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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)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

INTERIM RESULTS

The board of directors (the “Board”) of China Resources and Transportation Group Limited (the “Company”) announces the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2016 and the unaudited consolidated statement of financial position of the Group as at 30 September 2016.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 September 2016

		Six months ended 30 September	
		2016	2015
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Revenue	3	408,175	1,490,772
Cost of sales and other direct operating costs		(481,882)	(1,590,465)
Gross loss		(73,707)	(99,693)
Gain on settling convertible bonds and non-convertible debt securities		–	38,182
Change in fair value of derivative financial instruments		–	26,423
Other income and other gains or losses	5	(5,155)	125,722
Selling and administrative expenses		(74,205)	(170,280)
Finance costs	6	(509,198)	(771,139)
Share of results of associates		7,169	1,279

		Six months ended	
		30 September	
		2016	2015
		HK\$'000	HK\$'000
	<i>Notes</i>	(Unaudited)	(Unaudited)
Loss before income tax credit	7	(655,096)	(849,506)
Income tax credit	8	125	617
Loss for the period		<u>(654,971)</u>	<u>(848,889)</u>
Loss for the period attributable to:			
– Owners of the Company		(599,733)	(762,611)
– Non-controlling interests		<u>(55,238)</u>	<u>(86,278)</u>
		<u>(654,971)</u>	<u>(848,889)</u>
		HK cents	HK cents
		(Unaudited)	(Unaudited)
Loss per share attributable to owners of the Company			
Basic and diluted	10	<u>(8.88)</u>	<u>(56.47)</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2016

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2016

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

		At 30 September 2016 <i>Notes</i> HK\$'000 (Unaudited)	At 31 March 2016 <i>HK\$'000</i> (Audited) (Restated)
CURRENT LIABILITIES			
Trade and other payables	12	1,823,963	1,813,083
Promissory note		309,194	306,892
Borrowings		899,396	843,578
Convertible bonds		3,268,399	3,189,853
Non-convertible debt securities		1,064,378	1,048,403
		7,365,330	7,201,809
Liabilities of a disposal group classified as held for sale		–	40,364
TOTAL CURRENT LIABILITIES		7,365,330	7,242,173
NET CURRENT LIABILITIES		(6,572,740)	(6,452,166)
TOTAL ASSETS LESS CURRENT LIABILITIES		10,555,927	11,461,233
NON-CURRENT LIABILITIES			
Borrowings		10,996,094	11,229,008
Deferred tax liabilities		10,293	10,811
Acreage fees payable		10,454	10,454
TOTAL NON-CURRENT LIABILITIES		11,016,841	11,250,273
TOTAL LIABILITIES		18,382,171	18,492,446
NET (LIABILITIES)/ASSETS		(460,914)	210,960
CAPITAL AND RESERVES			
Share capital		1,350,479	1,350,479
Reserves		(2,053,662)	(1,452,933)
Equity attributable to owners of the Company		(703,183)	(102,454)
Non-controlling interests		242,269	313,414
TOTAL (DEFICIT)/EQUITY		(460,914)	210,960

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

During the six months ended 30 September 2016, the Group suffered a loss of HK\$654,971,000 and at the end of reporting period, the Group's current liabilities exceeded its current assets by approximately HK\$6,572,740,000. In addition, the convertible bonds and non-convertible debt securities of HK\$832,000,000 and HK\$1,000,000,000 respectively were overdue as at 30 September 2016. The Company's default on settlement is a breach of the relevant loan covenants which caused the remaining balances of the convertible bonds and non-convertible debt securities to become also repayable on demand. In aggregate, the carrying amount of these convertible bonds and non-convertible debt securities which are immediately repayable was HK\$4,332,777,000 (the "Repayable Amount"). These conditions indicate the existence of a material uncertainty which may cast doubt on the Group's ability to continue as a going concern and therefore, the Group may not be able to realise its assets and discharge its liabilities in the normal course of business.

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

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

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

Should the going concern basis be considered inappropriate, adjustments would have to be made to write down the carrying amounts of the Group's assets to their estimated realisable values, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effects of these adjustments have not been reflected in the Interim Financial Statements.

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

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

The Interim Financial Statements contain unaudited condensed consolidated financial statements and selected explanatory notes. These notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the annual financial statements of the Group for the year ended 31 March 2016 (the “Annual Financial Statements”). The Interim Financial Statements thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (the “HKFRSs”) (which in collective term includes all applicable HKFRSs, Hong Kong Accounting Standards (the “HKASs”) and Interpretations) issued by the HKICPA.

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

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

2. ADOPTION OF NEW AND REVISED STANDARDS

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

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

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

Amendments to HKAS 16 and HKAS 41 Agriculture: Bearer Plants

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

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

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

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

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

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

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

Other than the above, the adoption of the new HKFRSs had no material effect on the results and financial position for the current or prior accounting periods which have been prepared and presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3. REVENUES

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

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

4. SEGMENT INFORMATION

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

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

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

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

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

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

(a) Reportable Segment

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

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

(b) Reconciliation of reportable segment loss

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

5. OTHER INCOME AND OTHER GAINS OR LOSSES

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

6. FINANCE COSTS

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

7. LOSS BEFORE INCOME TAX CREDIT

Loss before income tax credit is stated after charging:

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

8. INCOME TAX CREDIT

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

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

Zhunxing, a subsidiary of the Company, is entitled to a three-year exemption from PRC enterprise income tax followed by a 50% reduction in PRC enterprise income tax for subsequent three years (the “Tax Holiday”). As Zhunxing has started operations during the year ended 31 March 2014, the Tax Holiday has been started in 2014. Consequently, Zhunxing is exempted from PRC enterprise income tax rate from 2014 to 2016 and is subject to a 12.5% PRC enterprise income tax rate from 2017 to 2019.

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

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

The statutory tax rate for Hong Kong profits tax is 16.5% (six months ended 30 September 2015: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. No provision for the Hong Kong profits tax has been made as the Group did not earn any income subject to Hong Kong profits tax during the six months ended 30 September 2016 and 2015.

The subsidiaries in Guyana are liable to Guyana income tax at a rate of 45% (six months ended 30 September 2015: 45%). No provision for Guyana income tax has been made as the subsidiaries in Guyana sustained losses for taxation purposes for the six months ended 30 September 2016 and 2015.

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

9. DIVIDEND

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

10. LOSS PER SHARE

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

Loss attributable to owners of the Company

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

For the six months ended 30 September 2016 and 2015, the computation of diluted loss per share does not assume the conversion of the Company's outstanding convertible bonds as they had an anti-dilutive effect on the loss per share calculation.

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

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

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

11. TRADE AND OTHER RECEIVABLES

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

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

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

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

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

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

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

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

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

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

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

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

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

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

12. TRADE AND OTHER PAYABLES

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

Note:

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

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

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

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

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

13. SUBSEQUENT EVENTS

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

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

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

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

Proposed increase in authorised share capital

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

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

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

Operation of Zhunxing Expressway

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

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

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

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

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

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

Petroleum and Related Products Business

For the six months ended 30 September 2016, the Group through its wholly owned subsidiary, Shenzhenshi Qianhai Zitong Energy Company Limited (深圳市前海資通能源有限公司) (“Zitong Energy”) continued to focus on the development of the three ancillary business sectors under the petroleum business segment, namely (1) the traditional energy business sector based on refined petroleum trading, (2) the clean energy business sector based on contemporary coal chemicals, and (3) the new energy business sector based on CNG.

(1) Refined Petroleum Trading Business:

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

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

(2) Clean Energy Business:

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

(3) New Energy Business:

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

Forest Operation

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

Financial Review

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

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

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

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

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

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

Liquidity Review

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

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

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

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

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

During the period, the Group suffered a loss of HK\$654.97 million and at the end of the reporting period, the Group's current liabilities exceeded its current assets by approximately HK\$6,572.74 million. As at 30 September 2016, the Group was due to repay the principal amounts of HK\$832.00 million of convertible bonds payable on 10 February 2016 and the HK\$1,000.00 million of non-convertible debt securities in two tranches payable on 3 March 2016 and 3 September 2016 respectively and the related interests. In aggregate, the carrying amount of the convertible bonds and non-convertible debt securities which are immediately repayable on demand was approximately HK\$4,332.78 million if requested by the respective holders as a result of the potential cross-default events. These conditions indicate the existence of a material uncertainty which may cast doubt on the Group's ability to continue as a going concern and therefore, the Group may not be able to realise its assets and discharge its liabilities in the normal course of business. However, having considered the measures set out in Note 1 to the financial statements and the section headed "Updates on Remedial Measures on Going Concern" below, the Board is of the view that the Group will have sufficient working capital to meet its financial obligations as and when they fall due in the foreseeable future.

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

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

Material Events

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

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

- a) On 13 June 2016, the Company and Strait Fund entered into an amendment agreement, pursuant to which the maturity date and conversion rights were extended to 24 January 2017 with the conversion price being reset as HK\$0.20 per Share. The proposed amendments became effective on 21 July 2016 upon satisfying all the conditions precedent set out in the amendment agreement, including (1) the shareholders' approval and (2) the Stock Exchange approving (i) the proposed amendments and (ii) the listing on the Stock Exchange of conversion shares arising from the convertible bonds during the extended period. Further details on the proposed amendments are set out in the announcements dated 13 June 2016 and 19 July 2016, and the circular dated 29 June 2016 of the Company.
- b) On 10 August 2016, the Company and Strait Capital entered into an amendment agreement, pursuant to which the maturity date and conversion rights were extended to 24 January 2017 with the conversion price being reset as HK\$0.20 per Share. The proposed amendments were subject to (1) the approval by the shareholders, (2) all necessary consents and approvals required to be obtained on part of Strait Capital in respect of the proposed amendments, and (3) the Stock Exchange approving (i) the proposed amendments and (ii) the listing on the Stock Exchange of conversion shares arising from the convertible bonds during the extended period. Upon satisfying all the conditions precedent, the proposed amendments came into effect on 12 September 2016. Details on the proposed amendments are set out in the announcements dated 10 August 2016 and 8 September 2016, and the circular dated 23 August 2016 of the Company.

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

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

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

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

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

Proposed Increase In Authorised Share Capital

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

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

Prospects

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

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

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

Updates on Remedial Measures on Going Concern

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

Proposed amendments of the convertible bonds due in 2016 and 2018

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

Potential restructuring of convertible bonds and non-convertible debt securities

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

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

Proposed disposal of 86.87% equity interest in Zhunxing

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

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

CHARGES ON ASSETS

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

CONTINGENT LIABILITIES

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

DIVIDENDS

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

EMPLOYEES

The Group has approximately 537 employees in Hong Kong and PRC as at 30 September 2016. The Group ensures that the pay scales of its employees are rewarded on a performance rated basis within the general framework of the Group's remuneration policy.

SHARE OPTION SCHEME

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

A new share option scheme of the Company was adopted on 28 August 2014 (the "New Scheme") pursuant to the approval by the shareholders of the Company at the annual general meeting held on 28 August 2014. The New Scheme shall remain in force for a period of 10 years ending on 27 August 2024, unless otherwise terminated or amended.

As at 30 September 2016, the options to subscribe for 37,944,435 shares are valid, outstanding and exercisable till 15 October 2018 under the Old Scheme. The number of securities to be issued upon exercise of the options approved to each grantee is less than 1% of the Company's ordinary shares in issue. No options under the Old Scheme were exercised and thus no securities were issued during the period ended 30 September 2016.

As at 30 September 2016, no share option has been granted, exercised, cancelled or lapsed under the New Scheme.

SALE AND PURCHASE OF SHARES

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Save for the deviations as reported and discussed in the Corporate Governance Report as set forth in the Company's 2016 Annual Report, none of the Directors are aware of any information that would reasonably indicate that the Company is not, or was not throughout the period, in compliance with the Corporate Governance Code as set out in Appendix 14 (the "CG Code") of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The Board will review the corporate governance practice of the Company regularly and effect changes if necessary.

THE MODEL CODE

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

AUDIT COMMITTEE

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

OTHER CHANGES IN DIRECTORS' INFORMATION

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

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

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

OTHER DISCLOSURE

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

PUBLICATION OF RESULTS ON THE STOCK EXCHANGE'S WEBSITE

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

By order of the Board
China Resources and Transportation Group Limited
Cao Zhong
Chairman

Hong Kong, 24 November 2016

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