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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 2018

INTERIM RESULTS

The board of directors (the “**Board**”) of China Resources and Transportation Group Limited (the “**Company**”) announces the unaudited condensed consolidated results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 September 2018 and the unaudited consolidated statement of financial position of the Group as at 30 September 2018.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 September 2018

		Six months ended 30 September	
	Notes	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Revenues	3	408,264	362,097
Cost of sales and other direct operating costs		(377,543)	(344,851)
Gross profit		30,721	17,246
Other income and other gains or losses	5	6,277	432
Selling and administrative expenses		(62,550)	(70,735)
Finance costs	6	(605,173)	(463,494)
Gain on bargain purchase arising from acquisition of subsidiaries		–	3,702
Share of results of associates		–	(1,143)
Loss before income tax	7	(630,725)	(513,992)
Income tax (expense)/credit	8	(327)	1,681
Loss for the period		(631,052)	(512,311)

		Six months ended	
		30 September	
		2018	2017
<i>Notes</i>		<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
Loss for the period attributable to:			
– Owners of the Company		(566,726)	(469,798)
– Non-controlling interests		(64,326)	(42,513)
		<u>(631,052)</u>	<u>(512,311)</u>
		<i>HK\$</i>	<i>HK\$</i>
		(Unaudited)	(Unaudited)
Loss per share attributable to owners of the Company			
Basic and diluted	<i>10</i>	<u>(0.08)</u>	<u>(0.06)</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2018

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2018

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

		At 30 September 2018 <i>Notes</i> <i>HK\$'000</i> (Unaudited)	At 31 March 2018 <i>HK\$'000</i> (Audited)
CURRENT LIABILITIES			
Trade and other payables	12	3,629,647	3,596,578
Promissory note		315,003	315,003
Borrowings		581,480	722,332
Non-convertible bonds		4,395,648	4,395,648
TOTAL CURRENT LIABILITIES		8,921,778	9,029,561
NET CURRENT LIABILITIES		(8,654,909)	(8,802,905)
TOTAL ASSETS LESS CURRENT LIABILITIES		7,823,475	9,355,661
NON-CURRENT LIABILITIES			
Borrowings		10,924,613	11,930,290
Deferred tax liabilities		1,845	1,995
TOTAL NON-CURRENT LIABILITIES		10,926,458	11,932,285
TOTAL LIABILITIES		19,848,236	20,961,846
NET LIABILITIES		(3,102,983)	(2,576,624)
CAPITAL AND RESERVES			
Share capital		1,488,479	1,488,479
Reserves		(4,697,705)	(4,224,141)
Equity attributable to owners of the Company		(3,209,226)	(2,735,662)
Non-controlling interests		106,243	159,038
TOTAL DEFICIT		(3,102,983)	(2,576,624)

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

During the six months ended 30 September 2018, the Group incurred a loss of HK\$631,052,000 and as at 30 September 2018, the Group had net current liabilities and net liabilities of HK\$8,654,909,000 and HK\$3,102,983,000, respectively. The Company was in default in the repayment of the promissory note of HK\$315,003,000 and non-convertible bonds with aggregate carrying amount of approximately HK\$4,395,648,000. These debts, together with the outstanding default interests accrued thereon of approximately HK\$761,525,000, totalling approximately HK\$5,472,176,000 are classified under current liabilities at 30 September 2018. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and, in consequence, the Group may not be able to realise its assets and discharge its liabilities in the normal course of business.

In view of the above, the directors of the Company have undertaken and/or are in the progress of implementing the following measures to improve its liquidity position:

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

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

On 30 December 2016, Cheer Luck and 3 other independent third party parties, Purchaser B, Purchaser C and Purchaser D, entered into conditional disposal agreements pursuant to which Cheer Luck conditionally agreed to sell and each of Purchaser B, Purchaser C and Purchaser D conditionally agreed to acquire 18%, 18% and 10% equity interest of Zhunxing, at Consideration B, Consideration C and Consideration D, respectively, each of which will be determined with reference to the respective share of net assets of Zhunxing at 31 December 2016 based on another valuation to be prepared by another independent valuer jointly appointed by Purchaser B, Purchaser C and Purchaser D. Up to the date of approval of the unaudited condensed interim consolidated financial statements of the Group for the six months ended 30 September 2018 (the “**Interim Financial Statements**”), Purchaser C paid an aggregate of RMB225,000,000 (equivalent to HK\$273,578,000) refundable earnest monies which will be applied towards the settlement of the consideration for the disposal of 18% equity interest of Zhunxing when the relevant disposal agreement is completed. At 30 September 2018 and up to the date of approval of the Interim Financial Statements, Purchaser B, Purchaser C and Purchaser D are still in the progress of appointing their designated independent valuer to prepare another valuation report for the purpose of determining the considerations under the respective disposal agreements. Based on the terms of each of the above disposal agreements, Cheer Luck shall have an option to buy back, from each of Purchaser B, Purchaser C and Purchaser D, within five years after the completion of the respective disposals, at a consideration same as the proceeds of each of these disposals to be received by Cheer Luck with a guaranteed return to each of these purchasers of 4.5% per annum for the period commencing from the date of completion of each of these disposals to the date when each of the buy-back options is exercised by Cheer Luck.

The Group shall continue to exercise control over Zhunxing which will continue to be consolidated into the consolidated financial statements of the Group after the completion of these disposals.

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

(b) Exploring fund raising activities

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

Up to the date of approval of the Interim Financial Statements, the above measures have not yet been completed. Assuming the successful implementation of the above measures, the directors of the Company are of the opinion that the Group will have sufficient working capital to meet its financial obligations as and when they fall due in the next twelve months from date of approval for the Interim Financial Statements. Accordingly, the Interim Financial Statements have been prepared on a going concern basis.

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

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

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

The Interim Financial Statements contain unaudited condensed consolidated financial statements and selected explanatory notes. These notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the annual financial statements of the Group for the year ended 31 March 2018 (the “**Annual Financial Statements**”). The Interim Financial Statements thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (the “**HKFRSs**”) (which in collective term includes all applicable HKFRSs, Hong Kong Accounting Standards (the “**HKASs**”) and Interpretations) issued by the HKICPA.

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

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

2. ADOPTION OF NEW AND REVISED STANDARDS

The Group has adopted all of the new and revised standards, amendments and interpretations which are relevant to its operations and effective for the first time in the current period. The adoption of the new and revised standards, amendments and interpretations has had no significant impact on the accounting policies of the Group and did not require retrospective adjustments. Of these, the followings are relevant to the Interim Financial Statements:

- HKFRS 9 “Financial Instruments”, and
- HKFRS 15 “Revenue from Contracts with Customers”

HKFRS 9 “Financial Instruments”

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

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

	Unaudited	
	FVTPL	AFS
	<i>HK\$’000</i>	<i>HK\$’000</i>
Balance as at 31 March 2018 – HKAS 39	–	82,918
Reclassify non-trading equity instruments from available-for-sale investment (“AFS”) to fair value through profit or loss (“FVTPL”)	<u>82,918</u>	<u>(82,918)</u>
Balance as at 1 April 2018 – HKFRS 9	<u>82,918</u>	<u>–</u>

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

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

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

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

The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through other comprehensive income, contract assets under HKFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. Based on the historical experience of the Group, the default rates of the outstanding balances with customers are low. Hence, the adoption of HKFRS 9 does not have a significant impact on the Group’s impairment provisions. The historical credit losses are immaterial.

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

HKFRS 15 “Revenue from Contracts with Customers”

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

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

3. REVENUES

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

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

4. SEGMENT INFORMATION

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

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

- Expressway operations – the operations, management, maintenance and auxiliary facility investment of Zhunxing Expressway;
- Petroleum business – operations of CNG gas stations; and

- Others – sales of timber logs from tree plantation and outside suppliers, sales of seedlings, refined plant oil, sales of agricultural and forage products and electricity supply by solar power stations.

There was no inter-segment sale or transfer during the period (six months ended 30 September 2017: HK\$Nil). Central revenue and expenses are not allocated to the operating segments as they are not included in the measure of the segments' results that is used by the chief operating decision makers for assessment of segment performance. The measure used for reportable segment profit or loss is loss before interest and tax.

Segment assets exclude investment property in Australia, available-for-sale investments, amounts due from non-controlling shareholders of subsidiaries, cash and cash equivalents and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude promissory note, non-convertible bonds, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

(a) Reportable Segment

	Expressway operations		Petroleum business		Others		Total	
	Six months ended		Six months ended		Six months ended		Six months ended	
	30 September		30 September		30 September		30 September	
	2018	2017	2018	2017	2018	2017	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue from external customers	392,231	347,667	15,632	14,214	401	216	408,264	362,097
Inter-segment revenue	-	-	-	-	-	-	-	-
Reportable segment profit/(loss)	8,927	(13,224)	1,880	(2,397)	(20,836)	(7,685)	(10,029)	(23,306)
Amortisation of concession intangible asset	304,322	277,000	-	-	-	-	304,322	277,000
	At	At	At	At	At	At	At	At
	30 September	31 March	30 September	31 March	30 September	31 March	30 September	31 March
	2018	2018	2018	2018	2018	2018	2018	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
Reportable segment assets	16,008,037	17,590,394	71,775	71,496	434,682	490,256	16,514,494	18,152,146
Reportable segment liabilities	(14,209,308)	(15,417,283)	(849)	(857)	(168,771)	(174,838)	(14,378,928)	(15,592,978)

(b) Reconciliation of reportable segment results

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

5. OTHER INCOME AND OTHER GAINS OR LOSSES

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

6. FINANCE COSTS

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

7. LOSS BEFORE INCOME TAX

Loss before income tax is stated after charging:

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

8. INCOME TAX EXPENSE/(CREDIT)

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

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

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

For the six months ended 30 September 2018, the statutory PRC enterprise income tax rate applicable to all other subsidiaries established and operating in the PRC is 25% (six months ended 30 September 2017: 25%).

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

The statutory tax rate for Hong Kong profits tax is 16.5% (six months ended 30 September 2017: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. No provision for the Hong Kong profits tax had been made as the Group did not earn any income subject to Hong Kong profits tax during the six months ended 30 September 2018 and 2017.

The subsidiaries in Guyana are liable to Guyana income tax at a rate of 45% (six months ended 30 September 2017: 45%). No provision for Guyana income tax had been made as the subsidiaries in Guyana sustained losses for taxation purposes for the six months ended 30 September 2018 and 2017.

The subsidiaries in Australia are liable to Australian income tax at a rate of 30% (six months ended 30 September 2017: 30%). No provision for Australian income tax had been made as the subsidiaries in Australia sustained losses for taxation purposes for the six months ended 30 September 2018 and 2017.

9. DIVIDEND

The directors of the Company do not recommend the payment of a dividend for the six months ended 30 September 2018 (six months ended 30 September 2017: HK\$Nil).

10. LOSS PER SHARE

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

Loss attributable to owners of the Company

	Six months ended	
	30 September	
	2018	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss for the purpose of basic and diluted loss per share	<u>(566,726)</u>	<u>(469,798)</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>7,442,396</u>	<u>7,442,396</u>

For the six months ended 30 September 2018 and 2017, the computation of diluted loss per share does not assume the exercise of the Company's outstanding share options as the exercise prices of those options are higher than the average market price of shares.

11. TRADE AND OTHER RECEIVABLES

	At 30 September 2018 <i>HK\$'000</i> (Unaudited)	At 31 March 2018 <i>HK\$'000</i> (Audited)
Trade receivables	48,886	47,922
Less: Provision for impairment loss	<u>(5,635)</u>	<u>(5,939)</u>
Trade receivables, net	----- 43,251	----- 41,983
Other receivables	134,546	133,672
Loan receivables	61,305	67,210
Less: Provision for impairment loss	<u>(99,779)</u>	<u>(107,695)</u>
Other receivables, net	----- 96,072	----- 93,187
Deposits paid	3,428	3,601
Less: Provision for impairment loss	<u>(5)</u>	<u>(6)</u>
Deposit paid, net	----- 3,423	----- 3,595
Prepayments	17,239	14,744
Less: Provision for impairment loss	<u>(10,978)</u>	<u>(12,035)</u>
Prepayments, net	----- 6,261	----- 2,709
	<u>149,007</u>	<u>141,474</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 minimize 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 2018 <i>HK\$'000</i> (Unaudited)	At 31 March 2018 <i>HK\$'000</i> (Audited)
At 1 April 2018 and 1 April 2017	125,675	135,530
Add: Impairment loss recognised	–	96,518
Less: Reversal of impairment	–	(4,260)
Less: Release upon disposal of subsidiaries	–	(113,245)
Exchange differences	(9,278)	11,132
	<u>116,397</u>	<u>125,675</u>
At 30 September 2018 and 31 March 2018	<u>116,397</u>	<u>125,675</u>

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

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

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

	At 30 September 2018 <i>HK\$'000</i> (Unaudited)	At 31 March 2018 <i>HK\$'000</i> (Audited)
Neither past due nor impaired	19,686	16,488
30 to 90 days past due	1,319	25,495
Over 90 days past due	<u>22,246</u>	<u>–</u>
	<u>43,251</u>	<u>41,983</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 2018 <i>HK\$'000</i> (Unaudited)	At 31 March 2018 <i>HK\$'000</i> (Audited)
Neither past due nor impaired	<u>96,072</u>	<u>93,187</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.

12. TRADE AND OTHER PAYABLES

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

Notes:

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

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

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

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

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

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

13. CONTINGENT LIABILITIES

- (a) During the year ended 31 March 2018, a former shareholder of Zhunxing instituted a legal proceeding against Zhunxing to claim damage of approximately RMB250 million arising from the prior years' termination of an operating contract, which was purportedly made in 2008, for service areas of Zhunxing Expressway. The legal proceeding is in progress up to the date of approval of the Interim Financial Statements. The Group considered, after having sought legal advices, that Zhunxing shall has valid ground to set aside this claim and accordingly, no provision is required at 30 September 2018 and 31 March 2018 respectively.
- (b) During the year ended 31 March 2018, the PRC Supreme Court issued an order to set aside an earlier judgement in favour of Zhunxing by a local court, in relation to the proceeding first taken by Zhunxing against an independent third party contractor who subsequently counterclaimed against Zhunxing for additional construction costs and various damages under two construction contracts (as varied by supplemental agreements in 2011), against which, the Group has recognised approximately HK\$715.6 million (equivalent to RMB603.8 million) at 31 March 2018. The legal proceeding is in progress up to the date of approval of the Interim Financial Statements. The Group considered, after having sought legal advices, that Zhunxing has valid grounds to defend those unrecognized counterclaims for additional construction costs and accordingly, no additional provision is required at 30 September 2018 and 31 March 2018 respectively.

14. EVENTS AFTER THE REPORTING DATE

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

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

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

- (b) On 11 July 2017, the Company entered into a sale and purchase agreement (as amended by the first supplemental agreement on 23 February 2018 and the second supplemental agreement on 29 June 2018, the “**Sale and Purchase Agreement**”) with the independent third party vendors (the “**Vendors**”) for the acquisition of rights and power to control over, and the right to enjoy the economic benefits in, the pawn loan business operated by Target Group, through structured contracts (the “**Proposed Acquisition**”).

On 11 July 2017, the Company and certain independent third parties subscribers (the “**Subscribers**”) entered into a subscription agreement (as amended by the supplemental agreement on 29 June 2018, the “**Subscription Agreement**”), pursuant to which the subscribers have conditionally agreed to subscribe for 3,521,738,478 new shares of the Company at the issue price of HK\$0.23 per share of the Company with an aggregate consideration of HK\$809,999,850 (the “**Proposed Subscription**”).

The Company proposed to conduct a placing of 3,478,260,869 new shares at the issue price of HK\$0.23 per share (the “**Proposed Placing**”) which will be completed at completion of the Sale and Purchase Agreement to raise funds to repay part of the outstanding non-convertible bonds with the carrying amount of HK\$4,395,648,000 (the “**Outstanding Bonds**”) as at 30 September 2018.

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

Operation of Zhunxing Expressway

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

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

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

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

- (1) promoting the resolution of excess coal capacity and guiding enterprises to merge and reorganize, a number of coal mines were shut down in Inner Mongolia to strictly control the excess production from coal mines; and
- (2) under the influence of the national macroeconomic environment and environmental protection policies, vehicles travelling to the eastern part of Beijing now require to bypass, resulting in an increase in vehicles using other national highways.

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

- (1) strengthen the tracking of its competitors to cope with any new market changes brought by the toll collection network. Zhunxing continues to fine-tune its business strategies to seek revenue growth in this competitive market environment:
 - (i) promoting certain advantageous features of Zhunxing Expressway including its tunnel-free nature and the absence of hazardous chemical transport restrictions to attract specific customers;
 - (ii) brand building with optimized qualitative auxiliary services in catering and vehicle maintenance while taking advantage of the distance and toll of Zhunxing Expressway, with the objective to enhance customer loyalty with high-quality service, building a route with customer recognition;
 - (iii) executing a road maintenance program that is comprehensively planned and deployed under Zhunxing's policy to "normalize, standardize, and ensure the road conditions of Zhunxing Expressway preserve its best state". During the past four years, Zhunxing Expressway maintained good standards on road appearance and road condition, and thus fully realized the maintenance management objectives of "smooth, safe, comfortable and splendid" for an expressway; and
 - (iv) reinforcing a safe and expedient driving environment by implementing 24-hour patrol system to improve the service level and emergency response capability of the maintenance, road administration and traffic police personnel, with an aim to swiftly resolve spontaneous traffic incidents and minimize the time to restore traffic fluency on Zhunxing Expressway; and

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

Petroleum and Related Products Business

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

For the six months ended 30 September 2018, Leshan realised sales of CNG of approximately 5,046 km³ in total (for the six months ended 30 September 2017: 4,633 km³), amounted to approximately HK\$15.63 million (for the six months ended 30 September 2017: approximately HK\$14.21 million).

Forage and Agricultural Product Business

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

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

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

Forest Operation

With an aim to increase the cashflows of the Group, the Company will continue to look for opportunity to dispose its forestry related businesses in the People's Republic of China (the "PRC").

FINANCIAL REVIEW

Revenue

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

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

Cost of Sales

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

Gross Profit

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

EBITDA

For the six months ended 30 September 2018, the Group recorded an increased EBITDA (defined as earnings before interest, tax, depreciation, amortization and non-cash changes in values of assets and liabilities) amounted to approximately HK\$331.28 million compared to the EBITDA of approximately HK\$272.09 million for the last corresponding period. The 21.8% increase in EBITDA was primarily driven by the increased revenue from the expressway operations of the Group as discussed above. Detailed segment revenue and contribution to loss before income tax of the Group as shown in Note 4 to the unaudited condensed interim consolidated financial statements of the Group for the six months ended 30 September 2018 (the “**Interim Financial Statements**”) in this announcement.

Loss of the period

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

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

LIQUIDITY REVIEW

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

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

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

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

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

Borrowings

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

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

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

Capital Commitments

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

Going Concern

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

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

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

Treasury Policy

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

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

MATERIAL EVENTS

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

Sale and Purchase Agreement

On 11 July 2017, the Company entered into a sale and purchase agreement (as amended by a supplemental agreement on 23 February 2018, the “**Sale and Purchase Agreement**”) with CITIC Asset Management Corporation Ltd.* (中信資產管理有限公司) and 10 other vendors (the “**Vendors**”) for the acquisition of rights and power to control over, and the right to enjoy the economic benefits in, the pawn loan business operated by ZhongAn XinBang Asset Management Corporation Ltd* (中安信邦資產管理有限公司), its subsidiaries and branch companies, through structured contracts (the “**Proposed Acquisition**”). The Proposed Acquisition constitutes a reverse takeover for the Company under Rule 14.06(6)(a) of the Listing Rules and a connected transaction of the Company under Rule 14A.28 of the Listing Rules.

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

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

Subscription Agreement

On 11 July 2017, the Company and certain independent third party subscribers entered into a subscription agreement (the “**Subscription Agreement**”), pursuant to which the subscribers have conditionally agreed to subscribe for 3,521,738,478 new shares of the Company at the issue price of HK\$0.23 per share of the Company with an aggregate consideration of HK\$809,999,850 (the “**Proposed Subscription**”).

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

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

Placing Agreement

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

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

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

Outstanding Non-convertible Bonds

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

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

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

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

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

Disposal Agreement A

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

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

On 18 December 2017, Cheer Luck and Purchaser A entered into a supplemental agreement to Disposal Agreement A (“**Supplemental Agreement A**”), pursuant to which Consideration A has been adjusted from RMB1,125.00 million (equivalent to approximately HK\$1,260.00 million) to RMB1,145.00 million (equivalent to approximately HK\$1,282.40 million) pursuant to a valuation report. A fund company, Ulanqab Zhongshi Yuanheng Logistics Management Centre (Limited Partnership)* (烏蘭察布市中實源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.

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

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

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

Disposal Agreement B, C and D

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

- (i) 呼和浩特經濟技術開發區投資開發集團有限責任公司 (Hohhot Economic and Technological Development Zone Investment and Development Group Co. Ltd.*) (**“Purchaser B”**), for the sale and purchase of 18% equity interest of Zhunxing at a consideration equals to 18% of the net asset value of Zhunxing as at 31 December 2016 (**“Disposal Agreement B”**);
- (ii) 呼和浩特惠則恒投資有限責任公司 (Hohhot Huizeheng Investment Co. Ltd.*) (**“Purchaser C”**), for the sale and purchase of 18% equity interest of Zhunxing at a consideration equals to 18% of the net asset value of Zhunxing as at 31 December 2016 (**“Disposal Agreement C”**); and
- (iii) 德源興盛實業有限公司 (Deyuan Xingsheng Industrial Co. Ltd.*) (**“Purchaser D”**), for the sale and purchase of 10% equity interest of Zhunxing at a consideration equals to 10% of the net asset value of Zhunxing as at 31 December 2016 (**“Disposal Agreement D”**).

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

Up to the date of the Interim Financial Statements, an aggregate of RMB225,000,000 (equivalent to HK\$273,578,000) refundable earnest monies were paid by Purchaser C to facilitate further negotiation in respect of the disposal of 18% equity interest 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.

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

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

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

Demand notices from a PRC Creditor

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

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

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

PROSPECTS

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

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

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

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

CHARGES ON ASSETS

As at 30 September 2018, the Group has pledged the equity interests in (i) Inner Mongolia Berun New Energy Company Limited* (內蒙古博源新型能源有限公司); (ii) Inner Mongolia Zhunxing Expressway Service Areas Management Company Limited* (內蒙古准興高速服務區管理有限責任公司); and (iii) Zhunxing to secure part of the Group's borrowings.

CONTINGENT LIABILITIES

Save as disclosed in Note 13 to the Interim Financial Statements in this announcement, the Group did not have any material contingent liabilities.

DIVIDEND

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

EMPLOYEES

The Group had approximately 454 employees in Hong Kong and the PRC as at 30 September 2018. The Group implements remuneration policy, bonus and share options schemes to ensure that its employees are rewarded on performance-related basis within the general framework of the Group's remuneration policy.

SHARE OPTION SCHEME

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

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

As at 30 September 2018, the options to subscribe for 34,833,324 shares are valid, outstanding and exercisable till 15 October 2018 under the Old Scheme. The number of securities to be issued upon exercise of the options approved to each grantee is less than 1% of the Company's ordinary shares in issue. No options under the Old Scheme were exercised and thus no securities were issued during the period ended 30 September 2018.

During the six months ended 30 September 2018, 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 2018.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Save for the deviations as reported and discussed in the Corporate Governance Report as set forth in the Company's 2018 Annual Report, none of the Directors are aware of any information that would reasonably indicate that the Company was not throughout the period ended 30 September 2018, in compliance with the Corporate Governance Code as set out in Appendix 14 (the "**CG Code**") of the 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 consolidated financial results for the six months ended 30 September 2018.

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, 23 November 2018

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.