/(used in) operating activities</b>	<b>12,852</b>	(15,127)
<b>Cash flow from investing activities</b>		
Proceeds from disposal of property, plant and equipment	<b>375</b>	11
Prepayment of amount due from non-contacting shareholder of a subsidiary	<b>15,017</b>	—
Other cash flows arising from investing activities	<b>(1,753)</b>	158
<b>Net cash generated from investing activities</b>	<b>13,639</b>	169
<b>Cash flow from financing activities</b>		
Proceed from new borrowing	<b>27,000</b>	—
Repayment of promissory note	<b>(34,895)</b>	—
Interest paid	<b>(133)</b>	(104)
Other cash flows arising from financing activities	<b>(485)</b>	(651)
<b>Net cash used in financing activities</b>	<b>(8,513)</b>	(755)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>17,978</b>	(15,713)
<b>Effect of foreign exchange rate changes</b>	<b>(5,414)</b>	709
<b>Cash and cash equivalents at beginning of period</b>	<b>41,398</b>	39,501
<b>Cash and cash equivalents at end of period</b>	<b>53,962</b>	24,497

# NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

## 1. BASIS OF PREPARATION

The Group incurred a net loss of approximately HK\$654,950,000 for the six months ended 30 September 2022 and as of that date, the Group had net current liabilities and net liabilities of approximately HK\$21,525,140,000 and HK\$13,411,682,000, respectively. The Company was in default in the repayment of the bank borrowings of approximately HK\$10,126,248,000 and other borrowings of approximately HK\$440,053,000 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\$4,857,952,000, totaling approximately HK\$19,819,901,000 are classified under current liabilities at 30 September 2022.

All of the above conditions indicate the existence of multiple material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern.

In view of the circumstances and conditions mentioned above, the Directors have given careful consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern. Certain measures have been taken by the Group to mitigate the liquidity pressure and to improve its financial position, which include, but not limited to, the following:

- (i) The Group has been actively negotiating with the PRC banks and other financial institutions in respect the debt restructuring and/or standstill of debt repayment;
- (ii) The Group is actively negotiating with the Group's other lenders and non-convertible bond holders to seek for the extension of repayments of all borrowings, including principles and interests in default; and
- (iii) The Group is actively negotiating with external parties to obtain new sources of financing to finance the Group's working capital and improve the liquidity position.

**1. BASIS OF PREPARATION** *(Continued)*

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 the date of approval for the unaudited interim consolidated financial statements of the Group for the six months ended 30 September 2022 (the “Interim Financial Statements”). Accordingly, the Interim Financial Statements have been prepared on a going concern basis.

Notwithstanding the above, significant uncertainties exist as to whether management of the Company will be able to achieve its plans and measures as described above. Whether the Group will be able to continue as a going concern would depend upon the Group’s ability to generate adequate financing and operating cash flows through the following:

- (i) Successfully negotiating with the PRC banks and other financial institutions in respect of the debt restructuring and/or standstill of debt repayment;
- (ii) Successfully negotiating with the Group’s other lenders and non-convertible bond holders for the renewal of or extension of repayment of outstanding borrowings, including those with overdue principals and interests; and
- (iii) Successfully raising new funds for financing the working capital of the Group within the next twelve months.

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 non-current liabilities as current assets and current 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 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 2022 (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, 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 in this report. 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.

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 consolidated 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 at point in time during the period are as follows:

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2022</b>	2021
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Toll road fees	<b>373,738</b>	193,996
Revenue from electricity supply	<b>1,660</b>	1,971
	<b>375,398</b>	195,967

#### 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 the Zhunxing Expressway;
- CNG gas stations operation – operation of CNG gas stations; and
- Others – sales of timber logs from tree plantation and outside suppliers, sales of seedlings and refined plant oil, sales of agricultural products and electricity supply by solar power stations.

There was no inter-segment sale or transfer during the period (six months ended 30 September 2021: 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 unallocated finance costs and taxation.

Segment assets exclude financial assets at fair value through profit or loss, amount due from a non-controlling shareholder of a subsidiary, cash and cash equivalents, right-of-use assets, and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude promissory notes, non-convertible bonds, interest payable on non-convertible bonds, lease 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		CNG gas stations operation		Others		Total	
	Six months ended		Six months ended		Six months ended		Six months ended	
	30 September		30 September		30 September		30 September	
	2022	2021	2022	2021	2022	2021	2022	2021
HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	
(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	
Revenue from external customers	373,738	193,996	-	-	1,660	1,971	375,398	195,967
Inter-segment revenue	-	-	-	-	-	-	-	-
Reportable segment revenue	373,738	193,996	-	-	1,660	1,971	375,398	195,967
Reportable segment loss	(493,837)	(750,209)	(207)	(345)	(7,662)	(9,334)	(501,706)	(760,488)
Adjusted EBITDA (Note)	320,929	151,623	(67)	1,141	(446)	(413)	320,416	152,351
Amortisation of concession intangible asset	274,726	355,686	-	-	-	-	274,726	355,686
	At	At	At	At	At	At	At	At
	30 September	31 March	30 September	31 March	30 September	31 March	30 September	31 March
	2022	2022	2022	2022	2022	2022	2022	2022
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
Reportable segment assets	8,810,159	9,221,763	12,820	18,438	246,465	278,399	9,069,444	9,518,600
Reportable segment liabilities	(16,388,221)	(17,960,684)	(957)	(1,075)	(110,488)	(119,010)	(16,499,666)	(18,080,769)

Note: Adjusted EBITDA is defined as earnings before finance costs, taxation, depreciation, amortisation, gain on extinguishing financial liabilities by issuing new shares and non-cash change in values of assets and liabilities.

**4. SEGMENT INFORMATION** *(Continued)***(b) Reconciliation of reportable segment results**

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2022</b>	2021
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Reportable segment loss		
before unallocated finance cost		
and income tax	<b>(501,706)</b>	(760,488)
Unallocated other income and		
other gains or losses	<b>(9,608)</b>	1,797
Unallocated finance costs	<b>(134,920)</b>	(122,489)
Net realised gain on disposal of		
financial assets at fair value		
through profit or loss	–	190
Gain on extinguishing financial		
liabilities by issuing new shares	–	267,880
Unallocated corporate expenses	<b>(8,716)</b>	(5,133)
Consolidated loss before income tax	<b>(654,950)</b>	(618,243)



**5. OTHER INCOME AND OTHER GAINS OR LOSSES**

	<b>Six months ended 30 September</b>	
	<b>2022</b>	2021
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Gain on disposal of property, plant and equipment	<b>225</b>	7
Interest income	<b>69</b>	29
Exchange (loss)/gain, net	<b>(11,908)</b>	1,422
Net realised gain on disposal of financial assets at fair value through profit or loss	–	190
Rental income	<b>926</b>	1,061
Others	<b>2,794</b>	59
	<b>(7,894)</b>	2,768

**6. FINANCE COSTS**

	<b>Six months ended 30 September</b>	
	<b>2022</b>	2021
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Interest expense and default interest expenses on bank and other borrowings	<b>523,988</b>	519,918
Interest expenses on lease liabilities	<b>133</b>	104
Default interest expenses on non-convertible bonds	<b>129,446</b>	110,192
Interest expenses on promissory notes	<b>2,959</b>	12,184
	<b>656,526</b>	642,398

## 7. LOSS BEFORE INCOME TAX

Loss before income tax is stated after charging/(crediting):

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2022</b>	2021
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Depreciation of property, plant and equipment	<b>25,355</b>	37,484
Depreciation of right-of-use assets	<b>5,180</b>	6,057
Amortisation of concession intangible asset included in cost of sales	<b>274,726</b>	355,686
Impairment loss on property, plant and equipment	–	1,253
Cost of inventories sold	<b>845</b>	35
Short-term lease payments	<b>2,067</b>	894
Staff costs (excluding directors' remuneration)		
– Salaries and allowances	<b>27,876</b>	28,926
– Defined contributions pension costs	<b>2,128</b>	2,872
	<b>30,004</b>	31,798

## 8. INCOME TAX EXPENSE

No provision has been made for Hong Kong Profits Tax as the Group did not have assessable profits subject to Hong Kong Profits Tax during the six months ended 30 September 2022 and 2021.

All of the Group's subsidiaries established and operating in the PRC are subject to PRC enterprise income tax of 25% during the six months ended 30 September 2022 (six months ended 30 September 2021: 25%), except for those explained below.

Pursuant to the rules and regulations in the PRC and with approval from tax authorities in charge, subsidiaries including 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, are qualified as forestry operation enterprise by the local tax authorities and so they are fully exempted from PRC enterprise income tax.

Inner Mongolia Zhunxing Heavy Haul Expressway Company Limited ("Zhunxing"), a subsidiary of the Company, was exempted from PRC enterprise income tax from 2014 to 2016 and was subject to 12.5% PRC enterprise income tax from 2017 to 2019. Pursuant to the document of "the Encouraged Industries in Catalogue of Industrial Structure Adjustment Guidance 2011 (revised)" issued by the National Development and Reform Commission on 27 July 2011, Zhunxing is entitled to the preferential tax rate of 15% for the six months ended 30 September 2022 and 2021.

## 9. DIVIDEND

The Directors of the Company do not recommend the payment of a dividend for the six months ended 30 September 2022 (six months ended 30 September 2021: 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**

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2022</b>	2021
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Loss for the purpose of basic and diluted loss per share	<b>(583,408)</b>	(517,808)
<b>Number of shares:</b>	<b>'000</b>	'000
	<b>(Unaudited)</b>	(Unaudited)
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<b>10,644,093</b>	8,291,576

Diluted loss per share is the same as basic loss per share as there was no dilutive potential ordinary share of the Company outstanding during the six months ended 30 September 2022 and 2021.

## 11. PROPERTY, PLANT AND EQUIPMENT

Impairment losses of approximately HK\$Nil (six months ended 30 September 2021: HK\$1,253,000) were recognised in respect of property, plant and equipment for six months ended 30 September 2022. During the six months ended 30 September 2022, additions to property, plant and equipment amounted to approximately HK\$1,357,000 (six months ended 30 September 2021: amounted to approximately HK\$1,382,000) and disposal of property, plant and equipment amounted to a net carrying amount of approximately HK\$149,000 (six months ended 30 September 2021: approximately HK\$3,600).

## 12. CONCESSION INTANGIBLE ASSET

	<b>At 30 September 2022 HK\$'000 (Unaudited)</b>	<b>At 31 March 2022 HK\$'000 (Audited)</b>
<b>Cost:</b>		
At 1 April 2022 and 1 April 2021	<b>20,667,790</b>	19,990,136
Exchange differences	<b>(1,879,120)</b>	677,654
<hr/>		
At 30 September 2022 and 31 March 2022	<b>18,788,670</b>	20,667,790
<hr/>		
<b>Accumulated amortisation and impairment:</b>		
At 1 April 2022 and 1 April 2021	<b>12,483,136</b>	7,755,025
Amortisation for the period/year	<b>274,726</b>	704,731
Impairment for the period/year	—	3,782,162
Exchange differences	<b>(1,683,582)</b>	241,218
<hr/>		
At 30 September 2022 and 31 March 2022	<b>11,074,280</b>	12,483,136
<hr/>		
<b>Net carrying amount:</b>		
At 30 September 2022 and 31 March 2022	<b>7,714,390</b>	8,184,654

**12. CONCESSION INTANGIBLE ASSET** *(Continued)*

Zhunxing entered into a service concession arrangement with a PRC local government authority 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 authority'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 road during the exclusive operating period. Zhunxing is entitled to operate the toll road 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 expires without any compensation 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 Arrangements".

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 market information in similar industry and management's experience.

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

No interest was capitalised to concession intangible asset during the six months ended 30 September 2022 and 2021.

**13. TRADE AND OTHER RECEIVABLES**

	<b>At 30 September 2022 HK\$'000 (Unaudited)</b>	At 31 March 2022 HK\$'000 (Audited)
Trade receivables	<b>896,381</b>	794,363
Less: Provision for impairment loss	<b>(5,628)</b>	(7,477)
<b>Trade receivables, net</b>	<b>890,573</b>	786,886
Other receivables	<b>145,049</b>	153,421
Other loan receivables	<b>58,995</b>	66,270
Prepayments	<b>16,242</b>	17,895
Deposits	<b>980</b>	1,908
Impairment allowance	<b>(160,459)</b>	(176,221)
<b>Prepayments, deposits and other receivables, net</b>	<b>60,807</b>	63,273

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 six months for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. Trade receivables are non-interest bearing.

**13. TRADE AND OTHER RECEIVABLES** *(Continued)*

During the year ended 31 March 2020, the Intermediate People's Court of Beijing Municipality (the "Beijing Court") ordered the Ministry of Transport of the PRC to withhold the Group's toll road income receivables as security for the overdue bank borrowings together with accrued interests, up to a maximum amount of RMB353,000,000 for three years with effect from 21 June 2019. Pursuant to a court order issued by the Beijing Court on 22 April 2020, the Beijing Court ordered to release a sum of RMB12,000,000 and RMB170,000 daily to the Group. On 15 April 2021, the Supreme People's Court of Inner Mongolia Municipality ordered the Ministry of Transport of the PRC to further withhold the Group's toll road income receivables as security for the other overdue bank borrowings together with accrued interests, up to a maximum amount of RMB8,838,000,000.

Pursuant to a court order issued by the Intermediate People's Court of Inner Mongolia Municipality (the "Inner Mongolia Intermediate Court") on 26 April 2021 and 26 April 2022 respectively, the Inner Mongolia Intermediate Court ordered to release a sum of RMB270,000,000 and RMB100,000,000 to the Group for the partial repayment of bank borrowing of Zhunxing. Pursuant to a court orders issued by the Inner Mongolia Intermediate Court on 12 July 2021, 22 November 2021, 8 March 2022 and 9 May 2022 respectively, the Inner Mongolia Intermediate Court ordered to release (i) RMB5,000,000 monthly from July 2021 to October 2021 and RMB5,500,000 monthly from November 2021 to June 2022 for the purpose of working capital of the Group and (ii) RMB1,200,000 monthly from May 2022 to September 2022 for the purpose of repair and maintenance of Zhunxing Expressway.

The Group considered that the toll road income receivables can be recovered in full, taking into consideration of the historical bad debt rate and the abilities of the Ministry of Transport of the PRC to settle the receivables and accordingly, no provision is required at 30 September 2022 and 31 March 2022.



**13. TRADE AND OTHER RECEIVABLES** *(Continued)*

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

	<b>At 30 September 2022 HK\$'000 (Unaudited)</b>	At 31 March 2022 HK\$'000 (Audited)
At 1 April 2022 and 1 April 2021	<b>7,477</b>	7,181
Reversal of impairment	<b>(527)</b>	–
Exchange differences	<b>(1,322)</b>	296
	<b>5,628</b>	7,477

Details of the ageing analysis of trade receivables of the Group (net of impairment loss) based on the invoice date, are as follows:

	<b>At 30 September 2022 HK\$'000 (Unaudited)</b>	At 31 March 2022 HK\$'000 (Audited)
Outstanding balances aged:		
0 to 30 days	<b>77,935</b>	55,843
31 to 60 days	<b>60,290</b>	17,530
61 to 90 days	<b>48,649</b>	36,980
Over 90 days	<b>703,699</b>	676,533
	<b>890,573</b>	786,886

**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:

	<b>At</b>	At
	<b>30 September</b>	31 March
	<b>2022</b>	2022
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Audited)
Neither past due nor impaired	<b>77,935</b>	55,843
30 to 90 days past due	<b>108,939</b>	54,510
Over 90 days past due	<b>703,699</b>	676,533
	<b>890,573</b>	786,886

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 below table reconciles the impairment loss of prepayment, deposits and other receivables for the period/year:

	<b>At</b>	At
	<b>30 September</b>	31 March
	<b>2022</b>	2022
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Audited)
At 1 April 2022 and 1 April 2021	<b>176,221</b>	252,826
Impairment loss recognised	–	105
Reversal of impairment	<b>(4,103)</b>	(83,148)
Exchange differences	<b>(11,659)</b>	6,438
At 30 September 2022 and 31 March 2022	<b>160,459</b>	176,221

**13. TRADE AND OTHER RECEIVABLES** *(Continued)*

Management assesses the expected loss allowance of prepayments, deposits and other receivables on an individual basis. The expected credit losses are assessed with reference to the credit status of the recipients and the past due status of doubtful debtors.

At 30 September 2022, other loan receivables represented the balance of an unsecured advance of RMB50,000,000 (31 March 2022: RMB50,000,000) made to a third party in August 2015 and the interest accrued thereon, totaling approximately HK\$58,995,000 (31 March 2022: HK\$66,270,000) which had been overdue since 2016 and accordingly, full impairment on the carrying balance of approximately HK\$58,995,000 (31 March 2022: HK\$66,270,000) was recognised.

**14. OTHER PAYABLES**

	<b>At 30 September 2022 HK\$'000 (Unaudited)</b>	At 31 March 2022 HK\$'000 (Audited)
Contract liabilities	<b>4,024</b>	4,755
Construction cost payable	<b>2,001,738</b>	2,238,135
Retention and guarantee deposits	<b>141,246</b>	158,601
Accrued and default interest on bank and other borrowings	<b>3,546,206</b>	3,425,491
Accrued and default interests on non-convertible bonds	<b>1,314,046</b>	1,184,600
Other deposits and accruals	<b>260,226</b>	283,165
Refundable earnest monies received from the Purchaser C <i>(Note b)</i>	<b>273,579</b>	273,579
	<b>7,541,065</b>	7,568,326

**14. OTHER PAYABLES** *(Continued)*

*Notes:*

- (a) The carrying amounts of other payables at the end of reporting period approximate their fair values.
- (b) On 30 December 2016, the Group and Purchaser C entered into a conditional agreement for the disposal of 18% equity interest in Zhunxing, pursuant to which, during the year ended 31 March 2018 and 2019, Purchaser C paid RMB80,000,000 (equivalent to HK\$97,272,000) and RMB145,000,000 (equivalent to HK\$176,307,000) to the Group as refundable earnest monies, respectively. These refundable earnest monies of approximately HK\$273,579,000 (31 March 2022: HK\$273,579,000) will be refundable by the Group to Purchaser C if the disposal transaction was not proceeded.

**15. PROMISSORY NOTE**

On 9 February 2010, the Company issued promissory note, with principal value of HK\$280,000,000, to China Alliance International Holding Group Limited (“China Alliance”).

The promissory note is unsecured and repayable by 14 quarterly instalments of HK\$20,000,000 each with interest accrued thereon payable on the last day of every three months after the issue of the promissory note. The promissory note bears coupon interests at 1.5% per annum payable quarterly. The Company may, by giving prior written notice to the note holder, repay in whole or in part the outstanding promissory note (in multiples of HK\$20,000,000) at any time and from time to time after the date of issue of the promissory note.

During the year ended 31 March 2011, the Group defaulted on repayment of the principal and interest of the promissory note.

Pursuant to the promissory note agreement, the promissory note holder was entitled to demand immediate repayment of any outstanding principal and accrued coupon interest. As a result, the carrying amount of promissory note plus accrued coupon interest of HK\$285 million was classified under current liabilities since 31 March 2011.

**15. PROMISSORY NOTE** *(Continued)*

On 23 May 2012, the Group and the promissory note holder signed a supplemental agreement pursuant to which the repayment terms of the promissory note were extended and the Group was required to pay a default interest at 0.05% per day (equivalent to annual interest rate of 18.25%) based on the outstanding principal amount and accrued coupon interest. At 31 March 2019, the cumulative default interest of HK\$368,345,000 had been accrued and separately presented under other payables and accruals.

On 16 April 2019, the promissory note, together with the accrued and default interests, was extinguished and replaced by new promissory notes of HK\$683,348,000, which are unsecured and bearing coupon interest at 5% per annum. The new promissory notes, including the outstanding principal amount and total accrued interest, will be repayable on 15 April 2024.

	<b>At 30 September 2022 HK\$'000 (Unaudited)</b>	At 31 March 2022 HK\$'000 (Audited)
At 1 April	<b>149,251</b>	750,372
Set off by share subscription	–	(618,697)
Settlement	<b>(34,895)</b>	–
Interest expense charged	<b>2,959</b>	17,576
As at 30 September/31 March	<b>117,315</b>	149,251

**16. BORROWINGS**

	<b>At 30 September 2022 HK\$'000 (Unaudited)</b>	At 31 March 2022 HK\$'000 (Audited)
Bank borrowings	<b>10,126,248</b>	11,497,127
Other borrowings	<b>467,053</b>	494,069
	<b>10,593,301</b>	11,991,196

At 30 September 2022, borrowings of the Group were repayable as follows:

	<b>At 30 September 2022 HK\$'000 (Unaudited)</b>	At 31 March 2022 HK\$'000 (Audited)
Within 1 year or on demand	<b>1,861,062</b>	1,869,927
After 1 year but within 2 years	<b>595,169</b>	626,361
After 2 years but within 5 years	<b>2,199,612</b>	2,393,767
After 5 years	<b>5,937,458</b>	7,101,141
	<b>8,732,239</b>	10,121,269
Total borrowings	<b>10,593,301</b>	11,991,196
Less: Current portion of borrowings due for repayment within one year	<b>1,861,062</b>	1,869,927
Non-current portion of borrowings subject to immediate demand repayment clause	<b>8,732,239</b>	10,121,269

**16. BORROWINGS** *(Continued)*

At 30 September 2022, borrowings of the Group were secured and guaranteed as follows:

		<b>At</b>	At
		<b>30 September</b>	31 March
		<b>2022</b>	2022
	<i>Notes</i>	<b>HK\$'000</b>	HK\$'000
		<b>(Unaudited)</b>	(Audited)
Secured	<i>(i)</i>	<b>10,153,248</b>	11,497,127
Unsecured	<i>(ii)</i>	<b>440,053</b>	494,069
		<b>10,593,301</b>	11,991,196

*Notes:*

- (i) At 30 September 2022 and 31 March 2022, the secured borrowings of the Group, together with the interest accrued thereon, were secured by (a) Zhunxing's rights to receive 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 a fair value of approximately HK\$21,272,000 (31 March 2022: approximately HK\$23,895,000), (c) the equity interests in 內蒙古准興高速服務區管理有限責任公司, (d) the equity interests in Zhunxing, (e) the equity interest in Cheer Lock Technology Limited, and (f) certain assets of Zhunxing.

At 30 September 2022 and 31 March 2022, the borrowings of the Group were also guaranteed by (a) the Company, (b) a non-controlling shareholder of Zhunxing, (c) a former director of the Company and his spouse and (d) Zhunxing.

- (ii) At 30 September 2022 and 31 March 2022, unsecured borrowings of the Group were guaranteed by (a) the Company, and (b) a wholly-owned subsidiary of the Company.
- (iii) The Group's available credit facilities as at 30 September 2022 amounted to approximately HK\$10,593,301,000 (31 March 2022: approximately HK\$11,991,196,000), out of which approximately HK\$10,593,301,000 (31 March 2022: approximately HK\$11,991,196,000) had been utilised.
- (iv) The bank and other borrowings of HK\$10,566,301,000 (31 March 2022: HK\$11,991,196,000) were overdue at 30 September 2022. On 29 October 2018, an independent third party lender commenced legal actions against the Company and the Group for immediate repayment of a total outstanding balance of other borrowing, accrued interests and accrued default interests of approximately RMB606,108,000 at 20 September 2018 (equivalent to approximately HK\$694,237,000), which was accumulated to approximately RMB973,557,000 (31 March 2022: approximately RMB921,070,000) (equivalent to approximately HK\$1,067,506,000 (31 March 2022: approximately HK\$1,134,491,000)) at 30 September 2022, for which a corporate guarantee has been issued by the Company.

**17. NON-CONVERTIBLE BONDS**

As at 30 September 2022 and 31 March 2022, 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:

	<b>Principal amounts</b>	<b>Coupon interests</b>	<b>Carrying amounts</b>	<b>Default interest payable</b>
	HK\$'000	HK\$'000	HK\$'000	(Note 14) HK\$'000
<b>As at 30 September 2022</b>				
<b>(Unaudited)</b>				
Bond A	<b>500,000</b>	<b>19,295</b>	<b>519,295</b>	<b>166,544</b>
Bond B	<b>500,000</b>	<b>45,083</b>	<b>545,083</b>	<b>162,274</b>
Bond C	<b>832,000</b>	<b>2,468</b>	<b>834,468</b>	<b>270,866</b>
Bond D	<b>1,500,000</b>	<b>182,556</b>	<b>1,682,556</b>	<b>487,888</b>
Bond E	<b>700,000</b>	<b>114,246</b>	<b>814,246</b>	<b>226,474</b>
	<b>4,032,000</b>	<b>363,648</b>	<b>4,395,648</b>	<b>1,314,046</b>
<b>As at 31 March 2022</b>				
<b>(Audited)</b>				
Bond A	500,000	19,295	519,295	151,251
Bond B	500,000	45,083	545,083	146,222
Bond C	832,000	2,468	834,468	246,292
Bond D	1,500,000	182,556	1,682,556	438,339
Bond E	700,000	114,246	814,246	202,496
	4,032,000	363,648	4,395,648	1,184,600



**17. NON-CONVERTIBLE BONDS** *(Continued)*

- (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.
  
- (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.

**18. SHARE CAPITAL**

	At 30 September 2022		At 31 March 2022	
	No. of shares '000	Amount HK\$'000 (Unaudited)	No. of shares '000	Amount HK\$'000 (Audited)
<b>Authorised:</b>				
<b>Ordinary shares of HK\$0.20 each</b>				
At 1 April 2021, 31 March 2022, 1 April 2022 and 30 September 2022	<b>20,000,000</b>	<b>4,000,000</b>	20,000,000	4,000,000
<b>Issued and fully paid:</b>				
<b>Ordinary shares of HK\$0.20 each</b>				
At 1 April 2021 and 1 April 2022	<b>10,644,093</b>	<b>2,128,819</b>	7,442,396	1,488,479
Issue of shares under subscription agreement (note a)	—	—	1,480,000	296,000
Issue of ordinary share under debt capitalisation agreement (note b)	—	—	1,613,484	322,697
Issue of ordinary share under share option scheme (note c)	—	—	108,213	21,643
At 30 September 2022 and 31 March 2022	<b>10,644,093</b>	<b>2,128,819</b>	10,644,093	2,128,819

**18. SHARE CAPITAL** *(Continued)*

*Notes:*

- (a) On 1 June 2021, the Company and the noteholder entered into a subscription agreement under which the Company agreed to issue and allot and the noteholder agreed to subscribe, 1,480,000,000 new shares at the subscription price of HK\$0.20 per subscription share. The subscription was completed on 18 June 2021. The subscription consideration was applied to set off against the Promissory Note with the carrying amount of HK\$296,000,000. Accordingly, no cash proceeds were received by the Company from the share subscription. Details of the subscription were disclosed in announcements of the Company dated 1 June 2021 and 18 June 2021.
  
- (b) On 1 December 2021, the Company and the noteholders entered into a debt capitalization agreement under which the Company agreed to issue and allot and the noteholder agreed to subscribe, 1,613,484,265 new shares at the subscription price of HK\$0.20 per subscription share. The subscription was completed on 28 December 2021. The subscription consideration was applied to set off against the Promissory Note with the carrying amount of approximately HK\$322,697,000. Accordingly, no cash proceeds were received by the Company from the Subscription. Details of the above were set out in the Company's announcement dated 1 December 2021, 2 December 2021, 15 December 2021 and 28 December 2021.
  
- (c) On 3 December 2021, a total of 108,212,950 share options were granted at the exercise price of HK\$0.20 per share and all the share options were exercised on 28 December 2021.

**19. OPERATING LEASES****Operating lease receivables – as a lessor**

During the six months ended 30 September 2022, the Group leases out CNG gas stations operation as a lessor of operating lease for which the rental income amounted to approximately HK\$545,000 (six months ended 30 September 2021: HK\$750,000).

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

	<b>At 30 September 2022 HK\$'000 (Unaudited)</b>	At 31 March 2022 HK\$'000 (Audited)
Within one year	<b>1,203</b>	1,231
In the second to fifth year, inclusive	<b>4,252</b>	4,393
Over five years	<b>9,657</b>	9,554
	<b>15,112</b>	15,178

**20. CAPITAL COMMITMENTS**

Capital commitments outstanding at 30 September 2022 not provided for in the Interim Financial Statements were as follows:

	<b>At 30 September 2022 HK\$'000 (Unaudited)</b>	At 31 March 2022 HK\$'000 (Audited)
Contracted but not provided for – acquisition of property, plant and equipment	<b>21,734</b>	24,160

**21. 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) Members of key management during the six months ended 30 September 2022 and 2021 comprised only of the directors of the Company whose remuneration is set out as follows:

	<b>Six months ended 30 September</b>	
	<b>2022</b>	2021
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Fee, basis salaries, allowances and other benefits	<b>120</b>	30
Retirement benefit scheme contributions	—	63
	<b>120</b>	93

**22. CONTINGENT LIABILITIES**

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 RMB603.80 million (31 March 2022: RMB603.80 million) at 30 September 2022. The Group considered, after having sought legal advices, that Zhunxing has valid grounds to defend against those unrecognized counterclaims for additional construction costs and accordingly, no additional provision is required at 30 September 2022 and 31 March 2022 respectively.

**23. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS**

The Interim Financial Statements were approved and authorised for issue by the Board on 12 December 2022.

# MANAGEMENT DISCUSSION AND ANALYSIS

## **BUSINESS REVIEW**

During the six months ended 30 September 2022, 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 ended 30 September 2022, 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. Zhunxing Expressway is strategically important to the energy resources logistics in the northern People’s Republic of China (the “PRC”) as it connects the major coal production area with the distribution centers in the region in a convenient and economical way.

According to the National Bureau of Statistics, the national coal consumption and supply during first quarter to third quarter 2022 exhibited an upward trend. The macroeconomy steadily resumed growth, coupled with the impact of various factors such as climate factors, hydropower output and the monthly imbalance of imported coal, resulting in phased market looseness or tightness in the relationship between coal supply and demand. Accordingly, coal prices fluctuated considerably. These economic factors of the coal market influenced the number of trucks using Zhunxing Expressway, and thus affecting the overall traffic volume of Zhunxing Expressway.

## MANAGEMENT DISCUSSION AND ANALYSIS

### **BUSINESS REVIEW** *(Continued)*

#### **Operation of Zhunxing Expressway** *(Continued)*

For the six months ended 30 September 2022, Zhunxing Expressway recorded an accumulated toll income of approximately HK\$373.74 million (approximately RMB323.54 million), representing an increase of approximately 92.65% from approximately HK\$194.00 million (approximately RMB161.03 million) for the last reporting period. The average daily toll revenue of Zhunxing Expressway during the period are as follows:

	Average daily toll revenue					
	(RMB in million)			(HK\$ in million)		
	Six months ended	Six months ended	YOY	Six months ended	Six months ended	YOY
	30 September 2022	30 September 2021		30 September 2022	30 September 2021	
Zhunxing Expressway	1.77	0.88	101.14%	2.04	1.06	92.45%

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. Apart from the economic factors aforementioned, other factors which hindered the growth of both traffic volume and toll income of Zhunxing Expressway during the period include but not limited to the following:

- (1) The traffic volume of Zhunxing Expressway has been adversely affected due to the implementation of strict transportation restrictions and boundary control in Mongolia since rapid spread of COVID-19 during 2022; and
- (2) The implementation of toll fee concession policy has had a negative impact on the overall toll revenue.

## MANAGEMENT DISCUSSION AND ANALYSIS

### **BUSINESS REVIEW** *(Continued)*

#### **Operation of Zhunxing Expressway** *(Continued)*

Zhunxing will carry on a number of measures to boost the growth in traffic volume and toll income of Zhunxing Expressway and attract more coal transport vehicles to utilise Zhunxing Expressway on a regular basis:

1. Fine-tune its business strategies to seek revenue growth in this competitive market environment:
  - (i) 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 previous 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
  - (ii) 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.
2. Strengthen daily management of Zhunxing Expressway by incorporating daily inspection, comprehensive inspection and special inspection to achieve a full coverage of vehicle inspection at the entrance and exit of toll stations, curbing the phenomenon of evasion and leakage of toll; and
3. Focus on marketing activities to grow customer base. Zhunxing will explore the cooperation opportunities with the neighboring logistic base and coal chemical enterprises and promote Zhunxing Expressway's advantageous position in bringing together a coal transport process that reinforces traffic fluency, cost saving and high efficiency.



## MANAGEMENT DISCUSSION AND ANALYSIS

### **BUSINESS REVIEW** *(Continued)*

#### **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.

The major factor attributes to the sales revenue of the forage is the level of local precipitation that affects the yield of the forage. Due to climate changes in recent years, especially affected by the multiple drastic changes in national temperature and the effect of cold currents since the second half of 2018, the production and sales of forage has been difficult to maintain at a sustainable level.

For the six months ended 30 September 2022, no sales income was recorded under the forage and agricultural product business (for the six months ended 30 September 2021: HK\$Nil) as the production of sorghum silage has ceased as a result of the significant drop in local precipitation since 2019 and the reduction in product price due to the domestic economic slowdown.

In light of the local climate condition and Xinze’s current operation, the management of Xinze considers that the forage production will require additional investment in extensive irrigation equipment and rebuild wells to recover and stabilize the productivity of the operation.

#### **Forest Operation**

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

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW

#### Revenue

The Group's unaudited revenue for the six months ended 30 September 2022 was approximately HK\$375.40 million, representing an increase of about 91.56% from approximately HK\$195.97 million for the last corresponding period. The Group's income was recognised under two reportable segments of the Group, namely expressway operations and others including electricity supply operations, contributed approximately HK\$373.74 million (99.56%) and HK\$1.66 million (0.44%) (for the six months ended 30 September 2021: HK\$194.00 million (98.99%) and HK\$1.97 million (1.01%)) respectively to the Group's consolidated revenue.

Toll income from expressway operations of approximately HK\$373.74 million (for the six months ended 30 September 2021: approximately HK\$194.00 million) constituted the mainstream of the Group's revenue for the six months ended 30 September 2022. The increase of about 92.65% in the toll revenue from the expressway operations during the period was mainly attributable to the factors as discussed in the "Business Review" section.

#### Cost of sales

The Group's cost of sales for the six months ended 30 September 2022 was approximately HK\$330.88 million, representing a decrease of about 20.40% from approximately HK\$415.66 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\$274.73 million (for the six months ended 30 September 2021: approximately HK\$355.69 million), (ii) the depreciation of fixed assets arising from the expressway operations of approximately HK\$20.92 million (for the six months ended 30 September 2021: approximately HK\$32.27 million), and (iii) the operating costs arising from the expressway operations of approximately HK\$27.05 million (for the six months ended 30 September 2021: approximately HK\$18.90 million).

#### Gross profit/(loss)

For the six months ended 30 September 2022, the Group's gross profit was approximately HK\$44.52 million (for the six months ended 30 September 2021: gross loss of approximately HK\$219.69 million).

## MANAGEMENT DISCUSSION AND ANALYSIS

### **EBITDA**

For the six months ended 30 September 2022, the Group recorded an increase EBITDA (defined as earnings before interest, tax, depreciation, amortization, gain on extinguishing financial liabilities by issuing new shares and non-cash changes in values of assets and liabilities) amounted to approximately HK\$302.21 million compared to the EBITDA of approximately HK\$149.59 million for the last corresponding period. The approximately 102.03% increase in EBITDA was primarily driven by the strengthened revenue from the expressway operations of the Group as discussed above. Detailed segment revenue and contribution to loss before income tax of the Group is shown in Note 4 to the unaudited condensed interim consolidated financial statements of the Group for the six months ended 30 September 2022 (the "Interim Financial Statements") in this report.

### **Loss for the period**

The Group's net loss for the six months ended 30 September 2022 was approximately HK\$654.95 million, representing an increase of about 5.94% from approximately HK\$618.24 million. The Group's net loss for the period was primarily contributed by the finance costs of the Group amounted to approximately HK\$656.53 million (for the six months ended 30 September 2021: approximately HK\$642.40 million) and the selling and administrative expenses amounted to approximately HK\$39.68 million (for the six months ended 30 September 2021: approximately HK\$32.72 million). The increase in net loss was mainly due to the absence of one-off gain on extinguishing financial liabilities by issuing new shares of HK\$267.88 million recognised during the six months ended 30 September 2021. The approximately 2.20% increase in finance costs of the Group was mainly due to the increase in default interest on bank borrowings and non-convertible bonds. The Group's selling and administrative expenses for the six months ended 30 September 2022 were primarily attributed to staff costs and benefits of approximately HK\$13.61 million (for the six months ended 30 September 2021: approximately HK\$19.55 million) and legal and professional fees of approximately HK\$15.69 million (for the six months ended 30 September 2021: approximately HK\$4.45 million).

The loss attributable to owners of the Company for the six months ended 30 September 2022 was approximately HK\$583.41 million (for the six months ended 30 September 2021: approximately HK\$517.81 million). The basic loss per share attributable to owners of the Company for the period was HK\$0.05 as compared with HK\$0.06 for the last corresponding period. No diluted loss per share was presented for the six months ended 30 September 2022 and 2021 as there were no dilutive potential ordinary shares of the Company outstanding during the periods.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 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 2022, the Group was in a net liabilities position of approximately HK\$13,411.68 million as compared to a net liabilities position of approximately HK\$14,398.68 million as at 31 March 2022.

As at 30 September 2022, contractual maturities based on contractual undiscounted cash flows of approximately HK\$22,526.71 million, HK\$0.56 million, HK\$127.37 million and HK\$4.26 million (31 March 2022: approximately HK\$23,951.61 million, HK\$0.01 million, HK\$162.81 million and HK\$4.74 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.

The gearing ratio of the Group, measured as total liabilities to total assets, was 245.16% as at 30 September 2022 (31 March 2022: 248.31%).

As at 30 September 2022, the Group had cash and bank balances of approximately HK\$53.96 million (31 March 2022: approximately HK\$41.40 million) and its available banking facilities were amounted to approximately HK\$10,593.30 million (31 March 2022: approximately HK\$11,991.20 million), which have been fully utilised (31 March 2022: approximately HK\$11,991.20 million).

### Borrowings

The Group's outstanding borrowings amounted to approximately HK\$10,593.30 million (31 March 2022: approximately HK\$11,991.20 million), represented approximately 46.77% of the Group's total liabilities as at 30 September 2022 (31 March 2022: 49.74%). Approximately HK\$467.05 million (31 March 2022: approximately HK\$494.07 million) of the Group's outstanding borrowings were charged at fixed rates.

## MANAGEMENT DISCUSSION AND ANALYSIS

### **LIQUIDITY REVIEW** *(Continued)*

#### **Borrowings** *(Continued)*

As the expressway operation is a capital intensive industry, the Group's outstanding borrowings amounted to RMB9,634.57 million (approximately HK\$10,564.30 million), were obtained and drawn down primarily for the construction of Zhunxing Expressway as at 30 September 2022. The syndicated loan facilities of RMB8,313.33 million (approximately HK\$9,115.57 million) (the "Syndicated Loans") granted by several PRC banks (the "Banks") in December 2012 were secured by Zhunxing's receivables of toll income. Furthermore, Zhunxing obtained and drawn down loan facilities amounted to RMB1,321.24 million (approximately HK\$1,448.74 million) from several authorised financial institutions in the PRC, of which RMB921.74 million (approximately HK\$1,010.68 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.

As part of the asset restructuring process with the Banks (as set out in the "Material Events" section), the Syndicated Loans were regarded as default before the derecognition of the Syndicated Loans by the Banks. As at 30 September 2022, the Group's outstanding borrowings were all classified under current liabilities.

#### **Significant investments, acquisitions and disposals**

During the six months ended 30 September 2022, the Group did not have any significant investments, acquisitions or disposals of subsidiaries, associates or joint ventures during the period.

#### **Capital Commitments**

The Group's capital commitments outstanding as at 30 September 2022 decreased by approximately 10.02% to approximately HK\$21.74 million (31 March 2022: approximately HK\$24.16 million), representing the capital expenditure arising from the acquisition of property, plant and equipment.

#### **Going Concern**

During the six months ended 30 September 2022, the Group suffered a net loss of approximately HK\$654.95 million (for the six months ended 30 September 2021: approximately HK\$618.24 million), and as at the end of the reporting period, the Group had net current liabilities of approximately HK\$21,525.14 million (31 March 2022: approximately HK\$23,048.57 million) and net liabilities of approximately HK\$13,411.68 million (31 March 2022: approximately HK\$14,398.68 million).

## MANAGEMENT DISCUSSION AND ANALYSIS

### **LIQUIDITY REVIEW** *(Continued)*

#### **Going Concern** *(Continued)*

As at 30 September 2022, the Company was in default in the repayment of borrowings of approximately HK\$10,566.30 million (31 March 2021: approximately HK\$11,991.20 million) and the non-convertible bonds with aggregate carrying amounts of approximately HK\$4,395.65 million (31 March 2022: approximately HK\$4,395.65 million). These debts, together with the outstanding default interests accrued thereon of approximately HK\$4,857.95 million (31 March 2022: approximately HK\$4,610.09 million), totaling approximately HK\$19,819.90 million (31 March 2022: approximately HK\$20,996.94 million) are classified under current liabilities as at 30 September 2022. These conditions indicate the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern and therefore, the Group may not be able to realise its assets and discharge its liabilities in the normal course of business.

In view of the circumstances, the Board has undertaken and/or is in the progress of implementing various measures (the "Measures") to improve the Group's liquidity position as set out in Note 1 to the Interim Financial Statements in this report and the below section headed "Action Plan To Address The Audit Qualification". Up to the date of this report, the Measures have not been completed. Assuming the successful implementation of the 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. Accordingly, the Interim Financial Statements have been prepared on a going concern basis.

#### **Treasury Policy**

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

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

### **MATERIAL EVENTS**

#### **Requisition by Shareholders**

The Board received the requisition notice on 24 February 2022 from HKSCC Nominees Limited as the nominee holder for Keyword Group Limited (the "Requisitionist") requesting the Board to convene an extraordinary general meeting ("EGM") for considering and, if thought fit, passing various ordinary resolutions for removal and appointment of Directors. Details on the shareholder's requisition are set out in the circular and notice of EGM of the Company dated 16 March 2022.

The EGM was held on 17 June 2022, all resolutions proposed by the Requisitionist were not duly passed by the Shareholders by way of poll at the EGM. Details on the EGM poll results please refer to announcement dated 17 June 2022.

#### **Update on Debt Restructuring**

As at 30 September 2022, the Group has borrowings in the total amount of approximately HK\$10,593.30 million. Such borrowings mainly consisted of Syndicated Loans of approximately RMB8,313.33 million (equivalent to approximately HK\$9,115.57 million) granted by several PRC Banks in December 2012. As announced by the Company on 5 September 2019, the Company was informed that the Banks intended to optimise their loan portfolios by derecognising and reorganising the Syndicated Loans by legal process to other interested parties. However, the Banks must go through certain legal proceedings with the Group including filing of civil actions, court-directed mediations, entering into of settlement agreement(s), execution(s) of settlement agreement(s) and derecognition of the Syndicated Loans. By the end of December 2019, settlement agreements have been entered into between the Banks and the Group. After several communication with the Banks, the Group was given to understand that the derecognition of the Syndicated Loans would initiate in June 2020.

## MANAGEMENT DISCUSSION AND ANALYSIS

### **MATERIAL EVENTS** *(Continued)*

#### **Update on Debt Restructuring** *(Continued)*

On 10 May 2022, the Intermediate People's Court of Ulanqab Inner Mongolia Autonomous Region (內蒙古自治區烏蘭察布市中級人民法院) (the "Court") decided that Zhunxing is an entity that is suitable for restructuring and thus accepted the winding up and restructuring application of Zhunxing by China Development Bank for the said bank to restructure Zhunxing. The restructure of Zhunxing is expected to complete in June 2023. On 25 August 2022, the Court issued a written decision that Beijing Tian Tai Law Firm\* 北京天馳君泰律師事務所 has been appointed as the administrator, and Zhunxing has applied to the Court to continue operating and manage business affairs on its own. Zhunxing or the administrator shall submit a restructuring proposal to the Court and the creditors within 6 months (extension of 3 more months may be granted) after the date of the court order. Upon approval of the restructuring proposal by the Court, the indebtedness of Zhunxing could be reduced to manageable level.

The Group had conducted various communications with the Banks on the timing of the asset restructuring including the timeline of the derecognition of the Syndicated Loans, and based on these communications, the Board is of the view that the estimated completion timing of the asset restructuring of 30 June 2023 is feasible.

During the process of asset restructuring of Zhunxing, the Banks and another PRC bank lender (the "Lenders") applied to freeze Zhunxing's receivables of toll income, details of which are set out in Note 12 to the consolidated financial statements in this report. The Lenders intend to enter into a settlement agreement with the Group and the negotiation on the settlement agreement is expected to commence following the Banks' derecognition of the Syndicated Loans.



## MANAGEMENT DISCUSSION AND ANALYSIS

### **MATERIAL EVENTS** *(Continued)*

#### **Outstanding Non-convertible Bonds**

As at the date of this report, 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:

<b>Holders of Outstanding Bonds</b>	<b>Principal amount (HK\$)</b>	<b>Maturity date</b>	<b>Default interest rate as at 30 September 2022 (per annum)</b>
China Life Insurance (Overseas) Company Limited	800,000,000	10 February 2016	5.125%
China Life Insurance (Overseas) Company Limited	700,000,000	24 January 2017	5.125%
Cross-Strait Capital Limited	32,000,000	10 February 2016	5.125%
Popcorn Industries Limited <i>(Note)</i>	36,000,000	3 March 2016	5.125%
Popcorn Industries Limited <i>(Note)</i>	35,000,000	3 September 2016	5.125%
Li Ka Shing (Canada) Foundation	464,000,000	3 March 2016	5.125%
Li Ka Shing (Canada) Foundation	465,000,000	3 September 2016	5.125%
Strait Capital Service Limited	800,000,000	24 January 2017	5.125%
Strait CRTG Fund, L.P.	700,000,000	24 January 2017	5.125%
<b>Total</b>	<b>4,032,000,000</b>		

*Note:* Popcorn Industries Limited being wholly-owned by Dr. Lo Ka Shui.

The Group is negotiating with its creditors, including but not limited to the holders of the Outstanding Bonds, for possible standstill or rescheduling of the repayment of debts owing by the Group. Up to the date of this report, no agreement has been reached.

### **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 acting as vendor, entered into a disposal agreement 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) (“Disposal Agreement A”) with an option to buy back (the “Disposal A”).

On 18 December 2017, Cheer Luck and Purchaser A entered into a supplemental agreement to amend the aforesaid consideration to RMB1,145.00 million (equivalent to approximately HK\$1,282.40 million) pursuant to a valuation report (the “Consideration A”). A fund company, Wulanchabu Zhongshi Yuanheng Logistics Management Centre (Limited Partnership)\* (烏蘭察布市中實源恆物流產業管理中心(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. 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).

On 16 April 2018, the Disposal Agreement A and all the transactions contemplated thereunder were approved at the extraordinary general meeting of the Company. As at the date of this report, 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

### **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**

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) Hohhot Economic and Technological Development Zone Investment and Development Group Co. Ltd.\* (呼和浩特經濟技術開發區投資開發集團有限公司), 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) Hohhot Huizeheng Investment Co. Ltd.\* (呼和浩特惠則恒投資有限責任公司) (“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) Deyuan Xingsheng Industrial Co. Ltd.\* (德源興盛實業有限公司), 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”).

Up to the date of this report, an aggregate of RMB225,000,000 (equivalent to approximately HK\$273,579,000) 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

### **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)*

As at the date of this report, the three purchasers have not prepared the terms of the supplemental agreements and no revised timetable has been agreed. Each of the above disposal agreements is not inter-conditional and shall be completed separately. In light of the recent challenging economic environment arising from the outbreak of COVID-19 epidemic, the progress on the proposed disposals of the 71% equity interests in Zhunxing has been in a standstill position. Given the Company's imminent funding needs, the Board is of the view that continuing to pursue the above proposed disposals of Zhunxing may not be in the interest of the Company and its shareholders as a whole, and is considering to terminate the above disposal agreements. The Company will actively seek other potential purchasers to dispose the 71% equity interests in Zhunxing and the proceeds will be used to repay partially the principal amounts of the Outstanding Bonds. Further announcement(s) will be made by the Company as and when appropriate.

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 12 August 2019 and the circular of the Company dated 26 March 2018.

### **PROSPECTS**

In light of the unprecedented negative business outlook from COVID-19 epidemic and its aftermath, the Group expects that the business environment and outlook for the coming financial year will remain highly challenging and uncertain. The Group will continue to review its existing business from time to time and take appropriate measures to tackle any possible impacts.

To encourage a steady and healthy development of the coal industry, the PRC will implement measures to amplify coal supply, stabilize coal prices, regulate the coal import rhythm and coordinate coal transportation, which in turn is expected to bring about an upturn in the transportation industry. Coupling with the forthcoming development of Zhunxing Expressway, the traffic volume and toll income of Zhunxing Expressway are expected to grow.

## MANAGEMENT DISCUSSION AND ANALYSIS

### **PROSPECTS** *(Continued)*

Since the outbreak of the COVID-19 epidemic, a wide range of prevention and control measures have been adopted throughout the PRC to curb the disease. To mitigate the impact of the COVID-19 epidemic outbreak on the Group, the management of the Group will continue to implement appropriate workplace controls to protect the employees and cost control measures such as renegotiating contracts with suppliers or service providers to improve the Group's liquidity position.

Given the Company's imminent funding needs to meet its short-term financial obligations, the Company will prioritize on exploring all possible avenues, including but not limited to right issue, open offer, placing of new shares and issuance of new convertible bonds, disposing assets of the Group and identifying other purchasers to dispose the interest in Zhunxing, to generate capitals to repay the Outstanding Bonds and other outstanding borrowings. The Board will continue to look out for opportunities to strengthen the Group's financial position and strive to maximize the benefits of the Shareholders as a whole.

### **ACTION PLAN TO ADDRESS THE AUDIT QUALIFICATION**

The auditor of the Company did not express an opinion on the consolidated financial statements of the Group for the years ended 31 March 2022 and the three preceding financial years due to the potential interaction of the multiple uncertainties relating to going concern and their possible cumulative effect on the consolidated financial statements.

In order to address the issues, up to the date of this report, the Group has taken and will continue to implement the following Measures under the Group's action plan to improve the Group's liquidity position, including:

1. The Group actively cooperated with the Banks to go through legal proceedings under the asset restructuring and maintained communications with the Banks on their progress on the derecognition of the Syndicated Loans. Up to the date of this report, the asset restructuring is still ongoing.
2. The Group conducted meeting with its other creditors, including but not limited to the holders of the Outstanding Bonds with aggregated principal amount of HK\$4,032.00 million, to negotiate on possible standstill or rescheduling of the repayment of debts owing by the Group. Up to the date of this report, no agreement has been reached.

## MANAGEMENT DISCUSSION AND ANALYSIS

### **ACTION PLAN TO ADDRESS THE AUDIT QUALIFICATION** *(Continued)*

3. The Company had preliminary discussions with (a) potential purchasers to dispose, with arrangement to buy back, a certain proportion of equity interests in Zhunxing to repay partially the Outstanding Bonds and other outstanding borrowings; and (b) potential investors to raise funds for financing the Group's working capital by way of share placing. Up to the date of this report, no agreement has been reached.

As at the date of this report, none of the above Measures have been completed. As the above Measures involve on-going negotiations and communications with various external parties, potential purchasers and creditors, it is difficult to define a definite timetable on the completion of the Measures under the action plan. Notwithstanding, the Board will strive to complete the above Measures before the financial year ending 31 March 2023.

### **NEXT FINANCIAL STATEMENTS**

Based on the Company's discussion with the Auditor, as the Audit Qualification relates to the Company's ability to continue as a going concern, in preparing the financial statements for the year ending 31 March 2023, the Board will be responsible for assessing the Company's ability to continue as a going concern and the appropriateness of preparing the Group's consolidated financial statements on a going concern basis with reference to the conditions and circumstances as at 31 March 2023. The Auditor will obtain sufficient appropriate audit evidence to assess the appropriateness of the Board's application of going concern basis in preparing the Group's consolidated financial statements, and based on the audit evidence obtained, to determine whether multiple uncertainties exist in relation to the Company's going concern issue.

The Board's assessment of the Group's ability to carry on as a going concern as at 31 March 2023 will take into consideration the relevant conditions and circumstances, and also a then cash flow forecast of the Group for a period covering not less than twelve months from the date of approval of the consolidated financial statement for the year ending 31 March 2023.

After discussion with the Auditor, the Board expects that the financial statement of the Group for the year ending 31 March 2023 will be free of the Audit Qualification if all the Measures are successfully implemented as planned, sufficient and appropriate audit evidence is obtained by the Auditor and the Board is satisfied that the Company can continue business as a going concern, barring any unforeseen circumstances.

## MANAGEMENT DISCUSSION AND ANALYSIS

### **CHARGES ON ASSETS**

As at 30 September 2022, 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), (iii) Cheer Luck Technology Limited, and (iv) Zhunxing to secure part of the Group's borrowings.

### **CONTINGENT LIABILITIES**

Save as disclosed in Note 13 to the Interim Financial Statements in this report, the Group did not have any material contingent liabilities as at 30 September 2022.

### **DIVIDEND**

The Directors do not recommend any dividend for the six months ended 30 September 2022 (for the six months ended 30 September 2021: HK\$Nil).

### **EMPLOYEES**

The Group had approximately 374 employees in Hong Kong and the PRC as at 30 September 2022. The Group implements remuneration policy, bonus and share options scheme to ensure that pay scales of its employees are rewarded on performance-related basis within the general framework of the Group's remuneration policy.

### **SHARE OPTION SCHEME**

A share option scheme of the Company was adopted on 28 August 2014 (the "Scheme") pursuant to the approval by the Shareholders at the annual general meeting held on 28 August 2014. The 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 2022, no share option has been granted, exercised, cancelled or lapsed under the Scheme.

### **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

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 2022.

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

Save as disclosed below, as at 30 September 2022, 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 of the Company (the "Shares"), underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 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 Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), to be notified to the Company and Stock Exchange.

### Long positions in issued Shares and underlying Shares of the Company

Name of Directors	Capacity	As at 30 September 2022	
		Number of Shares and/or underlying Shares	Approximate % of total issued Shares (Note)
Gao Zhiping	Beneficial owner	23,634,865	0.22
Jiang Tao	Beneficial owner	24,920,550	0.23
Wang Gang	Beneficial owner	198,535,000	1.87

#### Notes:

Based on 10,644,093,185 Shares of HK\$0.20 each in issue as at 30 September 2022.



## SUBSTANTIAL SHAREHOLDERS

Save as disclosed below, as at 30 September 2022, 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.

### Long Position in issued Shares and underlying Shares of the Company

Name of substantial Shareholders	Capacity	As at 30 September 2022	
		Number of Shares and/or underlying Shares	Approximate % of total issued Shares (Note 4)
Mak Siu Hang Viola (Notes 1)	Interest in controlled corporation	843,340,000	7.92
VMS Investment Group Limited (Note 2)	Interest in controlled corporation	243,340,000	2.28
Focal Sunshine Limited (Note 2)	Beneficial owner	243,340,000	2.28
VMS Finance Group Limited (Note 3)	Person having a security interest in shares	600,000,000	5.63
Keywood Group Limited (Note 3)	Beneficial owner	600,000,000	5.63

Notes:

1. VMS Investment Group Limited and VMS Finance Group Limited are wholly-owned by Ms. Mak Siu Hang Viola. By reason of interests of controlled corporations within the meaning of Part XV of the SFO, Ms. Mak Siu Hang Viola is deemed to be interested in the 843,340,000 Shares held by these corporations.
2. Focal Sunshine Limited is wholly owned by VMS Investment Group Limited and is interested in 243,340,000 Shares. 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), VMS Investment Group Limited is deemed to be interested in the 243,340,000 Shares held by the corporation and is interested.
3. Keywood Group Limited is wholly owned by VMS Finance 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), VMS Finance Group Limited is deemed to be interested in the 600,000,000 Shares held by the corporation.
4. Based on 10,644,093,185 Shares of HK\$0.20 each in issue as at 30 September 2022.

### **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 2022 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 2022, in compliance with the Corporate Governance Code as set out in Appendix 14 (the "CG Code") of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The Board will review the corporate governance practice of the Company regularly and effect changes if necessary.

### **THE MODEL CODE**

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

### **AUDIT COMMITTEE**

The terms of reference of the Audit Committee was revised on 28 November 2011, 30 June 2016 and 28 June 2019 to bring them in line with the revised CG Code. The Audit Committee comprising all independent non-executive Directors of the Company, namely Ms. Xu Hui (Chairlady), 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 has reviewed and discussed with the management the financial reporting matters and the unaudited consolidated financial results for the six months ended 30 September 2022.

### **REMUNERATION COMMITTEE**

The terms of reference of the Remuneration Committee was revised on 2 December 2022 to bring them in line with the revised CG code. The Remuneration Committee comprising all INEDs of the Company, namely Mr. Jing Baoli (Chairman), Mr. Bao Liang Ming, Mr. Xue Baozhong and Ms. Xu Hui and an executive Director, Mr. Fung Tsun Pong, is responsible for the formulation and review of the remuneration policy of the Company, determine the specific remuneration packages of all executive Directors and senior management, and approve compensation and performance-based remuneration.

## MANAGEMENT DISCUSSION AND ANALYSIS

### OTHER CHANGES IN DIRECTORS' INFORMATION

Subsequent to the publication of the Annual Report 2022, other changes in Directors' information of the Company are set out as below:

- i. Ms. Chan Chu Hoi has resigned as an INED, the chairman of the Audit Committee, and a member of the Remuneration Committee and Nomination Committee of the Board with effect from 1 December 2022; and
- ii. Ms. Xu Hui was appointed as an INED, the chairman of the Audit Committee, and a member of the Remuneration Committee and Nomination Committee of the Board with effect from 5 December 2022.

### OTHER DISCLOSURE

Save as disclosed, the Group either has had no material changes from the information disclosed in the latest annual report of the Company or are considered not significant to the Group's operations, thus no additional disclosure has been made in this report.

### PUBLICATION OF RESULTS ON THE STOCK EXCHANGE'S WEBSITE

All the information required by paragraphs 46 of Appendix 16 to the Listing Rules will be published on the website of The Stock Exchange of Hong Kong Limited and the Company's website ([www.crtg.com.hk](http://www.crtg.com.hk)) in due course.

By order of the Board  
**China Resources and Transportation Group Limited**  
**Fung Tsun Pong**  
*Co-Chairman*

Hong Kong, 12 December 2022

*As at the date of this report, the Board comprises six executive Directors, namely Messrs Fung Tsun Pong, Lu Zhiming, Gao Zhiping, Jiang Tao, Duan Jingquan and Wang Gang; and four independent non-executive Directors, namely Messrs Jing Baoli, Bao Liang Ming, Xue Baozhong and Ms. Xu Hui.*

\* *For identification purpose only*